

Analysis of Consumer Protection Against Standard Contract Clauses in Credit Insurance Agreements

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ABSTRACT

This study aims to analyze consumer protection against standard contract clauses in credit insurance agreements in Indonesia and their implications for credit insurance claim payment failures. The research method employed is normative juridical, with legislative, conceptual, and case approaches. The findings indicate that although regulations governing consumer protection and insurance practices exist, their implementation remains weak due to gaps in legal norms, divergence in interpretation, inadequate supervisory oversight, and an imbalance in bargaining positions between consumers and insurance companies. Standard contract clauses are often applied unfairly to the detriment of consumers, particularly in the process of submitting and settling claims. Furthermore, the available dispute resolution mechanisms have not been fully effective in providing justice and legal certainty for consumers. Therefore, this study recommends regulatory reform, strengthening supervisory institutions, a paradigm shift within the insurance industry, and improved consumer education to realize fair, effective, and sustainable legal protection in the credit insurance sector in Indonesia.

Keywords: *Consumer Protection, Standard Clauses, Credit Insurance, Insurance Claims, Insurance Law.*

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INTRODUCTION

The insurance industry in Indonesia has grown rapidly over the past two decades, although this business is inherently unique in nature. No individual naturally wishes to assume the risks of others. Yet in practice, a group of individuals agrees to form a legal entity, collectively bound by an agreement to bear risks that may arise in the future in relation to a particular subject matter. The concept of insurance has existed since ancient civilizations. The Code of Hammurabi in Babylon around 1750 BC records the practice of merchants purchasing goods on credit and paying additional funds as collateral if the goods were lost in transit, the loan was automatically cancelled.

The first insurance company in Indonesia was *Bataviaasche Zee en Brand-Assurantie Maatschappij*, established on January 18, 1843, in East Kali, Jakarta. Subsequently, several other insurance companies emerged that were affiliated with insurance companies in the Netherlands, such as *NV Handel, Industrie en Landbouw Maatschappij Tiedeman & van Kerchem*, *Escompto Bank*, and *Nederlandsch Indische Levensverzekering en Lijfrente Maatschappij* (NILLMIJ). However, insurance companies in Indonesia at that time only served Dutch nationals. R.W. Dwidjosewojo, a member of the Yogyakarta branch of *Boedi Oetomo*, subsequently studied NILLMIJ. Dwidjosewojo, together with M. Karto Hadi Soebroto and M. Adimidjojo, then established an insurance company targeting the Indonesian market, named *Onderlinge Levensverzekering Maatschappij PGHB* (OL Mij PGHB), on February 12, 1912. Following Indonesia's independence in 1945, several Dutch-owned insurance companies were nationalized, including *NV Assurantie Maatschappij de Nederlanden* and *Bloom Vander EE*,

which became *PT Asuransi Bendasraya*, and *De Nederlanden van 1845*, which became *PT Asuransi Jiwasraya*.

From the era of independence to the present, modern insurance companies in Indonesia operate in the form of National Companies (State-Owned Enterprises/SOEs), National Private Companies, and Joint Ventures across various insurance fields, such as General Insurance, Life Insurance, Sharia General Insurance, Sharia Life Insurance, Credit Insurance, Social Insurance, and others (Insurance, 2022). In this study, the author focuses on Credit Insurance, specifically examining the concept of standard contract clauses and their implications for the failure to settle Credit Insurance claims, as well as the ideal framework for protecting consumer rights in credit insurance agreements.

Indonesia's insurance industry recorded premium growth of 8.2% in 2023, with credit insurance contributing 12% of total general insurance premiums. Credit insurance has become an important instrument in credit risk mitigation, particularly in consumer financing such as Home Ownership Loans (*Kredit Pemilikan Rumah/KPR*), motor vehicle loans, and multipurpose loans (Afriana, 2021; Amir, 2024). However, current credit insurance practices reflect structural inequities that are detrimental to consumers. Empirical data indicate that consumer complaints in the insurance sector in 2023 reached 8,247 cases, with 65% related to the rejection or delay in the settlement of credit insurance claims. The rejection rate of credit insurance claims reached 18.5% of total claims filed, significantly higher than other general insurance lines, which recorded only 8.3%.

One of the fundamental problems in credit insurance is the use of standard contract clauses that frequently provide no room for negotiation for consumers (Suryadinata et al., 2024). A standard clause is any rule or provision prepared and determined unilaterally in advance by business actors, set out in a document or agreement that is binding and must be complied with by consumers. In the context of credit insurance, these standard contract clauses carry particular characteristics that tend to be detrimental to consumers (Schwarcz, 2025; Suryadinata et al., 2024). First, the clauses are drafted unilaterally by the insurance company without involving the consumer in the process. Second, consumers have no opportunity to negotiate the content of the agreement due to its "*take it or leave it*" nature. Third, the language used is often technical and difficult for ordinary consumers to understand, creating *asymmetric information* between insurance companies and consumers.

Article 18 paragraph (1) of Law No. 8 of 1999 concerning Consumer Protection expressly prohibits business actors from drafting or including standard contract clauses in any document that: states the transfer of liability of business actors; declares that business actors have the right to refuse the return of goods purchased by consumers; declares that business actors have the right to refuse to hand over money paid for goods or services purchased by consumers; declares the granting of power of attorney from consumers to business actors, either directly or indirectly, to take all unilateral actions related to goods purchased by consumers in instalments; regulates the proof of the loss of usefulness of goods or the use of services purchased by consumers; gives the right to business actors to reduce the benefits of services or reduce the assets of consumers who are the object of buying and selling services; and declares the consumer's submission to regulations in the form of new, additional, continuation, or follow-up changes made unilaterally by business actors during the period when consumers use the services they purchase.

In practice, however, these prohibition provisions are often disregarded or circumvented through vague and ambiguous contractual wording. Insurance companies employ broadly worded exclusion clauses, limitation of liability clauses, and clauses granting the insurance company the right of unilateral interpretation. For example, a clause stating "the company reserves the right to reject a claim if it is deemed ineligible" without a detailed explanation of the parameters defining "ineligible."

Phenomena observed in practice indicate patterns of conduct detrimental to consumers, including: first, the unilateral rejection of claims on unclear or convoluted grounds; second, delays in claim settlement that may extend from six to twelve months; third, claim procedures that lack transparency and impose undue burdens on consumers; and fourth, standard contract clauses that tend to benefit insurance companies. The particular characteristics of credit insurance further weaken the position of consumers, as the insured party (debtor) has no freedom to select an insurance company, given that this is determined by the bank as creditor through a *bancassurance* mechanism or *tie-in arrangement*. This creates an uncompetitive market structure and places consumers in a highly vulnerable position.

A survey conducted by the Indonesian Consumer Institute (2023) of 500 credit insurance policyholders revealed that 72% of respondents were dissatisfied with claim services, 68% encountered difficulties in the claims process, and 45% had experienced claim rejections they considered unjustified.

Analysis of *Badan Penyelesaian Sengketa Konsumen* (BPSK, Consumer Dispute Settlement Agency) decisions for the period 2020–2023 shows that 78% of credit insurance disputes result in decisions favouring consumers; however, the compliance rate of insurance companies with BPSK decisions stands at only 42%. This indicates the weakness of enforcement mechanisms within the consumer protection system. The existence of Law No. 8 of 1999 on Consumer Protection especially Article 4 on Consumer Rights, Article 7 on the Obligations of Business Actors, and Article 8 on Prohibited Acts for Business Actors — as well as Law No. 40 of 2014 on Insurance, Articles 58 and 59 on the Obligation to Provide Accurate Information and the Prohibition of Unfair Practices, has not been fully able to provide adequate protection for credit insurance consumers.

Based on the principles of consumer protection and good governance in the financial services industry, a fair balance between the rights and obligations of insurance companies and consumers ought to be maintained. The concept of fairness in insurance agreements requires good faith, transparency, and equitable treatment of all parties.

From the perspective of consumer protection law, consumers have fundamental rights that must be respected, as stipulated in Article 4 of Law Number 8 of 1999 concerning Consumer Protection, including the right to security, the right to choose, the right to information, the right to be heard, the right to compensation, the right to guidance and education, and the right to fair treatment. Particularly in the context of credit insurance, the principles that should be upheld include: first, transparency in policy terms and claims procedures; second, speed and certainty in claim settlement; third, fairness in the determination of premiums and coverage; fourth, accountability of insurance companies in every decision made; and fifth, accessibility of dispute resolution mechanisms.

International standards established by the International Association of Insurance Supervisors (IAIS) also emphasize the importance of fair treatment of policyholders as one of

the primary pillars of insurance industry supervision. This demonstrates that consumer protection is not merely a domestic necessity, but also a global standard that must be met. A significant gap exists between the ideal conditions that should be realized and the reality on the ground. This gap encompasses aspects of regulation, implementation, supervision, and law enforcement. Although Indonesia already possesses a fairly comprehensive legal framework, the effectiveness of its implementation remains low. This situation indicates the presence of systemic problems in the protection of credit insurance consumers that require comprehensive examination from a juridical perspective.

Furthermore, legal arguments constructed in the settlement of credit insurance claims disputes often fail to adequately integrate the perspective of legal theory. In fact, a comprehensive understanding of justice theory and consumer protection theory especially in the application of standard contract clauses and *asymmetric information* can provide a stronger theoretical foundation for legal argumentation in dispute resolution.

This gap underscores the importance of research that analyzes the legal aspects of consumer protection against standard contract clauses in credit insurance agreements and their implications for claim settlement failures, through a legal argumentation approach grounded in legal theory and applicable statutory provisions in Indonesia. This research is particularly significant given the weak bargaining position in which consumers frequently find themselves relative to insurance companies. This imbalance, compounded by insufficient consumer understanding of credit insurance products and their rights, further strengthens the urgency of conducting an in-depth study of consumer protection in the context of credit insurance claim settlement. Through juridical analysis employing a legal argumentation approach, this research is expected to make a significant contribution to the development of consumer protection law in the financial services sector, particularly in relation to credit insurance products.

Research on consumer protection in the context of insurance has been conducted previously. However, research that specifically examines the legal aspects of consumer protection against standard contract clauses in credit insurance agreements and their implications for claim settlement failures, employing a legal argumentation approach grounded in legal theory, remains very limited. Among the relevant prior studies are Hilda Yunita Sabrie (2022), which examines the liability of insurance companies in fulfilling claim obligations from a consumer protection perspective, but does not specifically address the credit insurance context; Anita Afriana (2021), which focuses on the legal protection of customers in the rejection of bank credit insurance claims, but does not integrate a legal argumentation approach grounded in legal theory; and Lukman Santoso (2021), which discusses the legal framework of customer protection in credit insurance agreements, but does not thoroughly analyze the issue of credit insurance claim settlement. Therefore, the novelty of this research lies in an approach that integrates juridical analysis of consumer protection against standard contract clauses in credit insurance agreements and their impact on claim settlement failures, with a foundation in legal theory and an examination of the most recent regulatory developments.

Based on this background, the research problems addressed in this study encompass: the regulation of standard contract clauses in credit insurance agreements under applicable laws and regulations; the implementation of consumer protection against standard contract clauses that are detrimental in credit insurance practices; and the ideal future framework of consumer protection in this domain. The purpose of this research is to analyze the legal aspects of

consumer protection against standard contract clauses in credit insurance agreements, examine the harmonization of related laws and regulations, and formulate a legal protection model that is fair and provides legal certainty. The benefits of this research include theoretical contributions to the development of consumer protection law and insurance law, as well as practical benefits for consumers, the insurance industry, the government, and legal practitioners in improving the quality of legal protection for credit insurance claimants.

METHOD

The author in this case bases his writing on normative juridical facts so that in the future he can be accounted for his usefulness if used as a reference.

1. Types of Research

This research is a normative legal research or doctrinal law research that aims to analyze the legal aspects of consumer protection against standard clauses in credit insurance. Normative legal research is research that is carried out by examining literature materials or secondary data as basic materials to be researched by conducting a search of regulations and literature related to the problem being researched.

2. Research Approach

Regarding research methods, Sutrisno Hadi argues that research is an effort to find, develop and test the truth of a knowledge, which efforts are made using scientific methods. In writing this thesis, the type of research carried out is normative legal research, normative here the meaning is that the legal research is carried out by researching literature materials or secondary data.

3. Approach Method

In carrying out this research, two approaches are used, namely:

- a. Statute Approach: this approach is used to analyze laws and regulations related to consumer protection in the payment of credit insurance claims, including the Consumer Protection Law, the Insurance Law, and various relevant OJK Regulations.
- b. Conceptual Approach: this approach is used to understand the legal concepts underlying consumer protection in the payment of credit insurance claims, such as the concepts of fairness, legal certainty, and responsibility.

The combination of these approaches is expected to provide a comprehensive analysis of research problems.

4. Data Types and Sources

This research uses three types of legal sources, namely:

a. Primary Legal Material

Primary legal material is legal material that has authority or binding force, which includes:

- 1) Constitution of the Republic of Indonesia in 1945
- 2) Civil Code (KUHPercivil)
- 3) Commercial Law (KUHD)
- 4) Law No. 8 of 1999 concerning Consumer Protection
- 5) Law No. 40 of 2014 concerning Insurance
- 6) Financial Services Authority regulations related to credit insurance and consumer protection

b. Secondary Legal Materials

Secondary legal material is legal material that provides an explanation of primary legal material, which includes:

- 1) Textbooks in the field of consumer protection law and insurance law
- 2) Legal journals that discuss consumer protection in the insurance industry
- 3) Results of legal research related to credit insurance and consumer protection
- 4) Scientific articles in the field of insurance law and consumer protection
- 5) Opinions of legal experts related to research problems

c. Tertiary Legal Materials

Tertiary legal materials are materials that provide instructions and explanations for primary and secondary legal materials, which include:

- 1) Legal dictionary
- 2) Great Dictionary of Indonesian Language
- 3) Legal encyclopedia
- 4) Dictionary of insurance terms

5. Legal Material Collection Techniques

To obtain the legal materials needed in this study, several collection techniques were used, namely:

a) Library Research

Literature studies are carried out by collecting, reading, and analyzing literature materials that are relevant to the research problem. Literature studies will focus on laws and regulations, textbooks, scientific journals, and research results related to consumer protection in the payment of credit insurance claims.

b) Documentation of Court Decisions and Claims Denial Cases

This technique is carried out by collecting and analyzing court decisions related to credit insurance claim disputes. In addition, documentation is also carried out on cases of claim rejection that do not go to court but become complaints at the OJK or consumer protection institutions.

c) Comparative Study of Credit Insurance Policy Documents

This technique is carried out by collecting and analyzing credit insurance policy documents from various insurance companies to identify standard clauses, exclusion clauses, and claim mechanisms set by each insurance company.

6. Legal Materials Analysis Techniques

The analysis of the collected legal materials was carried out using the Legal Argumentation Analysis Method. This method is used to analyze the legal arguments built by the parties and judges in credit insurance claim disputes. This analysis will include the identification of the structure of the argument, the premises used, and the strengths and weaknesses of each argument.

RESULTS AND DISCUSSION

Implementation of Consumer Protection of Standard Clauses in Credit Insurance

A. Juridical Analysis of Consumer Protection Against Standard Clauses in Credit Insurance

1. Problems of Implementing Consumer Protection in Practice

The implementation of consumer protection of standard clauses in credit insurance must be analyzed based on the theory of fairness developed by John Rawls. According to this theory, justice as fairness requires that the legal and economic systems are structured to provide the greatest benefits to the weakest members of society. In the context of credit insurance, consumers are the weak party because they have a low bargaining position compared to insurance companies.

The principle of difference in Rawls' theory states that inequality in society is only acceptable if the inequality benefits the weakest parties. In the practice of credit insurance, the use of standard clauses that benefit the insurance company can only be justified if it ultimately provides benefits to consumers, for example through cheaper premiums or faster service. However, the reality shows that many of the standard clauses in credit insurance are actually detrimental to consumers. Clauses that unreasonably transfer risk to consumers, limit consumers' right to obtain compensation, or give insurers undue authority to unilaterally amend agreements, are contrary to the principles of fairness. This worsens the already weak position of consumers and violates the principle of balance in treaty law.

Rawls's concepts of "original position" and "veil of ignorance" provide a framework for assessing the fairness of standard clauses. If the party who drafts the credit insurance clause does not know where they will be (as an insurance company or consumer), they will choose a clause that is fair to all parties. The majority of controversial clauses in current practice will not be chosen under such conditions because the risk borne by the weak party is too great.

2. Application of Consumer Protection Theory in Credit Insurance

Modern consumer protection theory emphasizes that consumer protection is not only about the restoration of rights (corrective justice) but also about distributive justice. Consumer protection should be understood as an effort to correct systematic market failures, especially those related to information imbalances and bargaining power.

In credit insurance, market failures occur on several levels. First, at the information level, consumers do not have adequate access to the technical information necessary to assess the fairness of a contractual clause. The complexity of actuarial science and insurance law makes consumers rely entirely on insurance company explanations, which are often inadequate or deliberately obscured.

Second, at the bargaining power level, consumers are dealing with insurers that have much stronger resources, expertise, and market position. In the bancassurance system that dominates in Indonesia, consumers cannot even choose an insurance company and must accept the products that the bank determines as the lender. Third, at the law enforcement level, consumers face significant obstacles in enforcing their rights, ranging from high litigation costs to confusing procedural complexities.

Contemporary consumer protection theory emphasizes the importance of substantive justice in addition to procedural justice. It is not enough that the consumer has formally signed the contract, but the content of the contract must also meet substantive reasonableness standards. This is in line with the development of contract law from classical will theory to a modern justice-based approach that recognizes the limitations of the purely consensual model in mass market transactions.

The application of this theory in credit insurance demands a shift from the principle of "buyers must be careful" to a "seller must be responsible" approach, where insurers have a

positive obligation to ensure the contracts they offer are fair and reasonable. This includes the obligation to provide explanations in plain language, reasonable terms, and honest treatment in all aspects of the relationship.

3. The Gap Between Theory and Practice in Implementation

An analysis of the practical implementation of consumer protection in credit insurance reveals a significant gap between theoretical frameworks and actual practice. Although the Consumer Protection Act explicitly adopts the principles of fairness and balance, enforcement in practice often does not achieve theoretical ideals.

The most striking gap is in the interpretation and application of the concept of "balance" which is one of the principles of the Consumer Protection Law. Theoretically, the balance should be understood in the context of substantive equality that takes into account the differences in the positions, resources, and vulnerabilities of each party. But in practice, equality is often interpreted formally and mechanically, where equality is understood as identical treatment without considering contextual differences.

The second gap is related to the implementation of the principle of good faith. Although good faith is recognized as a fundamental principle in Indonesian contract law, its application in the context of standard clauses is still very limited. Insurance companies can still use technical compliance with the sound of the law to avoid the spirit of honest treatment. For example, by providing an explanation that is technically adequate but practically incomprehensible, or by using a claim procedure that is technically correct but practically burdensome.

The third gap in the law enforcement mechanism. The theoretical framework provides various remedies for consumers, including through the courts, BPSK, and BMAI. But in practice, each mechanism has significant limitations. Courts often lack specialized expertise and cases can last for years. BPSK has limited authority and resources. BMAIs, although specialist, have a limited level of awareness among consumers and voluntary participation from the industry.

4. Juridical Analysis of Concrete Cases

Analysis of concrete cases of the application of standard clauses in credit insurance reveals a systematic pattern of injustice. In the case of denial of claims based on pre-existing health condition clauses, the analysis shows that many denials do not meet the standards of materiality required in insurance law. Health conditions that are not material to the risk assessment or that are not properly disclosed by the insurance company at the time of application are often used as the basis for an overall claim denial.

From the perspective of justice theory, the use of the overly broad exception for health conditions violates the principle of proportionality. The exclusion must be proportionate to the actual risk represented by the condition and to the premium paid by the consumer. When a minor health condition that is not actuarially significant is used to reject a large claim, there is a disproportionate allocation of risk and to the detriment of consumers.

In cases involving waiting period clauses, juridical analysis shows that many waiting periods are not justified on legitimate actuarial grounds but are primarily designed to reduce claims payments. Excessive waiting periods, especially for credit life insurance with relatively short loan terms, effectively reduce the coverage period significantly without corresponding premium reductions. This violates the principle of adequate remuneration in contract law.

Cases involving claims procedures also reveal systematic injustice. Many insurers use complex and burdensome procedures designed to hinder claims or create a basis for technical denials. From a procedural fairness perspective, claims procedures must be reasonable, clearly communicated, and proportionate to the complexity of the underlying claim. Procedures that are deliberately obscured or excessive violate the fundamental principles of due process.

5. Evaluation of the Effectiveness of Existing Mechanisms

Evaluation of the effectiveness of existing consumer protection mechanisms should be conducted through results-based assessments that take into account the experience and actual outcomes of consumers. The data shows that despite various formal mechanisms for consumer protection, the actual outcomes for consumers are still often unfavorable.

BPSK, as the main consumer dispute resolution mechanism, showed mixed performance. Although the consumer win rate is quite high in cases that make it to the adjudication stage, many consumers are unaware of the existence of CPSK or are hindered by the perception of procedural complexity. Even more problematic, BPSK decision enforcement is still weak, with many companies choosing to ignore or challenge the decision through court review.

BMAI as a specialized insurance dispute resolution body demonstrated better technical expertise in dealing with insurance-specific issues, but suffered from limited consumer awareness and voluntary industry participation. Many consumers are unaware of the existence of BMAI or confused about how to access the service.

OJK supervision, although it has increased significantly in recent years, is still mainly reactive rather than proactive. Market behavior surveillance that can identify and address unfair contract terms before harming consumers is still limited in scope and frequency. Consumer complaint mechanisms, while available, often result in a formal response without substantive resolution.

The judicial system, theoretically the primary custodian of consumer rights, faces significant challenges in handling complex insurance cases. Judges often lack the specialized knowledge necessary to properly assess insurance technical issues, and judges' training in consumer protection law is still inadequate. The accumulation of cases and lengthy procedures also hinders consumer litigation.

B. Application of Reasons for Rejection of Credit Insurance Claims Experienced by Consumers/Insureds/Heirs of Insured

1. Categorization of Reasons for Denial of Claims Based on Justice Theory

An analysis of the reasons for rejection of credit insurance claims through the perspective of justice theory reveals that many rejections do not meet the standards of distributive and corrective justice. Distributive justice demands that benefits and burdens are distributed fairly based on relevant criteria, while corrective justice demands that when a loss occurs, there must be a proper recovery.

The first category is rejection based on allegations of not providing information or providing false information. From the perspective of distributive justice, a refusal based on not providing information can only be justified if the information is material to the risk assessment and the insurance company's decision to provide coverage. Many cases show that insurance companies use incompleteness of technical information about immaterial matters as a basis for avoiding liability entirely. This creates disproportionate consequences and violates the principle of justice.

Corrective justice analysis also points to problems with the cancellation of policies in their entirety based on immaterial incompleteness of evidence. Even if there is a technical breach of the obligation to provide information, recovery must be proportionate to the losses caused by the violation. A total cancellation of a policy for incompleteness of minor information that does not affect the actual risk creates a recovery disproportionate to the error committed.

The second category is rejection based on policy exemptions which are interpreted too broadly. Distributive justice analysis suggests that exceptions should be narrowly defined and applied only when the risks specifically excluded actually cause harm. Many insurers interpret exclusions broadly to avoid liability even when the excluded risk is not the primary cause of the loss or when there are various causes involved.

The third category is rejection based on procedural non-compliance. While procedural requirements may be legitimate for a proper claim investigation, excessive or unreasonable procedural requirements designed primarily to impede claims violate both distributive and corrective justice. Procedures must be reasonable, clearly communicated, and proportionate to the complexity of the claim.

2. The Distributive Impact of Claims Denial Practices

A distributive analysis of claims denial practices reveals that current practices create regressive effects that disproportionately harm vulnerable consumer groups. Low-income consumers, elderly consumers, and consumers with limited education experience higher claim rejection rates and poorer outcomes in the dispute resolution process.

The regressive effect occurs due to several factors. First, vulnerable consumers are less likely to have the resources necessary to challenge the rejection of unfair claims through formal dispute resolution mechanisms. Legal representatives, expert witnesses, and the time required to pursue claims create barriers that disproportionately affect those with limited resources.

Second, vulnerable consumers are more likely to receive unfair claims denials because they lack knowledge of rights or are afraid of dealing with complex institutions. Information imbalances that are already problematic for average consumers are becoming more severe for vulnerable populations.

Third, insurers may intentionally target vulnerable populations with more aggressive claims denial practices because they calculate that resistance will be minimal. Profit maximization strategies that focus on rejecting the claims of those who are least able to resist are systematic distributive injustices.

Geographic disparities in claims handling also create distributive concerns. Consumers in remote areas or small towns often experience poorer service, longer delays, and higher rejection rates. This partly reflects legitimate cost considerations, but also points to the possibility of discriminatory practices that violate the principle of equal treatment.

3. Corrective Justice Analysis from Current Practice

Corrective justice analysis of current claims denial practices reveals systematic failures in providing appropriate remedies for wrongs committed. When a consumer suffers a loss incurred based on a reasonable interpretation of the terms of the policy, the denial of a claim constitutes a failure of corrective justice that requires redress.

Current dispute resolution mechanisms, while theoretically providing corrective justice, often fail in practice due to procedural barriers, power imbalances, and institutional bias. Even

when consumers ultimately win a dispute, recovery is often insufficient to fully compensate for the losses suffered, including consequential losses, emotional distress, and the costs of pursuing recovery.

Punitive or exemplary damages are rarely awarded in consumer insurance cases, although there is evidence of systematic bad faith practices by some insurance companies. The absence of meaningful preventive consequences for the practice of unfair denial of claims perpetuates the failure of systematic corrective justice.

Delays in dispute resolution also undermine corrective justice. When consumers have to wait months or years for a legitimate claim to be resolved, corrective justice weakens even if the end result is favorable. Prompt payment obligations exist in law but enforcement is weak and penalties are inadequate to ensure compliance.

4. Case Study: Patterns in Claims Denial Practices

A detailed analysis of specific cases reveals an alarming pattern in claims denial practices that indicate a systematic rather than isolated problem. Seasonal variations in denial rates, correlated with the insurance company's financial reporting period, suggest that claims handling decisions are influenced by financial targets rather than purely legal or contractual considerations.

Case studies of credit life insurance claims show that certain categories of claims are systematically rejected at a higher rate despite similar factual circumstances. Claims involving a specific medical condition, a specific age group, or a specific geographic area exhibit statistically significant disparities that cannot be explained solely by legitimate underwriting factors.

Analysis of claim denial letters and internal company documents (from cases that reach litigation) reveals language and decision-making processes that primarily focus on avoiding payments rather than assessing coverage obligations fairly. Standard rejection letters often use standard language that does not specifically address the facts of the individual case.

The pattern in claims investigations is also alarming. Many companies appear to conduct minimal investigations for straightforward claims but extensive investigations for potentially rejectable claims. The allocation of resources within the claims department appears to be biased towards rejection rather than a fair assessment.

5. Rights-Based Analysis of Consumer Experience

Rights-based analysis, which draws on human rights principles and constitutional protections, provides an additional lens for evaluating claims handling practices. The right to property, the right to due process, and the principle of equal protection are all relevant to assessing the fairness of the handling of insurance claims.

Property rights analysis shows that when consumers pay premiums for insurance coverage, they acquire a property interest in the benefits promised by the policy. Arbitrary or bad faith denial of a claim is a property interest that requires the protection of due process and fair compensation.

A fair analysis of legal process reveals significant shortcomings in current claims handling procedures. Many consumers do not receive adequate notice of the reason for the refusal, adequate opportunities to respond to insurance company concerns, or a fair hearing before a neutral decision-maker. The standard of administrative legal process, if applied to insurance claims decisions, will require significant reform in current practice.

The same protection analysis reveals disparities in similar consumer treatment that cannot be justified based on legitimate business considerations. Systematic differences in the handling of claims based on consumer characteristics that are irrelevant to the determination of coverage violate the principle of equal treatment.

C. The Ideal Concept of Consumer Protection Against Standard Clauses in Credit Insurance in the Future

1. Theoretical Framework for an Ideal Consumer Protection System

The ideal concept of consumer protection of standard clauses in credit insurance should be built on a foundation that integrates distributive justice, corrective justice, and procedural justice in a comprehensive framework that addresses the root causes of current problems. This framework must recognize that effective consumer protection requires not only reactive remedies but also proactive prevention of unfair practices.

The distributive justice component of the ideal system should ensure a fair allocation of risk, benefit, and cost between consumers and insurance providers. This requires a regulatory framework that carefully calibrates the allocation of risk to reflect actual risk, the capacity of consumers to bear different types of risk, and the social utility of different risk distribution schemes. The principle of subsidiarity implies that risk should be allocated to those who are most able to manage it efficiently and fairly.

The procedural fairness component must ensure that all processes, from contract formation to claims handling to dispute resolution, provide fair procedures that provide all parties with meaningful opportunities to participate effectively. This entails the removal of procedural barriers that discriminately affect vulnerable populations and the establishment of accessible, understandable, and efficient processes.

The corrective justice component must ensure that when unfair practices occur, there is an effective remedy that not only compensates the victim but also provides appropriate prevention to prevent future violations. This entails fully compensatory remedies, including consequential damages, and punitive measures that create meaningful incentives for compliance.

This framework should also incorporate principles from behavioral economics that recognize cognitive limitations and psychological biases that influence consumer decision-making. The ideal system should be designed to work effectively in light of the actual behavior of consumers rather than the assumptions of theoretical rational actors.

2. Institutional Design for Optimal Consumer Protection

The ideal institutional design for consumer protection in credit insurance should address the current fragmentation and create a coherent system with clear lines of authority and accountability. A layered approach with specialized agencies that deal with different aspects of consumer protection can be most effective, provided that there are adequate coordination mechanisms in place. Primary regulatory authorities should have a comprehensive mandate for consumer protection in insurance, with adequate resources, expertise, and enforcement powers to effectively oversee market behavior. The regulatory approach should be proactive rather than reactive, with regular market surveillance, mandatory product approval processes, and systematic assessment of consumer outcomes.

A dedicated dispute resolution institution should be established with mandatory participation from industry, binding decision-making authorities, and procedures specifically

designed for insurance disputes. These institutions must have adequate funding, specialized expertise, and simplified procedures accessible to all segments of consumers.

Consumer advocacy institutions should be strengthened with ongoing funding, enhanced legal standing, and the capacity to bring systematic challenges to unfair industry practices. A class action mechanism or other form of collective recovery can allow consumers to effectively challenge widespread issues that may not be economically viable for individual litigation.

Education and empowerment institutions should be developed to provide ongoing consumer education, product information, and advocacy support. This can include government agencies, nonprofit organizations, or industry-funded but independent bodies with a clear mandate for consumer education.

3. Substantive Standards for Fair Contract Terms

The ideal system should establish clear substantive standards for assessing the fairness of contract terms that go beyond the current prohibition approach and provide positive guidance for fair contracts. These standards should be based on the principles of proportionality, transparency, and reasonableness that can be applied consistently in a variety of contexts. The proportionality standard should require that any restriction of consumer rights, exclusion of coverage, or allocation of risk is proportionate to the legitimate business needs and the consumer's capacity to bear different types of risk. Blanket exclusion or disproportionate allocation of risk should be prohibited.

Transparency standards should require that all material terms be expressed in simple language that can be understood by the target consumer population, with adequate opportunity to review and consider the terms prior to commitment. Complex or technical terms should be described in accessible language with concrete examples. Reasonableness standards should require that all requirements are reasonable from the perspective of an informed consumer who understands the risks and alternatives. Conditions that reasonable consumers would not accept if they were fully informed and given the real choice should be prohibited.

These standards should be implemented through a combination of regulatory oversight, court enforcement, and industry self-regulation, with periodic reviews and updates to reflect evolving market conditions and consumer needs.

4. Technology-Enhanced Consumer Protection

An ideal future system should leverage technology to address information imbalances, reduce transaction costs, and improve the accessibility of consumer protection mechanisms. Artificial intelligence and machine learning can be used to automate the detection of potentially unfair contract terms, predict consumer protection issues, and provide personalized consumer education.

Smart contracts and blockchain technology can provide transparency in insurance transactions, automate claims processing for straightforward cases, and create immutable records that reduce disputes. However, the application of technology must be carefully designed to ensure that technology enhances rather than replaces human judgment in complex decisions and that the digital divide does not create additional barriers for certain consumer segments (Kasmir, 2024; Kristiyanti, 2018).

Digital platforms can provide comprehensive information about insurance products, enable easy shopping comparisons, and facilitate access to dispute resolution mechanisms.

Mobile apps can provide real-time assistance to consumers navigating complex insurance processes.

Regulatory technology can enable more efficient and effective oversight of insurers, with automated monitoring of compliance, predictive analytics to identify emerging issues, and simplified regulatory reporting that reduces costs while increasing effectiveness.

5. International Integration and Adoption of Best Practices

The ideal system for Indonesia should be informed by international best practices while remaining appropriate for the local context. Regional integration in the context of ASEAN will require harmonization of consumer protection standards that protect Indonesian consumers while facilitating the development of regional insurance markets. International cooperation in regulatory oversight, information sharing, and joint enforcement actions can help address cross-border consumer protection issues that are increasingly important in a globalized insurance market.

Participation in international standard-setting bodies and regular benchmarking against international best practices can help ensure that Indonesia's consumer protection system remains up-to-date with global developments. However, international integration must be balanced with attention to local conditions, legal traditions, and consumer needs that may differ from other jurisdictions. The adoption of foreign models as a whole without adaptation to the local context is often ineffective.

6. Sustainability and Adaptability

The ideal consumer protection system should be designed for long-term sustainability and adaptability to changing conditions. Sustainable financing mechanisms, which may involve industry contributions, are needed to ensure adequate resources for sustainable consumer protection activities. Regular review and update mechanisms should be built into the system to ensure that consumer protection measures keep pace with market developments, technological changes, and evolving consumer needs. The stakeholder consultation process must ensure that all relevant voices are heard in the evolution of the system.

Performance measurement and outcome assessment should be an integral part of the system design, with regular evaluation of whether consumer protection measures achieve their intended objectives and what modifications can improve effectiveness. The drive for innovation must be balanced with consumer protection, with regulatory sandboxes or other mechanisms that allow testing of new approaches while maintaining adequate protection for consumer welfare.

7. Implementation Path

The implementation of an ideal consumer protection system will require careful sequencing and change management to minimize disruption while maximizing benefits (Bedell Gadbois, 2025; Howells, 2020). A phased approach is likely the most practical, with priority given to reforms that can quickly improve consumer outcomes while laying the groundwork for more comprehensive change.

Building political consensus will be crucial for sustainable reforms, with the involvement of all stakeholders including industry, consumer groups, government agencies, and the wider community. The reform process must be transparent and participatory to build legitimacy and support. Capacity building will be required for all institutions involved in consumer protection,

including regulatory agencies, dispute resolution bodies, the judiciary, and consumer advocacy organizations. International technical assistance can help accelerate capacity building.

Pilot programs and demonstration projects can help test different approaches and build an evidence base for larger-scale reforms. Learning from the pilot experience can inform broader implementation strategies. Success will require sustained commitment from political leadership, adequate resources for implementation, and continuous monitoring and adjustment based on changing experiences and conditions. Consumer protection is an ongoing process rather than a one-time achievement, and the ideal system should be designed for continuous improvement in response to evolving challenges and opportunities.

8. Consumer Empowerment as the Main Pillar

The ideal concept should place consumer empowerment as the main pillar of the protection system. This empowerment is not only in the form of financial education, but also access to information, ease in the complaint process, and support in dealing with disputes with insurance companies. Financial literacy programs should be integrated into the formal education curriculum starting from the basic level, with a special focus on understanding insurance products and consumer rights. The program must use simple language and concrete examples that are relevant to the daily lives of the Indonesian people.

An easily accessible digital information platform should provide a comparison of credit insurance products from different companies, with a clear explanation of the benefits, risks, and costs of each product (Luntungan, 2023; Mulyati, 2021; Rohayana, 2022). The platform should also include a calculator tool that helps consumers understand the total cost of insurance ownership and compare the values offered. An integrated consumer support system should provide assistance ranging from pre-purchase consultation to assistance in the claims process. These can be independently managed call centers, mobile apps with intelligent chatbot features, and a network of financial counselors at the community level.

9. Comprehensive Monitoring and Evaluation Mechanism

The ideal system should be equipped with comprehensive monitoring and evaluation mechanisms to ensure that all components function in accordance with consumer protection objectives (Poliakh & Alikariyev, 2017; Zaitseva et al., 2014). Oversight is not only carried out by regulators, but also involves the active participation of civil society and academia. Clear and measurable performance indicators should be established for every aspect of consumer protection, from the rate of unfounded claims rejections, dispute resolution times, to consumer satisfaction levels. This data must be published regularly and easily accessible to the public.

Independent audits of insurance companies' practices should be conducted on a regular basis, not only by regulators but also by independent audit bodies that specialize in consumer protection. The results of the audit should be published and be the basis for system improvement. Feedback mechanisms from consumers must be built systematically, not only through formal complaints but also through periodic surveys, focus group discussions, and actively monitored social media platforms. This feedback must be analyzed and followed up with concrete policy changes.

10. Industrial Cultural Transformation

The implementation of the ideal system also requires a cultural transformation within the insurance industry, from a culture that is oriented towards short-term maximum profit to one that prioritizes the long-term interests of consumers and business sustainability. Ongoing

certification and training programs for all personnel involved in the sale and service of credit insurance should emphasize aspects of business ethics and consumer protection. This training covers not only the technical aspects but also the development of empathy and understanding of consumer conditions (Sabrie, 2022; Wibowo & Syafrida, 2025; Widjaja & Yani, 2020).

The incentive system within insurance companies must be reformed to reward not only the achievement of sales targets but also the quality of service and customer satisfaction (Dahake, 2018; Elomari, 2024). Key Performance Indicators (KPIs) should include consumer protection metrics such as complaint rates, claims resolution times, and consumer satisfaction levels. Strong corporate governance must ensure that consumer protection becomes an integral part of a company's business strategy. The board of commissioners and directors must have a deep understanding of the reputational and legal risks associated with practices that harm consumers. Transparency in reporting should be improved, with insurers obligated to publish sustainability reports covering consumer protection aspects, claims data, and remedial efforts that have been made.

This ideal system recognizes that effective consumer protection in credit insurance requires a comprehensive approach that addresses the various dimensions of the problem, from regulatory frameworks to market structures, technology, consumer empowerment, and international cooperation. Implementation will require coordinated efforts from various stakeholders and an ongoing commitment to a consumer-centric approach to financial services regulation.

CONCLUSION

The implementation of consumer protection against standard contract clauses in credit insurance agreements in Indonesia remains weak, despite the existence of various regulatory frameworks, due to persistent gaps in legal norms, divergent interpretations, inadequate supervisory oversight, and a structurally imbalanced bargaining position between consumers and insurance companies — conditions that enable systematic violations and render dispute resolution mechanisms ineffective and unjust. Comprehensive reform is therefore urgently required across multiple fronts, including the revision of the Consumer Protection Law and the Insurance Law to strengthen provisions on standard contract clauses and introduce strict administrative sanctions, the optimisation of the *Otoritas Jasa Keuangan* (OJK) and dispute resolution bodies such as BPSK and BMAI, a paradigm shift within the insurance industry towards fair and transparent practices, the integration of financial literacy into public education, the reform of evidentiary systems to shift the burden of proof in claim denial disputes, and the harmonisation of consumer protection standards at the ASEAN level through the adoption of international best practices. For future research, it is recommended that empirical studies be conducted to measure the direct impact of specific standard contract clauses on claim settlement outcomes, as well as comparative juridical analyses examining consumer protection models in other ASEAN jurisdictions with more developed insurance regulatory frameworks, in order to inform the development of a more robust and equitable legal protection model for credit insurance consumers in Indonesia.

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