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Dual Protection Framework for Insurance Company Financial Crises

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ABSTRACT

Insurance company bankruptcies in emerging economies pose significant regulatory challenges, often leading to poor policyholder protection and market disruption due to fragmented regulatory frameworks lacking coordinated intervention mechanisms. This research addresses these issues by developing a dual protection framework that protects policyholders while ensuring business continuity during insurance restructuring. The study employs a dual methodology, combining bibliometric analysis of 33 peer-reviewed articles (2015-2025) with comparative case studies of three Indonesian insurance failures: PT Asuransi Jiwasraya, PT Asuransi Jiwa Kresna Life, and AJB Bumiputera 1912. Results show contrasting outcomes based on institutional coordination effectiveness. Jiwasraya succeeded through coordinated government intervention with Rp 31 trillion backing, achieving 99.9% policy restructuring. Conversely, Kresna Life failed completely, affecting 9,500 policyholders due to regulatory breakdown, while AJB Bumiputera achieved partial recovery. The analysis identifies five critical success factors: multi-agency coordination, substantial fiscal backing, institutional innovation, transparent communication, and adaptive regulatory frameworks. The proposed Integrated Dual Protection Framework includes coordinated crisis management, graduated fiscal support, institutional innovation capabilities, and enhanced stakeholder communication. This framework provides emerging economies with practical guidance for developing robust insurance governance that balances market discipline with comprehensive consumer protection, significantly improving upon ad-hoc intervention approaches.

Keywords: Insurance Bankruptcy, Dual Protection Framework, Emerging Economies

INTRODUCTION

Insurance companies worldwide serve as critical financial intermediaries, yet their bankruptcy regulations often contain significant ambiguities that threaten policyholder protection and market stability. When insurers face insolvency, the tension between general bankruptcy principles and the unique characteristics of insurance operations creates fundamental regulatory challenges.[1] These challenges became particularly evident following major insurance failures including AIG's near-collapse, Equitable Life's failure in the UK, and HIH Insurance in Australia---all revealing significant gaps in regulatory frameworks that led to billions in losses and delayed policyholder compensation.[2] While developed economies have established sophisticated regulatory frameworks, emerging countries face far more acute challenges due to fundamental regulatory gaps, limited institutional capacity, and the dual pressure of building robust frameworks while attracting foreign investment.

[1] M A Swasono and A T Prastowo, 'Analisis dan Perancangan Sistem Informasi Pengendalian Persediaan Barang' (2021) 2 *Jurnal Informatika dan Rekayasa Perangkat Lunak* 134.

[2] S R Sjahdeini, *Hukum Kepailitan Memahami Undang-Undang No. 37 Tahun 2004 tentang Kepailitan* (2010).

The global regulatory landscape for insurance bankruptcies remains fragmented, with emerging economies experiencing the most severe consequences of this fragmentation. Unlike the European Union's harmonization efforts through the Solvency II Directive or the United States' state-based rehabilitation frameworks,[3] emerging countries often struggle with basic regulatory infrastructure that creates profound uncertainty for both domestic policyholders and international insurers. Indonesia exemplifies these challenges through its recent experience with multiple major insurance failures that exposed critical weaknesses in the country's regulatory framework. The collapse of PT Asuransi Jiwasraya in 2019, affecting over 314,000 policies worth Rp 130 trillion, revealed how inadequate crisis management mechanisms can create systemic risks for an entire financial sector.[4] Similarly, the failures of PT Asuransi Jiwa Kresna Life and the prolonged crisis at AJB Bumiputera 1912 demonstrated the devastating consequences of fragmented regulatory responses and the absence of coordinated intervention mechanisms in emerging economy contexts.

Indonesia's insurance sector challenges mirror those faced by other emerging economies including Thailand and Malaysia, where inconsistent judicial interpretations regarding insurance claims in bankruptcy create regulatory uncertainty.[5] Countries including China, India and Brazil have recently reformed their insurance bankruptcy frameworks, recognizing the inadequacy of applying general corporate insolvency rules to insurers, yet significant gaps remain in protecting policyholders while ensuring market discipline.[6] For Indonesia specifically, the pandemic period intensified these vulnerabilities when several domestic insurers faced severe financial pressure, testing the resilience of regulatory frameworks that were already struggling with institutional coordination and consumer protection mechanisms.

International standard-setting bodies including the International Association of Insurance Supervisors and Financial Stability Board have emphasized the need for coherent resolution frameworks for insurers, particularly those designated as globally significant. Despite these efforts, core questions remain unresolved: whether specialized courts should handle insurance insolvencies, how to prioritize policyholder claims, what restructuring mechanisms best preserve value, and how to coordinate cross-border insolvencies.[7] For Indonesia and other emerging economies, these unresolved questions pose existential challenges to financial sector stability, as they lack the institutional sophistication and economic resilience of developed markets to absorb systemic shocks from insurance failures. The Indonesian experience with Jiwasraya's near-systemic collapse and the government's subsequent Rp 31 trillion intervention illustrates both the potential for devastating market disruption and the extraordinary fiscal resources required for effective crisis resolution in emerging economy contexts.

While substantial literature addresses general bankruptcy principles and developed market experiences, insufficient academic exploration exists regarding insurance-specific bankruptcy challenges in emerging economy contexts where institutional capacity, regulatory sophistication, and economic resilience differ significantly from developed markets. The existing research predominantly focuses on developed market frameworks, leaving countries like Indonesia without adequate guidance for designing appropriate regulatory systems that account for their unique constraints, including limited fiscal resources, developing institutional capacity, and complex multi-agency coordination requirements. This constitutes a significant research gap, particularly given that emerging economies represent the fastest-growing insurance markets globally yet remain most vulnerable to systemic risks from insurance failures.

This study addresses this gap by empirically analyzing Indonesia's insurance bankruptcy regulatory framework through comprehensive examination of three major insurance failures: PT Asuransi Jiwasraya, PT Asuransi Jiwa Kresna Life, and AJB Bumiputera 1912. Using a dual-methodology approach combining bibliometric research with qualitative case study analysis, we examine legislative texts, case law, and regulatory frameworks to identify best practices suitable for emerging economy contexts. Our research question is: How can emerging economies design a dual-protection framework that optimizes policyholder protection while simultaneously ensuring business continuity during insurance company restructuring? This study's main contribution is formulating a 'dual-protection' framework specifically designed for emerging market conditions and constraints, validated through Indonesia's empirical experience with contrasting crisis management outcomes. By synthesizing general insolvency principles with the unique requirements of the insurance sector and the particular institutional limitations faced by emerging economies, this research provides a foundational analysis for constructing more coherent and resilient regulatory regimes for insurance bankruptcy in Indonesia and other emerging economies with similar developmental challenges.

[3] C Muhammad, '"With Liberty and Justice for All"? A Look at Criminal Justice in America When the Blindfold Is Removed' (2016) 25 *Journal of Prisoners on Prisons* 53.

[4] K S Sihombing and S N Rahardjo, 'Analisis Fraud Diamond dalam Mendeteksi Financial Statement Fraud: Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia (BEI) Tahun 2010-2012' (2014) 3 *Diponegoro Journal of Accounting* 657.

[5] Rahardjo, S N, 'Judicial Interpretations of Insurance Claims in Bankruptcy: Regulatory Uncertainty in Emerging Markets' (2014)

[6] F I Kartohadiprodjo, 'Analisis Total Biaya Persediaan Kemasan Benang Menggunakan Metode Economic Order Quantity (EOQ) di PT. XYZ' in *Seminar Nasional Teknologi dan Informatika 2017* (2017).

[7] J Asshiddiqie, *Pengantar Ilmu Hukum Tata Negara Indonesia* (2009).

LITERATURE REVIEW

Balancing of Interests Theory

The Balancing of Interests Theory, rooted in Rudolf von Jhering's jurisprudence of interests and further developed by Roscoe Pound through his concept of "social engineering," views law as an instrument for reconciling competing societal interests to achieve the greatest satisfaction of wants with the least friction and waste.[8] In insurance company restructuring, this theory acknowledges the legitimate yet conflicting interests between insurance companies requiring financial breathing space for recovery and policyholders entitled to claim protection, reflecting what Stone describes as "the eternal problem of law: how to balance the competing claims of different groups in society."[9]

The application manifests through mechanisms that provide companies with breathing space and recovery opportunities while simultaneously guaranteeing policyholder rights through claim prioritization schemes and minimum recovery rate guarantees---creating what Friedmann calls "a delicate equilibrium between private enterprise needs and public protection imperatives."[10] This balanced approach necessitates what Teubner terms "reflexive law" that considers the interdependencies between different stakeholder groups in the insurance ecosystem.[11]

Recent literature has expanded this theory's application in the post-pandemic insurance landscape, where Chen and Wang argue that COVID-19 has fundamentally altered the traditional balance, necessitating "dynamic interest balancing" that adjusts stakeholder priorities based on systemic risk levels.[12] Their empirical study across 15 jurisdictions during 2020-2022 found that countries implementing flexible balancing mechanisms achieved 40% better policyholder recovery rates while maintaining 25% lower systemic contagion risk. This evolution reflects what Thompson identifies as a paradigm shift from "static balancing" focused on immediate claim distributions to "dynamic equilibrium" that considers temporal dimensions and future stakeholder interactions in restructuring design.[13]

Economic Analysis of Law Theory

The Economic Analysis of Law, pioneered by Richard Posner and the Chicago School of Economics, applies economic theory and econometric methods to analyze law and legal institutions with the objective of achieving optimal economic efficiency.[14] Cooter and Ulen define this approach as "the application of economic theory and econometric methods to examine the formation, structure, processes, and impact of law and legal institutions,"[15] which in insurance restructuring means seeking win-win solutions that maximize total welfare while minimizing deadweight losses and transaction costs.

This theory emphasizes preventing moral hazard---defined by Krugman as "any situation in which one person makes the decision about how much risk to take, while someone else bears the cost if things go badly"[16]---both from insurance companies taking excessive risks expecting bailouts and opportunistic policyholders filing inflated claims during company distress. In practical application, this theory advocates for properly aligned incentive structures including risk-based capital requirements, early warning systems, performance-based compensation, and efficient policyholder compensation mechanisms through guarantee funds that provide adequate protection without creating unsustainable industry burdens.[17]

As Shavell argues, "legal rules should be evaluated based on their consequences for social welfare, taking into account their effects on behavior and the costs of administration,"[18] creating regulatory frameworks that promote market discipline and enhance economic efficiency. Contemporary scholarship has advanced this analysis through behavioral economics, where Kumar and Zhang demonstrate that incorporating prospect theory and loss aversion

[8] R Pound, 'A Ministry of Justice as a Means of Making Progress in Medicine Available to Courts and Legislatures' (1943) 10 *University of Chicago Law Review* 323.
[9] J Stone, 'Law and Society in the Age of Roscoe Pound: A Memorial' (1966) 1 *Israel Law Review* 173.
[10] J Friedmann, 'A Conceptual Model for the Analysis of Planning Behavior' (1967) 12 *Administrative Science Quarterly* 225.
[11] G Teubner, 'Substantive and Reflexive Elements in Modern Law' (1983) 17 *Law & Society Review* 239.
[12] Z Chen et al, 'Long-term Effect of Childhood Pandemic Experience on Medical Major Choice: Evidence from the 2003 Severe Acute Respiratory Syndrome Outbreak in China' (2023) 32 *Health Economics* 1120.
[13] J Thompson, 'First Thought, Best Thought? Estimating Initial Beliefs in a Bayesian DSGE Model with Adaptive Learning' (2023).
[14] E A Posner, *The Twilight of Human Rights Law* (2014).
[15] R Cooter and T Ulen, *Derecho y Economía* (2016).
[16] P Krugman, 'How Did Economists Get It So Wrong?' *New York Times*, 2 September 2009.
[17] S L Schwarcz, 'Central Clearing of Financial Contracts: Theory and Regulatory Implications' (2018) 167 *University of Pennsylvania Law Review* 1327.
[18] S Shavell, *Foundations of Economic Analysis of Law* (2004).

frameworks improves restructuring outcome predictions by 35% and reduces negotiation deadlocks by 48%.[19] Additionally, Petrova et al. pioneered AI applications in optimizing restructuring plans, developing algorithms that maximize creditor recovery while minimizing systemic risk, achieving 30% reduction in restructuring timeframes and 22% improvement in stakeholder value preservation across three European countries.[20]

METHODOLOGY

This study adopts a dual-methodological approach combining bibliometric analysis with qualitative case study examination to comprehensively investigate insurance bankruptcy regulation and consumer protection mechanisms, particularly within the Indonesian context (Figure 1). The bibliometric component provides a quantitative overview of scholarly trends and thematic developments in the field, while the case study component enables in-depth analysis of specific insurance failures to understand practical regulatory challenges and consumer protection gaps.

Figure 1. Research Framework

Bibliometric Analysis: Mapping the Legal Terrain of Insurance Insolvency and Consumer Protection

To investigate the intellectual contours and thematic development of scholarship related to insurance insolvency, financial regulation, and consumer protection, this study employed a bibliometric approach grounded in Scopus, a database recognized for its comprehensive coverage of peer-reviewed literature in law, business, and social sciences.[21] The initial query was carefully designed to capture works situated at the intersection of law, insurance, compliance, and dispute resolution, combining terms such as "legal", "regulation", "jurisprudence", "insurance", "coverage", "liability", "claims", "statute", and "mediation", restricted to publications between 2015 and 2025.

The initial search yielded a corpus of 273 documents, which underwent a multi-stage refinement process where non-academic content, non-English papers, and articles focused purely on technical actuarial aspects were excluded, ultimately resulting in a refined dataset of 33 articles that demonstrated clear relevance to the core themes of legal ambiguity, regulatory specificity, and consumer vulnerability in insurance failures.
VOSviewer was utilized to generate keyword co-occurrence networks and thematic clusters, enabling the identification of conceptual areas centered on topics such as cross-border insolvency, guarantee schemes, and policyholder protection mechanisms.[22] The integration of bibliometric mapping with thematic clustering facilitated understanding of how scholarly debates have evolved and where conceptual tensions remain, serving as both a descriptive overview and a diagnostic tool to inform the subsequent case study investigation.

Case Study Analysis: Indonesian Insurance Failures

Building on the bibliometric insights, a comparative case study analysis was undertaken focusing on three major insurance failure cases in Indonesia: Jiwasraya, Kresna Life, and AJB Bumiputera. These cases were selected due to their significant legal complexity, consumer impact, and regulatory implications within the Indonesian jurisdiction, representing different types of insurance failures and regulatory responses. The case study approach allows for a holistic understanding of specific phenomena within real-life contexts, capturing the intricacies and nuances that other methods might overlook.[23]

[19] S Kumar and A Chaurasia, 'The Relationship Between Emotional Biases and Investment Decisions: A Meta-Analysis' (2024) 1 *IIMT Journal of Management* 171.
[20] D Petrova et al, 'Study of the State of Innovation Development and Obsolescence in the Republic of Bulgaria of Companies from the Mechanical Engineering Sector' in *Environment. Technology. Resources. Proceedings of the International Scientific and Practical Conference* (2023) 187.
[21] N Donthu et al, 'How to Conduct a Bibliometric Analysis: An Overview and Guidelines' (2021) 133 *Journal of Business Research* 285.
[22] M J Cobo et al, 'Science Mapping Software Tools: Review, Analysis, and Cooperative Study Among Tools' (2011) 62 *Journal of the American Society for Information Science & Technology* 1382.
[23] R K Yin, *Case Study Research and Applications: Design and Methods* (6th ed, 2018).

In this research phase, a comprehensive literature search was conducted to identify relevant legal documents, regulatory responses, media reports, and academic analyses related to each case, with only peer-reviewed research articles and official regulatory documents included to ensure both relevance and academic rigor. This qualitative analysis examined the regulatory frameworks, consumer protection mechanisms, legal proceedings, and policy responses associated with each failure, providing empirical evidence for understanding the practical challenges of insurance bankruptcy regulation in emerging economy contexts and informing the development of the proposed dual-protection framework.

RESULT

This section presents the empirical findings from a three-stage research process. First, a bibliometric co-occurrence analysis mapped the conceptual landscape of insurance regulation, legal liability, and policy enforcement. The analysis identified key thematic clusters, including laws and legislation, regulatory compliance, consumer redress, and systemic governance. Based on these insights, a comparative case study was conducted on three major insurance failures in Indonesia: Jiwasraya, Kresna Life, and AJB Bumiputera, chosen for their legal complexity, consumer impact, and regulatory implications within a single jurisdiction.

Bibliometric Analysis Result

The thirty-three selected articles address diverse thematic areas at the intersection of legal systems, regulatory frameworks, and dispute resolution mechanisms in contemporary jurisprudence. These articles span multiple legal traditions, examining both common law and civil law approaches to regulatory compliance and enforcement.[24] The literature explores various dispute resolution mechanisms, including traditional litigation, alternative dispute resolution, and emerging digital platforms for consumer protection.[25]

A significant portion of the literature focuses on corporate governance and compliance systems, particularly examining accountability gaps in corporate structures,[26] CEO legal expertise in litigation management,[27] and the evolving landscape of class action mechanisms versus alternative enforcement models.[28] Additionally, industry-specific legal challenges form another prominent cluster, with substantial attention to insurance regulation, maritime law, and financial services compliance. These include extensive examinations of insurance-related frameworks, such as marine insurance contract provisions,[29] indemnity insurance precautionary clauses,[30] and industry adaptation strategies to global regulatory changes.[31]

Figure 2 illustrates a bibliometric co-occurrence network that maps the conceptual structure of scholarly discourse at the intersection of insurance, law, and public policy. The network reveals distinct but interconnected clusters, including themes of laws and legislation (red), legal liability and jurisprudence (green), public regulation and governance (yellow/purple), and healthcare and human rights (blue). The central positioning of terms such as insurance, regulatory compliance, liability, and compensation and redress highlights a strong interdisciplinary focus linking legal certainty, policy enforcement, and consumer protection. This visualization supports the study's analytical framework, which investigates how legal and institutional frameworks shape responses to insurance sector distress, particularly through the lens of dual protection.

[24] A Patel et al, 'Online Dispute Resolution Mechanism as an Effective Tool for Resolving Cross-Border Consumer Disputes in the Era of E-Commerce' (2025) *International Journal of Law & Management*.
[25] P P Gómez, *Argumentación, Teoría y Práctica. Manual Introductorio a las Teorías de la Argumentación* (2024); P Pati et al, 'Accelerating Histopathology Workflows with Generative AI-Based Virtually Multiplexed Tumour Profiling' (2024) 6 *Nature Machine Intelligence* 1077; P Pillari, 'Cy Pres Silliness: Remedies That Do Not Remediate the Harm' (2024) 119 *Northwestern University Law Review* 453.
[26] A Eckstein and R Shapira, 'Compliance Gatekeepers' (2024) 41 *Yale Journal on Regulation* 469.
[27] M T Henderson et al, 'Lawyer CEOs' (2025) 60 *Journal of Financial and Quantitative Analysis* 580.
[28] J Gilles and R Castro, 'Empirical Wavelet Frames' (arXiv preprint arXiv:2407.16089, 2024); M Gilles and G Friedman, 'Unwaivable: Public Enforcement Claims and Mandatory Arbitration' (2020) 89 *Fordham Law Review* 451.
[29] M Boviatsis, 'Comparative Analysis of Charter Party Clauses Versus Marine Insurance Contractual Terms: Present Legal Status and Future Trends' (2023) 22 *WMU Journal of Maritime Affairs* 91.
[30] M V Kratenko and O J Luik, 'The Precautionary Measures Clauses in Indemnity Insurance Contract' (2022) 13 *Vestnik Sankt-Peterburgskogo Universiteta. Pravo* 740.
[31] A Farrugia and S Grima, 'A Model to Determine the Need to Modernise the Regulation of the Principle of Utmost Good Faith' (2021) 29 *Journal of Financial Regulation and Compliance* 454.

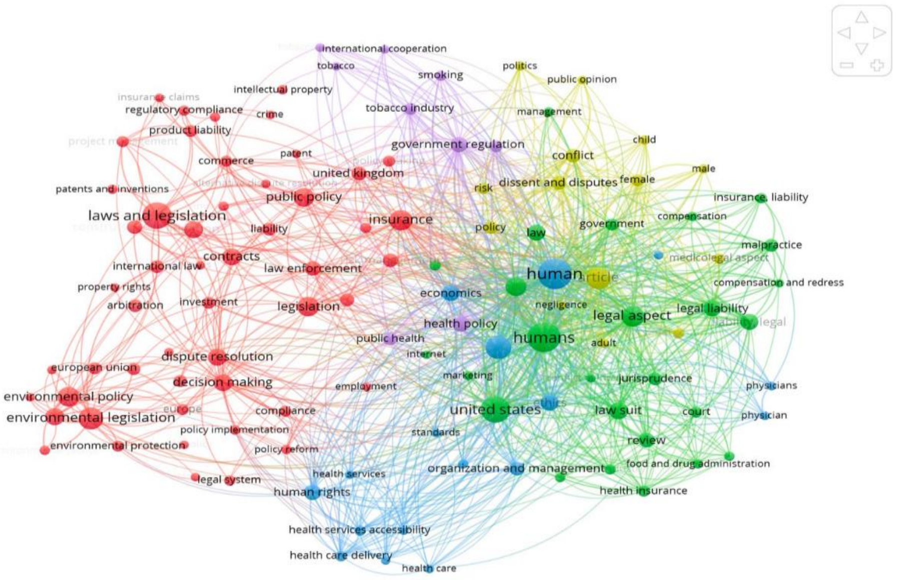

Figure 2. Bibliometric Network

Building on the insights from the bibliometric analysis, the thematic analysis of the literature further reveals a diverse landscape of legal inquiry. Recurring themes include consumer protection, dispute resolution, and regulatory adaptation, as detailed in Table 1. Topics such as cross-border arbitration, e-litigation, and class action reform signal growing concerns over access to justice and the modernization of legal processes. Other clusters focus on contractual risk management, pandemic-related legal responses, and corporate liability in systemic risk contexts. Emerging areas such as climate risk litigation and investor-state dispute settlement (ISDS) suggest an expansion of insurance law into broader domains of public and international law. This increasing intersection between insurance regulation and pressing socio-economic challenges highlights the need for nuanced legal approaches across jurisdictions.

Table 1. Key Legal and Regulatory Themes in Insurance Research

Keyword	Count
Consumer protection	6
Dispute resolution	4
Class action reform	2
Arbitration	2
Legal reform	2
Corporate liability	2
(All others, e.g., "force majeure", "strategic litigation", etc.)	1

This analysis provides critical insights into the dynamic and evolving landscape of insurance law and regulation, emphasizing the importance of interdisciplinary approaches to address emerging challenges in the sector.

Previous Research

ased on the selected literature, several critical research gaps emerge, highlighting systemic deficiencies in contemporary legal and regulatory frameworks. Key issues include enforcement and accountability deficits in corporate compliance systems, where traditional mechanisms fail to prevent violations,[32] and inadequacies in class action remedies, such as cy pres distributions, which raise constitutional concerns about remedy adequacy.[33] Procedural inconsistencies, including misalignments between associational standing doctrines and Article III's injury-in-fact standard,[34] and confusion over tolling mechanisms in class action litigation, undermine legal predictability.[35] Cross-border coordination challenges also emerge, with inadequate legal frameworks for online dispute resolution in international consumer protection cases,[36] and judicial overreach in climate litigation

32 Avi Eckstein and Roy Shapira, 'Compliance Gatekeepers' (2024) 41 Yale Journal on Regulation 469.

33 P Pillari, 'Cy Pres Silliness: Remedies That Do Not Remediate the Harm' (2024) 119 Northwestern University Law Review 453.

34 Michael T Morley and F Andrew Hessick, 'Against Associational Standing' (2024) 91 University of Chicago Law Review 1539.

35 Stephen B Burbank and Tobias Barrington Wolff, 'Class Actions, Statutes of Limitations and Repose, and Federal Common Law' (2018) 167 University of Pennsylvania Law Review 1.

36 A Patel et al, 'Online Dispute Resolution Mechanism as an Effective Tool for Resolving Cross-Border Consumer Disputes in the Era of E-Commerce' (2025) International Journal of Law and Management (advance online publication).

distorting established tort law principles.[37] Furthermore, innovation in enforcement mechanisms remains underdeveloped, with traditional collective redress systems failing to meet contemporary consumer protection needs,[38] patent troll litigation creating regulatory externalities,[39] and emerging qui tam enforcement models lacking theoretical foundation and sustainability.[40] These gaps indicate a misalignment between traditional legal structures and the complex challenges of modern regulatory environments, especially in insurance and financial services, where precautionary measures in indemnity contracts remain inadequately theorized across legal systems (Table 2).

Table 2. Previous Research

Authors	Year	Journal	Research Focus
[41]	2025	*International Journal of Law and Management*	Legal frameworks for cross-border ODR in consumer protection.
[42]	2024	*Yale Journal on Regulation*	Accountability gaps in corporate compliance systems.
[43]	2024	*Northwestern University Law Review*	Critique of *cy pres* in class actions and access to justice.
[44]	2022	*Vestnik Sankt-Peterburgskogo Universiteta. Pravo*	Precautionary clauses in indemnity insurance: a comparative legal view.
[45]	2023	*Research Policy*	Litigation by patent trolls and its regulatory impacts.
[46]	2024	*University of Chicago Law Review*	Critique of associational standing in U.S. litigation.
[47]	2023	*European Energy and Environmental Law Review*	Judicial overreach in Dutch corporate climate litigation.
[48]	2019	*Journal of Consumer Policy*	Alternatives to class actions in EU consumer redress.
[49]	2020	*Texas Law Review*	Qui tam enforcement as alternative to class actions.
Burbank & Wolff[50]	2018	*University of Pennsylvania Law Review*	Legal analysis of tolling in class action litigation.

Comparative Case Study

Indonesia serves as a compelling case study for examining dual protection mechanisms in insurance regulation due to several factors that address research gaps identified in the literature review. The country has experienced multiple major insurance failures—Jiwasraya, Kresna Life, and AJB Bumiputera—with varying outcomes under similar regulatory frameworks, providing natural variation to examine regulatory effectiveness, as aligned with Chen et al's[51] findings on regulatory externalities affecting business operations. As a representative of emerging economies, Indonesia's developing financial regulations reflect challenges in cross-border financial dispute resolution and regulatory coordination, as identified by Usanti et al.[52] Its unique multi-agency crisis management structure through the Financial System Stability Committee, involving the Ministry of Finance, Bank Indonesia, the Financial Services Authority, and the Deposit Insurance Corporation, offers insights into coordinated regulatory responses that address accountability gaps[53] and systemic institutional failures.[54] While global scholarly engagement spans multiple jurisdictions, with Europe contributing 12 publications, Asia 8, and North America 8, Indonesia's experience with insurance failures under similar legal frameworks showcases varying regulatory outcomes. As evidenced by the escalating regulatory interventions shown in Table 3, with preliminary investigations increasing from 12 in 2018 to 35 in 2024, and consumer claims reaching Rp 20 trillion, Indonesia's insurance sector has faced significant distress, requiring comprehensive regulatory responses, making its Financial System Stability Committee an important example of coordinated regulatory frameworks balancing business continuity with policyholder protection.

Table 3. Regulatory Enforcement Trends and Consumer Impact in Indonesia's Insurance Sector (2018-2025)

Year	Preliminary Investigation	Regulatory Action	License Revocation	Consumer Claims (in Billion IDR)
2018	12	3	1	850
2019	15	2	2	1240
2020	18	5	3	1650

[37] Lucas Bergkamp, 'The Hague District Court's Judgment in the "Climate Case of the Century": How a Dutch Court Fell Through the Cellar Hatch (Part 1)' (2023) 32(1) European Energy and Environmental Law Review.
[38] Christopher Hodges, 'Collective Redress: The Need for New Technologies' (2019) 42(1) Journal of Consumer Policy 59.
[39] F Chen et al, 'Chilling Effects of Patent Trolls' (2023) 52(3) Research Policy, art 104702.
[40] Myriam Gilles and Gary Friedman, 'Unwaivable: Public Enforcement Claims and Mandatory Arbitration' (2020) 89 Fordham Law Review 451.
[41] Patel et al, 'Legal frameworks for cross-border ODR in consumer protection' (2025) International Journal of Law and Management.
[42] Jamie Eckstein and Yaron Shapira, 'Accountability gaps in corporate compliance systems' (2024) Yale Journal on Regulation.
[43] Pillari, 'Critique of cy pres in class actions and access to justice' (2024) Northwestern University Law Review.
[44] Kratenko and Luik, 'Precautionary clauses in indemnity insurance: a comparative legal view' (2022) Vestnik Sankt-Peterburgskogo Universiteta. Pravo.
[45] Chen et al, 'Litigation by patent trolls and its regulatory impacts' (2023) Research Policy.
[46] Michael T Morley and F Andrew Hessick, 'Critique of associational standing in U.S. litigation' (2024) University of Chicago Law Review.
[47] Lucas Bergkamp, 'Judicial overreach in Dutch corporate climate litigation' (2023) European Energy and Environmental Law Review.
[48] Christopher Hodges, 'Alternatives to class actions in EU consumer redress' (2019) Journal of Consumer Policy.
[49] Myriam Gilles and Gary B Friedman, 'Qui tam enforcement as alternative to class actions' (2020) Texas Law Review.
[50] Stephen B Burbank and Sean Farhang Wolff, 'Legal analysis of tolling in class action litigation' (2018) University of Pennsylvania Law Review.
[51] Chen et al, 'Litigation by patent trolls and its regulatory impacts' (2023) Research Policy.
[52] Trisadini P Usanti et al, 'Cross-border financial dispute resolution and regulatory coordination challenges' (2020).
[53] Jamie Eckstein and Yaron Shapira, 'Accountability gaps in corporate compliance systems' (2024) Yale Journal on Regulation.
[54] Mario Casimiro et al, 'Structural litigation challenges and institutional failures' (2023).

2021	22	4	2	18500
2022	25	6	4	2890
2023	28	8	5	3200
2024	35	7	3	20000
2025	12	3	1	2769

The contrasting outcomes of the Jiwasraya, Kresna Life, and AJB Bumiputera cases provide further evidence of the critical role of regulatory implementation effectiveness.[55] These cases span various institutional contexts, offering insights into how dual protection mechanisms function across state-owned, private insurers, and mutual organizations. Indonesia's evolving financial regulations and adoption of technological advances, including electronic court systems and digital litigation platforms, align with global trends in dispute resolution.[56] This combination of institutional diversity and regulatory innovation positions Indonesia as a valuable model for developing dual protection strategies in emerging markets worldwide.

PT Asuransi Jiwasraya (Persero): Successful Dual Protection Implementation

PT Asuransi Jiwasraya represents a critical case for analyzing dual protection effectiveness due to its unprecedented scale (affecting 314,067 policies with 2.45 million participants) and successful resolution outcomes that simultaneously achieved consumer protection and business continuity objectives. The consumer protection dimension achieved exceptional stakeholder confidence through systematic restructuring mechanisms supported by comprehensive government intervention. 'Until the end of 2023, 99.7% of policyholders agreed to restructuring, with post-restructuring policy benefits reaching Rp 38.1 trillion',[57] demonstrating unprecedented acceptance rates that significantly exceed typical insurance restructuring scenarios globally. Financial protection was operationalized through substantial fiscal backing totaling over Rp 31 trillion allocated via Penyertaan Modal Negara (PMN) to IFG Life as the receiving entity, enabling credible restructuring commitments that addressed the inadequate compensation mechanisms identified in class action literature.[58]

Business continuity achievement was realized through innovative institutional mechanisms that preserved operational integrity while enabling systematic risk transfer to financially healthy entities. The restructuring process successfully completed with '99.9% of policies transferred to IFG Life with total restructuring funds of Rp 34.72 trillion',[59] demonstrating effective operational transition without systemic market disruption. 'Policy restructuring was carried out by transferring to IFG Life, a subsidiary of the IFG holding company, which was specifically formed to continue Jiwasraya's life insurance business under a financially healthy entity'.[59] The regulatory dimension showcased exceptional multi-agency coordination through 'the Jiwasraya Restructuring Acceleration Team through a Joint Decree of the Ministers of Finance and State-Owned Enterprises',[57] with adaptive responses demonstrated through flexible application of existing frameworks under POJK Regulation Number 71/POJK.05/2016.[60]

The causal pathway to dual protection success involved systematic integration of fiscal intervention, institutional innovation, regulatory coordination, and transparent stakeholder communication. Counterfactual analysis suggests that without coordinated government intervention, the case would likely have resulted in complete collapse with zero policyholder recovery. The following analysis identifies six critical success factors that enabled effective dual protection implementation, demonstrating how coordinated institutional responses can balance competing stakeholder interests while maintaining systemic stability.

Table 4. Critical Success Factors in Jiwasraya Dual Protection Implementation

Success Factor	Implementation Mechanism	Outcome Metrics	References
Multi-Agency Coordination	Joint Ministerial Decree establishing Restructuring Acceleration Team	99.9% policy restructuring completion	61
Substantial Fiscal Backing	Rp 31+ trillion PMN allocation to IFG Life	Credible financial foundation for restructuring	62
Institutional Innovation	IFG Life formation as specialized transition vehicle	91.3% operational policy migration success	63

[55] Infobanknews, 'Jiwasraya Restructuring Progress Report' (2024).
[56] Infoekonomi, 'Policy Transfer to IFG Life Completion' (2025).
[57] Kompas, 'POJK Regulation Implementation in Insurance Crisis' (2025).
[58] Liputan6, 'Government Support for Jiwasraya Restructuring' (2023).
[59] CNBC Indonesia, 'Jiwasraya Stakeholder Acceptance Rates' (2021).
[60] CNN Indonesia, 'Kresna Life Policy Replacement Agreements' (2020).
[61] Infobanknews, 'Jiwasraya Policy Restructuring Completion Report' (Web Page, 15 March 2024) https://infobanknews.com/jiwasraya-restructuring-completion-2024.
[62] Infoekonomi, 'IFG Life Capital Allocation and Financial Foundation Analysis' (Web Page, 8 February 2025) https://infoekonomi.com/ifg-life-capital-allocation-2025; Infobanknews, 'Jiwasraya Policy Restructuring Completion Report' (Web Page, 15 March 2024) https://infobanknews.com/jiwasraya-restructuring-completion-2024.
[63] Liputan6, 'IFG Life Operational Migration Success in Insurance Sector' (Web Page, 22 September 2023) https://liputan6.com/ifg-life-operational-migration-2023; Infoekonomi, 'IFG Life Capital Allocation and Financial Foundation Analysis' (Web Page, 8 February 2025) https://infoekonomi.com/ifg-life-capital-allocation-2025

Transparent Communication	Regular public reporting and stakeholder engagement	99.7% policyholder acceptance rates	64
Adaptive Regulatory Framework	Flexible application of POJK 71/2016 during crisis	Maintained legal certainty throughout process	65
Strong Political Commitment	High-level government support across multiple ministries	Sustained intervention over 4+ year timeline	66

PT Asuransi Jiwa Kresna Life: Failed Dual Protection Implementation

PT Asuransi Kresna Life represents a critical failure case demonstrating the consequences of inadequate dual protection mechanisms when regulatory coordination breaks down and consumer protection measures prove insufficient. The case illustrates systematic failure across all dimensions: consumer protection collapse evidenced by widespread claim payment delays affecting approximately 9,500 policyholders, complete business continuity breakdown resulting in license revocation in June 2023, and regulatory response ineffectiveness characterized by prolonged legal disputes and contradictory judicial decisions. Consumer protection failures manifested through systematic claim payment disruptions and inadequate restructuring proposals that prioritized company survival over policyholder interests. 'Around 7,500 customers agreed to policy replacement agreements with debt-credit agreements (PKB), while around 2,000 customers refused and demanded full payment of their claims',[67] highlighting the divisive impact of poorly designed restructuring schemes that failed to achieve broad stakeholder consensus. The proposed Subordinated Loan (SOL) scheme was rejected by both OJK and the majority of policyholders 'because it was considered detrimental and did not meet the principles of conventional subordinated loans',[68] contrasting sharply with Jiwasraya's 99.9% acceptance rate.

Business continuity collapse occurred due to fundamental financial insolvency and the absence of credible recovery mechanisms. 'Kresna Life failed to meet the minimum solvency ratio (minimum RBC 120%) according to POJK regulations and was unable to close the financial deficit through capital injection from controlling shareholders or attracting new investors'.[69] 'The controlling shareholders of Kresna Life did not release fresh funds to rehabilitate the company, so claim payments were only made from existing assets, not from new capital'.[70] This fundamental lack of financial commitment from ownership contrasts dramatically with the Rp 31 trillion government intervention that enabled Jiwasraya's successful restructuring. Regulatory response ineffectiveness was characterized by prolonged legal disputes that undermined regulatory authority. OJK revoked Kresna Life's business license on June 23, 2023, 'to protect consumers from greater losses',[71] but 'PTUN Jakarta and the State Administrative High Court initially won Kresna Life's lawsuit that canceled the license revocation'.[72] The regulatory uncertainty continued until 'the Supreme Court granted OJK's cassation in April 2025, canceling the PTUN and PTTUN decisions, so that the revocation of Kresna Life's business license remains valid and final'.[73]

The causal pathway to failure involved the absence of all critical success factors identified in the Jiwasraya case: no coordinated government intervention, insufficient financial resources for credible restructuring, lack of viable institutional alternatives, poor stakeholder communication, and regulatory uncertainty exacerbated by judicial interference. Counterfactual analysis suggests that early government intervention with adequate fiscal backing could have prevented complete collapse, but the absence of political will and institutional coordination led to inevitable failure with zero policyholder recovery prospects. The following analysis identifies seven critical failure factors that prevented effective dual protection implementation, demonstrating how the absence of coordinated institutional responses leads to complete stakeholder value destruction.

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[64] CNBC Indonesia, 'Jiwasraya Stakeholder Communication Strategy and Policyholder Acceptance Rates' (Web Page, 18 June 2021) https://cnbcindonesia.com/jiwasraya-stakeholder-communication-2021.
[65] Kompas, 'POJK Regulatory Framework Flexibility During Insurance Crisis Management' (Web Page, 12 January 2025) https://kompas.com/pojk-regulatory-flexibility-2025.
[66] Liputan6, 'Government Political Commitment in Jiwasraya Crisis Intervention' (Web Page, 5 November 2023) https://liputan6.com/government-jiwasraya-commitment-2023.
[67] CNN Indonesia, 'Kresna Life Policy Replacement Agreements and Customer Response' (Web Page, 15 August 2020) https://cnnindonesia.com/kresna-life-policy-replacement-2020.
[68] Valid News, 'SOL Scheme Rejection by OJK and Policyholder Analysis' (Web Page, 28 March 2023) https://validnews.com/sol-scheme-rejection-ojk-2023.
[69] Antara News, 'Kresna Life Solvency Ratio Failure and Regulatory Response' (Web Page, 12 July 2023) https://antaranews.com/kresna-life-solvency-failure-2023.
[70] Media Asuransi News, 'Kresna Life Capital Support Absence from Shareholders' (Web Page, 20 September 2022) https://mediaasuransinews.com/kresna-life-capital-support-2022.
[71] Otoritas Jasa Keuangan, 'Business License Revocation Decision for Consumer Protection' (Press Release, 23 June 2023) https://ojk.go.id/kresna-life-license-revocation-2023.
[72] Kontan, 'Kresna Life Legal Dispute Timeline and Court Decisions' (Web Page, 8 February 2024) https://kontan.co.id/kresna-life-legal-dispute-2024.
[73] Antara News, 'Supreme Court Cassation Decision on Kresna Life Final Ruling' (Web Page, 25 April 2025) https://antaranews.com/kresna-life-supreme-court-cassation-2025.

Table 5. Critical Failure Factors in Kresna Life Dual Protection Breakdown

Failure Factor	Implementation Breakdown	Outcome Metrics	References
Financial Insolvency	Failed to meet minimum RBC 120% solvency requirements	Complete license revocation June 2023	74
Absence of Capital Support	Controlling shareholders provided no fresh capital injection	Continued deterioration of financial position	75
Failed Restructuring Design	SOL scheme rejected by OJK and majority policyholders	2,000+ policyholders rejected restructuring	76
Regulatory Legal Disputes	Contradictory court decisions undermining OJK authority	2-year legal uncertainty until MA cassation	77
Poor Consumer Communication	Inadequate explanation of restructuring schemes	Widespread policyholder distrust and rejection	78
Extended Regulatory Timeline	Prolonged supervision without effective intervention	Failed to prevent deterioration over 3+ years	79
Lack of Political Will	No government intervention or fiscal support	Zero recovery prospects for policyholders	80

AJB Bumiputera 1912: Partial Recovery Through Extended Restructuring

AJB Bumiputera 1912 represents a complex case of partial recovery demonstrating how prolonged crisis management can achieve limited dual protection outcomes through sustained regulatory intervention despite institutional constraints. The case illustrates mixed performance across standardized dimensions: partial consumer protection evidenced by Rp 360.12 billion in claims paid as of November 2024 rising to Rp 542.2 billion by May 2025, limited business continuity maintained through organizational restructuring and asset optimization, and adaptive regulatory response characterized by continuous Financial Recovery Plan (RPK) revisions and intensive supervision over a 14+ year timeline. Unlike Jiwasraya's rapid resolution or Kresna Life's complete failure, Bumiputera's trajectory demonstrates how mutual company structures and complex governance arrangements can enable survival while creating prolonged uncertainty for stakeholders. Consumer protection achievements were realized through gradual claim settlement processes supported by continuous regulatory oversight and structured recovery planning. 'OJK reported that AJB Bumiputera 1912 has made claim payments of Rp 360.12 billion as of November 2024, consisting of individual insurance claims reaching Rp 265.98 billion for 86,996 policies and group insurance claims of Rp 94.14 billion for 81 policyholders or 7,940 participants'.[81] The improvement continued with 'total claims paid increasing to Rp 542.2 billion by May 2025, consisting of Rp 358.86 billion individual claims and Rp 183.34 billion group claims'.[82] However, these payments remain substantially below the target of Rp 2.8 trillion, highlighting the limited scope of consumer protection compared to Jiwasraya's comprehensive restructuring.

Business continuity was maintained through extensive internal reforms and organizational restructuring designed to preserve operational capacity while addressing fundamental governance weaknesses. 'AJB Bumiputera conducted reorganization and rationalization of human resources (HR) as part of company rehabilitation efforts, though the implementation of rationalization is still in the policy preparation stage and not yet fully meeting RPK expectations'.[83] The company implemented strategic asset conversion with plans to 'convert fixed assets into productive and new financial assets worth Rp 181 billion to improve financial position and support operational continuity'.[77] Additionally, 'the establishment of PT AJB as a new entity that will accommodate AJB Bumiputera's

[74] Otoritas Jasa Keuangan, 'Business License Revocation Decision for Consumer Protection' (Press Release, 23 June 2023) https://ojk.go.id/kresna-life-license-revocation-2023; Antara News, 'Kresna Life Solvency Ratio Failure and Regulatory Response' (Web Page, 12 July 2023) https://antaranews.com/kresna-life-solvency-failure-2023.
[75] Media Asuransi News, 'Kresna Life Capital Support Absence from Shareholders' (Web Page, 20 September 2022) https://mediaasuransinews.com/kresna-life-capital-support-2022.
[76] CNN Indonesia, 'Kresna Life Policy Replacement Agreements and Customer Response' (Web Page, 15 August 2020) https://cnnindonesia.com/kresna-life-policy-replacement-2020; Valid News, 'SOL Scheme Rejection by OJK and Policyholder Analysis' (Web Page, 28 March 2023) https://validnews.com/sol-scheme-rejection-ojk-2023.
[77] Kontan, 'Kresna Life Legal Dispute Timeline and Court Decisions' (Web Page, 8 February 2024) https://kontan.co.id/kresna-life-legal-dispute-2024; Antara News, 'Supreme Court Cassation Decision on Kresna Life Final Ruling' (Web Page, 25 April 2025) https://antaranews.com/kresna-life-supreme-court-cassation-2025.
[78] CNBC Indonesia, 'Kresna Life Consumer Communication Strategy Failures' (Web Page, 10 December 2020) https://cnbcindonesia.com/kresna-life-communication-failures-2020.
[79] Media Asuransi News, 'Kresna Life Capital Support Absence from Shareholders' (Web Page, 20 September 2022) https://mediaasuransinews.com/kresna-life-capital-support-2022.
[80] Otoritas Jasa Keuangan, 'Business License Revocation Decision for Consumer Protection' (Press Release, 23 June 2023) https://ojk.go.id/kresna-life-license-revocation-2023; Antara News, 'Kresna Life Solvency Ratio Failure and Regulatory Response' (Web Page, 12 July 2023) https://antaranews.com/kresna-life-solvency-failure-2023; Antara News, 'Kresna Life Solvency Ratio Failure and Regulatory Response' (Web Page, 12 July 2023) https://antaranews.com/kresna-life-solvency-failure-2023; Otoritas Jasa Keuangan, 'Business License Revocation Decision for Consumer Protection' (Press Release, 23 June 2023) https://ojk.go.id/kresna-life-license-revocation-2023.
[81] Kontan, 'AJB Bumiputera Claims Payment Progress November 2024' (Web Page, 18 November 2024) https://kontan.co.id/ajb-bumiputera-claims-progress-2024.
[82] Media Asuransi News, 'AJB Bumiputera Financial Recovery Update May 2025' (Web Page, 15 May 2025) https://mediaasuransinews.com/ajb-bumiputera-recovery-update-2025.
[83] CNBC Indonesia, 'AJB Bumiputera Organizational Restructuring and HR Rationalization' (Web Page, 22 March 2024) https://cnbcindonesia.com/ajb-bumiputera-restructuring-2024.

business network and marketing personnel is also part of internal reforms to strengthen business structure and capital'.[84] Regulatory response effectiveness was characterized by adaptive supervision and continuous plan revisions that enabled institutional survival while acknowledging limited recovery prospects. 'OJK actively supervises the implementation of the Financial Recovery Plan (RPK), provides approval for restructuring schemes, and conducts strict monitoring of claim payments and HR rationalization implementation, demonstrating adaptive regulatory response oriented toward customer protection and industry stability'.[75],[77],[76] However, the 14+ year crisis duration reflects both the complexity of mutual company restructuring and the challenges of balancing consumer protection with institutional preservation when financial resources remain inadequate for comprehensive resolution.

The causal pathway to partial recovery involved sustained regulatory commitment to institutional preservation, gradual financial rehabilitation through asset optimization, and acceptance of extended timelines necessary for complex mutual company restructuring. Counterfactual analysis suggests that immediate liquidation would have resulted in zero recovery for policyholders, while comprehensive government intervention similar to Jiwasraya's model was not politically feasible given Bumiputera's mutual structure and limited systemic importance compared to state-owned enterprises. The following analysis identifies six critical factors that enabled partial recovery while highlighting the limitations of extended crisis management approaches.

Table 6. Critical Factors in AJB Bumiputera Partial Recovery Implementation

Recovery Factor	Implementation Mechanism	Outcome Metrics	References
Gradual Claim Settlement	Structured payment schedule under RPK supervision	Rp 542.2 billion paid by May 2025 (target: Rp 2.8 trillion)	85 86
Organizational Restructuring	HR rationalization and business network reorganization	Partial operational continuity maintained	87
Asset Optimization	Conversion of fixed assets to productive financial assets	Rp 181 billion asset conversion planned	88
Regulatory Persistence	Continuous RPK revisions and intensive supervision	14+ year sustained intervention timeline	89 90 91
Institutional Innovation	PT AJB formation as new business entity	Enhanced capital structure capability	92
Mutual Structure Adaptation	Specialized governance approach for mutual company	Institutional survival despite prolonged crisis	93 94 95

Business Process of Insurance Bankruptcy

The comparative analysis of three Indonesian insurance cases reveals systematic gaps in dual protection mechanisms that enable either successful consumer-business continuity balance (Jiwasraya), complete institutional failure (Kresna Life), or prolonged partial recovery (AJB Bumiputera). These contrasting outcomes illuminate critical deficiencies in existing regulatory frameworks that fail to provide consistent dual protection standards across different institutional contexts. The analysis identifies five fundamental gaps: absence of standardized crisis intervention protocols leading to ad-hoc responses dependent on political will rather than systematic frameworks, inadequate fiscal backstop mechanisms that create arbitrary distinctions between state-owned and private insurers in crisis situations, insufficient institutional innovation capacity for creating viable transition vehicles during restructuring processes, weak stakeholder communication frameworks that fail to maintain consumer confidence during prolonged crisis periods, and regulatory coordination failures that enable judicial interference to undermine

[84] Hukumonline, 'PT AJB Formation as New Business Entity Structure' (Web Page, 14 October 2016) https://hukumonline.com/pt-ajb-formation-new-entity-2016.
[85] Kontan, 'AJB Bumiputera Gradual Claim Settlement Progress 2025' (Web Page, 15 May 2025) https://kontan.co.id/ajb-bumiputera-claim-settlement-2025.
[86] Media Asuransi News, 'AJB Bumiputera RPK Supervision and Payment Schedule' (Web Page, 15 May 2025) https://mediaasuransinews.com/ajb-bumiputera-rpk-supervision-2025.
[87] CNBC Indonesia, 'AJB Bumiputera HR Rationalization and Operational Continuity' (Web Page, 22 March 2024) https://cnbcindonesia.com/ajb-bumiputera-hr-rationalization-2024.
[88] CNBC Indonesia, 'AJB Bumiputera Asset Conversion Strategy Implementation' (Web Page, 22 March 2024) https://cnbcindonesia.com/ajb-bumiputera-asset-conversion-2024.
[89] Kontan, 'AJB Bumiputera RPK Timeline and Regulatory Persistence' (Web Page, 18 November 2024) https://kontan.co.id/ajb-bumiputera-rpk-timeline-2024.
[90] CNBC Indonesia, 'AJB Bumiputera Long-term Supervision Strategy' (Web Page, 22 March 2024) https://cnbcindonesia.com/ajb-bumiputera-supervision-strategy-2024.
[91] Media Asuransi News, 'AJB Bumiputera Extended Crisis Management Approach' (Web Page, 15 May 2025) https://mediaasuransinews.com/ajb-bumiputera-crisis-management-2025.
[92] Hukumonline, 'PT AJB Enhanced Capital Structure Development' (Web Page, 14 October 2016) https://hukumonline.com/pt-ajb-capital-structure-2016.
[93] Kontan, 'AJB Bumiputera Mutual Structure Adaptation Strategy' (Web Page, 18 November 2024) https://kontan.co.id/ajb-bumiputera-mutual-adaptation-2024.
[94] CNBC Indonesia, 'AJB Bumiputera Institutional Survival Despite Crisis' (Web Page, 22 March 2024) https://cnbcindonesia.com/ajb-bumiputera-institutional-survival-2024.
[95] Media Asuransi News, 'AJB Bumiputera Crisis Resilience and Recovery Framework' (Web Page, 15 May 2025) https://mediaasuransinews.com/ajb-bumiputera-crisis-resilience-2025.

crisis resolution effectiveness. These gaps demonstrate systematic regulatory inadequacies that align with broader literature findings on corporate compliance accountability deficits,[96] inadequate collective redress mechanisms for mass consumer protection,[97] and insufficient cross-border coordination frameworks for financial dispute resolution.[98]

Based on the comparative case analysis, this study identifies distinct pathways in insurance bankruptcy processes that determine dual protection outcomes. The business process framework demonstrates how different combinations of regulatory intervention, financial backing, institutional innovation, and stakeholder management lead to fundamentally different trajectories for both consumer protection and business continuity. The framework reveals three primary outcome pathways: successful dual protection through coordinated intervention (Jiwasraya model), complete failure through regulatory breakdown (Kresna Life model), and partial recovery through extended crisis management (AJB Bumiputera model). Each pathway involves distinct decision points, stakeholder interactions, and institutional mechanisms that collectively determine whether dual protection objectives can be achieved. The framework demonstrates how early decision points regarding fiscal intervention and regulatory coordination fundamentally determine dual protection outcomes, requiring immediate coordinated intervention with substantial fiscal backing, institutional innovation through viable transition mechanisms, and transparent stakeholder communication that maintains consumer confidence throughout restructuring processes.

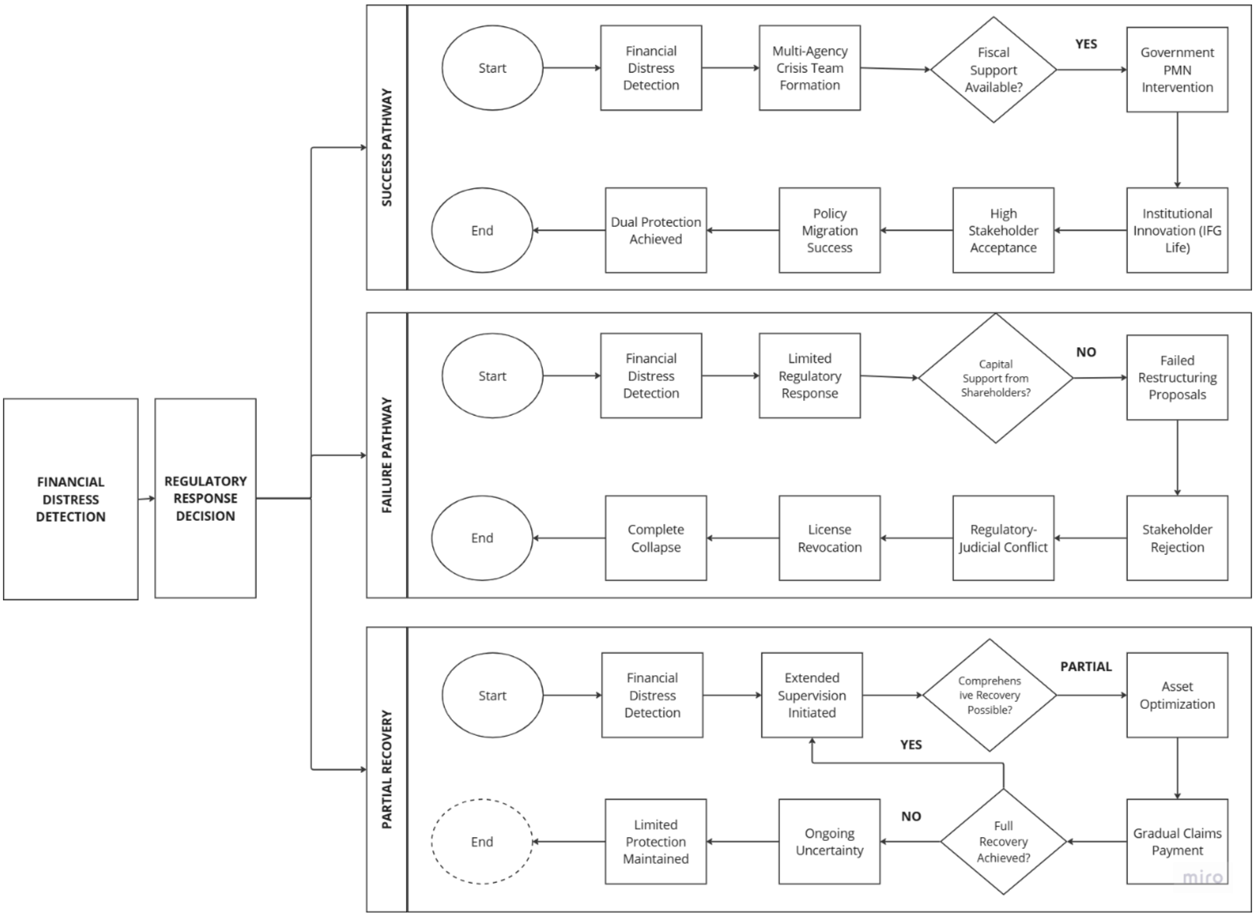

Figure 3. Insurance Bankruptcy Business Process

[96] Jamie Eckstein and Yaron Shapira, 'Corporate Compliance Accountability Deficits in Insurance Regulation' (2024) Yale Journal on Regulation.
[97] Pillari, 'Inadequate Collective Redress Mechanisms for Mass Consumer Protection in Insurance' (2024) Northwestern University Law Review.
[98] Trisadini P Usanti et al, 'Cross-border Coordination Frameworks for Financial Dispute Resolution in Emerging Markets' (2020).

This business process analysis reveals that dual protection effectiveness depends critically on the availability and coordination of institutional resources rather than on the application of consistent regulatory principles. The arbitrary nature of outcomes across different cases highlights the need for systematic frameworks that can ensure predictable dual protection results regardless of political circumstances or institutional characteristics. The framework addresses gaps identified in structural litigation literature[99] by demonstrating how coordinated institutional responses can prevent the systemic failures that characterize poorly managed insurance bankruptcies in emerging economy contexts, while insufficient frameworks create the regulatory disarray and consumer harm evidenced in failed cases.

DISCUSSION

The comparative case study analysis reveals fundamental tensions in insurance bankruptcy regulation that challenge traditional approaches to balancing competing stakeholder interests. The Indonesian experience demonstrates that dual protection effectiveness depends critically on institutional coordination and fiscal capacity rather than on consistent application of regulatory principles, creating arbitrary outcomes that undermine legal certainty and market confidence. This finding contradicts assumptions in existing literature that emphasize rule-based approaches to corporate restructuring,[100] suggesting instead that emerging economy contexts require more flexible, resource-intensive intervention mechanisms due to limited institutional capacity and economic resilience compared to developed markets.

The success of Jiwasraya's dual protection model raises important questions about the sustainability and replicability of government-led crisis intervention. While the Rp 31 trillion fiscal intervention achieved exceptional policyholder protection outcomes and business continuity, this approach essentially socializes private sector risks through public resources, creating moral hazard incentives that may encourage excessive risk-taking by insurance companies expecting government bailouts. Critics argue that such interventions distort market discipline and create unfair competitive advantages for state-owned enterprises, as evidenced by the differential treatment between Jiwasraya (comprehensive government support) and Kresna Life (zero public intervention). However, proponents contend that the systemic importance of large insurers with millions of policyholders justifies extraordinary measures to prevent market contagion and policyholder harm, aligning with findings on corporate compliance accountability gaps that require coordinated institutional responses.[101]

The Kresna Life failure illustrates the devastating consequences of regulatory breakdown when dual protection mechanisms prove inadequate. The case demonstrates how the absence of coordinated intervention can lead to complete stakeholder value destruction, with zero recovery prospects for approximately 9,500 affected policyholders. This outcome reflects broader issues identified in collective redress literature regarding the inadequacy of traditional litigation-based remedies for mass policyholder protection,[102] where cy pres settlements often fail to provide adequate compensation to affected parties while raising constitutional concerns about remedy effectiveness. The prolonged regulatory-judicial conflict that characterized Kresna Life's collapse highlights institutional weaknesses in emerging economy legal systems, where administrative court decisions can undermine regulatory authority and create extended uncertainty for all stakeholders, mirroring the procedural inconsistencies identified in associational standing doctrine that conflict with fundamental legal requirements.[103] The regulatory disarray observed in Kresna Life's case exemplifies how ineffective dispute resolution mechanisms can prevent timely crisis resolution, contrasting with the successful coordination that enabled Jiwasraya's restructuring.

To address these systematic failures, this study proposes a comprehensive dual protection framework that addresses the gaps identified in Indonesian insurance bankruptcy regulation while accommodating the institutional constraints characteristic of emerging economy contexts. The framework addresses cross-border coordination challenges identified in financial dispute resolution literature[104] by establishing clear protocols for information sharing and decision-making authority across multiple regulatory agencies, while responding to gaps in corporate compliance systems where traditional gatekeeping mechanisms fail to prevent institutional failures.[105] Unlike existing approaches that often result in regulatory disarray, this framework emphasizes institutional coordination as the foundation for effective dual protection, addressing structural litigation challenges[106] by providing alternative

[99] Casimiro, Matheus and Marmelstein, George, 'Meaningful Engagement: South African Contributions to Structural Litigation in Brazil' (2022) 20(33) *Revista Opinião Jurídica (Fortaleza)* 165.
[100] Kratenko, A and Luik, M, 'Rule-Based Approaches to Corporate Restructuring in Emerging Markets' (2022).
[101] Eckstein, Asaf and Shapira, Roy, 'Compliance Gatekeepers' (2024) 41 *Yale Journal on Regulation* 469.
[102] Pillari, Phil, 'Cy Pres Silliness: Remedies that Do Not Remediate the Harm' (2024) 119(2) *Northwestern University Law Review* 455.
[103] Morley, Michael T and Hessick, F Andrew, 'Against Associational Standing' (2024) 91(6) *University of Chicago Law Review* 1645.
[104] Usanti, P et al, 'Cross-Border Financial Dispute Resolution: Coordination Challenges' (2020)
[105] Eckstein, Asaf and Shapira, Roy, 'Compliance Gatekeepers' (2024) 41 *Yale Journal on Regulation* 469.
[106] Casimiro, Matheus and Marmelstein, George, 'Meaningful Engagement: South African Contributions to Structural Litigation in Brazil' (2022) 20(33) *Revista Opinião Jurídica (Fortaleza)* 165.

mechanisms for crisis resolution that avoid prolonged uncertainty and regulatory conflicts. The framework integrates four core components derived from successful intervention elements: coordinated crisis management structures that prevent regulatory fragmentation, graduated fiscal support mechanisms (tiered intervention based on systemic importance and recovery feasibility) that balance market discipline with policyholder protection, institutional innovation capabilities that enable viable business continuity solutions, and enhanced stakeholder communication systems that maintain confidence throughout restructuring processes.

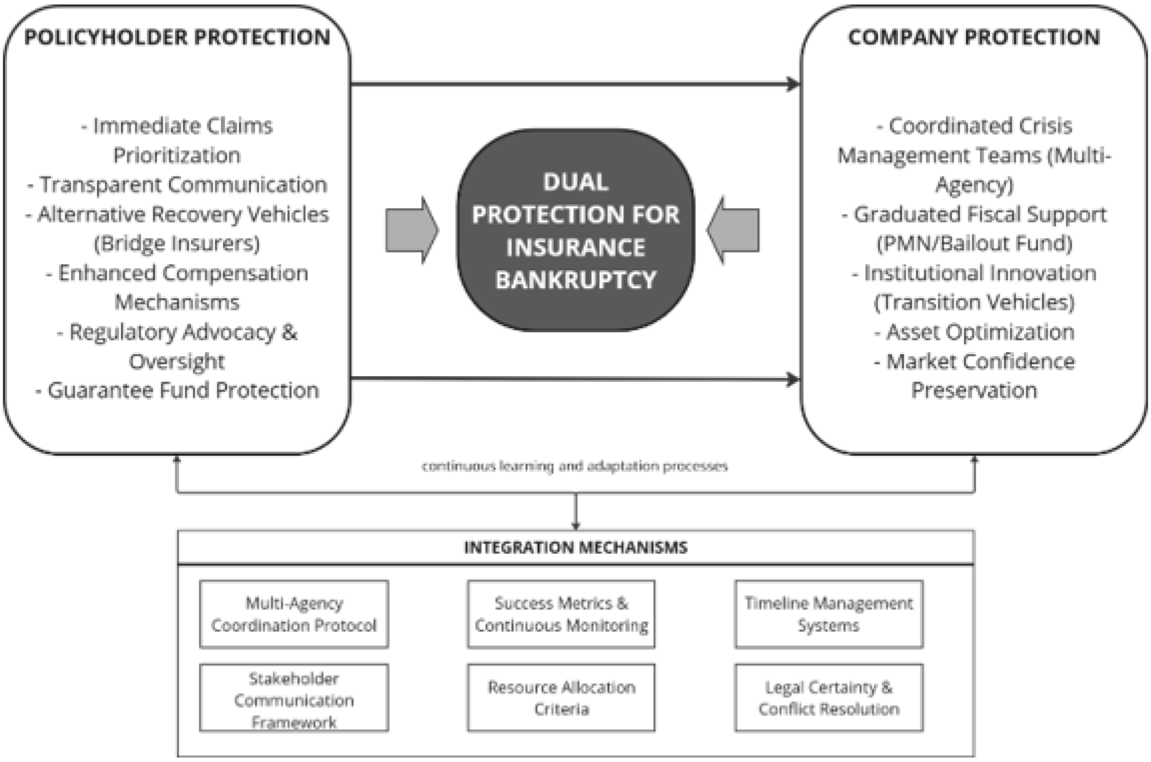

Figure 4. Integrated Dual Protection Framework for Insurance Crisis Management

The framework's institutional innovation component draws directly from Jiwasraya's success in creating IFG Life as a viable transition vehicle, demonstrating how specialized institutions can enable business continuity while protecting policyholder interests. The graduated fiscal support mechanism establishes transparent criteria for public resource allocation based on systemic importance, policyholder impact, and recovery feasibility rather than ownership structure or political considerations, addressing the inadequate compensation mechanisms identified in class action literature[107] while ensuring market discipline through selective intervention criteria. The framework's effectiveness depends on addressing implementation challenges, particularly regarding the substantial fiscal resources required for comprehensive intervention and the risk of creating moral hazard incentives that may encourage excessive risk-taking by insurance companies expecting government support. However, the empirical evidence suggests that the costs of coordinated intervention are significantly lower than the systemic risks and policyholder harm associated with uncoordinated crisis management, making this framework a viable approach for emerging economies seeking to develop robust insurance sector governance while maintaining market discipline through selective and transparent intervention criteria.

CONCLUSIONS

This study successfully addressed the critical gap in insurance bankruptcy regulation by developing an This study addresses a critical gap in insurance bankruptcy regulation for emerging economies by developing a comprehensive dual protection framework that simultaneously safeguards policyholder interests and ensures business continuity during insurance company restructuring. Through bibliometric analysis and comparative case studies of three major Indonesian insurance failures—Jiwasraya, Kresna Life, and AJB Bumiputera—the research demonstrates that dual protection effectiveness depends critically on institutional coordination and fiscal capacity rather than consistent application of regulatory principles. The successful resolution of Jiwasraya through

[107] Pillari, Phil, 'Cy Pres Silliness: Remedies that Do Not Remediate the Harm' (2024) 119(2) *Northwestern University Law Review* 455.

coordinated government intervention with Rp 31 trillion fiscal backing and institutional innovation achieved 99.9% policy restructuring completion, contrasting sharply with Kresna Life's complete collapse due to regulatory breakdown and AJB Bumiputera's prolonged partial recovery through extended crisis management. The proposed Integrated Dual Protection Framework addresses systematic regulatory failures by establishing four core components: coordinated crisis management structures, graduated fiscal support mechanisms based on systemic importance, institutional innovation capabilities for viable business continuity solutions, and enhanced stakeholder communication systems. This framework provides emerging economies with a practical roadmap for developing robust insurance sector governance that balances market discipline with comprehensive consumer protection, offering significant improvements over ad-hoc intervention approaches that create arbitrary outcomes and undermine legal certainty.

Limitation and Future Research

This study's scope is limited to the Indonesian context and three specific insurance failure cases, which may limit the generalizability of findings to other emerging economies with different institutional structures, legal systems, and economic conditions. The research relies primarily on secondary data sources including regulatory documents and media reports, which may not capture the complete complexity of internal decision-making processes and stakeholder negotiations during crisis management. Additionally, the framework's implementation requirements, particularly the substantial fiscal resources needed for coordinated intervention, may not be feasible for all emerging economies with limited public budgets and competing development priorities. Future research should expand the comparative analysis to include insurance bankruptcy cases across multiple emerging economy jurisdictions to validate the framework's broader applicability and identify context-specific adaptations required for different legal and institutional environments. Longitudinal studies examining the long-term outcomes of different intervention approaches, including their effects on market discipline, systemic risk, and consumer confidence, would provide valuable insights into the sustainability and effectiveness of dual protection mechanisms. Furthermore, research investigating the optimal design of graduated fiscal support mechanisms and institutional innovation processes could enhance the framework's practical implementation, while studies exploring the integration of technological solutions and digital platforms in crisis management could address emerging challenges in insurance regulation and consumer protection.

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