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Application of Business Principles Insurance in Indonesia

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Abstract: The insurance business in Indonesia, occurs in line with the expectations and challenges of the development of the non-bank insurance financial industry must deal with the problem of the world pandemic covid 19 because of the will of nature, related to the condition of the rill business that must be faced even often occurs in business people who are in the insurance world. This requires that business people must hold firm to the so-called prinsisip - principles or principles - insurance principles there are six principles, among others (1) *Utmost Good* Faith, (2) *Insurable Interest*, (3) *Idemnity*, (4) *Subrogation*, (5) *Contribution*,(6) Follow The *Furtune* Losses can occur between both parties, need balance*(equality)*,equally and not true viewed from the side of the insured and the insurer himself, against violations that occur on the principles of insurance law, namely the principle of *Utmost Good Faith*,the etiquette of trueperfection, here is sometimes difficult to realize (integrity). In fact, because business people are humans not robots. Followed by the principle of *Insurable Interest* here it is important that there is no element of gambling (try - try / speculation), gambling for profit. The author argues that the two main and most important principles are barometer indicators for theinsurancebusiness, followed or supported by the four (4) principlesthat are interconnected or related and mutually supported against one principle with another, there are even other unnecessary principles, such as indemnity becauseit is not lifeinsurance. Therefore, it should be that a fair or good insurance business musthold firm to thesix principles of insurance law mentioned above, but the first principle (1) and second (2) are the main and most important legal principles and must be enforced to achieve justice*(iustum)*for the parties.

Keyword: Business Principles, Insurance

INTRODUCTION

Before the outbreak of the Covid-19 pandemic, the world, where souls fell into useless bodies that had no bargaining value-economically profitable, but had turned out like garbage-garbage that was not even no man's scattered everywhere in the world. Entering 2019 until now there is a strong tourism vibration hitting the joints of the world economy including NKRI. But before 2019 or let's just say the last five years the recordof global

economic development is so rapid and in line with the development of the national insurance industry which is apillar of the nation'seconomy is increasingly significant and along with the current globalization and liberalization of free trade of the Asean Economic Community (AA). In an annual seminar entitled: *Insurance Out Look 2018*,with variouspresentations delivered by the council of economic experts, practitioners and business organizers of the Non-Bank Financial Industry (IKNB) the policy direction of the Financial Services Authority (OJK), Indonesia's macroeconomic growth, banking activities and *multifinance* In 2018, it was very influential on the general insurance industry, life insurance, and Sharia insurance in 2018. According to the Board of Insurance Management of Indoensia, in 2018 the life insurance industry is optimistic that it will grow about 10-12 percent above inflation or twice the economic growth of Indonesia under president Joko Widodo-Jusuf Kalla. This is because there is POJK number: 69/pojk/05/2016 which provides an expansion of the scope of business inthe form of ASO (*Administration Service Only*) and also sales of other IKBN products in addition to insurance will bring an increase in new revenue, especially fee base *income.*

Similarly, the increase occurred in general insurance, the Indonesian General Insurance Association (AAUI) recorded a general insurance premium in2017 amounting to Rp. 56.1 triliun (unaudited)increased 17.1 percent compared to 2017 which reached Rp 46.8 trillion. Gross premium growth in 2017 was slightly lower than the previous year, but higher, when compared to the average growth of other industries, in 2013 then grew 20.1 percent, in 2014 the growth fell to 17.90 percent and in 2016 grew lower by 5.06, the slowdown in growth of this binis line can not be separated from the performance of indonesia's economy growth that has a downward trend. But in absolute terms it continues to increase in premiums from year to year.

THEORETICAL REVIEW

The increasingly progressive development of the economy and industry has implications that are also increasingly complex for the growth of insurance business in Indonesia. Despite the surprising economic tourism, it has been covid-19. Indonesia had previously been ranked including countries in the world with upper middle income, but in mid-2021 must return to the previous position of lower middle income countries, this is not only Indonesia affected but globally countries in the world are experiencing the same thing.

One aspect that concerns insurance business people is legal issues related to the insurance business. Many things related to the insurance business intersect with certain aspects of the law. Not only the regulative aspects of the insurance business are important to note, but also related to other legal areas, such astreaty law, civil law in general and related to criminal law,or other laws such as insurance laws, consumer protection laws, laws or regulations of OJK as a super body *institution,* which represents the role and function of Bank Indonesia, the Ministry of Finance of the Republic of Indonesia which has signaled to regulate the organization of a banking financial institution and non-bank financial institutions, especially insurance companies in Indonesia.

According to **Crawford** by **Magee and Bickelhaupt,** the insurance formula is as follows:

> *"Insurance is a contract by which the one party, in consideration of price paid to him adequate to the risk, becomes security to the other that he shall not suffer loss, damage, or prejudice by the*

From some of the above understandings, it can beunderstood that an insurance contract is a risk transfer contract or the spread of risk to dangers that are likely to have consequences causing a loss. In general insurance (loss) is known as loss of property, assets or insured wealth. Then in life insurance there is aloss ofone's life, the destruction of property

or loss of income due to the death of someone who becomes the backbone (keyperson).

In atotal, risk can be interpreted as the possibility of suffering a loss. Certain principles, which apply to insurance companies, reinsurance companies, both life insurance, and general insurance, among others, are as follows:

1. Principle of Faith *(Utmost Good Faith)*

In the insurance agreement, the element of mutual trust between the insurer and the insured is veryimportant, namely the principle of perfect honesty (good faith) the insurer believes that the insured will give all his information correctly. On the other hand, the insured party also believes that in the event of the insurer will pay compensation. Trusting each other is essentially good faith. Because they have bound each other (Article 1313). The principle of good faith shall be implemented in every agreement, Article 1338 paragraph (3) of the UK's most importantcivil code in the insuranceagreement.

In insurance agreements many articles are concluded to contain the principle of good faith. The articles include Article 251, Article 252, Article 276, Article 277 kuhd. But the most popular is Article 251 of the Kuhd which is famous for the obligation to provide information. In the Article, insurance becomes void if the insured provides false or incorrect or equal informationbecause it does not provideinformation, whetherthe insured has good or bad intentions.

In the insurance agreement, the insured is required to tell everything he knows, about the object or item that is properly insured. Incorrect information or information that is not provided to the insurer even in good faith may result in the cancellation of this principle insurance agreement stipulated in Article 251. So if concluded Article 251 kuhd is too burdensome the insured. Regarding the error when connected with the terms of the validity of the agreement (Article 1320 of the Civil Code), the legal consequences of the error are null and void. While in Article 251 kuhd remains void.

The principle of good faith in kuhd is reflected also in other provisions, including Article 250 of the Kuhd which requires the insured must have an interest in being able to enter into an insurance agreement. Thus pula in some articles, such as Article 269 kuhd about insurance agreements held against the event of loss that has occurred. In Article 276 kuhd also contained the principle of good itikat, because it is determined that the insured is not required to provide compensation if the loss occurs due to intentional actions by the insured. The above principle is also in Articles 281 and 282 of the Kuhd which in it is affirmed that restorno premiums are only done if the insured is in good faith.

Likewise, the insured can cancel the policy and reject all claims for damages from the insured, if it turns out at a later date that the information and facts submitted by the insured the other day are different from the actual circumstances (dassein das solen).

2. Principle of interest *(Insurable Interest)*

The Principle of Interest is very closely related to the principle of *indemnity* is an *insurable element of interest* in any insurance agreement. The Principle of Interest is the right or relationship with the main issues of the agreement, such as suffering financial losses as a result of damage, loss, or destruction of a property. *Insurable interest* (Principle of interest) that can be insured, where the insured has an interest in the object (goods) insured and the object must be legal, appropriate, and fair *(legal and equitable interst)* Purba (1998).

Without *insurable interest,* an agreement will be a speculation of a gambling agreement that can cause malicious intent that causes losses with the aim of obtaining profits in the form of compensation. The interested is the owner of something property and other people with an interest in the property, such as creditors and liens holders.

Under the provisions of article 250 of the Kuhd:

> *"Ifa person who has held coverage for himself, or if one, for whom there has been a coverage, at the time of the coverage has no interest in the insured goods, then the insurer is not obliged to reap compensation."*

If concluded, the above provisions require an interest in entering into an insurance agreement with the consequences of the void of the agreement if it is not fulfilled, this requires the insurer not to provide compensation.

3. Principle of Indemniti

The insurance agreement aims to provide compensation for losses suffered by the insured caused by harm as specified in the policy. The amount of indemnity is equal to the amount of loss suffered by the insured. Unless otherwise specified in the law, an object that has been fully insured within the same time period, cannot be accounted for anymore. If that is done, then the second agreement is threatened with cancellation (article 252 KUHD). Where this is implicitly also regulated by Articles 251 and 253 kuhd (Prawoto, 1995).

Meanwhile, the function of insurance is to divert or provide risks that may be suffered or faced by the insured because of an uncertain event. Therefore, the amount of compensation received by the insured must be balanced with the losses suffered*(equality).*

To be able to strike a balance between the loss suffered by the insured and the compensation provided by the insured, it must be known how much the value atau of the property of the insured object. In this regard, the principle of indemnity or *indemnity* only applies to insurance whose interests can be assessed with money, namely general insurance *(schade-verzekering).* Not for life insurance. Interest in the amount *(sommen-vovkering)* cannot be assessed with money *(idieel belting),* so it is held not with the aim of indemnifying a loss suffered by the insured (Sastrawidjaja, 1997), the principle of compensation has a close relationship with the principle of interests that can be assumed (the object). , it is because if someone who has no interest, because the person concerned will not suffer losses with the event that befell the insured object.

In the KUHD there are several provisions that reflect the principle of compensation including articles 252, 253, and 284 KUHD. Mentioned in article 252 of the Kuhd:

> *"Except in the matters mentioned in the provisions of the law, a second insurance shall not be held, for a period* of *wactues that have been insured for the full price, and thus on the threat of the cancellation of the second insurance."*

Because there is prohibited double or double *insurance (double verzekering)* which will result in the insured getting more compensation than the loss suffered.

Thus article 252 of the Kuhd aims to prevent the change of losses that exceed the losses suffered and require a balance between the replacement of losses with the value of insured objects. There are several authors such as: Wirjono Prodjodikoro and H.M.N Purwosutjipto who argue the same that double insurance excluded by article 252 of the KUHD is more appropriately designated article 277 paragraphs 1 and 2 KUHD (Sastrawidjaja & Endang, 2003):

Verse 1: If various coverages, in good faith, have been held concerning the only goods, while in the first coverage the price has been fully insured, then only the first coverage is binding, while the next insured is exempt."

Paragraph 2: If in the first coverage it is not fully accounted for, then the next insurer is responsible for the remaining price, according to the orderly closing time of the following coverage coverage."

So article 277 of the Kuhd occurs an agreement that relates to double insurance on the same object with the same interests and for the same time with the full price value.

4. Subrogation Principle

This principle is actually a logical consequence of the principle of *indemnity,* which is that it only provides compensation to the insured for the loss he suffered. If the insured after receiving compensation turns out to have a bill on the other party, then the insured is not entitled to receive it, and the right is transferred to the insured. This principle is expressly in article 284 of the Kuhd (Prawoto, 1997) which reads:

A person who has paid the loss of an insured item, replaces the insured *in all the rights* he *has acquired against the third person in connection with the issuance of the loss; and the insured is responsible for any act that may harm the right of the insured to*the*third person."*

From these provisions it can be known that subrogation is the replacement of the position of the insured by the insured who has paid compensation, in exercising the rights of the insured to third parties that cause losses. However, the possibility of losses suffered by the insured is not fully replaced by the insurer. If strictly implemented the provisions of article 284 of the Kuhd, it causes injustice for the insured because it loses its right to claim compensation to third parties, while insurance has the aim of providing compensation suffered by the insured (Principle of indemnity). To solve the problem, this opinion can be justified (Sastrawidjaja, 2010),i.e. to apply subrogation is limited. This means, if the reimbursement of losses is only partially given by the insurer, it can only be subrogated for a number of losses that have been paid. The remaining rights of the insured to third parties who cause losses, are still held by the insured themselves. This settlement can be understood given that with the subrogation, do not let the rights of the insured be harmed. In short, full subrogation according to article 284 of the Kuhd is only enforced when the insured has paid all losses suffered by the insured.

If the insured has obtained compensation from the insured, then juridically, the insured is no longer entitled to demand compensation from the other party, namely from the party responsible for causing the loss. The one who has the right to claim compensation to the other party is the insurer. In order for the backer to be able to do compensation to the other party is taken over by the backer. For that purpose, the insured is obliged to make *a "Subrogation Letter"* and then submitted to the insured. With the submission of the letter, the right of the owner of the goods (insured) to sue the responsible party atasthe loss is transferred to the person (Article 284 KUHD). Peralihan rights from the insured to the person automatically since the person pays compensation to the insured, but in the framework of the implementation of compensation to the party responsible for the loss the person in charge requires a subrogation letter (Purba, 1998).

5. Principle of Contribution /Mutual Bearing *(Contribution)*

The basic relationship between the first insurer and the insurer on the principle of *indemnity* which also adheres to the provisionsof tollok measureindemnity and other provisions that have been put forward, the principle of kontribusi is also used as a basis for determining the distribution of risk and / or *cessie* to the parties concerned, including the distribution of the burden of claims that must be borne together in accordance with the shares or participation in terms of insurance, and reinsurance. In the case of insurance below the price, contributions are carried out between the insurer and the insured because in this case the insured is considered to participate in bearing some of the risk to the insured interests (Marianto, 1997).

When in a policy is signed by several insurers, then each insurer according to the reward of the amount for which they signedthepolicy, shoulders only the actual price of the loss suffered by the insured. This contribution principle occurs if there is double insurance *(double insurance)* as referred to in Article 278 kuhd).

6. Causaliteite Principle

In the principle of causation, it is desired that ak ibatloss that occurs, indeed by a cause that is the responsibility of the insurer. If not, penaggung is exempt from his obligations. Determining the cause-and-effect relationship is not easy. According to **Scheltema,**there are three opinions to determine the cause of the loss in the insurance agreement (Sastr awidjaja & Endang, 2010). These opinions are as follows:

a. Accordingto the judiciary in England, especially embraced, the cause of the loss is the event that precedes the loss in chronological order lies closest to the loss.
b. The second opinion is in the sense of the law of coverage, therefore every event that cannot be eliminated without also eliminating the loss. in other words, any event that is considered a *conditio sinequa is* non-loss;
c. *Causa remote:* that the event that is the cause of the loss is a falling event. This teaching is a continuation of the solution of a teaching called *"adeguate cause"* which suggests:[bah-wa]is seen as the cause that causes the loss is a proper event based on the measure of experience should cause that loss.

So that is based on therefore there is a loss that is the responsibility of the insurer. However, not all causes can be the responsibility of the insurer unless the policy with the *All Risks* clause is a policy that handles all risks. In this case there is also an exception that is if therefore there is its own error from the insured (Article 276 KUHD).

RESEARCH METHOD

This paper uses qualitative research with a descriptive approach. The object of research is how to apply the implementation of the principles of good corporate governance in insurance companies. The sampling technique used is purposive sampling where the researcher determines the sampling by assigning a sample that is considered to have key information in this writing. The research subjects of this study were the heads of insurance companies and some employees. The data collection techniques used are indepth interviews, field studies and literature studies and triangulation to maintain the validity of the data.

RESULTS AND DISCUSSIONS

Legal Protection for Companies and Policyholders

Insurance or coverage arises because of human needs. In this life and life, man is always faced with something uncertain, which may be beneficial, but it may be the other way around. Man expects security over their property, expects health and well-being nothing less, yet man can only strive, but Godalmighty determines everything. Therefore, the human iap set can certainly always face various kinds of risks as human nature shows its helplessness towards the Creator. For thepossibility of suffering losses in question called risk (Sastrawidjaja, 1997).

The emergence of a risk to reality is something that is uncertain, while the possibility for someone to experience losses or losses faced by every human being is something that is not desirable. Therefore, the possibility of a risk becoming a reality, is something that is tried not to happen. A person who does not want a risk to come true should try to make the loss or loss not happen(Simanjuntak,1980),or at leastminimize or minimize the risk that may occur at a time or time that we do not know at all, when the event *(evenemen)* occurred.

The agreement between the insurer and the insured as an insurance agreement for the events contained in the agreement that arises cannot be ascertained, this does not limit the events that can be promised. Therefore, clarity is needed about the risks faced by the insured to be taken over by the insurer in exchange for premium payments.

The demands of the need for insurance coverage continue to grow following the level of complexity of risks that arise and threaten the personal and business world. Insurance

service protection in overcoming risk has given birth to insurance business as a promisingbusiness. The insurance industry can play an important role for the economy of a nation in the form of providing risk takeover services, thus allowing individuals or businesses to make a good plan for the protection of their business against the possibility of a risk arising from an uncertainty.

Insurance Claims Issues

The most substantial thing in an insurance relationship is of course the existence of a claim from the Insured or Insurance Broker to the Insurance Company (Insurer) and then the insurer will grant or reject the claim. In the practice of insurance business in Indonesia, the insurer applies several different claimal procedures, but substantially have similarities between one insurance company and another insurance company.

Actually for now, all insurance companies are obliged to conduct procedural uniformity of claims that become *guidelines* for the insured to make a claim. This has been regulated in Law No. 2 of 1992 on Insurance Business, Government Regulation No. 73 of 1992 on The Implementation of Insurance Business and Decree of the Minister of Finance (KMK) No. 422 of 2003 on The Implementation of Insurance Companies and Reinsurance Companies.

In the general provisions *(lex generalis)* and in the technical provisions *(lex specialis),* each insurance company and reinsurance company is obliged to create a policy that is *"well defined"* including related to procedural claims.

Ketentuan in carrying out the claim process that has been outlined both general insurance and life insurance each there is a difference, the following in this discussion is general insurance, marine insurance *conttract,* among others: (1) Notification of Claim; (2) Preventive *Actions;* (3) Subrogation *(Subrogation);* (4) Submission of Rights/Abandomen; (5) The Value of The Remaining Goods *(Salvage);* (6) Recovery *Efforts (Recovery Attemps);* (7) Documents *of Claims;* (8) Settlement ofClaims; (9) Dispute Settlement *Forum.*

For more details, then the provisions areexplained as follows:

a) Notification *of Claim*

In any event that may cause a claim for compensation for this policy, the insured shall notify the insurer by telephone, and/or email, and/or facsimile/telex and/or any other means of communication available atthat time,no later than five calendar days after the event that causes losses for the insured.

Violation of the above provisions will result in the rejection of the claim by the insurer, unless the insured can prove that the delay in notification of the accident is caused by things that are beyond his or her ability.

b) Preventive *Actions*

In the event of a loss on the object of coverage, the insured is obliged to make every effort that can practically rationally minimize or decrease or prevent the widespread loss and / or damage that has occurred. As his attitude of concern for the goods - ship cargo that belongs to him which is the full responsibility

c) Subrogation *(Subrogation)*

The provisions regarding subrogation are governed by all generalinsurancepolicies. Related to this subrogation rights, it has been stipulated in Article 284 of the Kuhd which reads:

"The insurer has paid the loss of the insured goods, gaining all rights that the Insured shall have to a third party with respect to the loss; and the Insured is responsible for any acts that harm the rights of the Handler, against that third party."

d) Handover of Rights/Abandomen

In the event of being awarded total compensation *(Actual Total Loss* or Constructive *Total*

Loss) in the general insurance policy in general is also regulated the transfer of rights from the insured to the insurer. This transfer of rights must be made when the insurer has committed his obligation to pay a claim for total loss (total loss *)*. With the payment of these losses, the insured must submit the rights and documents of ownership of the following goods / goods coverage to the insurer.

e) The Value of The Remaining Goods *(Salvage)*

Salvage or the value of the remaining goods, in the process of insurance claims can be treated in two ways in the calculation of claims. The first way is for the insurer to pay the claim partially after deducting the value of *the salvage,*then for this way *salvage* becomes the property of the insured. The second way is that the insurer pays the claim in its entirety without being reduced by *salvage,* then in this way *salvage* becomes the right of the insurer. Whenever the second option is taken, the insured is required to keep the *salvage* from disappearing or increasingly damaged before being handed over to the insurer.

f) *Recovery Attempts*

The insurer reserves the right, on behalf of the insured, to carry out and supervise all or any effort deemed necessary for the purpose, search and return of lost or damaged goods. The insured is obliged to provide the necessary assistance by the insurer in relation to the effort. If this obligation is not carried out by the insured, it can reduce the right of the insured to get compensation from the Insurer.

g) Documents *of Claim*

In the event that the insured demands damages under this policy, the insured must attach documents in the form of claim supporters. The claim document includes a complete Claim Report Form, including signed and stamped with the company, insurance policy photocopy, chronological event news of the incident, sketch of the location of the loss, details of estimated losses supported by repair cost offers from the workshop (specifically for losses due to theft of replacement / repairs must be done in the official workshop of the tool), photos of the location of the incident, photo details of damage, receipt or invoice of unit purchase (for *partial loss* in the form of photo copy, while for the total *loss* in the form of original documents, the description of the price of new similar units from authorized distributors). The insured must attach receipts and or original invoices of repairs from the workshop that have been agreed upon by both parties.

h) Settlement of Claims

In accordance with the provisions of Law No. 2 of 1992 concerning Insurance Business, insurers must complete the payment of claims 30 (thirty) calendar days from the agreement of the amount of losses between the insurer and the insured. And the requirements - requirements, following documents - documents declared to be appropriate and complete

i) Dispute Settlement *Forum*

In accordance with the provisions of the Decree of the Minister of Finance of KMK No. 422 of 2002 concerning Insurance Business, in the policy must be attached to a dispute resolution forum on all disputes arising from insurance contracts. Here are the standard clauses regarding dispute resolution forums:

*"Ifa dispute arises or dispute between the Insurer and the Insured as a result of the implementation and/or interpretation of this policy and such dispute or dispute cannot be resolved*within*60* calendar days of the occurrence of the *dispute."*

Disputes are considered to occur since the insurer or insured gives a written statement regarding his disapproval of the disputed matter. The insurer gives the insured the freedom to choose one of the dispute resolution clauses as provided below. Furthermore, the insured is obliged to notify the option in writing to the insurer before the start of the

insurance closure.

Resolvingdisputes between the insurer and the insured, according to the provisions in kmk tahu 2003 is divided into two forms, namely:

1. Non-litigation Dispute Resolution through Arbitration:

   In the dispute resolution clause through arbitration stated and it is agreed that the insurer and insured will conduct dispute resolution efforts through Ad Hoc Arbitration as follows:

   a. TheAd Hoc Assembly consists of three arbitrators. The Insured and insurer each appoint an arbitrator within 30 days of notification, which then both arbitrators choose and appoint a third arbitrator within 14 days after the arbitrator is appointed. The third arbitrator becomes chairman of the Ad Hoc Arbitral Tribunal.
   b. In the event of a disagreement in the appointment of the arbitrators and or both arbitrators do not succeed in appointing a third arbitrator, the Insured and/or insurer may apply to the presiding Chief Justice to appoint the arbitrators and/or the Chairman of the arbitrators.
   c. Examination of disputes shall be completed within a maximum of 180 (one hundred and eighty) days from the time the Ad Hoc Arbitral Tribunal is formed. With the consent of the parties and where deemed necessary by the Ad Hoc Assembly, the period of examination of disputes may be extended.
   d. The Arbitral Award is final and has permanent and binding legal force tertanggung and Insurer. In the event that the Insured or Insurer does not carry out the arbitral award voluntarily, the decision is carried out based on the order of the Competent Chairman of the District Court at the request of one party to the dispute.
   e. For matters not yet stipulated in this Article, the provisions stipulated in the Law of the Republic of Indonesia No. 30 of 1999 dated August 12, 1999 concerning Arbitration and Alternative Dispute Resolution.

2. Litigation settlement through the Court

   In the dispute resolution clause through the district court it is stated and agreed that the insured and the insurer will conduct dispute resolution efforts through the Court in the jurisdiction of the Unitary State of the Republic of Indonesia.

Types of Disputes in Insurance Closures

Many things that can cause disputes in an insurance business certainly relate to related legal aspects other than insurance law, with insurance laws, consumer protection laws, other aspects of civil law and criminal law resulting from legal actions or acts against the law of the parties who harm each other.

Realized or not in practice, there are still many legal traps thatcause a dispute. For example, what if the insurance brokerage company is negligent in finding an insurance company or looking for an insurance company that is not credible or fictitious, even though the insured has given a letter of appointment to the insurance brokerage company. Then how to set up commissions between insurance brokerage companies and insurance companies that also often cause disputes where insurance closures have also not been done, and so forth. In the policy payment agreement must also be expressly stated when a premium is considered to have been received by the insurer.

As an illustration can be taken for example, if the insured has made a premium payment through his broker (broker) as the first step to closing the insurance, then the broker forwards the premium payment to the insurer through transfer even though the premium payment limit has passed the deadline, then the insurer still receives the premium payment as evidenced by the deposit of the insurer and the insurer does not make the premium at all. Clarification on that. After some time then the insured makes an insurance claim but is rejected by the insurer because the deadline has passed (expiry) while the premium payment remains in the hands of

the insurer, then this certainly has been included in the criminal law aspect of fraud or embezzlement 372 and 378 Criminal Code), where the threat of punishment is prison. It can even be included in the aspect of civil law about unlawful acts (Article 1365 of the Civil Code).

Disputes arising from claims of initial causes vary widely, as outlined earlier, among others, interpretation of the contents of the contract and premium payments. The ignorance of the insured for his obligations in the policy will be very fatal to the claim. The obligations of the insured include premium payments, *compliance warranty, disclosure material facts* to notification to the insurer as soon as possible for anything that might cause a claim.

Insurance policy is a contract that is different from ordinary contracts, on ordinary contracts required signatures of the parties who perform the contract. But on an insurance contract, *the offer* (offer) from the general insurance company is a letter of offer *(quotation* or insurance *proposal)* which is then followed up with the issuance of the policy while the *acceptance* (receipt) from the insured is the approval of the proposal, the order of issuance of the policy and the payment of premiums.

The grace period of premium payments varies greatly depending on the type of insurance and the initial negotiation regarding *the terms of payment.* In the event of a claim guaranteed by the policy during the grace *period* of payment, the insurer has an obligation to replace the claim. However, if the claim occurs after the grace period *of* premium payment has passed then the insurer has no obligation to replace the claim arising.

In general, claim disputes arising due to *non compliance warranty are* usually caused by ignorance or expertise from the insured over the importance of the *warranty.* For claim cases involving the value of a claim that is not large, usually with consideration of good relations and business considerations, the insurer will be willing to pay the claim with a record of the claim settled *ex-gratia* and will not be a *precedent* when the same thing happens at a later date. The opposite will happen, if the claim involves a very significant value in general the insurer directly rejects the claim immediately, but also there are also special considerations, if the claim comes from a well-known company or even akey man*owner,*it can be resolved *ex-gratia,*for the sake of greater business considerations, for the long term and marketing *promotion.* Very good and effective.

CONCLUSION

Insurance Industry business in Indonesia in order to grow and develop and increase or at leastin line with otherIKNB such as capital markets, financial institutions and others, perlu apply generally accepted business principles and business principles that apply specifically in the world of insurance as in the law or law that appliesinIndonesia. Sebahow invited, based on article 246 kuhd, article 1313 KUHPdt, article 1338(1) kuh Pdt. Need to enforce fair insurance law (law*inforcement)*to achieve true justice*(iustum)*in Law No. 2 of 1992 and Law No. 40 of 2014 with PP 71 previous law up to and last PP 81 law now, as well as Regulation of Authority Jasa KeuanganNumber: 01/POJK.07/2013, on consumer protection of the financial services sector.

Ideal construction in the settlement of legal protection for policyholders (insured) and settlement of claims due to the denial ofagreements (policies), through:

a) Non-litigation dispute resolution, *on an Ad Hoc basis,* dalam disputeresolution through *Ad*Hoc*rbitrase* is *stated* and agreed that the insurer and insured will conduct dispute resolution efforts through *Ad Hoc Arbitration.*
b) Litigation resolution of disputes, through the district court it is stated and agreed that the insured and the insurer will conduct dispute resolution efforts through the District Court in the jurisdiction of the Unitary State of the Republic of Indonesia. The legal force remains a lawsuit from one party against the other party to seek a sedate, ranging from the

level of the first Court, appeal and cassation to the fixed legal force*(inkracth).*

c) Among the principles that apply in the insurance business, the most important and main are *Utmost Good Faith* and *Insurable Interest,*as clearly outlined about the two principles above, while other principles are as principles that complement (support) in a business but still have an interest and interconnected with each other so as to form a form of A resilient real business that lasts continuously*(suistenable)*for thelong term in accordance with the vision and mission of the company.

Suggestion

The author agrees with followers of *the Bill Show* &Art *Wolfe* on the school of *deontologyalism,*which is more pressing on the way or mechanism as a process of achieving justice, witha popular sloganthat reads:"Uphold*the law to achieve justice even though the heavens will collapse,* with its emphasis on mechanisms (processes) and *"What happened should not be told a lie"* with an emphasis on integrity.

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