



## Life Insurance as a Family Financial Protection Instrument: A Legal and Practical Study

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<p><b>Article History</b> Received: 2026-05-12 Revised: 2026-05-23 Published: 2026-05-30</p> <p><b>Keywords:</b> <i>Life Insurance; Financial Protection; Insurance Agreement; Legal Certainty; Family</i></p>	<p>Life insurance is a crucial instrument for providing financial protection for families, particularly in the event of the death of the primary breadwinner. This study aims to examine the role of life insurance as a means of family financial protection from a legal perspective and its practical application. The study focuses on the legal standing of the parties in a life insurance agreement, the implementation of claims, and their legal implications for family protection. The research method used is normative legal research with a statutory and conceptual approach. Data were obtained through a literature review of laws and regulations, legal literature, and documents related to life insurance. The research stages include collecting legal materials, analyzing relevant legal provisions, and drawing conclusions based on the results of the study. The results indicate that life insurance plays a strategic role in maintaining family economic stability and providing legal certainty for beneficiaries. However, in practice, problems remain, particularly related to policyholder understanding and the insurance claims process. The discussion emphasizes the importance of clear agreements, information transparency, and legal education for life insurance to function optimally as an instrument of financial and legal protection for families.</p>

### I. INTRODUCTION

Family life is highly dependent on financial stability. In many families, one or two individuals are the primary breadwinners, providing for daily needs, such as food, children's education, and healthcare. Problems often arise when unexpected events occur, such as serious illness or death. These circumstances can lead to financial hardship for families without adequate financial preparation. (Sylviana, 2023).

Life insurance is one way to help families cope with these risks. Through life insurance, individuals can provide financial protection for their families in the event of an unforeseen event. The benefits provided by life insurance are expected to help families continue living and meet basic needs after the loss of a breadwinner.

In practice, life insurance is increasingly used by the public. However, there is still a perception that life insurance only benefits insurance companies and is difficult to cash in. This perception stems from a lack of public understanding of the contents of insurance

contracts and the legal regulations governing them. As a result, numerous problems arise between policyholders and insurance companies, particularly when filing claims.

From a legal perspective, life insurance is a form of agreement that creates rights and obligations for both parties. The insurance company is obligated to provide benefits as agreed, while the policyholder is obligated to fulfill the agreed-upon terms, such as premium payments. Therefore, understanding the legal aspects of life insurance is crucial to avoid future misunderstandings. (Rohmatika, 2023).

Furthermore, the application of life insurance in everyday life also needs to be examined to determine its compliance with applicable regulations. A review of life insurance practices can provide insight into whether the promised protection is truly being enjoyed by the families as beneficiaries.

Based on this, this article discusses life insurance as a family financial protection instrument, examining its legal and practical aspects. It is hoped that this discussion will

provide a clearer and easier understanding of the function of life insurance for the public, enabling it to be used wisely and safely as a form of family financial protection.

## II. RESEARCH METHODS

This study uses a qualitative approach with a normative legal approach. This approach was chosen to understand the legal regulations governing life insurance and how they are applied in society. The data used comes from library materials, such as laws and regulations, books, and other writings related to life insurance and family financial protection.

The research was conducted in stages. The first stage was collecting legal materials relevant to the research topic. The second stage was reading and understanding the contents of these materials to identify key points related to life insurance. The next stage was conducting a simple analysis of life insurance laws and practices, then compiling the information into an easy-to-understand description (Sugiyono, 2019).

The population and sample in this study were not specifically identified because the study did not involve direct respondents. The focus of the study was more focused on examining legal regulations and practices that develop in society. Therefore, the legal materials and literature used were the primary sources in this study.

The research location was not physically determined because this research was primarily library research. All data was obtained through independent literature review, accessing legal sources and references relevant to the discussion of life insurance.

## III. RESULTS AND DISCUSSION

### A. Research result

Research shows that life insurance is viewed as a significant form of financial protection for families. A review of various legal sources and current practices revealed that the primary purpose of using life insurance is to provide a sense of security for the family in the event of a major risk, such as death or inability to work.

Furthermore, research findings also indicate that public understanding of the legal aspects of life insurance remains limited. Many policyholders do not fully

understand the terms of the insurance agreement, including the rights and obligations inherent therein. This often creates problems during the claims process, particularly regarding the terms and conditions outlined in the policy.

In practice, life insurance is generally administered in accordance with applicable regulations. However, several challenges remain, such as a lack of transparency in information, differing interpretations of the terms of the agreement, and a claims process that is perceived as complicated by beneficiary families.

**Table 1. Life Insurance Research Findings**

No	Aspects Studied	Key Findings
1	Purpose of Life Insurance	Providing financial protection for families
2	Legal Understanding	Still limited to some communities
3	Implementation Practice	Generally according to the rules, but there are still obstacles
4	Common Problems	Claims, transparency and content of the agreement

The results of this study provide an overview that life insurance has a fairly important role, but still requires increased legal understanding so that its benefits can be optimally felt by families.

### B. Discussion

#### A. Life Insurance as a Family Financial Protection Instrument

Life insurance is a form of financial protection designed to help families cope with life's unpredictable risks. In a family context, risks such as death not only have an emotional impact but also significantly impact the financial situation. Research shows that life insurance provides a sense of security because families have financial support when facing difficult situations. (Yuni, 2022).

Furthermore, life insurance is seen as a preventative measure against family economic instability. Without adequate protection, families can experience a drastic decline in their quality of life. Therefore, life

insurance is a relevant instrument for maintaining family sustainability, especially for families dependent on a single primary source of income.

1. Life insurance as a form of protection against financial risks

Life insurance serves to transfer financial risk from the individual to the insurance company. When the individual dies, the surviving family no longer has to bear the entire financial burden alone. Research shows that life insurance benefits can help families meet basic needs such as food, shelter, and daily expenses. (Syarif, 2022).

The protection provided by life insurance also helps families avoid prolonged financial stress. Without such protection, families often have to quickly find other sources of funding. This can lead to new problems, such as debt or the sale of assets. Thus, life insurance acts as a financial buffer, keeping families stable in emergency situations.

2. Benefits of life insurance in family financial planning

Research shows that life insurance is used not only for protection but also as part of family financial planning. Families with life insurance tend to be better prepared for future uncertainties. The benefits received can be allocated to various essential needs, including children's education and healthcare costs. (Yanti et al., 2025)

Furthermore, life insurance provides certainty regarding the availability of funds under certain circumstances. This certainty helps families plan their finances with greater peace of mind and direction. In the long term, life insurance helps families maintain a balance between current needs and future preparation, thereby minimizing financial risk.

3. Life insurance as an agreement that has legal force

From a legal perspective, life insurance is a legal relationship arising from an agreement between the parties. This agreement is outlined in a policy that outlines the rights and obligations of the policyholder and the insurance company. Research confirms that insurance policies are legally binding and serve as the basis for providing benefits to the beneficiary's family (Wasita, 2020).

This agreement provides legal certainty for the family as the beneficiary. If the risks covered by the agreement occur, the family has a clear legal basis to claim their rights under the policy terms. Thus, life insurance serves not only as a financial protection tool but also as a legal safeguard that legally safeguards the family's interests.

4. The role of life insurance in maintaining family economic stability

Life insurance plays a crucial role in maintaining a family's financial stability in the event of unexpected risks. The loss of a primary breadwinner can lead to financial imbalances within a family, especially if there is no replacement source of income. In such circumstances, life insurance benefits can serve as a temporary financial buffer for the family. (Rohmatika, 2024).

Research shows that life insurance funds are often used to cover urgent needs, such as living expenses, mortgage payments, and children's education. These funds provide families with time to adjust to their financial situation without immediately facing significant financial pressure. This demonstrates that life insurance serves not only as protection but also as a tool for managing family financial risk.

From a financial planning perspective, life insurance is a crucial part of a family's long-term strategy. Its presence helps families face life's uncertainties with greater preparedness and planning. Thus, life insurance directly contributes to a family's sustainable economic resilience.

## **B. Legal Position of the Parties in a Life Insurance Agreement**

A life insurance contract creates a legal relationship between the policyholder and the insurance company. This relationship arises from the agreement outlined in the insurance policy. Research shows that this agreement serves as the primary basis for determining the rights and obligations of each party if the agreed-upon risk occurs (Leba & Adjie, 2024).

In practice, the legal status of the parties is often not fully understood. Many policyholders focus solely on insurance benefits without understanding the legal provisions contained in the policy. This situation can create problems, especially

when claims arise and differing interpretations of the agreement's terms arise.

#### 1. Legal position of policyholders in life insurance agreements

Policyholders are obligated to pay premiums to the insurance company. This obligation is a primary requirement for maintaining insurance coverage. Research shows that regular premium payments fulfill a legal obligation that determines the validity of future claims.

In addition to obligations, policyholders also have the right to receive protection as stipulated in the agreement. This right includes clear information regarding benefits, risks covered, and claims procedures. However, research shows that a lack of understanding of the policy's contents often prevents policyholders from fully understanding their legal position under the life insurance agreement.

#### 2. Legal position of insurance companies as insurers

Insurance companies act as the party providing protection and bearing the risks as stipulated in the agreement. Their primary obligation is to pay insurance benefits if the agreed-upon risk actually occurs. Research shows that this obligation can only be fulfilled if the policyholder has fulfilled all the provisions of the policy (Wasita, 2020).

On the other hand, insurance companies also have the right to establish claim terms and conditions. These provisions aim to ensure that claims are submitted legally and in accordance with the agreement. However, if these provisions are not clearly communicated, they can create distrust among policyholders and their families, the beneficiaries.

#### 3. Legal position of the family as a recipient of life insurance benefits

Families, as beneficiaries, have legal standing recognized in life insurance contracts. The family's right to receive insurance benefits arises from the designation stated in the policy. Research shows that clarity regarding beneficiary designation is crucial to avoid future conflict (Leba & Adjie, 2024).

In practice, families are often not directly involved in the contract-making process. As a result, they lack a clear understanding of

their rights and the procedures required when filing a claim. Therefore, clarity regarding the legal status of the parties, including the family as the beneficiary, is crucial in ensuring legal protection and the smooth implementation of life insurance.

#### 4. Legal protection for families as interested parties

The legal position of a family in a life insurance agreement is not always strong, especially when the family acts only as a beneficiary. Even if not directly involved in the signing of the agreement, the family still has legal interests protected by the designations in the insurance policy (Chumaida, 2014).

The research results show that clarity in the designation of beneficiaries significantly determines a family's legal position. If the designation is clear and free from multiple interpretations, the family has a strong legal basis to assert its rights. Conversely, ambiguity in the policy can weaken the family's position and trigger disputes.

Therefore, legal protection for the family must be a primary concern in life insurance contracts. Clarity of rights, transparency of the agreement's contents, and the policyholder's understanding of the law will strengthen the family's position as a party entitled to receive insurance benefits legally and fairly.

### **C. Life Insurance Claims Implementation Practices and Problems**

The practical implementation of life insurance is largely determined by the claims process. Claims are the stage when the beneficiary family truly expects insurance benefits. Research shows that it is at this stage that various issues often arise, impacting public trust in life insurance as a means of family financial protection. (Puspita & Novita, 2022).

Generally, life insurance claims are filed after a risk as stipulated in the policy has occurred. However, in practice, this process doesn't always run smoothly. Many beneficiary families face administrative and substantive challenges, preventing the original goal of life insurance to provide quick and secure protection from being fully realized.

### 1. Life insurance claims procedures in practice

Life insurance claims procedures are generally clearly outlined in the policy. Beneficiary families are required to provide certain documentation as a requirement for filing a claim. These documents typically relate to the insured's identity, proof of the risk, and other administrative requirements. (Harahap & Daulay, 2024).

Research shows that beneficiary families often perceive the claims procedure as complicated. This stems from a lack of initial understanding of the claim steps involved. Consequently, the claims process takes longer and leads to dissatisfaction, especially when families are facing financial hardship.

### 2. Obstacles and problems in the claims process

A major problem in life insurance claims practice is claim rejection or delay. Research has found that claim rejections are generally caused by discrepancies between the submitted claim and the policy provisions. This often occurs because policyholders fail to read or fully understand the terms of the agreement (Aanisa et al., 2023).

Furthermore, problems arise from differing interpretations between insurance companies and beneficiary families. These differences can lead to conflict and even legal disputes. In this context, life insurance claims become not only an administrative issue but also involve legal protection for the family.

### 3. The impact of claims issues on family protection

Problems in the claims process directly impact a family's financial situation. When claims are delayed or denied, families don't immediately receive the funds they need to meet their living expenses. This contradicts the primary purpose of life insurance as a financial protection tool (Wasiya, 2020).

Research results show that claims issues also impact public trust in insurance companies. Therefore, improvements in claims processing are needed, both through streamlined procedures and increased information transparency, to ensure financial protection and legal certainty for families.

### 4. Efforts to resolve and prevent life insurance claim disputes

Research shows that life insurance claim disputes can generally be prevented from the

initial stages of the agreement. Clear information regarding the policy's contents, the parties' rights and obligations, and the claims procedure is a crucial factor in minimizing conflict. When policyholders understand the terms from the outset, the potential for misunderstandings during claims filing can be reduced (Harahap, 2023).

Furthermore, the insurance company's role in providing honest and understandable explanations is crucial to the smooth processing of claims. Transparency in the claims process will help beneficiary families understand the reasons for a claim being accepted or rejected. This can also increase a sense of fairness and trust in the insurance company.

If a dispute persists, resolution can be pursued through non-litigation or litigation mechanisms in accordance with applicable law. However, research confirms that a persuasive approach and good communication are more effective in maintaining the primary purpose of life insurance, which is to provide financial protection and legal certainty for families.

### **D. Legal Implications of Life Insurance for Family Protection**

#### 1. Legal certainty for beneficiary families

Life insurance provides legal certainty for families as beneficiaries if the risks covered by the policy materialize. This certainty arises from a written agreement in the form of a policy that clearly stipulates the family's rights to insurance benefits. With this legal basis, families not only rely on good faith but also have a legitimate basis to demand the fulfillment of their rights. (Oscar et al, 2024)

In practice, this legal certainty plays a crucial role when families find themselves in a vulnerable economic situation due to the death of a breadwinner. Life insurance benefits can be used to ensure family survival, such as meeting daily needs and financing children's education. This demonstrates that the legal implications of life insurance are not merely normative but also have a real impact on family life.

#### 2. Legal protection through insurance agreements

The legal implications of life insurance are also evident in the legal protection inherent in the insurance agreement itself. This agreement binds the parties and

guarantees that rights and obligations will be carried out in accordance with the agreement. Thus, life insurance serves as a legal instrument that protects family interests from unexpected financial risks. (Rasmita et al., 2025)

However, this legal protection is highly dependent on the policyholder's understanding of the terms of the agreement. Research shows that a lack of legal understanding can weaken a family's position in the event of a claim. Therefore, understanding the legal aspects of life insurance is key to ensuring the promised protection is truly realized.

### 3. Legal responsibilities of insurance companies

Insurance companies have a legal responsibility to fulfill their obligations under the policy. This responsibility includes providing accurate information, processing claims fairly, and paying insurance benefits to eligible parties. Failure to fulfill these obligations can result in legal liability for insurance companies (Anisa et al., 2023).

This implication demonstrates that insurance companies act not only as financial service providers but also as legal entities that must uphold the principles of justice and legal certainty. With clear legal responsibilities, public trust in life insurance as a means of family financial protection can continue to grow.

### 4. The importance of insurance law education for the public

The legal implications of life insurance are inextricably linked to the public's level of legal understanding. Research confirms the importance of legal education regarding life insurance to ensure the public understands the benefits, risks, and legal consequences of insurance contracts. This education will help people make informed decisions when choosing life insurance products (Herman & Aulia, 2024).

With increased legal understanding, life insurance can function optimally as a financial and legal protection instrument for families. Good education also contributes to reducing disputes and strengthening the legal position of families as beneficiaries, thereby achieving the goal of family protection sustainably.

## IV. CONCLUSION AND SUGGESTIONS

### A. Conclusion

Based on the research results and discussion outlined above, it can be concluded that life insurance plays a crucial role as a financial protection instrument for families. Life insurance not only serves as financial security in the event of the breadwinner's death, but also as a form of financial planning that provides a sense of security and certainty for surviving family members.

From a legal perspective, the practice of life insurance in Indonesia has a fairly clear regulatory framework, both through legislation and oversight by relevant authorities. However, in practice, the public still lacks understanding of policy content, the rights and obligations of the parties, and the claims mechanism, which can potentially lead to future legal issues.

Overall, this study shows that the effectiveness of life insurance as a family protection tool depends heavily on awareness, understanding, and good faith between the insurance company and the policyholder. With proper understanding, life insurance can be a beneficial instrument in maintaining family financial stability.

### B. Suggestion

Based on these conclusions, it is recommended that the public improve their financial literacy, particularly regarding life insurance, so they can understand the benefits, risks, and legal provisions applicable to insurance contracts. A good understanding will help people choose insurance products that suit their family's needs.

Furthermore, insurance companies are expected to increase transparency and clarity of information in policy formulation, particularly regarding the rights and obligations of the parties and claims procedures. This is crucial to minimize disputes and increase public trust in insurance institutions.

For future researchers, it is recommended to conduct more in-depth empirical studies, particularly regarding the effectiveness of life insurance protection across various segments of society. This further research is expected to contribute more broadly to the development of insurance law and practice in Indonesia.

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