



A Legal Analysis of Breach of Contract in Relation to Contract Law and Agreement Law

(Case Study of Supreme Court Decision No. 5273 K/Pdt/2024)

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ABSTRACT

This study aims to legally analyze the concept of default in insurance contracts, focusing on the application of the principle of pacta sunt servanda and the legal implications of insurance claim rejections, as reflected in Supreme Court Decision Number 5273 K/Pdt/2024. The research method used is a normative legal approach with a case study approach, through a study of laws and regulations (including the Civil Code, Law No. 40 of 2014 concerning Insurance, and POJK No. 69/POJK.05/2016), court decisions, and a literature review of various legal references. The results of the study indicate that defaults in insurance contracts, particularly in claim payments, result in significant losses for the insured and violate the principle of pacta sunt servanda. The Supreme Court decision affirms that insurance companies are obligated to fulfill all obligations agreed upon in the policy. Therefore, in the event of default, the injured party has the right to demand compensation or fulfillment of obligations in accordance with applicable law. These findings provide an important contribution to the development of contract and agreement legal theory, as well as providing a basis for improving dispute resolution mechanisms in insurance practices to protect consumer rights. This research is expected to provide a reference for legal practitioners, regulators, and academics in addressing default issues and increasing transparency and accountability in insurance contractual relationships.

Keyword: Default, Pacta Sunt Servanda, Insurance Policy

ABSTRAK

Penelitian ini bertujuan untuk menganalisis secara yuridis konsep wanprestasi dalam perjanjian asuransi, dengan fokus pada penerapan asas pacta sunt servanda serta implikasi hukum dari penolakan klaim asuransi, sebagaimana tercermin dalam Putusan Mahkamah Agung Nomor 5273 K/Pdt/2024. Metode penelitian yang digunakan adalah pendekatan hukum normatif dengan pendekatan studi kasus, melalui kajian terhadap peraturan perundang-undangan (termasuk Kitab Undang-Undang Hukum Perdata, Undang-Undang Nomor 40 Tahun 2014 tentang Perasuransian, dan POJK Nomor 69/POJK.05/2016), putusan pengadilan, serta studi literatur dari berbagai referensi hukum. Hasil penelitian menunjukkan bahwa wanprestasi dalam perjanjian asuransi, khususnya dalam pembayaran klaim, menimbulkan kerugian yang signifikan bagi tertanggung dan melanggar asas pacta sunt servanda. Putusan Mahkamah Agung tersebut menegaskan bahwa perusahaan asuransi wajib memenuhi seluruh kewajiban yang telah disepakati dalam polis. Oleh karena itu, dalam hal terjadi wanprestasi, pihak yang dirugikan berhak menuntut

ganti rugi atau pemenuhan kewajiban sesuai dengan hukum yang berlaku. Temuan ini memberikan kontribusi penting bagi pengembangan teori hukum perjanjian dan kontrak, serta menjadi dasar untuk meningkatkan mekanisme penyelesaian sengketa dalam praktik perasuransian guna melindungi hak-hak konsumen. Penelitian ini diharapkan dapat menjadi rujukan bagi praktisi hukum, regulator, dan akademisi dalam menangani permasalahan wanprestasi serta meningkatkan transparansi dan akuntabilitas dalam hubungan kontraktual asuransi.

Kata kunci: Wanprestasi, *Pacta Sunt Servanda*, Polis Asuransi

INTRODUCTION

In civil law practice, contracts hold a paramount position as the foundation of legal relationships between the parties involved. Under a contract, each party is obligated to fulfill the performance agreed upon. However, in practice, breach of contract (*wanprestasi*) frequently occurs, which is a situation where one party fails to fulfill its obligations as stipulated in the contract (Kadafi et al., 2025). This concept of breach of contract carries broad legal implications, particularly within the realm of contracts and contract law. A breach of contract may take the form of non-performance of obligations in their entirety, delay in execution, or performance that does not conform to the agreed terms. Pursuant to Article 1243 of the Indonesian Civil Code (KUHPerdata), a breach of contract may result in claims for damages, specific performance, or rescission of the contract by the injured party (KUHPerdata Article 1243). In complex civil relationships, many contractual cases involve parties with differing backgrounds, including those in the business and insurance sectors. Contract law regulates these relationships to ensure that each party receives fair legal protection. Therefore, when a breach occurs, legal consequences must be enforced to maintain the balance between rights and obligations of the parties (Mukhidin et al., 2024)

One of the fundamental principles in contract law is *pacta sunt servanda*, which means that a contract lawfully entered into binds the parties as if it were a law (KUHPerdata Article 1338). This principle emphasizes that every contract must be respected and performed in good faith. In practice, however, difficulties often arise when one party fails to honor its obligations, thereby giving rise to legal disputes. Consequently, the principle of *pacta sunt servanda* is crucial in maintaining stability in business and insurance transactions (Aisyah et al., 2025). In the context of insurance, contracts are embodied in the form of an insurance policy, which serves as the legal basis for the relationship between the insurer and the insured (Long et al., 2025). An insurance policy not only governs the rights and obligations of the parties but also guarantees that every claim submitted must be honored in accordance with the terms agreed upon in the contract. Nevertheless, in practice, cases frequently occur where insurance companies fail to fulfill their obligations to pay claims, resulting in legal disputes (Kamello & Purba, 2025). Uncertainty in claim payments can cause significant losses to the insured, who relies heavily on the protection provided by the insurance policy. Furthermore, issues of breach of contract in insurance policies are often related to the interpretation of clauses within the policy that may disadvantage one party. Insurance companies sometimes invoke

certain clauses to avoid liability for claim payments. This creates a conflict between the principle of *pacta sunt servanda* and consumer protection in insurance transactions (Ramadhani & Dina Andiza, 2025).

The Supreme Court Decision No. 5273 K/Pdt/2024 serves as a concrete example of how a breach of contract in an insurance agreement can impact the legal relationship between the insured and the insurer. In this case, the insurance company was declared to have committed a breach of contract by failing to pay the insurance claim that had been agreed upon in the policy. Therefore, it is essential to analyze this decision from the perspective of contract law and the law of agreements in order to understand its juridical implications (Rhogust, 2025). This ruling also provides an important reference for the protection of the insured's rights when facing breach of contract by insurance companies. Along with the development of modern transaction systems, issues of breach of contract in insurance policies are becoming increasingly common and have attracted attention in Indonesian civil law. Courts often become the venue for resolving disputes related to breach of contract in insurance policies, particularly when the parties cannot reach an agreement through negotiation or mediation. Consequently, this research is not only relevant in an academic context but also in legal practice, offering deeper understanding for society and legal practitioners (Imelda Martinelli, Lufi Depiantoro, Fanesa Aprilia Fong, Nurasisa & Program, 2025).

Based on the foregoing explanation, this research aims to analyze breach of contract in the context of contract law and the law of agreements with reference to Supreme Court Decision No. 5273 K/Pdt/2024. The primary focus of this study is to examine the concept of breach of contract, the principle of *pacta sunt servanda*, and the legal implications of breach of contract in insurance policies. Thus, this research is expected to contribute to the development of civil law, particularly in protecting the rights of the insured in insurance agreements and in the resolution of disputes. Building upon the identified gaps, this study formulates the central research problem as follows: To what extent does the Supreme Court Decision No. 5273 K/Pdt/2024 demonstrate the consistent application of *pacta sunt servanda* and the principle of good faith in marine insurance contracts, and what are the juridical implications of this ruling for consumer protection and insurance industry accountability in Indonesia? By examining the elements of a valid contract under Article 1320 KUHPerdata, the nature of breach of contract, and the interplay between general contract law and specific insurance regulations, this research aims to fill the existing doctrinal gap and contribute to a more nuanced understanding of judicial reasoning in insurance-related breach of contract cases.

METHODS

This study is a normative legal research that is descriptive-analytical in nature. The approaches employed include the statutory approach and the case approach. The primary legal materials consist of the Indonesian Civil Code (Kitab Undang-Undang Hukum Perdata) and Supreme Court Decision Number 5273 K/Pdt/2024. The secondary legal materials comprise civil law textbooks, scientific journals, and scholarly writings relevant to the research object, while the tertiary legal materials

consist of legal dictionaries. The technique of collecting legal materials was carried out through library research and document study. All legal materials were analyzed qualitatively to derive conclusions that correspond with the research problems.

RESULTS AND DISCUSSION

Chronology of the Case

The dispute originated from insurance contracts between Edy Wem (Plaintiff) and PT Berdikari Insurance (Defendant). The plaintiff insured three vessels: KLM Muzdalifah (Policy No. 1512107110422), KLM Surya Samudra (Policy No. 15611120630821), and KLM Berkah Niaga (Policy No. 15611125210921). Following accidents involving the vessels, the defendant refused to pay the claim of Rp4,000,000,000.00, citing alleged concealment of facts. The plaintiff filed a lawsuit at the Pekanbaru District Court (Decision No. 176/Pdt.G/2023/PN Pbr, dated 6 March 2024). The District Court partially granted the claim, declared the policies valid, ruled that the defendant had committed breach of contract, and ordered payment of Rp4 billion on a joint and several liability basis. The Riau High Court upheld this decision (Decision No. 64/PDT/2024/PT PBR, dated 16 May 2024). The defendant then filed a cassation appeal on 29 May 2024. On 21 October 2024, the Supreme Court rejected the cassation (Decision No. 5273 K/Pdt/2024), affirming the lower courts' rulings and ordering the defendants to pay court fees of Rp500,000.00.

Analysis of the Elements of the Contract

Based on Article 1320 of the Indonesian Civil Code (KUHPPerdata), a valid contract requires four conditions: (1) agreement of the parties, (2) legal capacity, (3) a specific object, and (4) a lawful cause. In this case, all four conditions were satisfied. The agreement was formalized in the signed insurance policies, both parties had legal capacity, the object was the coverage of marine risks on the three vessels, and the cause was lawful providing financial protection against vessel accidents. Consequently, the insurance contracts are valid and binding under Article 1338 of the Indonesian Civil Code, which states that "All agreements made lawfully shall have the force of law for those who have made them." The Supreme Court explicitly affirmed the validity of the three policies and rejected the defendants' counterclaim regarding alleged concealment of facts. In the present case, the Supreme Court Decision No. 5273 K/Pdt/2024 explicitly affirmed that all four conditions were satisfied in the insurance contracts between Edy Wem (Plaintiff) and PT Berdikari Insurance (Defendant). Each element is examined below in light of the facts of the case.

1. Agreement of the Parties (Kesepakatan Para Pihak)

The first requirement under Article 1320 is the existence of mutual consent between the parties. In this case, the agreement was clearly manifested in the three marine insurance policies issued by PT Berdikari Insurance: Policy No. 1512107110422 for KLM Muzdalifah, Policy No. 15611120630821 for KLM Surya Samudra, and Policy No. 15611125210921 for KLM Berkah Niaga. These policies were formally signed by the parties, thereby establishing a valid consensus. The Supreme Court recognized the policies as lawful

evidence of agreement and rejected the defendants' argument that the policies were void due to alleged concealment of facts.

2. Legal Capacity to Enter into an Obligation (Kecakapan untuk Membuat Perikatan)

Both parties must possess legal capacity. The plaintiff, Edy Wem, is a natural person with full legal capacity as an adult Indonesian citizen. The defendant, PT Berdikari Insurance, is a limited liability company represented by its Director and Branch Head, who acted within their authority under the company's articles of association. The Supreme Court did not question the legal capacity of either party, confirming that this element was fulfilled.

3. A Specific Object (Suatu Hal Tertentu)

The object of the contract must be specific, determined, and possible. In this case, the object was clearly defined as the insurance coverage for marine risks on three specific vessels: KLM Muzdalifah, KLM Surya Samudra, and KLM Berkat Niaga. The policies explicitly stated the insured objects, the insured risks (vessel accidents), and the sum insured (total claim of Rp4,000,000,000.00). The Supreme Court held that the object was sufficiently certain and valid, thereby satisfying this requirement.

4. A Lawful Cause (Suatu Sebab yang Halal)

The purpose or cause of the contract must be lawful and not contrary to public order, morality, or law. Here, the cause was the provision of financial protection against the risk of vessel accidents – a purpose explicitly permitted and encouraged under Law No. 40 of 2014 on Insurance. The Supreme Court confirmed that the insurance contracts served a lawful purpose and did not violate any statutory prohibition.

In conclusion, all four elements under Article 1320 of the Indonesian Civil Code were satisfied. Therefore, the insurance contracts are valid and binding in accordance with Article 1338 of the Indonesian Civil Code, which provides that "All agreements made lawfully shall have the force of law for those who have made them." The Supreme Court's affirmation of the validity of the three policies forms the foundation for holding PT Berdikari Insurance liable for breach of contract.

Breach of Contract as a Form of Contract Violation

According to the theory of obligations in Indonesian civil law, a breach of contract (*wanprestasi*) occurs when one party fails to fulfill its contractual obligations as agreed upon. This concept is expressly regulated in Article 1239 of the Indonesian Civil Code (KUHPerdata), which states: "Every obligation to do or not to do something carries the obligation to pay compensation if the debtor fails to fulfill the obligation." In practice, breach of contract may manifest in several forms: (1) complete non-performance of the obligation, (2) delayed performance, (3) defective or improper performance, or (4) performance of an act prohibited by the contract. (Subekti, 2008). In the present case, PT Berdikari Insurance (the defendant)

was found to have committed a breach of contract by refusing to pay the insurance claim amounting to Rp4,000,000,000.00 for the three insured vessels (KLM Muzdalifah, KLM Surya Samudra, and KLM Berkat Niaga), despite the policies being declared valid by the court. Although the defendants raised the issue of alleged concealment of facts in their counterclaim (*rekonvensi*), the Supreme Court held that such an allegation was not sufficiently proven and could not justify the refusal to honor the claim. Prominent legal scholars have provided important insights on this matter. Subekti defines breach of contract as “the failure of a debtor to perform its obligation as stipulated in the agreement, whether intentionally or due to negligence.” He emphasizes that once a valid contract exists, the debtor is legally bound to fulfill its performance, and any failure constitutes a breach that triggers liability for damages (Rhogust, 2025) Satrio further elaborates that breach of contract includes not only total non-performance but also delayed or defective performance. According to him, the essential element is the existence of a lawful obligation that is not fulfilled without justifiable cause. Harahap adds that in insurance contracts, which are aleatory in nature, the insurer’s refusal to pay a legitimate claim without sufficient legal basis constitutes a serious breach, because the insured has already performed its primary obligation by paying the premium (Harahap, 2015). Fuady, in his analysis of business contracts, states that breach of contract in the insurance sector often arises from the insurer’s attempt to avoid liability through narrow interpretation of policy clauses. He argues that such conduct violates the principle of good faith and undermines the protective purpose of insurance agreements (Fuady, 2014)

Applying these scholarly views to the facts of the case, the Supreme Court correctly determined that the defendant’s refusal to pay the claim fell into the category of complete non-performance. The Court noted that the premium had been paid in full, the insured event (vessel accidents) had clearly occurred, and there was no credible evidence supporting the defendant’s allegation of concealment of facts. Therefore, the refusal was without sufficient legal basis and amounted to breach of contract under Article 1239 KUHPerdara. As a direct consequence, the defendant is liable to pay damages as regulated in Article 1243 KUHPerdara. The Supreme Court upheld the lower courts’ rulings ordering the defendant to pay the claim of Rp4,000,000,000.00 on a joint and several liability basis, thereby affirming the juridical consequences of the breach.

The Principle of Pacta Sunt Servanda and Freedom of Contract

One of the most fundamental principles in Indonesian contract law is *pacta sunt servanda*, which literally means “agreements must be kept.” This principle is explicitly enshrined in Article 1338 paragraph (1) of the Indonesian Civil Code (KUHPerdara), which states: “All agreements made lawfully shall have the force of law for those who have made them.” The principle reflects the idea that a validly concluded contract is binding upon the parties as if it were a statute. Once the parties have reached a lawful agreement, they are legally obligated to perform it in good faith. In the context of insurance contracts, *pacta sunt servanda* underscores that an insurance policy is not merely a commercial document but a binding legal

instrument that creates enforceable rights and obligations. However, the freedom of contract is not absolute. Article 1338 paragraph (3) and Article 1339 of the Indonesian Civil Code limit this freedom by requiring that contracts be performed in good faith and in accordance with justice, propriety, and prevailing customs. These limitations ensure that the exercise of contractual freedom does not result in unfairness or abuse of rights. Prominent Indonesian legal scholars have provided authoritative interpretations of this principle. The principle of *Pacta Sunt Servanda* is a fundamental pillar of contract law, affirming that "a validly entered into agreement is binding as law upon the parties who made it." This Latin phrase literally means "agreements must be kept" or "promises must be honored." More than just a legal maxim, *Pacta Sunt Servanda* is a manifestation of the universal principle of trust and honor regarding promises, which forms the foundation of every human interaction, whether in personal or transactional contexts (Bachsin et al., 2025).

In short, *pacta sunt servanda* is not merely a legal maxim; it reflects commutative justice (justice in exchange) and serves as a guarantor of moral integrity in contractual relationships. It provides the philosophical foundation that makes contracts an effective tool for regulating relationships between parties and achieving mutually agreed-upon objectives (Bachsin et al., 2025). Fuady, in his analysis of business contracts, stresses that in insurance agreements – which are characterized by unequal bargaining power – the principle of *pacta sunt servanda* must be balanced with the principle of good faith (*bona fides*). He warns that insurers who refuse legitimate claims by relying on technical or ambiguous clauses undermine the protective purpose of insurance and breach the fundamental duty of good faith (Fuady, 2014). Harahap adds that *pacta sunt servanda* serves as a safeguard for legal certainty and predictability in commercial transactions. However, he notes that the principle must be interpreted in conjunction with Article 1339 KUHPerdata, which requires contracts to be performed in accordance with "propriety and fairness." In cases where strict enforcement would lead to manifest injustice, the court may intervene to protect the weaker party (Harahap, 2015). Applying these scholarly views to the facts of the case, the Supreme Court in Decision No. 5273 K/Pdt/2024 held that PT Berdikari Insurance's unilateral refusal to pay the insurance claim of Rp4,000,000,000.00 violated the principle of *pacta sunt servanda*. The Court found that the insurance policies were validly concluded and that the insured event (vessel accidents) had clearly occurred. The defendant's attempt to avoid liability by alleging concealment of facts was rejected as insufficiently proven. The Supreme Court emphasized that the defendant was bound by the terms of the policies and could not evade its obligation through a self-serving interpretation. This ruling reinforces the binding force of insurance contracts and the duty of insurers to act in good faith.

Linkage with Law No. 40 of 2014 on Insurance

The insurance contract in this case is not only governed by the general provisions of the Indonesian Civil Code but also by specific statutory regulation, namely Law No. 40 of 2014 on Insurance. Article 1 number 1 of this Law defines

insurance as: “An agreement between two parties, namely the Insurance Company and the Policyholder, whereby the Insurance Company is obliged to provide compensation to the Policyholder or the insured upon the occurrence of an insured event in exchange for a premium.” This definition underscores that an insurance policy is fundamentally a contractual agreement that creates reciprocal rights and obligations. The Supreme Court in Decision No. 5273 K/Pdt/2024 explicitly referred to this provision when affirming the validity of the three marine insurance policies issued to Edy Wem. Furthermore, Article 25 of Law No. 40 of 2014 imposes a clear obligation on the insurance company: “The insurance company is obliged to fulfill its obligations to the insured as stipulated in the insurance policy.” In the present case, PT Berdikari Insurance failed to fulfill this statutory obligation by refusing to pay the claim of Rp4,000,000,000.00 despite the occurrence of the insured event (vessel accidents) and the payment of premiums in full. The Supreme Court held that such refusal constituted not only a breach of the contractual agreement but also a direct violation of the mandatory provisions of Law No. 40 of 2014. Prominent scholars have provided important doctrinal support for this statutory framework. Munir Fuady, a leading expert in insurance law, argues that the provisions of Law No. 40 of 2014 are designed to strengthen the protective character of insurance contracts. According to him, Article 25 imposes an imperative obligation on the insurer to pay legitimate claims promptly, and any refusal without clear legal justification amounts to a serious breach that undermines the very purpose of insurance as a risk-transfer mechanism (Fuady, 2014).

Mariam Darus Badruzaman emphasizes that insurance contracts are *aleatory contracts* (perjanjian bersyarat) whose performance depends on the occurrence of an uncertain future event. She notes that once the insured event occurs and the premium has been paid, the insurer’s obligation to pay becomes absolute under Article 25 of Law No. 40 of 2014. Any attempt to evade this obligation through technical interpretations violates both the spirit of the Law and the principle of good faith (Badruzaman, 2003). Yahya Harahap adds that the enactment of Law No. 40 of 2014 was intended to address the imbalance of power between insurance companies and policyholders. He asserts that Article 25 serves as a concrete manifestation of consumer protection in the insurance sector and must be strictly enforced by the courts to prevent insurers from unilaterally denying claims (Harahap, 2015). In line with these scholarly views, the Supreme Court in Decision No. 5273 K/Pdt/2024 correctly applied Articles 1(1) and 25 of Law No. 40 of 2014. The Court rejected the defendant’s counterclaim and held that the refusal to pay the claim was not only a contractual breach under the Civil Code but also a statutory violation under the Insurance Law. This ruling reinforces the legislative intent to protect the insured and to ensure that insurance companies cannot evade their core obligations through self-serving interpretations of policy terms.

Consumer Protection and the Principle of Good Faith

Consumer protection has become an integral part of modern contract law in Indonesia. Law No. 8 of 1999 on Consumer Protection was enacted to address the inherent imbalance of power between business actors and consumers. Article 4

letter c of this Law guarantees consumers the right to obtain correct, clear, and honest information regarding the goods or services they acquire. Article 19 further stipulates that business actors are obliged to provide compensation if the goods or services provided do not comply with the agreed terms or cause losses to the consumer. In the insurance sector, the insured (policyholder) is positioned as a consumer who is generally in a weaker bargaining position compared to the insurance company. The Supreme Court, in Decision No. 5273 K/Pdt/2024, recognized this vulnerability by holding that the unilateral refusal of the claim by PT Berdikari Insurance violated the consumer's right to fair treatment and compensation. This statutory protection is closely intertwined with the civil law principle of good faith (*itikad baik*). Article 1338 paragraph (3) of the Indonesian Civil Code explicitly requires that contracts be performed in good faith. Good faith is not merely a moral obligation but a legal duty that limits the exercise of contractual rights. Indonesian legal scholars have extensively elaborated on the relationship between consumer protection and the principle of good faith. Subekti asserts that good faith is the "soul of contract law." He argues that every contract, including insurance policies, must be interpreted and performed honestly and fairly, and that any attempt to evade obligations through technical or self-serving interpretations constitutes a breach of good faith (Subekti, 2008). Munir Fuady emphasizes that in insurance contracts, which are characterized by unequal bargaining power, the principle of good faith serves as a corrective mechanism to protect the insured. According to him, an insurer who refuses a legitimate claim by relying on ambiguous or hidden clauses violates both the spirit of Law No. 8 of 1999 and Article 1338(3) of the Civil Code (Fuady, 2014).

Mariam Darus Badruzaman highlights that consumer protection law and the principle of good faith together form a "dual safeguard" for the weaker party. She notes that courts must actively intervene when business actors exploit their superior position, as occurred in the present case where the insurance company attempted to avoid liability through an unsubstantiated allegation of concealment of facts (Badruzaman, 2003). Yahya Harahap adds that good faith requires not only honesty at the time of contract formation but also fairness in its performance. In insurance disputes, the insurer's refusal to pay a claim without clear and convincing evidence violates this duty and justifies judicial intervention to protect the consumer (Harahap, 2015). Applying these scholarly views to the facts of the case, the Supreme Court correctly determined that PT Berdikari Insurance's refusal to pay the claim violated both consumer protection law and the principle of good faith. The Court found that the plaintiff had paid the premium in full, the insured event (vessel accidents) had clearly occurred, and there was no credible evidence supporting the defendant's counterclaim. Consequently, the unilateral refusal was deemed unfair and contrary to the protective purpose of both Law No. 8 of 1999 and Article 1338(3) of the Civil Code. This ruling reinforces the judicial commitment to balancing contractual freedom with consumer protection and good faith, ensuring that insurance companies cannot evade their obligations through technical maneuvers.

Legal Implications

The Supreme Court Decision No. 5273 K/Pdt/2024 carries profound legal implications for the development of contract law and insurance practice in Indonesia. This ruling not only resolves a specific dispute but also establishes an important judicial precedent regarding the enforcement of insurance contracts and the protection of the insured as the weaker party. First, the decision affirms that an insurance policy cannot be interpreted unilaterally by the insurance company. The Supreme Court rejected the defendant's attempt to avoid liability through a narrow or self-serving interpretation of policy clauses, thereby reinforcing that the content of the policy must be understood in accordance with its protective purpose. Second, the decision establishes that any refusal of an insurance claim must be based on clear, fair, and legally sufficient grounds. Mere allegations of concealment of facts, without credible evidence, are insufficient to justify non-payment. This principle protects policyholders from arbitrary claim denials and promotes transparency in the insurance industry. Third, the decision confirms that breach of contract by an insurance company may result in significant sanctions, including the obligation to pay damages on a joint and several liability basis. In this case, PT Berdikari Insurance and its representatives were ordered to pay Rp4,000,000,000.00 together with court fees. This outcome is consistent with Article 1246 of the Indonesian Civil Code, which provides that damages consist of costs, losses, and interest.

Prominent legal scholars have long emphasized the importance of these implications. Subekti argues that judicial decisions in breach of contract cases must serve as a deterrent against bad-faith conduct by stronger parties. He states that courts should not hesitate to impose full liability when an insurer refuses a legitimate claim, as this upholds the sanctity of contracts and public trust in the insurance sector (Subekti, 2008). Munir Fuady highlights that Law No. 40 of 2014 on Insurance, read together with the Civil Code, aims to correct the structural imbalance between insurers and policyholders. According to him, decisions such as No. 5273 K/Pdt/2024 strengthen consumer protection by making it clear that insurance companies cannot evade their core obligations through technical defenses (Fuady, 2014). Mariam Darus Badruzaman views this ruling as a concrete manifestation of the principle of good faith in contract performance. She notes that when an insurer refuses payment without sufficient justification, it not only breaches the contract but also violates the broader public policy of protecting consumers from unfair commercial practices. Yahya Harahap adds that such decisions reinforce legal certainty and predictability in commercial transactions. He asserts that the imposition of joint and several liability on the company and its directors serves as an effective mechanism to ensure accountability and to prevent future breaches of contract in the insurance industry. In conclusion, the Supreme Court Decision No. 5273 K/Pdt/2024 has far-reaching implications. It strengthens the binding force of insurance contracts, limits the insurer's ability to deny claims arbitrarily, and provides a clear precedent for courts in future disputes. More importantly, it advances the protection of consumers and reinforces the fundamental principles of fairness and good faith in Indonesian contract law.

CONCLUSION

The Supreme Court Decision No. 5273 K/Pdt/2024 affirms that breach of contract in insurance agreements violates the principle of *pacta sunt servanda* and good faith. The ruling strengthens consumer protection and promotes transparency and accountability in the Indonesian insurance industry. It serves as a significant reference for future disputes involving insurance policies and contractual obligations. Based on the results of the research and discussion conducted in the previous case study, the following conclusions can be drawn: (1) **Insurance Agreement as a Legally Binding Contract** An insurance agreement constitutes a form of contract that possesses binding legal force as regulated in Article 1338 of the Indonesian Civil Code (KUHPerduta). In this regard, the legal relationship between the insured and the insurer gives rise to rights and obligations for both parties. The agreement must fulfill the validity requirements stipulated in Article 1320 of the KUHPerduta and is governed by the principle of *pacta sunt servanda*, namely that a contract lawfully made has the force of law for the parties who made it. (2) **Occurrence of Breach of Contract in Insurance Policies** Breach of contract occurs when one party fails to perform its obligations as determined in the agreement. In the case of Supreme Court Decision No. 5273 K/Pdt/2024, the insurance company committed a breach of contract by failing to pay the insurance claim as it should have. This action contravenes the principle of good faith and the obligation to perform the contract in accordance with the provisions of Article 1338 paragraph (3) of the KUHPerduta. (3) **Juridical Implications of Supreme Court Decision No. 5273 K/Pdt/2024** The Supreme Court rejected the insurance company's cassation petition because it was proven that there was negligence (breach of contract) in the performance of obligations as stipulated in the insurance policy. This decision demonstrates that an insurance agreement is not only subject to the principle of freedom of contract, but must also fulfill the elements of fairness and legal protection for consumers as regulated in Law No. 8 of 1999 on Consumer Protection and Law No. 40 of 2014 on Insurance.

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