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Model and Implications Failure to Pay Insurance Claims in Indonesia

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Abstract. *Insurance can occur because of an agreement, namely an agreement between the Insurance Company and the Customer through an agent. The customer is the weak party, so in the insurance agreement a customer needs to be protected. the aim of this research is to find out and analyze forms of protection for customers who fail to pay and to find out and analyze the factors that cause insurance companies to fail to pay insurance claims. The approach methodology used is a normative juridical method supported by field data, namely using secondary data which is supported by primary data and analyzed descriptively qualitatively. The research results obtained show that customers need to be protected based on legal protection theory because customers are in a weak position, they easily trust insurance companies as companies that provide protection against the risks faced and the factors that cause insurance companies to fail to pay insurance claims are one of them is not implementing it according to the provisions of the law (Insurance Law). Another reason is that the company's financial condition is not healthy, the implementation of risk management in the company is not optimal.*

Keywords: *Customers; Insurance; Legal Protection.*

1. Introduction

Article 28A of the 1945 Constitution states that every person has the right to live and defend his or her life, some Indonesians choose insurance as an alternative to help maintain life.

As stated in the Commercial Law Book, insurance or coverage is an agreement by which an insurer binds himself to an insured, by receiving a premium, to provide compensation to him

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due to a loss, damage or loss of expected profits, which may be suffered due to an unspecified event.¹

Meanwhile, Article 1 of Law Number 40 of 2014 concerning Insurance states that insurance is an agreement between two parties, namely the insurance company and the policy holder, which is the basis for receiving premiums by the insurance company in return for providing reimbursement and providing insurance payments.

Having a function as an insurance institution for legal subjects who experience losses, insurance is used by those who wish to cover something that they consider very important to include in the insurance program.

Their hopes and hopes are that if a certain event occurs that could endanger and harm them, there will be a party who will compensate them, so they flock to take part in the insurance program. The basis for providing compensation by insurance companies is the agreement they made before the uncertain event occurred. In this agreement, the insured party (people who wish to take part in the insurance program) will promise to provide a certain amount of money as a premium to the insurer (insurance company).

The recent hot news has made the public's courage in general shrink, and their hopes of getting compensation from insurance companies have vanished. For example, several large insurance companies have failed to pay a number of insurance participants, namely the insurance companies Bumi Putra, Jiwasraya, Prudential and others. For example, Jiwasraya first announced a failure to pay in October 2018. In that announcement, Jiwasraya was unable to pay off claims. customer policy amounting to IDR 802 billion. Then the number of defaults on JS Saving Plan products continues to increase. Jiwasraya's new management also confirmed that it would not be able to pay customers' JS Saving Plan policies worth IDR 12.4 trillion which mature in October-December 2019.²

At the end of 2018, the company experienced solvency problems of IDR 20.72 trillion, where the recorded assets were only IDR 10.279 trillion but the company's liabilities reached IDR 31.008 trillion.³

¹Article 246 of the Criminal Code

²Mentari Puspadini, CNBC Indonesia September 12 2023 14:20
(<https://www.cnbcindonesia.com/market/20230912130026-17-471737/6-case-gagal-bayar-ini-nodai-bisnis-ri-besarnya-fantastis>)

³Ibid

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Based on the description above, this article will examine insurance in more depth with the following title: Models and Implications of Failure to Pay Insurance Claims in Indonesia.

2. Research Methods

1. Approach Method

The research uses a normative juridical approach which is supported by primary data in the field limited to interviewing insurance product users. This method examines legal principles, legal rules, or applicable legislation and is related to the problem being studied.⁴

2. Data source

The data sources used in this research are: secondary data and supported by primary data

3. Results and Discussion

3.1. Factors that cause insurance companies to fail to pay insurance claims

Article 246 of the Commercial Law Code, provides the limitation that Insurance is a coverage which occurs because of an agreement by which the Insurer binds itself to the Insured by accepting a premium to provide compensation to him for loss, damage or loss of expected profits which he may suffer as a result of a risk (evenement). The definition given by Article 246 of the Criminal Code is only intended for material loss coverage, while Law No. 40 of 2014 provides limits on insurance not only for coverage for the Insured's losses, but also provides limits on coverage for someone's death or life.⁵

Of the two insurance regulations, insurance has four elements, namely:

Insured party (insured): namely the party who promises to pay the premium money to the insurer all at once or in installments (Loss Insurance)

Insurer (insurer): namely the party who promises to pay a certain amount of money (compensation) to the insured party, all at once or in installments if something happens that contains an uncertain element (Insurance amount of money).

⁴Ronny Hanitijo S, Legal Research Methods and Jurimetry, Ghalia Indonesia, Jakarta, 1995, p. 97

⁵Article 1 of Law no. 40 of 2014 concerning Insurance

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1. An event (accident) that is not certain (not known beforehand).
2. Interests that may suffer losses due to unspecified events.

These four elements must be present for insurance against uncertain events in the future, so that it can be interpreted as transferring risk to another party, namely the insurance company. According to Zainal Asikin⁶ that the events that occurred were divided into 2, namely:

- a. *Causa proxima* is the cause of a loss, is an event that is in relation to these events, an event that is very close to that event.
- b. *Causa Adequate* is an event that results in a loss, caused by a distant event, then that event is ruled out.

Chairman of the Board of Commissioners of the Financial Services Authority (OJK), Mahendra Siregar, said that amidst the many cases of insurance company failure to pay, the collection of life insurance premiums in 2023 will experience a contraction of up to 7.8%. This condition shows the importance of solving this problem. Chief Executive of the OJK Non-Bank Financial Industry Supervision (IKNB), Ogi Prastomiyono, stated that special supervision, especially regarding capital issues, solvency ratios or Risk Based Capital (RBC), and Investment Adequacy Ratios (RKI) (kontan.co.id, 15 December 2022).⁷

Proof of participation in the insurance agreement is the policy.⁸ Participants/Insured must have a policy issued by the Insurance company one week after the approval statement is submitted.

The researchers obtained questionnaire results from 42 respondents⁹ said that on average they have a policy but they never read the contents of the policy, there are 21.4%. 26.2% only read the contents of the policy at a glance, but 23.8% trusted the contents of the policy based on information from the agent, this number is equivalent to them reading the policy and understanding the contents of the policy. Only a small percentage stated that the policy language was not easy to understand. This proves that the information of an insurance agent is very necessary and trusted by an Insured.

⁶Zainal Asikin, Commercial Law, Radjagrafindo, Persada, Jakarta, 2013, p. 279

⁷Monika Suhayati, Insurance Company Payment Defaults and Insurance Customer Protection Efforts, Short Info Journal, Vol. XV, No. 3/I/Puslit/February/2023, page 19

⁸Article 256 of the Criminal Code

⁹Respondents are those who provide answers based on the Google form that has been provided by researchers and respondents are various from various groups of people who use insurance, both social insurance and other insurance.

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An insurance agent based on the Minister of Trade Regulation Number 11/M-DAG/PER/3/2006 of 2006 concerning Provisions and Procedures for Issuing an Agent or Distributor of Goods and/or Services Registration Certificate ("Permendag 11/2006") is a national trading company who acts as an intermediary for and on behalf of the principal based on an agreement to carry out marketing without transferring rights to physical goods and/or services owned/controlled by the principal who appointed him. Agents also include intermediary traders who are not specifically regulated in the Commercial Code.

Insurance Agent is a profession that is responsible for selling various insurance policies based on the needs of its clients¹⁰. An agent can also be categorized as a sales dragon, because his job is to offer products from the Insurance Company to a customer, he has an important role in bridging the relationship between the insurance company and the customer (policy holder), apart from carrying out the routine function of selling products, they also have to follow changes in market conditions that may occur. useful for the company in determining its policies, to improve the performance of a sales force the company must have the ability to manage the factors that support the performance of the sales force.

As explained above, the purpose of insurance is to provide coverage to parties who need protection against uncertain events in the future (risk). Risk according to Frianto Pandia et al¹¹, the risks in the groups become:

- a. Pure risk; The risk is fully shared, if it happens to an object, the person who suffers the loss is the owner of the object.
- b. Speculative risk; contains elements of making a profit, making up for it or losing, the risk is borne by the person speculating.
- c. Fundamental Risk; a risk that cannot be delegated to someone and who suffers is not just one person or a few people, this risk affects many people and cannot be blamed on one person/several people as the cause.
- d. Special Risks; risks that originate from independent events, the risk can be identified and the cause determined
- e. Dynamic Risk; risks arising from the development and progress of society in the fields of economics, science and technology

¹⁰ <https://glints.com/id/lowongan/agen-ulasi-hadap/#apa-itu-agen-ulasi>, downloaded in January 2024.

¹¹ Frianto Pandia, Financial Institutions, Rineka Cipta, Jakarta 2004, p. 138

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f. Static Risk; risks that remain even if there is no development or progress in society in the fields of economics, science and technology.

g. Risks to Objects; risks affecting these objects, such as a house burning down, a car getting hit.

h. Risks to Humans; risks that befall humans such as the risk of old age.

These risks are transferred to the insurance company to provide compensation for losses in accordance with the agreement between the Insured and the Insurer. The Insured pays the premium to the Insurer. The types of insurance that the people of Central Java participate in are loss insurance, employment insurance, health insurance, education insurance and life insurance. Occupying the highest rating is participating in the employment insurance program, the remaining 42.5% are participating in the health insurance program.

Based on the contents of the policy issued by the Insurance company, the Insured has the right to receive compensation if the risk occurs. A total of 52.4% of the 42 respondents provided information that while participating in the insurance program they had received insurance benefits. Around 38.1% had never received insurance benefits at all, the remainder answered that they had almost received insurance benefits and there were also those who had received benefits for education insurance.

The policy has been made in accordance with the agreement between the Insured and the Insurer (Insurance company), but looking at several cases of insurance companies failing to pay to the insured due to several factors, including:

1. Aspects of insurance company governance that are not good, as regulated in OJK Regulation No.73/POJK.05/2016 concerning Good Corporate Governance for Insurance Companies, this is intended to implement the provisions of Article 11 paragraph (2) of Law Number 40 of 2014 concerning Insurance. Insurance Companies are required to apply the principles of Good Corporate Governance in all their business activities at all levels or levels of the organization. - 9 - (2) The principles of Good Corporate Governance as referred to in paragraph (1) include:

a. openness (transparency), namely openness in the decision-making process and openness in disclosing and providing relevant information regarding Insurance Companies, which is easily accessible to Stakeholders in accordance with the provisions of laws and regulations in the insurance sector as well as standards, principles and practices for carrying out Insurance Business the healthy;

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b. accountability, namely clarity of function and implementation of responsibilities of Insurance Company Organs so that the performance of Insurance Companies can run transparently, fairly, effectively and efficiently;

c. accountability, namely the conformity of the management of an Insurance Company with the provisions of laws and regulations in the field of insurance and ethical values as well as standards, principles and practices for conducting a healthy Insurance Business;

d. independence, namely the condition of an Insurance Company that is managed independently and professionally and is free from Conflicts of Interest and influence or pressure from any party that is not in accordance with the provisions of laws and regulations in the insurance sector and ethical values as well as standards, principles and healthy insurance business implementation practices; And

e. equality and fairness, namely equality, balance and justice in fulfilling the rights of Stakeholders arising based on agreements, provisions of laws and regulations in the insurance sector, and - 10 - ethical values as well as standards, principles and healthy insurance business implementation practices.

Implementation of Good Corporate Governance aims to: optimize the value of the Insurance Company for Stakeholders, especially policy holders, insureds, participants and/or parties entitled to benefits; improve the management of Insurance Companies in a professional, effective and efficient manner; increase the compliance of Insurance Company Organs and DPS and lower levels so that in making decisions and carrying out actions they are based on high ethics, compliance with laws and regulations, and awareness of the Insurance Company's social responsibility towards Stakeholders and environmental sustainability; creating an Insurance Company that is healthier, more reliable, trustworthy and competitive; and increasing the contribution of Insurance Companies to the national economy.

2. Prudential Factors and Market Conduct.

Prudential factors, usually the insurance company's financial health is in trouble so they are really unable to pay claims to customers. "Because he can't. If he can't afford it, it means he doesn't have money. Where the problem lies, it must be prudential, right, in terms of financial health. "This means that something is wrong, whether it's mismanagement or what," he explained.

Market Conductor their behavior towards consumers. The financial health of an insurance company is actually adequate, but they don't want to pay.

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3. The factor of supervision and imposition of sanctions is not strict from the OJK.

After the promulgation of the OJK Law, there has been a shift in the function of regulating and supervising Insurance Companies from the Minister of Finance to the OJK. Since December 21 2012, the functions, duties and authority to regulate and supervise financial services activities in the Capital Market, Insurance, Pension Fund, Financing Institutions and Other Financial Services Institutions sectors have been transferred from the Minister of Finance and the Capital Market and Financial Institution Supervisory Agency to the OJK.

Based on OJK Regulation no 55/POJK.05/2017 concerning Insurance Company Periodic Reports, then Insurance companies are required to submit periodic reports to the Financial Services Authority in the form of:¹²:

- a. La Monthly Reports, Quarterly Reports, Semester Reports and Other Reports submitted in accordance with the provisions stipulated in the Financial Services Authority Regulations or other statutory provisions that require the submission of such reports; And
- b. La Annual reports must be submitted no later than April 30 of the following year. If the deadline for submitting the report falls on a holiday, the deadline for submitting the report is the first working day following.
- c. The factors that cause insurance companies to fail to pay insurance claims as mentioned above are triggers for insurance companies to fail to pay. OJK regulations or provisions must be heeded, also because the company's financial condition is not healthy, and the implementation of risk management within the company is not optimal.

3.2. Implications of failure to pay from insurance companies for the people of Central Java (Indonesia)

Implication is a consequence that arises or occurs because of something. The meaning of the word implication is broad and varied, but is often related to findings or research results. Quoting the Big Indonesian Dictionary (KBBI), the definition of implication is an atmosphere of involvement or involvement. So that affixes such as implicate or imply are interpreted as bringing involvement or being involved with something. Meanwhile, in Indonesian, the meaning of implication is the impact that is felt or the effect that arises as a result of doing something.

¹²Financial Services Authority Regulation Number 55/POJK.05/2017 concerning Periodic Reports of Insurance Companies, Article 8 paragraphs (1) and (2).

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Several cases of failure to pay by insurance companies that have attracted public attention include PT Asuransi Jiwasraya (Persero). In October-November 2018, Jiwasraya announced that it was unable to pay JS Saving Plan customers' overdue policy claims amounting to IDR 802 billion. The liquidity pressure experienced by Jiwasraya resulted in equity being recorded at negative IDR 23.92 trillion in September 2019 and requiring funds of IDR 32.89 trillion to return to health (cnnindonesia, 8 January 2020). Almost all Jiwasraya policy holders agreed to the restructuring to IFG Life policies as a solution offered by Jiwasraya, namely 95.9% or around 16,743 savings plan customers; 98.2% corporate policies or around 2,102 corporate policy contracts; and 93.6% or around 229,749 retail policy holders (bisnis.com, 1 June 2021). PT Asuransi Jiwa Bersama (AJB) Bumiputera 1912, based on a financial audit, received irregular notes throughout 2009-2011. In 2012, the company's debt reached IDR 22.77 trillion with total Bumiputera assets of only IDR 12.1 trillion, resulting in arrears in payment of claims for around 460 customer participants (cnbcindonesia, 19 December 2022). The total value of liabilities will be IDR 22 trillion in September 2021 (beritasatu.com, 17 September 2021)¹³. This has implications in society at large.

Here are some insurance companies that failed to pay:¹⁴

¹³Monika Suhayati, FAILURE TO PAY IN INSURANCE COMPANIES AND EFFORTS TO PROTECT INSURANCE CUSTOMERS, Short Info Journal, Vol. XV, No. 3/I/Puslit/February/2023, page 20

¹⁴ <https://www.cnbcindonesia.com/market/20230912130026-17-471737/6-kas-gagal-bayar-ini-nodai-bisnis-ri-besarnya-fantastis>, downloaded on January 27, 2024

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1. The insurance company belonging to the Bakrie Group was involved in the Diamond Investa product which is a unit link type (insurance and investment). This product experienced default in 2008. The Financial Services Authority stated that Diamond Investa's default reached IDR 500 billion.

Installments made by Bakrie Life were problematic, until finally in 2016, the OJK revoked Bakrie Life's operational permit.

2. Bumi Asih Jaya

OJK revoked the business license in the insurance sector for PT Asuransi Jiwa Bumi Asih Jaya (BAJ) on 18 October 2013 which was no longer able to comply with provisions related to financial health (Risk Based Capital) and the ratio of investment balance to technical reserves and claims debt. In its journey after being revoked, Bumi Asih Jaya has not been able to carry out its obligations, so the OJK filed a bankruptcy lawsuit with the Central Jakarta Commercial Court.

3. Jiwasraya

Jiwasraya first announced that it was in default in October 2018. In that announcement, Jiwasraya was unable to pay off customer policy claims amounting to IDR 802 billion.

Then the number of defaults on JS Saving Plan products continues to increase. Jiwasraya's new management also confirmed that it would not be able to pay customers' JS Saving Plan policies worth IDR 12.4 trillion which mature in October-December 2019.

In the Jiwasraya Health Period document, obtained by CNBC Indonesia, it is stated that the Jiwasraya health period is divided into five periods. The Financial Audit Agency (BPK) also released a calculation of state losses (PKN) due to the Jiwasraya mega scandal case. Currently the government is pushing to resolve Jiwasraya's default by transferring customer policies to the BUMN insurance holding IFG Life.

4. AJB Bumiputera 1912

Problems with Bumiputera are more focused on miss management or mistakes in managing the company. In January 2018 the company admitted that it experienced delays in claim payments of 1 - 2 months due to the minimal premiums generated by the company. At the end of 2018, the company experienced solvency problems of IDR 20.72 trillion, where the recorded assets were only IDR 10.279 trillion but the company's liabilities reached IDR 31.008 trillion.

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As of semester I-2019, Bumiputera's RBC ratio was minus 628.4%, while its investment adequacy ratio was only 22.4%, and its liquidity ratio was 52.4%.

The new management of AJB Bumiputera is committed and working hard to resolve the 2020 claims arrears of IDR 5.3 trillion from as many as 365,000 policy holders throughout Indonesia.

Currently, the Bumiputera pending claim payment process is still in stage 1. Meanwhile, OJK is still monitoring the implementation of the Financial Rehabilitation Plan (RPK) which was previously determined.

There are 2 state-owned insurance companies which have also experienced failure to pay their insured, this has made the general public's trust in insurance companies pessimistic, this is the implication or impact of insurance companies experiencing default on the public in general, namely the general public's reduced interest in buying insurance products offered by insurance agents.

3.3. Insurance implementation model in Indonesia to avoid payment failure

Failure to pay or default is a situation where a debtor cannot fulfill his obligations in accordance with the debt and receivable agreement he made, for example not making installment payments or paying off the principal of the debt in accordance with the agreement, including violating the credit terms as regulated in the contract. This condition also applies for insurance companies that cannot provide benefits or cannot pay insurance claims when they are due. As Article 1338 of the Civil Code ("Civil Code") reads: "All agreements made in accordance with the law apply as law for those who make them."¹⁵ This consent cannot be withdrawn other than by agreement of both parties, or for reasons determined by law. Agreements must be implemented in good faith." Referring to the Compilation of Sharia Economic Law in Article 36, default can occur because:

- a. Didn't do any feats at all
- b. Performing achievements but not in accordance with what has been promised
- c. Performs feats but is late
- d. Doing things that are not actually allowed in the agreement

In insurance companies, there is an agreement between the insured and the insurer. The Insurer promises to provide compensation if certain events occur as agreed at the beginning

¹⁵The sunservanda pact principle applies

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when they enter into a legal relationship with the Insured, and the Insured promises to pay a certain amount of money as a premium to the Insurance company in the amount that has been agreed. If it is due but the Insurance company does not provide what was promised to the Insured (customer), then he is considered to have defaulted or also known as default.

As in several cases experienced by insurance companies, both private and state-owned insurance companies, it can be underlined that one of the reasons this happened was because of an agreement that should have been carried out with the principle of good faith, but this principle was not implemented.

Insurance observer, Irvan Rahardjo, when contacted, Tuesday (7/11/2023), said that the health of insurance companies is measured using capital ratios which are measured from various risks (risk based capital/RBC). Based on the provisions, an insurance company is considered healthy if it has an RBC of at least 120 percent. According to this measure, there are now 10 insurance companies that are in the problematic category and are under special supervision from the OJK. A number of insurance companies whose business licenses have been revoked are companies that do not comply with RBC regulations.¹⁶ So far, [FSA](#) has revoked the business licenses of a number of insurance companies as described above regarding restructuring efforts, such as PT [Insurance](#) Recapital, PT Asuransi Parolamas, PT Asuransi Jiwa Adisarana Wanaartha (Wanaartha Life), PT Asuransi Cigna, and PT Asuransi Jiwa Kresna Life. Finally, OJK revoked PT Asuransi Jiwa [Prolife](#) Indonesia (Indosurya Sukses) on Thursday (2/11/2023).¹⁷

There are several ways to restore public trust in the insurance industry, including:

1. PAYDI is one of OJK's efforts to restore public trust in the insurance industry.

Article 4 OJK Regulation no. 23/POJK.05/2015 concerning Insurance Products and Marketing of Insurance Products, known as Investment Related Insurance Products (PAYDI) are insurance products with little protection but with more emphasis on investment. An example of unit-linked insurance is PAYDI which has the characteristics of providing a proportion of protection against the risk of death and benefits related to investment, having a certain coverage period, and having a certain investment strategy. In this insurance there is a top-up premium which is

¹⁶ <https://www.kompas.id/baca/ Ekonomi/2023/11/06/kebelian-community-jadi-tantangan-industri-perbisnisan>, downloaded 01-28-2024

¹⁷ ibid

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allocated for investment to generate cash value to pay costs if the insured goes on premium leave.¹⁸

Through this circular, OJK asks the insurance industry to improve PAYDI marketing practices to make it more transparent. Insurance agents are expected to ensure that PAYDI policy holders truly understand the PAYDI they purchase, including the benefits, costs that need to be paid, and the risks borne by the policy holder. The reason is, OJK assesses that people with a low level of insurance literacy still have difficulty understanding the complex PAYDI because the product combines elements of insurance and investment.

2. The implementation of Accounting Standards (PSAK) 74 concerning insurance contracts on January 1 2025, must have started by the insurance industry. With PSAK 74, insurance companies are expected to make financial reports that reflect the company's actual performance conditions.

3. OJK is also finalizing the resetting of minimum capital for insurance companies which is currently considered too low and not commensurate with the risks faced. With greater equity, the insurance company will have a greater cushion in absorbing risks arising from investment activities and managing company assets. "In this way, the company has sufficient capital support to fulfill the company's payment obligations to policyholders," said Plt. Head of OJK Public Communications Group Sekar Putih Djarot to ANTARA.¹⁹In 2023, POJK Number 23 of 2023 will be issued which regulates the paid-up capital for newly established insurance and reinsurance companies, namely 1 trillion for insurance companies and 2 trillion for reinsurance companies. Meanwhile for sharia insurance companies the paid-up capital is 500 billion and for insurance companies sharia amounting to 1 trillion rupiah. The paid-up capital at the time of establishment must be paid in cash and in full which is placed in the form of a time deposit and/or current account in the name of the company at a commercial bank, sharia commercial bank, and/or sharia business unit of a commercial bank in Indonesia for insurance companies and companies. reinsurance.²⁰

4. The government will form an Insurance Policy Guarantee Institution which will be managed by the Deposit Insurance Corporation.

¹⁸Fries Melia Salviana, Krisnadi Nasution, Evi Congress, LEGAL PROTECTION OF THE INSURED IN UNIT-LINK LIFE INSURANCE, Perspective Journal, Volume 28 Number 1 Year 2023 January Edition, page 22

¹⁹Sanya Dinda Susanti, Restoring public trust in the insurance industry, article in Antara News Agency, Monday, 28 August 2023

²⁰ <https://finansial.bisnis.com/read/20231229/215/1728049/aturan-baru-ojk-modal-disetor-usaha-bisnis-baru-minimal-rp1-triliun>, downloaded on 01-27-2024

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5. Join a reinsurance company. Reinsurance is a term used when one insurance company protects itself against insurance risks by utilizing the services of another insurance company. There are many reasons why insurance companies carry out reinsurance. Sharing or spreading risk is one of the reasons for reinsurance.

If the insurance company believes that the insurance value of a premium is greater than the value it can cover, then it can share the risk it faces by reinsuring part of the value with another company (reinsurance company). The participation of an insurance company in this reinsurance company, basically the insurance company has protected the stability of its income level because reinsurance has protected it from potential large losses. Another reason is to gain profits as an intermediary by reinsuring with a reinsurance company at a lower premium than the premium level that the insurance company itself charges its customers.²¹OJK should require insurance companies to participate in reinsurance companies, as Paydi has been required by OJK

6. Sanctions are imposed on anyone who carries out insurance business activities, sharia insurance business, reinsurance business, or sharia reinsurance business without a business license, subject to a maximum imprisonment of fifteen years and a maximum fine of Rp. 200 billion (Article 73 paragraph (1) of the Insurance Law²²) and Every person who deliberately does not provide information or provides incorrect, false and/or misleading information to the policy holder, insured or participant shall be punished by a maximum imprisonment of five years and a maximum fine of IDR 5 billion (Article 75 of the Law Insurance), but regarding the provision of sanctions, the public actually doesn't pay much attention to it, because for them the most important thing is that the funds they have deposited with the insurance company get the benefits that were promised when they first joined the program or purchased the insurance product.

It is hoped that in the future several ways or models for regulating the insurance system in Indonesia will be able to restore public confidence in the insurance industry which has greatly weakened public trust in this industry and of course each party must prioritize the principle of good faith as mandated by our Civil Code.

²¹[https://id.wikipedia.org/wiki/Reinsurance#:~:text=If%20companies%20insurance%20opinion%20that,%20other%20companies%20\(reinsurance\)](https://id.wikipedia.org/wiki/Reinsurance#:~:text=If%20companies%20insurance%20opinion%20that,%20other%20companies%20(reinsurance),), downloaded on 01-27-2024

²²Law no 40 of 2014 concerning Insurance Business

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4. Conclusion

Factors that cause insurance companies to fail to pay insurance claims include insurance company governance that is not implemented properly and the existence of prudential factors and market conduct factors. Good governance as regulated in OJK Regulation No.73/POJK.05/2016 concerning Good Corporate Governance for Insurance Companies The implication of failure to pay from insurance companies for the people of Central Java (Indonesia) is that the general public's trust in insurance companies has become pessimistic, this is the implication or impact of insurance companies experiencing default on society in general and the general public's reduced interest in buying insurance products. offered by insurance agents. There are 6 models for administering insurance in Indonesia to avoid payment defaults, namely PAYDI as OJK's effort to restore public trust in the insurance industry, implementation of Accounting Standards (PSAK) 74 for insurance companies to always make financial reports, minimum capital for insurance companies of 1 trillion and 2 trillion for reinsurance companies, the Government will form an Insurance Policy Guarantee Institution which will be organized by the Deposit Insurance Corporation, join Reinsurance companies, provide strict sanctions for everyone who carries out insurance business activities, sharia insurance business, reinsurance business, or sharia reinsurance business without a business license.

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