

**ANALYSIS OF THE APPLICATION OF UTMOST GOOD FAITH PRINCIPLES  
IN PERSONAL ACCIDENT INSURANCE AGREEMENTS (CASE STUDY OF PT  
ASURANSI ASKRIDA SYARIAH MEDAN BRANCH)**



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**Abstract**

Personal accident insurance is protection against all risks suffered by a person resulting in death and accident to someone. One of the principles that is firmly held in insurance is the principle of utmost good faith. This principle means that a person is obliged to provide honest information about what is insured to the insurer and vice versa the insurer must also provide honest information to the insured. This study aims to determine the application of the principle of utmost good faith in the personal accident insurance agreement at PT. Asuransi Askrida Syariah Medan Branch. The method used in this study is a qualitative method by means of interviews and theoretical studies taken from scientific works, books, journals, and other reference materials. The results of this study show that in entering into an agreement, the principle of good faith (Utmost Good Faith) is the basic principle that must be fulfilled by the parties, where the parties must uphold honesty in providing important matters related to the insurance agreement.

**Keywords:** Utmost Good Faith, Agreement, Personal Accident Insurance, Sharia Assurance

## INTRODUCTION

Every activity carried out by humans always poses various risks. Risk is a loss experienced as a result of the occurrence of a hazard that occurs, but cannot be known in advance regarding the time when it occurs. The risk can be interpreted as a loss that is not certain to appear or occur (uncertainty of financial loss), in which there is an element of uncertainty and loss. It is important to use insurance as protection against events that are not yet known and will occur in the future. Therefore, it can be defined that insurance is a reasonable transfer of all risks that occur based on the emergence of losses suffered by someone. Insurance is a system created with the aim of protecting people, groups, and business activities against risks that will arise in the event of a financial loss by transferring or sharing the risk through payment of a premium. The transfer of risk that was originally borne by the owner automatically switches to the insurance company in the event of a loss arising from something that has been agreed upon in the policy agreement, the loss experienced by the owner is manifested in the form of payment of an insurance claim from the insurance company. With the transfer of risk, it is necessary to balance it with the payment of an amount of premium to the insurance company as a form of the insured's obligation to the insurer (Saputra et al., 2021).

PT. Asuransi Askrida Syariah is a Sharia general insurance that has a business license and is supervised by the Financial Services Authority (OJK) and the Sharia Supervisory Board (DPS) as supervisors of insurance activities so that they are truly in accordance with Sharia principles before becoming independent. PT. Asuransi Askrida Syariah is a Sharia Business Unit under the auspices of PT. Asuransi Bangun Askrida. Then, along with the growing portfolio of this business unit, in 2017 a decision was issued that the business unit was separated from its parent company, namely PT. Asuransi Bangun Askrida stands alone as a Sharia general insurance company.

The current development of the Askrida Insurance company in the 20<sup>th</sup> century has had a positive impact on the development of the insurance business. Business activities are not only in the field of insurance but also in the field of insurance support. The threat of danger is also increasing, so the need for protection of life is also increasing. This situation

encourages the development of loss insurance and life insurance companies (Febriyanto, 2020).

Personal accident insurance is protection for all risks that result in someone's death and accident. Insurance is a financial means in the governance of life, both in facing the risk of death, or in facing the risk of property owned. Insurance itself in this case promises protection to the insured against the risks faced by individuals and risks faced by companies (Supraja et al., 2023). Personal accident insurance is considered included in the form of insurance for an amount of money because what will be paid as compensation in the event of an accident (especially if it dies) is the amount of money agreed upon.

Personal accident insurance is one of the products of life insurance that aims to cover people for unlimited financial activities because they die too soon or live too long. The risks that arise in life insurance mainly lie in the element of time because it is difficult to know when someone has a disaster to minimize this risk, accountability should be held.

The principle of Utmost Good Faith is that each party is required to disclose all material facts or facts that may affect the insurance coverage of an object (duty of disclosure) and is prohibited from making false or incorrect statements (misrepresentation) in the insurance agreement (Widiarto, 2020).

The Implementation of Utmost Good Faith Principle is a sacred principle that must be obeyed by both the insurer and the insured. Where the insurance company must notify the actual facts regarding personal accident insurance products, such as guaranteed and excluded risks, all terms and conditions of coverage clearly and thoroughly. Meanwhile, the customer is obliged to inform as clearly and thoroughly as possible about all important facts relating to the insured object (Santri, 2017).

As for the risks guaranteed in personal accident insurance, such as the risk of death, permanent disability, temporary disability, costs for maintenance of funds or medication which are directly caused by an accident, namely an incident or event that contains elements of violence, both physical and chemical in nature, which come suddenly, including poisoning due to inhalation of toxic gases or vapors, contracting viruses or germs, suffocating or drowning, and alienation due to sudden external disasters (*Buku Profil Polis Asuransi Kecelakaan Diri Syariah Indonesia*, 2017).

The principle of good faith is regulated in Article 251 of the Criminal Code which states all false or untrue notifications, or all concealment of circumstances known to the insured, even if it is done in good faith, which is such that the agreement will not be held, or not held under the same conditions, if the insurer knows the actual circumstances of all these things, the insurance will be void (Randa Pratama, 2020).

According to Article 1338 paragraph (3) of the Civil Code which states “Agreements must be implemented in good faith”. The principle of good faith can be interpreted, that each party to the agreement that will be agreed upon by law has the obligation to provide information or information as complete as possible, which will affect the other party’s decision to enter into the agreement or not, whether such information is requested or not. This principle requires that the parties behave as honestly as possible, by disclosing all material facts related to the object of insurance, on the one hand, in insurance products, on the other.

Article 282 of the Criminal Code also states “if the cancellation of the agreement occurs based on deceit, fraud, or the insured’s crime, the insurer gets the premium, without reducing criminal charges, if there is reason to”. This means that the law also provides legal guarantees for the insurer for the act of bad faith of the insured party (Ariana, 2016).

Thus, the principle of perfect good faith above concerns obligations that must be fulfilled before closing the insurance agreement by the insured party. This is different from the provisions contained in Article 1338 paragraph 3 of the Civil Code which stipulates that an agreement must be carried out in good faith by both parties. The implementation of good faith referred to in Article 1338 paragraph 3 of the Civil Code lies in the implementation of the agreement. Seeing the urgency of Article 251 of the Criminal Code, which relates to the principle of good faith, of course, in this case, if in submitting a policy and claim the principle of good faith is not fulfilled, then it becomes a legal issue.

## **REVIEW OF LITERATURE**

### **Principles in Insurance**

In the world of insurance, especially general insurance, several basic principles are known, including:

### **Principle of Insurable Interest**

The application of this principle is that each party intending to enter into an insurance agreement must have an interest that can be insured. In the sense that the insured party is involved in such a way with the consequences of an event or event that cannot be predicted and the person concerned becomes the one who suffers a loss.

In Islam, consideration of bringing benefits and preventing harm is the basis in all business transactions, as well as in insurance. In a transaction agreement, every object that is to be made into a transaction must have benefits for each party to the transaction. The principle of insurable interest in the perspective of the benefit principle is that if someone wants to take out insurance, then they must be able to have the value of the benefits of something insured. He/she must also have involvement in such a way, so that if something is at risk of being damaged, he/she will no longer benefit from it. The most important thing in this principle in insurance are: First, to prevent gambling (gambling). Second, reduce moral hazard. Third, to measure the total loss.

In an Islamic agreement, one of the pillars that must be achieved in a transaction is the purpose of the contract (maudlu' al-aqd). The purpose of an insured person is of course to protect the economic interests of the insured object. In connection with this principle in muamalah, commerce should be carried out based on three dimensions, namely intention, ability and calculation. Likewise in terms of one's intention to take insurance. According to Afzalurrahman, insurance without interest is just a bet and this cannot be legally justified.

According to Kuat Ismanto, the existence of the principle of insurable interest is placed as a principle that prevents someone who takes insurance with a gambling motive. This opinion is based on the ushul rule which reads "preventing harm and attracting benefit".

### **Principle of Utmost Good Faith**

Honesty is one of the fundamental attitudes in Islam. a fundamental attitude in Islam, because another name for Islam is the truth, always telling the truth in all matters is an order from Allah SWT to every Muslim. Islam strictly prohibits all forms

of lies and deceit. This honesty value influences the parties who make an agreement not to cheat, lie, and commit forgery, if this principle is not carried out it will damage the validity of the contract made.

The parties entering into an insurance contract, both the insurer and the insured, must have good faith which is manifested by honesty and openness. Where the insurer must provide all information regarding coverage and the insured provides information regarding the insured object whether requested or not. Information from the insured includes information that influences the insurer's opinion whether to accept or reject the insured object. Meanwhile, information from the insurer, especially the contents and conditions of the policy, may affect whether the insured will insure the object or not. If the principle of utmost good faith is violated by especially the insured, then the coverage will be void (Andri Soemitra, 2018).

The insured is obliged to provide information to the insurer regarding a fact and the main things he knows, especially matters related to the risks of the coverage carried out. Information submitted incorrectly according to reality can result in the cancellation of an insurance agreement.

According to Purba, good faith is not only for the insured, but the insurer must also have honesty, because the one who knows more about the extent of the guarantee and the rights obtained by the insured is the insurer. When insurance is closed, the insurer must explain broadly the coverage and rights for the insured. Therefore, providing information or information is an obligation for both parties, so that it is fair and balanced.

In relation to honesty, insurance companies, including policy selling agents, are required to provide true and accurate information to participants. The information provided is not only related to service quality, clauses, types of risks handled, but also the effects that will be received by participants and also all matters related to the agreement. Concealment of information by companies is a very risky thing, in Islamic law this act is called taghrir. Principle Utmost Good Faith in insurance aims to prevent the occurrence of fraud between the parties. This principle can be accepted by Islamic

law with a little directive that honesty is not only aimed at participants as the insured, but must also be realized by the insurer.

### **Principle of Indemnity**

According to Zarqa', the essence of the insurance contract is idemnititas, namely the payment of losses made by the insurance company. The insurer will provide compensation if the insured actually suffers a loss. There are two purposes for including this principle, namely to prevent the insured from getting more compensation and to eliminate its moral hazard. This principle states that the purpose of coverage is to provide compensation for losses and that replacement may not exceed the real loss of the insured. The insurance agreement has a main and specific purpose, namely to provide compensation to the insured by the insurer

The existence of this principle is to avoid betting and gambling. Meanwhile, the highest limit of the insurer's obligation is to return the insured to the same economic position as before the loss occurred, even if a loss occurs. Agreements in insurance that bring more profit to the insured upon the occurrence of the insured event, this will harm the insurance company and violate the principle of identity.

There are two basic things from this principle of identity related to Islamic law. First, there is compensation for losses by the insurer to the insured and there should be no excess profit. If by insuring someone benefits, then this practice will lead someone to the motive of gambling or betting. Second, the highest limit of compensation should not exceed the real loss of the insured in loss insurance and compensation according to the agreement in the insurance

### **The Principle of Subrogation**

According to Mehr and Cammack, the insurer paying a loss for something insured means that the insurer has given rights to the insured. However, the replacement was given due to reasons arising from a third party. Therefore, the insured is responsible to the third party for any actions that could harm the insurer's rights. This principle of subrogation completes the principle of idemnititas.

This principle gives rights to the insurer who has paid compensation, namely all the rights of the insured to third parties. This is done in relation to the occurrence of the

loss. This subrogation right places the burden on the person responsible for carrying it and prevents the insured from benefiting by charging twice for the same loss.

Two main things in this principle. First, there is a transfer of rights and responsibilities for payments from insurance participants to ask for compensation rights from third parties for damage to the insured object. The company's right is in the form of compensation that must be paid by a third party due to his actions that are detrimental to insurance participants. In muamalah it can be called practice hiwalah. Second, it prevents insurance participants from billing twice, both to the company and to other parties as the cause of the loss of the insured goods. Meaning, this principle prevents the element of taking other people's property in a vanity way or making efforts to enrich oneself, and Islam prohibits this kind of practice.

### **Principle of Proximate Cause**

If an event occurs that can lead to a claim for compensation from the insured, the loss can be guaranteed if the cause of the incident is guaranteed or not excluded from the policy. The principle of proximate cause requires that a cause is an unbroken chain of events that result in losses. If another cause occurs which causes the chain of cause and effect to be broken, and this new cause is dominant for the loss, the policy will consider this new cause to be the cause of the loss.

Islam teaches us to give punishment to anyone who is guilty according to the degree of guilt. In the event of a proximate cause, of course the penalty or responsibility for the consequences of the loss that appears is the most dominant in causing the loss. Therefore, here it is required to be fair and wise in looking at the problem of an incident, must be able to see clearly and in the middle and be able to see who should be most responsible. For example, a fight that took place on the side of the road, where a person was knocked down onto the road, while a motorcycle passed by and crashed into it. As a result, the person suffered severe injuries to the head and even died on the way to the hospital. In this case, the predominant cause of death for the person was being hit by a vehicle, not a fight.

### **Principle of Contribution**

Contribution (al-Musahamah) is a form of cooperation in which each participant contributes funds to the company and the participant is entitled to compensation for his contribution based on the amount of the share value (premium) he issues. Wahbah Al-Zuhaili said that syarikah al-musahamah is the most important type of commerce. Capital of syarikah is distributed to equal parts of the participants, where each part is called shares which may not be divided unless only the owner changes. Rights and responsibilities of shareholders or shahib al-mal is limited to the size of the value of the shares he has in the company.

In the insurance agreement, when the policy is concluded that the participant is considered as the main debtor and must complete the agreed contribution to the manager. In this transaction, participants are obliged to pay contributions regularly based on the terms and conditions stated in the policy. Paid contributions are a mandate for managers and therefore must be intended for participants (Rinaldi et al., 2022).

### **Application of the Principle of Utmost Good Faith in Sharia Insurance Agreements**

The insurance agreement arises from a chance agreement in Dutch known as a *consovereenkomst*. The definition of *consovereenkomst* or a chancy agreement contained in Article 1774 of the Civil Code is an act whose result, namely regarding the pros and cons for both parties and for some parties, which depends on an uncertain event.

Article 255 of the Criminal Code stipulates that coverage must be held in writing with a deed, which is called a policy. If you look at the provisions of the article, the policy is a legal condition for the insurance agreement, even though the policy is evidence of the existence of an insurance agreement, because the insurance agreement is consensual. Article 257 paragraph 1 of the Criminal Code stipulates that the coverage agreement exists immediately after it is held, the mutual rights and obligations of the insured and the insurer start from then, even before the policy is signed. Article 257 of the Criminal Code states that the insurance agreement is consensual, but Article 255 of the Criminal Code requires the making of the insurance agreement in a deed called a policy (Santri, 2017).

The principle of perfect good faith or in Arabic terms is called *mabda' husn an-niyah*. In this principle it is stated that the insured is obliged to inform the insurer about a

fact and main things that he knows, as well as matters relating to risks to the coverage carried out. Incorrect information and information that is not submitted can result in the cancellation of the insurance agreement.

The most important thing in this principle is the honesty of the participants regarding the insured object. In the Islamic agreement, honesty is considered as the main thing for the realization of mutual willingness. Willingness (*an-taradzin*) is the most essential thing in the Islamic agreement because in Islamic trading it is stated that trading must be carried out with full agreement and willingness so that it is far from consuming the assets of other parties in vanity. Honesty is a fundamental ethical value in Islam. Islam is another name for truth.

Allah commands all Muslims to always be honest in all matters and words as contained in QS. Al Ahzab: 70: "O you who believe, fear Allah and speak the truth." Islam strictly prohibits lying and deception of any kind. This truth value influences the parties to the agreement not to lie, cheat and commit forgery. When this principle is not implemented, it will damage the legality of the contract made. The parties involved in insurance must have the same opportunity to express their wishes (*willsverklaaring*).

In Islamic law, a new contract is born after the implementation of consent and qabul. Ijab is a statement of will to offer, while qabul is a statement of will to accept. In this case, clarity of the offer and acceptance is required and there must be conformity between an offer and acceptance. If it's like that then the insurance agreement has fulfilled the principle of consensualism (*ar-ridha'iyah*).

In sharia business, every actor is required to adhere to the principles taught in the Qur'an and as-Sunnah. This principle is the result of the thoughts of the jurists and Islamic economic activists. Among these principles include (1) the principle of monotheism, (2) permissibility (*ibahah*), (3) justice (*al 'adl*), (4) free will (*alhurriyah*), (5) accountability, (6) truth, virtue, and honesty, (7) willingness (*ar-ridla*), (8) expediency, (9) forbidden riba.

The obligation of the insured and the insurer to uphold the principle of utmost good faith as the principle of honesty in the insurance business means that they have fulfilled the signs of sharia business, in the form of the principle of honesty. The principle of honesty emphasized in sharia business is very important. In a business context, honesty is meant as

the right intention, attitude and behavior, including the contract process (transaction), the process of finding or obtaining commodities, the process of developing or in the process of trying to achieve or determine profit margins (profit).

With this principle of truth, business in Islam is very guarded and applies preventively against the possibility of loss to one of the parties' conducting transactions, collaborations or agreements in business. The Qur'an emphasizes that business should not be carried out in ways that contain sleaze, damage and tyranny and instead it must be carried out with awareness and volunteerism. Submission of factual information by the insured is to avoid tyranny for transactions. Therefore, it is necessary to emphasize honesty and willingness for both parties. This is highly recommended in QS. an-Nisa', 29: "O you who believe, do not eat each other's wealth in a vanity way, except by way of trade that applies with mutual consent between you."

Honesty is a basic value that must be held in carrying out business activities. The success and failure of a business in Islam is always related to the presence or absence of honesty. In Islam, that relationship between honesty and the success of economic activities shows a positive thing. Any business based on honesty will gain the trust of others. This trust will encourage increased transaction value of business activities and ultimately increase profits.

The realization of the principle of virtue in Islamic business is the attitude of volunteerism and hospitality. For example, in personal accident insurance, the insured honestly conveys conditions and others. The information material is as written in the policy, which is a document containing an agreement between the insured and the insurer (insurance party) regarding the risks to be insured. The policy is proof of the insurance coverage agreement.

A number of people died or were injured due to accidents that can happen unexpectedly to anyone and at any time. This of course will cause economic and financial losses which are not small which may result in bankruptcy and harm the lives of other people. These risks are uncertain, it is not known whether they will occur in the near future or in the future, if these risks do occur, it is unknown how much the loss will be economically. One way to overcome this risk is by transferring risk to other parties outside

of humans. The duty of insurance is to bear the risk burden transferred by the insured to the company.

The transfer of risk to the insurance company does not just happen without any obligation to the party transferring the risk. This must be agreed in advance with what is called an insurance agreement. In the insurance agreement the party transferring the risk is referred to as the insured and the party receiving the transfer of risk is referred to as the insurer. Where the insurer binds himself to the insured, by accepting insurance premiums to provide reimbursement to the insured due to loss or damage arising from an uncertain event, or for payment based on the death or life of an insured person.

### **Agreement**

In Islamic jurisprudence, an agreement is referred to as a *mu'ahadah ittifa'* or contract. In the Qur'an, there are at least two terms related to agreements, namely the word contract (*al-'aqdu*) which means engagement or agreement, and the word *'ahd (al-ahdu)* which means time, message, consummation, and promise. or agreement.

Agreements in Dutch are often known as *overeenkomstenrecht*. The agreement is said to be one of the sources that will issue an agreement for two people who have made an agreement. The relationship that arises between the two who have implemented the agreement will give rise to a relationship related to the rights and obligations of the parties that must be fulfilled in accordance with the contents of the agreement made. Thus, it can be said that the relationship between the engagement and the agreement is that the agreement issues an engagement. Based on the principle of consensuality, it is stated that an agreement is born when an agreement is reached between the two parties relating to matters that are the subject of what is the object of the agreement.

The agreement is a very important thing because it involves the interests of the parties who make it. Therefore, every agreement should be made in writing in order to obtain a legal force, so that the goal of legal certainty can be achieved. Article 1313 of the Civil Code defines that an agreement is an act by which one or more people bind themselves to one or more other people. According to (Saputera, 2022), the formulation of Article 1313 of the Civil Code is incomplete, because it only mentions unilateral consent and is also very broad because by using the word "act" it also includes voluntary

representation and unlawful acts. He provides the following definition: a) Actions must be interpreted as legal actions, namely actions that aim to cause legal consequences; b) Adding the words “or binding himself to each other” in Article 1313 of the Civil Code, so that according to his formulation, an agreement is a legal act, in which one or more people bind themselves to one or more.

A contract or agreement according to Islam must fulfill the conditions for the formation of the contract (*syuruth al-in'iqad*), the conditions for the validity of the contract (*syurut as-sihah*), the conditions for the validity of the contract (*syuruth an-nafadz*), and the conditions for binding the contract (*syuruth al-luzum*). All these conditions will make the agreement perfect. According to positive law in Indonesia, an agreement is valid if it fulfills Article 1320 of the Civil Code. There are four conditions that must be met, including (1) the agreement of those who commit themselves, (2) the ability to make an agreement, (3) a certain thing, and (4) a reason that is allowed (Ismanto, 2014).

### **Personal Accident Insurance**

Insurance that provides guarantees or protection against death/permanent disability and maintenance/medical expenses incurred or caused by an accident. In the Big Indonesian Dictionary, insurance can be interpreted that insurance is coverage or an agreement between two parties where one party will pay money to the other party, in the event of an accident and so on, while the other party will pay contributions. “Self-accident” namely: with the origin of the word wretched which means a disaster that befalls oneself or one’s body. Accident insurance is a type of life insurance that is intended to protect yourself from accidents, protect workers from work accidents, and protect themselves from accidents caused by land, sea and air transportation.

Personal accident insurance not only protects against accidents caused by motorized vehicles, but also guarantees the risk of death and permanent disability caused by an accident or incident that comes suddenly, unplanned, from outside which results in death or permanent disability, such as accidents at work, accidents while driving, including events such as poisoning due to inhalation of toxic gases or vapors, suffocation or drowning.

## **RESEARCH METHOD**

This study used descriptive qualitative methods to explain existing research without providing data manipulation of the variables studied by conducting direct interviews with the Asuransi Askrida Syariah company Medan Branch. This study used books, scientific works, journals related to insurance law, materials obtained from the internet, legal theories, expert opinions or also doctrines and other materials.

## **RESULTS AND DISCUSSION**

Insurance institutions, as well as banking institutions, will be trusted if they can provide guarantees of trust to the public. The insurance company must really be able to guarantee that the funds collected will be returned at a later date according to the customer's rights. The community must be convinced that the insurance company will be able to fulfill its obligation to pay compensation for losses suffered by the insured community.

The contents of the agreement are generally arranged by the insurance company to become something standard or standard. In addition to containing legal language, the contents of the insurance contract are also very technical and specific, in which it is generally very difficult to understand the contents of an insurance policy. Never mind the insured, many actors in insurance companies also do not understand the contents of the contract. In the insurance business, there are several insurance principles that must be applied by both the insurance company and the insured. At least the principles referred to include the principle of insurable interest, the principle of utmost good faith, the principle of indemnity, the principle of proximate cause, and the principle of contribution and subrogation.

An agreement made between two or more people is binding so that it creates obligations for one or more parties to the agreement, as soon as the person reaches an agreement or consensus, even though the agreement has been reached verbally. This means that in principle an agreement that is binding and applies as an engagement for the parties promised does not require formalities. However, to protect the interests of the debtor. The conformity of the will in the insurance is stated in writing, namely by submitting an

application by filling out the SPPA by the insured to the insurer which is then approved by the insurer. The application for filling out the SPPA is accompanied by filling out the insurance request form. It means not just good faith, but more than that, it is the perfect honesty of the insured party in disclosing all material facts correctly, completely, and voluntarily regarding the insured object, whether requested or not requested regarding his/her own condition, health and wealth/properties to the insurer. Conversely, insurance companies are also required to show good faith to the insured. Very often, there is a misunderstanding of the application of this principle in the insurance business. Utmost Good Faith seems to only be the obligation of the insured, where the insurer does not need to show good faith to the insurer. For the insurer (insurance party) in personal accident insurance, specifically outlining the risks that are excluded and the assured personal accident.

Principle of Utmost Good Faith as the Principle of Insurance Law is referred to as the principle of perfect good faith or the principle of perfect honesty (*uberrimae fidei*). From this principle, it can be stated that the insured is obliged to inform the insurer about a fact and the main things he/she knows, as well as matters relating to the risks to the coverage carried out. Incorrect information and information that is not submitted can result in the cancellation of the insurance agreement.

Good faith is an abstract meaning and difficult to formulate, so people formulate it more through events in court. Good faith in the implementation of the agreement is related to the issue of decency and appropriateness. Good faith according to ML Wry is: Action without deceit, without trickery, subterfuge, without disturbing other parties, not only by looking at one's own interests, but also by looking at the interests of others. Good Faith is the intention of one party in an agreement not to harm the promised partner or not to harm the public interest (Sinaga, 2021).

Good faith or Utmost Good Faith in an insurance agreement is very important because it involves the rights and obligations of the insured and the insurer. Good Faith is the most important principle in contract law. For this reason, the insurance agreement is also referred to as a contract of Utmost Good Faith. This Good Faith is usually paired with fair dealing. As mentioned above, the definition of good faith is in fact very difficult to find

a clear understanding and definition of good faith. This is understandable because there are very few legal agreements that include good faith provisions that only regulate a few (Harahapan & Syafrina, 2022).

The principle of honesty is basically a principle for every agreement so that it must be fulfilled by the parties entering into the agreement. Failure to fulfill this principle when closing an agreement will result in defects of will, as is the meaning of all the basic provisions regulated by articles 1320-1329 of the Civil Code. However, good faith is one of the main foundations and trust that underlies every agreement and law basically does not protect parties with bad intentions. Although in general good faith has been regulated as stipulated in the Civil Code specifically for insurance agreements, emphasis is still needed on good faith as required by article 251 of the Commercial Code “Any statement that is incorrect or incorrect, or does not provide things known to the the insured, no matter how good faith he has, of such a nature that if the insurer already knew the actual situation, the agreement would not have been closed or not closed with the same conditions, resulting in cancellation of coverage”.

The obligation to provide information and information as a perfect reflection of good must be fulfilled by both parties, both the insurer/insurance company and the insured/insurance taker have the same and balanced burden of obligation. So, in this case, each prospective insured, before closing the insurance agreement has the obligation to notify the prospective insurer of all the facts he knows or should know so that the prospective insurer can decide whether to close the insurance agreement or not. Even whether the prospective insurer will close with the same conditions or not. The main obligation of such notification is related to facts that are already known by the prospective insurer or facts that should be known by the prospective insurer.

As mentioned earlier, the insurance agreement must also fulfill the legal requirements of the agreement, as stipulated in Article 1320 of the Civil Code. The purpose of the insurance agreement is to transfer the risk that the insured will face to the insurer by paying a premium. The most important thing in this principle is the honesty of the participants regarding the insured object.

In this principle, the party that should be honest is not only the insured, but also the insurance company that has been represented by the insurance agent because this insurance contract is a contract between two equal parties and basically the insurance is sold. Technically, insurance agents or marketing explain honestly the clauses in the policy so that participants don't know the contents of the policy so that the insured is not deceived and feels disappointed later on. insurance seller fraud is when the seller hides everything related to the insurance policy from the buyer, even though he clearly knows it or the seller covers up the disability or clause in the policy with something that can trick the buyer so that it doesn't appear to be a defect; or cover it up as if the policy was without clauses and everything seemed fine.

In terms of honesty, insurance companies, including policy selling agents, the truth and accuracy of the information they have on participants is a must. The information that must be provided by the company to participants is not only related to service quality, clauses, the types of risks handled, but also the effects that participants will receive, as well as other things that are very related. Success in providing quality service can be determined with a service quality approach. Service Quality is how far the difference is between the expectations and reality of the customers for the service they actually receive and the actual service they expect. Service quality is the main thing that is seriously considered by the company, which involves all the resources owned by the company (Nasution, 2019).

Many insurers claim that the insured does not carry out good faith (breach of Utmost Good Faith) so that the insurance claim submitted is rejected by the insurance company. In many cases, the insured's good intentions to do something related to an insurance claim backfire because it turns out that the action violates the terms of the contract. On the other hand, the insured does not know that his good intentions turn out to be bad, which in the end becomes an area of conflict arising from claims for compensation. There is a delay in information from the customer or the victim himself which causes an obligation between the parties to help each other so that the distribution of insurance claims can be obtained as soon as possible by the victim or customer. However, in the process of paying claims, there may be several complaints from the party making the claim who do not understand the procedure for making an insurance claim, so the officer or staff is

required to always be friendly and patient when dealing with the party making the claim. to further improve the quality of service, because service is one of the main weapons in insurance companies. Providing services in the insurance sector also intends to be able to reduce the risk or occurrence of accidents, so that cooperation between the police, government, and the community can be carried out (Aditya & Yafiz, 2022).

Based on the results of interviews conducted at PT. Asuransi Asrida Syariah with one of the employees on behalf of Mr. Dendy Syahputra, he stated “In the Personal Accident Insurance product there are 500 customers. Where in this product the customer is not an individual but a corporate or agency or foundation, for example companies, universities, schools and others in which it consists of several people who are insured. Premium payments are made once a year at the beginning. Currently, there are around 20 customers who have claimed their insurance. Good faith from the company, that is, as long as it is according to the rules and SOPs, it will definitely be paid, not delayed as long as it is in accordance with the applicable regulations”.

The application of the principle of utmost good faith in an insurance agreement is by informing the actual facts either from the company or the insurer or from the insured. If there is a mistake in the future, it will cause default which can cause losses to both the insurer and the insured. Then in providing compensation settlement services starting from the submission process to the delivery of compensation is carried out within six months after the accident. If the form or documents for proof of the proposed compensation fund are found to be incomplete, then the service department employee will provide instructions and information regarding the proper procedure (Aqilah & Syahriza, 2022).

The main philosophy of the principle of Utmost Good Faith means eliminating the fear of defects of will in sharia agreements. The defect of will in question is deception. In other words, this principle upholds honesty in an agreement, limitations of Honesty Principle of Utmost Good Faith. Another thing that needs to be understood is that insurance is included in the standard agreement because the form of the contract has been determined in the form of a policy. In connection with this principle, the company may not abuse the condition of a standardized agreement. Even though the misuse of circumstances has not

been included as one of the factors causing the cancellation of agreements in Indonesian positive law.

In practice, the prospective insured is required to fill out a form provided by the insurance company. Questions and statements regarding what are insured must be filled in honestly, however often the answer choices in the blanks are insufficient. Or even a blank can't extract further information about the condition of the insured because it's only in writing. Perhaps the conditions would be different if this information was carried out by an insurance officer. This condition is still a limitation of honesty that is not optimal. The above seems simple, but if ignored it will have a detrimental effect on the insurer. However, the existing limitations do not cause major losses and it is understandable that they are not a serious problem. Because by filling out the form submitted by the insurer and by filling in the insured it means that the insurer has agreed to the agreement. If such things have been understood together and have become customary, their existence cannot cancel the agreement that has been made. Basically, every agreement made by the parties must be carried out voluntarily or in good faith, but in reality, the agreements made are often violated. If problems arise regarding agreements, then justice seekers (*justiciabellen*) certainly really want cases to be resolved fairly.

However, in current practice, Indonesia as a rule of law has not been able to provide justice evenly. Many justice seekers feel dissatisfied and disappointed. In the application of law-by-law enforcers in Indonesia today, law enforcers often carry out their duties not in accordance with existing regulations. To overcome this, any problems that arise, in this case problems in the field of agreements, must be resolved in accordance with applicable regulations, taking into account the terms of the validity of the agreement, the principles or principles of contract law. One of them is by applying the principle of good faith for the parties in a balanced manner. Thus, it is hoped that the ideal and desirable application of law can be realized.

## **CONCLUSION**

In the insurance business, there are several insurance principles that must be applied by both the insurance company and the insured. Utmost Good Faith seems to only be the

responsibility of the insured, where the insurer does not need to show good faith to the insurer. For the insurer (insurance party) on personal accident insurance, namely explaining personal accidents that are guaranteed and risks that are excluded.

From this principle, it can be stated that the insured is obliged to inform the insurer about a fact and main things that he knows, as well as matters related to the risks to the coverage carried out. As mentioned above, the definition of good faith in reality is very difficult to find understanding and a clear definition of good faith. This is understandable because the legal arrangements for agreements are minimal, incorporating good faith provisions only regulate a few.

However, good faith is one of the main foundations and the trust that underlies every agreement and the law basically does not protect parties with bad intentions. Although in general good faith has been regulated as stipulated in the provisions of the Civil Code specifically for insurance agreements, emphasis is still needed on good faith. The obligation to provide information and information as a perfect reflection of good must be fulfilled by both parties, both the insurer/insurance company and the insured/insurance taker have the same and balanced burden of obligation.

So, in this case each prospective insured, before closing the insurance agreement has the obligation to inform the prospective insurer of all the facts he knows or should know so that the prospective insurer can decide whether to close the insurance agreement or not, facts already known by the prospective insurer or facts that should have been known by the prospective insurer.

The parties who wish to enter into an agreement must really understand how important the principle of good faith is in making and implementing an agreement. If a problem arises related to the agreement, it is hoped that it can be handled by taking into account other principles, especially the principle of good faith. It is hoped that this research can benefit how important good faith is in life and future research is expected to be even better and superior to previous research.

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