



## The Principle of Subrogation in Motor Vehicle Loss Insurance in South Barito Regency

Manat Simanjuntak<sup>1</sup>, Andika Wijaya<sup>2</sup>, Ivans Januardy<sup>3</sup>

<sup>1</sup>Universitas Palangka Raya, Central Kalimantan, Indonesia, [manatsimanjuntak43@gmail.com](mailto:manatsimanjuntak43@gmail.com).

<sup>2</sup>Universitas Palangka Raya, Central Kalimantan, Indonesia, [andika@law.upr.ac.id](mailto:andika@law.upr.ac.id).

<sup>3</sup>Universitas Palangka Raya, Central Kalimantan, Indonesia, [ivasnjanuardy@law.upr.ac.id](mailto:ivasnjanuardy@law.upr.ac.id).

Corresponding Author: [manatsimanjuntak43@gmail.com](mailto:manatsimanjuntak43@gmail.com)<sup>1</sup>

**Abstract:** This study aims to analyze the implementation of the principle of subrogation in motor vehicle loss insurance in South Barito Regency, focusing on the challenges faced and the solutions that can be taken to ensure the effectiveness of the principle. The research uses an empirical research method by collecting data through in-depth interviews, observations, and documentation studies. The data were analyzed in a qualitative descriptive manner to provide a comprehensive picture of the phenomenon being studied. The results of the study show that the application of the principle of subrogation often faces obstacles, such as the lack of transparency of the insured, the low public understanding of insurance law, and the culture of peaceful settlement between the insured and third parties. In addition, the relatively small claim value compared to operational costs is also a consideration for insurance companies not to continue the subrogation right. This study recommends strengthening regulations, increasing education to the public, and utilizing technology to support the implementation of the subrogation principle more optimally.

**Keyword:** Principle of Subrogacy, Loss Insurance, Motor Vehicles, Legal Protection, South Barito Regency.

### INTRODUCTION

Insurance or coverage is a form of protection that arises in response to the human need for certainty in the midst of uncertainty. Uncertainty in human life can be in the form of favorable or detrimental events. However, the main focus of insurance is the risks that can cause losses (Ivanovna et al., 2018). Risk is the possibility of an uncertain event, both in the form of material and non-material losses, that can befall individuals and business entities. This risk is universal and unpredictable when and to whom it will occur, so it becomes a threat to the economic stability of individuals and society.

These unpredictable risks have a significant impact on human life, both at the individual and collective levels in the business world. At the individual level, risk can be in the form of events such as accidents, severe illness, permanent disability, and death. All of these conditions not only have an emotional and psychological impact on the family left behind but also serious

financial losses. For example, if a family head dies due to an accident or illness, then his family will lose a major source of income. This condition can lead to long-term economic hardship, especially if there is no adequate financial protection.

Meanwhile, in the business world, risk is a more complex threat because it has an impact on business operations, company reputation, and overall business sustainability (Settembre-Blundo et al., 2021). Examples of risks in the business world include fires that burn company assets, theft or robbery that eliminates important inventory, natural disasters that damage production infrastructure, and lawsuits from third parties (Kornfeld, 2019). These risks can lead to huge financial losses and can even lead to bankruptcy if not managed properly.

In everyday life, risks can come in many forms and scenarios. At the individual level, risk can be an accident that causes physical injury or even death. This illness requires a large medical cost or loss of property due to theft, fire, or natural disasters. These risks incur not only material losses, such as the cost of medical treatment or loss of assets, but also non-material losses, such as psychological trauma or loss of sources of income for the families left behind. On the other hand, in the context of business entities, risks can be in the form of operational disruptions due to natural disasters, factory fires, theft of company assets, claims from customers, or the failure of business projects that result in significant financial losses (Chernov & Sornette, 2020).

This uncertainty poses a serious threat because humans cannot fully control or predict such events. Therefore, societies need mechanisms to protect themselves from the adverse impacts posed by risks. One of the most effective mechanisms is insurance. Insurance is present as a solution to protect against risks by shifting the burden of losses to another party, namely insurance companies (Andreeva, 2020). By paying a certain amount of premiums periodically, individuals or business entities can obtain guaranteed compensation if the insured risk actually occurs (Catrina, 2018).

Insurance itself is based on the basic principle of risk pooling. This principle means that the risks faced by one individual or business entity are spread across all insurance participants (Linnerooth-Bayer et al., 2019).

Thus, the burden of losses that must be borne by one party becomes lighter because it is shared collectively. For example, in the event of a fire in an insured home, the insurance company will pay compensation to the owner of the home using funds collected from the premiums of all the insurers.

In this way, insurance creates a sense of security and economic stability for the community. In addition, insurance also has an important social function. In an individual context, insurance can protect families from the huge financial burden of losing the family backbone or property damage. In a business context, insurance allows companies to maintain the continuity of their business despite facing unexpected risks. This contributes to macroeconomic stability as companies can continue to operate without fear of losing their key assets (Ullah et al., 2019).

However, while insurance offers many benefits, its implementation does not always go smoothly. One of the main challenges in the insurance industry is the issue of moral hazard and adverse selection. Moral hazard occurs when the insured tends to be less careful in maintaining the insured asset because he feels that he already has insurance protection (Roll, 2019). Meanwhile, adverse selection occurs when individuals or business entities that have higher risks tend to be more active in insuring themselves compared to those with lower risks (Lin & Kwon, 2020). Both of these phenomena can increase the cost burden for insurance companies and potentially upset the balance of the insurance system.

Losses, both on a small and large scale, are undesirable for individuals and business entities. Individuals or business entities can still bear small losses. However, if the losses are large-scale, the impact can be devastating, even leading to bankruptcy. Therefore, humans tend to try to avoid or reduce potential losses in various ways, one of which is by transferring risks

to other parties (Starr & Whipple, 2019). This risk transfer is carried out through an insurance mechanism, which is a contract between an individual or business entity (the insured) and an insurance company (insurer).

Insurance is basically a means of risk transfer, where the risk that may be experienced by the insured will be borne by the insurance company. In practice, insurance provides protection and hope for the future of individuals or business entities by guaranteeing compensation for losses incurred due to uncertain events (Kochenburger & Salve, 2023).

There are two main categories of insurance, namely, life insurance and casualty insurance. Life insurance protects against health risks, accidents, and death and can function as a means of investment (Bhatia et al., 2021). Meanwhile, loss insurance guarantees the transfer of risk to property, such as vehicles, property, or agricultural products, that can be assessed financially.

Insurance principles are the basis for the implementation of a fair and binding insurance contract. Some of the important principles in insurance include: (1) insurable interests, (2) good faith, (3) cause and effect, (4) indemnity, (5) subrogation, and (6) contributions (Maunah et al., 2023). The principle of subrogation is one of the most significant principles in loss insurance.

According to this principle, the insured's right to claim damages from a third party that caused the loss will pass to the insurer after the claim has been paid. This is regulated in Article 284 of the Commercial Law (KUHD), which states that the insurer who has paid compensation has the right to replace the insured's position in claiming compensation from a third party.

However, in practice, the application of the principle of subrogation often faces challenges. One of the main problems is the existence of a peace agreement between the insured and a third party before the insurer exercises the right of subrogation (Azizagaoglu, 2024). This peace agreement is usually in the form of an agreement to redress each other's losses without involving the insurer.

As a result, the insurer cannot exercise the right of subrogation because it is hindered by an agreement that has been signed on a stamp duty by the insured and a third party. This phenomenon shows that there is a gap in the implementation of the subrogation principle, which can be detrimental to insurance companies as insurers (Prakash, 2023).

The phenomenon of a peace agreement between the insured and a third party that prevents the exercise of the right of subrogation reflects the existence of a conflict of interest in insurance practice. On the one hand, the insured may feel more comfortable resolving issues directly with a third party without involving the insurer, especially if they have a close personal or business relationship.

On the other hand, the insurer, as the party who has paid the claim under the insurance policy, is entitled to compensation from the third-party responsible for the loss. However, because the right of subrogation is automatic by law, a peace agreement made by the insured can weaken the insurer's position in claiming compensation (Beresford & Turnbull, 2020). In addition, these peace agreements are often not accompanied by transparency to the insurer.

The insured may not be aware that their actions may violate the principle of utmost good faith on which the insurance contract is based. In many cases, the insured does not fully understand their rights and obligations regarding subrogation, so they do not provide the insurer with complete information about the existence of a peace agreement with a third party (Azis, 2021). This creates an information imbalance that can harm insurers financially.

The lack of public understanding of the importance of the principle of subrogation in the insurance system exacerbates this problem. Many insured assume that once the claim is paid, their liability has been completed without realizing that they are obligated to support the insurer in exercising the right of subrogation. In fact, Article 284 of the Commercial Code (KUHD) expressly states that the insured is obliged to be responsible for any actions that may harm the rights of the insurer against third parties. This ignorance is often used by third parties

to avoid their legal liability, making it difficult for insurers to obtain the compensation to which they are right.

Based on this background, the author is interested in conducting more in-depth research on the application of the principle of subrogation in loss insurance, especially in the context of motor vehicle insurance. This study aims to analyze how the principle of subrogation is applied in practice, the challenges faced, and the solutions that can be taken to ensure the effectiveness of this principle. This research will focus on motor vehicle insurance cases in South Barito Regency in 2025, with the hope of making a real contribution to the development of a fairer and more transparent insurance system.

## **METHOD**

This study uses an empirical research method, which aims to examine the application of the principle of subrogation in motor vehicle loss insurance in South Barito Regency in real life in the field. This method was chosen because the research focuses not only on the legal norms listed in laws and regulations but also on how those norms are applied in practice by related parties (Benuf & Azhar, 2020), such as insurance companies, insureds, and third parties. With this approach, research can provide a comprehensive overview of the challenges faced in the implementation of the principle of subrogation as well as the solutions that can be taken to overcome these problems.

The legal materials used in this study consist of two types, namely primary legal materials and secondary legal materials. Primary legal materials include relevant laws and regulations, such as the Civil Code, the Commercial Code, and Law Number 40 of 2014, concerning Insurance and motor vehicle insurance policies that apply in South Barito Regency. The secondary legal materials include academic literature, scientific journals, reference books on insurance and the principle of surrogacy, as well as articles that discuss issues related to loss insurance. This secondary legal material is used to support normative analysis and provide deeper theoretical insights.

The data collection technique in this study was carried out through three main methods, namely interviews, observations, and documentation studies. Interviews were conducted in-depth with parties directly involved in the insurance process, such as insurance company representatives, customers (insured), and law enforcement officials who handle subrogation cases.

This interview aims to obtain first-hand information about the challenges faced in the implementation of the principle of subrogation and how they overcome it. Observations were made to observe the insurance claim process and the interaction between parties in the field, especially in the context of claims settlement involving third parties. Meanwhile, a documentation study was conducted to collect official documents, such as insurance policies, claim reports, and peace agreements between the insured and third parties. These documents serve as the basis for analyzing the gap between legal norms and practice in the field.

The data that has been collected is then analyzed using a qualitative descriptive analysis method. Descriptive analysis is used to present data in the form of a systematic and logical narrative so that it can provide a clear picture of the phenomenon being studied (Mezmir, 2020).

The first step in data analysis is to group the data by categories, such as legal norms, field practices, and challenges faced. Furthermore, the data is critically analyzed by comparing the applicable legal norms with the practices that occur in the field. The results of this analysis are then used to formulate solutions that can be taken to overcome challenges in the implementation of the principle of subrogation.

## **RESULTS AND DISCUSSION**

### **Implementation of the Subrogation Principle in Motor Vehicle Loss Insurance**

The principle of indemnity is one of the basic principles in insurance that aims to provide compensation for losses suffered by the insured due to certain events that have been agreed upon in the insurance policy. This principle emphasizes that the reimbursement provided by the insurer (insurance company) must be balanced with the actual losses suffered by the insured (Weston & Wells-Dietel, 2022). This means that the main purpose of insurance is not to provide profits to the insured but to restore the insured's financial condition to its original position before the loss occurred. This is based on the legal relationship established between the insurer and the insured, where both parties agree to exercise their respective rights and obligations in accordance with the provisions in the insurance contract.

In the context of non-life insurance, especially motor vehicle insurance, the insured object is property in the form of a vehicle, both cars and motorcycles (Maggioni & Turchetti, 2024). In order for an insurance agreement to be valid and enforceable, the insured must have an insurable interest in the insurance object. This direct interest means that the insured will suffer financial losses in the event of a risk to the insurance object, such as damage or loss of the vehicle (Johnson, 2019). In other words, direct interest is an absolute requirement in loss insurance because, without this interest, an insurance contract cannot be considered legally valid.

Losses incurred in motor vehicle insurance are usually caused by an uncertain or uncertain circumstance, which in the insurance world is known as an eventement. An event is an event that cannot be predicted or predicted in advance by either the insured or the insurer. This uncertainty is always closely related to risk, which is the possibility of an event that can cause losses. In motor vehicle loss insurance, the most common risk is a traffic accident. These accidents can be a single accident, in which the vehicle is damaged due to internal factors (e.g., driver negligence), or accidents involving a third party, such as a collision with another vehicle or damage to someone else's property.

The existence of a traffic accident will directly cause losses for the parties involved. These losses can be material, such as physical damage to the vehicle, repair costs, or loss of the vehicle due to theft, or non-material, such as psychological trauma due to an accident. In the case of an accident involving a third party, the loss may also include a claim for damages from a third party for the damage caused. Therefore, motor vehicle insurance not only protects the insured from personal losses but also protects against potential legal liability to other parties.

The application of the principle of indemnity in motor vehicle insurance ensures that the insured receives compensation equivalent to the losses incurred without any element of speculation or additional profits. For example, if the vehicle is damaged by an accident, the insurance company will pay the repair costs according to the value of the loss recorded. However, if the vehicle is lost or completely damaged, then the insurer will provide compensation based on the market value of the vehicle at the time of the incident. This principle also prevents the insured from abusing insurance by claiming inappropriate losses or even deliberately creating risks in order to get compensation.

Additionally, it is important to understand that risk in motor vehicle insurance is not just limited to traffic accidents. Other risks that can be covered by insurance include theft, fire, natural disasters, or damage due to vandalism. All of these risks fall under the category of events due to their unpredictable and uncertain nature.

Therefore, insurance companies conduct a thorough risk analysis before approving an insurance application to ensure that the premiums charged to the insured are in accordance with the level of risk faced (Nicholson, 2019).

By understanding the principle of indemnity and the basic concept of motor vehicle loss insurance, people can be wiser in choosing insurance products that suit their needs. In addition, this understanding also helps the insured to comply with insurance principles, such as utmost good faith and transparency in claims reporting. Through effective insurance mechanisms,



uncertainties in life can be better managed so that economic and social stability can be maintained.

The loss referred to according to article 1 of the Indonesian Motor Vehicle Insurance Standard Policy is loss or damage that occurs to the notated vehicle and/or the insured interest is directly caused by:

1. Collision, impact, overturn, slip or fall.
2. Evil deeds.
3. Theft, including theft that is preceded or followed by an act of violence.
4. Fire.

If the insured suffers losses due to uncertain circumstances and the loss arises due to the negligence of another party, from then on, the insured also has two options to claim compensation, namely suing the third party who caused the loss and the insurance company that does guarantee the loss. Losses that can be proposed for reimbursement to the insurer are losses that have been stated and agreed upon in the insurance agreement.

In accordance with the content of article 1365 of the Civil Code which explains that: "Whoever because of his negligence causes harm to others, obliges the person who because of his fault to compensate for the loss".

According to the provisions of the article above, the obligation to participate in compensation is on the party who caused the loss. Article 1365 of the Criminal Code emphasizes that the party who caused the loss due to his negligence is burdened with the responsibility to compensate for the losses arising from it. It is clear, according to the provisions of the above article, that the insurer is not obliged to provide compensation for the losses suffered by the insured.

In the theory of insurance law, there is a principle as a companion to the principle of indemnity / indemnity. This principle is the principle of subrogation, which aims to protect the rights of the insurer in its interest to other parties as a cause of loss. The principle of subrogation also has another purpose, namely so that one of the parties between the insured and the insurer does not harm the other (Parera & Tumanggor, 2021). The meaning of not being harmed is that the insured still gets compensation according to what he experienced, and the insurer can claim the compensation money that he has paid to the insured.

Subrogation is born because of the interest of the insurer in a third party. The interest of the insurer is in the form of the payment of compensation that it pays to the insured (Anifalaje, 2019). Because according to the provisions of Article 1365 of the Civil Code, the party who caused the loss must be responsible for compensating the loss. Therefore, the insurer has an interest in demanding a sum of money from the third party in accordance with the value that has been paid to the insured.

### **Legal Protection for Insurance Companies for the Impossibility of Implementing the Subrogation Principle in South Barito Regency**

An insurance agreement is a form of mutual agreement between the insurer (insurance company) and the insured (customer). In this agreement, both parties should fulfill the agreed achievements. The insurer is obliged to provide protection or compensation to the insured in the event of a risk that has been covered in the insurance policy (Feinman, 2018).

In return, the insured is obliged to pay the premium periodically in accordance with the terms that have been agreed in the insurance contract. Thus, the insurance agreement not only requires the parties to carry out their obligations but also gives each party the right to obtain achievements from the other party. For example, the insurer's right is to receive premium payments, while the insured's right is to get compensation for losses incurred due to the guaranteed risks (Stapleton, 2021).

In the legal context, insurance agreements also involve aspects of legal protection for the parties. Legal experts have different views and definitions of the meaning of legal protection.

One of the definitions that is quite comprehensive is given by Satjipto Raharjo, a well-known legal expert in Indonesia. According to Satjipto Rahardjo, legal protection is an effort to protect human rights that other parties harm.

Legal protection aims to ensure that people can enjoy all the rights granted by law, including the right to justice, legal certainty, and fair treatment in any legal transaction or relationship, including in insurance agreements (Ratnasari & Prabandari, 2022).

In practice, legal protection in insurance agreements is very important to maintain a balance of rights and obligations between the insurer and the insured. For example, the insured is entitled to fair compensation in accordance with the losses experienced.

At the same time, the insurer has the right to obtain honest and transparent information from the insured regarding the insured risks. If one of the parties does not comply with its obligations, then the other party can file a lawsuit to obtain protection for its rights (Parella, 2021). In this case, the law acts as a tool to ensure that the relationship between the insurer and the insured runs fairly and in accordance with the basic principles of insurance, such as the principle of utmost good faith, the principle of indemnity, and the principle of subrogation.

In addition, legal protection also includes preventive aspects, namely the prevention of violations of rights or arbitrariness in legal relations. In the context of insurance, this can be done through the preparation of clear and transparent insurance policies, as well as the enforcement of strict rules against breach of contract (Marano & Noussia, 2019).

For example, if the insurer refuses to pay the claim without a valid reason or if the insured provides false information to obtain compensation, then the law must be present to protect the aggrieved party and sanction the wrongdoer.

The importance of legal protection in insurance agreements is also reflected in the fact that insurance is not only about financial transactions, but also about trust (Gennaioli et al., 2022). The insured entrusts their risk to the insurer in the hope of obtaining adequate protection. On the other hand, the insurer also trusts the insured to provide accurate and honest information. Without adequate legal protections, these trusting relationships can be disrupted, harming both parties and threatening the stability of the insurance industry as a whole.

From the existing problems, the author conducted research on several loss insurance companies, especially in motor vehicle losses in South Barito Regency to find out how the process of applying this subrogation principle is. The first research was conducted at PT. Adira Finance South Barito and PT. Federal International Finance which handles insurance related to four-wheeled motor vehicles. To find out more about the company, the author will explain a little about the company's profile.

### **PT. Adira Finance South Barito Branch**

Adira Finance is a company engaged in insurance. The insurance products provided by this company consist of conventional-based products. The flagship product is a motor vehicle loss insurance product. The author conducted a study on Adira Autocillin which is indeed focused on handling loss insurance on MV or car types. The author assumes that the losses experienced on the car will be possible for the implementation of subrogation because the value of the loss is quite high, which can affect the company's finances. Adira Autocillin has a fairly large number of claims, which is approximately 500 claims in one year.

All risk (comprehensive) insurance guarantees compensation or repair costs for partial or total loss/damage to a motor vehicle that is directly caused by collision, collision, overturn, slipping, falling, malicious acts, theft, fire, and other traffic accidents. The maximum specification at the age of the vehicle is 8 years. Total Lost Only (TLO) is a guarantee of compensation for total loss or damage to the vehicle directly caused by a car collision, fire, car accident, collision, overturn, slipping, falling, malicious acts, theft, or other traffic accidents with a maximum criterion of vehicle age of 15 years, and also for personal safety if you suffer bodily injury to death as a result of the accident.

Regarding compensation, Adira Autocillin has a claim submission procedure that may be almost the same as the claim procedure at other companies. The mechanism or procedure for submitting a claim is as per the following figure:



Submission of a claim for compensation at Adira Autocillin, the insured is required to come to the nearest branch office to report that there has been an accident that resulted in a partial or complete loss with the following procedure:

1. Prepare insurance documents in accordance with the insurance products followed, in accordance with the provisions of article 14 of the Indonesian Motor Vehicle Insurance Standard Policy (PSAKBI).
2. Fill out the claim submission form according to the product followed and then submit the form to the adira office.
3. Survey and analysis of claims will be carried out by the company. The survey aims to find out the cause of the loss and as a process of estimating the total losses experienced.
4. After the abalisa and survey are carried out, the team from the present will provide an assessment of the claims submitted.
5. Then the compensation process is carried out with the type of loss experienced.

Accidents on vehicles do not always occur through their fault, but they can also be caused by external factors such as the negligence of third parties. Dynamic road conditions allow various things to happen to cause accidents. In the process of submitting a claim at Adira Finance, the insured is required to explain the chronology of the incident in detail. This aims to find out the main cause of the accident (the principle of *causa proxima*) and to determine whether the insurer's subrogation right can be enforced. The right of subrogation is likely to exist if the actions of another party caused the accident.

Based on data obtained from interviews with Adira Finance staff, of the 200 claims that came in in the past year, only about 0.2% or about 5 claims involved subrogation rights for insurers because third parties caused losses. More than 180 other claims do not have subrogation rights for the company.

The authors conducted more in-depth research through written interviews to explore the implementation of the principle of surrogacy. The results show that the principle of subrogation is difficult to apply in practice. According to the explanation of Adira Finance staff, although the company emphasizes the importance of the implementation of the right of subrogation, several significant obstacles often hinder its implementation. The provisions regarding the right to subrogation itself have been listed in the insurance policy used, namely the Indonesian Motor Vehicle Insurance Standard Policy (PSAKBI).

One of the main obstacles in the application of the subrogation principle is that the value of the claim is too small for prosecution. The company must consider considerable operational costs in the implementation of subrogation (Polinsky & Shavell, 2018).

If the operating costs are higher than the value of the claim paid to the insured, the company is likely to avoid prosecution efforts for the sake of efficiency. Another factor that is an obstacle is the lack of transparency of the insured in providing chronological information on the incident and the parties involved (Heller III et al., 2020).



The company cannot fully carry out the application of the principle of subrogation without the help of the insured, because the insured is the one who knows the situation in the field firsthand. The principle of subrogation always coexists with the principle of indemnity (compensation), but its application requires good faith from the insured.

The insured who is not open about the third party involved in the accident can be detrimental to the company. Without clear information from the insured about the existence of a third party, the company cannot do much (Eling & Lehmann, 2018). In addition, the company does not require the insured to attach an official accident certificate from the police, so the insured only provides the chronology as it is. This has the potential to be detrimental to the company, as the insured may waive the liability of the third party on the grounds that it has reached a peace agreement.

For example, the insured often goes down the path of peace with a third party through an agreement that each party will repair the damage to their vehicle because each has insurance. Situations like this are one of the most frequent problems. The insured reports the claim by attaching a peace statement so that the company cannot exercise the right of subrogation. The company is also reluctant to collect damages from third parties for fear of triggering additional legal conflicts.

Thus, the challenge in applying the principle of subrogation at Adira Finance is not only related to the financial aspect but also to the lack of good faith of the insured and the culture of peaceful settlement that is common in society. This shows the need for strategic measures, such as increasing education to customers about the importance of the principle of subrogation and strengthening regulations to support the implementation of subrogation rights more optimally.

#### **PT. Federal International Finance Buntok Branch**

PT. Federal International Finance is a general insurance company that has been established since 1989 and is known as one of the leading insurance service providers in Indonesia (Finance, n.d.).

The company serves a wide range of customer segments, from individuals to corporations, by offering comprehensive coverage solutions as needed. Insurance products provided by PT. Federal International Finance covers various sectors, such as property insurance, motor vehicles, freight transportation, ship and aircraft frames, engineering, oil and gas, money insurance, liability, guarantees, and personal accident insurance. With such a wide product portfolio, this company has succeeded in meeting the protection needs for various types of risks faced by its customers.

The Federal International Finance branch office in Buntok has a considerable number of claims, which is around 330 claims in the past year. This figure not only includes claims from the Buntok area but also includes claims from the Tamiang Layang and Muara Teweh sectors and even some claims from East Java that are delegated to the Buntok branch.

This shows that the Buntok branch has a strategic role in handling insurance claims for a wider area. Regarding the procedure for claiming losses, the mechanism implemented by Federal International Finance is almost similar to that of other insurance companies.

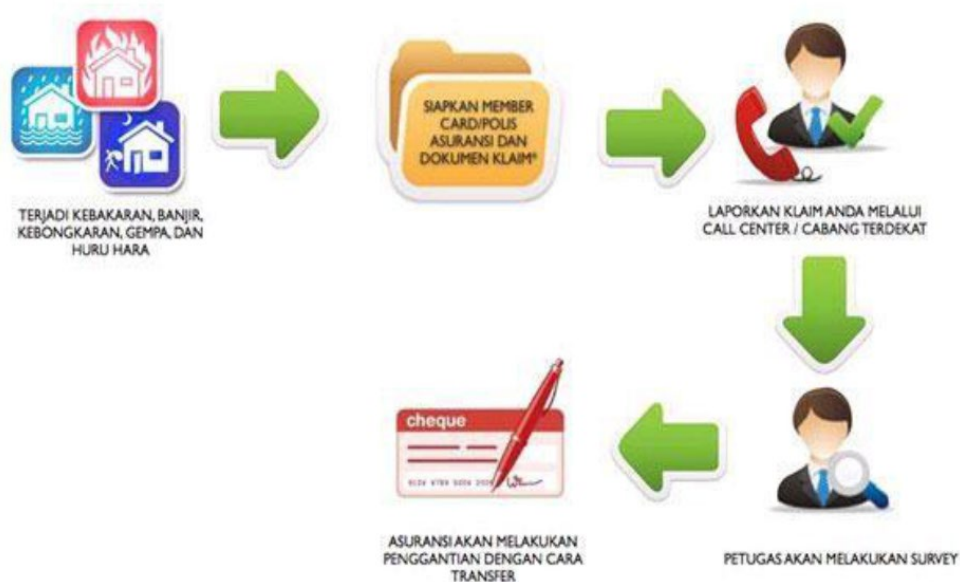
This procedure begins with the submission of a claim by the insured, which is then followed by an assessment of supporting documents such as a chronology of events, proof of losses, and insurance policies. Next, the claims team will conduct verification and field surveys to ensure the accuracy of the information before finally deciding whether the claim can be approved or rejected.

However, although the claims procedure at Federal International Finance appears standard, the implementation of the subrogation principle in handling claims at the Buntok branch faces several challenges. One of the main obstacles is the lack of transparency from the insured in providing chronological information on the incident and the parties involved. It is

not uncommon for customers to choose to resolve the problem peacefully with a third party without involving the insurance company, so the subrogation right is difficult to implement.

In addition, the relatively small claim value compared to the operational costs to sue a third party is also a consideration for companies not to continue the subrogation right in some cases. However, Federal International Finance still strives to maintain professionalism by encouraging education to customers about the importance of the principles of subrogation and good faith in claims reporting. This effort aims to ensure that the company's rights can be protected without sacrificing customer satisfaction.

The procedure for submitting a claim to PT. Federal International Finance as follows:



1. The customer reported that there had been a loss that befell his vehicle.
2. Submit files requested by the company such as member cards, insurance policies, and other claim documents such as photocopies of driver's licenses, insured ID cards, chronology of events, peace statement letters for third party liability.
3. Then officers from the company will conduct a survey and analyze the condition of the vehicle. The analysis was carried out to get a match between the condition of the vehicle and the chronology. This is to be able to determine the amount of coverage that must be paid by the insurer.
4. After the survey is carried out, the company will send the car to a partner workshop to be repaired according to the damage experienced.
5. The payment of compensation claims to the insured is not done by handing over a certain amount of money to the insured, but rather paying to the partner workshop as a repair fee. The insured only waits until the car returns to its original condition before the accident.

Regarding the claim file that must be submitted by the insured to the insurer, there is no obligation that the insured must include a police report in the partial loss or total loss claim. A police certificate is only needed for claims for loss due to theft and is related to the liability of third parties.

The third party's responsibility in question is that the insurance still pays the loss claims filed by the insured for the damage to the third party's car caused by the defendant's fault. In this case, the liability of third parties is regulated by an agreement between the insured and the insurer.

According to the data obtained by the author, almost every month there are always claims for losses caused by third parties. This means that there is a subrogation right of the company every month that must be sued for compensation.

The existence of the subrogation right is known through the chronology presented by the insured. Based on the incoming claims, the company always asks the insured about whether or not the other party is related to the losses experienced.

With the insured's explanation, the company can determine that there is a right of subrogation by the company over the third party. The company's regulations regarding subrogation refer to the PSAKBI contained in Article 22. But the company's policy says otherwise, that based on company regulations, the insured is obliged to demand compensation from other parties who are directly the cause of the loss.

As an example of the company's provisions, the author found relevant data from the company's regulations, which state that the insured is obliged to demand compensation from the party who issued the loss. This is evidenced by the existence of a claim file submitted by Mr. Miftahus.

Mr. Miftahus the owner of the Toyota Agya vehicle, had an accident hit by a MUTU company bus that occurred on the Ampah-Muara Teweh Kalimantan crossroad. Regarding the losses experienced by the insured, the insured agreed with the MUTU company bus regarding compensation for the losses experienced.

The MUTU company bus then compensated for the damage to the insured's car by paying money of 1.3 million rupiah. In good faith, the insured informs the insured of the circumstances regarding the provision of compensation from the third party to the insurer by making a statement signed above 10000 by Mr. Miftahus.

The statement explained that the insured had received compensation for car damage from a third party. There is no agreement between the insured and the third party regarding the repair of each vehicle borne by the vehicle owner, which means that the insurer still has the right of subrogation to the third party.

Second is the loss experienced by Mr. Asmantuni as the owner of the Toyota Avanza car, which was hit by the X bus located on Jl. Pelita Raya. Bus X compensated for the losses experienced by Mr. Asmantuni with a donation of 1 million rupiah. After that, an agreement was made which stated that the bus had provided compensation of 1 million rupiah and both parties had an agreement that the car was repaired each other and the insurer still paid compensation of 7 million rupiah.

If there is an agreement between the insured and a third party regarding their respective improvements, the company will not apply subrogation by suing for damages against the third party. The company does not dare to step over what has become an agreement between the insured and a third party regarding their respective improvements, and the company will not be forced to apply the principle of subrogation because if the prosecution is still carried out, this problem will widen to the legal channel.

## CONCLUSION

Based on the results of the study, the implementation of the principle of subrogation in motor vehicle loss insurance in the South Barito Regency still faces various significant challenges. One of the main obstacles is the culture of peaceful settlement between the insured and third parties, which often hinders the exercise of the right of subrogation by insurance companies.

In addition, the lack of public understanding of the importance of the principle of subrogation and the low transparency of the insured in providing chronological information on the incident are also inhibiting factors.

On the other hand, the value of claims that are too small compared to operational costs makes companies tend to avoid prosecution efforts against third parties.

Nevertheless, insurance companies such as Adira Finance and Federal International Finance continue to strive to maintain professionalism by encouraging education to customers about the importance of the principle of subrogation and good faith in claims reporting.

To overcome these challenges, strategic steps are needed, such as strengthening regulations, increasing public legal awareness, and utilizing technology to monitor the claims process more transparently. Thus, the implementation of the principle of subrogation can be carried out more effectively so that the insurance industry can provide maximum protection for the community while maintaining the sustainability of the insurance system as a whole.

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