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## Optimization of Insurance Brokerage Institutions in Realizing the Trust of the Indonesian Community

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### Keywords:

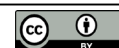
Brokers;  
Insurance; Public  
Trust.

### Abstract

Public trust in the Indonesian insurance business is shaken by the crisis that rocked multiple insurance companies. This study investigates insurance brokerage institutions' involvement in Indonesia's insurance activities and how to improve public trust. This research uses normative legal research by examining library materials or secondary data. In contrast, the nature of the research is analytically descriptive, depicting the existence of insurance brokerage institutions in the Indonesian insurance industry for further analysis to complete the picture of brokerage companies' role in improving the industry. The research found that insurance brokers help insureds choose an insurance carrier, handle the claims process, and resolve claim disputes, making them crucial to Indonesian insurance. Brokers can gain public trust by increasing insurance literacy, transparency of insurance product information, helping consumers resolve insurance claims and advising the Financial Services Authority on insurance regulations. To gain public trust in insurance, the insurance industry should prepare a more effective and comprehensive set of regulations to prevent legal uncertainty and provide adequate legal protection to customers. At a micro level, every regulation prepared by the company can provide certainty. The company's ethics and corporate governance policy is explicit.

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## Introduction

The Indonesian insurance business is currently undergoing a state of shock because of the scandal that has affected various insurance companies, including PT Asuransi Jiwasraya, PT Bumi Asih Jaya Insurance, and Asuransi Jiwa Bersama Bumiputera 1912. The Investigative Examination Report on the Calculation of State Losses for Financial Management and Investment Funds at PT Asuransi Jiwasraya (Persero) from 2008 to 2018, submitted to the Attorney General on March 9, 2020, reveals that the PT Jiwasraya (Persero) scandal is expected to result in state losses amounting to IDR 16.81 trillion.<sup>1</sup>

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<sup>1</sup> Rina Putri Rinaldi and RA Supriyono, 'Analisis Peran Audit Internal Dalam Pencegahan Korupsi (Studi pada Inspektorat Provinsi Jawa Tengah)' (2022) 10 ABIS 1 <<https://jurnal.ugm.ac.id/abis/article/view/78997>> accessed 10 April 2024.

Upon the preparation of the financial report as of December 2012, Bumi Asih Jaya Insurance undertook liabilities amounting to IDR 1.3 trillion for the payment of claims and benefits to policyholders. However, the company's authorized assets amount to only IDR 294.14 billion, resulting in a deficit of IDR 1.01 trillion to meet the obligation requirements. The total number of creditors of Bumi Asih has reached 29 thousand, with their combined claims amounting to IDR 1.2 trillion.<sup>2</sup> The troubles faced by Bumi Asih Jaya Insurance were worsened by the suspected misappropriation of assets for personal gain by Lukman Sembada, Raymond Pardede, and Gindo Hutahean,<sup>3</sup> who were curators handling the bankruptcy process for Bumi Asih Jaya Insurance.

According to the audited financial report for 2021, Asuransi Jiwa Bersama Bumiputera 1912 has assets of IDR 9.5 trillion and liabilities amounting to IDR 32.8 trillion. Bumiputera is unable to fulfil the criteria for assessing the financial well-being of life insurance firms due to a disparity of IDR 23.3 trillion between its assets and liabilities. AJBB requires IDR 30 trillion to fulfil policyholder claims over the next five years; however, its financial reserves amount to less than half of that.<sup>4</sup>

The challenges faced by insurance businesses are closely linked to long-standing issues such as inadequate corporate governance and the practice of window-dressing investment portfolios to enhance financial performance artificially. These dark occurrences have led to a significant issue: a lack of public trust in insurance products, which in turn impacts the amount of public engagement in the insurance industry. Indeed, the amount of trust is significantly shaped by previous encounters.<sup>5</sup> A history of continuous positive experiences with a particular individual or group will enhance

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<sup>2</sup> Denis Riantiza Meilanova, 'Kasus Asuransi Bumi Asih Jaya & 7 Tahun Boedel Pailit Yang Belum Rampung' (*bisnis.com*, 2022) <<https://finansial.bisnis.com/read/20220902/215/1573571/kasus-asuransi-bumi-asih-jaya-7-tahun-boedel-pailit-yang-belum-rampung>> accessed 10 April 2024.

<sup>3</sup> Muh Nashrun Min Robbi, Rinitami Nyatrijani and Herni Widanarti, 'Penerapan Metode Risk Based Capital Pada Perusahaan Asuransi Jiwa (Studi Kasus Perusahaan Asuransi Jiwa Bumi Asih Jaya Yang Telah Dipailitkan Oleh MA)' (2016) 5 *Diponegoro Law Journal* 1, 11.

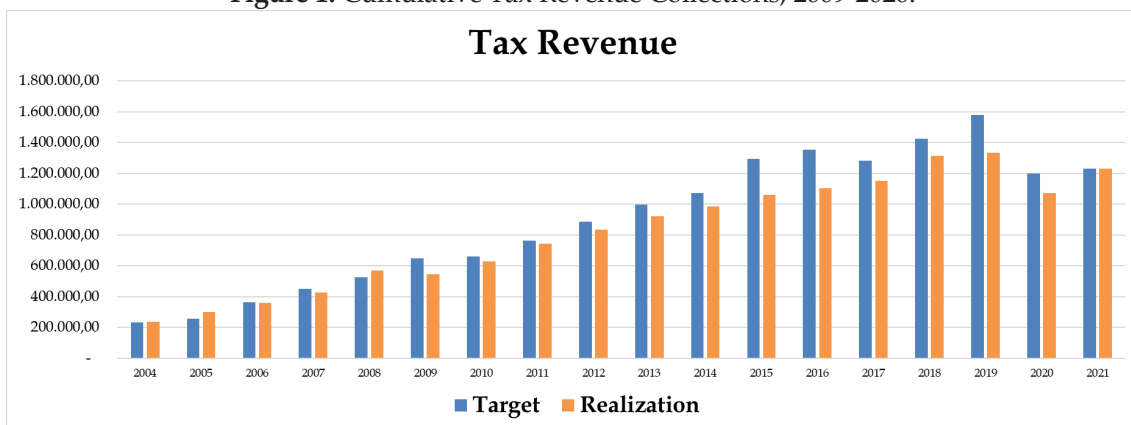
<sup>4</sup> Iswi Hariyani, 'Kajian Hukum Restrukturisasi Asuransi Jiwa Bersama Bumiputera 1912 Sebagai Perusahaan Mutual' (2017) 24 *Jurnal Hukum Ius Quia Iustum* 320, 322 <<http://journal.uui.ac.id/index.php/IUSTUM/article/view/7578>> accessed 10 April 2024.

<sup>5</sup> Christophe Courbage and Christina Nicolas, 'Trust in Insurance: The Importance of Experiences' (2021) 88 *Journal of Risk and Insurance* 263, 25 <<https://onlinelibrary.wiley.com/doi/10.1111/jori.12324>> accessed 10 April 2024.

mutual trust, so nurturing optimism for a favorable future relationship.<sup>6</sup>

The challenges encountered by the Indonesian insurance industry are not only a concern for insurance companies but also the government as a regulatory body. This is because the government has a vested interest in the expansion of the domestic insurance sector, as it will contribute to the overall increase in national revenue. It is widely recognized that taxes earned from the Financial Services and Insurance sectors make a significant contribution to State revenues, amounting to 11.5%. The government’s aspiration for substantial state income from the tax sector has persistently remained an elusive goal in the face of variable cumulative tax collections, even tax revenues never reached the target set in the 2009-2020 period,<sup>7</sup> as depicted below.

**Figure 1.** Cumulative Tax Revenue Collections, 2009-2020.



Source: Ministry of Finance of the Republic of Indonesia, 2021.

While the national insurance business is projected to experience growth in 2024, it is evident that some pressing difficulties need to be addressed promptly, including the issue of low insurance penetration. According to the Financial Services Authority, the level of insurance penetration in Indonesia was barely 2.75%.<sup>8</sup> This figure is comparatively lower than those of other countries in the ASEAN region. This condition

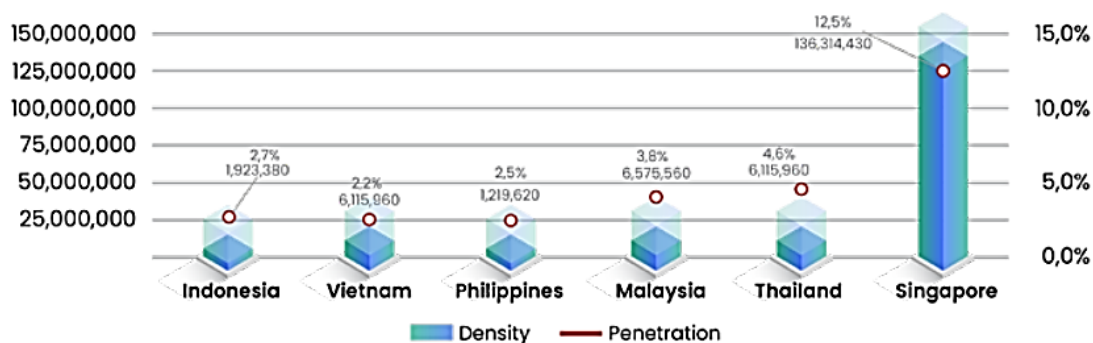
<sup>6</sup> Giovanni Schiuma and others, ‘The Transformative Leadership Compass: Six Competencies for Digital Transformation Entrepreneurship’ (2022) 28 *International Journal of Entrepreneurial Behavior & Research* 1273, 1285 <<https://www.emerald.com/insight/content/doi/10.1108/IJEBR-01-2021-0087/full/html>> accessed 11 April 2024.

<sup>7</sup> Herry Setyawan, ‘Tercapainya Realisasi Penerimaan Pajak 2021, Momentum Penyehatan APBN’ (31 December 2021) <<https://komwasjak.kemenkeu.go.id/in/post/tercapainya-realisasi-penerimaan-pajak-2021,-momentum-penyehatan-apbn>>.

<sup>8</sup> The Indonesia Financial Services Authority, *Roadmap for the Development and Strengthening of the Indonesia Insurance Industry 2023-2027* (The Indonesia Financial Services Authority 2023) 19.

indicates that there is still a significant portion of the Indonesian population who lack an insurance policy. The graph below illustrates the disparity in insurance penetration between Indonesia and other nations in the ASEAN area.

Figure 2. Insurance Penetration in the ASEAN Region.



Source: The Indonesia Financial Services Authority, 2023.

The limited extent of insurance penetration and inclusion suggests that there is much potential for insurance expansion in Indonesia. The low insurance penetration can be attributed to various factors, including inadequate insurance literacy, restricted marketing outreach of insurance companies, lack of alignment between insurance products and community requirements, limited risk-bearing capacity of the insurance industry, and insufficient purchasing power within the community. Hence, it is imperative to focus on industrial development initiatives that aim to enhance public literacy, broaden marketing outreach, foster product innovation that aligns with the needs and capabilities of individuals, and bolster the ability of industrial stakeholders.

To enhance insurance penetration and facilitate the introduction of insurance products, it is imperative to establish institutions that are proactive in promoting insurance to the general population. Insurance broker institutions serve as intermediaries between insurance firms and potential clients, fulfilling this responsibility. Insurance brokers assist clients in selecting insurance products that align with their requirements and furnish comprehensive and transparent information regarding the available insurance offerings. In addition, brokerage institutions also offer claims services to their consumers. Insurance brokers have the dual purpose of enhancing the relationship between the insurance business and society, while also acting as effective intermediaries for presenting insurance products to the public.

Insurance brokers are often considered to have a lower level of prestige compared to other players in the insurance industry, such as general insurance or life insurance and reinsurance. This is because brokers have a more passive role and only perform their duties when requested by customers. As a result, brokers are seen as a supplementary component to insurance activities. This perspective is inaccurate as brokers are essential in the ever-evolving insurance sector. They not only assist customers in selecting insurance products but also play a crucial role in assessing the credibility of insurance firms and facilitating the settlement of claims. Clearly, during the past decade, the expansion of brokerage firms in Indonesia has displayed consistently steady numbers, as depicted in the table provided.<sup>9</sup>

**Table 1.** Development of the Insurance Business.

Type of Companies	2021	2022	2023
Life Insurance	60	59	58
Loss Insurance	77	78	78
Reinsurance	7	8	8
Social Insurance Administration Body	2	2	2
Compulsory Insurance Provider	3	3	2
<b>Amount of the Insurance Companies</b>	<b>149</b>	<b>150</b>	<b>148</b>
Insurance Broker	155	155	151
Reinsurance Broker	41	41	41
Loss Assessor	27	27	28
<b>Number of the Insurance Supporting Companies</b>	<b>223</b>	<b>223</b>	<b>220</b>

**Source:** Statistics Indonesia, 2024.

The role of brokerage institutions in enhancing public participation in insurance and fostering the overall development of the insurance industry is of utmost importance. Therefore, it is imperative to examine strategies aimed at optimizing the role of insurance brokerage institutions to cultivate public confidence in insurance. This, in turn, will lead to substantial growth in the insurance industry in the future.

<sup>9</sup> Badan Pusat Statistik Indonesia, 'Jumlah Perusahaan Asuransi Dan Perusahaan Penunjang Asuransi, 2021-2023' (1 March 2024) <<https://www.bps.go.id/id/statistics-table/2/MTA4MCMY/jumlah-perusahaan-asuransi-dan-perusahaan-penunjang-asuransi.html>>.

## **Research Method**

This study employs normative legal research methodology, specifically by examining library materials or secondary data.<sup>10</sup> This research has the nature of descriptive analysis, namely providing an overview of the problems discussed in this research as well as carrying out an analysis of the relevant legal regulations to provide answers to the problems formulated,<sup>11</sup> aiming to depict the presence of insurance brokerage institutions in the Indonesian insurance industry. The objective of this study is to conduct further analysis and obtain a comprehensive understanding of the role of brokerage companies and their contribution to enhancing the insurance industry in Indonesia. This study was conducted by conducting an extensive search of library research materials, specifically legal materials about insurance activities. The materials were sourced from primary, secondary, and tertiary legal sources that are relevant to the role of brokers in insurance activities. Subsequently, the author analyzes the gathered legal papers and utilizes them as a foundation for resolving issues.

## **The Role of Insurance Brokerage Institutions in Insurance Activities in Indonesia**

The insurance brokerage business falls under the umbrella of the insurance industry, as defined by Article 11 of Law Number 40 of 2014 concerning Insurance (“Insurance Law”). It involves providing consulting and intermediary services for the procurement of insurance or sharia insurance, as well as managing claims on behalf of policyholders, insured individuals, or participants. The insurance broker business primarily encompasses advisory, intermediary, and claim settlement activities.

Despite the relatively inconspicuous nature of an insurance broker’s role, they play a crucial role as intermediaries between the insured and the insurer in facilitating insurance agreements. Insurance brokerage is an integral part of insurance activities, particularly when the involved parties seek a smooth and obstacle-free process in reaching

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<sup>10</sup> Soerjono Soekanto and Sri Mamudji, *Penelitian Hukum Normatif: Suatu Tinjauan Singkat* (Cetakan ke-17, Raja Grafindo Persada 2015) 34.

<sup>11</sup> Ni Putu Sintha Tjiri Pradnya Dewi and Desak Putu Dewi Kasih, ‘Pengaturan Lembaga Penjamin Polis pada Perusahaan Asuransi di Indonesia’ (2020) 9 *Jurnal Magister Hukum Udayana* (Udayana Master Law Journal) 739, 742 <<https://ojs.unud.ac.id/index.php/jmhu/article/view/63707>> accessed 14 April 2024.

an insurance agreement. Brokers can exert significant influence over customers' decisions to purchase insurance under specific circumstances. According to Maseke and Iipinge, most clients were swayed by agents or brokers due to their little knowledge of insurance companies. Hence, insurance businesses and agents/brokers must comprehend the importance of transparency and a good reputation within the insurance market.<sup>12</sup>

Brokerage activities necessitate specialized skills. The insurance industry is characterized by its complexity and strict regulations. As a result, professionals working in this sector, including brokers, are required to obtain professional certification from the Professional Certification Institute to be qualified. Insurance certification is a crucial requirement for those working in the brokerage industry to possess high-quality skills and capabilities in performing their responsibilities. It also serves as a legal safeguard for all parties involved.

To ensure that insurance brokers adhere to legal requirements and ethical standards, the Financial Services Authority oversees the activities of every insurance broker. The supervision of insurance broker activities involves verifying that insurance brokers have adopted risk management practices that adhere to the following principles: 1) active supervision of the board of directors and board of commissioners; 2) adequacy of risk management policies and procedures and determination of risk limits; 3) adequacy of risk identification, measurement, control, and monitoring processes, as well as risk management information systems; and 4) comprehensive internal control system.<sup>13</sup>

Insurance brokers are involved in several stages of the insurance process, including offering coverage suggestions to potential policyholders, handling claims requests, and assisting in the resolution of insurance disputes involving policyholders, insured individuals, and other parties.<sup>14</sup> During the preliminary phase before the insured

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<sup>12</sup> Bernardus Franco Maseke and Dietilde Ndinelago Iipinge, 'Factors Influencing Clients in Choosing Insurance Companies' (2021) 08 Open Access Library Journal 1, 10 <<http://www.oalib.com/paper/pdf/6121060>> accessed 11 April 2024.

<sup>13</sup> The Indonesia Financial Services Authority Regulation Number 44/POJK.05/2020 concerning the Implementation of Risk Management for Non-Bank Financial Services Institutions 2020.

<sup>14</sup> Elvira Fitriyani Pakpahan and others, 'Peran Otoritas Jasa Keuangan (OJK) dalam Mengawasi Maraknya Pelayanan Financial Technology (Fintech) di Indonesia' (2020) 9 Jurnal Magister Hukum Udayana (Udayana Master Law Journal) 559, 564 <<https://ojs.unud.ac.id/index.php/jmhu/article/view/62675>> accessed 14 April 2024.

and the insurer reach an agreement, the insurance broker plays a crucial function as an intermediary or agent of the insured. This is evident through various activities undertaken by the broker, such as:

1. choose an insurer or insurance company for the benefit of the insured so that a credible insurer is obtained.
2. placing the risk of the object of coverage with the insurance company based on adequate data for the best interests of the insured.
3. negotiate the amount of insurance premium that must be paid by the insured so that the best premium price is obtained and does not burden the insured.
4. assist the insured in explaining the clauses in the policy so that the insured
5. understands his rights and obligations.

Considering that brokers also play a role in helping policyholders/insureds to settle insurance claims (claim handling), the roles inherent in insurance brokers include:

1. prepare the stages of the claim process that have been approved by the insured before submitting it to the insurer. This stage is important for the insured to know because the insurer can reject the claim if there are several stages of the claims process that are not fulfilled by the insured.
2. assist in the claim settlement process so that the insured obtains the amount of compensation that is in line with expectations.
3. managing material information and documentation with related parties as part of efforts to expedite the claim disbursement process.
4. evaluate the claims settlement process that has been carried out to prevent problems arising in the future related to submitting claims.<sup>15</sup>

Insurance brokers are required to comprehend the requirements and preferences of customers and offer guidance to both the insured party and the insurer, even in the absence of a specific request. Insurance brokers must possess the ability to ascertain that customers select the appropriate insurance policy based on their financial circumstances. They must ensure that the insured has the financial capacity to pay the premium after signing the insurance agreement.

While brokers play a crucial role in facilitating agreements between insurers and the insured, their presence is not always required for insurance agreements with relatively small coverage objects and simple clauses. Motor vehicle insurance typically does not necessitate the involvement of a broker due to the relatively limited scope of

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<sup>15</sup> Vide, Peraturan Otoritas Jasa Keuangan Nomor 70 /Pojk.05/2016 tentang Penyelenggaraan Usaha Perusahaan Pialang Asuransi, Perusahaan Pialang Reasuransi, dan Perusahaan Penilai Kerugian Asuransi.



coverage. As a result, clients can directly apply for an insurance policy from the insurance provider without relying on the assistance of a broker.

The legal relationship between the insurance broker and the insured is established through the issuance of power of attorney,<sup>16</sup> which in Indonesian legislation refers to Article 1792 of the Civil Code. The legal relationship of granting power of attorney encompasses the rights and obligations of the parties involved, as stipulated by the legal relationship itself, specifically: a connection between two or more legal entities. This legal relationship involves a situation where the rights and obligations of one party are in opposition to the rights and obligations of the other party.<sup>17</sup>

In the legal relationship between an insurance customer (referred to as the insured, policyholder, or participant) and a broker, the customer grants the broker the authority to perform specific legal actions as instructed by the customer. These actions include selecting insurance products, submitting insurance documents, acting on behalf of the customer in negotiating terms, and settling of a claim. This aligns with the inherent nature of providing power, which involves the act of “representing” the individual who has been given the authority to oversee and execute the affairs of the person granting the power of attorney.<sup>18</sup> Legal relationships in the insurance business are like legal relationships in the banking business, namely fiduciary relationships, or relationships of trust.<sup>19</sup>

To ensure that the broker’s activities align with the customer’s instructions, there are numerous requirements that the broker must fulfil within the legal relationship between the broker and the customer. These obligations include:

1. Assist, explain and recommend the best coverage for the insurance needs of prospective policyholders/insured, including clarity of products that suit the needs of prospective policyholders/insured, terms, and conditions of insurance coverage;

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<sup>16</sup> JDavid Cummins and Neil A Doherty, ‘The Economics of Insurance Intermediaries’ (2006) 73 *Journal of Risk and Insurance* 359, 360 <<https://onlinelibrary.wiley.com/doi/10.1111/j.1539-6975.2006.00180.x>> accessed 11 April 2024.

<sup>17</sup> Aryo Dwi Prasnowo and Siti Malikhatun Badriyah, ‘Implementasi Asas Keseimbangan Bagi Para Pihak dalam Perjanjian Baku’ (2019) 8 *Jurnal Magister Hukum Udayana (Udayana Master Law Journal)* 61, 70.

<sup>18</sup> Yahya Harahap, *Segi-Segi Hukum Perjanjian*, vol Cet.2 (Alumni 1986) 306.

<sup>19</sup> Hari Sutra Disemadi and Paramita Prananingtyas, ‘Perlindungan Hukum Terhadap Nasabah Perbankan Pengguna CRM (Cash Recycling Machine)’ (2019) 8 *Jurnal Magister Hukum Udayana (Udayana Master Law Journal)* 386, 392.

- and identifying the risk profile of potential policyholders/insured.
2. Provide correct, not false and/or not misleading information regarding the level of risk, benefits, obligations, and cost charges to prospective policyholders/insured. In this case, the insurance broker company can obtain input or direction from experts.
  3. Recommend insurance companies that can cover coverage.
  4. Explain the contents of the policy including the rights and obligations of the policyholder/insured.
  5. Be responsible for all actions in terms of providing recommendations to policyholders/insured regarding insurance coverage.
  6. Manage information, data and/or supporting documents relating to policyholders/insured.
  7. Keep customer data and/or information confidential to third parties unless approved by the policyholder/insured and/or determined by law.
  8. Handle any needs and/or complaints complained by policyholders/insured regarding the implementation of insurance.

The claim submission and payment step is crucial for both the insurer and the insured, as it marks the conclusion of the insurance relationship. At this stage, the insurance broker must possess adequate competence to facilitate the achievement of a mutually agreed-upon resolution, specifically ensuring that the terms outlined in the insurance agreement (contract) are consistently enforced. Failure to do so may result in disputes between the insurer and the insured. According to Mulhadi, legal problems in insurance contracts might arise when both parties fail to fully meet their obligations as stated in the mutually agreed-upon contract.<sup>20</sup>

Insurance brokers have numerous fundamental obligations in supporting their role as an “intermediary” in submitting and resolving claims. These obligations include:

1. Assist customers in fulfilling the requirements for submitting claims to insurance companies.
2. Assist customers in providing supporting documents required in the claim submission process; progress on the status of claims/benefits submitted; and the value approved by the insurance company for the claim application.
3. Handle claims and complaints from policyholders/insured through a fast, simple, accessible, and fair process.
4. Submit claims/benefits that have previously been placed by the insurance company in premium accounts created by brokerage companies at conventional/syariah commercial banks.

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<sup>20</sup> Mulhadi, ‘Prinsip Itikad Baik Sempurna (Utmost Good Faith) Berkeadilan Dalam Penyelesaian Sengketa Asuransi Melalui Pengadilan Sebagai Upaya Memberikan Perlindungan Hukum Kepada Tertanggung’ (PhD, Universitas Padjadjaran 2022) 100.

5. If an insurance dispute occurs, the brokerage company is obliged to assist the policyholder/insured in the process of resolving the dispute either through court or outside court.

About the insurer (insurance company), several obligations are attached to the broker, including:

1. Provide clear information about the insurance object to the insurance company.
2. Provide premium payments that have previously been placed in a premium account to the insurance company.
3. Receive a distribution of claims/benefits from the insurance company first, before handing them over to the policyholder/insured.

Specifically for the claim submission and settlement stages, the broker's obligations include:

1. Provide initial notification to the insurance company regarding claim submission.
2. Submit supporting documents to the insurance company to expedite the claim settlement process.
3. Provide all information (including the amount of the claim value approved by the insurance company) regarding the progress or status of the claim submitted for further notification to the policyholder/insured.

Therefore, the role of brokers in implementing insurance agreements is very important and comprehensive, starting from upstream, namely being an intermediary for the insured in closing insurance, to downstream, namely at the time of claim settlement.

### **Optimizing the Role of Brokerage Institutions in Creating Public Trust**

Insurance broker institutions aim to facilitate the parties involved in reaching and executing insurance agreements effectively. This not only benefits the parties involved but also enhances public trust in insurance products, thereby strengthening the insurance industry's position in Indonesia's economic ecosystem.

Public trust is a crucial foundation for the expansion and advancement of the insurance sector, given that insurance is a business heavily reliant on trust. This is particularly significant due to the susceptibility of the insurance industry to fluctuations in market conditions, occurring risks, regulatory changes, and advancements in

information technology. Trust plays a crucial role in the acceptance of new products or services offered by companies like banks and insurance firms.<sup>21</sup>

The level of confidence that the public has in insurance has a substantial influence on the insurance sector. Insufficient trust can result in a diminished public inclination to acquire insurance products, hence impacting the expansion and profitability of the insurance sector. Hence, insurance companies must give utmost importance to cultivating public confidence in their business operations, particularly in the realm of marketing insurance products. This is crucial as customers are more likely to remain loyal to a company and its insurance offerings if they have faith in the company's competence and its ability to consistently deliver on its promises in terms of providing insurance coverage and benefits.<sup>22</sup>

It is crucial to prioritize the establishment of public trust in the brokerage business, as the connection between the insurance industry and insurance brokers is interdependent and mutually supportive. The insurance business offers insurance goods to the public, whereas insurance brokers serve as intermediaries connecting insurance companies with prospective customers. Insurance brokers play a crucial role in the insurance sector by helping to grow the customer base, boost revenues, and enhance customer relationships. Insurance brokers also offer insights into the insurance sector regarding customer requirements and evolving market trends.

Thus, to establish public confidence in insurance organizations, brokers might undertake various measures such as:

1. Increase public insurance literacy.

Literacy, in grammatical terms, can be succinctly defined as an individual's aptitude for both reading and writing.<sup>23</sup> Within the insurance domain, literacy refers

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<sup>21</sup> Mona Oruji, Mohammad Hassanzadeh and Mohammad Feizi, 'The Impact of Relationship Marketing and New Product Features on Customer's Perceptions and the Intention of Their Acceptance in Life and Investment Insurance' (2014) 3 Kuwait Chapter of Arabian Journal of Business and Management Review 406, 419 <<http://Platform.almanhal.com/CrossRef/Preview/?ID=2-74791>> accessed 11 April 2024.

<sup>22</sup> Yuniarti Fihartini, 'Pengaruh Kepercayaan dan Kualitas Layanan terhadap Loyalitas Nasabah Asuransi di Bandar Lampung', *OJK Harapan Baru Sistem Keuangan Indonesia* (Forum Riset Ekonomi dan Bisnis, Fakultas Ekonomi dan Bisnis Universitas Lampung 2012) 244 <<http://repository.lppm.unila.ac.id/id/eprint/4720>>.

<sup>23</sup> David R Olson, 'Education and Literacy' (2009) 32 *Journal for the Study of Education and Development* 141, 142.

to the capacity to comprehend and grasp the intricacies of insurance, encompassing not only its definition but also its operations, advantages, and offerings.

One approach to enhance the effectiveness of insurance brokerage institutions is to enhance public knowledge and understanding of insurance. This can be achieved by the implementation of counselling and educational programs focused on insurance, which can be conducted at several levels, ranging from formal educational settings to community outreach initiatives. Research findings from the Katadata Insight Center indicate that Indonesia's financial literacy index is projected to reach 69.7 points on a scale of 0-100 points by 2023.<sup>24</sup> Truly, when examining this number, it is evident that the financial literacy index cannot be deemed effective since it is just marginally above 50%. Moreover, there is a risk of it declining further if significant measures are not implemented to enhance it. Thus, in this situation, insurance brokerage firms have the potential to actively educate the public regarding the significance of insurance and the process of selecting the appropriate insurance product.

2. Increase transparency of insurance product information.

Enhancing the transparency of insurance product information is necessary to instill confidence in the public regarding the guaranteed and reliable nature of the given insurance products, without any concealment of facts. This is a legal requirement outlined in Article 16, paragraph (1) of the Indonesia Financial Services Authority Regulation Number 6/POJK.07/2022 concerning Consumer Protection in the Financial Service Sector. The regulation stipulates that: "Financial Services Business Actors are obliged to provide information regarding products and/or services that are clear, accurate, correct, easy to access, and do not have the potential to mislead consumers".

Insurance brokerage organizations should guarantee that the information given to customers about insurance products is unambiguous, comprehensive, and

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<sup>24</sup> Erlina F. Santika, "Indeks Literasi Keuangan Indonesia (2020 dan 2023)," November 12, 2023, <https://databoks.katadata.co.id/datapublish/2023/12/11/indeks-literasi-keuangan-indonesia-naik-pada-2023>.

free from any deceptive elements. Brokers can assist customers in comprehending the intricacies of insurance policies, including the advantages, hazards, and stipulations. Furthermore, insurance goods are not commonplace commodities that individuals may readily comprehend and utilize.

3. Facilitate consumers in completing insurance claims.

A significant challenge insurance users encounter is the intricate and time-consuming nature of the claim procedure. Indeed, in certain instances, to secure their entitlement to customer claims, companies must utilize a protracted dispute resolution procedure. Insurance brokerage organizations have a significant role in facilitating customers' efficient and effective completion of the claim management process. Insurance brokerage institutions can enhance client satisfaction and uphold the insurance industry's reputation as a trustworthy organization by delivering excellent claims settlement services.

4. Provide advice to the FSA regarding insurance regulations.

The insurance sector is subject to extensive regulations, resulting in a wide array of complex regulatory products. This occurs due to the diverse nature of firms within the insurance industry, each possessing unique characteristics that necessitate specific rules for each type of business. Insurance brokerage institutions can contribute to fostering public trust in the insurance sector by advising the Financial Services Authority on regulations that are effective, fair, responsive to industry developments, and provide sufficient protection for customers. Furthermore, the insurance broker industry can also aid in assessing and overseeing legislation enforcement. Brokerage institutions can recommend the application of legislation in the industry and submit suggestions for enhancements which can be done by submitting recommendations or criticism through the Indonesian broker association to FSA when it is about to issue regulations that are directly or indirectly related to the duties and responsibilities of brokers.

5. Strengthening national broker associations.

Associations play a vital role in the insurance sector by offering protection and insurance services to their members. Hence, the ongoing pursuit of strengthening

associations is crucial to establishing a robust and resilient association.

Enhancing broker associations can be achieved by fostering improved communication among members, enabling a comprehensive and accurate comprehension of the risks they encounter. This encompasses a comprehension of the perils encompassed by the insurance policy, the categories of claims that can be submitted, and the prescribed procedure for filing claims.

Enhancing connections in the insurance sector through efficient communication and a comprehensive comprehension of the risks they assume can augment association members' understanding and consciousness of the coverage they obtain. Undoubtedly, this has a beneficial effect on the trust that association members have in the association and the quality of insurance services provided to clients. Ultimately, this results in the establishment of public trust.

## **Conclusion**

Insurance brokers play a crucial role in insurance operations in Indonesia as they serve as mediators between the insured party and the insurer. Insurance brokers fulfil their responsibilities by offering advisory services and serving as intermediaries in finalizing insurance agreements and managing claims settlements. Insurance brokers assist policyholders in selecting insurance products and providers, overseeing the claims procedure, and resolving disputes. To enhance public trust in insurance brokers, various strategies can be employed, such as enhancing public insurance literacy, improving the transparency of insurance product information, and streamlining the resolution of insurance claims for consumers. Insurance brokers offer guidance to the Financial Services Authority concerning insurance rules.

To establish public confidence in insurance, the insurance sector should enhance its regulatory mechanisms at a broader level. This will help prevent any ambiguity in the law and ensure better legal safeguards for customers. At a smaller scale, each regulation implemented by insurance companies can contribute to providing certainty. The organization should demonstrate a distinct policy in upholding commercial ethics and integrity, along with a dedication to creating effective corporate governance.

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