

# Legal Protection for Customers Against Motor Vehicle Loss Insurance Crimes

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**Abstract.** Along with the variety and number of motorized vehicles in circulation, traffic conditions have become increasingly congested, and the risks have also become increasingly complicated. Risks that may occur in motorized vehicles include accidents and loss of motorized vehicles due to various reasons. Motor vehicle loss insurance is an insurance product to protect individual motor vehicles from various threats, including accidents, theft, or damage. However, legal protection for customers in this context is often a complicated issue and requires special attention. This research aims to investigate challenges and solutions related to legal protection for motor vehicle loss insurance customers in the face of insurance crimes, such as fraud and theft. This research highlights that customers do not always get optimal legal protection in insurance claims related to motor vehicle losses. Factors such as complex contract terms and differing interpretations in insurance policies may affect this coverage. Strong and effective regulations are needed to supervise the insurance industry and overcome the problem of fraudulent practices, fraud, and policies that harm customers.

**Keywords:** Legal Protection; Customers; Motor Vehicle Insurance

## 1 Introduction

Insurance in Indonesia comes from the Netherlands, the Dutch term for insurance is *verzekerling*. [1] literally in Indonesian means coverage. Insurance regulations in Indonesia are regulated in the Commercial Code and Law No. 40 of 2014. Law No. 40 of 2014 concerning Insurance Business defines insurance as an agreement between two or more parties, by which the insurer binds itself. to the insured by receiving the insurance premium, to provide a replacement, due to loss, damage, or loss of expected profits or legal liability to a third party that the insured may suffer, arising from an uncertain event, or to provide a payment which is based on the death or life of the insured person.

Article 225 of the Commercial Code (hereinafter abbreviated as KUHD) states that insurance agreements must be made in writing in the form of a deed called a policy which contains the agreement, special conditions that are the basis for fulfilling the rights and obligations of the parties

(insurer and insured) in achieving insurance goals. [2] One type of insurance that has recently seen a sharp increase in the number of applications is motor vehicle insurance, especially for cars. This cannot be separated from the situation and conditions that have occurred in Indonesia for almost the last twelve years, which is better known as the reform era, which has not been able to guarantee political stability and security. [3]

The insurance business can play an important role in the national economy, but various challenges still face the national insurance industry from taking on this role, including the rights and obligations covered by an insurance agreement. The increase in motorized vehicles is what causes the number of traffic accidents to increase, in fact, according to police data, traffic accidents are the first 'killing machine', especially in big cities. Therefore driving a car without insurance is very treacherous. Motor vehicle insurance is needed to ease the burden on accident victims, traffic, and motor vehicle insurance itself. The amount of compensation to motor vehicle users and drivers who are victims is relatively large and beneficial for the victims and getting damaged motor vehicles back into condition for reuse.

Various brands of motorized vehicles have spread to various regions in Indonesia, not only in urban areas but also in remote areas of this country, even in mountainous areas they don't want to miss out on owning a motorized vehicle. Of course, not only two-wheeled motorized vehicles (motorbikes) but also four-wheeled vehicles (cars), public vehicles to six-wheeled vehicles. [4]

Motor vehicle insurance is one of the various types of loss insurance. In general, the purpose of motor vehicle insurance is to take over risks that may be borne by the owner of the motor vehicle concerned regarding the financial losses suffered by the motor vehicle due to various uncertain reasons.

Motor vehicle insurance as a result of technological advances in the transportation industry, both land, sea, and air, is growing rapidly, in Indonesia the use of high-tech production results in the field of transportation is very rapid, even though only a few groups of people enjoy the results of this production. Currently, there are countless numbers due to competition in the price and quality of private vehicles and public passenger transport, from year to year the number increases, which is another impact that must be considered from an economic perspective.

An insurance business is a business that operates in the financial services sector that collects public funds in the form of premium payments and in return the insurance company promises to return the insured's condition to the condition it was in before the loss occurred. As for the function of insurance companies as collectors of public funds, the government's role is needed to ensure that insurance companies can fulfill their promises to the insured (customers).

Until now, it is realized that public understanding of insurance is still lacking. Judging from the large number of insurance service users who buy insurance products only because of kinship or friendship with the insurance agent who sells the product. This can injure users of insurance services because these parties do not have sufficient information about insurance companies and do not even have a good understanding of insurance.

For this reason, the government strongly supports all efforts made by insurance companies and other parties in disseminating understanding about insurance which is carried out using socialization to the public, because the emergence of a risk is the reality of something uncertain, while the possibility that someone will experience loss or loss is undesirable. In general, risk can be interpreted as the possibility that undesirable things can happen that can cause a loss. [5]

Based on the background described above, the problem of this research can be formulated as follows: "What is the effectiveness in protecting the rights and interests of customers?" and "What is the legal protection for rejection of motor vehicle insurance claims?"

## **2 Methodology**

The research used in writing is normative juridical. The sources of legal materials used in this research are primary legal materials and secondary legal materials. The primary materials used are legal books. [6] The types of approaches used in this research are the statutory regulation approach and the legal concept analysis approach. The data processing method used is an analytical method which is then outlined in descriptive analytical writing.

## **3 Results and Discussion**

Motor vehicle insurance is a type of loss insurance that is in demand because this insurance provides coverage for losses or reduction in the financial value of the insured object of a motor vehicle caused by crashing, being run over, being stolen, burning, and slipping. It is also specifically explained in Minister of Finance Regulation (PMK) No.74/PMK.010/2007, especially Article 1 paragraph (2): "Motor vehicle insurance is a loss insurance product that protects the insured from the risk of loss that may arise in connection with ownership and use. motor vehicle. [7]

Legal protection is one of the best ways to protect a legal subject from arbitrariness.

Legal protection covers a broad scope in terms of the legal order. One of the legal protections is given to a business activity. It is important to provide legal protection to ensure protection for a business so that it continues to run well.

Legal protection is the protection of honor and dignity, as well as the recognition of human rights possessed by legal subjects based on legal provisions from arbitrariness or as a collection of regulations or rules that will be able to protect one thing from another. About customers, this means that the law guards customer rights against something that results in the non-fulfillment of these rights. [8]

Insurance is a legal term used by legislation and insurance companies. The term insurance means the word "insurance" which means coverage or protection for an object from the threat of danger that causes loss. The definition of "insurance" always includes two types of activities, i.e. insurance business and insurance business support company. Insurance companies always include insurance and insurance support companies. [9]

Legal protection is very broad in scope, various aspects have their legal protection, one of which is insurance protection. In Indonesia, there is the term "positive law" which is a legal structure regarding social life. Positive law is a rule that applies seriously and tends to change to create firm order for the public good. [10] What is most important is legal protection in the realm of human life support needs, which relates to other parties to avoid risks. In this case, it is usually referred to as insurance.

Insurance law in Indonesia itself has been known for a long time and has been regulated in several laws and regulations since the Republic of Indonesia was not established. Several statutory regulations inherited from the Dutch colonial authorities, such as the Ordonantie op het Levensverzekeringbedrijf, which is regulated in (Staatsblad of 1941 number 101), are regulations inherited from the Dutch colonial regarding insurance.

The development of motor vehicle insurance has included other fields such as the automotive sector which is the result of technological advances and the risks that arise are very high. This is because motorized vehicles with two or more wheels have high speeds, so it can be said that using motorized vehicles carries a relatively high risk compared to using other objects.

Humans in their lives are always in uncertainty and try to replace that uncertainty with maximum certainty with insurance, they want to replace economic and financial uncertainty, with financial certainty, all of this uncertainty is what is called risk. Risk is defined as uncertainty regarding the occurrence of an event that could cause damage or loss or the decline of an object or as uncertainty regarding future losses due to the inability to predict the event or the magnitude of the loss resulting from the event. [11]

Currently, the government has provided various platforms to cover the risks experienced by individuals by providing recompense. Many insurance companies, both public and commercial, exist to compensate those whose financial security is compromised due to unexpected events. Insurance, or what is more correctly called an insurance agreement, is a term used to refer to an action, system, or business in which monetary protection is provided for life, property, health, and so on in exchange for regular premium payments within a certain period. A certain period in exchange for a policy that guarantees such protection in the event of unexpected events such as death, loss, damage or illness.

Seeing the importance of an insurance agreement which has a special purpose, namely an agreement that protects as outlined in the deed of agreement, which in this case is called a policy. A policy is a legal document in which the insured and insurer agree to the conditions, duties, and promises arising from that relationship. The concept and provisions themselves are outlined in the Commercial Law Book (KUHD) and Law Number 2 of 1992 concerning Insurance Business, which applies as a specific legal standard in addition to general contract law. Therefore, premium payments are necessary because of the reciprocal nature between the rights and responsibilities of the insured and the insurer. In addition, if the agreed risk occurs in the future, the insurer will provide compensation to the insured by the terms of the agreement.

In an insurance agreement, the Policy Holder Customer and the Insurance Company agree on their respective rights and obligations. Insurance companies charge a premium that must be paid by customers who hold insurance policies. The premium that must be paid has previously been estimated, taking into account the risk value that will be faced. The greater the risk, the greater the premium that must be paid, and vice versa.

The insurance agreement is contained in the insurance policy, which states the conditions, rights, and obligations of each party, the amount of money insured, and the insurance period. If a risk occurs during the insurance period, the insurance company will pay according to the agreement that was made and signed together previously.[12]

Effectiveness in protecting the rights and interests of motor vehicle loss insurance customers can be evaluated through various methods and indicators. Some ways to measure this effectiveness involve the following aspects:

1. **Claim Settlement Rate:** Evaluate the extent to which the insurance company resolves customer claims quickly and by contract requirements. A high claim settlement rate shows effectiveness in protecting customer rights.
2. **Customer Satisfaction Level:** Customer satisfaction surveys are a useful tool for assessing the effectiveness of insurance in meeting customer needs and expectations. A high level of satisfaction can indicate usefulness in service.
3. **Claim Rejection Ratio:** Monitoring the claim rejection ratio can help assess whether customers frequently face unwarranted obstacles in submitting claims. A low ratio indicates better protection.
4. **Compliance with Regulations:** Evaluating the extent to which insurance companies comply with applicable regulations can provide an idea of the extent to which they safeguard customer rights. Regulatory violations may indicate ineffectiveness.
5. **Openness and Education:** Providing clear information and education to customers regarding insurance policies, claims, and their rights is an important factor. The level of customer understanding can be an indicator of effectiveness.
6. **Dispute Handling:** Considering the extent to which disputes between customers and insurance companies are resolved fairly and effectively can be an important indicator of customer legal protection.
7. **Comparison to Best Practices:** Comparing an insurance company's practices to best practices in other industries or jurisdictions can provide an understanding of the effectiveness of customer protection.
8. **Analysis of Legal Cases:** Reviewing legal cases involving motor vehicle loss insurance customers can help evaluate whether legal regulations provide adequate protection for customers.

An insurance claim is an insurance application by a participant to obtain coverage for losses available under the agreement. Meanwhile, a claim is a process by which participants can obtain rights based on the agreement. [13] All efforts are made to ensure that these rights are fully respected as they should be. Therefore, insurance administrators ought to handle claims efficiently.

There are types of insurance claim losses. In general, types of losses can be classified into three, namely:

- a. Total loss
- b. Partial loss
- c. Third party losses.

In total loss, the insured object is technically or completely damaged. For example, a lost car is stolen or enters the sea. Technically, it is said to be completely damaged, because the cost to lift and repair it is more than 75% of the price of the car. A car that is crushed by a steel tank is virtually no longer a car and is said to be completely damaged. If the vehicle is stolen, a statement of vehicle loss can only be issued by the head of the local police Reserse directorate.

Partial loss is all damage that is not included in the total loss category. Determining the amount of loss is quite complex. For example, in the event of an office or building fire, the assessment is carried out by an independent institution (loss adjuster). Meanwhile, for losses related to marine insurance, the assessment is carried out by the average adjuster.

Third-party losses are losses suffered by a third party that occur as a result of actions taken by the insured, for example, the insured's vehicle crashes into the person or property of a third party, which then causes bodily injury or loss to the person or property of the third party.

There are no specific regulations for motor vehicle insurance claims, but insurance claims regulations in general are regulated within the KUHD and outside the KUHD. In the KUHD Article 22 Book I Chapter IX concerning insurance in general (Articles 246-268), the regulation of insurance claims outside the KUHD is regulated in the Insurance Law. The duration for fulfilling obligations in the event of loss and/or damage to notify the insurer (business actor/Applicant) in writing or verbally followed by writing to the Insurer no later than 10 days calendar from the occurrence of loss and/or damage by the standard Indonesian motor vehicle insurance policy in Article 11 paragraph (1).

This claim for compensation by the insured against the insurer is usually called a claim or in other words, it can be said that a claim is a claim for rights that arise because an insurance agreement has ended. The amount of compensation that must be paid by the insurer to the insured in the event of a loss according to the agreement stated in the policy.

Motor vehicle insurance is part of general insurance which covers loss or damage to insured motor vehicles against the risk of collisions, malicious acts of other people, theft, fire, and lightning strikes, by the conditions stated in the Indonesian motor vehicle policy.

Law Number 40 of 2014 concerning Insurance also regulates insurance obligations in safeguarding insurance users, including in situations involving third parties. Apart from that, other regulations regulate insurance claim procedures and the rights of insurance users in the case of insurance claims involving third parties. In Indonesia, there are still many cases where the rights of insurance users are not properly protected.

There are examples of cases where a car insurance user submits an insurance claim to the insurance company because his car was in an accident and needed repairs. However, when the insurance company tries to debit the premium from the insurance user's bank account, an error occurs in the debit process so the premium cannot be paid. As a result, the user's insurance claim cannot be processed by the insurance company. [14] Apart from that, there is also a case regarding car insurance that was caused by theft this research, will study further the rights of insurance users in situations such as this case example, the high risk of accidents and theft means that insurance companies play an important role in provide certainty for people of a commercial and non-commercial nature. Insurance can protect against traffic accidents, motor vehicle theft, or death. One of the necessities of life that is no less important in this era of globalization is the need for insurance services.

Insurance laws protect victims of insurance regulatory negligence. If loss or injury occurs due to negligence on the part of the insurance company, the victim can submit a claim for remuneration for the loss. However, legal protection for victims of negligence in insurance regulations in Indonesia also depends on the type of insurance they have and the agreement between the insurer and the customer. There are several types of insurance in Indonesia, such as life insurance, health insurance, vehicle insurance, and property insurance, and each type has different terms and conditions.

In general, customers will make an agreement or contract with the named insurance party with the police. This policy contains information about the type of insurance, benefits provided, premiums to be paid, and other requirements. If there is a dispute or claim regarding the policy, the

insurance company and customer can refer to the contents of the policy as a guide. If the victim experiences loss due to negligence in insurance regulations, the first step that can be taken is to contact the insurance company and submit a claim. If the insurance company rejects the claim, the victim can file a lawsuit in court.

However, victims should also pay attention to the terms and conditions in the policy, because several things can make a claim unacceptable. For example, if damage or injury occurs as a result of an accident carried out intentionally by the victim or if damage or injury occurs as a result of activities that are not covered by the policy.

Apart from that, in Indonesia, there is also a Financial Services Authority (OJK) which is responsible for supervising and regulating the financial services sector, including the insurance sector. OJK also has an important function in defending consumers and customers from business practices that are detrimental or violate the law.[15]

Meanwhile, the Financial Services Authority (OJK) is responsible for supervising and regulating the financial services sector in Indonesia, including the insurance sector (Salam & Irsyad, 2020). OJK has the main task of ensuring the stability, security, and soundness of the financial system, as well as protecting the interests of consumers. [16]

OJK also has the authority to issue regulations and policies relating to the financial services sector, including the insurance sector. [17] In carrying out its duties, OJK continuously supervises and monitors the operational activities of insurance companies. [18]. OJK also has an important role in monitoring insurance companies' compliance with applicable rules and regulations. [19]

OJK also has a complaint and reporting mechanism for customers or consumers who feel disadvantaged by insurance companies. [20] Customers or consumers can submit complaints or reports through the OJK if they feel that the insurance company is violating provisions or carrying out detrimental business practices. To protect consumers and customers from business practices that are detrimental or violate the law, OJK also carries out various supervisory activities, such as inspections, investigations, and routine examinations of insurance companies.

OJK also provides a dispute resolution mechanism between customers and insurance companies through the Indonesian Insurance Mediation and Arbitration Agency (BMAI). BMAI strives to provide alternative dispute resolution solutions quickly, effectively, and efficiently for customers and insurers. Customers can obtain assistance from the Indonesian Insurance Mediation and Arbitration Agency (BMAI), which is an independent body tasked with resolving disputes between customers and insurance companies. BMAI can also provide advice and assistance in the dispute resolution process.

The Indonesian Insurance Mediation and Arbitration Agency (BMAI) is an independent institution formed by the Financial Services Authority (OJK) and insurance company associations in Indonesia. BMAI functions as a mediator or arbitrator in resolving disputes between customers and insurance companies. BMAI is tasked with providing alternative solutions in resolving disputes in a fast, effective, and efficient manner. BMAI provides fair, objective, and reliable insurance dispute resolution services for customers who experience disputes with insurance companies. BMAI has the task of facilitating the dispute resolution process through mediation and/or arbitration. Decisions resulting from BMAI mediation or arbitration are final and binding on both parties.

Apart from that, the Insurance Law in Indonesia even regulates the obligations of insurers to provide transparent and translucent information regarding the insurance products offered to customers. The insurance company is also obliged to explain in detail the terms and conditions in

the insurance policy signed by the customer. In certain situations, such as a natural disaster or major accident involving many victims, insurance companies can also contribute to helping victims by providing compensation or financial assistance.

## **4 Conclusion**

### **4.1 Conclusion**

In Indonesia, there is legal protection for victims of negligence in insurance regulations, both through law and supervisory and dispute resolution institutions. However, customers and victims should also pay attention to the terms and conditions in the signed insurance policy, and consult with legal experts or lawyers who are experienced in insurance matters involving third parties to compensate for losses suffered by third parties or interested parties based on the contents of the policy. The insurance and compensation shall not exceed the total price of the vehicle insured and minus the amount of the own risk.

### **4.2 Suggestion**

Before entering into an insurance agreement with an insurance company, it is an obligation for the prospective insured to seek correct, clear, and detailed information from the insurance company regarding its insurance products regarding risks, benefits, rights, and obligations of the insurer and insured, policies, risk exceptions, and so on.

The government must increase regulations overseeing the insurance industry to ensure better customer protection. could include clear provisions on customer rights and strict sanctions against fraudulent practices, and insurance companies should increase transparency in insurance contracts and explain terms more clearly to customers. Customers need to be given a better understanding of their rights and responsibilities in their relationship with insurance companies. This education can help them deal with claims situations and understand the policy terms better.

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