
REINTERPRETING ARTICLE 251 KUHD: CASE STUDY OF CONSTITUTIONAL COURT DECISION NO. 83/PUU-XXII/2024

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Abstrak

Pasal 251 Kitab Undang-Undang Hukum Dagang (KUHD) Indonesia memberikan hak kepada perusahaan asuransi untuk membatalkan perjanjian asuransi secara sepihak jika tertanggung menyembunyikan atau memalsukan fakta relevan, meskipun tanpa niat jahat. Meskipun berlandaskan pada doktrin *uberrimae fidei* (itikat baik), pasal ini menimbulkan kekhawatiran tentang kepastian hukum dan keseimbangan hak kontraktual. Pada 2024, Mahkamah Konstitusi Indonesia mengeluarkan Putusan No. 83/PUU-XXII/2024, yang menyatakan Pasal 251 bersyarat inkonstitusional. Mahkamah memutuskan bahwa pembatalan asuransi harus melibatkan kesepakatan bersama atau keputusan pengadilan, dengan menekankan perlindungan prinsip konstitusional keadilan dan kewajaran. Keputusan ini mengubah lanskap hukum dengan membatasi kekuasaan sepihak perusahaan asuransi dan memperkuat kewajaran prosedural. Hal ini mendorong Otoritas Jasa Keuangan (OJK) untuk memperbarui kerangka hukum dan pedoman pembatalan kontrak, serta mempertegas perlindungan hak pemegang polis.

Abstract

Article 251 of the Indonesian Commercial Code (KUHD) grants insurance companies the right to unilaterally annul insurance contracts if the insured party conceals or misrepresents relevant facts, even without malicious intent. While grounded in the doctrine of *uberrimae fidei* (utmost good faith), this provision raises concerns about legal certainty and the balance of contractual rights. In 2024, the Indonesian Constitutional Court issued Decision No. 83/PUU-XXII/2024, declaring Article 251 conditionally unconstitutional. The Court ruled that insurance contracts cannot be annulled solely by the insurer without mutual agreement or a judicial decision, emphasizing the protection of constitutional principles of fairness and justice. This decision reshapes the legal landscape by limiting insurers' unilateral power and strengthening procedural fairness. It also urges the Financial Services Authority (OJK) to update legal frameworks and annulment procedures, reinforcing the protection of policyholders' rights.

INTRODUCTION

In Indonesia's legal system, insurance agreements are regulated under Article 251 of the Commercial Code (KUHD), which grants insurance companies the right to unilaterally cancel an insurance agreement if there is a lack of fairness or disclosure of information by the insured party, even without any bad intent (Aulia Sidabariba et al., 2023). This provision has been accepted for years as part of the principle of *uberrimae fidei* or good faith, which requires both parties in an insurance contract to disclose material information that could affect the decision to underwrite the risk. However, although this provision aims to maintain the integrity of the insurance system and protect insurance companies from potential losses due to fraud, many parties feel that it creates an imbalance in the legal relationship between insurance companies and the insured. The insured often feels that they lack adequate protection, especially when a cancellation decision is made unilaterally without an opportunity to defend themselves or resolve the dispute fairly (Fauzi et al., 2023).

In 2024, the Constitutional Court of the Republic of Indonesia issued ruling Number 83/PUU-XXII/2024, which declared that Article 251 of the KUHD is conditionally unconstitutional (Assegaf Hamzah & Partners, 2025). The ruling mandates that insurance agreements cannot be canceled unilaterally by insurance companies but must instead be done through mutual agreement between both parties or based on a court ruling. This Constitutional Court decision is crucial, as it not only has the potential to change the dynamics of the legal relationship between insurance companies and the insured but also touches on the fundamental principle of protecting the constitutional rights of the insured, which has long been considered inadequately protected under the existing provision. Therefore, it is important to conduct a deeper study on the implications of this decision on the legal practice of insurance in Indonesia.

The selection of this topic is based on the relevance and urgency of understanding the impact of the Constitutional Court's decision on the legal practice of insurance in Indonesia. The provision in Article 251 of the KUHD, which grants unilateral cancellation rights to insurance companies, has long been a source of controversy. Many parties, particularly legal practitioners and the insured, argue that this provision does not reflect the principle of fairness in contractual relationships, particularly because of the imbalance of positions between the insurance company and the insured. Additionally, the Constitutional Court decision opens up an opportunity to examine how Indonesia's legal system can offer more equitable protection for both parties in an insurance contract. This is becoming increasingly relevant given globalization and the rapid development of the insurance industry, which requires legal updates aligned with principles of fairness and transparency.

This research addresses the following main question: What are the implications of the Constitutional Court ruling Number 83/PUU-XXII/2024 on the application of insurance contract cancellation in Indonesian law?

The purpose of this study is to analyze the impact of the Constitutional Court ruling on insurance contract cancellations, focusing on the changes that occur in the legal relationship between insurance companies and the insured. This research also aims to evaluate how the decision affects principles of fairness and consumer protection in Indonesia's insurance industry.

This study employs a normative approach, analyzing relevant regulations, particularly Article 251 of the KUHD and the Constitutional Court ruling Number 83/PUU-XXII/2024. Additionally, a comparative analysis is used to examine how other countries, such as the UK and Australia, regulate the cancellation of insurance contracts within the framework of the *uberrimae fidei* principle. The data used includes primary sources, such as legal texts and the Constitutional Court ruling, as well as secondary sources, including legal literature on insurance law and consumer protection.

Previous research has discussed the imbalance in insurance agreements, where unilateral cancellations by insurance companies are often seen as a major cause of injustice for the insured. According to Albar et al (2023), although provisions regarding the cancellation of insurance agreements are meant to protect insurance companies from potential fraud, in practice, these provisions are often exploited to take advantage of the insured's weak position. Wongkar (2023) suggests legal reforms that more adequately protect consumer rights, which have become a growing focus in many countries. Additionally, comparisons with countries like the UK and Australia, which have adopted more selective approaches to canceling insurance, show that these steps can enhance fairness in contractual relationships (Lynn et al., 2023).

This study will rely on contract theory, with a focus on the principles of freedom of contract and fairness in the execution of agreements. In this context, consumer protection theory also plays a significant role, as consumer rights in insurance agreements are often overlooked due to the imbalance in the regulation of contract cancellations. Furthermore, the theory of constitutional rights protection will be employed to assess whether the provisions in Article 251 of the KUHD have conflicted with the human rights principles outlined in Indonesia's 1945 Constitution.

This article is organized into several main sections: first, this introduction, which provides the background, research questions, and objectives of the study. Second, an analysis of the Constitutional Court ruling Number 83/PUU-XXII/2024, which alters the interpretation of Article 251 of the KUHD. Third, the impact of this ruling on the practice of insurance law and consumer protection. Fourth, a comparison with other countries in

regulating insurance contract cancellations. Finally, the conclusion, which proposes necessary reforms in Indonesia's insurance law.

Literature Review

The issue of unilateral cancellation in insurance contracts has long been a subject of debate in both legal and insurance studies. Several studies have explored the implications of such provisions for consumer rights and fairness in the insurance industry. One notable study by Albar et al (2023) critiques the application of Article 251 of the Indonesian Commercial Code (KUHD), noting that it disproportionately favors insurance companies by allowing them to cancel contracts without sufficient justification or notice to the insured. Albar's analysis is grounded in consumer protection theory, emphasizing that such provisions create an imbalance in the contractual relationship, leaving the insured vulnerable to arbitrary decisions. Rahman's study concludes that legal reforms are necessary to ensure that the insured's rights are better protected, particularly by introducing clearer procedural rules for contract termination and enhancing the ability of consumers to contest such decisions in court. However, Rahman's work primarily focuses on the consumer protection angle and does not consider the constitutional implications of the provision, which constitutes a gap in his research.

Another relevant study by Wongkar (2023) takes a comparative approach, examining how other countries like the UK and Australia regulate insurance cancellations and consumer protections. Wongkar highlights that while these countries have similar *uberrimae fidei* principles in their insurance law, they have adopted more stringent procedural requirements for cancellation, including the need for mutual consent or judicial intervention. Wongkar's findings suggest that Indonesia could benefit from adopting similar approaches to improve fairness and transparency in the insurance industry. His conclusions are valuable, but they do not fully engage with the constitutional issues raised by the recent Constitutional Court ruling in Indonesia, leaving room for further exploration into how constitutional rights should influence the regulation of insurance agreements.

In a more recent article, Lynn et al (2023) explores the broader implications of insurance contract cancellations on the global stage, discussing how cancellation provisions interact with human rights principles. Lynn argues that a balance must be struck between protecting the business interests of insurance companies and safeguarding the fundamental rights of consumers. Lynn's work adds an international perspective, but its focus on global trends makes it less applicable to the specific context of Indonesian law, particularly the implications of the Constitutional Court's recent decision. The gap in Lynn's research lies in its limited engagement with Indonesian legal developments, which is critical in understanding the impact of local rulings on global insurance practices.

In addition, an empirical study by Jinaratana et al (2023) investigates the practical effects of unilateral contract cancellation on Indonesian consumers. Jinaratana's study examines several case studies in which insured parties had their contracts canceled, often without adequate recourse. He finds that the lack of legal clarity and procedural fairness in these cases leads to significant dissatisfaction among consumers. Jinaratana's work provides valuable insight into the real-world effects of the existing legal framework but does not analyze the recent Constitutional Court ruling, which is crucial for understanding how these dynamics might change.

Lastly, a critical review by Soesatyo et al (2023) discusses the constitutional implications of insurance law in Indonesia. Iskandar explores the potential conflicts between consumer protection laws and the rights of businesses, concluding that Indonesian law has struggled to strike an adequate balance. His work is particularly relevant to the current study, as it provides a foundational understanding of how constitutional principles can influence legislative reforms. However, Soesatyo's review stops short of addressing the specific ramifications of the Constitutional Court ruling on insurance law, which is the focus of this article.

The gap in the existing literature is the insufficient exploration of the Constitutional Court's 2023 decision and its impact on the practice of insurance law in Indonesia. While previous studies have focused on consumer protection and comparative international practices, there is a lack of in-depth analysis of the constitutional dimensions of the issue. This article aims to fill that gap by evaluating how the Constitutional Court's ruling alters the landscape of insurance law and its implications for both consumers and insurance companies in Indonesia.

Theoretical Framework

The theoretical framework for this study draws from key concepts in contract law, consumer protection theory, and constitutional rights. These concepts help to analyze the implications of the Constitutional Court's decision on Article 251 of the Indonesian Commercial Code (KUHD) regarding the unilateral cancellation of insurance contracts. The theoretical underpinnings provide a foundation for understanding the legal, economic, and ethical considerations surrounding insurance agreements in Indonesia.

First, contract law theory plays a central role in understanding the legal relationships between the parties involved in an insurance contract. The principle of *uberrimae fidei* (utmost good faith) in insurance law requires both parties—the insurer and the insured—to disclose all material facts relevant to the insurance agreement. This principle is enshrined in Article 251 of the KUHD, which allows insurance companies to unilaterally cancel a contract if the insured fails to disclose pertinent information. Contract law theory emphasizes the notion of freedom of contract, where parties are free to enter into agreements but also bound by the principle of fairness and justice.

The issue, however, arises when one party holds more power in the contractual relationship, leading to an imbalance. This imbalance is at the heart of the criticisms against the current application of Article 251 KUHD (Muhammad Ismail, 2022). The Constitutional Court's ruling, therefore, reexamines the extent to which contract law principles should protect consumers from potentially unfair cancellations by insurers.

Second, consumer protection theory is pivotal in understanding the need for balance in the insurance industry. Consumer protection law aims to prevent businesses from exploiting their dominant position over consumers, ensuring fairness in contractual agreements. In the context of insurance contracts, consumer protection theory stresses the importance of safeguarding the rights of the insured party, especially when faced with the risk of unilateral contract cancellation. Wicks (2009) highlights that the current regulatory framework in Indonesia often fails to provide adequate protection for consumers, particularly in the insurance sector, where the unequal bargaining power between insurance companies and insured individuals is evident (Wicks, 2009). The Constitutional Court's ruling addresses this issue by ensuring that contract cancellations are not solely at the discretion of the insurer, but require mutual agreement or judicial intervention, thus strengthening consumer protection in the insurance sector.

Lastly, constitutional rights theory offers insight into the broader legal context in which the Constitutional Court's decision was made. In this framework, the principle of justice and the protection of individual rights as enshrined in the Indonesian Constitution play a crucial role. The Constitution guarantees the right to fair treatment, which extends to contractual relationships and consumer rights. Soesatyo et al (2023) argues that Indonesia's legal framework must evolve to ensure that consumer rights are adequately protected in light of constitutional guarantees. The ruling in 2024, therefore, represents a critical shift towards recognizing that constitutional rights should influence the regulation of insurance contracts, ensuring that the insured's rights are protected against arbitrary actions by insurance companies. The decision not only addresses the issue of fairness in contractual relationships but also aligns the regulation of insurance practices with the broader constitutional mandate of justice and equality.

In summary, this study is grounded in contract law, consumer protection theory, and constitutional rights theory. The combination of these frameworks allows for a comprehensive analysis of the implications of the Constitutional Court's ruling on insurance contracts in Indonesia. By exploring these theoretical perspectives, this study contributes to the understanding of how legal reforms can be implemented to create a more balanced and fair insurance system that protects both insurers and consumers.

RESEARCH METHODS

This study employs a normative legal research method (Khoirunnisa & Jubaidi, 2023), a widely used approach in legal studies that focuses on analyzing legal norms, regulations, and judicial decisions. Normative legal research seeks to understand the legal implications of existing laws, regulations, and court rulings, with an emphasis on interpreting and analyzing legal texts, legislation, and judicial decisions within a given legal framework (Widyaningrum & Jubaidi, 2024). In this context, the study examines the Constitutional Court's ruling on Article 251 of the Indonesian Commercial Code (KUHD) and its impact on the practice of unilateral cancellation in insurance contracts. The objective is to evaluate the ruling's influence on consumer protection, insurance law, and constitutional rights in Indonesia.

The study uses a qualitative research approach (Jubaidi, 2023), focusing on legal analysis rather than empirical data collection. The primary source of data will be legal documents, including the Constitutional Court's ruling, the text of Article 251 KUHD, and relevant legislation and case law. Secondary sources will include academic articles, legal commentaries, and books that discuss insurance law, contract law, and consumer protection in Indonesia. These sources will help to contextualize the Constitutional Court's decision within the broader legal and constitutional framework of Indonesia.

The analysis will be doctrinal (Khoirunnisa et al., 2025), which involves examining and interpreting legal texts, judicial decisions, and statutes. Doctrinal research is common in legal scholarship and focuses on the legal meaning and interpretation of laws and legal precedents. In this study, the doctrinal approach will be used to critically analyze the legal reasoning behind the Constitutional Court's ruling on Article 251 KUHD, with a focus on how the ruling aligns with or deviates from established principles of contract law and consumer protection. The study will also explore how the ruling reflects broader constitutional principles, including justice, fairness, and the protection of individual rights as enshrined in the Indonesian Constitution.

To strengthen the analysis, the study will also incorporate comparative legal analysis. This will involve comparing the Constitutional Court's ruling with similar cases in other jurisdictions, particularly in countries that have robust consumer protection frameworks, such as the United Kingdom and Australia. Fauzan & Budhisulistiyawati (2022) points out that such comparative analysis provides valuable insights into how other legal systems regulate unilateral contract cancellations in insurance contracts and the role of judicial oversight in protecting consumer rights. By comparing the Indonesian legal approach with that of other countries, this study aims to identify best practices that could inform future legal reforms in Indonesia.

Additionally, the study will employ a doctrinal analysis of case law. By reviewing previous rulings from Indonesian courts related to insurance contracts, the study will assess how these rulings have shaped the current legal landscape surrounding unilateral cancellations. This analysis will also include examining relevant legal opinions, both from lower courts and the Constitutional Court, to determine the legal rationale behind these decisions and how they have impacted the rights of consumers and insurance companies in practice.

Finally, this study will adopt a descriptive-analytic approach to assess the implications of the Constitutional Court's ruling. The descriptive aspect of the research will involve providing a detailed account of the legal texts, court decisions, and statutes relevant to the topic. The analytic aspect will involve critically evaluating the legal and constitutional implications of the ruling, considering its impact on insurance law and consumer protection in Indonesia.

In conclusion, this study will use a normative legal research methodology, primarily relying on qualitative data sources such as legal documents, statutes, case law, and academic literature. The research will be doctrinal in nature, with a focus on analyzing the legal aspects of the Constitutional Court's ruling, and will include comparative legal analysis to explore potential implications for future reforms in Indonesian insurance law.

RESULT AND DISCUSSION

The discussion section aims to analyze the implications of the Constitutional Court's ruling on Article 251 of the Indonesian Commercial Code (KUHD) regarding the unilateral cancellation of insurance contracts. This ruling represents a critical shift in the interpretation of insurance law and consumer protection in Indonesia. This section will explore the impact of the ruling in four key areas: (1) the legal reasoning behind the decision, (2) the implications for consumer protection, (3) the effects on the insurance industry, and (4) the potential for broader constitutional reform.

Legal Reasoning Behind the Constitutional Court's Ruling

The Constitutional Court's decision on Article 251 of the Indonesian Commercial Code (KUHD) is deeply rooted in the constitutional principles of justice, equality before the law, and legal certainty as articulated in the 1945 Constitution of the Republic of Indonesia. The Court emphasized that the long-standing practice allowing insurers to unilaterally cancel insurance contracts—regardless of whether the insured's omission was intentional or not—violates fundamental rights, particularly the right to legal certainty (*kepastian hukum*) and the protection of property rights (*hak milik*) as guaranteed under Article 28D (1) and Article 28G of the Constitution. The Court declared Article 251 conditionally unconstitutional unless interpreted to mean that cancellation of an insurance agreement must occur either by mutual consent or a judicial ruling (*Putusan MK No. 83/PUU-XXII/2024*).

This landmark decision responds to the structural imbalance in insurance relationships where insurers traditionally possessed disproportionate contractual authority. Under the prior legal regime, insurers had the discretion to terminate contracts based solely on non-disclosure, even in cases lacking malicious intent or actual harm. Such authority rendered policyholders vulnerable to abrupt and potentially unjust terminations, particularly given the complexity of insurance terms and the asymmetry of information between companies and consumers (Mulhadi & Harianto, 2022). By requiring judicial oversight or bilateral consent, the Court ensures that the rights of insured parties are not subordinated to corporate discretion, thereby embedding due process into insurance law.

The ruling also reflects a broader constitutional mandate to ensure justice and promote the protection of individual rights within private contractual arrangements. The Court recognized that contracts, though private in nature, must still conform to the constitutional framework that governs all legal relations in the state. As argued by Albar et al (2023), this approach represents a significant shift in Indonesian constitutional jurisprudence toward incorporating constitutional values, such as substantive fairness and the prevention of arbitrary power—into civil law domains, including commercial and insurance law.

Furthermore, this decision aligns with global trends in regulatory reform that prioritize the rights of consumers in financial services. Comparative studies, such as Alastair Owen (2021), have highlighted the necessity of procedural fairness in contract cancellations, emphasizing that overly broad powers granted to insurers can erode public trust and discourage the growth of the insurance sector. The Constitutional Court's ruling contributes to this movement by compelling insurers in Indonesia to adopt more transparent, accountable, and equitable procedures. It also urges regulators like the Financial Services Authority (OJK) to revise and harmonize insurance regulations to reflect these constitutional imperatives.

In conclusion, the Court's reinterpretation of Article 251 KUHD introduces a paradigm shift in Indonesian insurance law. By embedding constitutional values into contractual enforcement mechanisms, it establishes a higher threshold for insurers seeking to annul policies. This promotes not only legal certainty but also a culture of fairness, equality, and accountability within the insurance industry—goals that are indispensable in fostering trust and protecting the rights of all parties in a modern legal system.

Reinterpretation of the Principle of Utmost Good Faith (*Uberrimae Fidei*)

The Constitutional Court's reinterpretation of Article 251 KUHD significantly shifts the traditional understanding of *uberrimae fidei* in Indonesian insurance law. Historically, this principle obligated the insured party to disclose all material facts, with failure to do so—even unintentionally potentially resulting in unilateral cancellation by the insurer. However, this traditional approach, while aimed at maintaining trust in contractual relationships, placed disproportionate burdens on policyholders, especially in an industry where technical knowledge and legal literacy are unevenly distributed (Mulhadi & Harianto, 2022).

In its ruling, the Court emphasized that the principle of *uberrimae fidei* cannot override the fundamental rights enshrined in the Constitution, such as legal certainty, protection against arbitrary acts, and the right to equal treatment before the law. The Court acknowledged that while good faith remains essential, it must be interpreted in a way that is reciprocal and not solely advantageous to insurers (Prasetianingsih, 2020).

This reinterpretation reflects an evolving understanding in comparative legal systems as well. For instance, in the UK, the Insurance Act 2015 modernized *uberrimae fidei* by replacing it with a "duty of fair presentation," which imposes more balanced disclosure obligations and recognizes remedies proportionate to the degree of the breach (Alastair Owen, 2021). Indonesia's Constitutional Court, while not directly adopting such a framework, implicitly embraces the spirit of this reform by rejecting absolute unilateral powers.

By tethering *uberrimae fidei* to constitutional norms, the Court moves toward a model where both parties must act in good faith, and any remedy for breach, such as contract annulment must follow due process. This shift protects consumers from arbitrary cancellations and aligns domestic legal interpretations with global trends that prioritize fairness and proportionality in insurance disputes.

Implications for Consumer Protection

The Constitutional Court's ruling on Article 251 KUHD marks a transformative moment for consumer protection in Indonesia, especially within the insurance sector. Historically, the insurance industry operated under a legal environment that heavily favored insurers, granting them unilateral authority to annul insurance contracts based on nondisclosure or misrepresentation even when the insured party had no malicious intent. This legal imbalance often placed consumers at a significant disadvantage, leading to uncertainty and limited access to remedies (Jinaratana et al., 2023).

By declaring that contract annulment can only occur through mutual consent or judicial intervention, the Court has mandated a substantial elevation in procedural fairness. This reinterpretation of Article 251 ensures that insurance companies can no longer exercise unilateral power to the detriment of policyholders, thereby promoting a more equitable contractual relationship. The requirement of judicial oversight means that insurers must now present sufficient legal justification for contract termination in a court of law, effectively providing consumers with a platform to defend their rights (Putusan MK No. 83/PUU-XXII/2024).

This shift enhances legal certainty and reinforces the constitutional guarantee of equal treatment under the law. It is particularly relevant in a market where consumers often lack the legal knowledge or bargaining power to challenge contractual clauses or decisions made by powerful insurance entities. As Jinaratana et al (2023) argues, the complexity of insurance documents and the asymmetry of information between insurers and the insured make it imperative that courts play a role in protecting weaker parties in contractual arrangements. The ruling thus contributes to the development of a consumer protection regime that is both more transparent and more aligned with democratic legal principles.

Igbinenikaro & Adewusi (2024) further contends that in the evolving landscape of global financial services, traditional models of consumer protection must be updated to reflect the rise of institutional power and technological complexity. The Court's decision is a response to these global pressures, signaling Indonesia's commitment to aligning its legal norms with international standards for fair business practices. It also indirectly calls on regulatory bodies such as the Financial Services Authority (OJK) to develop and enforce clearer rules on contract cancellation, ensuring that consumers are shielded from exploitative practices.

Moreover, the decision supports the broader framework of access to justice by removing barriers that previously prevented consumers from effectively disputing unfair terminations. In doing so, it affirms the constitutional principle that all citizens deserve equal legal protection and access to judicial remedies a foundational concept in democratic legal systems.

In summary, the Constitutional Court's ruling has reinforced the principle of substantive justice in the insurance sector by protecting the rights of policyholders through due process. It marks a paradigm shift toward greater fairness, transparency, and accountability, setting a precedent for further legal reforms aimed at strengthening Indonesia's consumer protection infrastructure.

Effects on the Insurance Industry

While the Constitutional Court's ruling on Article 251 KUHD prioritizes consumer protection and procedural justice, it simultaneously poses significant implications for the operational and legal landscape of the insurance industry in Indonesia. Traditionally, insurers have relied on the doctrine of *uberrimae fidei* or utmost good faith as a legal basis to swiftly annul contracts when they suspect nondisclosure or misrepresentation. The

now-restricted ability to unilaterally terminate contracts challenges this long-standing industry norm, compelling insurers to adopt more structured, legally sound approaches for contract enforcement and dispute resolution (Jinaratana et al., 2023).

This ruling necessitates systemic adjustments within insurance institutions. Companies are now required to implement enhanced verification mechanisms at the underwriting stage and establish internal legal review processes before initiating contract termination. As a result, operational costs may rise due to the need for more robust legal compliance procedures and the potential increase in litigation arising from contested cancellations. Jinaratana et al (2023) emphasizes that these regulatory shifts could be especially burdensome for smaller insurance providers with limited resources, as they struggle to adapt quickly to the new procedural demands.

Moreover, there may be broader market consequences. To mitigate increased legal and financial risks, insurers might raise premium rates, tighten underwriting criteria, or introduce more comprehensive disclosure requirements for policyholders. According to Susanto (2024), such market adjustments are not uncommon when regulatory reforms reduce insurers' flexibility, especially in jurisdictions where consumer protection is being strengthened. While these shifts may initially seem disadvantageous to both insurers and consumers, they ultimately promote a healthier insurance ecosystem in the long term.

On a positive note, the ruling also encourages insurers to cultivate greater transparency and accountability, which could improve public trust in the insurance sector. As Jinaratana et al (2023) notes, in an era where consumer confidence is closely tied to corporate ethics and legal compliance, companies that adapt quickly to the Constitutional Court's mandate are more likely to gain a competitive advantage. Compliance with the ruling can be marketed as a commitment to fairness and consumer rights, potentially attracting policyholders who value legal certainty and ethical business practices.

In the long run, the insurance industry is likely to experience a cultural shift from reliance on unilateral authority to a model grounded in procedural fairness and regulatory oversight. This aligns Indonesia's insurance practices with international standards, where due process and judicial review are key components of fair insurance regulation. Thus, although the ruling presents short-term legal and administrative challenges, it lays the groundwork for a more sustainable and equitable insurance system.

Potential for Broader Constitutional Reform

The Constitutional Court's decision regarding Article 251 of the Indonesian Commercial Code (KUHD) may catalyze a broader transformation within Indonesia's constitutional and regulatory frameworks. By affirming that consumer protection is not merely a matter of statutory interpretation but a constitutional imperative, the Court has elevated the role of constitutional rights in regulating business practices. This decision, which limits insurers' unilateral authority and reinforces the requirement for due process in contract termination, reflects a deepening constitutionalization of private law (Soesatyo et al., 2023).

Importantly, this ruling suggests that constitutional principles, such as equality before the law, legal certainty, and the protection of property rights-can and should influence legal interpretations in areas traditionally governed by private or commercial law. Soesatyo et al (2023) argues that such developments signal a judicial willingness to subject market practices to heightened constitutional scrutiny, particularly in sectors where asymmetrical relationships leave consumers vulnerable to exploitation.

Furthermore, the decision may open the door to similar constitutional challenges in other regulated sectors. Banking, finance, digital platforms, and e-commerce often involve standard-form contracts and unequal bargaining power, raising comparable concerns about fairness and legal protection for consumers. As Sujono & Nasution (2023) notes, the evolving intersection between constitutional law and commercial regulation presents an opportunity for Indonesia to modernize its legal system and align more closely with global norms that embed consumer protection within constitutional jurisprudence.

This shift may also inspire legislative and regulatory bodies-such as the Financial Services Authority (OJK) to develop policy guidelines and legal instruments grounded in constitutional principles. The Court's intervention thus not only redefines the boundaries of judicial review in commercial contexts but also repositions the Constitution as a foundational framework for the evolution of civil and economic rights in Indonesia.

In the long term, the incorporation of constitutional reasoning into commercial law interpretation could contribute to a more coherent and just legal system, where consumer interests are safeguarded by both public and private law institutions. The ruling on Article 251, therefore, may be viewed not merely as a resolution of a legal technicality but as the beginning of a wider constitutional reform movement with enduring implications across Indonesia's legal landscape.

CONCLUSION

The Constitutional Court's ruling on Article 251 of the Indonesian Commercial Code marks a pivotal moment in the development of insurance law in Indonesia. By curbing the ability of insurers to unilaterally cancel contracts, the decision strengthens consumer protection, ensuring that insurance agreements can only be terminated with mutual consent or judicial oversight. This shift promotes greater fairness in the insurance sector, offering a

more balanced approach between the rights of insurers and those of policyholders. It addresses the historical power imbalance, where insurers had significant leeway to terminate contracts based on non-disclosure or misrepresentation, even if unintentional. The ruling underscores the importance of protecting consumer rights within commercial transactions, reinforcing the principles of legal certainty and justice.

Beyond its implications for insurance law, this decision signals a broader shift toward constitutional reform in Indonesia. It highlights how constitutional principles can guide the regulation of business practices, especially in industries prone to power imbalances. As the Court continues to shape the legal landscape with a focus on consumer protection, it is likely that similar reforms will occur in other sectors such as banking, finance, and e-commerce, where consumer rights often require stronger safeguards. The ruling may thus pave the way for a more comprehensive regulatory framework that ensures fairness, accountability, and transparency in various commercial dealings, further aligning Indonesia's legal system with its constitutional values.

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