


Supervision by the Financial Services Authority on Investment-Based Life Insurance (Unit Link)



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Supervision by the Financial Services Authority on Investment-Based Life Insurance (Unit Link)

Rizky Noor Fajrina, Waspih Waspih

ABSTRACT. Problems with unit-linked life insurance products such as product transparency where the agent does not provide a detailed explanation regarding the characteristics, benefits, risks, and costs of unit-linked life insurance. This study aims to describe the protection of unit link life insurance in Indonesia and the supervision of the Financial Services Authority, the constraints faced and the steps that must be taken so that the insurance business can run well. This study uses a qualitative, sociological juridical approach. Primary data sources were taken by interview, observation, and documentation. While secondary data obtained from legislation, books, journals, scientific articles related to research. The results showed that: (1) The protection of the unit link life insured in Indonesia is not yet in accordance with the existing regulations. Life insurance agents who violate Marketers Standards of Practice and Code of Conduct may be subject to sanctions. Preventive and repressive efforts are carried out by the Financial Services Authority in order to protect the insured. (2) Supervision of the Financial Services Authority in the insurance business is micro-prudential supervision which, by its nature, is divided into prudential supervision and market conduct supervision. The conclusions in this study: (1) The protection of life insurance for unit link in Indonesia is not yet fully in accordance with the applicable regulations, this is due to several life insurance agents that do not meet the applicable rules.

KEYWORDS. Unit Link Life Insurance, Financial Services Authority, Micro-prudential Supervision

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Introduction

The role of insurance as a service product is relatively slow in its development because insurance products are less attractive to consumers to buy. But it is undeniable that insurance plays an important role in a number of industrial and trade activities.¹ The diversity of insurance products offered by an insurance company include health insurance, education insurance, and life insurance. Furthermore, it is emphasized that life insurance is an agreement between a policy holder and an insurance company, which provides guarantees to other family members for the best survival).²

Information disclosure on unit link life insurance product explanation by insurance agents that is not comprehensive, product transparency where agents do not provide detailed explanations related to the characteristics, benefits, risks, and costs of unit link life insurance, giving a large commission by insurance companies to agents in the first year of consumer participation, the assumption of the development of investment returns is quite high, and

¹ Mulyadi Nitisusastro, *Asuransi dan Usaha Perasuransian di Indonesia*, Alfabeta, Bandung, 2013, pp. 3-4.

² Purani GM, "Life Insurance-Growth Engine of Society", *International Journal of Research & Review* Vol 4 No 6, 2017, pp. 28-29.

the investment performance of unit link life insurance is not included in the illustrations presented to consumers.³

The existence of an insurance agreement set forth through this insurance policy is a way that can be used to protect the rights of the insured party from anything that will harm him.⁴ Explanation of the rights and obligations of the insured need to be explained by the agent so that each party can meet their obligations. The rights that must be obtained by the insured are also conveyed and the risks to be received by the insured are also conveyed. But there are still many agents who act out of line with their duties that only prioritize the interests of agents without notifying the risks faced by the customer.

The Financial Services Authority acts as a supervisor in the financial services sector, one of which is insurance making the Financial Services Authority the only supervisor in this sector. The complaints of the insured who feel cheated by the agent complained about it to the Financial Services Authority. The insurance policy basically provides an overview of when the insurance company will pay the insured, the amount to be paid, and matters governing the filing of a claim, where insurance policies are usually explained by the insurance agent or the insurance company to the prospective insured who will register. But in fact, it is not uncommon for insurance agents or insurance companies to be less able to explain the benefits and risks of unit link life insurance products, namely as life insurance and investment.

This institution which oversees the financial services sector is called the Financial Services Authority (OJK). Law Number 21 of 2011 concerning the Financial Services Authority (the Financial Services Authority Act) basically contains provisions regarding the organization and governance of institutions that have regulatory and supervisory authority over the financial services sector. Under the Financial Services Authority Act, the Financial Services Authority has a function to implement a system of regulating overall activities within the financial services sector. With the enactment of the Financial Services Authority Law, all arrangements and supervision of the financial sector that is spread in BAPEPAM-LK and Bank Indonesia will be integrated into the Financial Services Authority. With the establishment of the Financial Services Authority, the regulation and supervision of the

³ Department of Consumer Protection, *Financial Service Sector Consumer Protection Study*. OJK Consumer Protection Department, Jakarta, 2017, p. 8

⁴ Dinda Bertha, "Implementation of Unit Link Bancassurance Insurance Claim Settlement at PT. Astra Aviva Life", *Private Law Journal* Vol. 6 No. 1, 2018, pp. 165-176.

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Capital Market and Non-Bank Financial Industry (IKNB) automatically switches to the Financial Services Authority. As mentioned in Article 4 of the Financial Services Authority Law, one of the objectives of the establishment of the Financial Services Authority is to protect the interests of consumers and the public against violations of laws and regulations in the financial sector that are under the authority of the Financial Services Authority.

This paper is intended to analyze two main things, *first* is what is the protection for unit link life insurance in Indonesia? and *second* is how is the supervision of the Financial Services Authority on unit link life insurance? The objectives to be achieved in the study are to find out and analyze the mechanism for implementing Unit Link Life Insurance in Indonesia and its protection; and also to find out and analyze the Financial Services Authority supervision system mandated in Act Number 21 of 2011 on the implementation of Unit Link Life Insurance.

The theory used by the author is the theory of legal effectiveness and the theory of supervision. The theory of legal effectiveness that was coined by Soerjono Soekanto consisted of 5 (five) factors, namely legal factors, law enforcement, facilities or facilities, society, and culture.⁵ Then the supervision theory consists of 3 (three) stages, namely preliminary supervision, supervision carried out together with activities, and feedback supervision.

Method

This research uses descriptive qualitative research. This type of research uses sociological juridical legal research. Sociological law research is legal research that obtains data from primary data.⁶ Data collection methods are done by interviewing, observing, and documenting and studying literature.

⁵ Soerjono Soekanto, "Kesadaran hukum dan kepatuhan hukum" *Jurnal Hukum & Pembangunan* Vol. 7 No. 6, 1977, pp. 462-470; Soerjono Soekanto, *Sosiologi suatu pengantar*, UI Press, Jakarta, pp. 53-56.

⁶ Ronny Hanitijo Soemitro, *Metodologi Penelitian Hukum dan Jurimetri*, Ghalia Indonesia, Jakarta, 1990, p. 52-53. See also Lexy J. Moleong, *Metodologi Penelitian Kualitatif*. Bandung, Remaja Rosda Karya, 2010.

Covered Insurance for Unit Link Life Insurance in Indonesia

Unit-linked life insurance company provides authority to marketers, such as financial advisors, financial consultants, or generally better known as agents for marketing unit-linked life insurance products. The basis for an insurance agent to be able to do product marketing in addition to being required to have an insurance sales agent license certification, the agent is also required to have special unit-linked certification in order to market unit-linked products. The certification is issued by the Indonesian Life Insurance Association (AAJI) and must be renewed every 2 (two) years. Agents who already have the certification can market the unit linked product of a life insurance company based on an agency agreement between the life insurance company and the agent.

Unit link product marketing is carried out by insurance agents through several stages, namely prospecting, approaching, fact finding, sales presentation, trial close, and closing. Prospecting is the initial stage of the agent will look for prospective insured if life insurance is needed, then the agent will approach the insured candidate. This approach stage forms the closeness between the agent and the prospective insured so that the agent can easily conduct fact finding in obtaining data to identify the insured candidate in determining the product that suits the needs and desires of the insured candidate.

The agent has found a suitable product and then will conduct a sales presentation to provide an explanation to the prospective insured about the product that suits their needs. This is clearly stated in Article 16 of the Financial Services Authority Regulation Number 1 / POJK.07 / 2013 concerning Consumer Protection of the Financial Services Sector which stated that: "Financial Service Institutions must pay attention to the compatibility between the needs and abilities of consumers with the products and / or services offered to consumers."

However, life insurance agents often do not provide detailed explanations regarding the characteristics, benefits, risks, and costs of unit link life insurance. If the explanation given by the agent is as desired by the prospective insured, a trial close is then conducted. Trial close is an effort so that the prospective insured knows the monthly premium payment, the costs that are in the unit link, and the amount of Sum Insured to be obtained.

The last stage is the closing (closing of sales) which is the final decision of the prospective insured to decide whether or not to buy unit link products

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that have been offered by agents. This stage is the root of honesty from prospective customers, if the prospective customer does not fill the documents honestly then the risk that occurs is when the claim will not be processed by a life insurance company. The insured submits an application related to his unit link life insurance as outlined in the Life Insurance Application Letter (SPAJ). Life Insurance Application Letter (SPAJ) is a document provided by the guarantor to be filled out and signed by a prospective customer which includes statements from prospective customers relating to coverage data. Through the letter, the insured has a policy number that serves as the customer's identity and a means to make premium payments.

The next requirement that must be carried out by the prospective insured after completing the Life Insurance Application Letter (SPAJ) is to conduct a medical check-up. This health test is carried out in order to cope with manipulation of data that can harm the insurer in the future, and also to equate health data that has been filled by the insured in the Life Insurance Application Letter (SPAJ). This health test produces two possibilities, namely if the insured is declared to have a congenital disease, then the guarantor only provides coverage for the disease. If the death does not occur due to the disease, then the insured cannot submit a claim and if the insured suffers from a disease that is not severe and can still be cured, then there must be an extra premium the amount determined by the guarantor. The following below is a product marketing flow by the agent:

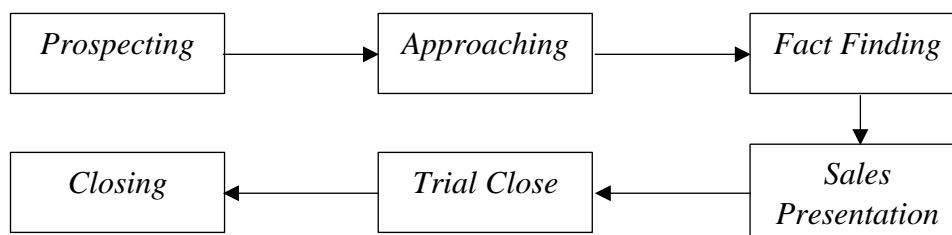


Fig. 1 Unit Link Life Insurance Product Marketing Process

Source: Interview Results by Authors

Unit link life insurance is synonymous with protection and investment. The insured decides to buy a unit link life insurance policy with one of his goals to get the return on the investment attached to the unit link life insurance product. The division of profits from investment returns promised by life insurance companies, certainly does not necessarily get the benefits as expected by the insured. Determination of the allocation of funds

(premiums) for protection and investment accounts is the choice of the insured himself. The insured has the freedom to choose the percentage amount to be set for the protection account in this case life insurance and the percentage amount for the investment account.⁷

Unit link life insurance makes it easy for customers who have investments without having to take care of themselves starting from opening, buying to selling and having to go back and forth to the bank to take care of it and conduct research to determine which mutual funds are suitable. However, unit link life insurance makes it easy so that costs such as acquisition costs, investment buying and selling spreads, investment purchase costs, and administrative costs take up the insured premium. So that in the first year to the third year the insured does not necessarily get a large investment return because it is necessary to pay a large acquisition cost. The benefits of unit-linked life insurance customers can be enjoyed if you make long-term investments as shown on Table 1.

Table 1. Life Insurance Cost at Unit Link

Cost Type	Amount (explanation)
Insurance fee	Depends on your age, gender, coverage, and other risks
Acquisition Cost	70% in the first year, 70% in the second year, 20% in the third to fifth years, and 0% in the sixth year and so on
Administrative costs	Annual = Rp. 10,000 Half Yearly = Rp. 20,000 Quarterly = Rp.27,500 Monthly = Rp. 35,000
Investment Management Costs	It is stated in the policy
Funds Transfer Costs	Rp. 100,000 per transaction, free of switching costs as much as 5 times in each policy year
Withdrawal Fees	Cost =% x periodic premium unit balance withdrawn
Top Up Fee	Top up fee is 5% of top up premium
Tax	Taxes imposed on withdrawal or redemption of the policy in accordance with applicable laws and regulations

Source: PRULink Prudential

Contained in the Standards of Practices and Code of Ethics for Marketers that marketers must always provide clear, true and complete

⁷ Also see Rusydiana, Aam S., and Taufiq Nugroho. "Measuring Efficiency of Life Insurance Institution in Indonesia: Data Envelopment Analysis Approach." *Global Review of Islamic Economics and Business* Vol. 5 No. 1, 2017, pp. 12-24.

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information to the life insurance company represented, prospective insured, and insured. However, if there are agents who violate these provisions and harm life insurance companies or the insured, life insurance companies can impose sanctions on each agent in the form of written warnings, reporting violations of marketers to the Indonesian Life Insurance Association (AAJI) to be included in the List of Troubled Marketers and / or revocation of agency certification, screening, and / or termination of agency agreements.

The Financial Services Authority has 2 (two) efforts to protect the insured, namely preventive and repressive measures. Preventive efforts namely education provided through various mass media as well as social media and socialization conducted by the Financial Services Authority as a whole both in elementary schools, junior high schools, senior high schools, universities, and organizations in the community both in villages and cities through the FSA program Teach. Then repressive efforts namely making regulations include the Financial Services Authority Regulation (POJK) and the Board of Commissioners' Circular Letter (SEDK) and the filing facility for the insured and financial service institutions.

The Financial Services Authority through Consumer Protection Education (EPK) has the ability to evaluate the occurrence of risks early. Dispute resolution contained in Article 32 Paragraph (1) of the Financial Services Authority Regulation Number 1 / POJK.07 / 2013 concerning Consumer Protection of the Financial Services Sector stated that “Financial Service Institutions are required to have and implement a service mechanism and complaint resolution for consumers.”

Complaints in each life insurance company are the first stage of dispute resolution (Internal Dispute Resolution). If the insured is not satisfied with the actions of the financial service institution, then the second stage will be carried out, namely External Dispute Resolution by conducting dispute resolution outside the court or through the court. This is explained in Article 39 of the Financial Services Authority Regulation Number 1 / POJK.07 / 2013 Concerning Consumer Protection in the Financial Services Sector, that:

- (1) In the event that a complaint settlement is not reached, the consumer can settle the dispute outside the court or through the court; and
- (2) Settlement of disputes outside the court as referred to in paragraph (1) shall be carried out through alternative dispute resolution institutions.

Disputes that can be followed up by the Financial Services Authority are complaints that indicate disputes in the financial services sector and civil cases which have the largest amount of losses of Rp. 500,000,000.00 rupiah

for life insurance disputes. The granting of dispute resolution facilities carried out by the Financial Services Authority is an effort to bring the insured together with the guarantor to review the problem fundamentally in order to obtain a settlement agreement. Based on Article 45 of the Financial Services Authority Regulation Number 1 / POJK.07 / 2013 Concerning Consumer Protection in the Financial Services Sector explained that:

- (1) Implementation of the facilitation process until the signing of the Deed of Agreement is carried out within a period of no later than 30 (thirty) working days since the insured and the guarantor signs the facilitation agreement; and
- (2) The duration of the facilitation process can be extended up to the next 30 (thirty) working days based on the Deed of Agreement of the Insured and the Insurer.

So, it can be understood that dispute resolution between the insured and the guarantor can be facilitated by the Financial Services Authority if the dispute is civil, and the maximum loss is Rp. 500,000,000.00 (five hundred million rupiah). Then the form of agreement between the two parties is the Deed of Agreement if it is successful, but if it is not successful it will be set forth in the minutes of the results of the facilitation of the Financial Services Authority signed by the insured and the guarantor.

The problem of legal influence is not only limited to the emergence of obedience or obedience to the law but includes the total effect of the law on actions or behavior that are both positive and negative. A sanction can be actualized to the public in the form of obedience (compliance), with these conditions indicating that there are indicators that the law is effective. Factors that influence the effectiveness of law according to Soerjono Soekanto⁸ include the following:

1. Legal factors

Justice is an inseparable part of the aims of the law. Then without legal certainty people do not know what to do and then anxiety arises. Certainty is defined as clarity of norms so that it can be used as a guide for social life. Without legal certainty, people will not know what to do, do not know their actions are right or wrong, prohibited or not prohibited

⁸ Soerjono Soekanto, "Perspektif Sosiologi Hukum terhadap Pembinaan Hukum." *Jurnal Hukum & Pembangunan* Vol. 11 No.5, 1981, pp. 461-466, see also Soerjono Soekanto, "Kesadaran hukum dan kepatuhan hukum." *Jurnal Hukum & Pembangunan* Vol 7 No. 6, 1977, pp. 462-470; Soerjono Soekanto, "Membudayakan Hukum Dalam Masyarakat." *Jurnal Hukum & Pembangunan* Vol. 7 No. 5, 1977, 326-337.

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by law. Law for humans, so in the implementation of law or law enforcement must provide benefits or uses for the community. The law can then be recognized as a law, if it gives maximum benefit to as many people as possible.

This is in accordance with Law Number 40 of 2014 concerning Insurance and Decisions of the Chairperson of the Capital Market and Financial Institution Supervisory Agency Number KEP-104 / BL / 2006 Regarding Unit Link Products which regulates the terms of marketing of unit link products in order to minimize losses both on the side of the guarantor and the insured. Then the Financial Services Authority Regulation Number 23 / POJK.05 / 2015 About Insurance Products and Insurance Product Marketing which regulates the marketing of insurance products allowed by the Financial Services Authority and Financial Services Authority Regulation Number 1 / POJK.07 / 2013 About Consumer Protection in the Financial Services Sector to protect the insured from upstream to downstream.

2. Law enforcement factors

Section on law enforcement is law enforcement apparatus that is able to provide certainty, fairness, and proportional benefits of law. The law enforcement apparatus encompasses the understanding of law enforcement institutions and law enforcement officials. Law enforcement officials in the realm of life insurance are the Financial Services Authority. The Financial Services Authority (OJK) is a state institution formed under Law Number 21 of 2011 that functions to organize an integrated regulatory and supervision system for all activities in the financial services sector in the banking sector, capital market and non-financial services sector. banks such as Insurance, Pension Funds, Financing Institutions, and other Financial Services Institutions.

Based on Article 4 of Law Number 21 Year 2011 concerning the Financial Services Authority, the Financial Services Authority is established with the aim that all activities within the financial services sector:

- a. Organized regularly, fairly, transparently and accountably;
- b. Being able to realize a financial system that grows in a sustainable and stable manner; and
- c. Able to protect the interests of consumers and society;

So, that the law enforcement factors to measure the effectiveness of the law here are clearly listed in the Article in Law Number 21 of 2011 concerning the Financial Services Authority.

The Financial Services Authority functions to implement an integrated regulatory and supervision system for all activities in the financial services sector. Based on these functions law enforcement has an obligation to provide legal certainty, legal justice, and proportional use of the law. The Financial Services Authority is authorized to impose sanctions on life insurance companies that violate statutory regulations. It aims to create activities in the insurance sector that are sustainable and stable to protect the interests of the insured.

Carrying out its duties and authorities the Financial Services Authority is based on several principles, namely:

- a. The principle of independence, namely being independent in making decisions and carrying out the functions, duties, and authorities of the Financial Services Authority while still in accordance with applicable laws and regulations;
- b. The principle of legal certainty, namely the principle in the rule of law that prioritizes the basis of laws and regulations and justice in every policy of the implementation of the Financial Services Authority;
- c. The principle of public interest, namely the principle that defends and protects the interests of consumers and society and promotes public welfare;
- d. The principle of openness, which is the principle that opens itself to the right of the public to obtain true, honest, and non-discriminatory information about the implementation of the Financial Services Authority while still paying attention to the protection of personal and group human rights, and state secrets, including secrets as stipulated in the legislation invitation;
- e. The principle of professionalism, which is the principle that prioritizes expertise in carrying out the duties and authorities of the Financial Services Authority while still based on the code of ethics and the provisions of the legislation;
- f. The principle of integrity, which is the principle that holds fast to moral values in every action and decision taken in the operation of the Financial Services Authority; and

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- g. The principle of accountability, the principle that determines that every activity and the final results of every activity of the Financial Services Authority must be held accountable to the public.

The legal certainty given by the Financial Services Authority is by designing the Financial Services Authority Regulation which is prepared in line with the development of insurance in Indonesia. In this case the legal certainty given by the Financial Services Authority as law enforcement is concrete and tangible, so that everyone can see it. The existence of Financial Services Authority Regulation Number 23 / POJK.05 / 2015 About Insurance Products and Insurance Product Marketing is a real form of legal certainty from law enforcement because with this regulation both life insurance companies and life insurance agents have guidelines in marketing their products.

3. Factors of facilities or legal facilities

There are legal facilities or facilities in insurance to cope if there is a dispute between the insurance company and the insured. Talking about life insurance certainly cannot be separated from risk and *evenemen*. The risk held by the unit link life insurance is a pure risk.⁹ Pure risk (pure risk) is an event that is still uncertain that a loss will arise, where if the event occurs, the loss arises while if the loss does not occur then the situation returns to normal (neither profit nor loss).

Risk in unit link life insurance is a pure risk classified as individual risk because unit link life insurance protects the life of the insured. Handling of risks that can be carried out by the insured is by accepting the risk, avoiding the risk, preventing the risk, and diverting or dividing the risk. What is most likely to be done by the insured is to divert or share the risk because the risk is related to the event. *Evenemen* are events which according to normal human experience cannot be ascertained or even though they are certain to occur, when they occur they cannot be determined nor are they expected to occur and if they do will result in

⁹ For further reading and comparative study, please also see Marnia Rani, "Asuransi tanggung gugat kapal terhadap risiko dan evenemen dalam kegiatan pelayaran perdagangan melalui jalur laut." *Jurnal Selat* Vol. 3 No. 2, 2016, pp. 425-440; Rusli, Tami. "Klausul Evenemen All Risk dalam Perjanjian Pembiayaan Konsumen." *Pranata Hukum* 4.2 (2009); Hengky KV, Paendong. "Perlindungan Pemegang Polis Pada Asuransi Jiwa Di Kaitkan Dengan Nilai Investasi." *Jurnal Hukum Unsrat* 1.6 (2013): 1-14; Putra, I. N. D. D. (2017). The Influence growth of income, assets, ratio of claim and risk based capital on the profitability of life insurance companies in Indonesia. *International Journal of Business and Commerce*, 6(9), 24-42.

losses. So, that certain steps can be taken, namely by transferring or sharing risk to life insurance companies. Based on the Financial Services Authority Regulation No. 1 / POJK.07 / 2013 Concerning Consumer Protection in the Financial Services Sector, every financial service institution in this case the insurance business is required to have a complaint facility, the purpose of holding this facility is to become a facility for the insured who has complaints that he faces in the period of coverage. In addition, the Financial Services Authority has supporting facilities as a means to achieve its goals, namely a call center that is available for 24 (twenty-four) hours by contacting 157, complaints by letter or walk in, introduction through various media about consumer protection, socialization in various regions and layers which is called the FSA Teaching, and the existence of consumer services through the Financial Information Service System (SLIK).

4. Community factors

The level of public financial literacy every year shows an increase from 2016 which was originally only 29.7% now in 2019 reaching 38.03%. The increase is the result of joint hard work between the Government, the Financial Services Authority, the Ministry / related institutions, the Financial Services Industry and various other parties who continue to strive to continuously improve financial literacy in the community. The education and consumer protection functions are

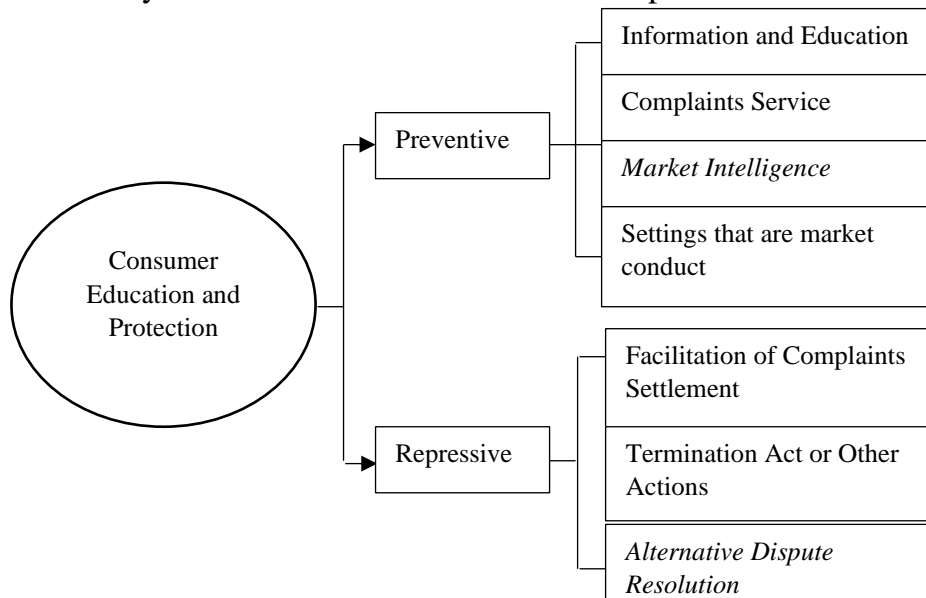


Fig. 2 Consumer Education and Protection Concept
 Source: Get to know the Financial Services Authority and Class X Financial Services Industry

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important pillars in the financial services sector. The concept of consumer education and protection in the realm of insurance at the Financial Services Authority is grouped into two namely preventive and repressive measures. The following concept of Consumer Protection Education which is owned by the Financial Services Authority as shown on Figure 2.

Preventive efforts carried out in the form of regulation and implementation in the field of education and consumer protection. Education is done through various media and methods. Preventive education is needed as a first step to provide good understanding to the community. In this preventive activity, the Financial Services Authority must ensure that the products and services provided by financial service institutions meet the standards.

Then repressive efforts are made in the form of resolution of complaints, facilitation of dispute resolution, termination of activities or other actions, and legal defence to protect the insured. The Financial Services Authority conducts preventive and repressive actions that lead to financial inclusion and financial system stability. Consumer trust and confidence in a functioning insurance market are prerequisites for maintaining long-term financial stability, growth, efficiency, and innovation; and

5. Cultural factors

There are 4 (four) stages of a society to be able to have good legal awareness, namely legal knowledge, legal understanding, legal attitude, and legal behavior patterns. Public legal knowledge about life insurance is not evenly distributed because this is a lot of complaints of the insured to the life insurance party as a guarantor due to unit link life insurance products. Transparency of information from unit link life insurance agents sometimes does not match what the insured will face. This knowledge must be increased to understanding because understanding means the insured can explain and communicate the legal material to other parties.

Supervision of the Financial Services Authority on Unit Link Life Insurance

An insurance company is an institution that is deliberately designed and formed as a risk recipient institution. Thus, insurance companies basically

offer insurance services as a product to the public. Insurance company management is also created in such a way that it can handle the activities of companies that are oriented towards targets as fulfilment of premium payments, investments and claim payments. Collecting funds from the insured called premiums by life insurance companies certainly needs to be monitored so that there are no cheats committed by life insurance companies.

Law Number 21 of 2011 has established the Financial Services Authority as an independent and free agency from the interference of other parties, which has the functions, duties and authority of the regulation, supervision, inspection and investigation as regulated in the law. This is in accordance with Article 5 of Law Number 21 Year 2011 concerning the Financial Services Authority which stated that “OJK functions to organize an integrated regulation and supervision system for all activities in the financial services sector.”

The implementation of the duties of the Financial Services Authority (supervisory board) coordinates and cooperates with Bank Indonesia as the Central Bank. The supervision of the Financial Services Authority is different from the supervision of Bank Indonesia. Supervision conducted by the Financial Services Authority is micro-prudential supervision, while Bank Indonesia conducts macroprudential supervision.

Micro-prudential supervision of the entire financial services industry is carried out by the Financial Services Authority to ensure that in terms of institutional, business processes, governance, capital, liquidity and reporting systems for each financial service institution. Micro-prudential supervision can be done directly (on site supervision) by visiting financial service institutions or carried out off site. The need for on-site and off-site supervision to directly see and monitor the performance of each financial service institution is appropriate and compliant with the provisions issued by the Financial Services Authority.

Market Conduct according to POJK explanation Number 1 / POJK.07 / 2013 Concerning Consumer Protection in the Financial Services Sector stated that "market conduct is the behavior of Financial Service Business Actors in designing, compiling, and conveying information, offering, making agreements, for products and / or services as well as settling disputes and complaint handling. " In accordance with the mandate of Law Number 21 Year 2011 regarding the Financial Services Authority, the Financial Services Authority has a role in:

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1. Arrangement of all financial service sectors;
2. Supervision of all financial service sectors, and
3. Consumer protection of financial services.

The existence of three major roles of the Financial Services Authority in the financial services sector mentioned above, makes the Financial Services Authority has the authority to conduct prudential supervision and market conduct. The need for market conduct supervision is to ensure that aspects of consumer protection implemented by financial services institutions are in accordance with the principles of consumer protection as stipulated in the Financial Services Authority Regulation Number 1 / POJK.07 / 2013 concerning Consumer Protection in the Financial Services Sector.

Indonesia applies an internal twin peak supervision model which means that prudential supervision and market conduct supervision are carried out by one institution, the Financial Services Authority. Market conduct supervision conducted by the Financial Services Authority is to complement the supervision conducted by prudential supervision with a different focus and scope of supervision while maintaining a balance between the growth and development of life insurance companies and the interests of the insured. The objectives of market conduct supervision are as follows:

1. For Life Insurance Companies
 - a. Have a culture and behavior oriented towards the insured, and
 - b. Ensuring the balance and harmonization between the interests of life insurance companies and the insured.
2. For the Insured
 - a. Empower and protect the responsible and / or the community through the role of business actors; and
 - b. Increase the confidence of the insured and / or the public in the financial services sector.

Every life insurance product, both unit link and uncertain, is approved by the Financial Services Authority. So, there is no unit link life insurance product that can harm the insured and benefit the guarantor. This is in accordance with Article 28 Paragraph (1) of the Financial Services Authority Regulation Number 23 / POJK.05 / 2015 2015 concerning Insurance Products and Marketing of Insurance Products stated that “every new insurance product to be marketed must be reported to the Financial Services Authority to obtain an approval letter or registration letter.”

So there are no products circulating in the life insurance industry market in Indonesia that do not pass the approval of the Financial Services Authority. If a life insurance company is found to be in violation of these provisions, the Financial Services Authority is authorized to impose administrative sanctions. Administrative sanctions that may be imposed in the form of written warnings, fines, obligations for directors or equivalent to undergo a reassessment of capability and propriety, restrictions on business activities, and / or revocation of business licenses.

Unit link life insurance that has been explained previously is a combination of insurance and investment. The Financial Services Authority has the authority to make arrangements and supervision in the capital market sector that has been described in the Financial Services Authority Act. Unit link life insurance products are overseen by the Financial Services Authority more precisely in the Non-Bank Financial Industry (IKNB) section, while investments in these products have a responsibility, namely the investment manager overseen by the Financial Services Authority of the capital market section. So that each section already has their respective duties. The mechanism for investment managers entering their own markets is detailed and has their own certificates.

Unit-linked life insurance cannot be separated from the role of life insurance agents who are the spearhead of unit-linked life insurance products. Every life insurance agent is required to take the test after the insurance agent certificate appears which is the identity of each insurance agent. Each insurance agent is registered with the Financial Services Authority through the Indonesian Life Insurance Association (AAJI). The process of becoming an insurance agent is very long, the first prospective agent is obliged to attend education and training in accordance with company regulations and then the agent will be registered with the Indonesian Life Insurance Association (AAJI) to obtain a temporary license which is valid for 6 (six) months. After joining a life insurance company, agents are advised to register with the Indonesian Life Insurance Association (AAJI) to participate in the full agency licensing program.

If within 6 (six) months the agent does not take the exam and the validity of the temporary license expires, the agent is prohibited from selling life insurance. The difference is the story if the agent passes the exam within a period of 6 (six) months then the Indonesian Life Insurance Association (AAJI) will provide a certificate and a full agency license card to the relevant agent through their respective companies. The validity of a full license also

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has an expiration time and insurance agents are obliged to extend their licenses. The Financial Services Authority as a supervisor has the objective to improve the performance of bank and non-bank financial services institutions and protect consumers of the financial services sector. So that the Financial Services Authority has an obligation to provide education about existing regulations to minimize the risks that will be carried out by financial service institutions.

Feedforward control is a form of supervision designed to overcome problems or deviations from the standards or objectives. This oversight aims to achieve the objectives of the establishment of the Financial Services Authority so that all activities in the financial services sector:

- a. Organized regularly, fairly, transparently and accountably;
- b. Being able to realize a financial system that grows in a sustainable and stable manner; and
- c. Able to protect the interests of consumers and society.

Supervision of the Financial Services Authority which is also a microprudential supervision is divided into 2 (two), namely prudential supervision and market conduct. Microprudential supervision aims to ensure that the entire financial services sector, including life insurance, guarantees the health of individual insurance companies. Whereas market conduct supervision aims to ensure that aspects of consumer protection applied by financial service institutions are appropriate to protect the interests of consumers so as not to be disadvantaged.

Market conduct supervision to increase consumer confidence. The scope of market conduct supervision conducted by the Financial Services Authority is in accordance with the product life cycle which includes the process of adjusting products made by life insurance companies to the needs of consumers, making a summary of product information, consumer rights and obligations as well as the terms and procedures for using the product, the marketing process products, and the process of resolving consumer complaints or disputes through internal dispute resolution and external dispute resolution.

Then supervision carried out together with the implementation of activities (concurrent control) aims to ensure the accuracy of the implementation of an activity. The regulation was created to protect insurance companies and the public. In the implementation of these regulations not only do life insurance companies violate them, but the insured also has the potential to violate existing provisions. Micro-prudential

supervision can be done directly (on site supervision) by visiting insurance companies or off site. The need for on-site and off-site supervision is to see and directly monitor the performance of every financial service institution, including insurance companies, is it appropriate and compliant with the provisions issued by the Financial Services Authority.

Feedback control is a form of supervision that measures the results of an activity that has been completed. This monitoring is historical in nature which means that measurements are made after the activity occurs. The supervision of the Financial Services Authority is to process the results of prudential supervision and market conduct supervision as well as financial reports from each life insurance company. So that the Financial Services Authority can evaluate the performance of its supervision, especially in the insurance space in Indonesia, which is stated in the periodic report of each insurance business. Periodic reports provided by the insurance company are divided into monthly, quarterly, semi-annual, annual, and others.

Conclusion

Based on the results of research and improvement that has been carried out by researchers namely about "Supervision by the Financial Services Authority in Investment-Based Life Insurance (Unit Link)", it can be drawn conclusions protection for unit link life insured is carried out by life insurance companies, the Indonesian Life Insurance Association, and the Financial Services Authority. Some obstacles faced by the insured in the form of product transparency where the agent does not provide a detailed explanation. Insurance agents who do not comply with the standards of practice and code of conduct of life insurance marketers may be subject to sanctions. The Financial Services Authority requires every insurance company to own and implement a service mechanism and complaint resolution for consumers. Supervision of the insurance business conducted by the Financial Services Authority in accordance with Law Number 21 of 2011 concerning the Financial Services Authority. Microprudential supervision is more focused on the performance of individual financial service institutions including their conglomerates.

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