

Troubled Life Insurance Handling Efforts, Due to The Inability of Policyholders to Pay Insurance Premiums at PT. Asuransi BRI Life Medan

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Abstract. The functions and objectives of the insurance institution are so good, but in reality, there are still some members of the community who have not been able to take advantage of this insurance agency. This can be due to the low level of community income, lack of knowledge in the field of insurance, so it is feared that someday the insured will not be able to carry out his obligations. The theory used as a knife of analysis in this research is the theory of justice and the theory of legal protection. Life Insurance Business according to the Company Law is a business that provides risk management services that provide payments to policy holders, the insured, or other entitled parties in the event that the insured dies or remains alive, or other payments to the policy holder, the insured, or other parties entitled to the specified time as stipulated in the agreement, the amount of which has been determined and or is based on the results of fund management. Article 246 KUHD contains the formula: "by which the insurer binds himself to the insured by receiving premium.

Keywords: Insurance, Premium, Policy

1 Introduction

The higher the people's income, the more able people are to have assets and the more safety protection is needed from the threat of danger. Each dangers faced resulted in a loss (risk) both accidental self and result of the actions of others. This encourages people to use insurance services. Risk in insurance law is an event that occurs outside the will of the insured which causes a loss to the insured, risk is the object of insurance coverage [1]. Insurance company is an institution that is deliberately designed and formed as a risk taking and receiving institution. thus, insurance companies basically offer protection service as a product to people in need, who are then expected to become their customers [2].

Insurance among the people at this time is a very important thing. So that the government supports the existence of insurance, by issuing insurance among the community such as free health insurance. Government regulations in the Manpower Act also provide protection to employees, whereby every company requires to register its employees as social security participants. Legal forms of business insurance in force in Indonesia as set forth in article 6, paragraph (1) of Law No. 2014 40Tahun About Insurance is an insurance can only be

performed by a legal entity in the form: Limited Liability Company; Cooperative; Joint efforts that existed at the time this law was promulgated [3].

Although the functions and objectives of the insurance agency are good, in fact there are still some members of the community who have not been able to take advantage of this insurance agency. This can be due to the low level of community income, lack of knowledge in the field of insurance, so it is feared that someday the insured will not be able to carry out his obligations [4]. Insurers and the insured are supporters of obligations and rights. The insurer is obliged to assume the risk transferred to him and is entitled to receive premiums, while the insured is obliged to pay the premium and is entitled to receive compensation if a loss occurs on his insured property [5].

The premium payment is the obligation of the insured person, where timing and amount of the premium payment has been made and agreed upon in the policy. Basically, the insurance agreement will continue until an event that has been agreed upon or has expired occurs. The insurance period is in accordance with the contents of the agreed policy. But the main attraction here is how the author of A if the policyholder does not fulfill its obligations in premium to the insurer. Based on the background of the above problems, the authors draw a title of this thesis, namely: Troubled Life Insurance Handling Efforts, Due to the Inability of Policyholders to Pay Insurance Premiums at PT. Asuransi BRI Life Medan

Problem Formulation

- a. How is the insurance agreement between the insurance company and the customer?
- b. What are the legal consequences of inability to pay premiums?
- c. How are the efforts to handle problematic insurance due to the inability of policyholders to pay premiums at Bri Life Medan?

Theoretical Framework

The theory used as a knife of analysis in this research is the theory of justice and the theory of legal protection. All the rules of law that are carried out have the main objective of achieving justice. Justice must be built in accordance with the ideals of law (*rechtidee*) in a rule of law (*rechtsstaat*), not a power state (*machtsstaat*). Law functions as protection of human interests, law enforcement must pay attention to four elements, namely: Legal certainty (*rechtssichherheit*); Legal Benefits (*zweckmassigkeit*); legal justice (*Gerechtigkeit*), legal guarantees (*Doelmatigkeit*) [6]. According to Sutjipto Raharjo, "the law protects the interests of a person by way of allocating a power to him to serve him in the order of importance. This acquisition of power is carried out in a measured manner, in the sense that its breadth and depth are determined. Such power is called right. But not every power in society can be called a right, but only certain powers which become the reason for the attachment of that right to a person [7].

2 Research Methods

2.1 Life Insurance Company Agreement with Customer

1. General Insurance Institution Provision

Insurance is very developed today; the growth of insurance customers is increasing. This prompted the government to form the Financial Services Authority to oversee the operation of

the insurance business and insurance consumer protection. The Financial Services Authority is very active, albeit gradually, although gradually in protecting consumers in the financial industry, both banking and non-banking, such as insurance [8] This type of insurance is well known in the insurance industry. The four are usually grouped into two types of insurance, namely first is *life and health* insurance and second is *property and casualty* insurance, where life and health insurance is operated by a life insurance company while property and loss insurance operated by a general insurance company.

2. Life Insurance (*Life Insurance*)

a. Traditional life insurance is divided into:

- *Term Life* (Futures)

Term insurance only provides protection for a certain period of time. Protection, for example, a mortgage loan in a bank for 10 years. If there is no risk, the insurance money is not returned or forfeited. This type of insurance has the cheapest premiums among other insurances. However, the sum insured can be large, reaching billions with premiums that don't really drain your pockets. *Term life* insurance has no cash value. If at the end of the insurance contract the insured person is still in good health, the contract ends, and no money is given to the insured.

- *Whole Life* (Lifetime)

This type of insurance protects the insured until the end of age, usually up to the age of 99 years. The premium payment period is determined from the beginning. This insurance contains savings value. The protection period is also longer, up to 99 years. In *whole life* insurance, when the contract ends and the insured is still in good health, there is a cash value given. In addition, if they cannot pay the premium, policyholders can take out funds or make loans from this cash value.

- *Endowment* (Dual-Purpose)

Life insurance with a greater savings value. In certain years, the value of the savings can be withdrawn according to the program. This type of insurance is usually pension fund insurance and education insurance. This insurance is a term insurance product that has multiple benefits. It is like term insurance as well as savings. *Endowment* insurance premiums are much more expensive than term or *whole life* insurance.

b. Non-traditional life insurance:

- *Unit Link* (combined *term* and investment)

Unit link is a non-traditional insurance which is insurance with two pockets, a pocket for protection and an investment pocket. Part of the premium paid is used to pay protection and the other part is placed in mutual funds in the form of unit linked. Policyholders will be asked to choose where their investments will be placed, whether in equity funds, mixed mutual funds, fixed income mutual funds, or the money market. *Unit link* is closely related to the capital market so that the product is quite complicated and not easy to understand. However, *unit-linked* insurance has a positive side where customers can be disciplined to invest regularly, both monthly and annually, because investment payments are billed at the same time as premium payments.

- Health Insurance (*Health Insurance*)

Health insurance is sometimes also called health and accident insurance or sickness and accident insurance. Health insurance aims to alleviate the burden of

costs caused by health problems due to illness or accidents. This insurance provides protection against risks in the form of medical treatment costs, or the person concerned is unable to work due to illness or accident. Health insurance covers a variety of expenses including drug costs, hospital care, surgery and also protection against loss of income if the insured person is disabled [9]

Insurance is very important for our current economic development and is useful for maintaining good economic quality even though the risks that we will experience in the future occur. The risk of life that cannot be denied is the risk of death and the risk of living too long. If these two things happen, it will definitely affect the quality of our lives and those around us a lot. Insurance provides security for us starting from ourselves, family and all valuables that we have are guaranteed

2.2 Insured

According to George E. Redja, there are four insurance principles. Likewise with the opinion of Sri Rezeki Hartono and Radiks Purba. The four principles include; insurable interest principle (*principle of insurable interest*), the principle of indemnity (*principle of indemnity*), the principle of honesty perfect (*principle of utmost good faith*) and the principle of subrogation to the insurer (*principle of subrogation*) [10]. Based on article 255 of the Criminal Code, it can be concluded that the insurance agreement can be a means of proof. As a means of proof, the contents of the policy must be in accordance with the contents of the coverage agreement made by the parties. The policy is a means of proof for the interest of the insured not for the interest of the insurer [11].

3 Results and Discussion

3.1 Legal Consequences Due to Inality of Policy Holders to Pay Insurance Premiums

1. Life Insurance Agreement Terms

There are two types of insurance that are most needed in our lives; the first is life insurance which provides death protection, and the second is health insurance which provides health cost protection. The reason is that no human being is immune to death and disease. Insurance is one type of special agreement regulated in the Commercial Code. As an agreement, the legal terms of an agreement in the Civil Code also apply to the insurance agreement [12].

Arrangements regarding insurance in the Civil Code are contained in book III regarding engagement. Insurance is an agreement because there are two parties who bind themselves to a legal act, there is a reciprocal relationship that is accepted. Insurance agreements have the same principles as agreements in general, as contained in book III of the Civil Code which contains 5 (five) principles, namely the principle of freedom of contract, the principle of consensualism, the principle of *pacta sunt servanda*, the principle of good faith and the principle of personality.

There are 5 (five) general insurance principles as follows:

- a. Principle of *Insured Interest*
- b. The principle of good faith
- c. The Principle of Indemnity
- d. Principle of Subrogation

e. Principle of Contribution

2. The Process of Life Insurance

To state when the insurance agreement made by the insured and the insurer occurs and binds both parties, can be studied through two well-known agreement theories in law. The two agreement theories are the theory of bargaining and the theory of acceptance. These two treaty theories form the basis for the emergence of the agreement, and are adopted in *Anglo Saxon* countries that use the common law legal system. In Indonesia, which follows the Continental European legal system, bargaining creates an agreement, which is the first condition for the validity of the agreement according to Article 1320 of the Civil Code.

The implementation of a life insurance agreement is marked by the fulfillment of the insurer's obligation to provide compensation to the insured/insurance taker. fulfillment of these obligations is not immediately provided automatically, but must fulfill certain principles and conditions so that the insurer is willing to fulfill his responsibilities by carrying out the following achievements:

- a. The existence of events that are not certain
- b. Causality
- c. Is there a burdensome risk?
- d. Whether there is defect or spoilage or natural characteristics of the goods
- e. The insured's fault
- f. The insured value [13].

In article 246 KUHD there is a formula: "by which the insurer binds himself to the insured by receiving a premium." Based on this formula, it can be seen that premium is one of the important elements in insurance because it is the main obligation that must be fulfilled by the insured to the insurer. If the premium is not paid, the insurance can be canceled or at least the insurance cannot run. The premium must be paid in advance by the insured because the insured is an interested party.

Insurance will only run if the insured's obligation to pay the premium has been fulfilled. In other words, the risk shifts to the insurer since the insured's premium is paid. Whether there is insurance is determined by premium payments, so premiums are the key to the insurance agreement. For example, life insurance, premium payments can be made by way of periodic, namely the beginning of each month. In this type of insurance, if at a certain period the premium has not been paid, the insurance stops. After the premiums in arrears are paid, the insurance starts again. If the premium is not paid, it will invalidate the insurance [14].

There are several things that cause the termination of the Insurance Agreement, namely:

- a. Valid Period is Over
Insurance is usually held for a certain period of time; the insurance period is specified in the policy. The KUHD does not regulate the insurance period. If the stipulated period has expired, the insurance ends [15].
- b. Occurrence of Uncertain Events (even men)
In life insurance, the only event that is borne by the insurer is the death of the insured person. In this event, life insurance is held between the insured and the insurer. If within the agreed time the death of the insured occurs, the insurer is obliged to pay compensation to the beneficiary appointed by the insured or to his heirs. Since the insurer has paid the compensation payment, the life insurance has ended since then [16].

c. Fall Insurance

In the provisions of Article 306 of the Commercial Code, namely " If the person whose soul was insured at the time of the provision of insurance has passed away, the agreement is terminated, even though the insured cannot know about the death; unless otherwise required ". In other words, Article 306 of the KUHD states that an insurance agreement is canceled because a person has passed away without experiencing any risk so that the paid premiums can be returned to the parties so that a new agreement can be made [17]

3.2 Problem Insurance Handling Efforts Due to Invaluation of Police Holders to Pay Premiums At Bri Life Medan

1. Corporate Governance

Good corporate governance or often called *Good Corporate Governance*, very important in a company. Implementation *Good Corporate Governance* needs to be done systematically and continuously. For this reason, a practical guideline can be used that can be used as a reference by insurance companies and reinsurance companies in implementing *Good Corporate Governance*, below. The implementation of *Good Corporate Governance* can be done through five actions, namely:

- a. Determination of the vision, mission, and core values of the insurance company and reinsurance company (*corporate values*)
 - b. Preparation of the corporate governance structure of insurance companies and reinsurance companies
 - c. Establishment of a culture of insurance companies and reinsurance companies (*corporate culture*)
 - d. Determining the mens of disclosure to the public (*public disclosures*).
 - e. Improving various policies for insurance companies and reinsurance companies so that they comply with the principle of *Good Corporate Governance* [18].
 - f. Every insurance company and reinsurance company must ensure that GCG principles are applied to every aspect of their business and throughout the company's ranks. GCG principles that must be ensured that their implementation include:
2. Transparency contains elements of *disclosure* and the provision of adequate and easily accessible information for stakeholders.
 3. Accountability (Accountability) contains elements of clarity of functions in the organization and how to be accountable. The company must be able to account for its performance in a transparent and fair manner.
 4. Responbilitas (Responsibility), the company must comply with the legislation and responsibility towards society and the environment so that it can maintain business continuity in the long term and to be recognized as a good corporate citizen
 5. Independence, *the* company must be managed independently so that each company organ and its staff cannot dominate each other and cannot be intervened by any party.
 6. Fairness, in carrying out its activities, the company must always pay attention to shareholders and other stakeholders based on the principles of fairness and equality [19].

BRI Life Insurance was originally established by the BRI Pension Fund on October 28, 1987 to meet the needs and complete services to credit customers of BRI Bank. In 1993 it expanded its wings, opening for the first-time sales offices in the Jakarta and Surabaya areas, to reach all major cities in Indonesia.

On February 23, 2017 based on Notarial Deed number 31, there was a change in the company where previously PT Asuransi Jiea Bringion Jiwa Sejahtera changed to Pt. Asuransi BRI Life is a subsidiary of PT Bank Rakyat Indonesia (Persero) Tbk. BRI Life trademark, business license SK Minister of Finance of the Republic of Indonesia number Kep-181 / KM.13 / 1998 dated October 10, 1998 [20].

The important role of the insurance business in the national economy makes the government also have a role to play in ensuring a sustainable insurance business in order to protect the rights of every customer. This is evidenced by the existence of well-regulated and detailed provisions as the basis for insurance business activities in Indonesia, including:

- a. Requirements for directors and commissioners to be assessed for their fit and properness;
- b. Requirements for insurance companies to regularly employ qualified experts in the field of insurance who provide guidance for the company to be managed professionally;
- c. Arrangements regarding the limits of the company's minimum solvency level;
- d. The insurance company's obligation to have its financial statements audited by a public accountant;
- e. Obligation to have reinsurance support;
- f. Basic provisions in the preparation of policies [21].

2. BRI Life Insurance Featured Products

BRI Life insurance products are very diverse and are tailored to the life stage of a prospective customer. There are insurance products marketed through banking (be ancassurance), company employees and micro insurance. Here are some BRI Life insurance products.

- a. Unit Link Insurance is a type of Life Insurance product that covers personal risks of the Insured, with insurance costs taken from a collection of investments made by the Policyholder. As a Life Insurance product, the pattern of coverage is similar to that of Lifetime Life Insurance with continuous payments, the older the person gets, until the insured reaches 100 years of age. The main difference of Unit Link Insurance is that there is a collection of units invested by the Insurance Company, in which the Policy Holder for a certain period of time deposits funds called *Top Up*. Funds buy equity participation units are similar to mutual funds, in practice they are often bought directly into various Mutual Funds, where the Net Asset Value varies according to changes in assets by the Investment Manager's activities. Because there is an increase in investment, the amount of available funds is also greater and able to pay higher insurance costs, rather than the Policyholder paying all the insurance costs that arise themselves [22].
 - Protection Link Unit
 - Optima Link Unit
- b. Traditional Insurance Is a pure type of insurance by transferring the risk where we as customers pay premiums within a certain period of time. In traditional insurance, it is divided into 3 types, namely:
 - Term life insurance: provides a death benefit if the insured dies within a certain period of time.
 - Life insurance for life: provides coverage for life for customers and usually there is a guaranteed cash value and an excess of premium payments within a certain period but is protected for life.

c. Endowment life insurance: provides benefits that are paid when the customer dies or in a predetermined year if the customer is still alive that year. usually combined with education fund insurance, pension fund insurance [23].

- Danasiswa
- Purnadana
- Investama

The insurance products above have sharia products that are managed by sharia bodies. Insurance products offered kemasyarakatan sesuai with community needs.

3. Policy Analysis of Asurasni Bri Life

BRI Life insurance policies include customer data, for example:

Fransiskus (name suppressed) as the main insured and policy holder where he took the student fund product where he started insurance on 13 July 2015 to 12 July 2033, his insurance period is 18 years. Where the money per dependents taken is IDR 60,000,000 and the amount of premium paid is 7,500,000 per six (6) months, the premium payment period is 12 years. Additional insured children from a customer that is Jeanita (name pseudonym) in which his age was when the insurance is 4 (four) years.

Additional insurance (rider) taken is critical illness and total permanent disability. The stages of education funds will be paid to the Policyholder whose amount and date of receipt refer to the table of educational fund stages. Referring to the special provisions of the additional insurance policy (*rider*) which is a provision that is not a separate policy. The insured has a total permanent disability or is suffering from a critical illness (according to the included additional insurance), then:

- a. The policy becomes free of premiums, and
- b. The policy remains valid until the end date of the policy, and
- c. The stages of education funds are paid according to the due date of receipt.

Table 1. of Education Fund Stages

Child age (years)	Payment Stages	
	Maturity Stages	Rupiah nominal
12	12 July 2023	12,000,000
15	12 July 2026	15,000,000
18	12 July 2029	67,066,000
19	12 July 2030	58,408,000
20	12 July 2031	46,189,000
21	12 July 2032	36,751,000
22	12 July 2033	38,646,000

In addition to the table of educational stages above, there is also a table of year-end cash values and premium payment periods. In the policy, there are clauses contained therein such as the basis of coverage and in the policy clause, a policy agreement period is given for 14 (fourteen) calendar days from the time the policy holder is received. Clauses regarding the age of the insured and the additional insured, including, change of policy, lost policy, commencement of coverage, payment of premiums, policy loans, withdrawal of total cash value, premium payments discontinued, insurance cancellation and expiration, policy restoration, exceptions, submission of insurance benefits, regulations in a state of war, force majeure, resolution of problems or disputes, applicable law, other provisions.

The policy has been stated in it, if the policyholder is unable to pay the premium again in article 12 "premium payment is discontinued"

1. If the premium payment is not continued until the expiration of the free period due to any reason, while the policy does not have cash value, the policy will be canceled and no longer valid.
2. If the premium payment is not continued until the expiration of the free period, because of that whatever, while the policy already has a cash value, then
 - a. An automatic premium loan will apply, if 70% (seventy percent) of the total cash value at the maturity date of the next premium after deducting other obligations (if any) is greater or equal to the amount of premium arrears.
 - b. The policy changes to a premium-free policy if the total cash value is greater than the policyholder's obligation to the insurer (if any).
 - c. The policy is changed to a time policy that provides death insurance coverage only, with a maximum sum insured equal to the original basic sum insured, with a single net premium that comes from the existing cash value

In Article 13 paragraph 2 " the following will cause the end of the insurance coverage :

1. Premium payments are not continued, the policy will end if
 - a. The policy does not have cash value; or
 - b. The policy has a cash value equal to and smaller than the premium in arrears and other obligations (if any)
2. The policy holder takes the total cash value

When the customer closes the insurance policy but the payment period has not been completed in accordance with the agreement, the company will return the customer's cash value. Se Perti example above policy pemegang Francis closed the policyholder to date registers 13 January 2020 and receive the cash value of 58.4005 million

4 Conclusion

Life Insurance Business according to the Company Law is a business that provides risk management services that provide payments to policy holders, the insured, or other entitled parties in the event the insured dies or remains alive, or other payments to the policyholder, the insured, or other parties entitled to the specified time as stipulated in the agreement, the amount of which has been determined and / or is based on the results of fund management. Article 246 of the KUHD contains a formula: "by which the insurer binds himself to the insured by receiving a premium." Based on this formula, it can be seen that premium is one of the important elements in insurance because it is the main obligation that must be fulfilled by the insured to the insurer.

If the premium is not paid, the insurance can be cancelled or at least the insurance cannot run. If the premium payment is not continued until the expiration of the free period, because of that whatever, while the policy already has a cash value, then (a) An automatic premium loan will apply, if 70% (seventy percent) of the total cash value at the maturity date of the next premium after deducting other obligations (if any) is greater or equal to the amount of premium arrears. (b) The policy changes to a premium-free policy if the total cash value is greater than the policyholder's obligation to the insurer (if any). (c) The policy is changed to a time policy that provides death insurance coverage only, with a maximum sum insured equal

to the original basic sum insured, with a single net premium that comes from the existing cash value

Suggestion

- a. It is hoped that insurance customers should pay attention to the cash value by asking the insurance company or closing and taking the cash value immediately if they cannot pay in the future. And customers are expected to read back the policies obtained because they are given time to refuse if it is not in accordance with the agreement.
- b. It is hoped that the insurance sales force will provide clear information about the losses and benefits to the customer so that no mistakes occur.
- c. It is expected that the company in the process of making a policy should call the customer concerned and ensure that the insurance taken is in accordance with what is desired.

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