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Legal Protection for Marine Hull and Machinery Insurance Policyholders Against Default by Insurance Companies (Study of Decision Number 951/Pdt.G/2023/PN.Jkt Brt)

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ABSTRACT

Marine hull and Machinery insurance policyholders against claim rejections by insurance companies, as reflected in Decision Number 951/Pdt.G/2023/PN.Jkt.Brt. This study aims to analyze the factors causing default by insurance companies, the legal consequences that arise for policyholders, and the legal considerations of the panel of judges in providing legal protection. The research method used is normative juridical with a descriptive nature, through a statutory approach and a case approach. Data were obtained from a literature review of primary, secondary, and tertiary legal materials, which were analyzed qualitatively with deductive conclusions drawn. The results of the study indicate that rejections of marine *hull and machinery insurance claims* are caused by, among others, claims for risks not covered by the policy, including those included in policy exclusions, inaccurate information provided by the insured, and the unseaworthy condition of the vessel. However, in Decision Number 951/Pdt.G/2023/PN.Jkt.Brt, the panel of judges emphasized that rejection of claims made without a valid basis for agreement constitutes a form of breach of contract, so that the policyholder has the right to demand compensation for the insurer's failure to fulfill its obligations based on the principle of good faith in the insurance agreement.

Keywords: Legal Protection, Default, Policyholders, *Marine Hull and Machinery Insurance*

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1. INTRODUCTION

Indonesia is known as the largest maritime country in the world. In it there are more than 17,500 (seventeen thousand five hundred) islands with a coastline of 81,000 (eighty one thousand) km which is the second longest coastline in the world after Canada. Which makes great potential for Indonesia in the maritime industry (Aris, et.al, 2017)[1]. Business activities in this industry are very diverse, ranging from fisheries, marine tourism, to the transportation of goods and passengers Which makes ships very important as a means of sea transportation to support various activities in the maritime industry.

During ship operations, several risks may occur. These risks are often caused by human error, technical factors, natural factors, and other factors. The numerous incidents or accidents that occur can result in losses, damage, and even death for ship owners (Afta et al., 2024)[2]. Therefore, an insurance company is needed to accommodate and cover losses arising from various risks.

Article 247 of the Commercial Code (hereinafter referred to as KUHD) explains that there are 5 (five) types of insurance, namely: fire hazard; hazards that threaten unharvested agricultural products; the lives of one or more people; maritime hazards and the danger of slavery; and the danger of transportation on land, rivers, and inland waters. This research will discuss one type of insurance that is included in the type of maritime hazard, namely *marine hull and machinery insurance.*

This insurance provides protection against damage caused by natural hazards at sea or other guaranteed factors. This insurance covers the ship and its equipment, namely furniture and equipment, machinery, tools, fuel, and others. Usually, this insurance has a term with a maximum period of 12

months. Usually, the items covered will be clearly stated in the clauses of each policy (Chhote, 2015)[3].

Insurance is an institution that aims to provide protection against risks that cause losses to individuals or groups. However, problems often arise between insurance companies and policyholders, such as the rejection of compensation claims filed by policyholders with the insurance company.

Refusal to disburse insurance claim funds is clearly detrimental to the policyholder. Based on the losses incurred by the customer, the insurance company can be sued civilly for breach of contract. A breach of contract means the insurance company has breached the terms of the policy, such as failing to fulfill its obligation to pay benefits or claims as stipulated in the agreement.

This research will discuss the *marine hull and machinery insurance policy holders* who were brought to court regarding a case of default, namely in decision number 951/Pdt.G/2023/PN.Jkt.Brt, where the two Insurance Companies namely PT. Asuransi Bintang Tbk (Defendant I) and PT. Asuransi Central Asia (Defendant II) worked together to cover losses on the ship KM. Mutia Ladjoni 7 and PT. Pelayaran Surya Bintang Timur (Plaintiff) which is a company engaged in the shipping sector and based on the *Marine Hull and Machinery Insurance Policy agreement* No. P15206101598-000 dated January 26, 2022 has guaranteed the losses experienced by the ship KM. Mutia Ladjoni.

Marine hull and machinery insurance policyholders, who play a vital role in supporting maritime industry activities. Policyholders often face challenges in the compensation claims process, such as insurance company rejections, which result in default due to the insurance company failing to fulfill its obligations .

2. METHODOLOGY

This research uses a normative juridical method to examine the underlying issues. Normative juridical research is "legal research conducted by examining library materials or secondary data" (Soerjono and Sri, 2013)[4]. Descriptive research is "research in the form of a description of a study, or in other words, to describe research results with the aim of validating a phenomenon being studied" (Ramdhan, 2021)[5]. There are 2 approaches used in this study, namely the statute approach , namely "a research approach carried out with the aim of explaining the meaning and interpretation of statutory texts in various ways (Sigit, et.al, 2020) [6] And the case approach, namely "the application of normative law to certain legal events that give rise to conflicts *of interest* , but cannot be resolved by the parties themselves, but are resolved through the courts" (Muhammad, 2024) [7]. The data sources taken and used in this study are secondary data, secondary data, primary data and tertiary data. Primary legal materials are legal provisions and legislation that will be studied, including: 1) Civil Code (KUHPerdata); 2) Commercial Code (KUHD); 3) Law Number 8 of 1999 concerning Consumer Protection; 4) Law Number 17 of 2008 concerning Shipping; 5) Law Number 40 of 2014 concerning Insurance..; 6) Law Number 4 of 2023 concerning Development and Strengthening of the Financial System, 7) Financial Services Authority Regulation Number 69/POJK.05/2016 concerning the Implementation of Insurance Company Business, Sharia Insurance Company, Reinsurance Company, and Sharia Reinsurance Company, 5) Decision of the West Jakarta District Court Number 951/Pdt.G/2023/PN.Jkt.Brt concerning the rejection of *marine hull and machinery insurance claims* . Secondary legal materials include law books, journals, and expert opinions, while tertiary legal materials include legal dictionaries, encyclopedias, and other supporting sources.

3. RESULTS AND DISCUSSION

3.1 Factors causing default that are detrimental to *marine hull and machinery* insurance policy holders

According to Subekti, default occurs "when someone who is in debt or has promised something does not do it" (Subekti, 1998)[8]. What is meant by default is "a situation where due to negligence or error, the debtor cannot fulfill the performance as determined in the agreement." (Siti, 2021)[9].

According to R. Subekti, forms of default (negligence or negligence) of a debtor can be classified into 4 (four) types, namely:

a) Not doing what he promised to do;
b) Carrying out what he promised, but not as he promised;
c) Did what he promised but was too late;
d) Doing something that according to the agreement he is not allowed to do (Subekti, 2016)[10]

In the context of insurance, the insurer or insurance company can be in default if it fails to fulfill its contractual obligations. One of the most obvious forms of default is not paying a valid claim. Article 31 paragraph (4) of the Insurance Law states that "insurance companies are obliged to fulfill obligations arising from insurance agreements in a timely manner or not take actions that should be taken, resulting in delays in settlement or payment of claims."

In addition, paying claims that do not match the agreed amount of compensation can be considered as improper performance. Delaying payment of claims without proper reason can also be classified as a breach of contract, because Article 31 paragraph (2) explains that:
"Insurance companies are required to provide correct, non-false, and/or non-misleading information to policyholders, insured persons, or participants regarding the risks, benefits, obligations and costs associated with the insurance products or sharia insurance products offered."

In practice, delaying payments under the pretext of a lengthy investigation, even though the documentation is complete, often becomes the basis for a breach of contract lawsuit against an insurance company. Moreover, if the insurer unilaterally changes or adds a clause detrimental to the insured after the policy is in effect, this action can also be considered a breach of contract due to a violation of the principle of contractual balance.

In this research case, regarding the rejection of insurance claims that caused default is contained in the Decision of the West Jakarta District Court No. 951/Pdt.G/2023/PN.Jkt.Brt, The form of default that occurred was that the insurance companies, namely Asuransi Bintang and Asuransi Central Asia did not carry out their responsibilities, where the insurance company rejected the insurance claim from the policyholder, namely PT. Pelayaran Surya Bintang Timur even though it had fulfilled the insurance claim requirements.

As with any obligation, if in its implementation one of the parties cannot fulfill its obligations, then it can be said to have

committed a breach of contract. Breach of contract means "not fulfilling the obligations stipulated in the agreement. This means that the breach of contract occurs due to the failure to fulfill an agreement" (Dwi, 2020)[11]. Breach of contract is regulated in Article 1243 of the Civil Code, namely:
"Reimbursement of costs, losses and interest due to failure to fulfill an obligation begins to be required if the debtor, even though he has been declared in default, remains in default in fulfilling the obligation, or if something that must be given or done can only be given or done within a time that exceeds the time specified."

The insurance company was also deemed to have violated Article 31, Paragraph 4 of the Insurance Law, which stipulates the insurance company's obligation to fulfill its obligations in a timely manner. Furthermore, delays and denials of claims without justification are considered contrary to the principle of *utmost good faith* , a key principle in insurance law.

The factors that cause default on *marine hull and machinery insurance policies* in particular are:

a) The claim falls within one of the policy exclusions, for example, damage caused by war, strikes, malicious acts, and nuclear weapons. The insurance company may also argue that the damage was caused by normal wear and tear, design defects, or improper maintenance, which are not typically covered by hull insurance.
b) The insured provides inaccurate information to the insurer, resulting in the insurer rejecting the insured's claim for failure to meet the terms of the policy agreement. For example, the shipowner fails to honestly disclose the condition of the ship, its age, its most recent repairs, or its history of engine failure. (Marlinblue.com, 2024)[12]
c) The ship does not have a certificate of seaworthiness (the ship is not seaworthy), the duty of the insured shipowner is to fulfill all the requirements of the ship's *seaworthiness* in good faith. The generally accepted principle is that maritime insurance does not compensate for losses caused by unseaworthiness if the insured knew about the unseaworthiness and did not act in good faith. (Adriana, 2023)[13]
d) The cause of the damage is unclear, if the cause of the damage cannot be linked to a risk covered by the policy (for example, due to natural corrosion that is not sudden, or damage due to crew negligence), the claim can be considered “not included in the coverage”. (Ingrisk.co.id, 2025) [14]
e) Lack of documentation. Claims that lack the necessary evidence, such as medical records or accident reports, may be rejected by the insurance company. (TheInsurance Universe.com). (2023). [15].

Decision No. 951/Pdt.G/2023/PN.Jkt.Brt factors causing the occurrence of default due to 2 (two) reasons, namely the first reason, that the accident that occurred on the KM. Mutia Ladjoni 7 ship in the first and second accidents were independent or unrelated incidents and the second reason, namely, there was a violation of the insurance policy *warranty* , namely that the ship's certification from PT. BKI was inactive and under suspension which caused the ship to be unseaworthy.
As stated in classical marine insurance law, the seaworthiness of a ship is a fundamental requirement which, if violated, opens up room for the insurer to deny its responsibility for losses (Williams, 1978)[16] . The obligation to ensure the ship is seaworthy is understood as an implicit guarantee (*implied warranty*) in *marine hull and machinery insurance* , although it is not always formulated explicitly in the policy clauses.

3.2 Legal consequences of default by an Insurance Company that are detrimental to *marine hull and machinery insurance policy holders*

The legal consequences of default by the Insurance Company on the Policy Holder are in the form of legal penalties or sanctions, namely:

a. The debtor is required to pay compensation for losses suffered by the creditor;
b. If the agreement is reciprocal, the creditor can demand termination or cancellation of the agreement through a judge;
c. If the obligation is to provide something, then the risk shifts to the debtor from the moment a default occurs (Yahman, 2011).[17]
d. The debtor is obliged to fulfill the obligation if it can still be done, or cancellation accompanied by payment of compensation;
e. The debtor is obliged to pay court costs, if permitted by the court, and the debtor is found guilty. (J.Satrio, 2012)[18]

Apart from civil law, there are also administrative legal consequences. If this is violated, the Insurance Company can be subject to sanctions in accordance with Article 77 Paragraph (1) of POJK Number 69/POJK.05/2016 concerning the Implementation of Insurance Company Business, Sharia Insurance Company, Reinsurance Company and Sharia Reinsurance Company, namely:
This OJK regulation is subject to administrative sanctions in the form of:

a. Written warning;
b. Restrictions on business activities, for some or all business activities; and
c. Revocation of business license. (Rani., 2019)[19].

Article 77 Paragraph (4) of POJK Number 69/POJK.05/2016 concerning the Implementation of Business by Insurance Companies, Sharia Insurance Companies, Reinsurance Companies and Sharia Reinsurance Companies also states that:
"In addition to the administrative sanctions as referred to in paragraph (1) and paragraph (2), OJK may add additional sanctions in the form of:

a. Prohibition on marketing insurance products or sharia insurance products for certain business lines; and/or
b. Prohibition on becoming a shareholder, controller, director, board of commissioners, or equivalent to a shareholder, controller, director, and board of commissioners, or holding an executive position below the board of directors, or equivalent to an executive position below the board of directors, in an insurance company.

3.3 Legal Analysis of Legal Protection for *Marine Hull and Machinery* Insurance Policyholders Against Default by Insurance Companies Based on Decision Number 951/Pdt.G/2023/PN.Jkt.Brt Case Position Decision Number 951/Pdt.G/2023/PN.Jkt

This case started from lawsuit by PT Pelayaran Surya Bintang Timur against PT Asuransi Bintang Tbk and PT Asuransi Central Asia regarding rejection claim insurance the insured ship KM Mutia Ladjoni 7 based on the Marine Hull and Machinery policy with Institute *Time Clauses Hulls Total Loss Only* clauses , valid January 17, 2022–January 17, 2023. Lawsuit default submitted in Case Number 951/ Pdt.G /2023/West Jakarta District Court because the Defendants reject pay claim on sinking boat.

The ship sinking occurred after KM Mutia Ladjoni 7 experienced engine failure due to bad fuel, lost contact, was found and repaired, then broke down again on the same day due to bad weather until finally sinking in Arafura waters. The Plaintiff considers the series of events to be interconnected and still within the insurance period, so that the Defendant's rejection of the claim on the grounds of warranty violation and the break in the series of accidents is considered baseless. In his lawsuit, the Plaintiff demands that the court declare that insurance policy No. P15206101598-000 is valid and legally binding, and declares that Defendant I and Defendant II have committed default because they refused to pay the insurance claim without a valid basis.

3.4 Legal Considerations of the Panel of Judges Based on Decision Number 951 /Pdt.G/2023/PN.Jkt.Brt

In the main points and reasons for the Defendant's rejection of the claim, the Panel of Judges noted the Defendant's two main arguments for rejecting the claim:

1) The series of events of November 6, 2022 (ship *blackout*) and November 26, 2022 (collision of a hard object on the ship until it sank) are considered to be disconnected (new, independent intervention), and
2) *warranty* certificate document that has expired, namely the national oil pollution prevention certificate which covers the time period and according to the Defendants, all *warranty certificates* have expired at the time of the ship sinking accident, namely on November 29, 2022. Therefore, the Defendants consider that the ship owner has violated the policy guarantee in accordance with Article 10 Paragraph (2) and Article 10 Paragraph (4) of the Insurance Law so that on this basis the claim for insurance money cannot be paid to the Insured.

The Panel of Judges considered the first and second Defendants' reasons for rejecting the Plaintiff's insurance claim to be legally unfounded. According to the Panel, the series of events that occurred began with poor fuel quality, which caused a prolonged *blackout* . The ship lost control, drifted for several days, then, in bad weather conditions, hit a hard object and suffered a major leak, ultimately sinking. Because all of these events constitute a continuous chain of causes and effects.

The second reason Defendant I and Defendant II rejected the Plaintiff's insurance claim was that the ship's certificate had expired (was inactive).

The panel of judges considered that although seven certificates of completeness for the KM Mutia Ladjoni 7 would expire on November 8, 2022, and one oil pollution prevention certificate had expired on November 3, 2022, this could not be considered negligence by the Insured. The reason was that the vessel had been at the port of Bade-Asike since August 14, 2022, even though the port was not authorized to issue certificates. The Insured had demonstrated good faith by applying for an extension before the expiry date. Furthermore, the Sailing Approval Letter (SPB) had been issued by the local harbormaster on November 3, 2022.

Based on the considerations made by the judge by taking into account Article 1243 of the Civil Code, Article 1338 of the Civil Code, Article 1320 of the Civil Code, the Shipping Law and other applicable statutory provisions related to this case, the judge issued a decision with the following verdict:

In Exception

1) Reject the exceptions of the Conventional Defendants/Reconventional Plaintiffs in their entirety;

   In the Main Case

   a) Granting the Convention Plaintiff's/Reconvention Defendant's Claim in part;
   b) Declare that it is valid and has binding legal force for the parties to Insurance Policy No. P15206101598-000 dated January 26, 2022;
   c) Declaring that Defendant I and Defendant II Convention/the Counterclaimants have committed an act of breach of contract/broken promise;
   d) Sentencing Defendant I and Defendant II Convention/the Counterclaimants to pay material losses to the Convention Plaintiff/Counterclaimant for insurance against the ship KM. Mutia Ladjoni 7 in the amount of Rp. 14,000,000,000,- (fourteen billion rupiah);
   e) Declaring that the Plaintiff's Convention / Defendant's lawsuit in the Counterclaim is rejected for other than and beyond;

   In the Reconvention

   a) Reject the lawsuit of the Counterclaimant/Conventional Defendant in its entirety;

   In Convention And In Reconvention

   a) Sentencing the Conventional Defendants/Reconventional Plaintiffs to pay the court costs arising in the a quo case jointly and severally in the amount of Rp. 398,000.00,- (three hundred ninety eight thousand rupiah);

3.5 Marine Hull and Machinery Insurance Policyholders

According to Satjipto Rahardjo, legal protection is "a form of protection for human rights (HAM) so that every person who is harmed can enjoy the rights granted by law."

In the context of insurance, the application of legal protection facilities can be done in the following ways: Preventive Legal Protectionm Preventive legal efforts are, An effort to provide legal protection through supervision of

insurance activities with the aim of preventing violations by insurers against insured parties. In other words, this preventive legal effort can protect the insured's rights in insurance activities.

Forms of preventive legal protection that can be used as a guarantee for the rights held by policy holders can be provided by statutory regulations, namely:

a) Legal Protection Based on the Civil Code
   In relation to efforts to provide protection for policyholders as consumers, in the Civil Code (KUHPer) there are provisions that aim to protect policyholders, contained in Articles 1320 to 1329 of the Civil Code, where policyholders who feel that the insurance agreement contains error, coercion and fraud from the insurer can submit an application to the court to cancel the insurance agreement (Man, 2013)[20]
b) Legal Protection Based on the Commercial Code
   Legal protection for policyholders is also regulated in the Commercial Code, to provide legal protection for customers, as stipulated in Article 254 of the Commercial Code. Article 254 prohibits the release of an agreement while it is still in effect or is about to be made.
c) Legal Protection Based on Law Number 40 of 2014 Concerning Insurance
   The Insurance Law regulates a special chapter regarding legal protection for policy holders, insured parties, or insurance participants. Article 8 Paragraph (1) Every party wishing to carry out insurance services must obtain permission from the Financial Services Authority.

This special chapter is found in Chapter 11, which consists of two articles: Article 53 (policy guarantor program) and Article 54 (mediation institution). Article 53 details:

(1) Insurance Companies and Sharia Insurance Companies are required to participate in the policy guarantee program.
(2) The implementation of the policy guarantee program as referred to in Paragraph (1) is regulated by law.
(3) At the time the policy guarantee program is in effect based on the law as referred to in Paragraph (2), the provisions regarding the Guarantee Fund as referred to in Article 8 paragraph (2) letter d and Article 20 are declared not to apply to Insurance Companies and Sharia Insurance Companies.

Article 53 regulates the obligation of insurance companies to deposit Guarantee Funds in commercial banks designated by the Minister as a form of protection for the rights of policyholders, insured parties, or participants. This means that when an insurance company goes bankrupt, the Guarantee Fund becomes a preventive legal instrument that provides certainty that policyholders' rights are still protected, even though the compensation value may not cover all existing claims (Arikha , et.al, 2021)[21]

4. Legal Protection Based on Financial Services Authority Regulations

Preventive legal protection means consist of:

a) Regulation: The Financial Services Authority (OJK)'s efforts to provide legal protection to insurance policyholders can be seen in the issuance of Financial Services Authority Regulation No. 1/POJK.07/2013 concerning Protection of Financial Services Consumers. This regulation serves as a strong reference for insurance policyholders, providing them with information on what is covered by the OJK's oversight, as well as the types of complaints they can submit, the stages involved, and the requirements.
b) Supervision, as stated in the provisions of Chapter V concerning Supervision of Consumer Protection in the Financial Services Sector in Article 51 and Article 52 of Financial Services Authority Regulation No. 1/POJK.07/2013 concerning Consumer Protection in the Financial Services Sector, is in accordance with the supervisory function by the financial services authority towards business actors so as not to harm anyone, including insurance policy holders, because supervision is a form of preventive legal protection.
c) Development, the Financial Services Authority in order to provide services and resolve consumer complaints to consider risk management aspects, in the Financial Services Authority Circular Letter Number: 2/SEOJK.07/2014 concerning Consumer Services and Complaints for Financial Services Business Actors, stipulates that financial services business actors are required to undertake training.
d) Socialization, Socialization is very useful to be implemented to all levels of society with the aim of providing education, therefore the Financial Services Authority issued Circular Letter of the Financial Services Authority Number 1/SEOJK.07/2014 Concerning the Implementation of Education in the Framework of Increasing Financial Literacy to Consumers and/or the Public. Complaints Service, to protect the public, OJK opened a complaints service, for the service mechanism and resolution of consumer complaints to financial service business actors have been regulated in POJK No.1/POJK.07/2013 and SEOJK No.2/SEOJK.07/2014, in addition regarding the resolution of complaints has also been clearly regulated in the provisions of Article 38 letter (c) POJK No.1/POJK.07/2013 and in more detail in Chapter II SEOJK No.2/SEOJK.07/2014 concerning Services and Resolution of Consumer Complaints to Financial Service Business Actors (Kania, 2013[22]

1) Repressive Legal Protection

Repressive legal protection is "an effort to enforce the law against a party who is deemed/suspected of having committed an unlawful act and harmed another party or in other words an effort to resolve a legal dispute."

Regarding the protection of policyholders in repressive legal efforts, the OJK also provides facilities for insurance customers if they wish to file a complaint. The provision of facilities through the complaint resolution process carried out by the OJK has been stated in Article 41 and Article 42 of POJK Number 6/POJK.07 of 2022 concerning Consumer and Community Protection in the Financial Services Sector concerning Consumer Protection in the Financial Services Sector. The provision of complaint resolution facilities by the OJK. There are two divisions of facilitation by the OJK, namely *Internal Dispute Resolution* between the policyholder and the PUJK and *External Dispute Resolution* by the Dispute

Resolution Institution (LAPS), the Court or OJK Limited Facilitation (Emilia, et.al, 2024)[23]

a) *Internal Dispute Resolution* (IDR)
   Internal Dispute Resolution (IDR) is "dispute resolution carried out within the financial services institution itself". *Internal Dispute Resolution* is specifically regulated in POJK 18/Pojk.07/2018 concerning Consumer Complaint Services in the Financial Services Sector, regarding the mechanism for serving complaints and resolving consumer complaints. 198 Article 5 of POJK 18/Pojk.07/2018 contains regulations stating that "every PUJK must have a written procedure regarding complaint services", which means that every Financial Services Institution in Indonesia must have a work unit and/or function as well as a service mechanism and complaint resolution for consumers.
b) *External Dispute Resolution* (EDR)
   Article 42 of OJK Regulation Number 6/POJK.07/2022 concerning Consumer and Community Protection in the Financial Services Sector stipulates that *External Dispute Resolution* (EDR) is a dispute resolution mechanism conducted outside the scope of financial services institutions. Initially, the Financial Services Business Actor (PUJK) must first attempt to resolve the complaint with the policyholder. If this resolution fails to result in an agreement, the disputing parties can continue the process through litigation or seek non-litigation resolution through an Alternative Dispute Resolution Institution (LAPS).

5. Marine Hull and Machinery Insurance Policyholders Against Default by Insurance Companies Based on Decision Number 951/Pdt.G/2023/PN.Jkt.Brt

This case focuses on the legal relationship between the ship owner as the insured and the insurance company as the insurer, as outlined in the insurance policy agreement. Under general insurance law, the policy serves as a binding contract between both parties to fulfill their respective rights and obligations. In this case, PT. Pelayaran Surya Bintang Timur fulfilled its obligations by paying the premium and ensuring the ship had valid shipping documents, including the Sailing Approval Letter (SPB). Therefore, the insurance company should be responsible for providing compensation in the event of losses caused by the insured risks.

The problem arose when the insurance company rejected the claim for two reasons, the first reason stating that the incident that befell the ship was considered two separate incidents. This reason raises a legal issue, because in practice the initial damage due to contaminated fuel and the sinking of the ship are a series of causally related events. The engine failure that caused the *blackout condition* until the ship was uncontrollable was clearly the direct cause of the subsequent incidents, including being hit by bad weather and ultimately sinking. This consideration shows that the rejection of the claim by the insurer is not in line with the principle of *causa proxima* (proximate cause) in insurance law, which requires that the assessment of responsibility be based on the dominant and proximate cause of the loss (Ulya , et.al, 2024)[23]. In this case, the engine damage due to contaminated fuel was the main cause that causally caused the blackout condition and resulted in the sinking of the ship, so that the entire series of events should be viewed as a single risk covered by the policy.

The second reason for the claim rejection was an alleged *warranty breach* related to the inactive BKI certificate. The plaintiff firmly stated that the certificate was still valid when the vessel was first damaged on November 6, 2022. Logically, it is impossible for a vessel that has already suffered severe damage at sea to renew the certificate. The insurer's attitude in rejecting the claim by emphasizing the formal aspects of the certificate, without considering the actual conditions faced by the insured, reflects a violation of the principle of *utmost good faith* in insurance agreements. This principle requires not only transparency of facts, but also honesty and propriety in interpreting policy clauses, so that they are not used as a tool to avoid contractual obligations. This principle is stated in Article 31 Paragraph 2 and Article 31 Paragraph 3 of the Insurance Law, which states that the insurer and the insured must be honest with each other and must not conceal substantial circumstances, including in interpreting policy clauses.

The insured has reported the incident, completed the documents, and followed the claim procedures according to the provisions. However, the insurer refused without convincing grounds. As a result, the Plaintiff did not receive his right to compensation worth Rp. 14,000,000,000.00 according to the policy, and suffered additional losses in the form of lost potential business profits of Rp. 5,000,000,000.00. This situation shows an imbalance in the legal position between the insured and the insurer, which in turn strengthens the Plaintiff's argument to file a civil lawsuit.

The Defendants in this case have committed a breach of contract by rejecting the Plaintiff's insurance claim. The Defendants completely ignored the insurance policy, namely ignoring their obligation to pay benefits or compensation to which the plaintiff is entitled. The judge's consideration is based on the principle of *pacta sunt servanda* as stipulated in Article 1338 of the Civil Code which states that every agreement made legally applies as law for the parties. In this case, the insurance policy between the plaintiff and the defendant is valid and binding so that the rejection of payment of the claim of Rp. 14,000,000,000.00 which is the insured value is considered a breach of promise. The judge also took into account Article 1243 of the Civil Code which provides the basis that a debtor who neglects to fulfill performance after being asked is still obliged to pay compensation, so that the insurance company as the insurer is obliged to cover the material losses of the insured.

The judge's decision to sentence the defendants to pay an insurance claim of Rp. 14,000,000,000.00 can be considered appropriate and reflects the application of the principle of indemnity, namely providing compensation in the amount of the actual loss experienced by the insured, no more and no less. (Mulhadi, 2020)[24] The compensation value is in accordance with the amount of insurance stated in the type of policy owned by the plaintiff, namely *Institute Time Clauses Hulls Total Loss Only (Including Salvage, Salvage Charges and Sue and Labor* (1/10/83)-CL 281. The panel of judges considered that the sinking of the ship met the criteria *for total loss* or total loss guaranteed in the insurance policy. *The Total Loss Only*

insurance clause stipulates that the insurer only covers losses that are the total loss of the insured item.[1]

In the case evidence on case register Number 951/Pdt.G/2023/PN Jkt.Brt. The Plaintiffs were able to prove that the Defendants had rejected their claims. The evidentiary process submitted by the Plaintiffs through witnesses and experts was an important factor in convincing the panel of judges regarding the existence of a breach of contract by the insurance company. The factual witnesses presented, namely Arifin and Stefanus Salabia, provided statements under oath that the KM. Mutia Ladjoni 7 ship had indeed sunk, and explained that the application for an extension of the seaworthiness certificate had been submitted to BKI before the ship sailed, but could not be processed at Bade Port because the port was not a type A port authorized to issue certificates.

This fact shows that the insured has acted in good faith in fulfilling its administrative obligations. In addition, expert witness Capt. Muhammad Ghazali, SH, M.Mar., who is a member of the Maritime Court's panel of experts, emphasized that the alleged negligence of the captain and the ship's owner should be assessed through the Maritime Court mechanism, so that the rejection of the claim by the insurance company based on the alleged negligence has no legal basis. The testimony of the witness and expert is supported by documentary evidence in the form of a ship accident report (LKK) and a valid ship's seaworthiness document. Based on all the evidence, the judge considered that the reasons for the claim rejection by the insurance company regarding the inactivity of the certificate and the assumption that the accident was not a series were not legally proven. The insurance company was declared to have committed a breach of contract and was sentenced to pay the claim to the policyholder according to the value stated in the policy.

6. CONCLUSION

Marine Hull and Machinery insurance policies is caused by several factors such as the cause of damage not covered by the policy, the claim submitted falls within one of the policy exclusions, the insured providing inaccurate information, and the vessel being unseaworthy. In case Number 951/Pdt.G/2023/PN Jkt.Brt., the main cause of default was due to the insured not fulfilling the policy *warranty* , namely that the vessel must be in a seaworthy condition.

The legal consequences of default by an insurance company under a *Marine Hull and Machinery agreement* ,from a civil law perspective, are that the insurance company, as the debtor, is obligated to fulfill its obligations under the agreement. If the company fails to do so, it is obligated to provide compensation or face the policyholder's cancellation of the agreement. Administratively, the Financial Services Authority (OJK) has the authority to impose sanctions in the form of warnings, fines, restrictions on business activities, and even revocation of business licenses. Furthermore, from a consumer protection perspective, policyholders have the right to demand compensation or reimbursement if claims are not properly fulfilled. Company negligence can also trigger administrative and criminal sanctions in accordance with the Consumer Protection Law.

Legal protection is an inherent right for every person, especially policyholders in *marine hull and machinery insurance* . The state is obliged to provide guaranteed protection for customers through regulations that regulate and protect the interests of the insured. The form of legal protection is divided into two, namely preventive and repressive protection. In this case, based on the trial facts, PT. Asuransi Bintang (Defendant I) and PT. Asuransi Central Asia (Defendant II) were proven to have committed a breach of contract that caused losses to policyholders. The Panel of Judges was deemed to have been appropriate in providing legal protection based on applicable laws and regulations, and issued a decision requiring the defendants to pay compensation.

7. SUGGESTION

Insurance companies need to emphasize consistent fulfillment of seaworthiness obligations by the insured through adequate vessel maintenance, compliance with safety standards, and the provision of accurate and complete information to the insurer from the insurance coverage closing stage. Insurers also need to clarify provisions regarding the scope of coverage, exclusions, and *warranties* to avoid differences in interpretation. Meanwhile, supervisory authorities, along with classification societies and shipping businesses, are expected to strengthen oversight and compliance guidance mechanisms to ensure substantial compliance with seaworthiness regulations.

Insurance companies are expected to be more disciplined in fulfilling their contractual obligations as per the agreement to avoid legal consequences that are detrimental to both parties. Companies need to strengthen their internal compliance systems and ensure that every claims process is carried out professionally, transparently, and in accordance with applicable laws. In addition, coordination with the Financial Services Authority needs to be improved to ensure that all insurance business activities run within a good supervisory corridor. Policyholders are also advised to carefully understand the contents of the insurance agreement before signing the policy, including the administrative provisions and requirements, to avoid being disadvantaged by unilateral interpretations by the insurance company.

Insurance companies must pay greater attention to compliance with applicable agreements and regulations to prevent further losses for policyholders. Oversight by the Financial Services Authority (OJK) needs to be strengthened, both in terms of prevention through clear regulations and in enforcing sanctions against companies in default. Furthermore, policyholders should also carefully understand the contents of their policies and ensure all obligations have been fulfilled, thereby preventing the insurer from evading responsibility. With this balance, legal protection for policyholders can be effectively achieved.

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