Strengthening The Functions of Savings Guarantee Institutions for Increased Protection of Customers and Insurance Policy Holders

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Abstract
Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector amended the provisions relating to the Deposit Insurance Corporation revised clauses relating to the Deposit Insurance Corporation. Earlier clauses covered bank customer deposits, it broadened to encompass insurance policies. This research delves into understanding how roles, responsibilities, powers of the Deposit Insurance Corporation bolstered with the introduction of this Law, aiming to better safeguard depositors and insurance policyholders. Normative juridical approach forms the backbone of this research. Secondary data is the primary source of information, with primary legal documents such as laws, regulations supplemented by secondary legal resources such as books, literature, academic journals. Findings indicate this Law provides depositors with assurance regarding the security of their deposits in the event a bank is deemed to be reliable, the deposit repayment process is more transparent. Insurance policyholders benefits as the law now clearly outlines the claim repayment.

I. Introduction

The existence of Financial Services Institutions (LJK) such as banks and insurance companies is a necessity. People need LJKs to facilitate various needs, such as a place to store funds, expedite payment transactions, make financial investments, hedge, and various other types of services. The focus of this research will be to limit banks and insurance companies as part of LJK, whose regulations have also undergone reforms in Law no. 4 of 2023 concerning Development and Strengthening of the Financial Sector (P2SK Law).

From the perspective of consumer protection, the services required by depositors are not enough just to create smooth transaction services through banking information technology that is available 24 hours a day. The services provided by banks and insurance companies must be able to reach various community needs. The two LJKs are required to convey information about their products proportionally, not only informing them of their advantages, but must also include a safety system for using the product, premium calculations, yield or interest systems.[1]

Lack of protection for users of banking services and insurance companies can cause economic instability and diminish public trust in LJKs. The Century Bank scandal in the past and the recent insurance failure cases of AJB Bumiputera 1912, Kresna Life and Wana Artha have tarnished LJK's credibility. The failure to pay case has disturbed tens of thousands of policy holders and made national news.[2]If the insurance company's failure to pay case cannot be handled properly, it will ultimately undermine the government's credibility.

The legal relationship between the saving customer and the bank or the insured and the insurance carrier is an agreement. Legal protection in the civil area according to Moch. Isnaeni consists of internal legal protection and external legal protection.[3]Internal legal protection is things agreed upon by those who agree and is stated in the agreement between the two parties, while external legal protection is legal protection created by the relevant authorities through regulations in the form of laws and regulations.[4]The context of legal protection for saving customers and insurance policy holders in this discussion includes external legal protection.

The government, through the P2SK Law, has amended dozens of laws relating to LJKs, including Law no. 24 of 2004 concerning the Deposit Insurance Corporation (LPS Law). This article analyzes developments related to guaranteeing savings from bank customers and insurance policy holders with the issuance of the P2SK Law. The focus of the study concerns how to strengthen functions, duties and authorities of the Deposit Insurance Corporation (LPS) with the issuance of the P2SK Law, which increases protection efforts for deposit customers and insurance policy holdersas a consumer

[1]Yusuf Shofie, 2003, Consumer Protection and Legal Instruments, Bandung: Citra Aditya Bakti Publisher, p. 43.

[2] https://www.cnbcindonesia.com/market/20230117103458-17-406027/cerita-di-baik-3-case-besar-yang-ganti, accessed on 15 August 2022 at 12.00 WIB.

[3]H. Moch. Isnaeni, 2018, A Diorama of Contract Law, Surabaya: Publisher Revika Petra Media, p. 39-42.

[4]Ibid.

2. Research Method

Research methodsWhat is used is normative juridical through literature study by collecting, studying and analyzing relevant legal materials and data to answer research problems.[5] The data used is secondary data then analyzed qualitatively and presented descriptively,according to its relevance to the problem formulation.

The study was mainly carried out through a statutory regulatory approach and a conceptual approach regarding the scope of functions, duties and authority of LPS which seeks to strengthen legal protection for saving customers and insurance policy holders. This research uses data analysis techniques with deductive logic, by explaining something general and then drawing it to a more specific conclusion.[6]

3. Results and Discussion

3.1. The Urgency of Deposit Insurance

The monetary and banking crisis in 1998/1999 has eroded public confidence in banking. To restore the trust of saving customers, the Government with Presidential Decree no. 26 of 1998 concerning Guarantees for Commercial Bank Payments (Presidential Decree 26/1998) issues a guarantee for all public savings (blanket guarantee).[7]

Over time, the guarantee scheme regulated in Presidential Decree 26/1998 above has not escaped criticism because it has created bad faith (moral hazard) among bank owners and administrators.[8]The guarantee scheme that was established has also made saving customers less careful.[9]As a legal consequence of this deposit guarantee scheme, the government is held hostage in paying obligations to customers who deposit at banks, both ordinary people and other institutions. Financially, the government's fiscal resilience is also becoming fragile as a result of this guarantee scheme, because state finances are being

[5]Jhonny Ibrahim, 2005, Normative Legal Research Theory and Methods, Malang: Bayumedia Publishing, p. 47

[6]Zainuddin Ali, 2016,*Legal Research Methods*, Jakarta: Sinar Graphics,matter. 22.

[7]Fachry Ali, et al, 2006, Central Bank Politics, Position of the Governor of Bank Indonesia in Maintaining Independence, Jakarta: Publisher of the Institute for the Study and Development of Business Ethics, p. 80.

[8]Djoni S. Gazali & Rachmadi Usman, 2010, Banking Law, Jakarta: Sinar Graphic Publishers, p. 572.

[9]Jonker Sihombing, 2010, Guaranteeing Banking Customer Deposits, Bandung: Alumni Publishers, p.34.

sucked up to recapitalize banks.[10]As an illustration of the heavy burden on the Government in bearing the consequences of the blanket guarantee in question, in the period November 1997 to June 1998 the Government had to disburse funds amounting to Rp. 170 trillion.[11]

Long before the monetary crisis hit Indonesia, the United States had a Federal Deposit Insurance Corporation (FDIC) based on the Banking Act of 1933, established as a response to widespread bank failures in the country at that time.[12] Helen A. Garten, quoted by Zulkarnain Sitompul, said that in the period 1930 to 1932, around 5,100 banks experienced a collapse, which created a banking panic.. The bankruptcy of several large banks resulted in losses for depositors, shareholders and also the business world. This fact shows how important the role of institutions tasked with guaranteeing deposits is because of their ability to provide confidence and guarantees to saving customers that their savings will definitely be returned safely.[13]

To strengthen the legal basis for deposit insurance, the Government issued the LPS Law to replace Presidential Decree 26/1998. In Article 2 paragraph (3) of the LPS Law, it is stated that LPS is an independent, transparent and accountable institution in carrying out its duties and authority. The independence of LPS is not absolute, for one thing or another because the institution in question is responsible to the President.[14]

In fact, there are several alternative policy options regarding forms of deposit insurance.[15]First, the government has firmly stated that it will not guarantee customer deposits. Second, customer deposits are not guaranteed, but customer deposits are given priority rights in the bank liquidation process. Third, the scope of the guarantee provided is not clear. Fourth, guarantees are mentioned in disguise. Fifth, the limited guarantee provided is explicitly stated. Sixth, a comprehensive guarantee that is expressly stated. Of the six alternatives

[10]Cyrillus Harinowo, 2002, Government Debt, Development, Prospects and Management, Jakarta: Gramedia Pustaka Utama Publisher, p. 111. See also Fuad Rachmany, 2004, Fiscal Resilience and Government Domestic Debt Management, in: Fiscal Policy, Thought, Concepts and Implementation, editors Heru Subiantoro & Singgih Riphat, Jakarta: Kompas Book Publishers, p. 369.

[11]I Putu Gede Ary Suta and Soebowo Musa, 2003, Dissecting the Banking Crisis: Anatomy of a Banking Crisis and Restructuring, Jakarta: Publisher Sad Satria Bhakti Foundation, p. 116.

[12]Zulkarnain Sitompul, 2004, "Bank Customer Fund Guarantee: From Blanket Guarantee to Limited Guarantee", Journal of Business Law, volume 23, (3), p. 102.

[13]Ibid.

[14]Nindyo Pramono, 2006, Anthology of Actual Business Law, Bandung. Citra Aditya Bakti Publisher, p. 274.

[15]Zulkarnain Sitompul, 2005, Banking Problems, Bandung: Publisher Books Terrace&Library, p. 244.

available above, the government chose the fifth option, namely by providing a limited guarantee scheme and stated explicitly in statutory regulations.

Every bank operating in Indonesia is required to become a guarantee program participant. LPS is considered to play an important role in supporting the creation of financial system stability amidst the increasingly complex development of the financial services sector.[16]LPS as a financial safety net has 2 (two) objectives. First, to reduce the possibility of a rush, and second, to protect small savings customers who cannot bear the burden of bank bankruptcy.[17]Protection for deposit customers with small nominal amounts is deemed to need attention because it covers the fate of so many deposit-holding customers.[18]

The existence of LPS has consequences if a bank experiences business difficulties and its business license is revoked and then liquidated, the security of customer funds will remain guaranteed. LPS is a real form of guarantee and legal protection for the saving community.[19]Thus, the existence of LPS explicitly provides guarantees for saving customers if the bank is liquidated.[20]Theoretically, LPS provides protection against two risks that arise, both those involving irrational runs and systemic risks.

3.2. Strengthening Protection for Customers Who Save Funds

Indonesian Law number. 10 of 1998 concerning Banking (Banking Law) states that the main function of Indonesian banking is as a collector and distributor of public funds.[21]Funds that the public deposits with banks based on fund deposit agreements can be in the form of demand deposits, deposits, certificates of deposit, savings, and/or other equivalent forms. As mentioned earlier, the legal relationship between banks and deposit customers is in the civil domain, especially agreements.

The Banking Law actually provides legal protection for saving customers. This is linked to Article 2 of the Banking Law which states that Indonesian banks

[16]Pidari Sinaga, 2021, "The Role of Deposit Insurance Institutions in Customer Deposits in Handling Bank Liquidation", Tanjungpura Law Journal, vol.5, issue 2, p. 119-120.
[17]Adrian Sutedi, 2010, Legal Aspects of Deposit Insurance Institutions, Jakarta: Sinar Graphic Publishers, p. 8.
[18]Sri Anggraini Kusuma Dewi, 2019, "The Role of Deposit Insurance Institutions in Failed Banks as Legal Protection Efforts for Customers", Yudisia: Journal of Legal Thought and Islamic Law, vol. 10, (2), p. 114.
[19]Johannes Ibrahim, 2005, "Dilemmas in the Implementation of Law no. 24 of 2004 concerning Deposit Insurance Institutions, Between Legal Protection and Banking Crime", Journal of Business Law, Volume 24, (1), p. 43.
[20]Juanda Mamuaja, 2015, "Functions of Deposit Insurance Institutions in the Context of Legal Protection for Bank Customers in Indonesia", Lex Privatum Journal, Vo. III, (1), p. 46.
[21]Article 3 Law no. 10 of 1998 in conjunction with Law no. 7 of 1992 concerning Banking.

carry out their business activities by prioritizing the principle of prudence. This precautionary principle is also related to the provisions contained in Article 29 of the Law which states that banks in carrying out their business activities are obliged to use methods that do not harm the bank or the interests of customers who entrust their funds to the bank. In the Explanation Section of Article 29 of the Law above, it is also stated that every bank needs to continue to maintain its level of soundness and maintain public trust in it, because the source of funds for credit provided to debtors comes from public savings.

History shows that after the issuance of the LPS Law, Century Bank's failure still occurred in 2008. After the Century Bank case occurred, the Government issued Law no. 7 of 2009 concerning the Determination of Perppu no. 3 of 2008 concerning Amendments to Law no. 24 of 2004 Becomes Law. What is new and important in Law no. 7 of 2009 is an additional clause which states that the value of deposits guaranteed by LPS can be changed if (i) there is a threat of crisis which has the potential to erode public confidence in banking, and (ii) endangers the stability of the financial system.

The additional clause above basically expands protection for customer deposits, because it accommodates new phenomena that could threaten national economic stability, and in turn could threaten the security of customer deposits in banks. Meanwhile, the value of savings is guaranteed has been increased to IDR 2,000,000,000.00 (two billion rupiah) through PP No. 66 of 2008.[22]This increase is to maintain customer confidence in banking in Indonesia, amidst the weakening of the rupiah exchange rate against foreign currencies, especially the impact of the subprime mortgage crisis in the United States.[23]

3.2.1. Functions, Duties and Authorities of the Deposit Insurance Corporation

As mentioned earlier, with the issuance of the P2SK Law, regulations regarding LPS have undergone several improvements. Initially, the LPS function related to banking was only intended to guarantee the deposits of depositors. Through the P2SK Law, the LPS's function has been expanded to (i) actively participate in maintaining Financial System Stability (SSK) in accordance with its authority, and (ii) carrying out bank resolutions.

LPS's duties relating to the function of maintaining the SSK include activities to formulate, establish and implement SSK policies in accordance with its authority, which are reaffirmed in the U P2SK. On the other hand, for functions related to carrying out bank resolutions, LPS is tasked with formulating, determining and carrying out preparations for bank resolution

[22]Government Regulation no. 66 of 2008 concerning the Amount of Value of Deposits Guaranteed by the Deposit Insurance Corporation.
[23]Jonker Sihombing, Guarantee..., opcit, p. 64.

actions including due diligence on banks as well as outreach to banks or other investors. Also included in LPS's new duties are formulating, establishing and implementing bank resolution policies that have been designated as banks in resolution.

With the functions and duties of LPS in the field of deposit insurance as mentioned above, the P2SK Law states that LPS has the authority to take various necessary steps. The first step includes the authority to set and collect insurance premiums. The second step is determining and collecting contributions when the bank first becomes a participant. The third step, namely managing LPS assets and liabilities, including writing off books and writing off claims on assets in the form of receivables and other assets. The fourth step is to obtain customer deposit data, bank health level data, bank financial reports and bank inspection reports. The fifth step is to reconcile, verify and/or confirm data and reports from the bank. The sixth step, namely determining the terms, procedures and conditions regarding payment of insurance claims. The seventh step, namely appointing, empowering, and/or assigning other parties to act in the interests and/or on behalf of LPS, to carry out certain tasks. The eighth step, provide education to banks and the public regarding guarantees. Step *ninth*,carry out bank inspections either alone or jointly with the Financial Services Authority (OJK). The tenth step, place funds in the bank for restructuring based on a request from the OJK. Eleventh step, appoint a statutory manager at the bank that receives the placement of funds from LPS. The twelfth step, namely imposing administrative sanctions on the bank.

If you look at the authority that LPS has in taking the necessary actions as stated in Article 6 paragraph (1) of the LPS Law as amended in the P2SK Law above, it illustrates that the authority given to LPS covers from upstream to downstream. Integration of authority in one hand is necessary so that LPS can take early action to rescue troubled banks so that depositors do not become anxious if bank restructuring and payment of claims for their deposits drags on.

3.2.2. Settlement and Handling of Bank Fails

The LPS Law regulates the functions and duties of LPS to resolve and handle failed banks or banks in resolution. By failed bank/bank in resolution is meant a bank that is experiencing financial difficulties and endangering its business continuity and is declared to be no longer able to be made healthy by the LPS in accordance with its authority.[24]LPS's authority in this case includes 4 (four) things. First, take over and exercise all rights and authority of shareholders,

[24]Article 1 point 7 of Law no. 24 of 2004 concerning the Deposit Insurance Corporation.

including the right and authority to hold a General Meeting of Shareholders (GMS). Second, control and manage the assets and liabilities of the failed bank being rescued. Third, review, cancel, terminate, and/or change every contract binding the rescued failed bank with a third party that is detrimental to the bank. Fourth, selling and/or transferring bank assets without the debtor's consent and/or bank liabilities without the creditor's consent.

The provisions for the authority to resolve and handle failed banks/banks in the resolution mentioned above were reorganized in the amendments to the LPS Law contained in the P2SK Law, but basically the steps taken are not much different. By failed bank/bank in resolution is meant a bank that has been designated by the OJK as a bank that is experiencing financial difficulties, endangering its business continuity, and which the OJK can no longer make healthy in accordance with its authority.

The important thing about the shift in handling failed banks/banks in resolution is that in the LPS Law, which previously used the term Banking Supervisory Institution (LPP) which refers to Bank Indonesia or the Financial Services Sector Supervisory Institution (LPSJK), this is currently being amended by the LPS Law which is contained in The P2SK Law explicitly states that this authority lies with the OJK. This is related to the task of bank supervision according to previous laws and regulations which was still in the hands of Bank Indonesia, while with the issuance of Law no. 21 of 2011, the task in question has been transferred to the OJK. Of course, this confirmation of authority also provides an understanding of reinforcing the task of resolving and handling banks that experience failure.

The current legal form of commercial banks and sharia banks is a Limited Liability Company (PT).[25]The authority of the GMS according to the PT Law is very large because is a company organ whose authority is not given to the Board of Directors or the Board of Commissioners. However, the granting of authority in question remains within the limits determined by law or the articles of association.[26]With the provisions regarding the revocation of the authority of the GMS of banks which include failed banks/banks in resolution, the control over the steps that need to be taken by LPS to overcome problems and revitalize banks in resolution becomes very strong. Likewise, LPS's authority to control, manage and sell assets, review contracts without the consent of debtors or creditors, has strengthened LPS's position in the eyes of the law to take steps deemed necessary.

[25]Article 21 of Law No. 10 of 1998 concerning Banking, the contents of which have been updated in Law no. 4 of 2023 concerning Development and Strengthening of the Financial Sector.
[26]Article 1 point 4 of Law no. 40 of 2007 concerning Limited Liability Companies.

LPS sorts things out and makes careful considerations to resolve failed banks or banks in resolution. The selection of resolution or handling of failed banks/banks in the resolution above is made based on consideration of (i) estimated resolution costs, and (ii) other factors. These other factors include overall economic conditions, complexity of bank problems, bank market share in the banking system, handling time requirements, availability of investors, effectiveness of handling problems, and other conditions.

For non-systemic failed banks that are designated as banks in the resolution, resolution can be achieved by rescuing or not rescuing the bank. Starting from the time LPS receives written notification from OJK regarding the determination of a non-systemic failed bank as a bank under resolution, LPS will take over the rights and authority of the GMS, ownership, management and other interests in the bank

In contrast to non-systemic failed banks which are designated as banks in the resolution above, to handle systemic failed banks which are designated as banks in the resolution, the step taken is to rescue them. The rescue in question will include old shareholders or without including old shareholders. However, if the requirements for rescue cannot be fulfilled by the old shareholders, LPS will of course take action to handle and rescue the systemically failed bank without involving the old shareholders.[27]

All costs for handling failed banks that have been incurred by LPS become LPS's temporary capital participation in failed banks/banks in resolution that are rescued. Considering that the process of rescuing failed banks/banks in resolution is subject to provisions regarding time limits, LPS is obliged to sell all bank shares within a maximum period of 3 years taking into account the optimal rate of return. This period can be extended a maximum of 2 (two) times with the option of extending for 1 (one) year if the optimal rate of return cannot be realized.[28]

The large authority of LPS in dealing with failed banks/banks in resolution mentioned above actually has the potential to give rise to disputes, especially lawsuits from third parties who have rights/claims arising based on contracts that were made long before the bank was included in the category of failed banks/banks in resolution . The principle of pacta sunt servanda in legal science states that every contract must be kept because contracts made legally apply as

[27]Rudjito, 2011, Five Years of LPS Guaranteeing Customer Deposits and Maintaining Banking System Stability, Jakarta: Deposit Insurance Corporation Publisher, p. 94-95.

[28]Indra Rahadiyan, 2016,"The Role and Responsibilities of Deposit Insurance Institutions in Handling and Rescuing Systemically Failed Banks", IUS QUIA IUSTUM Journal, Vol. 23, (1), p. 30.

law to those who make them. Even though the LPS Law which regulates this legally has binding force, it can create uncertainty for other parties who bind themselves through contracts/agreements with banks. Therefore, the authority of LPS to cancel bank contracts with other companies which strengthens the function of LPS in order to provide protection for deposit customers, should be implemented more carefully, selectively and cautiously.

3.2.3. Liquidation of Failed Banks by the Deposit Insurance Corporation

Liquidation or dissolution of failed banks/banks in resolution according to the LPS Law is possible both by LPS and by shareholders. The consequence of the liquidation of a failed bank by LPS is that the institution is obliged to cover the payment of outstanding employee salaries and cover employee severance pay in the amount of the minimum amount of severance pay regulated in statutory regulations. However, this obligation is accompanied by the authority of the Institution in question to dissolve the bank's legal entity, form a liquidation team, and declare the bank's status as a bank in liquidation.

If the bank fails or the bank under resolution is to be dissolved by the LPS, then the said dissolution must be registered in the company register and at the clerk of the District Court which includes the domicile of the bank concerned. Furthermore, it must be announced in the State Gazette and in 2 (two) daily newspapers with wide circulation. The dissolution of the failed bank/banks in the resolution must also be officially notified to the competent authority. Dissolution steps according to Article 53 of the LPS Law are carried out by disbursing assets and/or collecting receivables from debtors followed by paying bank obligations to creditors from the proceeds of disbursement and/or collecting receivables from the dissolved bank. The group of those who will receive this payment includes parties whose position is as a deposit customer. If deemed necessary, steps that can be taken in the liquidation of a failed bank/bank in resolution include the authority to transfer the bank's assets and liabilities to another party, after consultation and approval from the OJK.

The provisions relating to the liquidation of failed banks or banks under resolution in the P2SK Law have been revised in clauses if a dispute occurs in the liquidation process. The previous LPS Law stipulated that this matter would be resolved through the Commercial Court in accordance with applicable provisions. Then in the P2SK Law the provisions in question were revised, where it was stated that the lawsuit was submitted to the chairman of the Commercial Court in the jurisdiction of the defendant's residence or domicile. If one of the parties resides outside the territory of the Republic of Indonesia, then the lawsuit

is submitted to the Chairman of the Central Jakarta Commercial Court.[29]This provision provides certainty regarding the relative competence of the court institution that will handle the lawsuit.

The order of creditors who will receive payments for bank obligations from the disbursement of assets and collection of receivables is regulated in Article 54 of the LPS Law which has undergone slight improvements in the P2SK Law. Payment of bank obligations to creditors from the proceeds of disbursement and/or collections as intended in Article 53 above is carried out in order of priority. First, compensation for bailouts owed to employees and payment of salaries. Second, compensation for employee severance pay and bailout payments. Third, payment of court case fees, outstanding auction fees and office operational costs. Fourth, rescue costs incurred by LPS and/or payment of insurance claims that must be paid by LPS. Fifth, payment of taxes owed. Sixth, payment of obligations to Bank Indonesia in the context of short-term liquidity loans and monetary operations in the context of placing LPS funds in banks. Seventh, the portion of savings from depositors whose guarantees are not paid and deposits from depositors who are not guaranteed. Eighth, payments involving the rights of other creditors.

With the order of parties who are entitled to receive payment from the proceeds from the sale of assets and collection of receivables as mentioned above, saving customers need to pay attention to the seventh order, one way or another to ensure that they do not fall into the group listed in the seventh section. . This is important to ensure that banks follow and comply with the guarantee program provisions in accordance with Article 8 of the LPS Law, so that the interests of customers who do not understand these provisions are not neglected. To provide adequate legal protection for depositors, it must be seen from the perspective of the doctrine of caveat venditor, which means that sellers must have good faith and be responsible in selling their products to buyers or consumers.

3.3. Strengthening Protection for Insurance Policy Holders

Insurance company activities are based on agreements, which are agreements to transfer the risk of losses experienced by the insured to the insurer. As a consequence, the insurance company as the insurer has full responsibility for the policy holder, which responsibility is to guarantee and provide payments to the policy holder in question.[30] Before the P2SK Law was issued, regulations

[29]Article 50A paragraph (2) Law no. 24 of 2004 concerning the Deposit Insurance Corporation, some of the provisions of which were amended by Law no. 4 of 2023 concerning Development and Strengthening of the Financial Sector.
[30]A. Junaedi, 2011, Insurance Law, Jakarta: Sinar Graphic Publishers, p. 28.

regarding insurance were contained in Law no. 40 of 2014 concerning Insurance (Insurance Law). The law in question regulates the scope of insurance airline business, legal entity form and ownership, business licensing, business operations, insurance governance in the form of cooperatives and joint ventures, increasing insurance capacity, sharia insurance, reinsurance, mandatory insurance programs, changes in ownership, mergers and consolidation, dissolution, liquidation and bankruptcy, protection of policy holders, insureds or participants, and insurance business associations.

InArticle 53 and Article 54 of the Insurance Law regulates protection for policy holders, insureds or insurance program participants. Insurance companies are required to become participants in policy guarantee programs regulated by law. The insurance company in question is also required to become a member of a mediation institution whose function is to resolve disputes for the insurance company, the insured, or other parties who are entitled to receive insurance benefits. The mediation institutions mentioned above are independent, impartial, and their formation must obtain written approval from the OJK. Currently, the mediation and arbitration institution for disputes that occur in the insurance industry is in the hands of the Alternative Financial Services Sector Dispute Resolution Institute (LAPS-SJK).

In short, the insurance business consists of loss insurance, life insurance and reinsurance business.[31]Of the three types of insurance business, the one that gets the most news related to the protection interests of policy holders is the life insurance business. The cause of many life insurance companies' inability to pay their obligations to policyholders recently is generally due to mismanagement in financial management because they do not get returns on asset investments as expected.[32]Previously there were also several transaction failures in the capital market which were indirectly related to insurance carriers, but the impact was not big because they were only related to corporate investors and did not concern the wider community.[33]The failure to pay occurred because the insurance carrier in question also did not carry out good governance.[34]

Policy Insurance as a form of agreement that reflects the agreement between the insured and the insurance company is prepared by the insurance company.

[31]Arus Akbar Silondae & Wirawan B. Ilyas, 2011, Principles of Business Law, Jakarta: Salemba Empat Publishers, p. 138.
[32]irmapa.org/pt-bisnis-jiwasraya-kegagalan-pengelolaan-risiko-investasi/ accessed 16 August 2022.
[33]Irvan Rahardjo S, The Collapse of Our Insurance: Twilight of AJB Bumiputera 1912-The Steep Road to Protect the Nation's Heritage, Bogor: IPB Press Publishers, 2020, p. 97.
[34]Hilda Yunita Sabrie et al, 2022, Insurance Law: Application of Good Governance Principles in Insurance Companies, Jakarta: Jakad Media Publishing-IKAPI Members, p. 32.

As a standard agreement, where the clauses in the insurance policy are more in favor of the interests of the insurance company, and the insured party must agree to the standard clauses which have been designed in a standard manner. Vera Bolger stated that an agreement made standardly without considering equality between the parties is a take it or leave it contract.[35] Insurance policies should not contain sentences that could give rise to interpretations regarding the risks covered by the insurance, the obligations of the insurer and the obligations of the insured, which as a result could make it difficult for the insured to take care of his rights.[36]

The regulation in the P2SK Law which includes insurance policies as objects guaranteed by LPS, although relatively new, is basically a further implementation of the clauses that have been mandated in the Insurance Law. The provisions on procedures for paying insurance policy premiums, governance that must be maintained properly, and other provisions are basically the same as those that apply to banks where public deposits in banks are the object of LPS guarantees. The provisions for insurance policies guaranteed by LPS in the P2SK Law are not limited, even though there are various types of insurance policies. There are loss insurance policies, fire insurance policies, and life insurance policies. As previously mentioned, what has received great attention from the public is life insurance policies due to the recent failure to pay scandals of several life insurance carriers, as well as because they involve policy holders who are individual members of society. It is felt that provisions regarding insurance policies guaranteed by LPS need to be further clarified in the future.

4. Conclusion

The existence of LPS is very important because it is a safety net for customers who save funds in banks and insurance policy holders. With LPS, they will feel safe to use banking services and cover the risks they will face.LPS is an independent, transparent and accountable institution in carrying out its functions, duties and authority. The functions, duties and authority of LPS have been strengthened through the P2SK Law. Besidesguaranteeing customer deposits and carrying out resolutions for failed banks as stated in the previous LPS Law, further expanded to include guaranteeing insurance policies, being active in maintaining SSK in accordance with its authority, and resolving

[35]Sutan Remy Sjahdeini, 1993, Freedom of Contract and Balanced Protection for Parties in Bank Credit Agreements in Indonesia, Jakarta: Indonesian Bankers Institute Publisher, p. 218- 219.
[36]Akbar Current, opcit, p. 150.

problems with insurance companies whose business licenses have been revoked by the OJK. These functions, duties and authorities are integrated into LPS so that LPS can be more efficient in creating security and legal protection for saving customers and insurance policy holders.

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