



RECONSTRUCTING THE LEGAL FRAMEWORK OF STANDARD CLAUSES IN INSURANCE AGREEMENTS FOR CONSUMER PROTECTION

Wawan Suryadinata¹, Naya Amin Zaini², Wieke Dewi Suryandari³
Universitas Darul Ulum Islamic Center Sudirman, Semarang, Indonesia

Suryadinataxl@gmail.com, nayaaminzaini@gmail.com, wikedewi11@gmail.com

ABSTRACT

Standard clauses in insurance agreements often result in legal certainty and adequate consumer protection. This study aims to reconstruct the legal framework governing standard clauses in insurance agreements to enhance consumer protection and ensure legal certainty. Using a normative juridical research method, the study adopts a statute and conceptual approach. Data were collected from legislative texts, legal literature, and case studies involving disputes over standard clauses in insurance agreements. The analysis focuses on identifying weaknesses in the current legal framework and proposing solutions to address them. The results reveal that the unilateral drafting of standard clauses by insurers often diminishes consumer rights and creates imbalances in contractual relationships. This research highlights the need for simplification of legal language, active consumer participation in drafting agreements, and stricter regulatory oversight. The study contributes to developing a fairer insurance policy framework, promoting transparency, accountability, and consumer trust in the insurance industry.

Keywords: consumer protection, insurance agreements, legal certainty, standard clauses

Corresponding Author: Wawan Suryadinata

E-mail: Suryadinataxl@gmail.com



INTRODUCTION

Historically, practices resembling insurance have been known for nearly two thousand five hundred years, particularly during the glory days of Greece under the rule of Alexander the Great (356-323 BC) (Fu et al., 2020). During this period, many individuals provided loans to city-states with the agreement that the lenders would receive monthly interest payments until the end of their life. Even after the lender's death, the city-state would assist with burial costs (Akins et al., 2017). This form of agreement bears similarities to life insurance. The difference lies in the mechanics of premium payments and the provision of benefits (Tselentis et al., 2017). In life insurance, the insured pays monthly premiums, and in the event of death or upon the expiration of the coverage period without death, the insured is entitled to receive benefits from the insurer. Meanwhile, in the government loan scheme in ancient Greece, the government periodically provided interest payments to the lender and covered burial costs if the lender passed away.

Insurance in Indonesia has historical roots in the Dutch legal system, whereas in the Dutch, insurance is known as *verzekering*, which means "coverage" in Indonesian (Ilman et al., 2016; Syukriani et al., 2018). The legal regulations regarding insurance in Indonesia are enshrined in the Commercial Code (KUHD), especially Article 246 and Law Number 40 of 2014 concerning the Insurance Business. Law Number 40 of 2014 defines insurance as an agreement between two or more parties where the insurer promises the insured to provide compensation for losses based on the premiums received. Compensation includes losses, damages, loss of expected profits, or legal obligations to third parties that the insured may experience due to an uncertain event. Insurance may also include payments based on the insured individual's death or continuity of life. Legally,

insurance or coverage constitutes an agreement between the insurer and the insured, where the insurer receives premium payments in exchange for compensation for loss, damage, or loss of expected profits. As an agreement, insurance fundamentally establishes a reciprocal relationship between the parties, where both the insurer and the insured have their respective rights and obligations (Abdikerimova & Feng, 2022; Denaro et al., 2018; Levantesi et al., 2022).

The Commercial Code (KUHD) Article 225 stipulates that insurance agreements must be made in written form, namely a policy document. This policy contains the agreed terms and conditions that form the basis of the rights and obligations of the parties (insurer and insured) to achieve the insurance's objectives. Insurance policies are generally drafted in standard form by insurance companies, which means these are standardized contracts that have been pre-designed by companies according to applicable regulations (Elkhayat & Marzouk, 2022). The term "standard contract" refers to agreements predetermined and laid out in a form. These standardized insurance policies are drafted unilaterally by business actors or insurers for efficiency in terms of time and costs and are usually accepted and used by society (Chkanikova & Sroufe, 2021; Li & Khan, 2024). The insurance company's position is often more dominant than that of the insured, who may have limitations in terms of education, finance, and bargaining power compared to the product providers. The party in a stronger position often takes advantage of this situation to set specific clauses in the standard contracts, thus making the contracts, which should ideally be the result of mutual agreement, less flexible because of the predetermined formats and contents (You et al., 2018).

Law Number 8 of 1999 concerning Consumer Protection Article 18 Paragraph (1) prohibits business practitioners from including opaque, unreadable, or incomprehensible standard clauses. Using standard agreements raises legal issues concerning the validity of contracts and the injustices reflected in the rights and obligations of the parties involved. Government Regulation Number 73 of 1992 Article (19) Paragraph (2) states that policies or other forms of insurance agreements, along with their attachments, must not contain words or interpretations that differ. Other regulations concerning standard clauses in insurance policies are outlined in the Financial Services Authority (OJK) Regulation Number 1/POJK.07/2013 concerning Consumer Protection for Financial Services and OJK Circular Letter Number 12/SE.OJK.07/2014 regarding Standard Agreements.

Regarding insurance agreements, they must adhere to Article 1320 of the Indonesian Civil Code, which explicitly states that an agreement or contract must meet four primary requirements, namely the existence of mutual consent between the parties binding themselves, legal capacity to create obligations, the existence of a specific object, and a lawful purpose. The agreement is valid and legally binding for the parties involved if these four requirements are met. This agreement must adhere to the principle of consensualism (principle of agreement), the principle of binding force of agreements or contracts (principle of contractual bond), and the principle of freedom of contract (principle of freedom to contract) (Arvanitis et al., 2019).

The rapid development of modern insurance law is an essential area of study, especially regarding legal certainty and consumer protection in contractual relationships. Recent studies have emphasized the critical role of clear regulations in mitigating disputes and enhancing transparency in insurance practices. For example, research by Levantesi et al. (2022) highlights how mutual peer-to-peer insurance models have redefined risk allocation, demonstrating the need for adaptive legal frameworks in modern insurance practices. Similarly, Tselentis et al. (2017) explore the emergence of innovative motor insurance schemes, which present opportunities and challenges for legal compliance and consumer rights. These advancements in insurance models underscore the importance of laws that can keep pace with evolving market dynamics. In Indonesia, adopting Law

Number 40 of 2014 concerning the Insurance Business represents a step toward aligning insurance practices with global standards. However, challenges remain, particularly in addressing the unilateral nature of standard policy clauses, which often favor insurers over consumers. By incorporating evidence from contemporary research, this study seeks to provide a more comprehensive understanding of the legal reforms needed to ensure fairness and equity in insurance agreements.

In the Indonesian legal system, insurance law does not stand alone but is part of the national legal system, both internally and externally. Internally, insurance law integrates with the entire legal order (including constitutional, administrative, private, property, family, inheritance, criminal, and procedural law). Insurance law is connected with various social, political, economic, cultural, health, and other aspects. This entire legal system can be used to develop legal theory and practice (Mai & Boulot, 2021; Morgan, 2019). Based on the preceding, this research will discuss legal certainty in standard clauses of insurance policies for consumer protection, as well as challenges and efforts to create legal certainty in regulating standard clauses in insurance agreements.

The urgency of addressing the legal issues surrounding standard clauses in insurance agreements cannot be overstated, particularly given their significant implications for consumer protection and trust in the insurance industry. Standard clauses often create imbalances in rights and obligations, disproportionately favoring insurers while leaving consumers vulnerable to unfair terms and limited recourse in disputes. Recent studies, such as those by Levantesi and Piscopo (2022) on mutual peer-to-peer insurance and Li and Khan (2024) on exemption clauses in fishery mutual insurance, have highlighted how ambiguous clauses can lead to consumer distrust and dissatisfaction. These findings underscore the necessity for more transparent and equitable contractual practices.

Furthermore, the broader societal impact of addressing these issues extends beyond individual consumers. Enhanced consumer protection fosters greater public trust in the insurance sector, encouraging broader participation and contributing to the stability of financial systems. By reconstructing the legal framework governing standard clauses, this research seeks to fill existing gaps in policy and practice. Unlike previous studies that primarily focus on theoretical or sector-specific aspects, this study offers a novel approach by integrating consumer perspectives into the drafting process and proposing actionable regulatory reforms to ensure legal certainty and fairness.

The study's contribution lies in its comprehensive analysis of the deficiencies in current insurance regulations and its innovative recommendations to address them. By emphasizing transparency, consumer involvement, and stricter oversight, this research provides a pathway for developing a more balanced and just insurance framework that protects consumers' rights while fostering a competitive and trustworthy industry. This focus on bridging legal theory with practical reforms highlights the study's unique position in advancing academic discourse and policy development.

METHOD

This research employs a qualitative normative juridical approach, focusing on analyzing legal norms and their application in regulating standard clauses in insurance agreements. The qualitative aspect emphasizes a detailed exploration of theoretical and conceptual legal issues, while the normative juridical approach involves a comprehensive review of legal texts, statutes, and academic literature. Data was collected through document analysis, examining primary legal sources such as Law Number 40 of 2014 concerning the Insurance Business, the Commercial Code, and regulations issued by the Financial Services Authority (OJK). Secondary sources, including scholarly articles and

case studies on insurance disputes, were also analyzed to contextualize the findings and highlight practical challenges in implementing existing legal frameworks. This methodological approach enables an in-depth examination of the weaknesses in the current legal framework governing standard clauses, identifying areas for reform to enhance consumer protection and legal certainty. The research findings aim to provide actionable recommendations for policymakers and stakeholders in the insurance industry.

RESULT AND DISCUSSION

Legal Certainty in Standard Clauses of Insurance Agreements for Consumer Protection

Article 1 Paragraph 4, Law Number 40 of 2014 concerning Insurance states, "Insurance business includes all activities related to risk management services, reinsurance, marketing and distribution of insurance or sharia insurance products, consultation, insurance intermediation, reinsurance, and loss assessment for both conventional and sharia insurance." In contractual relationships, insurance agreements are laid out in the form of a policy, where the insurer agrees with the policyholder, whose substance is the payment of premiums by the insured to cover the risk of loss experienced by the party with an insurable interest. After a claim is submitted by the agreed terms, particularly for unforeseen events in the future, the good faith of both parties becomes essential to avoid insurance fraud that can potentially harm both parties directly or indirectly.

Insurance companies must uphold consumer protection principles, especially in the financial services sector, such as fulfilling transparency in the products offered, providing clear, complete, and easy-to-understand information, and ensuring fairness for consumers. Insurance companies must protect their consumers (insured parties) who use their products or services as a part of financial services. Given that insurance pools public funds through premium payments by the insured as compensation for the agreed-upon risk transfer, it is vital for both insurers and insured parties to have balanced rights and obligations.

As an agreement, the drafting of insurance policies must comply with the provisions of Article 1320 of the Civil Code and Article 251 of the Commercial Code. The Civil Code stipulates that agreement is one of the valid requirements, while the Commercial Code mandates notification of the object and subject of insurance in the policy clause. The legal principles in these regulations must be followed by the insurer (insurance company) and the insured (policyholder), ensuring that the insurance agreement is valid and binding, creating a legal relationship between both parties, provided they agree to be subject to the agreement's provisions.

In general agreement drafting, both parties play a role in establishing and agreeing on the terms included in the agreement. However, this differs when drafting insurance policies with standardized characteristics and similar substantive content. Insurance companies often draft standard agreements (standardized contracts) with exemption clauses for practical and efficient reasons, leaving the insured only the choice to accept or reject the insurance policy that the company has unilaterally drawn up. If the insured agrees to the policy, it is considered a binding acceptance, and they are subject to all terms stated in the insurance policy.

Standard agreements are often exploited by parties with higher authority and bargaining power to benefit from others who need such agreements, thus eliminating principles of balance or proportionality in the agreements. The implications of using such agreements can harm one party due to their limited bargaining power, even to the extent of losing substantive elements of the agreement. Nevertheless, the party in need must still accept these conditions due to urgent necessities. Insurance companies (insurers) generally draft standard agreements unilaterally in

contractual relationships. The restrictions on the terms of the agreement often diminish the rights of one party while emphasizing the restrictions on the obligations of the insurer. Exemption clauses are commonly found in insurance agreements, yet the insured party has no option to refuse such terms, ultimately leading to potential harm for the insured.

It should be noted that the freedom to formulate and draft standard clauses in any standardized agreement or documents prepared by businesses is part of contractual law. Respect for and acknowledgment of individuals' rights to contract freely are guaranteed by statutory regulations as long as they do not contravene morals, public order, and existing laws. Article 18 of Law Number 8 of 1999 concerning Consumer Protection (UUPK) stipulates:

1. Business actors are prohibited from including or making standard clauses in documents or agreements if they:
 - a. Regulate the transfer of liability of the business actor;
 - b. Grant the business actor the right to refuse the return of goods purchased by consumers;
 - c. Grant the business actor the right to refuse the refund of money for goods and/or services purchased by the consumer;
 - d. Grant authority to the business actor, directly or indirectly, to act unilaterally regarding goods purchased in installments by the consumer;
 - e. Regulate proof of loss of utility of items or utilization of services purchased by consumers;
 - f. Give the business actor the right to reduce service benefits or reduce the wealth of consumers that constitute the buying object;
 - g. State that consumers are subject to new, additional, follow-on, and/or changes that are unilaterally set by the business actor while consumers utilize the purchased services;
 - h. Grant authority to the business actor to create collateral, mortgage, or guarantee rights over goods purchased by consumers in installments.
2. Business actors are also prohibited from including standard clauses that are in hard-to-see locations, illegible formats, or difficult to understand. Any standard clause that does not meet the provisions of paragraph (1) and paragraph (2) is declared null and void. Business actors are required to amend standard clauses that violate the provisions of this law (UUPK).

In addition to being declared null and void, business actors who do not comply with the provisions of Article 18 of the UUPK may face criminal penalties of up to five years in prison or fines of up to two billion rupiah, as regulated in Article 62 paragraph (1) of the UUPK. Standard clauses can be formulated in detail using specific numbers or articles or briefly in the form of clauses containing certain meanings. Regarding signing insurance agreement documents, such documents must fully and thoroughly contain standardized clauses. These documents must be handed over to the insured as consumers for signing, including documents such as requests for insurance, the insurance policy and its attachments, such as general and special terms of the policy, and lists of benefits that have been agreed upon by both the insured and the insurer.

Standard clauses contained in standard insurance policy agreements can legally provide assurance of certainty and legal protection to all parties, both the insured and the insurer. This is because standard clauses in insurance agreements are based on aspects of demand, offer, and acceptance undertaken by each party and are fully carried out in accordance with the principles of contractual freedom and good faith until an agreement is reached. This is not solely based on the principle of "take it or leave it." The insured (consumer) is not left with just two options: to accept or decline. Instead, there is a process of negotiation and bargaining between the parties before

reaching consensus. If there is no agreement in that negotiation process, then the insurance agreement will not materialize.

There is a fundamental difference between conventional insurance and social insurance. Conventional insurance is voluntary, whether in the form of property or life insurance, which essentially fulfills secondary needs for the insured once primary needs have been met. Therefore, the insured has demanded that more reflect fairness (fairness) and better service. Thus, insurance companies must refrain from indiscriminately drafting standard clauses in policies. In contrast, social insurance is mandatory and aimed at helping the insured meet unmet primary needs. While conventional insurance companies are expected to compete continually, social insurance reflects the state's duty to fulfill citizens' basic needs and rights who have not yet achieved prosperity.

Exemption clauses are clauses found in a contractual relationship aimed at avoiding obligations in the form of compensation for damages, either wholly or partially, arising from the breach of the agreement. Several experts suggest that exemption clauses release liability in contractual relationships, which should not be permitted to exempt responsibilities stipulated in the agreement. The transferred obligations aim to protect the interests of one party through the transfer of responsibilities. To achieve equality of rights and obligations for all parties in insurance agreements and to prevent losses to one party, an agreement must include elements of consent. Such agreements must not misuse circumstances, as this constitutes a defect of will. The Civil Code does not recognize the concept of abuse of circumstances or imbalance of bargaining power in any given agreement. However, in practice, abuse of circumstances can be regarded as a form of defect of will in the agreement.

Article 251 of the Commercial Code (KUHD) asserts that the insured must provide information regarding all conditions known to them related to the object being insured. This action is an effort to mitigate risks that may arise from that object, which belongs to and is controlled by the insured. To avoid losses arising from exemption clauses when agreeing, besides adhering to Article 1320 of the Civil Code governing subjective requirements, Article 251 of the KUHD must also be included as a guideline. This aims to create equality of rights and obligations between the parties.

The inclusion of exemption clauses that burden the insured party can be seen as a limitation on the principle of freedom to contract, as stipulated in Article 1338 of the Civil Code. This freedom is often dominated by one party with more substantial bargaining power, meaning exemption clauses in standard agreements are typically determined unilaterally by the insurer without involving the insured. This situation permits the insurer to abuse such circumstances. Consequently, the losses that might arise from exemption clauses will be felt by the insured. One of the common problems the insured faces is the difficulty in obtaining compensation payment when an insured event occurs.

The juridical construction of contractual liability in forming a standard insurance policy agreement begins with an understanding or knowledge regarding the agreement to be made. This understanding is obtained through a request for an insurance form, which must be filled out entirely by the insured before the agreement is made. Following the request document, the insurer or business actor will prepare the agreement draft for signing. Therefore, the standard insurance policy agreements prepared by business actors reference the insured's request documents. If the standard clauses in the insurance policy agreement do not align with the insured's wishes, the insured has the right to refuse to sign that agreement. There are three important aspects that prospective insureds should consider before signing the standard insurance policy agreement:

3. Understanding the Agreement's Content, the prospective insured must comprehend the terms or provisions of the agreement to be signed, both before and at the time the agreement is signed (Contemporaneous Doctrine).
4. Reduction or Limitation of Liability: Prospective insureds need to be aware of reductions, limitations, or eliminations of obligations or responsibilities placed upon the business actor (insurer), as well as the creation of obligations placed upon the insured as consumers (Exoneration Clause). Types of exoneration clauses to note include a) reductions or eliminations of liability towards legal repercussions, such as damages due to the breach of contract; b) limitations or eliminations of obligations from the business actor; c) creation of obligations directed at one party, for example, obligations to compensate third parties who suffer losses.
5. Abuse of Circumstances: Prospective insureds should be wary of potential abuse of circumstances (weakness, doubt, or pressing conditions) that could influence their decisions, thus diminishing their freedom to act. Abuse of circumstances (Undue Influence) can benefit the insurer and harm consumers (insured). Indicators of abuse of circumstance include:
 - a. Agreement content that is unreasonable, inappropriate, or contrary to humanitarian principles (unfair contract terms);
 - b. The prospective insured is under pressure;
 - c. The prospective insured lacks alternative options but to accept the agreement's terms, even if deemed burdensome;
 - d. An imbalance of rights and obligations between the parties.

Standard clauses in insurance agreements often become a source of weakness for consumer protection, especially due to their unilateral nature, which provides no room for negotiation. The insurer usually speculates these clauses considering their interests, which can result in injustices within contractual relationships. In many cases, consumers lack the ability to understand and negotiate every detail of clauses that may contain restrictions or exclusions undermining their rights. This can make consumers feel compelled to accept unfavorable terms, which may affect their protection when filing claims.

Furthermore, exemption clauses in insurance agreements can also lead to legal uncertainty for consumers. These clauses often relieve the insurer of liability in certain situations, making it difficult for consumers to obtain the compensation they should receive when insured risks materialize. The lack of clarity or complexity in the legal language within standard clauses can hinder consumers' understanding of the insurer's liabilities, thus increasing the risk of unexpected losses. Therefore, the imbalance in the formulation of standard clauses can diminish the effectiveness of the protection afforded to consumers and create situations in which their rights are not fully respected.

Challenges and Efforts to Create Legal Certainty in Regulating Standard Clauses in Insurance Agreements

The imbalance in the formulation of standard clauses can diminish the effectiveness of the protection afforded to consumers, creating a scenario in which their rights are not fully respected. The nature of standard clauses, as standard provisions predetermined by insurance companies in policy agreements, are typically drafted without active participation or involvement from consumers. The unilateral nature of these standard clauses poses the potential for injustice since insurance companies, as the drafters of clauses possess greater bargaining strength than consumers. As a result, consumers often feel compelled to accept terms dictated without the ability to negotiate

or request changes more suited to their needs and interests. This injustice can harm consumers, especially when standard clauses contain terms that absolve the insurer of liability for losses or claims consumers might submit.

The absence of consumer participation in drafting standard clauses not only creates injustice but also leads to gaps in legal protection for consumers. Many consumers do not fully understand the implications of the agreed-upon clauses, which can leave them unaware of the risks they face. For instance, certain standard clauses may contain exoneration provisions that reduce or eliminate the insurer's responsibilities in certain circumstances. This can leave consumers feeling trapped in an unfair agreement where they do not receive the protection they should obtain. The unilateral nature of standard clauses also fosters legal uncertainty, causing consumers to hesitate when it comes to filing claims, as they may not be sure whether the existing provisions will safeguard their rights. The lack of clarity in standard clauses can lead to conflicts between consumers and insurance companies, which may trigger potential legal disputes.

Lack of legal knowledge about standard clauses in insurance agreements poses a significant issue that can disadvantage consumers. Many consumers do not have enough knowledge about legal terminology or the concepts that exist within standard clauses. This limits their understanding of the rights and obligations they agree to when signing insurance policies. This lack of understanding often results in circumstances where consumers feel powerless and unaware of the risks they may face due to the provisions outlined in standard clauses. For instance, if there is a clause limiting or eliminating the insurer's liability in certain situations, consumers may be unaware that they have agreed to terms that could lead to financial losses when filing claims.

This legal misunderstanding also inhibits consumers from negotiating the terms within insurance agreements. Consumers who do not comprehend standard clauses may feel they lack the capacity or confidence to request changes or clarifications on provisions they consider unfair. In such situations, consumers tend to accept the terms as they are without questioning or negotiating the conditions established by the insurance company. As a result, consumers not only lose the opportunity to secure better protection but also risk being caught in unfavorable agreements. This lack of understanding can create uncertainty and dissatisfaction among consumers. When consumers encounter situations where they must file claims, they may feel confused or frustrated when realizing that the terms they agreed to do not provide the protection they anticipated. This can lead to a loss of trust in insurance companies and the insurance system overall.

Complex legal language in insurance agreements represents one of the main obstacles hindering consumers from understanding the content and meaning of the clauses contained in the policy. Legal language often involves technical terminology, formal phrases, and complicated sentence structures that can make it difficult for the average person to comprehend. For example, terms like "exoneration," "liability release clauses," or even more general terms like "default" can be obscure for consumers without a legal background. Consequently, consumers may face challenges interpreting what they actually agreed to, potentially causing legal uncertainty and confusion when they encounter situations requiring claims.

This lack of clarity often leads to serious misunderstandings concerning the rights and obligations of consumers. Consumers may be unaware that certain clauses may limit their rights to file claims or grant more authority to the insurance company to reject claims under specific conditions. For example, if consumers are not fully aware of provisions regarding "the obligation to provide accurate information," they may inadvertently provide inaccurate or inadequate information, which the insurance company could subsequently use to deny a claim. This poses

significant risks for consumers who may hope to receive coverage but instead face detrimental complications.

Based on these challenges, several efforts need to be undertaken to create legal certainty, including simplifying legal language in insurance agreements, which is a vital step in enhancing consumers' understanding of standard clauses. Many consumers struggle with understanding the complex legal terms and technical jargon often present in insurance documents. By simplifying the language used, insurance companies can make these documents more accessible to consumers without legal backgrounds. For instance, companies could replace difficult terminology with more common terms or provide clear definitions alongside technical terminology. This would not only reduce confusion but also enable consumers to grasp better the terms they are endorsing.

Using clear and easily understood language also contributes to consumers' awareness of their rights and obligations within insurance agreements. When consumers can comprehend the contents and meanings of clauses better, they will be more capable of evaluating the applicable terms and conditions. This empowers them to make more informed and wise decisions regarding whether to proceed with or negotiate particular clauses. Additionally, with better understanding, consumers will be more prepared to ask questions or seek clarifications about provisions that may seem detrimental or confusing to them.

Involving consumers in the drafting of standard clauses is a crucial step in creating a balance in the contractual relationship between insurance companies and consumers. By engaging consumers in this process, insurance companies can ensure that their interests and needs are adequately accommodated. One way to encourage this involvement is by holding forums or discussions where consumers can provide input or feedback regarding clauses that will be implemented. Through open dialogue, consumers can express their views on clauses that may be deemed detrimental or unfair, resulting in agreements that are more transparent and equitable for all parties involved. This not only enhances fairness in the agreements but can also strengthen consumers' loyalty to the insurance company.

Furthermore, involving consumers in the drafting of standard clauses can also enhance their understanding of the content of the agreements. By participating directly, consumers have the opportunity to ask for clarifications on provisions that may be confusing or sound complicated. This process fosters greater awareness of their rights and obligations as insured parties, as well as provides them with the opportunity to adjust the terms of agreements to better align with their situations and needs. When consumers feel heard and involved, they are more likely to appreciate the agreements generated and feel more responsible for the decisions made.

On the other hand, stringent regulations are also critically needed to ensure consumer protection in standard clauses of insurance agreements. The government and supervisory authorities play essential roles in establishing provisions that require insurance companies to clearly explain each clause that could absolve them of liability. For example, regulations could include requirements for insurance companies to provide clear and simple explanations of each clause that might significantly affect consumer rights. With such regulations, consumers will be better protected against harmful practices, and insurance companies will be held more accountable for the drafting and communication of the clauses they employ.

CONCLUSION

Insurance agreements and standard clauses demonstrate that although insurance agreements serve to transfer risk and provide protection to the insured, there are significant challenges regarding

the balance of rights and obligations between the insurer and the insured, especially due to the use of standard clauses often drafted unilaterally by the insurer. Exemption clauses, which relieve the insurer of liability under specific conditions, can potentially harm the insured by limiting their right to receive fair compensation when insured risks materialize. Furthermore, the existing ambiguity in the contents and complexity of the legal language in these clauses can hinder consumers from understanding and negotiating the agreements they sign, thus increasing the risk of injustice. Therefore, it is imperative for all parties to consider the principles of consumer protection, transparency, and good faith in the preparation and execution of insurance agreements so that a more just and equitable contractual relationship can occur and enhance public trust in the insurance industry as part of financial services.

The imbalance in the drafting of standard clauses in insurance agreements can result in ineffective protection for consumers, creating unfairness and legal uncertainty and reducing consumers' understanding of their rights and obligations. With standard clauses frequently drafted without active participation from consumers, many feel compelled to accept unfavorable terms without being able to negotiate changes that better suit their needs. The lack of legal understanding regarding complex terminology, combined with the unilateral nature of such clauses, can lead to serious misunderstandings, where consumers remain oblivious to the risks they may encounter and ultimately lose trust in insurance companies. Therefore, measures such as simplifying legal language, involving consumers in the drafting of clauses, and implementing stringent regulations are necessary to ensure transparency and fairness, allowing consumers to comprehend and evaluate their rights and obligations more effectively, thus fostering the establishment of a more balanced and mutually beneficial contractual relationship.

REFERENCES

- Abdikerimova, S., & Feng, R. (2022). Peer-to-peer multi-risk insurance and mutual aid. *European Journal of Operational Research*, 299(2), 735–749.
- Akins, B., Dou, Y., & Ng, J. (2017). Corruption in bank lending: The role of timely loan loss recognition. *Journal of Accounting and Economics*, 63(2–3), 454–478.
- Arvanitis, A., Papadatou-Pastou, M., & Hantzi, A. (2019). Agreement in the ultimatum game: An analysis of interpersonal and intergroup context on the basis of the consensualistic approach to negotiation. *New Ideas in Psychology*, 54, 15–26.
- Chkanikova, O., & Sroufe, R. (2021). Third-party sustainability certifications in food retailing: Certification design from a sustainable supply chain management perspective. *Journal of Cleaner Production*, 282, 124344.
- Denaro, S., Castelletti, A., Giuliani, M., & Characklis, G. W. (2018). Fostering cooperation in power asymmetrical water systems by the use of direct release rules and index-based insurance schemes. *Advances in Water Resources*, 115, 301–314.
- Elkhatay, Y., & Marzouk, M. (2022). Selecting feasible standard form of construction contracts using text analysis. *Advanced Engineering Informatics*, 52, 101569.
- Fu, G., Xie, X., Jia, Q., Li, Z., Chen, P., & Ge, Y. (2020). The development history of accident causation models in the past 100 years: 24Model, a more modern accident causation model. *Process Safety and Environmental Protection*, 134, 47–82.
- Ilman, M., Dargusch, P., & Dart, P. (2016). A historical analysis of the drivers of loss and degradation of Indonesia's mangroves. *Land Use Policy*, 54, 448–459.

- Levantesi, S., & Piscopo, G. (2022). Mutual peer-to-peer insurance: The allocation of risk. *Journal of Co-Operative Organization and Management*, 10(1).
<https://doi.org/10.1016/j.jcom.2021.100154>
- Li, W., & Khan, M. I. (2024). Assessing the implications of short-term exemption clauses for insurers in Chinese fishery mutual insurance contracts. *Marine Policy*, 163, 106114.
- Mai, L., & Boulot, E. (2021). Harnessing the transformative potential of earth system law: From theory to practice. *Earth System Governance*, 7, 100103.
- Morgan, R. M. (2019). Forensic science. The importance of identity in theory and practice. *Forensic Science International: Synergy*, 1, 239–242.
- Syukriani, Y. F., Novita, N., & Sunjaya, D. K. (2018). Development of forensic medicine in post reform Indonesia. *Journal of Forensic and Legal Medicine*, 58, 56–63.
- Tselentis, D. I., Yannis, G., & Vlahogianni, E. I. (2017). Innovative motor insurance schemes: A review of current practices and emerging challenges. *Accident Analysis and Prevention*, 98, 139–148.
<https://doi.org/10.1016/j.aap.2016.10.006>
- You, J., Chen, Y., Wang, W., & Shi, C. (2018). Uncertainty, opportunistic behavior, and governance in construction projects: The efficacy of contracts. *International Journal of Project Management*, 36(5), 795–807.



© 2024 by the authors. It was submitted for possible open-access publication under the terms and conditions of the Creative Commons Attribution (CC BY SA) license (<https://creativecommons.org/licenses/by-sa/4.0/>).