



## The Urgency of Legal Protection for Policyholders in Insurance Disputes in Indonesia

Nasywa Almira<sup>1</sup>, Naya Salsabila<sup>2</sup>, Lola Kesuma Pardosi<sup>3</sup>, Syukur Hidayat Simatupang<sup>4</sup>, Habib Hardimi Parhalim<sup>5</sup>

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

E-mail: [nasywaalmiraa991@gmail.com](mailto:nasywaalmiraa991@gmail.com) [nayasalsabila88@gmail.com](mailto:nayasalsabila88@gmail.com) [lolakesumapardosi@gmail.com](mailto:lolakesumapardosi@gmail.com)  
[syukurhidayatsimatupang@gmail.com](mailto:syukurhidayatsimatupang@gmail.com) [habibhardimiparhalim@gmail.com](mailto:habibhardimiparhalim@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> Legal Protection; Policyholders; Insurance Disputes	Given the frequent occurrence of detrimental consumer conflicts such as claim rejections, late payments, and unclear policy interpretations, legal protection for insurance policyholders in Indonesia is a critical concern. The rights and obligations of the parties have been regulated in laws such as Law No. 40 of 2014 concerning Insurance and regulations of the Financial Services Authority (OJK), but their implementation and oversight still face significant challenges. This study uses a normative juridical method to investigate the obligations of insurance companies, the rights of policyholders, the roles of related organizations including the OJK, BPSK, and LAPS SJK in dispute resolution, and regulatory and implementation deficiencies in legal protection. The study's findings suggest that to provide efficient and fair legal protection, laws must be strengthened, consumer education must be expanded, and alternative dispute resolution procedures must be maximized. Therefore, strong legal protection can increase public trust in the insurance business and encourage its long-term expansion in Indonesia.

### I. INTRODUCTION

As public knowledge of the value of risk mitigation in life and economic activities increases, the insurance sector in Indonesia continues to grow significantly.(Nurrahayu, 2024)Insurance serves as an instrument that provides a sense of security and peace of mind for individuals and companies, as well as financial protection from various potential disasters. The primary document outlining the rights and responsibilities of the policyholder and the insurance company is the insurance policy, which serves as written confirmation of the insurance agreement.(Laksono, 2018).

Despite these developments, however, numerous disputes between policyholders and insurance providers frequently plague the Indonesian insurance market. These disputes range from late payments and claim denials to differing interpretations of insurance provisions, often leaving policyholders feeling disadvantaged. Beyond harming policyholders, these disputes undermine public confidence in the insurance

sector as a whole and highlight legal ambiguity in the enforcement of insurance contracts.(Salur et al., 2025).

The urgency of legal protection for policyholders is crucial, given that the policy itself is the written evidence that confirms the existence of insurance. Legal protection allows injured policyholders to reclaim their rights and ensures that they receive compensation if the goods and/or services they receive do not meet agreed standards. Insurance companies are required to pay claims, and policyholders have the right to receive protection for the risks they have assumed.(Nurainiyah et al., 2024).

The primary factor causing these disputes is often the imbalance in bargaining power between policyholders and insurance companies. Policyholders, who often lack a thorough understanding of policy provisions or insurance law, are in a weaker position than insurance companies, which have greater legal expertise and resources. The practice of using standard agreements in insurance policies has also been

highlighted because their content often favors the insurance company, calling into question the legal protection function of policyholders.(Salur et al., 2025).

Through a series of regulations, the Indonesian government has sought to secure legal protection. Policyholders, insured parties, and insurance participants are expressly regulated in Law No. 40/2014 concerning Insurance. Financial Services Authority Regulations (POJK) and the Consumer Protection Law also serve to protect policyholders' rights, such as the right to clear information, fair claim payments, and dispute resolution procedures through litigation or the Indonesian Insurance Mediation Agency (BMAI).(Nurainiyah et al., 2024).

Despite the legal framework being in place, its implementation still faces serious challenges. Policyholders' lack of understanding of policy provisions, complicated claims procedures, and weak oversight by the Financial Services Authority (OJK) of non-transparent restructuring practices by insurance companies often hinder access to optimal legal protection. This underscores the need for better policyholder education, stricter oversight of insurance providers, and changes to the claims process to make it fairer and more transparent.(Ritonga et al., 2024).

The agreement between the policyholder (insured) and the insurance company (insurer) is set out in a written contract known as an insurance policy. To achieve the objectives of insurance, the agreement, specific conditions, and promises in this policy form the basis for the rights and obligations of both parties.(Wetmen Sinaga, 2022)According to Article 225 of the Commercial Code, an insurance contract must be made in writing and in the form of a policy that has legal binding force on all parties. In the event of a loss, the policy serves as original evidence that guarantees the policyholder will receive compensation in accordance with the risks insured.(Iip Harnoto Prayogo, 2023)

The party who enters into an insurance contract with the intention of transferring risk to the insurance provider is known as the

policyholder, and they have the right to benefits or claims if the risk materializes. In addition to the obligation to pay premiums and provide accurate information to the insurance company, the policyholder also has rights such as filing claims, receiving clear information, and choosing an appropriate insurance package. As the insured, the policyholder is legally entitled to compensation for all losses or potential losses caused by the insured risk.(Nst Aslamiyah & Siregar, 2024).

According to Philipus M. Hadjon, legal protection is an effort made by the government to provide justice, legal certainty, and defend the rights of citizens. To effectively address violations, legal protection requires the implementation and enforcement of standards that embody the essence of protection. Legal protection in the insurance environment seeks to ensure that policyholders' rights are adequately protected and that insurance companies fulfill their responsibilities in accordance with relevant agreements and laws.(Nst Aslamiyah & Siregar, 2024).

The importance of normative legal protection for insurance consumers—which gives policyholders the right to fair and transparent treatment during claims procedures—is underscored by research.Sugistiyoko (2020)This research highlights that accurate and transparent information about policy risks and benefits, along with a robust dispute resolution process, are essential components of legal protection. Consumer protection efforts should focus on increasing transparency and training policyholders to properly understand their rights and obligations, as related research also shows that failed insurance claims are often a major cause of disputes.

This research is crucial to assess the urgency of legal protection for insurance policyholders. It is hoped that by examining the factors contributing to the rise in insurance disputes and identifying weaknesses in the current protection framework, specific recommendations will be made to improve policyholder rights and encourage the development of a more accountable and pro-

consumer insurance sector.

## **II. RESEARCH METHODS**

The research method used in this study is normative legal research (normative juridical). This method was chosen because the focus of the research is to analyze and identify the legal basis and concept of legal protection for policyholders in insurance disputes based on applicable laws and regulations in Indonesia. Normative legal research aims to examine the legal norms, legal principles, and rules governing the legal relationship between policyholders and insurance companies.

The approaches used in this research include a statutory approach and a conceptual approach. The data sources in this research are primary and secondary legal materials obtained through library research. Primary legal materials include laws and regulations, court decisions, and official documents related to insurance law. Secondary legal materials include books, journal articles, theses, dissertations, and other scholarly literature discussing legal protection for policyholders and insurance disputes.

Data collection techniques were conducted through document and literature studies, by inventorying and analyzing relevant legal materials to obtain a comprehensive picture of policyholder legal protection. Data analysis used qualitative methods, namely by systematically describing, explaining, and interpreting legal norms and the results of the literature review to then draw conclusions based on applicable legal principles.

## **III. RESULTS AND DISCUSSION**

### **1. Insurance Dispute Problems in Indonesia**

Insurance disputes in Indonesia have become increasingly complex and significant due to the rapid development of the insurance industry. One of the most common types of disputes is claim rejection by insurance companies. These rejections are usually caused by inconsistencies in documentation, risk exclusions in the policy, or incomplete information provided by the policyholder. However, a recent Constitutional Court ruling stated that insurance companies

cannot unilaterally cancel claims without a court decision, adding a new dimension to insurance claim disputes in Indonesia. This could lead to an increase in the number of claim disputes, as policyholders now have stronger legal protection against unilateral rejections. (Ritonga et al., 2024)

In addition to claim rejections, late payment of claims is also a significant source of disputes. These delays often result in financial losses for policyholders who rely heavily on these claims payments to cover their risks or losses. Financial Services Authority (OJK) supervisory data shows that several insurance companies are still under special supervision due to liquidity issues and suboptimal claims management. This situation creates consumer dissatisfaction and disappointment, which ultimately leads to complaints being filed with dispute resolution bodies such as the Financial Services Authority (BPSK) and the Financial Services Authority (LAPS). (Rambe & Sekarayu, 2022).

Ambiguous or non-transparent interpretation of policy content is also a source of conflict between policyholders and insurance companies. Insurance policies that use standard clauses and difficult-to-understand legal language often lead to differing interpretations of the rights and obligations of each party. This weakens the position of policyholders, who generally lack the legal expertise and information to fully understand the policy's contents. This information imbalance leaves policyholders in a weak bargaining position when claims disputes arise. (Purnomo Brandon, 2024).

Case studies of relevant insurance disputes show that disputes often result in lengthy and costly legal proceedings for policyholders. Data from the Financial Services Authority (BPSK) and the Financial Services Authority (OJK) also indicate that most disputes are resolved through alternative mechanisms such as mediation and arbitration. However, access to and awareness of these mechanisms remains limited, resulting in suboptimal protection for policyholders. (Ulinihayati & Husein, 2022).

Policyholders' bargaining power in insurance disputes is very weak compared to insurance

companies, which have greater legal and financial resources. Policyholders often lack an understanding of their policies and their rights, while insurance companies use standard clauses that are difficult to negotiate. This imbalance leaves policyholders vulnerable to detrimental practices, such as unilateral claim denials or delayed payments. Therefore, strong legal protection and consumer education are urgently needed to improve policyholders' bargaining power and create a fairer and more transparent insurance industry.(Putu & I Putra, 2021).

## **2. Legal Protection for policyholders in insurance disputes**

Law No. 40 of 2014 concerning Insurance and its implementing regulations from the Financial Services Authority (OJK) provide legal protection for insurance policyholders in Indonesia. These regulations govern the dispute resolution process, claims procedures, and the rights and responsibilities of the parties to an insurance contract. However, in practice, there is a significant gap between legal provisions and implementation. Many cases of insurance company default, such as unjustified claim rejections and late payment of claims, have harmed policyholders and given rise to legal conflicts.(Nabila et al., 2024)This gap is also caused by a lack of transparency in information and education for consumers, resulting in policyholders often not understanding the contents and provisions of their policies.

Furthermore, the imbalance between policyholders and insurance companies exacerbates the legal protection gap. Policyholders, who are generally consumers with limited legal knowledge, are in a weaker bargaining position compared to insurance companies, which have greater legal resources and expertise. This makes it difficult for policyholders to effectively assert their rights when disputes arise. This implementation gap requires strengthening legal protection mechanisms that are not only based on regulations but also on effective implementation

and responsiveness to policyholder needs.(Rambe & Sekarayu, 2022).

Insurance companies are legally required to execute insurance contracts honestly and fairly, including processing claims in accordance with the terms of the agreement and providing clear and transparent information about the policy's contents. According to the Insurance Law, insurance companies must reimburse policyholders for claims if the insured risk occurs, provided the claim complies with the policy's terms and applicable law. This obligation underpins legal protection for policyholders, enabling them to receive benefits or compensation in accordance with the terms of the insurance contract.(Nabila et al., 2024).

Policyholders are entitled to protection against insurance risks, accurate and complete information regarding insurance products, and a prompt and fair dispute resolution process. Under the policy terms, policyholders also have the right to file claims and receive payment. However, in practice, these rights are often ignored due to unclear insurance company policies or complicated claims processes. Therefore, for legal protection to be effective, policyholders' rights must be optimally realized without any unfavorable obstacles.(Ariyanti et al., 2023).

In Indonesia, the insurance sector is regulated and supervised by the Financial Services Authority (OJK). Through regulation, supervision, and law enforcement, the OJK is responsible for ensuring that insurance businesses comply with legal requirements and offer legal protection to policyholders. Furthermore, the OJK offers a complaint procedure for customers who have disputes with insurance providers. To be more effective in preventing defaults and violations of consumer rights, the effectiveness of OJK supervision still needs to be improved.(Nurainiyah et al., 2024).

Besides the Financial Services Authority (OJK), other organizations offering out-of-court dispute resolution procedures are the Financial Services Sector Alternative Dispute Resolution Agency (LAPS SJK) and the Consumer Dispute Resolution Agency (BPSK). Both institutions facilitate

mediation and arbitration to resolve disputes between policyholders and insurance companies quickly, affordably, and fairly. However, access and awareness of these institutions are still limited, resulting in many policyholders not fully utilizing these alternative mechanisms. Strengthening the role and capacity of these institutions is crucial to providing more tangible legal protection for policyholders.(Ulinihayati & Husein, 2022).

### **3. Efforts to Strengthen Legal Protection**

Given the continued prevalence of consumer-harming conflicts stemming from insurance companies' defaults and policyholders' lack of understanding of policy provisions, legal protection for insurance policyholders must be strengthened. Improving regulations governing insurance companies' obligations to pay claims promptly and transparently is a key initiative. Although Law No. 40 of 2014 concerning Insurance has developed into a comprehensive legislative framework, policyholder rights must be adequately guaranteed by strengthening its implementation and oversight. Furthermore, Law No. 8/1999 concerning Consumer Protection represents a significant legal framework that enhances policyholder protection.(Sugistiyoko, 2020).

In addition to strengthening regulations, consumer education is a crucial aspect in strengthening legal protection. Many policyholders do not fully understand their rights and obligations, as well as applicable claims procedures, leaving them vulnerable to losses due to ignorance. Therefore, the Financial Services Authority (OJK) and insurance companies need to increase insurance literacy through outreach, training, and the provision of easily understandable information. This education can also reduce the potential for disputes arising from miscommunication or policyholder ignorance.(Nurrahayu, 2024).

Another step taken to enhance legal protection is to maximize out-of-court dispute resolution procedures. The Indonesian Insurance Mediation Agency (BMAI) and the Alternative Institution for

Financial Services Sector Dispute Resolution (LAPS SJK) are crucial as fast, affordable, and easily accessible dispute resolution platforms for policyholders. However, the effectiveness of these institutions still needs to be improved through capacity building, process transparency, and outreach to increase public awareness and utilization of these alternative mechanisms. This way, disputes can be resolved without the need for lengthy and expensive court proceedings.(Nurainiyah et al., 2024).

Strict oversight by the Financial Services Authority (OJK) of insurance companies' practices is also crucial to ensure compliance with consumer protection regulations. The OJK must conduct regular oversight, conduct compliance audits, and enforce severe penalties on insurance companies that violate the law, for example by using policy provisions that disadvantage customers or delaying claim payments without justification. This oversight will serve as a disincentive and motivate insurance providers to improve the quality and transparency of their services.(Wetmen Sinaga, 2022).

Finally, collaboration between regulators, insurance companies, and other stakeholders is essential to creating a healthy and equitable insurance ecosystem. This synergy can be realized through discussion forums, joint training, and the development of service standards that prioritize consumer protection. This will strengthen legal protection for policyholders and enable the insurance industry to grow sustainably with high public trust.(Sugistiyoko, 2020)

## **IV. CONCLUSION AND SUGGESTIONS**

### **A. Conclusion**

Given the numerous issues that frequently arise, including claim denials, late payments, and disagreements over the interpretation of policy provisions, legal protection for insurance policyholders in Indonesia is crucial. While the rights and obligations of insurance policyholders are regulated by laws such as Law No. 40 of 2014 concerning Insurance and regulations of the Financial Services Authority (OJK), several obstacles remain in implementation and oversight, particularly in the areas of

transparency, consumer education, and law enforcement.

Policyholders are in a weaker bargaining position than insurance companies, which have more resources and legal knowledge, due to gaps in regulations and implementation of legal protections. Therefore, to reduce conflict and improve consumer protection, it is crucial to strengthen laws, enforce them strictly, and educate and increase public awareness about insurance.

To provide legal protection and enable prompt, affordable, and fair dispute resolution, relevant institutions such as the Financial Services Authority (OJK), the Consumer Dispute Resolution Agency (BPSK), and the Alternative Dispute Resolution Agency for the Financial Services Sector (LAPS SJK) play a crucial strategic role. However, to increase policyholder awareness and access to these institutions, their effectiveness must be enhanced through outreach, transparency, and capacity building.

Improving laws governing insurance company liability, providing comprehensive consumer education, and streamlining out-of-court dispute resolution procedures are essential components of efforts to enhance legal protection. Establishing a strong and fair insurance sector also depends on strict oversight by the Financial Services Authority (OJK) and imposing severe penalties on insurance companies that violate the law.

Therefore, providing comprehensive and efficient legal protection to policyholders will increase public confidence in the insurance sector, encourage long-term expansion of the insurance industry, and provide justice and legal certainty for all parties involved in insurance contracts in Indonesia.

## **B. Suggestion**

To strengthen legal protection for insurance policyholders in Indonesia, it is recommended that the government and the Financial Services Authority (OJK) improve regulations and enforce strict law enforcement against insurance company violations, increase

consumer education and literacy so that policyholders understand their rights and obligations, and optimize alternative dispute resolution mechanisms such as the SJK LAPS and BMAI by expanding their socialization and increasing their accessibility. Furthermore, strict oversight of insurance company practices needs to be strengthened through compliance audits and regular supervision, while collaboration between stakeholders such as regulators, industry players, and consumer organizations must be enhanced to create a healthy, transparent, and equitable insurance ecosystem, so that legal protection for policyholders can be effective and increase public trust in the national insurance industry.

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