

PANORAMIC

INSURANCE LITIGATION

Indonesia

LEXOLOGY

Insurance Litigation

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PRELIMINARY AND JURISDICTIONAL CONSIDERATIONS IN INSURANCE LITIGATION

Fora

In what fora are insurance disputes litigated?

In Indonesia, pursuant to article 44 paragraph (5) *jo*, article 82 paragraph (1b) of Financial Services Authority (OJK) Regulation (POJK) No. 22 of 2023 on Consumer and Public Protection in the Financial Services Sector, insurance disputes are primarily litigated before the district courts under the jurisdiction of the Indonesian civil court system or to alternative dispute resolution forum, which is the Alternative Dispute Resolution Institution–Financial Services Sector (LAPS-SJK). LAPS-SJK provides dispute settlement by way of mediation and arbitration, as stated in article 8 paragraph (3a) of POJK No. 61/POJK.07/2020 on LAPS-SJK. Additionally, arbitration is governed by Law No. 30 of 1999 on Arbitration and Alternative Dispute Resolution, and there are insurance contracts in Indonesia that contain arbitration clauses requiring disputes to be resolved by the Indonesian National Arbitration Board (BANI) or other agreed institutions. Insurance contracts in Indonesia also provide options for the insurer and the insured on the forum should disputes arise, whether before the district court, LAPS-SJK or BANI.

Law stated - 11 July 2025

Causes of action

When do insurance-related causes of action accrue?

Insurance-related causes of action in Indonesia accrue when the insured suffers a loss and the insurer either denies the claim or delays payment unreasonably. Additionally, the cause can also arise from the insured who does not pay the premiums in time, or either the insured or the insurer fails to perform its obligations under the policy.

Law stated - 11 July 2025

Preliminary considerations

What preliminary procedural and strategic considerations should be evaluated in insurance litigation?

Before initiating insurance litigation, several procedural and strategic considerations must be evaluated. Indonesian civil procedure, governed by the Rules of Civil Procedure and the Revised Domestic Regulations, imposes requirements regarding jurisdiction. Should the dispute to be litigated before district courts, the plaintiffs must ensure that the lawsuit is filed before a court with proper jurisdiction (usually where the defendant is domiciled). Parties should also consider any contractual conditions precedent, such as mandatory mediation, as failure to observe it may result in the claim being declared inadmissible. Strategically, the plaintiffs must prepare extensive documentary evidence because Indonesian courts, including in examining insurance cases, rely heavily on documentary evidence on top of fact and expert witnesses testimony.

Law stated - 11 July 2025

Damages

What remedies or damages may apply?

The primary remedy available in Indonesian insurance litigation is compensatory damages, intended to place the insured in the financial position they would have occupied had the loss not occurred. This includes the insured sum under the policy.

Law stated - 11 July 2025

Damages

Under what circumstances can extracontractual or punitive damages be awarded?

Insurance in Indonesia is generally limited to actual losses and loss of expected profits under article 1246, Indonesian Civil Code. However, the coverage subjects to the provisions agreed in the insurance policy.

Law stated - 11 July 2025

INTERPRETATION OF INSURANCE CONTRACTS

Rules

What rules govern interpretation of insurance policies?

The interpretation of insurance policies in Indonesia is governed by general principles of contract law as set out in the Indonesian Civil Code (KUHPer) and supported by specific provisions under the Indonesian Commercial Code (KUHD) and Law No. 40 of 2014 on Insurance (Insurance Law). Article 251 of KUHD upholds the principle of 'utmost good faith', meaning insurance agreements are treated as contracts requiring utmost good faith from both parties. However, the said article was further being examined by the Constitutional Court pursuant to Verdict No. 83/PUU-XXII/2024, which explicitly stated that coverage cancellation due to violation of the principle of 'utmost good faith' based on article 251 of KUHD must be based on the agreement of the insurer and the insured or based on a court decision.

Law stated - 11 July 2025

Ambiguities

When is an insurance policy provision ambiguous and how are such ambiguities resolved?

An insurance policy provision is considered ambiguous when it can reasonably be understood in more than one way or when its wording is unclear or inconsistent. In cases of ambiguity, KUHPer provides the following provisions:

- If the wording of an agreement is clear, no interpretation is permitted that deviates from it.
- If the wording of an agreement allows for multiple interpretations, it is better to investigate the intention of both parties who made the agreement than to strictly adhere to the literal meaning of the words.
- If an undertaking can be interpreted in two ways, it must be understood in the sense that allows the undertaking to be fulfilled, not in the sense that would make its fulfilment impossible.
- If words can be given two meanings, the meaning that best suits the nature of the agreement must be chosen.
- An obligation with two possible interpretations must be interpreted according to the customs of the country or the place where the agreement was made.
- Conditions that are customarily included in agreements must be considered part of the agreement, even if they are not expressly stated.
- All undertakings made within an agreement must be interpreted in relation to one another. Each undertaking must be interpreted in connection with the entire agreement.
- In the case of doubt, an agreement must be interpreted to the detriment of the person who requested the agreement and to the benefit of the person who bound themselves by it.
- No matter how broad the wording used in an agreement, the agreement only covers matters that both parties clearly intended when making the agreement.

Law stated - 11 July 2025

NOTICE TO INSURANCE COMPANIES

Provision of notice

What are the mechanics of providing notice?

Under Indonesian insurance law, the mechanism of providing notice are generally governed by the insurance policy itself. Typically, a policy will stipulate that notice must be given within a specified time frame after the date of the loss. Standard practice requires submission of a written claim notice, along with supporting documentation as required by the insurer.

Law stated - 11 July 2025

Obligations

What are a policyholder's notice obligations for a claims-made policy?

The insured's obligations upon any occurrence that might give rise to a claim, are as follows:

- notify the insurer as soon as possible about the nature and extent of the loss;
- take all steps within its power to minimise the loss;
- preserve the parts affected and make them available for inspection by the insurer;
- give all information and documentary evidence as the insurer may require; and
- immediately inform the police in the case of loss due to theft, burglary or malicious damage.

Law stated - 11 July 2025

Timeliness

When is notice untimely?

Notice is considered untimely if it is given outside the time frame prescribed by the insurance policy. Policies often require that notice be provided 'immediately' or 'within a reasonable time' after discovery of the insured event.

Law stated - 11 July 2025

Timeliness

What are the consequences of late notice?

The consequences of late notice in Indonesian insurance law depend on the terms of the policy. However, Indonesian courts may also consider some factors, such as whether the delay was excusable or whether the insurer suffered no actual harm. Courts may still find in favour of the insured to ensure substantive justice under the good faith doctrine.

Law stated - 11 July 2025

INSURER'S DUTY TO DEFEND

Scope

What is the scope of an insurer's duty to defend?

Under Indonesian law, the insurer's duty to defend the insured is typically determined by the terms of the insurance policy. Insurers are expected to bear legal defence costs if such obligations are stipulated within the insurance agreement.

Law stated - 11 July 2025

Failure to defend

What are the consequences of an insurer's failure to defend?

If an insurer fails to fulfil its contractual duty to defend without justifiable reason, it may be found in breach of contract under article 1243 of the Indonesian Civil Code, which provides for liability arising from failure to perform obligations.

Law stated - 11 July 2025

STANDARD COMMERCIAL GENERAL LIABILITY POLICIES

Bodily injury

What constitutes bodily injury under a standard CGL policy?

In Indonesia, a CGL policy is recognised as liability insurance. Liability insurance is a form of coverage in which the insurer agrees to pay a certain amount as compensation because they are legally obligated to cover the financial losses of a third party. 'Bodily injury' generally refers to physical harm, sickness or disease sustained by a person, including resulting death. This is recognised by PT Asuransi Jasa Indonesia (Jasind), which is a state-owned enterprise, PT Asuransi Ramayana Tbk. (Ramayana) and PT Asuransi Asei Indonesia (Asei), which is a subsidiary of a state-owned enterprise.

Law stated - 11 July 2025

Property damage

What constitutes property damage under a standard CGL policy?

'Property damage' under a CGL policy typically includes damage and loss of property suffered by third parties that was caused by the insured. In Indonesia, the following insurers provide a liability insurance in the form of property damage coverage.

Jasindo

Professional liability insurance provides indemnity or coverage, for a specified cost, to the business owner against legal liability for losses in the form of damage to property caused by the negligence of the business owner or their employees.

Ramayana

Liability insurance provides protection to the insured against third-party claims for compensation related to the insured's business activities. This covers financial losses arising from the insured's liability to compensate or pay for the losses suffered by third parties in connection with their property damage.

Asei

Liability insurance provides coverage for legal liability to third parties for property damage arising in connection with the activities or business operations carried out by the insured.

Law stated - 11 July 2025

Occurrences

What constitutes an occurrence under a standard CGL policy?

An 'occurrence' typically means an accident, including continuous or repeated exposure to substantially the same harmful conditions, that results in bodily injury or property damage.

Law stated - 11 July 2025

Occurrences

How is the number of covered occurrences determined?

The number of occurrences often determined by assessing whether injuries or damages arose from a single cause or multiple causes. If multiple injuries or damages stem from the same cause or series of related events, they may be considered a single occurrence. Conversely, distinct causes leading to different injuries or damages might be treated as multiple occurrences. For example, PT Great Eastern General Insurance Indonesia provides liability insurance with risks of personal injury and property damage arising out of substantially the same continuous or repeated risk that shall be construed as arising from a single occurrence.

Law stated - 11 July 2025

Coverage

What event or events trigger insurance coverage?

Insurance coverage under a CGL policy is typically triggered by events that occur within the insurance period and must not fall under any exclusion clauses set out in the policy. For example, it can be stipulated that the the exclusions are damages caused by war, invasion and riot.

Law stated - 11 July 2025

Coverage

How is insurance coverage allocated across multiple insurance policies?

When multiple insurance policies cover the same risk, allocation of coverage is generally determined based on the respective policy terms, particularly 'other insurance' clauses. In Indonesia, should there exist other insurance(s) covering the same loss or damage, the insurer shall not be liable of more than its proportion of the claim.

FIRST-PARTY PROPERTY INSURANCE

Scope

What is the general scope of first-party property coverage?

First-party insurance in Indonesia typically provides coverage for direct losses or damages suffered by the insured's own property or assets, rather than liabilities to third parties. This type of insurance includes fire insurance and property all-risks (PAR) insurance. The general scope of first-party property coverage is to indemnify the insured for physical loss or damage to the insured's property caused by covered risks.

The fundamental concept aligns with the principles of 'indemnity' and 'reinstatement' in articles 246, 288 and 289 of the Indonesian Commercial Code (KUHD), requiring insurers to compensate the insured for covered damages. According to the Insurance Dictionary published by the Center for Language Development and Expansion of the Ministry of Education and Culture of the Republic of Indonesia; Jakarta (1995), the principles of indemnity and reinstatement possesses fundamental differences. 'Indemnity' refers to compensation provided to restore the insured's financial position to what it was before the loss occurred. Meanwhile, 'reinstatement' refers to restoring the damaged property to its original condition before the loss.

Law stated - 11 July 2025

Valuation

How is property valued under first-party insurance policies?

Valuation of property under first-party insurance policies in Indonesia often relies upon the services provided by a loss adjuster. It is usually stipulated in the policy that in the event of loss, a nominated loss adjusters may be chosen and selected to perform preliminary and/or final appraisal to the insured object suffering the damage. However, under no circumstances, should insurance be used as a 'facility' for insured parties to obtain profit from the suffered loss. It is in accordance with article 290 of KUHD, which explicitly states that the insurer only covers the loss and damage to the insured object, and no more.

Law stated - 11 July 2025

Natural disasters

Is insurance available in your jurisdiction for natural disasters and, if so, how does it generally apply?

Insurance coverage for natural disasters, such as earthquakes, floods, volcanic eruptions and tsunamis, is available in Indonesia. For example, PT Sampo Insurance Indonesia provides natural disasters coverage in its PAR insurance. In some cases, it can also be stipulated that some natural disasters, such as typhoon, storm, and landslide are subject to a deductible of 10 per cent of the claim, and other natural disaster events can be agreed

to not be covered by the insurer. Thus, natural disaster insurance coverage varies upon the agreed insurance policy between the insurer and the insured.

Law stated - 11 July 2025

Pandemic

Is insurance available in your jurisdiction for pandemic-related losses and, if so, how does it generally apply?

In Indonesia, as an example, the following insurers provide coverage due to pandemic.

PT AIA Financial

AIA provides various types of claim benefits, including indemnity for hospitalisation and surgery, daily allowances under the Hospital Cash Plan and additional daily benefits related to the pandemic (which then was the covid-19), which are part of a special programme offered by AIA.

PT Prudential Life Assurance

During the covid-19 pandemic, Prudential Indonesia provided free covid-19 coverage and additional protection for covid-19.

Law stated - 11 July 2025

DIRECTORS' AND OFFICERS' INSURANCE

Scope

What is the scope of D&O coverage?

D&O insurance in Indonesia is designed to protect directors, commissioners and officers of a company against personal liability arising from their actions or omissions in the course of managing the company. As a reference, PT AIG Insurance Indonesia provides coverage that includes legal defence and investigation costs related to claims alleging wrongful acts by directors, commissioners and/or officers, such as breach of fiduciary duty, negligence or failure to comply with regulations. D&O insurance acts as a vital risk management tool, wherein articles 97 and 114 of Law No. 40 of 2007 on Limited Liability Companies and its amendment, directors and commissioners are subject to personal liability for losses suffered by the company due to their fault or negligence.

Law stated - 11 July 2025

Litigation

What issues are commonly litigated in the context of D&O policies?

Issues commonly litigated should be around the area of the fault or negligence of the directors, commissioners and/or officers. To date, there have been no recorded cases specifically involving D&O insurance in the Indonesian Supreme Court system.

Law stated - 11 July 2025

CYBER INSURANCE

Coverage

What type of risks may be covered in cyber insurance policies?

Cyber insurance in Indonesia is becoming increasingly important due to the growing risks associated with digital operations. The following insurers provide coverage for threats arising from cyber activities.

PT Asuransi Umum BCA

Personal cyber insurance provides protection against cyber crimes, including financial losses and expenses directly caused by cyber attacks, covering online shopping, internet payment transactions and administrative costs related to online identity theft.

PT Asuransi MSIG Indonesia

Protection against losses arising from cyber incidents, covering first-party expenses, business interruption and third-party liability.

PT Asuransi Tokio Marine Indonesia

Cybersecurity insurance provides compensation for the insured for risks arising from cyber crimes in connection with data breaches, cyber-attacks, human error, system disruption, electronic media claims and electronic threats.

Law stated - 11 July 2025

Litigation

What cyber insurance issues have been litigated?

Legal disputes are likely to arise in connection with cyber incidents and digital activities. However, no cases specifically related to cyber insurance have been recorded in the Indonesian Supreme Court system to date.

Law stated - 11 July 2025

TERRORISM INSURANCE

Availability

Is insurance available in your jurisdiction for injury or damage caused by acts of terrorism and, if so, how does it generally apply?

Insurance coverage for damage caused by acts of terrorism is available in Indonesia. A number of insurers provides such insurance coverage.

PT Asuransi Harta Aman Pratama, Tbk

Terrorism and sabotage insurance in Indonesia provides coverage for loss or damage to insured property or interests directly caused by acts of terrorism, sabotage, rebellion and measures taken to prevent such events.

PT Asuransi FPG Indonesia

Terrorism and sabotage insurance product is specifically designed to cover risks related to terrorism, sabotage and rebellion that a company may face. Coverage extensions, such as riots and civil commotion, can also be added.

Great Eastern Indonesia

Terrorism and sabotage insurance is an insurance product that provides protection to the insured against property damage and business interruption arising from terrorism, sabotage, rebellion, measures taken in connection with such events, and looting occurring during acts of terrorism and sabotage.

Law stated - 11 July 2025

UPDATE AND TRENDS

Key developments of the past year

Are there any emerging trends or hot topics in insurance law in your jurisdiction?

The most applicable and relevant development in the insurance litigation realm would refer to Financial Services Authority (OJK) Regulation No. 23 of 2023 on Business Licensing and Institutional Regulation of Insurance Companies, Sharia Insurance Companies, Reinsurance Companies and Sharia Reinsurance Companies, wherein these entities are now required to:

- maintain a minimum equity of 500 billion rupiah by 31 December 2026; and
- increase their minimum equity to 2 trillion rupiah by 31 December 2028.

These requirements reflect the OJK's initiative to enhance the financial resilience and institutional integrity of insurance and reinsurance companies in Indonesia. Affected companies should begin preparing early to meet these thresholds, as failure to comply will result in administrative sanctions.

Law stated - 11 July 2025