

## ORIGINAL ARTICLE

# Management of Insurance Premiums (Health) During the Covid-19 Pandemic Associated With Insurance Claims by the Insured

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### ABSTRACT

**Introduction:** Good management of premium funds will create trust for the insured and can even add value to the company. If the management is carried out poorly, it will not only affect one customer but can paralyze other related aspects within the company. One of the cases of failure to pay customer claims occurred at PT Asuransi Jiwasraya which was motivated by the weak application of GCG principles in the management of the company. Meanwhile, government policies in the insurance sector and countercyclical policies did not provide an opportunity for insurance companies that were threatened with default in paying the insured's claims by restructuring payments. **Methods:** This research was normative legal research using a statute approach and a conceptual approach to solve these problems. In addition to being guided by the applicable regulations, the researcher also analyzed legal issues using existing legal theories. **Results:** The results in this study stated that the Covid-19 pandemic could be said to be a difficult or hardship situation. Hardship directed the parties to renegotiate legal remedies which could be the right solution if the insurance company could not pay the insurance claim submitted by the insured. Some sectors could still survive during the Covid-19 pandemic, so the current situation can be recovered along with the recovery from the spread of Covid-19. It is not appropriate to call it force majeure which directs the parties to cancel the contract and would be more appropriate if the efforts were taken by the parties to restore the situation through renegotiation. **Conclusions:** Insurance companies could apply for rescheduling by changing the schedule for fulfilling claims so that there was no need for dispute resolution in court.

**Keywords:** Health Insurance; Insurance Premium; Good Corporate Governance; COVID-19; Claims

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### INTRODUCTION

In carrying out their business activities, insurance companies are very closely related to the wider community. The insurance company as the insurer protects against the risk of uncertainty that can be experienced by a person, while the person referred to as the insured or customer will pay premium funds to the insurance company. Premium funds that have been

paid by customers are a big responsibility for insurance companies. To be able to carry out insurance activities following its objectives, it takes an insurance company that can be relied on by customers and trusted by the public (1). Good management of premium funds will create trust for the insured and can even add value to the company. On the other hand, poor management does not only affect one customer but can paralyze other related aspects of the company on a large scale. One of the consequences of poor fund management is cases of default on customer claims by insurance companies. One of the cases of failure to pay customer claims occurred at PT Asuransi Jiwasraya which was motivated by the weak application of GCG principles in the

management of the company. In 2019, PT Jiwasraya experienced financial problems which resulted in a bottleneck in the company's equity until finally, PT Jiwasraya was unable to pay policy claims in its insurance product, namely the JS Saving Plan. The Head of BPK RI stated that the cause of the default was the use of funds from the JS Saving Plan to invest in high-risk stocks as well as price manipulation with other parties in the sale and purchase of shares (2).

In addition to these cases, the SARS-CoV-2 ("COVID-19") pandemic has further exacerbated the risk of insurance companies not being able to fulfill their obligations to pay customer claims. To deal with this, the government has an important role in making policies for the sustainability of insurance companies and maintaining public trust during the COVID-19 pandemic. In this case, the Government of Indonesia through the Financial Services Authority (OJK) issued Financial Services Authority Regulation Number 14/POJK.05/2020 concerning Countercyclical Policy on the Impact of the Spread of Coronavirus Disease 2019 for Non-Bank Financial Services Institutions. Through this policy, the Government of Indonesia extends the deadline for reporting finance companies to the OJK to allow the implementation of fit and proper tests using video conferencing technology. This regulation also allows finance companies to restructure the payments of debtors affected by the COVID-19 pandemic. However, this regulation does not accommodate finance companies to restructure the payments that must be made. In other words, there is no opportunity for insurance companies that are threatened with default on the insured's claims by restructuring payments through this regulation. This further gives a sign that insurance companies must be very careful and have a good system in place to avoid default payments.

If examined more deeply, poor management of premium funds which can result in a default on the insured's claim is the result of poor company management and is not following the principles of good corporate governance (GCG). Reflecting on the monetary crisis that occurred in Indonesia in 1998, the principles of GCG have become one of the principles that can be applied to strengthen performance and corporate governance. The emergence of corporate governance began with a report in 1992 known as the Cadbury Report which defined that corporate governance as the system by which companies are directed and controlled (3). Meanwhile, according to the Organization for Economic Cooperation and Development (OECD), GCG is a unified relationship between company management, board, shareholders, and other stakeholders. In Indonesia, there are regulations regarding the implementation of good corporate governance in the Regulation of the Minister of State-Owned Enterprises Number PER-09/MBU/2012 which amends the Regulation of the Minister of State-Owned Enterprises Number PER-01/MBU/2011.

Article 1 section 1 of the regulation defines GCG using the term Good Corporate Governance, which are the principles that underlie a process and mechanism for managing a company based on laws and regulations and business ethics. Although the company's performance during the COVID-19 pandemic tends to decline, the implementation of GCG principles must continue to be carried out to maintain the health of the company itself so that the monetary crisis does not repeat itself as in 1998.

## MATERIALS AND METHODS

When viewed from the title and problem formulation described above, this research was classified as normative law research, which is a process to find a rule of law, legal principle, or doctrine to answer the legal issues faced (4). The results of this study were prescriptions about what was to be achieved on the issues analyzed. The approach used was a statute approach and a conceptual approach. The statute approach was carried out by reviewing the applicable laws and regulations and regulations relating to the legal issues being handled. In this study, the statute approach was used to examine the laws and regulations that applied in Indonesia directly or indirectly to find legal rules relating to the legal issues discussed. While the conceptual approach moved from the views and doctrines that developed in the science of law by gaining an understanding and ideas that resulted in understanding, concepts, and legal principles that became the basis for researchers to answer legal issues.

## RESULTS

### Management of Insurance Premiums Based on Good Corporate Governance Principles

Based on Article 246 of the Commercial Code, insurance or coverage is an agreement in which an insurer binds himself to an insured by receiving a premium to compensate him for a loss, damage, or loss of profit that may occur due to an event. This understanding is not much different from what was regulated in Law Number 40 of 2014 concerning Insurance, that insurance is an agreement. There are various kinds of insurance in Indonesia, one of which is health insurance. Health insurance is insurance that provides guarantees for reimbursement of medical expenses following the policy. In health insurance, there is no principle of indemnity like other types of insurance. The principle of indemnity is the principle where the insurer is to put the insured who suffered a loss back to a state before the loss occurred so that the compensation from the insurer to the insured must be balanced with the loss suffered by the insured (5). In health insurance, the insurance company covers according to the ability of the insured, if the insured pays more, the benefit will be greater. Thus, the insurance company does not restore the insured's financial position as before the loss occurred.

In health insurance, the insured is required to pay a certain amount of money periodically as a service fee for the transfer of risk from the insured to the insurer, which is called a premium. Premiums are insurance income derived from the sale of insurance products. Premiums collected from the insured over a long period will make the insurance company able to return the insured to the position before the loss occurred. The size of the premium paid by the insured is determined by how much benefit will be received, where the benefit is stated in the insurance policy.

Corporate governance is divided into 2 (two), namely internal governance and external governance. Internal governance is generally concerned with the relationship between the board of directors, management, and shareholders. While external governance refers more to outside parties such as market mechanisms, company supervision, and law enforcement that has been set by the government (6). Good Corporate Governance is a company's internal control system that has the main objective of managing significant risks to meet the company's objectives (Romadhona, M. K.,2022). GCG in controlling the company's business continuity in the future becomes important because the policy of direct implementation is based on elements of compliance with laws and regulations and ethical values (7).

In general, companies, especially insurance companies, which are State-Owned Enterprises (BUMN) as one of the pillars of the Indonesian economy are required to be the pioneers of GCG implementation based on Law Number 19 of 2003 concerning State-Owned Enterprises. In addition, the government through the Ministry of State-Owned Enterprises (BUMN) had specifically issued a GCG policy, namely the Regulation of the Minister of State-Owned Enterprises Number PER-09/MBU/2012 concerning Amendments to the Regulation of the Minister of State-Owned Enterprises Number PER-01/MBU/ 2011 concerning the Implementation of Good Corporate Governance in State-Owned Enterprises.

The purpose of implementing GCG in BUMN, especially for insurance companies as a process to improve performance, business success, and corporate accountability and to avoid various actions such as inefficiency, corruption, collusion, nepotism, and other irregularities to realize shareholder value in the long term while taking into account the interests of the company stakeholders based on laws and regulations.

To support the implementation of GCG principles in insurance companies, the government issued Law Number 40 of 2014 concerning Insurance (hereinafter referred to as the Insurance Law). According to Article 11 of the Insurance Law, it is stated that insurance companies are required to apply the principles of GCG in every business activity to create a health insurance company.

This policy was further regulated in the Financial Services Authority Regulation Number 73/POJK.05/2016 concerning Good Governance for Insurance Companies (hereinafter referred to as POJK No. 73/POJK.05/2016). This is because, based on Article 57 of the Insurance Law, it is stated that the Financial Services Authority (OJK) is an institution that regulates and supervises the activities of financial service providers, especially the insurance business. In general, the basic principles of GCG required by insurance companies to create a healthy company by taking into account the stakeholders were embodied in the laws and regulations in the insurance sector, including:

a. Transparency

The principle of openness is an open decision-making process as well as the disclosure and provision of clear and easily accessible information by stakeholders related to insurance companies following the laws and regulations in the insurance sector. This principle had been embodied in Article 22 of the Insurance Law and Article 69 of POJK No. 73/POJK.05/2016. These provisions are related to transparency in submitting reports, information, data, and/or documents by insurance companies to OJK. This is intended for monitoring purposes related to the performance and financial health of insurance companies and the interests of stakeholders.

b. Accountability

The principle of accountability is the clarity of the function and implementation of the responsibilities of the company's organs for the performance of the insurance company so that its business runs effectively and efficiently. This principle had been embodied in Article 12 and Article 17 of the Insurance Law as well as Article 8, Article 9, Article 21, Article 60 POJK No. 73/POJK.05/2016. These provisions stipulate that insurance companies are required to have corporate organs such as directors and boards of commissioners that have a proper function in carrying out insurance business activities and are required to have a work unit or employees with certain functions such as a proper function and/or investment management function.

c. Accountability (responsibility)

The principle of liability is conformity in the management of insurance companies based on the laws and regulations in the field of insurance. This principle had been embodied in Article 11, Article 15, Article 21 section (3), Article 26 and Article 63 of the Insurance Law, and Article 11 and Article 21 of POJK No. 73/POJK.05/2016. These provisions stipulate that the insurance company's organs are obliged to comply with the laws and regulations and be responsible for their actions.

d. Independency

The principle of independence is the condition of an

insurance company that is managed independently and professionally by the company's organs and free from the influence of conflicts of interest of any party that can harm the insurance company. This principle had been embodied in Article 32 of the Insurance Law and Article 17 and Article 28 of POJK No. 73/POJK.05/2016. These provisions regulate the abuse of authority related to conflicts of interest with other parties who use the company's finances.

e. Equality and fairness

The principle of equality and fairness is balance and justice for stakeholders so that their rights are fulfilled based on agreements and laws and regulations in the insurance sector. This principle had been embodied in Article 22 point (4) of the Insurance Law and Article 70 of POJK No. 73/POJK.05/2016. These provisions regulate that any information disclosed and published must be following the laws and regulations to create fairness for stakeholders (28).

Insurance companies also need to pay attention to the implementation of GCG on investment governance as regulated in Article 56 of POJK No. 73/POJK.05/2016 and information technology governance as regulated in Article 65 POJK No. 73/POJK.05/2016. Insurance companies that have implemented GCG will reflect well-managed companies and provide benefits to stakeholders (8).

Based on the above, insurance companies are required to implement GCG consistently and measurably so that a company policy is needed regarding "Guidelines for Good Corporate Governance". The policy becomes a guideline for the elements that must be considered by the company's organs to carry out the vision, mission, and goals of the insurance company to achieve the success of long-term insurance business life (9).

## DISCUSSION

### Failure to Pay Insurance (Health) Claims Due to the Covid-19 Pandemic

Prior to the Covid-19 pandemic, the level of awareness of the Indonesian people towards the importance of insurance, especially health insurance, was not too high. This is due to 2 factors, namely how much consumers know an insurance product and how much consumers understand an insurance product (21). Regarding consumer knowledge of a product, it can be measured from the public's perception of a product, the number of purchases or experience in using the product (22). Consumer knowledge has a positive and significant relationship with purchasing decisions of insurance products.

On the other hand, the understanding of insurance can be measured from the experience of buying insurance products. Based on experience after buying insurance

products, someone will understand more deeply about the products they use. Insurance products have different characteristics compared to other service products, so it is necessary to have certainty in the rules for purchasing an insurance product. These rules are reflected in the insurance agreement and are usually also contained in the policy. A person's experience in buying insurance products will form an understanding of the various provisions in the insurance agreement as well as related to the rights and obligations of the insured (23). Thus, the lack of understanding of an insurance product makes the insurance literacy movement for the community to be massively carried out by various parties. Not only insurance service providers, literacy obligations also apply to authorities, the state, and community groups.

The news about the insured whose benefits were not paid by the insurer and several insurance companies that began to experience a decline in the level of liquidity made public confidence in the existence of insurance lower. This negative news should be balanced with news related to payment of insurance claims of Rp. 170 billion that has been done by insurance companies during the Covid-19 pandemic in 2020 (24). Thus the public's understanding of insurance products can be more objective.

As the regulator of the insurance industry in Indonesia, the Financial Services Authority (OJK) said the Covid-19 pandemic was the right momentum to increase public awareness and literacy in terms of risk management. The risk in question is related to a person's health and soul. Uncertainty about the risks to health during the Covid-19 pandemic is an important lesson for people to start using insurance and feel the benefits. According to a survey conducted by AAJI in 2020, the level of public awareness of insurance began to increase (24). Although the level of awareness is increasing, life insurance premiums (health) tend to fall due to the pandemic. AAJI data states that the total premium in the first quarter of 2020 was IDR 44.11 trillion, down from the same period in 2019 which was IDR 46.40 trillion (25). This is because the impact of the pandemic on the economic sector is so high that it affects people's income in general.

Insurance companies in carrying out their business activities must pay attention to the capital and expenditures. Every insurance company is obliged to maintain a balance to its financial health by maintaining the level of solvability. However, in practice insurance companies paid less attention to the placement of investment assets so that there will be asset and liability risks.

According to Article 1 point 5 POJK No. 1/POJK.05/2015 confirmed that the risk of assets and liabilities occurs due to the failure of insurance companies in managing the company's assets and liabilities. This can be related to asset investment decision making by the insurance

company organ which did not maintain the level of the financial health of the company. Errors in making investment decisions by company organs were related to the governance of insurance companies so that there was a payment default in insurance companies. Problematic investments result in insurance companies not getting the desired results. So it is necessary to have an additional policy on investment risk as a type of risk in insurance companies.

Investment risk is a risk that comes from uncertainty that describes the variation of the return on an investment in a company that may be different from the actual return received with the expected return. The level of potential losses arising from the acquisition of inappropriate investment returns will cause losses for insurance companies and have an impact on the insured (10). The possibility that happens is that the insured can complain to the insurance company. If the insurance company is unable to disburse the insured's insurance claim due to the failure to implement GCG, the insured will file a lawsuit to the court for the actions of the insurance company. This can cause the reputation of the insurance company to be damaged due to the declining level of public trust.

Thus, based on the description above, the risk characteristics of a failure to implement GCG in insurance companies are governance risk, asset and liability risk, insurance risk, and investment risks that need to be considered. However, the main risk with the most potential is governance risk, because the most important thing that must be considered by insurance companies in carrying out their business activities is based on GCG principles.

If the insurance company does not run properly, other risks will arise and have a bad impact on the insurance company. To achieve a conducive business climate for insurance companies and fair business competition, the insurance industry needs to implement corporate governance based on GCG principles. The implementation of good insurance company governance will affect effective risk management. Therefore, the implementation of GCG in insurance companies must at least pay attention to several things. One of them is the implementation of risk management in insurance companies because since the company's activities begin, the element of risk will appear.

The Covid-19 pandemic does not impact all sectors and threatens society with a financial crisis that is felt by each individual. Policies such as Work From Home or the Enforcement of Restrictions on Community Activities (PPKM) result in a decrease in the productivity of economic activities, especially for small businesses. To overcome this, the government had issued Financial Services Authority Regulation Number 14/POJK.05/2020 concerning Countercyclical Policy on the Impact of

the 2019 Coronavirus Disease Spread for Non-Bank Financial Services Institutions (hereinafter referred to as POJK 14/2020). In Article 9 section (1) of the POJK, it was explained that insurance companies as non-bank financial services institutions can restructure financing for debtors affected by the spread of Covid-19. The requirements for restructuring in the POJK include:

1. There is a request for financing restructuring from debtors affected by the spread of Covid-19.
2. Restructuring can be carried out on financing provided before or after the debtor is affected by the spread of Covid-19.
3. There is an assessment of the feasibility of restructuring from the insurance company.

However, if looking at the impact of the Covid-19 pandemic which had impacted almost all sectors including insurance companies, no policy regulates the efforts that insurance companies could take in the event of a claim payment default. OJK noted an increase in insurance claims submitted by life insurance insureds by 3.96% during the Covid-19 pandemic (11). In addition, insurance companies were also affected by the global economic recession that occurred in 2020, resulting in a decline in the value of insurance companies' assets due to the decline in the value of shares and bonds in the capital market. This is not in line with the increase in life insurance claims and the decrease in public interest in using insurance. Thus, the insurance company can be unable to pay the insurance claim submitted by the insured. The following is the data on the increase in insurance premiums recorded by OJK:

**Table 1. Insurance Premium Increase During Covid-19 Pandemic**

Insurance Type	July 2021	July 2022	Increase (%)
Health insurance premiums in life insurance industry	IDR 8,45 trillion	IDR 8,85 trillion	4,73%
Health insurance premiums in general insurance industry	IDR 3,2 trillion	IDR 3,37 trillion	1,20%

Some experts have different views in classifying the Covid-19 pandemic as related to contractual relationships between individuals. There is an opinion that states that the Covid-19 pandemic event is classified as force majeure so that the party who disobeys cannot be said to be in default. Force majeure is a condition after the closing of the agreement that prevents the debtor from fulfilling his achievements, but in this case, the debtor cannot be blamed and does not have to bear the risk of not being able to predict the situation at the time the agreement was made (12). Based on Articles 1244 and 1245 BW, in the event of coercive circumstances or due to unintentional circumstances the debtor is unable to carry out the performance, the debtor is free from payment of fees, losses, and interest, but if the debtor

cannot prove himself experiencing an unexpected thing that causes him to fail. If he can fulfill his achievements, he will still be charged compensation and interest payments. According to Subekti, force majeure occurs when the debtor shows that something that has been agreed upon is not carried out due to something completely unpredictable where the debtor cannot do anything about the circumstances or events that arise beyond the expectation. Thus, the non-implementation of the agreement or the delay in the implementation of the achievement is not due to the negligence of the debtor (13). Rahmat Soemadipraja then divided Force Majeure or Overmacht into several types according to the criteria, including:

1. Overmacht due to natural conditions, which is caused by natural events that cannot be predicted and avoided because they are natural such as earthquakes, floods, tsunamis, and others.
2. Overmacht due to an emergency, which is caused by unpredictable and unnatural situations such as war, terrorism, and others.
3. Overmacht due to the destruction of the object of the agreement.
4. Overmacht due to government policies, namely due to government policies that have an impact on ongoing activities (14).

As a legal consequence of the force majeure as described above, the debtor cannot be declared negligent and is not obliged to pay compensation for the losses suffered by the creditor, so the risk lies with the creditor. Creditors also cannot demand that the agreement be fulfilled by the debtor so that the obligation to carry out contra-achievements falls (14).

The government took a stance by issuing Presidential Decree Number 12 of 2020 concerning the Determination of Non-Natural Disasters Corona Virus Disease 2019 Spreading (Covid-19) as National Disasters (hereinafter referred to as Presidential Decree 12/2020). With the Presidential Decree, can it then be said that the Covid-19 pandemic which is a national disaster can be called a force majeure or a state of coercion? The Coordinating Minister for Political, Legal, and Human Rights of the Republic of Indonesia, Prof Mahfud MD, stated that the status of Covid-19 as a non-natural disaster cannot necessarily be the reason for the cancellation of contracts based on force majeure (15). It is necessary to pay attention to the force majeure clause agreed upon in the agreement by the parties, whether the clause mentions a non-natural disaster that is designated by the government as a force majeure or not. Another opinion is to classify the Covid-19 pandemic as a difficult condition or *Rebus Sic Stantibus*.

Hardship or difficult circumstances is a different concept from Overmacht or default. According to Agus Yudha Hernoko, in a situation of hardship, if the implementation of the contract becomes more difficult for one of the

parties, then that party is still bound to carry out its agreement subject to the provisions regarding hardship. In Article 6.2.2 of the Unidroit Principal of International Commercial Contracts (hereinafter referred to as UPIICC), hardship is an event that fundamentally changes the balance of a contract due to the high cost of executing the contract and burdening one of the parties, or due to the high value of the contract execution accepted by one party is reduced. Some of the characteristics according to Hernoko, Indonesia Legal Scholar, arduous conditions include:

1. The event has been known by the party who suffered the loss after the closing of the contract
2. The event is unpredictable and occurs beyond the control of the party who suffers a loss when the contract is closed.
3. The risk arising from the event is unexpected by the party who suffers the loss (16).

3 elements determine a condition called hardship, namely a fundamental change in the balance of the contract, an increase in the cost of implementing the contract, and a decrease in the value of the execution of the contract on one of the parties to the contract. These elements will bring the parties to a hardship condition where one of the parties has difficulty fulfilling the contract. Article 6.2.3 Unidroit Principles of International Commercial Contract (UPIICC) regulated alternative solutions for the parties who are in hardship, namely by renegotiating the contract. The aggrieved party can submit a request for renegotiation to obtain a fair exchange of rights and obligations for the implementation of the contract in the future so that the contract is not declared terminated and can still be continued with a new agreement.

In some cases, hardship was often equated with force majeure. However, based on the explanation above, it should be underlined that hardship is different from force majeure. Hardship directed the parties to take legal action for renegotiation, while force majeure was often used as an excuse to avoid a compensation claim. When it comes to the Covid-19 pandemic, which affects almost everyone, some sectors could still survive, such as health services or primary needs businesses. In a sense, the current situation can be recovered along with the recovery from the spread of Covid-19. So it is not appropriate to call it force majeure which directs the parties to cancel the contract. It would be more appropriate if the efforts were taken by the parties to restore the situation through renegotiation to achieve win-win solution and improve the balance of contract implementation between the two parties. Therefore, Covid-19 pandemic more likely to be categorized as a hardship situation rather than force majeure.

If hardship is applied in the legal relationship between the insured and the insurance company as the insurer if the insurance company cannot pay the claim on time, renegotiation will be an appropriate problem solution.

In this case, legal remedies that can be taken are as follows:

1. Parties who feel aggrieved due to changes in circumstances may request renegotiation of existing agreements. In this case, the insurance company becomes the disadvantaged party due to the Covid-19 pandemic which has an impact on the investment made as premium management. Thus, the insurance company can apply for renegotiation of the underwriting agreement to the insured. The renegotiation can be in the form of financing restructuring.

2. In the negotiation process, the party who feels aggrieved is not entitled to request the termination of the performance obligation. In this case, the insurance company must continue to fulfill its achievements, namely paying insurance claims, but by requesting a temporary suspension so that it can adjust to changes that occur, namely the Covid-19 pandemic event.

3. Renegotiation must be based on the principle of good faith and the obligation to cooperate as stipulated in the UPICC. However, if the renegotiation does not reach an agreement, then the parties can file a lawsuit in court (17).

The principle of good faith and fair dealing regulated in Article 1.7 UNIDROIT Principle of International Commercial Contract 2016 (UPICC 2016). Paragraph (1) stated, "Each party must act in accordance with good faith and fair dealing in international trade" and paragraph (2) stated. "The parties may not exclude or limit this duty". Based on this principle implemented in renegotiation process, there is an obligation to respect the information confidentiality that being provide during the renegotiation. In a sense, not all information is confidential information, the information is confidential when the party providing the information requests that the information be considered as confidential information, or if the confidentiality of the information is required in the application of the principles of good faith and fair dealing. This can lead to a claim for damages if information deemed confidential is disclosed or confiscated (26).

Good faith principle regulated in UPICC also implemented in transparency principle of GCG. As explained before, transparency is to provide the information that are accessible for the related parties, which means that in providing such information, the company must act in good faith so the information provided is true information and the covered up. This principle is need to be applied by each parties and not just the company as the information giver. The information recipient also need to maintain the confidentiality of the information provided if the information is confidential as the implementation of good faith principle. In this case, the role of directors in a corporate is one of the most important mechanism to implement the GCG principle. Director are obligated to act in good faith for the benefit of the insurance company and avoid any

conflict of interest which can result in losses not only for the company but also for the client (27).

The financing restructuring discussed is the restructuring of the insurance company's debt, namely the restructuring of the company's debt to create a healthier financial condition. In this case, insurance claims are calculated as company debt and can be restructured through delaying payments, rescheduling payments (rescheduling), debt renewal (novation), debt transfer (cessie), and/or creditor transfer (subrogation) (18). This is different from corporate restructuring which is carried out through mergers, consolidations, or acquisitions. In this case, the insurance company can apply for rescheduling to the insured as one of the solutions to the problem of fulfilling insurance claims. Rescheduling is a step to overcome problematic financing by rescheduling (19). By changing the financing period, the insurance company can extend the period of claim fulfillment without a lawsuit to court. Rescheduling is considered more appropriate to be applied to insurance companies experiencing financial stress during the Covid-19 pandemic because the pandemic does not create total economic paralysis, but must adapt to the dynamics of the affected economy so that insurance companies are considered to be still able to complete their obligations. Although there are efforts that can be made such as renegotiation and restructuring of financing, insurance companies must also take preventive measures to avoid risks and losses that can be experienced by insurance companies. The implementation of GCG for insurance companies is important when dealing with risks that arise during the Covid-19 pandemic, such as failing to pay claims. To avoid this, insurance companies can arrange governance structures and improve policies, especially regarding insurance company risk management in order to comply with GCG principles. Efforts that can be made to mitigate risks related to the management of premium funds can be stated in a company policy that contains GCG principles, including the following:

- a. As an application of the principle of transparency, the company's policy regarding the management of premium funds must be in writing and can be communicated with stakeholders who have the right to information about company policies.
- b. In applying the principle of accountability, the company manages premium funds by implementing a check and balance system
- c. Based on the principle of responsibility, the management of premium funds must be based on the principle of prudence in accordance with applicable national regulations and policies.
- d. Insurance companies must be independent and free from conflicts of interest of other parties in managing premium funds
- e. All decisions and actions related to the management of premium funds must pay attention to the interests of stakeholders including the insured who has entrusted their funds to insurance companies.(20)

## CONCLUSION

Good management of premium funds will create trust for the insured and can even add value to the company. Poor management of premium funds that can result in a default on the insured's claims is the result of poor corporate governance and is not following the principles of good corporate governance (GCG), especially in the Covid-19 pandemic which has an impact on almost all sectors of activity including insurance. However, no policy regulates the solution or effort if insurance companies experience claim payment default. The Covid-19 pandemic can be described as a difficult or hardship situation. Hardship directs the parties to carry out renegotiation legal efforts which can be the right solution if the insurance company cannot pay the insurance claim submitted by the insured. In this case, rescheduling steps can be taken by the insurance company to extend the period of claim fulfillment. Thus, the parties do not need to file a court lawsuit as long as an agreement is reached in the renegotiation.

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The authors hope this work can provide benefits of knowledge both in the academic field related to the development of Insurance Law, as well as practical benefits for related parties.

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