



## Legal Protection for Insurance Policyholders

Khairunnisa Silalahi<sup>1</sup>, Fadilla Fadwa Zailani Tumanggor<sup>2</sup>, Nurcholiza Adha<sup>3</sup>, Madinatul Qarima<sup>4</sup>, Ahmad Zhuhri<sup>5</sup>

<sup>12345</sup>State Islamic University of North Sumatra

E-mail: [khairunnisasilalahi35@gmail.com](mailto:khairunnisasilalahi35@gmail.com) [fadwazailani86@gmail.com](mailto:fadwazailani86@gmail.com) [nurcholiza29@gmail.com](mailto:nurcholiza29@gmail.com)  
[MadinatulQarima425@gmail.com](mailto:MadinatulQarima425@gmail.com) [mregar930@gmail.com](mailto:mregar930@gmail.com)

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<b>Article History</b> Received: 2025-12-15 Revised: 2025-12-23 Published: 2025-12-30  <b>Keywords:</b> <i>Legal Protection; Customers; Insurance Policies</i>	To ensure certainty and security for insurance users in Indonesia, legal protection for policyholders is crucial. This study aims to determine available dispute resolution procedures, identify challenges faced, and assess legal protection measures for consumer policyholders. Using case studies and a legislative perspective, a normative legal research methodology was employed. Based on the research findings, legal protection for policyholders is regulated by the Financial Services Authority (OJK) regulations, Law Number 40 of 2014 concerning Insurance, and Law Number 8 of 1999 concerning Consumer Protection. However, customers still face several challenges in practice, including protracted and complicated dispute resolution procedures, imbalanced bargaining power, and a lack of understanding of policy terms. Court action or mediation are two options for resolving disputes. It is hoped that the presence of unambiguous legislative instruments will enable the best protection of customer rights and the development of a fair relationship between policyholders and insurance companies.

### I. INTRODUCTION

As the insurance industry grows in Indonesia, legal protection for policyholders has become an increasingly important concern. Insurance currently serves as a social safety net, providing a sense of security to the public, in addition to being a financial tool. However, customers still face a number of challenges, particularly in understanding their responsibilities and rights, as well as accessing legal protection. Therefore, to ensure sustainability and equality in the legal relationship between insurance companies and customers, a comprehensive analysis of legal protection for policyholders is necessary.

The purpose of this study is to comprehensively analyze the legal protection offered to insurance policyholders, highlight practical issues, and examine efficient and effective dispute resolution procedures. To illustrate the actual situation on the ground, this study uses a normative juridical method, examining relevant laws and regulations and case studies (Soekanto & Mamudji, 2014).

As a result, it is hoped that this research can significantly advance the field of insurance law in Indonesia, particularly in relation to consumer protection, and become a source of information for academics, lawyers, and policy makers who wish to strengthen the legal protection provided to insurance customers (Financial Services Authority, 2017).

To ensure the rights and responsibilities of both parties—customers and insurance companies—legal protection for policyholders is crucial. This protection aims to ensure that customers receive fair, transparent services that comply with relevant legal requirements (Law No. 40 of 2014).

#### 1. Customer Rights in Legal Protection

Customers have the right to complete and unambiguous information regarding insurance plans, fast and simple claims procedures, and the security of their personal information. Customers also have the right to a fair resolution process in the event of a dispute (POJK No. 1/POJK.07/2013).

## 2. Insurance company responsibilities

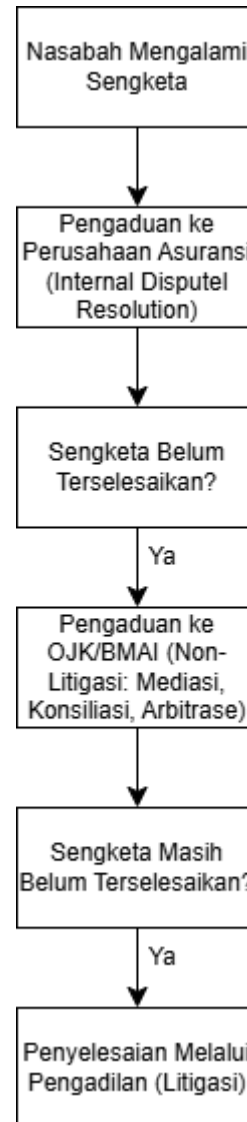
Insurance companies must comply with policy provisions, applicable laws, and regulations in carrying out their duties. These responsibilities include maintaining the confidentiality of customer data, paying claims promptly, and providing clear information (Law No. 40 of 2014).

**Table 1.**Types of Legal Protection for Insurance Customers

No	Types of Protection	Description
1	Information Disclosure	Provides comprehensive and easy-to-understand explanations of policy provisions and customer rights.
2	Claim Process	Ensuring fast, open and legally compliant claims procedures.
3	Data Protection	Uphold the privacy of consumers' personal information in accordance with applicable laws.
4	Dispute Resolution Mechanism	Offers a fair process for resolving disputes through court or mediation.

The flow of the insurance dispute resolution mechanism is depicted in the image above. First, the customer files a complaint for internal resolution with the insurance company. Second, the customer can file a complaint with the Financial Services Authority (OJK) or the Indonesian Insurance Mediation Agency (BMAI) for non-litigation resolution through arbitration,

conciliation, or mediation if an agreement cannot be reached. Third, the matter can be brought to court for litigation resolution in accordance with applicable laws and regulations if non-litigation resolution is unsuccessful.



**Figure 1.** Insurance Dispute Resolution Mechanism

## 3. Insurance Premium Calculation Formula

A premium is the amount of money a policyholder must pay to an insurance company in exchange for the protection they receive. The basic premium formula commonly used is:

$$P = \frac{S \times R}{100}$$

Where:

P = Premium to be paid (in rupiah)

S = Sum insured

R = Premium rate per 1000 insured value

The insured value and the applicable premium rate per 1000 units of insured value are used in the insurance premium formula above to determine the premium.

#### Insurance Premium Calculation Example

For example, if a customer has an insured value of Rp100,000,000 and the applicable premium rate is Rp5 per 1,000 insured value, the premium to be paid is

$$P = \frac{(100.000.000 \times 5)}{1000} = 500.000 \text{ rupiah}$$

So, customers have to pay a premium of IDR 500,000 to get protection of IDR 100,000,000.

## II. RESEARCH METHODS

This study employed descriptive qualitative research using literature and documentation techniques. This study utilized secondary data from various credible sources, including books, journals, official reports, and papers related to insurance, rather than collecting data directly in the field (non-field research). Because it utilized secondary data, the population studied was all insurance policyholders in Indonesia, with a focus on the legal protections applicable to them (Soekanto & Mamudji, 2014). Data samples were drawn from consumer protection laws and records and reports from major insurance companies. As a literature study, this study was not limited to a specific physical location (Financial Services Authority, 2017). However, most of the data analyzed came from sources related to the insurance sector in Indonesia. This study was conducted using the following methodological steps:

### 1. Literature Study

Collecting and reviewing related materials about insurance products, related regulations, and legal protection for insurance customers.

### 2. Secondary Data Collection

Gather facts and data from government regulations, insurance company records, official letters, and scientific publications.

### 3. Data analysis

To describe the legal protection conditions for insurance policyholders, a

descriptive analysis was conducted on the collected data.

### 4. Preparing the Report

The findings from the analysis results are compiled in the form of scientific writing that is methodical and follows writing criteria.

## III. RESULTS AND DISCUSSION

### A. Research result

Literature research and secondary data analysis indicate that significant progress has been made in legal protection for insurance policyholders in Indonesia (Law No. 40 of 2014). The Financial Services Authority (OJK) and other government regulations have established a robust legal framework to protect consumer interests.

The findings indicate that information transparency, expeditious and transparent claims procedures, personal data protection, and efficient dispute resolution procedures are key components of the legal protections in use. However, several challenges remain in their implementation, particularly related to consumer understanding and access to information.

### B. Discussion

#### 1. Information Transparency as a Key Pillar of Customer Protection

The primary principle of legal protection for insurance consumers is transparency of information. Insurance companies must explain policy content, benefits, risks, and claims procedures in an easily understood manner. This ensures customers understand their rights and responsibilities and can make informed decisions.

However, in reality, there are still some cases where customers feel under-informed. This problem is often caused by overly complex policy language or a lack of training provided by insurance companies. Consequently, companies must improve client education and communication, for example by offering seminars, clear brochures, or consulting services.

#### 2. Transparent and Efficient Claims Process

A crucial point in the interaction between clients and insurance providers is the claims

process. According to this survey, insurance companies that use a fast, easy, and transparent claims process experience increased client satisfaction. However, a complicated and lengthy claims process can trigger distrust and disputes (Financial Services Authority, 2017).

Additionally, digital technologies—such as online platforms and mobile apps—are being used to expedite the claims process by allowing customers to submit claims without having to visit an office. Customers in remote locations will benefit from this innovation.

### 3. Protection of Customer Personal Data

In the digital age, protecting personal information is crucial. According to this study, insurance providers are required to comply with laws protecting personal information, such as the Personal Data Protection Act (PDP Act). To prevent misuse, customer data must be kept confidential.

However, implementing data protection remains challenging, particularly when it comes to internal knowledge and information system security. Maintaining consumer trust requires regular security audits and employee training.

### 4. Diverse and Effective Dispute Resolution Mechanisms

Customers have access to various dispute resolution procedures, including internal company channels, mediation through the Financial Services Authority (OJK) or the Indonesian Insurance Mediation Agency (BMAI), and court proceedings. Research shows that non-litigation channels such as arbitration and mediation are more popular because they are faster, less expensive, and produce more mutually beneficial outcomes.

However, the awareness and willingness of both parties to resolve the dispute amicably is crucial to the success of these techniques. Sometimes disagreements or a lack of strong evidence prevent disputes from going to court.

**Table 2.** Factors thatg Influences Legal Protection of Insurance Customers

No	Factor	Impact on Customer
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Protection		
1	Regulations and Policies	Ensure legal certainty and protection standards that must be met
2	Company Service Quality	Increase customer trust and satisfaction through responsive service
3	Customer Understanding	Influences the customer's ability to understand the rights and obligations in the policy
4	Information Technology	Facilitate access to information and process claims quickly and transparently
5	Dispute Resolution Mechanism	Providing effective and efficient alternative solutions for customers

### 5. Challenges and Recommendations

Despite the fact that current consumer protection laws are very well established, there are still several obstacles to overcome, including:

#### a. Limited Customer Knowledge

Many customers don't fully understand the contents of their policies and claims procedures. This can lead to misunderstandings and potential disputes.

#### b. Accessibility of Information in Remote Locations

Customers in remote areas often experience limited access to insurance information and services.

#### c. Suboptimal Implementation of Data Protection

Some companies still need to improve their data security systems and employee awareness.

To overcome these challenges, several recommendations can be given:

#### a. Improving Education and Socialization

Insurance companies and regulators need to actively educate the public about insurance products and customer rights.

b. Utilization of Digital Technology

The use of digital applications and platforms for claims services and information can expand access and speed up the process.

c. Strengthening Regulation and Supervision

The OJK and related institutions must continue to consistently monitor and enforce consumer protection regulations.

d. Developing a More Responsive Dispute Resolution Mechanism

Improve and expedite mediation channels to make them more accessible and effective for customers.

#### IV. CONCLUSION AND SUGGESTIONS

##### A. Conclusion

In Indonesia, legal protection for insurance policyholders is comprehensively regulated by a number of laws and procedures designed to uphold consumer rights. Information transparency, clear and effective claims procedures, personal data protection, and efficient dispute resolution procedures are key components of this protection. Even with adequate laws in place, issues such as poor consumer understanding and unequal access to information still require attention. Improving legal protection and customer satisfaction requires the use of digital technology and ongoing education.

##### B. Suggestion

1. Improving customer education To reduce the likelihood of conflict, insurance companies and regulators should increase their education initiatives to help consumers better understand the terms of their policies and their rights and responsibilities.
2. Leveraging Digital Technology. To make the process faster, simpler, and more transparent—especially for customers in remote locations—the development of digital platforms for claims information and services should be encouraged.
3. Strengthen Regulatory Enforcement and Oversight. Stricter oversight of the

implementation of consumer protection laws is needed, and companies that violate them should face severe penalties from the Financial Services Authority (OJK) and other organizations.

4. Improving Dispute Resolution Processes. To resolve disputes efficiently without resorting to lengthy court proceedings, mediation and arbitration procedures must be made more timely and accessible to consumers.
5. Stricter Personal Data Protection To maintain customer trust, insurance companies need to improve their data security systems and ensure that personal data protection laws are complied with.

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