



## Understanding the issues of failure to pay life insurance claims: A perspective on absolute responsibility at PT. Jiwasraya

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### ABSTRACT

The purpose of this study is to examine the principle of absolute responsibility as it is used in Indonesian statutes, with a focus on how it impacts the legal liability of business actors, in particular insurance firms, when it comes to the nonpayment of claims made by policyholders. Using primary, secondary, and tertiary sources together with legal hermeneutics analysis, the technique used is normative juridical with a statutory approach. This study's findings suggest that insurance firms' legal liability is affected when the concept of absolute responsibility is applied; specifically, that an insurer's failure to meet its contractual duties may constitute a criminal act. The courts and alternative dispute resolution methods like mediation are used to settle legal disputes. Insurance firms in Indonesia need to pay greater attention to consumer rights and adopt improved governance in order to win back the public's faith in the sector. Absolute obligation, insurance firm, failure to pay, claims made by policyholders, statutory law, are all relevant concepts here.

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## 1. Introduction

The relevant agreements and laws are Civil Code Articles 1313–1351 of Book III, Chapter II. When two or more persons sign a legal contract, they "bind themselves". (Subekti, 1987). An agreement is defined as "an act by which one or more people bind themselves to another" (Article 1313, Civil Code)." (Salim & Sh, 2021). Legal academics have criticised the Civil Code's Article 1313, which defines the term "agreement," for being inadequate. This definition is regarded overly wide and incomplete. By this logic, there are always two people involved in every given agreement: the obligated debtor and the entitled creditor.

One example of an arrangement that fits under this category is an insurance agreement. (Puluhulawa dkk., 2023). The insured may shift risks to the insurer, such as the cost of medical care in the event of an accident or death, in exchange for a premium. (Sembiring, 2014). Today, insurance is essential financially. It protects consumers and businesses' finances from

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unforeseen events. Long-term financial planning, savings, and investment benefit from insurance. Insurance is necessary for long-term economic growth and security.

Insurance reduces risks to people and corporations. Professionals and individuals frequently transfer these risks to insurers. Commercial Code Article 246 defines insurance as a contract in which an insurer accepts a premium and compensates for loss, damage, or loss. Not sure (Silondae & Ilyas, 2011). The country's longest-running insurer is PT. Jiwasraya Insurance (Persero), founded in 1859. The organization's financial security education mission is admirable. Thanks to its founders and early leaders, Republic residents have venerated this notion for over 152 years. Jiwasraya is devoted and experienced in meeting people's needs in the complex and competitive life insurance and financial planning areas. (Abrini & Paraya, 2020).

In recent months, Jiwasraya Insurance's JS Saving Plan has had payment issues. This bancassurance product combines life insurance with investment. A unit link insurance policyholder takes on some investment risk, but the JS Saving Plan insurance provider takes on everything. Late payments are a major concern for Jiwasraya Insurance. (*Mengenal JS Saving Plan, Produk Jiwasraya yang Tawarkan Return Dua Kali Deposito Halaman all d - Kompas.com*, t.t.). According to BPK RI chairman Agung Firman Sampurna, Jiwasraya's failure to pay was primarily due to inadequate investment management. Jiwasraya frequently put corporate money in underperforming equities. Jiwasraya's 2002 issues at this state-owned insurance agency are widely documented. Jiwasraya has reported fake profits since 2006, according to BPK statistics. Jiwasraya sponsored Manchester City in 2014 instead of buying high-quality shares. Jiwasraya launched the JS Saving Plan in 2015, however its financing costs were far higher than bank or bond interest rates. These money were invested in poor mutual funds and stocks.

The BPK began investigating Jiwasraya in 2016 and proceeded into 2018. This investigation revealed irregularities with the company's money and investments. Short-term stock purchases and sells to hide losses may constitute fraud. Additionally, agreements with third parties are utilised to buy shares at the desired price. Jiwasraya's management stopped paying IDR 802 billion savings plan claims in October 2018 due to this problem. Insurance Law 40 of 2014 requires the insurance sector to establish a customer- and business-friendly economic environment. (Konsideran Undang-Undang Perasuransian Nomor 40 Tahun 2014, t.t.).

The above situation shows that customers suffer when enterprises fail. In Jiwasraya, an insurance company denied a claim, costing the insured a lot of money. Despite insurance's financial protection against unexpected events, the company couldn't meet its payment obligations. Policyholders suffered worry and financial losses. Insurance companies must pay compensation or a predetermined sum if the agreed-upon event occurs, unless there are valid reasons to exclude them. They must sign and present the insurance to the insured. If the insurance is terminated or invalidated, payments must be refunded if the insured has not taken the risk. A fire insurance policy requires the insurer to pay for property damage so it may be rebuilt. (Sastrawidjaja, 1997).

Prudence in investment of policyholder funds is governed by Article 21 paragraph 3 and good governance duties are outlined in Article 11. Administrative consequences, such as warnings, business limitations, product marketing bans, licence revocations, registration cancellations, administrative fines, and/or prohibitions from holding specific positions, may be imposed for violations of these two provisions. According to the BPK's investigation, the negative spread that impacted the company's assets was created by the directors and management of Jiwasraya's JS Saving Plan programme giving excessive interest rates. When investing in stocks or mutual funds, mistakes may also arise due to a lack of proper placement research. (Nola, 2020).

Civil law recognises "Contractual Liability," which relates to contractual obligations between a business actor and a client. All commercial services and goods come under this category. Contractual Liability arises from business actors' direct product or service contracts with

consumers. This is relevant because business actors and consumers often use standard agreements or standards. Users must follow the agreement's terms while using the product or service. The business actor must compensate losses from using these items or services in accordance with the agreement. If the insurance company and policyholder have a contract to compensate the policyholder, the insurance company must pay the claim. Contractual Liability may be affected if the insurance provider rejects or cannot pay claims. (Pradnyani dkk., 2018).

Civil law's "Contractual Liability" highlights the business's duty to consumers. As per the policyholder's contract, the insurer must pay claims when requested. This must happen or we may face serious contractual liability legal issues. Jiwasraya management's recklessness in administering the JS Saving Plan programme and investing in shares and mutual funds hurt the company's assets and policyholders, according to the BPK. Therefore, this essay addresses these questions: How does Indonesian law's concept of total responsibility affect business actors' legal duties when insurance companies refuse to pay policyholder claims? Is there a way to guarantee that PT. Jiwasraya Insurance and other Indonesian life insurance firms handle and resolve policyholder claims with perfect responsibility?

This study's findings stress the significance of competent management for life insurance firms. In order to prevent nonpayment of life insurance claims, businesses should check that their internal control mechanisms and management are functioning properly. Strict monitoring, more responsibility, and openness are all part of this. Acquiring a solid grasp of life insurance policies is crucial, as this study highlights. In light of this, it is clear that insurance firms need to improve their communication with customers on the details of their contracts. Customers must have a thorough understanding of the insurance policy and its benefits before acquiring it.

## **2. Method**

This study will examine the legal obligations of business players, in particular insurance firms in Indonesia, by using a normative juridical methodology with a statutory approach. This strategy will examine the applicability and harmony of numerous statutes and constitutional provisions in light of the problems at hand. Primary legal documents like the 1945 Constitution and applicable statutes are consulted, as well as secondary legal materials like general legal concepts and the opinions of legal scholars. Document analysis will be used to gather legal resources, which will then be analysed using legal hermeneutics. The purpose of this study is to examine the implications for policyholders and the Indonesian life insurance industry of the adoption of the concept of the principle of absolute responsibility in Indonesian statutory law. This study will focus on PT. Jiwasraya Insurance.

## **3. Analysis and Results**

### **3.1 Principle of Absolute Responsibility: Legal Foundation and Practical Reality in the Indonesian Insurance Industry**

Illegal acts require compensation if the offender is found guilty. This legal definition of guilt is intent or carelessness. But the law also recognises culpability without wrongdoing. Fault) or "absolute responsibility" (Goldie, 1985). In this case, the perpetrator can be held legally responsible even though he did not intend to commit the act. (Weinrib, 2012), and does not contain elements of negligence, carelessness or impropriety.

Absolute responsibility is often also referred to as responsibility without fault (Setiyawan & Muhtar, 2023), meaning of fault If the conduct is a legal error, it may still be moral, but willful or negligent actions that harm others carry a lot of responsibility. Unfaultful responsibility is protected by law. Responsibility without blame has fluctuated throughout legal history. Many traditional rules governing activities against the law, moral breaches of a person's responsibilities, control peace and balance amongst persons by giving recompense as personal punishment (Werro & Büyüksagis, 2021).

Even if moral error has always been present in the judge's thinking, it is not the most important because anyone who harms another, whether by accident or self-defense, must make amends loss of another.

For practically every civil conduct, the law prioritises victim losses above perpetrator intent or carelessness. Legal regulations against illegal conduct are reinforced by society's legal belief that "whoever damages him is the one who replace". Data demonstrates that legislation against lawbreaking was delayed and unsteady until the 19th century. Recognition of "guilt" or moral culpability as a compensating foundation evolved. Society began to define duty as morality increased. The strong tendency of legal liability for unpleasant attitudes from a decent citizen has led to a coherent theory of illegal activities based on the idea of "no responsibility without fault." (Nur & Prabowo, 2011).

However, legal errors vary from moral blunders since many ethically incorrect behaviours are legally immune, such as an excellent swimmer who lets another person drown. Despite moral innocence, the law deems a person guilty. Making mistakes is failing to live with an ideal attitude that no one can always adapt to and may be beyond one's skills. It might be ignorance. Low intellect or honest errors might include socially acceptable behaviour. Even a child or unsound person who cannot stop what he is doing is liable for criminal activities, either on his own behalf or on behalf of his dead guardian or curator.

History over hundreds of years has shown how frequently the notion of no responsibility without fault is violated by applying the principle of responsibility without blame. The idea that certain perpetrators are illegal is commonly acknowledged. They may be liable for their behaviour. (Fuady, 2014) : (1) Doesn't break the law, (2) Do not deviate from standards that are acceptable to common sense, (3) Doesn't ignore his concern for others.

In poaching law, worker compensation is focused on responsibility rather than culpability. Absolute accountability is needed if the perpetrator's behaviour is uncommon and dangerous to others. Especially if the action was done cautiously yet the threat is high. Responsibility is with the offender, who knowingly does the action, bringing himself near to the planned dangerous outcomes to incur the risk. In this scenario, the court usually rules that the culprit was better able to take the hit since he acted in his own interest and intended to benefit. It is better to place the risk on the victim based on allocating losses that cannot be borne by assigning responsibility to which party is best to bear it, so that the perpetrator is no longer blamed but rather society is considered. A victim/consumer must prove three things to claim compensation under product liability law: the product was defective when delivered by the manufacturer, the defect caused or contributed to loss/accident, and there is a loss. Most agree that the victim/consumer must prove that the goods was in the same condition as when supplied by the manufacturer when the loss happened.

Producer responsibility (product liability) law, which follows the notion of absolute responsibility (stick liability), anticipates today's tendency towards protecting customers from product defects. While producers are economically stronger, the existing legal structure favours them. Absolute responsibility is not dependent on producer fault (strict product liability). Thus, total accountability contradicts the philosophy and thinking of fault-based responsibility. External legal considerations including altering *laissez-faire*, collectivism, the welfare state, and academic backing impact the establishment of absolute responsibility. With strict liability, Indonesian producers and industrialists should realise how important it is to maintain product quality, as it will harm consumers and put them at risk. To encourage local and international customers to purchase Indonesian products, producers will be more attentive before releasing them. Using strict responsibility in product liability law does not imply manufacturers are not protected. The producer might guarantee his responsibility to avoid economic damages. RC Hoerber et al. state that total responsibility is frequently used because (1) customers cannot show faults in a complicated manufacturing and distribution process. (2) Producers are thought to be

better prepared to foresee a lawsuit for their blunders by adding insurance or cost components to their goods. (3) This idea might make manufacturers more cautious.

The legislation on consumer protection specifies corporate actors' responsibility for customer losses in Chapter VI, Article 19–28. Seven of the 10 items in this chapter – items 19, 20, 21, 24, 25, 26, and 27 – describe business actor duties. Two clauses, Article 22 and Article 27, regulate evidence, while Article 23 covers dispute resolution when corporate actors fail to pay customers.

Of the seven articles that regulate the responsibilities of business actors, in principle, they can be further differentiated in: a) Articles 19, 20, and 21 outline corporate actors' responsibilities for customer losses. Article 19 requires business actors, manufacturers, and distributors to compensate consumers for damage, pollution, and/or consumer losses caused by consuming goods and/or services produced or traded. Compensation can be in the form of money, goods and/or services of the same type or value, health care, or compliance with laws and regulations. b) Compensation is given within a period of 7 days starting from the date of the transaction. Article 20 applies to advertising business actors to be responsible for the advertisements produced and all the consequences caused by the advertisement. Article 21 paragraph (1) imposes responsibility on the importer of goods as is the case with the manufacturer of imported goods, if the imported goods are not carried out by agents or representatives of foreign producers. Article 21 paragraph (2) requires service importers to be responsible as foreign service providers if the provision of foreign services is not carried out by agents or foreign service provider manufacturers. c) According to Article 24, business actors who sell goods or services to other businesses are liable for compensation and consumer lawsuits if: a. Other businesses sell to consumers without altering the goods or services: Business players in purchasing and selling transactions may not be aware of changes in products and services that do not meet sampling, quality, and composition standards, if another business actor buys products and/or services and resells them to customers by making modifications, the other actor is solely responsible for compensation claims and consumer litigation, Two other articles, namely Article 25 and Article 26 relate to after-sales service by business actors for goods or services traded, in this case business actors are required to be fully responsible for the guarantees and/or warranties provided, as well as the provision of spare parts or repair. d) Article 27 is a "helper" article for business actors which releases them from their responsibility to provide compensation to consumers (Widjaja & Yani, 2000).

America has moved towards a basic corporate catastrophe, from product-oriented rules that ignore customer interests and safety to caveat emptor. Switching to a customer-focused marketing programme means manufacturers must be cautious to meet consumer needs, requirements, and interests. (Zulham, 2017). When customers lose money due to faulty products, the UUPK utilises semi-strict responsibility under Article 19. Consumer losses must be compensated by businesses. In Article 28 UUPK, the business actor must prove mistake. Article 27 of the UUPK limits business actors' liability for consumer losses if the goods are not distributed, defects occur later, and consumer negligence is involved. From these three articles, the UUPK follows product liability responsibility with semi-strict liability since it does not need business actors to be accountable or establish wrongdoing. Strict responsibility holds the business actor liable without evidence. Adopting this idea in UUPK regulation may safeguard fragile customers. To increase product quality, companies must charge customers and provide excellent items. Negative probability owing to increased rivalry for manufacture items, which raises production costs and burdens customers, making things pricey. Product liability has three bases: (1) breaking the assurance, such as effectiveness not matching claim, (2) carelessness, such as failing to follow medical requirements, (3) total duty (strict liability). The legal phrase product responsibility comes from the translation of product liability, which is product liability caused by faulty or dangerous product conditions. Product responsibility stems from "product schade," or losses caused by manufacturer-marketed products. The product maker or their equivalents are strictly liable for any damages experienced by users of

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faulty or harmful products (to themselves and others). Absolute accountability holds the manufacturer responsible for the loss the faulty product causes the customer, unless he can show otherwise. Product liability laws attempt to (a) reduce product-related accidents or (b) provide compensation for victims of inevitable product defects.

Each claim for responsibility in law must have a foundation that obligates the person to be accountable. Civil law bases culpability on mistakes and risks in every legal occurrence. Theoretically, liability between the party demanding responsibility and the party being sued for responsibility can be divided into two categories: (1) liability based on errors, which can arise due to default, unlawful acts, or careless actions, and (2) responsibility based on risk, which an entrepreneur must take for his business activities.

Consumer claims for compensation for material, physical, or mental losses caused by product use can be based on several provisions, but there are usually only two categories: breach of contract and compensation. loss from illegal conduct. This total responsibility may safeguard customers from careless product marketers. According to Law no. 8 of 1999 on Consumer Protection, businesses must follow product marketing standards. Article 8 UUPK requires that goods sold be in excellent shape and not violate it. The business actor must reimburse the customer for damage caused by a faulty product without evidence of wrongdoing.

Consumers may sue businesses without proof after learning these responsibility ideas. Consumers may feel shielded against 'naughty' corporate operators with bad intents. The defendant is criminally responsible if they know or suspect the conduct may injure another person. Thus, the defendant need only do a polluting conduct (Frances Russell & Christine Locke, "English Law and Language, Cassed, 1992).

Law no. 23 of 1997 on Environmental Management added strict responsibility to Indonesian law. Law number. 32 of 2009 on Environmental Protection and Management ("UUPPLH") changed it. Article 88 of the PPLH Law states that individuals who use B3 (Dangerous and Toxic Substances), produce or manage B3 waste, or pose a serious environmental threat are solely responsible for any losses, regardless of the proof of error.

Explanation This article defines "absolute responsibility" or strict liability, which implies the plaintiff does not need to establish wrongdoing to get compensation. This article is *lex specialis* in litigation involving criminal activities as stipulated in Civil Code Article 1365. However, adopting this notion in Indonesia is difficult. Since there has been no court case in Indonesia, strict responsibility has never been used. However, Indonesian Centre for Environmental Law (ICEL) expert Prayekti Murharjanti argued strict responsibility may be applied to various environmental harm situations.

Article 19 of Law no. 8 of 1999 respecting Consumer Protection implicitly applies strict responsibility to consumer protection disputes. Indonesian law allows severe liability. However, strict responsibility is difficult to apply for the reasons listed above.

### **3.2. Exploring the Principle of Absolute Responsibility: A Study of PT. Jiwasraya Insurance and Failure to Pay Policy Holder Claims**

Consumer protection is essential to corporate success. Healthy business practises balance consumer and producer legal protection. Consumers are vulnerable without balanced protection. If the company makes a restricted product, it might misuse its position and hurt customers. Statutory rules are the most essential way to safeguard consumers, carried out carefully. The producer's losses may emerge from a legitimate contractual connection with the customer or from illicit conduct by the producer. (Miru, 2013).

A person may sue for illegal activities if there is a mistake (made by another party or the defendant), a loss (suffered by the plaintiff), and a causal link between the error and the loss. That customers lose out on goods/services in this arrangement, and entrepreneurs or governments will act if consumers complain. Article 11 paragraph (1) of the 2014 Insurance Law

requires insurance firms to practise excellent corporate governance in good faith. The Management, including the Board of Directors, governs a BUMN corporation under Article 5 paragraph (1) of the 2003 BUMN Law. The Directors must manage the firm in line with its goals and objectives under Article 1 point (5). The 2007 PT Law gives the Board of Directors complete power and responsibility for operating and defending the firm in and out of court. Jiwasraya Insurance is a BUMN, as stated in Article 2 paragraph (1) letter (a) of the 2003 BUMN Law, which aims to boost the national economy and public income. Good governance of state-owned firms may achieve this aim. The Board of Directors might use the Principles of excellent Corporate Governance to practise excellent corporate governance. GCG is a system that manages and supervises the ongoing business control process to increase share value, which increases company value, and to account to shareholders without ignoring stakeholders like employees, creditors, and the community (Franita, 2018).

Legal tools are crucial to GCG implementation. The government created the National Governance Policy Committee. According to KNKG's GCG Guideline for Indonesian Insurance Companies and Reinsurance Companies, successful implementation of GCG principles is a form of commitment by company organs because imbalances often arise in company organ relationships, such as directors' lack of responsiveness in management and directors' lack of function in the company's business.

PT Asuransi Jiwasraya (Persero) has a tough issue. The Report on the Results of Investigative Examinations in the Context of Calculating State Losses Due to Financial Management and Investment Funds at PT Asuransi Jiwasraya (Persero) Period 2008-2018 BPK RI states that state losses of IDR 16,807,283,375,000 resulted from the management of shares and mutual funds from 2008 to 2018. (Media, 2020)

An agreement generates legal liability for parties. This legal duty comes from the agreement and the legislation, which in this instance governs insurance (legislation Number 40 of 2014). Insurance businesses have many duties and rights. A Super Jiwasraya Plan insurance coverage (Miru, 2013) :

The insurer must pay the cash value if the insured lives the insurance term. The insurer must also pay compensation if an accident causes permanent disability or death, under certain circumstances.

The insurer has additional rights. These include the right to terminate the insurance contract without payment if facts, statements, or papers are knowingly manipulated or do not reflect the insured's condition. If requirements are not satisfied and fraud is identified, the insurer may dispute the policy's validity at any moment and deny benefits and insurance claims.

Rights include the ability to request claim submission evidence, determine the cash value for each investment period, request autopsy or post mortem et repertum results if the insured dies, and issue additional or special policy provisions, endorsements, or other policy documents that become integral attachments. The case concerns a violation of agreement between an insurer and an insured about a 12-month investment period where the insured is entitled to monetary value. However, the insurer fails to pay the policyholder the Principal Value and Cash Value Due for the Investment Period. Article 31 paragraph (4) of Law Number 40 of 2014 prevents insurance firms from delaying claim settlement or payment.

Article 71 paragraph (2) lists administrative sanctions for such violations, including written warnings, restrictions on business activities, prohibition on marketing insurance products, revocation of business licences, cancellation of registration statements for various entities, administrative fines, and prohibition from holding specific insurance company positions.

The Financial Audit Agency highlights PT. Jiwasraya Insurance's investing problems. The corporation lost funds due to a high-interest Saving Plan programme. Insufficient placement studies led to stock and mutual fund investing errors. Jiwasraya insurance emphasises absolute culpability, a rigid responsibility concept, while exclusions may exempt obligation.

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The mechanism for resolving insurance disputes can be done in two ways, namely: a) Non-litigation mechanism, article 2 letter e Financial Services Authority Regulation Number: 1 / POJK.07 / 2013 concerning Consumer Protection in the Financial Services Sector (POJK 1 / 2013) states that consumer protection is implemented using the basic principles and understanding of handling consumer complaints and disputes in a simple, fast, and affordable manner. Article 2 paragraph (1) of Financial Services Authority Regulation Number: 1 / POJK.07 / 2014 concerning Alternative Dispute Resolution Institutions in the Financial Services Sector (POJK 1 / 2014) also requires good faith complaint resolution. Alternatively, by the Financial Services Institution, an insurance firm. Under Article 32 paragraph (1) POJK 1 / 2013, OJK requires insurance businesses to offer services and manage customer complaints. (Muzakki, 2017). These laws show that insurance firms must hear and handle policyholder concerns.

If the insurance company's complaint handling process fails, fails to reach an agreement, or fails to fulfil the agreement, the policy holder in Article 40 paragraph (1) and paragraph (3) POJK 1 / 2013 can submit complaints through the OJK to members of the Board of Commissioners who are in charge of education and consumer protection (Syafaat, 2019). b) Litigation Mechanism, the process of submitting an application for a declaration of bankruptcy to the District Court with a link to the Commercial Court will begin with fulfilling the material requirements for the application for a declaration of bankruptcy, namely the provisions of Article 2 paragraph (1) of Law Number 37 of 2004 concerning Bankruptcy and Postponement of Debt Payment Obligations (which in this writing will be later called UUK - PKPU) which determines, namely: "A debtor who has two or more creditors and does not pay in full at least one debt which is due and collectible, is declared bankrupt by a Court Decision, either at his own request or at the request of one or more of his Creditors" (Hadi Subhan, 2008). This article lists the main conditions for bankrupting an insurance company: first, a debtor to its policy holders must have at least two creditors, and second, it must be unable to pay at least one of them. Thirdly, unpaid debt must be recoverable and mature. Article 2 paragraph (5) of the UUK - PKPU states that the Minister of Finance has the authority to apply for a bankruptcy declaration for insurance companies clearly involved in public interest. Historically, only the Minister of Finance could file a bankruptcy declaration application against insurance company creditors.

Strict responsibility links the offender to the mistake. The consumer protection law's total responsibility concept is often utilised to "trap" commercial actors, particularly product marketers that cause customer losses. This is called product liability in consumer protection. (Sidalok, 2006). Product liability holds manufacturers accountable for customer damages caused by their goods. Product liability lawsuits may be filed for guarantee breach, carelessness, or strict liability.

Professional liability applies when the business actor (service provider) has a contractual relationship (privacy of contract) with the consumer and the service provider's performance is not measurable (an endeavour agreement or *inspannings verbinteniss*). This uses stringent legal responsibility from company actors or producers for customer damages from service usage.

Conversely, if the business actor and customer have a contractual connection (privacy of contract) and the service provider's performance is quantifiable (a results agreement or *resultaats verbinteniss*), the business actor is responsible for professional liability. Business actors use contractual obligation for customer losses caused by service use in this scenario. This is also in agreement with Article 1365 of the Civil Code, which is more a framework than full legislative rules. Article 1365 of the Civil Code always requires materialisation beyond the Civil Code. Acts against the law emerge because anybody who harms another must recompense for the damage. Article 1365 of the Civil Code states that anybody who does an illegal conduct that causes loss must pay the victim. An act is illegal and liable for compensation if it fits these criteria (Agustina, 2003):

It starts with purposeful and careless behaviour. Intentional activities are active, whereas neglect is passive. After the 1919 *Lindenbaum vs. Cohen* case, acts against the law include violations of written regulations, legal responsibilities, subjective rights, and unwritten morality, appropriateness, and social behaviour.

Fault, like illegal actions, includes purpose or carelessness with other aspects. It holds wrongdoers accountable for their acts. Article 1365 of the Civil Code requires criminals to recompense for loss. Article 1371 paragraph (2) examines parties' positions, talents, and circumstances when assessing compensation.

Two theories examine the causal relationship between actions and losses: the *conditio sine qua non* theory, which states that any condition for an effect is a cause, and the *adequate veroorzaking* theory, which states that balanced actions cause reasonable consequences. Because consumers have two problems initiating claims against corporate actors, fault-based legal responsibility does not protect consumers fully. The requirement of a contractual connection and the business actor's position that customer losses are caused by unknown or unforeseeable products damage prevent the element of blame from being demonstrated. (Makarim, 2010).

Responsibility based on fault did not persist long since consumers had to prove blame, which was unjust because consumers did not know the duty of care that corporate actors should know. Due to a duty of care in every business area, the notion of professional responsibility for malpractice was born. It is also founded on errors. Professional misconduct requires a professional to achieve specified competence requirements. Professionals need training and licences to outperform non-professionals.

Jiwasraya must fulfil customers' achievements as an insurance. In tough times, Jiwasraya, the BUMN ministry as shareholder, and the OJK as regulator and supervisor of insurance financial services activities share this responsibility.

The disparity between UUPK's product responsibility and absolute accountability is growing. Unlike environmental regulations like Law no. 23 of 1997 on Environmental Management, Law no. 5 of 1983 on the Indonesian Exclusive Economic Zone, and Law no. 10 of 1997 on Nuclear Energy, which require ultimate accountability. These three rules include "using dangerous materials", "absolutely responsible for the losses caused", "pay immediately", and "bear responsibility answer absolutely" and "maximum amount limits" in the Law on the Exclusive Economic Zone (Zulham, 2017). Law no. 8 of 1999 concerning Consumer Protection modified the fault-based liability approach to product responsibility. International consumer protection law has changed from fault-based liability to absolute responsibility focused on consumer interests. This is done to defend consumer rights as global commerce grows. Applying the Principle of Absolute Responsibility in product liability insurance, the victim/consumer who will claim compensation only needs to show three things: that the product was defective when delivered by the manufacturer, that the defect caused or contributed to loss/accident, and that there was a loss. It is also commonly accepted that the victim/consumer must prove that the goods is in the same condition as when provided by the manufacturer. The relevance of producer responsibility (product liability) legislation that follow the idea of absolute responsibility (sticky liability) in predicting the global trend towards protecting consumers from product defects.

While producers are economically stronger, the existing legal system is excessively advantageous to them. Absolute responsibility is not dependent on producer fault (strict product liability). Thus, total accountability contradicts the philosophy and thinking of fault-based responsibility.

#### **4. Conclusion**

If Article 27 of UUPK No. 8 of 1999 is applied in accordance with the principle of absolute responsibility, insurance companies like PT. Jiwasraya Insurance are held to extremely high

standards in their dealings with policyholders, regardless of whether or not the policyholder was at fault. The policyholder is entitled to reimbursement for losses that have not been covered by the insurer. The company's failure to meet its commitments, however, constitutes a breach of contract, constitutes a violation of the law, and may result in consequences under Article 71. The Jiwasraya insurance dispute was settled via mediation and the courts rather than going to trial. In order to regain the public's confidence, the insurance sector in Indonesia must reform by paying closer attention to consumer rights and instituting stronger governance.

**Research Suggestions for the Future** There is need for more investigation into the many variables that contribute to insurance companies' and policyholders' inability to pay life insurance claims. By comparing PT. Jiwasraya to other life insurance firms, we may learn about their management styles, business methodologies, and any differences that may impact their claim payment failure rates.

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