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Harmonizing the Statutory Authorities of the Indonesia Deposit Insurance Corporation, the Financial Services Authority, and the Minister of Finance in the Administration of the Policyholder Protection Scheme

Diana R.W. Napitupulu
Universitas Kristen Indonesia, Indonesia

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ABSTRACT

The enactment of Law Number 4 of 2023 on Financial Sector Development and Strengthening (P2SK Law) significantly expands the statutory mandate of the Indonesia Deposit Insurance Corporation (LPS) by assigning responsibility for administering the Policyholder Protection Scheme (PPS). This reform seeks to strengthen policyholder protection and reinforce the stability of Indonesia's financial system. Nevertheless, the implementation of the PPS raises legal concerns regarding the allocation and coordination of authority among the LPS, the Financial Services Authority (OJK), and the Minister of Finance. This study aims to examine the statutory distribution of powers, identify potential regulatory overlaps and normative inconsistencies, and formulate an integrated model for institutional harmonization. Employing normative legal research with statutory, conceptual, comparative, case, and analytical approaches, the study analyzes relevant legislation governing financial regulation and insurance supervision. The findings reveal that although the P2SK Law provides a stronger legal framework for policyholder protection, the absence of comprehensive implementing regulations and clearly defined coordination mechanisms may undermine legal certainty and institutional effectiveness. This article proposes an Integrated Authority Harmonization Model (IAHM) based on the principle of single function–single responsibility, supported by integrated data-sharing, an early warning system, crisis management protocols, and a permanent inter-agency coordination mechanism under the Financial System Stability Committee (KSSK). The proposed model is expected to enhance regulatory coherence, strengthen policyholder protection, and promote financial system stability.

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Corresponding Author:

Name: Diana R.W. Napitupulu
Institution Address: Universitas Kristen Indonesia
e-mail: diana.napitupulu@uki.ac.id

1. INTRODUCTION

The resilience of the insurance sector constitutes an essential pillar of financial system stability, particularly in jurisdictions where insurance institutions perform a significant role in protecting individual and

commercial assets against financial risks. Public confidence in the insurance industry is fundamentally dependent upon the availability of an effective legal framework capable of ensuring the protection of policyholders when insurance companies encounter financial distress or become insolvent. In Indonesia, however, a series of high-profile insurance failures has exposed substantial deficiencies in the existing regulatory and institutional framework governing policyholder protection [1], [2].

The insolvency and financial crises involving PT Asuransi Jiwasraya, PT Asuransi Jiwa Kresna (Kresna Life), PT Asuransi Wanaartha Life, and AJB Bumiputera 1912 have highlighted structural weaknesses in Indonesia's insurance supervision and resolution mechanisms. These cases resulted in significant financial losses for policyholders and revealed the absence of a comprehensive legal mechanism capable of guaranteeing insurance claims following the collapse of insurance companies. Although the Financial Services Authority (Otoritas Jasa Keuangan/OJK) exercises regulatory and supervisory authority over insurance institutions, existing legislation prior to the enactment of Law Number 4 of 2023 did not establish a statutory insurance guarantee scheme comparable to the deposit insurance system applicable to the banking sector. Consequently, policyholders were frequently required to rely upon lengthy judicial proceedings or corporate restructuring processes, creating legal uncertainty and diminishing public trust in the insurance industry [3], [4].

Recognizing these shortcomings, the Indonesian legislature enacted Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law), introducing a comprehensive reform of Indonesia's financial regulatory architecture. One of the most significant innovations under the P2SK Law is the establishment of the Policyholder Protection Scheme (Program Penjaminan Polis), administered by the Indonesia Deposit Insurance Corporation (Lembaga Penjamin Simpanan/LPS). This legislative reform substantially expands the institutional mandate of the LPS beyond its traditional function of guaranteeing bank deposits, thereby incorporating policyholder protection as an integral component of Indonesia's financial safety net [5], [6].

The establishment of the Policyholder Protection Scheme reflects the constitutional obligation of the State to provide legal protection for consumers of financial services while simultaneously preserving financial system stability. Nevertheless, the implementation of this new institutional framework introduces complex legal issues concerning the allocation and exercise of statutory authority among the LPS, the Financial Services Authority, and the Minister of Finance. Each institution possesses distinct statutory mandates under separate legislative instruments, yet the effective administration of the Policyholder Protection Scheme inevitably requires close institutional coordination and regulatory integration [7], [8].

The Financial Services Authority retains responsibility for regulating, supervising, examining, and taking early supervisory measures against insurance companies experiencing financial difficulties. Conversely, the LPS is entrusted with administering the insurance guarantee scheme, collecting guarantee premiums, managing guarantee funds, resolving eligible insurance companies, and paying guaranteed policyholder claims in accordance with statutory requirements. Meanwhile, the Minister of Finance continues to exercise authority over fiscal policy, financial sector governance, and strategic decision-making relating to national financial stability. The interaction of these institutional powers creates the potential for overlapping authority, fragmented decision-making, and inconsistent implementation if adequate legal coordination mechanisms are not established [9], [10].

From the perspective of administrative law, overlapping statutory authority may generate uncertainty regarding institutional responsibility, accountability, and decision-making competence. Furthermore, the absence of detailed

implementing regulations governing inter-agency coordination, information sharing, crisis management procedures, and operational responsibilities may impede the effective realization of the objectives underlying the Policyholder Protection Scheme. Such normative ambiguities are capable of undermining both legal certainty and the effectiveness of policyholder protection during periods of financial distress [11], [12].

These concerns are particularly relevant because the Policyholder Protection Scheme forms an integral component of Indonesia's broader financial safety net. The effectiveness of the scheme therefore depends not merely upon substantive legal provisions but also upon institutional coherence, regulatory consistency, and efficient coordination among financial authorities. Comparative experience from jurisdictions implementing insurance guarantee schemes demonstrates that clearly defined institutional responsibilities, integrated supervisory mechanisms, and comprehensive coordination protocols significantly enhance the effectiveness of policyholder protection while reducing systemic risk [13], [14].

Accordingly, there is a compelling need to examine whether the current statutory framework established by the P2SK Law provides a sufficiently harmonized allocation of authority among the LPS, the Financial Services Authority, and the Minister of Finance. This study further seeks to identify potential normative inconsistencies that may hinder implementation and to formulate an integrated model of institutional harmonization capable of promoting legal certainty, improving policyholder protection, and strengthening Indonesia's financial system stability.

2. LITERATURE REVIEW

2.1 Authority Theory

Authority constitutes the legal foundation upon which every governmental institution exercises its powers and performs its statutory functions. In Indonesian administrative law, Philipus M. Hadjon explains that governmental authority is derived from three principal legal sources, namely attribution, delegation, and mandate. Attribution refers to the original conferral of authority directly by the Constitution or legislation, delegation involves the transfer of authority from one competent authority to another accompanied by the transfer of legal responsibility, while a mandate authorizes another official to exercise authority on behalf of the principal without transferring ultimate responsibility.

The distinction among these forms of authority is fundamental in determining the legality, scope, and accountability of governmental action. Every public institution must exercise only those powers expressly conferred by law in accordance with the principle of legality (rechtmatigheid van bestuur). Consequently, the allocation of statutory authority must be sufficiently clear to prevent jurisdictional conflicts, overlapping powers, or institutional uncertainty that may compromise effective public administration.

Within the framework of the Policyholder Protection Scheme established under Law Number 4 of 2023 concerning Financial Sector Development and Strengthening, Authority Theory provides an analytical basis for examining whether the statutory powers assigned to the Indonesia Deposit Insurance Corporation (LPS), the Financial Services Authority (OJK), and the Minister of Finance are

properly attributed and proportionately distributed. This theory also facilitates an assessment of whether the existing legal framework adequately distinguishes supervisory, regulatory, fiscal, and insurance guarantee functions, thereby ensuring legal certainty and institutional accountability [15].

2.2 *Legal Harmonization Theory*

Legal harmonization is a legislative process intended to ensure consistency, coherence, and compatibility among legal norms governing the same subject matter. According to Maria Farida Indrati, harmonization aims to eliminate normative inconsistencies, prevent conflicts between legal instruments, and establish an integrated legal system capable of providing certainty and effective legal protection. Harmonization encompasses both vertical harmonization, which concerns the conformity of subordinate legislation with superior legal norms, and horizontal harmonization, which concerns consistency among statutes or regulations of equivalent legal status.

Within the context of financial sector regulation, legal harmonization extends beyond legislative drafting to include institutional coordination, regulatory coherence, and procedural integration among competent authorities. Effective harmonization therefore requires not only consistent legal norms but also clearly defined institutional responsibilities, coordinated implementation mechanisms, and integrated regulatory governance.

This theory is particularly relevant to the administration of the Policyholder Protection Scheme because the regulatory framework involves multiple public authorities exercising complementary statutory functions. The interaction between the LPS, OJK, and the Minister of Finance necessitates a coherent legal framework capable of preventing overlapping authority, reducing regulatory fragmentation, and promoting coordinated decision-making. Accordingly, Legal Harmonization Theory provides the normative foundation for evaluating the consistency of the existing statutory framework and for developing an Integrated Authority Harmonization Model (IAHM) based on the principles of regulatory coherence, institutional coordination, and legal certainty. The application of this theory ultimately supports the realization of effective policyholder protection while reinforcing the stability and integrity of Indonesia's financial system [16].

2.3 *The Concept of Checks and Balances and the Financial Safety Net Framework*

The Concept of Checks and Balances Among Independent State Institutions. The doctrine of checks and balances constitutes one of the fundamental principles of constitutional governance and modern public administration. Traditionally associated with the separation of legislative, executive, and judicial powers, the doctrine has progressively evolved to encompass the relationship among independent administrative institutions entrusted with specialized

regulatory functions. In contemporary regulatory governance, particularly within the financial sector, the exercise of public authority is increasingly distributed among independent agencies possessing distinct statutory mandates. Consequently, the principle of checks and balances no longer merely concerns the limitation of governmental power but also serves as a mechanism for ensuring institutional accountability, transparency, coordination, and the lawful exercise of statutory authority [17].

In Indonesia, the post-reform constitutional framework has witnessed the emergence of numerous independent state institutions established to perform highly specialized regulatory and supervisory functions. Institutions such as Bank Indonesia, the Financial Services Authority (Otoritas Jasa Keuangan/OJK), and the Indonesia Deposit Insurance Corporation (Lembaga Penjamin Simpanan/LPS) operate independently while remaining accountable under the legal framework established by legislation. Their institutional independence is intended to safeguard regulatory integrity, minimize political interference, and enhance public confidence in financial governance [18].

However, institutional independence does not imply institutional isolation. Independent agencies remain subject to constitutional principles requiring cooperation, mutual oversight, and legal accountability. Effective public administration therefore depends upon an appropriate balance between institutional autonomy and inter-agency coordination. Each institution must exercise only those powers expressly conferred by law while respecting the statutory competencies of other authorities. Accordingly, the doctrine of checks and balances promotes cooperation without diminishing institutional independence, thereby preventing excessive concentration of authority and reducing the risk of regulatory fragmentation.

Within the context of the Policyholder Protection Scheme introduced under Law Number 4 of 2023 concerning Financial Sector Development and Strengthening, the doctrine of checks and balances assumes particular significance. The implementation of the scheme involves several independent public authorities exercising complementary statutory functions. The Financial Services Authority is responsible for regulating and supervising insurance companies, the Indonesia Deposit Insurance Corporation administers policyholder protection and insurance resolution, while the Minister of Finance exercises fiscal and macroeconomic policy functions. Their respective responsibilities must operate within a coordinated legal framework to prevent overlapping authority, inconsistent regulatory decisions, and institutional conflicts that could undermine legal certainty and policyholder protection [19].

Consequently, the doctrine of checks and balances provides an important conceptual

foundation for understanding the relationship among these institutions. It emphasizes that institutional effectiveness is achieved not through hierarchical control but through legally defined coordination, reciprocal accountability, and clearly allocated responsibilities [20].

2.4 The Financial Safety Net Framework

The Financial Safety Net (FSN) represents an integrated institutional framework established to preserve financial system stability, protect consumers of financial services, and mitigate systemic risk arising from financial crises. Internationally, financial safety nets are designed to strengthen public confidence by ensuring that financial institutions experiencing distress can be supervised, resolved, or supported through coordinated governmental action without causing widespread disruption to the national economy.

Indonesia's Financial Safety Net has undergone significant institutional development following the enactment of Law Number 4 of 2023. The framework consists of several public authorities possessing complementary responsibilities, namely Bank Indonesia (BI), the Financial Services Authority (OJK), the Indonesia Deposit Insurance Corporation (LPS), the Ministry of Finance, and the Financial System Stability Committee (Komite Stabilitas Sistem Keuangan/KSSK). Although each institution exercises distinct statutory powers, their collective objective is to maintain financial stability through coordinated regulation, supervision, crisis prevention, and financial resolution.

Bank Indonesia functions as the central bank responsible for maintaining monetary stability, safeguarding payment systems, and providing macroprudential oversight designed to preserve overall financial stability. Through its monetary and macroprudential policies, Bank Indonesia contributes to the prevention of systemic financial disruptions that may affect banking institutions, insurance companies, and other financial service providers [21].

The Financial Services Authority serves as the integrated regulator and supervisor of Indonesia's financial services sector. Its responsibilities include licensing, regulation, supervision, inspection, enforcement, and early intervention with respect to financial institutions, including insurance companies participating in the Policyholder Protection Scheme. Effective supervision performed by the OJK constitutes the first line of defence against institutional failure.

The Indonesia Deposit Insurance Corporation functions as the statutory guarantee institution responsible for protecting depositors and, pursuant to the P2SK Law, policyholders. Its expanded mandate includes the administration of the Policyholder Protection Scheme, collection of guarantee premiums, management of guarantee funds, implementation of insurance resolution measures, and payment of eligible policyholder

claims. The extension of the LPS's statutory responsibilities reflects Indonesia's commitment to strengthening consumer protection within the financial sector [22].

The Ministry of Finance exercises authority over fiscal policy and public financial management while ensuring the sustainability of national financial governance. During periods of financial instability, the Ministry plays a strategic role in coordinating fiscal responses, supporting systemic stability, and facilitating governmental policy measures necessary to preserve public confidence.

Coordination among these institutions is institutionalized through the Financial System Stability Committee (KSSK), which serves as the principal forum for inter-agency cooperation in maintaining financial system stability. The KSSK facilitates policy coordination, information exchange, crisis assessment, and strategic decision-making among its member institutions. Through this framework, the Financial Safety Net promotes integrated governance while preserving the statutory independence of each participating authority.

Accordingly, the effectiveness of the Financial Safety Net depends not only upon the legal authority of individual institutions but also upon the quality of institutional coordination, regulatory consistency, and the existence of clearly defined mechanisms for information sharing, crisis management, and collaborative decision-making. These conceptual principles provide an essential framework for evaluating the institutional arrangements governing the Policyholder Protection Scheme and support the development of a more coherent and harmonized system of financial sector governance in Indonesia [23].

3. METHODS

This study employs normative legal research (doctrinal legal research), which examines legal principles, statutory provisions, and legal doctrines governing the administration of the Policyholder Protection Scheme under Indonesia's financial regulatory framework. The research is intended to evaluate the coherence of the existing legal framework concerning the statutory allocation of authority among the Indonesia Deposit Insurance Corporation (Lembaga Penjamin Simpanan/LPS), the Financial Services Authority (Otoritas Jasa Keuangan/OJK), and the Minister of Finance, as established by Law Number 4 of 2023 on Financial Sector Development and Strengthening.

The study adopts several complementary research approaches, namely the statutory approach, conceptual approach, comparative approach, case approach, and analytical approach. The statutory approach is applied to examine the hierarchy and consistency of the relevant legislative framework, while the conceptual approach is used to analyze legal doctrines concerning authority, legal harmonization, and institutional coordination. The comparative approach provides insights from insurance guarantee schemes implemented in selected jurisdictions, whereas the case approach considers major insurance failures in Indonesia as practical illustrations of deficiencies in policyholder protection. The analytical approach is employed to assess the consistency and effectiveness of the applicable legal norms.

The primary legal materials consist of the 1945 Constitution of the Republic of Indonesia, Law Number 4 of 2023 concerning

Financial Sector Development and Strengthening, Law Number 21 of 2011 concerning the Financial Services Authority, Law Number 24 of 2004 concerning the Indonesia Deposit Insurance Corporation as amended, and Law Number 40 of 2014 concerning Insurance. These primary materials are complemented by secondary legal sources, including legal literature, scholarly journals, and academic commentaries relevant to financial regulation and administrative law.

The collected legal materials are analyzed using a prescriptive legal analysis, with the objective of identifying normative inconsistencies, evaluating the adequacy of the existing allocation of statutory authority, and formulating an integrated legal model for harmonizing institutional powers in the implementation of the Policyholder Protection Scheme.

4. RESULTS AND DISCUSSION

4.1 The Legal Policy Underlying the Establishment of the Policyholder Protection Scheme

The establishment of the Policyholder Protection Scheme (PPS) under Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law) represents a fundamental shift in Indonesia's legal policy governing the insurance sector. This legislative reform reflects the State's commitment to strengthening policyholder protection while enhancing the resilience of the national financial system. The enactment of the P2SK Law demonstrates that the legislature no longer regards insurance supervision solely as a matter of regulatory compliance but also as an essential component of financial stability and consumer protection.

From the perspective of legal policy, the introduction of the Policyholder Protection Scheme was largely influenced by a series of major insurance failures that exposed significant weaknesses in Indonesia's existing legal framework. The collapse of several insurance companies revealed that policyholders lacked an effective statutory mechanism guaranteeing the payment of insurance claims when insurers became insolvent. Consequently, legal protection was often dependent upon lengthy liquidation proceedings or corporate restructuring processes, resulting in substantial financial losses and diminished public confidence in the insurance industry. These circumstances created an urgent need for legislative reform capable of providing greater legal certainty and strengthening public trust in financial institutions.

The philosophical foundation of the Policyholder Protection Scheme is rooted in the constitutional responsibility of the State to protect citizens' economic interests and ensure the orderly functioning of financial markets. Insurance contracts represent long-term financial commitments that rely heavily upon public confidence in the solvency of insurance companies. Accordingly, the establishment of a statutory guarantee mechanism is intended to ensure that policyholders receive adequate legal protection in situations where insurance companies are unable to fulfil their contractual obligations due to financial distress or insolvency.

Consumer protection constitutes another fundamental objective underlying the enactment of the Policyholder Protection Scheme. Modern financial regulation increasingly recognizes that consumers occupy a relatively weaker bargaining position in comparison with financial institutions because of information asymmetry, technical complexity, and limited access to financial risk assessment. The guarantee scheme therefore serves not merely as a compensation mechanism but also as an instrument for promoting fairness, transparency, and accountability within the insurance sector. By providing statutory protection against the consequences of insurer failure, the scheme reinforces consumer confidence and contributes to the integrity of the financial services industry.

Beyond individual consumer protection, the Policyholder Protection Scheme also serves broader macroeconomic objectives by supporting the stability of

Indonesia's financial system. Financial institutions are highly interconnected, and the failure of a major insurance company may generate systemic consequences extending beyond the insurance industry itself. Large-scale insurer insolvency may reduce public confidence, disrupt capital markets, affect banking institutions, and increase overall financial uncertainty. Consequently, the Policyholder Protection Scheme functions as a preventive legal instrument designed to mitigate systemic risk and preserve financial stability.

The establishment of the Policyholder Protection Scheme further strengthens Indonesia's Financial Safety Net (FSN) framework by expanding the statutory responsibilities of the Indonesia Deposit Insurance Corporation (LPS). Previously, the LPS primarily guaranteed bank deposits and managed bank resolution mechanisms. Following the enactment of the P2SK Law, the institution now performs an additional role in administering policyholder protection, thereby integrating insurance resolution into the national financial stability framework. This institutional development complements the respective responsibilities of Bank Indonesia, the Financial Services Authority (OJK), the Ministry of Finance, and the Financial System Stability Committee (KSSK), creating a more comprehensive mechanism for preventing and managing financial crises.

Accordingly, the legal policy embodied in the P2SK Law reflects a transition from a fragmented approach to insurance regulation toward a more integrated framework emphasizing consumer protection, institutional coordination, and financial system resilience. The establishment of the Policyholder Protection Scheme should therefore be understood not merely as an expansion of the LPS's statutory authority, but as a strategic legal reform intended to reinforce Indonesia's Financial Safety Net and ensure the long-term stability, credibility, and sustainability of the national financial system.

4.2 Analysis of the Statutory Authority of the Indonesia Deposit Insurance Corporation (LPS)

The enactment of Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law) significantly expands the statutory mandate of the Indonesia Deposit Insurance Corporation (Lembaga Penjamin Simpanan - LPS). Previously, the LPS primarily functioned as the institution responsible for guaranteeing bank deposits and conducting bank resolution. Under the P2SK Law, however, its statutory authority has been extended to include the administration of the Policyholder Protection Scheme (PPS), thereby positioning the LPS as the principal institution responsible for protecting policyholders in the event of insurance company failure. From the perspective of Authority Theory, this additional mandate constitutes an attributive authority, as it is conferred directly by legislation rather than delegated by another governmental institution.

The first and most fundamental authority entrusted to the LPS is the administration of the Policyholder Protection Scheme. This responsibility encompasses the formulation of operational mechanisms necessary to implement the statutory guarantee system established by the P2SK Law. As the administrator of the scheme, the LPS is expected to ensure that policyholder protection operates in accordance with the principles of legal certainty, accountability, transparency, and financial sustainability. This function extends beyond the payment of compensation, encompassing institutional governance, risk management, and the development of operational policies required to ensure the effective implementation of the guarantee system.

A second statutory function concerns the collection of guarantee premiums from insurance companies participating in the Policyholder Protection Scheme. The premium collection mechanism constitutes the primary financial source supporting the sustainability of the guarantee fund. From a legal perspective, this authority reflects the principle that the costs of consumer protection

should principally be borne by the insurance industry itself rather than financed directly through public expenditure. Consequently, the LPS is responsible for establishing a transparent and equitable premium collection system based upon statutory criteria and prudent financial governance. The effectiveness of this authority will significantly influence the long-term viability of the Policyholder Protection Scheme.

The P2SK Law further authorizes the LPS to manage the policyholder guarantee fund. This responsibility includes the investment, preservation, and prudent management of financial resources collected through guarantee premiums. Sound fund management is indispensable to ensuring that adequate financial resources remain available whenever insurance companies become unable to satisfy their contractual obligations. Accordingly, the management of guarantee funds must comply with the principles of fiduciary responsibility, financial prudence, accountability, and sound public governance. In exercising this authority, the LPS must maintain an appropriate balance between preserving fund security and ensuring sufficient liquidity to respond effectively to insurance sector distress.

Another important statutory responsibility concerns the payment of guaranteed policyholder claims. This authority constitutes the practical realization of the Policyholder Protection Scheme because it directly safeguards the financial interests of eligible policyholders. Once an insurance company satisfies the statutory conditions for guarantee intervention, the LPS assumes responsibility for verifying eligibility and disbursing guaranteed claims in accordance with applicable legal provisions. The efficiency, transparency, and legal certainty of the claims settlement process are essential factors influencing public confidence in both the insurance industry and the broader financial regulatory system.

Finally, the P2SK Law assigns the LPS authority to undertake the resolution of eligible insurance companies experiencing financial failure. Insurance resolution extends beyond liquidation by providing legal mechanisms intended to preserve financial stability while minimizing losses to policyholders and the financial system. Resolution measures may include restructuring, transfer of insurance portfolios, or other legally authorized resolution strategies designed to maintain the continuity of essential insurance services whenever feasible. This authority complements the supervisory functions exercised by the Financial Services Authority (OJK), illustrating that the LPS primarily performs a resolution and protection function rather than a supervisory function.

Viewed through the lens of Authority Theory, the statutory powers conferred upon the LPS demonstrate a clear legislative intention to establish the institution as the central administrator of Indonesia's Policyholder Protection Scheme. Nevertheless, the effectiveness of these authorities ultimately depends upon comprehensive implementing regulations and clearly defined coordination mechanisms with the Financial Services Authority and the Minister of Finance. Without such regulatory harmonization, the expansion of the LPS's statutory mandate may give rise to overlapping institutional responsibilities and legal uncertainty in the practical implementation of the Policyholder Protection Scheme.

4.3 Statutory Authority of the Financial Services Authority (OJK)

The Financial Services Authority (Otoritas Jasa Keuangan - OJK) occupies a central position within Indonesia's financial regulatory framework by exercising statutory authority over the regulation and supervision of the financial services sector, including insurance institutions. Pursuant to Law Number 21 of 2011 concerning the Financial Services Authority, as complemented by Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law), the OJK possesses original statutory authority to ensure that insurance companies conduct their business in a sound, prudent, transparent, and accountable manner. From

the perspective of Authority Theory, these powers constitute attributive authority, as they are conferred directly by legislation and must be exercised in accordance with the principle of legality.

The first component of the OJK's statutory mandate is its regulatory authority. The OJK is empowered to formulate and implement regulations governing the establishment, licensing, governance, risk management, solvency, and operational conduct of insurance companies. This regulatory function establishes the legal standards that insurance undertakings must satisfy throughout their business operations. By issuing binding regulatory instruments, the OJK creates a prudential legal framework intended to strengthen market discipline, enhance consumer confidence, and reduce the likelihood of institutional failure.

In addition to its regulatory role, the OJK exercises comprehensive supervisory authority over insurance companies. Supervision is conducted through both off-site monitoring and on-site supervision to ensure continuous compliance with statutory obligations and prudential requirements. This supervisory function enables the OJK to identify financial weaknesses, governance deficiencies, and operational risks at an early stage, thereby facilitating preventive regulatory intervention before such weaknesses develop into systemic problems. Effective supervision therefore represents the first line of defence in protecting policyholders and maintaining the stability of the insurance sector.

The OJK is also vested with investigative and examination powers to verify compliance with applicable laws and regulations. Through inspections, audits, and regulatory examinations, the OJK may obtain information concerning the financial condition, governance practices, and operational performance of insurance companies. These examination powers enable the authority to detect legal violations, financial irregularities, or governance failures that may adversely affect policyholders or threaten financial stability. Such authority reinforces regulatory accountability by ensuring that supervisory decisions are supported by comprehensive factual assessments.

Furthermore, the OJK possesses statutory authority to undertake remedial and recovery measures for financially distressed insurance companies. These measures may include requiring corrective action plans, strengthening corporate governance, imposing prudential restrictions, or directing institutional restructuring designed to restore financial soundness. The objective of these recovery measures is to preserve the continuity of insurance services while minimizing potential losses to policyholders and preventing broader systemic disruption.

Finally, where an insurance company no longer satisfies the statutory requirements for continued operation or fails to comply with applicable regulatory standards, the OJK is authorized to revoke its business licence. Licence revocation represents the ultimate supervisory measure and constitutes the legal basis for subsequent resolution proceedings. However, following the enactment of the P2SK Law, the revocation of an insurer's licence does not conclude the regulatory process. Instead, it serves as a transitional stage enabling the Indonesia Deposit Insurance Corporation (LPS) to exercise its statutory authority concerning policyholder protection and insurance resolution.

Accordingly, the statutory powers of the OJK demonstrate that its primary institutional function remains regulatory, supervisory, preventive, and corrective in nature. These responsibilities complement, rather than duplicate, the protection and resolution functions assigned to the LPS. Nevertheless, effective implementation of the Policyholder Protection Scheme requires a clearly harmonized legal framework governing the transition from supervisory intervention by the OJK to resolution measures undertaken by the LPS in order to prevent jurisdictional overlap, procedural uncertainty, and fragmented institutional decision-making.

4.4 Statutory Authority of the Minister of Finance

Within Indonesia's financial regulatory architecture, the Minister of Finance exercises a strategic role in safeguarding fiscal sustainability and maintaining national financial system stability. Pursuant to Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law) and other relevant legislation governing public finance, the Minister of Finance possesses statutory authority that complements, rather than duplicates, the regulatory and operational functions of the Financial Services Authority (OJK) and the Indonesia Deposit Insurance Corporation (LPS). From the perspective of Authority Theory, these powers constitute attributive authority, as they are conferred directly by legislation and must be exercised in accordance with the principles of legality, accountability, and sound public financial governance.

One of the Minister's principal responsibilities is the formulation and implementation of fiscal policy to support the stability and resilience of Indonesia's financial system. Fiscal policy serves as an essential instrument for mitigating systemic risks that may arise from financial sector instability, including disruptions affecting the insurance industry. Through prudent fiscal management, the Government is able to preserve market confidence, maintain macroeconomic stability, and ensure that public financial resources are managed responsibly during periods of financial distress.

The Minister of Finance also exercises authority in the approval of certain strategic financial policies relating to the implementation of financial sector reforms. Such authority includes participation in major policy decisions that may have significant fiscal implications or affect the overall stability of the national financial system. Within the framework of the Policyholder Protection Scheme, the Minister's role is directed toward ensuring that strategic governmental decisions remain consistent with national fiscal capacity, financial sustainability, and long-term economic policy objectives.

Furthermore, the Minister of Finance plays a crucial role in supporting financial system stability through institutional coordination with Bank Indonesia, the Financial Services Authority, the Indonesia Deposit Insurance Corporation, and the Financial System Stability Committee (KSSK). This coordinating function is particularly significant during periods of financial stress, when integrated policy responses are required to prevent systemic disruption and preserve public confidence in the financial sector. Rather than exercising direct supervisory or operational authority over insurance companies, the Minister provides fiscal leadership and policy coordination that reinforce the effectiveness of the broader Financial Safety Net framework.

Accordingly, the statutory authority of the Minister of Finance is primarily strategic and macroeconomic in nature. Its legal function complements the supervisory responsibilities of the OJK and the guarantee and resolution functions of the LPS. Nevertheless, the effectiveness of the Policyholder Protection Scheme depends upon a clearly harmonized legal framework that defines institutional coordination, decision-making procedures, and the respective responsibilities of each authority in order to avoid jurisdictional ambiguity and ensure legal certainty in the administration of the scheme.

4.5 Analysis of the Disharmonization of Statutory Authority

The implementation of the Policyholder Protection Scheme (PPS) under Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law) introduces a new institutional framework intended to strengthen policyholder protection and reinforce Indonesia's financial safety net. While the legislation significantly expands the statutory responsibilities of the Indonesia Deposit Insurance Corporation (Lembaga Penjamin Simpanan - LPS), its implementation simultaneously creates legal challenges concerning the allocation and coordination of authority among the LPS, the Financial Services Authority (Otoritas Jasa Keuangan—

OJK), the Minister of Finance, and the Financial System Stability Committee (Komite Stabilitas Sistem Keuangan - KSSK). From the perspectives of Authority Theory and Legal Harmonization Theory, these challenges demonstrate that the effectiveness of the Policyholder Protection Scheme depends not only upon the existence of statutory authority but also upon the coherence and consistency of the legal framework governing institutional interaction.

4.5.1 Vertical Harmonization: Synchronization Between the P2SK Law and Implementing Regulations

The first issue concerns vertical legal harmonization, namely the consistency between the P2SK Law and its implementing regulations. Although the P2SK Law establishes the legal foundation for the Policyholder Protection Scheme, several essential operational aspects remain dependent upon subordinate legislation. These include the determination of guarantee coverage, premium calculation mechanisms, eligibility requirements for policyholder protection, claims settlement procedures, insurance resolution mechanisms, and institutional coordination arrangements.

The absence of comprehensive implementing regulations may create legal uncertainty regarding the practical exercise of statutory authority. From the standpoint of Legal Harmonization Theory, legislation should be supported by subordinate regulations that are substantively consistent with the parent statute and sufficiently detailed to facilitate effective implementation. Without such regulatory synchronization, institutions may interpret statutory provisions differently, leading to inconsistent administrative practices and uncertainty for both regulators and policyholders.

Furthermore, the expansion of the LPS's statutory mandate necessitates clear implementing provisions defining the relationship between supervisory measures undertaken by the OJK and resolution measures exercised by the LPS. In the absence of detailed procedural regulations, uncertainty may arise concerning the legal threshold at which supervisory intervention should transition into insurance resolution. Such ambiguity has the potential to delay institutional responses during periods of financial distress, thereby reducing the effectiveness of policyholder protection.

4.5.2 Horizontal Harmonization Among Financial Sector Institutions

A second issue concerns horizontal legal harmonization, namely the consistency and coordination among institutions possessing complementary statutory authority. Although the P2SK Law allocates different responsibilities to the LPS, OJK, the Minister of Finance, and the KSSK, the practical implementation of the Policyholder Protection Scheme requires continuous institutional cooperation.

The OJK exercises regulatory and supervisory authority over insurance companies, including licensing, prudential supervision, examination, corrective measures, and licence revocation. Conversely, the LPS is responsible for administering the Policyholder Protection Scheme, collecting guarantee premiums, managing guarantee funds, conducting insurance resolution, and paying guaranteed policyholder claims. Meanwhile, the Minister of Finance exercises strategic fiscal authority and participates in policy decisions affecting financial system stability, whereas the KSSK functions as the principal coordination forum for maintaining financial system resilience.

Although these statutory functions appear distinct, several areas present potential jurisdictional overlap. For example, both the OJK and the LPS possess responsibilities relating to financially distressed insurance companies. The OJK determines supervisory measures and licence revocation, whereas the LPS assumes responsibility for insurance resolution following the fulfilment of statutory conditions. However, the legislation does not comprehensively regulate the procedural transition between these institutional responsibilities, thereby creating uncertainty concerning the precise allocation of authority during the critical stages preceding insurer resolution.

Another significant concern involves institutional coordination and information sharing. Effective implementation of the Policyholder Protection Scheme requires timely access to supervisory information, financial reports, actuarial assessments, and institutional risk evaluations. Nevertheless,

the existing legal framework does not comprehensively regulate integrated data-sharing mechanisms, standardized reporting procedures, or mandatory inter-agency information exchange. Such regulatory gaps may impede early intervention, delay decision-making, and reduce the effectiveness of crisis management.

The role of the Financial System Stability Committee (KSSK) similarly requires further clarification. Although the KSSK serves as the national coordination forum for financial stability, its relationship with the operational responsibilities of the LPS and the supervisory authority of the OJK remains largely strategic rather than procedural. The absence of detailed legal provisions governing crisis coordination, institutional communication, and collective decision-making may limit the effectiveness of the KSSK during periods of systemic financial stress.

From the perspective of Authority Theory, each institution should exercise only those powers expressly conferred by legislation while respecting the statutory competence of other authorities. Simultaneously, Legal Harmonization Theory requires that statutory provisions governing related institutions operate coherently, consistently, and without normative contradiction. These principles indicate that the current regulatory framework, although significantly strengthened by the P2SK Law, still contains institutional ambiguities capable of generating overlapping authority, fragmented governance, and inconsistent administrative implementation.

Accordingly, the principal challenge does not lie in the absence of statutory authority but rather in the absence of a comprehensive legal framework governing institutional coordination. Effective implementation of the Policyholder Protection Scheme therefore requires greater vertical harmonization through comprehensive implementing regulations and stronger horizontal harmonization through clearly defined coordination mechanisms, integrated information-sharing systems, standardized operational procedures, and legally enforceable protocols governing inter-agency cooperation. Such harmonization is indispensable for ensuring legal certainty, enhancing policyholder protection, and preserving the stability and integrity of Indonesia's financial system.

4.6 Main Issues of Institutional Disharmonization

Despite the significant reforms introduced by Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law), several legal and institutional challenges continue to hinder the effective implementation of the Policyholder Protection Scheme (PPS). The first challenge concerns the potential overlapping of statutory authority between the Financial Services Authority (OJK) and the Indonesia Deposit Insurance Corporation (LPS). While the OJK retains responsibility for prudential supervision and corrective measures, the LPS assumes responsibility for policyholder protection and insurance resolution. However, the legislation does not comprehensively define the legal threshold at which supervisory intervention should transition into resolution proceedings. This regulatory ambiguity may result in overlapping decision-making and uncertainty regarding institutional responsibility during the resolution of financially distressed insurance companies.

A second issue relates to the absence of comprehensive legal norms governing institutional coordination. Although the P2SK Law recognizes the complementary functions of the LPS, the OJK, the Minister of Finance, and the Financial System Stability Committee (KSSK), it provides only a general framework for cooperation without establishing detailed procedural rules governing inter-agency coordination. Consequently, the implementation of statutory authority may vary among institutions, potentially undermining legal certainty and administrative consistency.

The current legal framework also lacks a joint Standard Operating Procedure (SOP) regulating institutional cooperation throughout the implementation of the Policyholder Protection Scheme. Without standardized operational procedures, differences in administrative practices, institutional priorities, and decision-making processes may delay regulatory responses, particularly during periods of financial distress requiring immediate intervention.

Furthermore, data-sharing mechanisms among the relevant authorities remain insufficiently regulated. Effective supervision, early intervention, and insurance resolution depend upon timely access to financial information, supervisory assessments, actuarial reports, and institutional risk evaluations. The absence of an integrated legal framework governing information exchange may impede coordinated decision-making and reduce the effectiveness of crisis management.

These deficiencies collectively create the potential for jurisdictional conflicts among the institutions responsible for implementing the Policyholder Protection Scheme. From the perspectives of Authority Theory and Legal Harmonization Theory, such conflicts arise not from the absence of statutory authority but from the lack of clearly harmonized legal norms governing institutional interaction. Accordingly, strengthening regulatory coordination through comprehensive implementing regulations, integrated operational procedures, and legally binding information-sharing mechanisms is essential to ensuring legal certainty, institutional accountability, and the effective protection of policyholders within Indonesia's financial system.

4.7 Comparative Analysis with Selected Jurisdictions

Comparative legal analysis provides an important analytical framework for evaluating the effectiveness of Indonesia's Policyholder Protection Scheme (PPS) established under Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law). Examining the regulatory approaches adopted in other jurisdictions enables the identification of best practices relating to insurance guarantee arrangements, institutional coordination, funding mechanisms, and insurer resolution procedures. This section compares Indonesia's emerging framework with those of Japan, the Republic of Korea, the United States, and Canada, all of which have developed mature systems for protecting policyholders against insurer insolvency.

Japan operates one of the most comprehensive policyholder protection systems through the Life Insurance Policyholders Protection Corporation of Japan (PPCJ) and the Non-Life Insurance Policyholders Protection Corporation of Japan. These statutory entities provide financial protection to policyholders when insurance companies become insolvent and support the orderly restructuring or transfer of insurance portfolios. Regulatory oversight remains the responsibility of the Financial Services Agency, while the protection corporations perform guarantee and resolution functions. This institutional separation clearly distinguishes supervisory authority from compensation and resolution responsibilities, thereby reducing regulatory overlap. Funding is primarily obtained through contributions from participating insurance companies, supplemented by borrowing or extraordinary financial support where legally authorized. The Japanese model demonstrates the importance of maintaining distinct institutional mandates while ensuring close regulatory coordination during insurer resolution.

The Republic of Korea adopts a similarly integrated approach through the Korea Deposit Insurance Corporation (KDIC). In addition to protecting bank depositors, the KDIC performs policyholder protection functions for designated financial institutions under the national financial safety net framework. The Financial Services Commission and the Financial Supervisory Service remain responsible for prudential regulation and supervision, whereas the KDIC administers guarantee funds and conducts resolution activities where statutory conditions are satisfied. This functional allocation minimizes institutional duplication by distinguishing preventive supervision from post-failure intervention. Funding is derived primarily from industry premiums collected in advance, thereby strengthening the financial sustainability of the guarantee system. The Korean experience illustrates that effective coordination among supervisory authorities, guarantee institutions, and governmental bodies is essential for preserving financial stability while protecting consumers.

Unlike Japan and Korea, the United States does not maintain a single nationwide insurance guarantee institution. Instead, policyholder protection is provided through state-based life and health insurance guaranty associations, coordinated by the National

Organization of Life and Health Insurance Guaranty Associations (NOLHGA). Insurance regulation is primarily exercised by state insurance commissioners, while guaranty associations become responsible for protecting policyholders following the insolvency of licensed insurers. Funding generally operates on a post-insolvency assessment basis, requiring member insurers to contribute after a covered insurer has failed. This decentralized structure reflects the federal nature of the United States legal system but nevertheless demonstrates the importance of clearly allocating regulatory and guarantee responsibilities. Although regulatory authority is dispersed among the states, standardized coordination mechanisms developed through NOLHGA facilitate consistent resolution practices and minimize disruptions affecting policyholders.

Canada similarly maintains a specialized policyholder protection mechanism through Assuris, a not-for-profit compensation organization established by the Canadian life insurance industry. Assuris protects eligible policyholders when member insurers become insolvent by ensuring continuity of insurance coverage or compensating policyholders within prescribed statutory limits. Prudential regulation is primarily exercised by the Office of the Superintendent of Financial Institutions (OSFI), while provincial regulators oversee market conduct within their respective jurisdictions. This institutional arrangement clearly separates prudential supervision from policyholder compensation, thereby strengthening regulatory accountability and reducing jurisdictional ambiguity. Funding is provided through assessments imposed on participating insurance companies, enabling the protection scheme to operate without routine reliance upon public financial resources.

A comparative assessment of these jurisdictions reveals several common characteristics despite differences in institutional design. First, each jurisdiction establishes a clear separation between supervisory authorities and insurance guarantee institutions, thereby minimizing conflicts of authority and ensuring institutional accountability. Secondly, guarantee schemes are generally financed through industry-funded premium or assessment mechanisms, reflecting the principle that the insurance industry should bear primary responsibility for financing policyholder protection. Thirdly, all four jurisdictions emphasize formal coordination between supervisory authorities and guarantee institutions, supported by structured information-sharing arrangements and legally defined resolution procedures. Finally, insurer insolvency is addressed through comprehensive resolution mechanisms designed to preserve policyholder interests while maintaining financial system stability.

These comparative experiences provide valuable guidance for Indonesia. Although the P2SK Law has significantly strengthened the legal foundation of the Policyholder Protection Scheme by expanding the statutory authority of the Indonesia Deposit Insurance Corporation (LPS), further regulatory refinement remains necessary. Indonesia may benefit from adopting more explicit legal provisions governing institutional coordination, standardized information-sharing protocols, integrated crisis management procedures, and clearly defined transitions from supervisory intervention by the Financial Services Authority (OJK) to insurance resolution by the LPS. In addition, the establishment of comprehensive implementing regulations concerning funding arrangements and operational procedures would further enhance legal certainty.

Accordingly, the comparative analysis demonstrates that the effectiveness of a policyholder protection regime depends not merely upon the existence of a guarantee institution but upon the coherence of the entire institutional framework. The experiences of Japan, the Republic of Korea, the United States, and Canada consistently indicate that clear statutory allocation of authority, sustainable industry-based funding, effective inter-agency coordination, and transparent insurer resolution mechanisms constitute the essential foundations of an effective insurance guarantee system. These principles provide important normative guidance for strengthening Indonesia's Policyholder Protection Scheme and support the development of a more harmonized institutional framework capable of ensuring

legal certainty, protecting policyholders, and preserving the stability of the national financial system.

4.8 Integrated Authority Harmonization Model (IAHM): A Proposed Institutional Framework for the Policyholder Protection Scheme

The principal contribution of this study is the formulation of an Integrated Authority Harmonization Model (IAHM) for the administration of Indonesia's Policyholder Protection Scheme (PPS). Unlike previous studies that primarily examine the statutory expansion of the Indonesia Deposit Insurance Corporation (Lembaga Penjamin Simpanan LPS) or focus separately on insurance supervision, this study proposes a comprehensive institutional framework designed to harmonize the statutory authority of the LPS, the Financial Services Authority (Otoritas Jasa Keuangan - OJK), and the Minister of Finance. The proposed model is grounded in the principles of Authority Theory, which requires a clear allocation of statutory powers, and Legal Harmonization Theory, which emphasizes coherence, consistency, and coordination among legal norms and public institutions. The objective of the model is to eliminate overlapping authority, strengthen legal certainty, and improve the effectiveness of policyholder protection while preserving financial system stability.

4.8.1 Regulatory Harmonization

The first component of the Integrated Authority Harmonization Model concerns regulatory harmonization. Although the P2SK Law establishes the legal basis for the Policyholder Protection Scheme, many operational aspects remain dependent upon implementing regulations. Consequently, a comprehensive Government Regulation on the Policyholder Protection Scheme should be enacted to provide detailed legal guidance concerning guarantee coverage, premium assessment, eligibility requirements, insurer resolution procedures, claim settlement mechanisms, and institutional coordination. Such regulation would ensure consistency between the parent statute and subordinate legislation, thereby strengthening vertical legal harmonization.

In addition, this study proposes the adoption of a Joint Regulation of the LPS, the OJK, and the Minister of Finance. Unlike separate institutional regulations, a joint regulatory instrument would establish uniform legal standards governing the interaction among the three authorities throughout the implementation of the Policyholder Protection Scheme. The regulation should clearly define institutional responsibilities, procedural timelines, decision-making processes, and legal obligations relating to supervisory intervention, resolution measures, fiscal coordination, and policyholder compensation.

Regulatory harmonization should also be supported by the issuance of a National Coordination Guideline applicable to all institutions participating in the Financial Safety Net framework. This guideline should standardize administrative procedures, reporting requirements, communication protocols, and operational responsibilities during both ordinary supervisory activities and financial crisis situations. By establishing common regulatory standards, the proposed framework would reduce interpretative inconsistencies and enhance legal certainty in the implementation of the Policyholder Protection Scheme.

4.8.2 Institutional Harmonization

The second component of the proposed model concerns institutional harmonization, which seeks to establish a clear allocation of statutory authority based upon the principle of single function–single responsibility. Under this principle, each institution exercises only those responsibilities expressly conferred by legislation while avoiding unnecessary duplication of authority.

Within this institutional framework, the Financial Services Authority (OJK) functions exclusively as the regulator, supervisor, and early intervention authority. Its responsibilities include licensing, prudential regulation, financial supervision, regulatory examinations, corrective measures, and the implementation of supervisory actions intended to prevent insurer failure. The OJK therefore remains responsible for maintaining the financial

soundness of insurance companies before statutory resolution becomes necessary.

The Indonesia Deposit Insurance Corporation (LPS) functions as the policyholder guarantee and insurance resolution authority. Its responsibilities include administering the Policyholder Protection Scheme, collecting guarantee premiums, managing guarantee funds, conducting insurance resolution, and paying guaranteed policyholder claims. The LPS should exercise its authority only after statutory conditions triggering guarantee intervention have been satisfied. Accordingly, the LPS performs a post-supervisory function designed to protect policyholders and maintain financial stability without assuming supervisory responsibilities already vested in the OJK.

The Minister of Finance occupies the third institutional layer by exercising authority relating to fiscal policy, financial support, and financial system stability. Rather than participating in operational supervision or insurance resolution, the Minister provides macroeconomic leadership, evaluates fiscal implications arising from financial sector crises, and supports governmental policy measures necessary to preserve national financial stability. This allocation of authority establishes a coherent institutional hierarchy while respecting the statutory independence of each participating authority.

4.8.3Harmonization of Coordination Mechanisms

A clear allocation of statutory authority alone is insufficient to ensure effective implementation. Accordingly, the Integrated Authority Harmonization Model proposes the establishment of comprehensive coordination mechanisms linking all participating institutions through legally defined operational procedures.

First, the model introduces an Integrated Coordination System, functioning as a permanent institutional framework facilitating communication, consultation, and coordinated decision-making among the OJK, the LPS, the Minister of Finance, Bank Indonesia, and the Financial System Stability Committee (KSSK). Regular coordination meetings, standardized reporting procedures, and predefined institutional responsibilities should be incorporated into this framework to ensure consistent administrative implementation.

Secondly, the model proposes the establishment of a Single Data Sharing System. Timely access to supervisory information constitutes an essential prerequisite for effective policyholder protection. Accordingly, supervisory reports, solvency assessments, actuarial evaluations, financial statements, and institutional risk assessments should be exchanged through a secure digital platform supported by clear legal safeguards governing confidentiality, cybersecurity, and institutional accountability. Integrated information-sharing would reduce administrative delays while improving the quality of regulatory decision-making.

Thirdly, the proposed framework incorporates a national Early Warning System designed to identify financial vulnerabilities before insurance companies experience insolvency. This system should utilize standardized financial indicators, risk-based supervisory criteria, and coordinated institutional monitoring to facilitate preventive intervention. Early detection of financial deterioration would enable supervisory authorities to implement corrective measures before policyholder protection becomes necessary.

Finally, the model recommends the adoption of a comprehensive Crisis Management Protocol governing institutional responses during periods of financial distress. The protocol should specify decision-making authority, procedural timelines, communication responsibilities, emergency coordination mechanisms, and the legal transition from supervisory intervention by the OJK to insurance resolution by the LPS. Such procedural clarity would significantly reduce jurisdictional uncertainty during crisis situations.

Harmonization of Policyholder Protection

The ultimate objective of the Integrated Authority Harmonization Model is to strengthen policyholder protection through a legally coherent and institutionally coordinated guarantee system. The proposed framework therefore emphasizes five essential principles.

First, the model guarantees certainty of payment by ensuring that eligible policyholders receive compensation through

clearly defined statutory procedures and predetermined guarantee standards.

Secondly, it promotes certainty of time by establishing mandatory procedural deadlines for supervisory decisions, insurer resolution, claim verification, and compensation payments. Clearly defined timelines enhance administrative efficiency and strengthen public confidence.

Thirdly, the model reinforces transparency by requiring participating institutions to disclose regulatory decisions, operational procedures, eligibility criteria, and policyholder rights in an accessible and comprehensible manner. Transparency reduces legal uncertainty while improving public trust in the insurance sector.

Fourthly, the framework strengthens institutional accountability through clearly allocated statutory responsibilities, standardized reporting obligations, and continuous inter-agency oversight. Each institution remains accountable for the exercise of its respective statutory functions without encroaching upon the legal competence of other authorities.

Finally, the model incorporates an integrated dispute resolution mechanism enabling policyholders to challenge administrative decisions efficiently through accessible legal procedures. Effective dispute resolution enhances legal protection while ensuring that policyholders possess meaningful remedies against administrative errors or procedural irregularities.

Accordingly, the Integrated Authority Harmonization Model (IAHM) provides a comprehensive legal framework that integrates regulatory harmonization, institutional harmonization, coordinated governance, and strengthened policyholder protection into a single coherent system. By operationalizing the principles of single function–single responsibility, supported by integrated coordination, secure information sharing, early warning mechanisms, and structured crisis management, the model addresses the principal normative deficiencies identified in the current legal framework. Consequently, the IAHM offers a practical and normative solution capable of enhancing legal certainty, minimizing institutional overlap, strengthening consumer protection, and reinforcing the long-term stability and resilience of Indonesia's financial system.

4.9 Novel Concept: The Integrated Authority Harmonization Model (IAHM)

This study introduces an Integrated Authority Harmonization Model (IAHM) as its principal theoretical and practical contribution to the development of Indonesia's legal framework governing the Policyholder Protection Scheme (PPS). The proposed model is designed to address the institutional and regulatory challenges arising from the implementation of Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law), particularly those relating to the allocation of statutory authority among the Indonesia Deposit Insurance Corporation (Lembaga Penjamin Simpanan—LPS), the Financial Services Authority (Otoritas Jasa Keuangan - OJK), and the Minister of Finance.

The IAHM is founded upon the principle of single function–single responsibility, under which each public institution performs only those statutory functions expressly assigned by legislation. Within this framework, the OJK is exclusively responsible for financial regulation, prudential supervision, and early supervisory intervention; the LPS serves as the sole authority responsible for policyholder protection, insurance resolution, and the payment of guaranteed claims; while the Minister of Finance exercises strategic authority concerning fiscal policy, financial support, and the preservation of financial system stability. By clearly distinguishing these institutional mandates, the proposed model minimizes jurisdictional overlap, strengthens institutional accountability, and reinforces the principle of legality in public administration.

In addition to clarifying the allocation of statutory authority, the IAHM incorporates an integrated coordination mechanism intended to improve institutional cooperation. The model proposes the establishment of a Single Data Sharing System that enables the secure and timely exchange of supervisory information, financial reports, actuarial assessments, and institutional risk analyses among the relevant authorities. Such integration facilitates informed decision-

making and reduces administrative delays during both ordinary supervisory activities and periods of financial distress.

The proposed model further incorporates a national Early Warning System designed to identify financial vulnerabilities at an early stage, thereby enabling preventive regulatory intervention before insurer insolvency occurs. This preventive mechanism is complemented by a comprehensive Crisis Management Protocol, which defines the procedural transition from supervisory measures undertaken by the OJK to insurance resolution administered by the LPS, while preserving fiscal coordination under the Minister of Finance. To ensure continuous inter-agency cooperation, the model also recommends the establishment of a permanent coordination forum operating within the institutional framework of the Financial System Stability Committee (KSSK).

Accordingly, the Integrated Authority Harmonization Model offers a comprehensive governance framework that integrates regulatory coherence, institutional coordination, and financial stability into a unified legal structure. The proposed model is expected to reduce overlapping authority, strengthen legal certainty, improve the protection of policyholders, and enhance the effectiveness of Indonesia's Financial Safety Net. As a normative framework, the IAHM also provides legislative guidance for future implementing regulations and institutional reforms concerning the administration of the Policyholder Protection Scheme, thereby contributing to a more coherent, accountable, and resilient financial regulatory system.

5. CONCLUSION

This study demonstrates that Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law) represents a significant legislative reform in Indonesia's financial regulatory system by introducing the Policyholder Protection Scheme (PPS) and expanding the statutory authority of the Indonesia Deposit Insurance Corporation (Lembaga Penjamin Simpanan - LPS). The enactment of the P2SK Law strengthens the legal framework for policyholder protection and reflects the State's commitment to enhancing consumer protection while reinforcing the stability of the national financial system. The legislation also marks an important evolution of Indonesia's Financial Safety Net by extending institutional protection beyond the banking sector to include the insurance industry.

Notwithstanding these legislative developments, this research finds that the existing legal framework still presents several institutional and normative challenges that may affect the effective implementation of the Policyholder Protection Scheme. Although the statutory responsibilities of the LPS, the Financial Services Authority (Otoritas Jasa Keuangan OJK), and the Minister of Finance are generally distinguishable, the current regulatory framework does not comprehensively regulate the interaction among these institutions during the implementation of the scheme. The absence of detailed implementing regulations, standardized coordination mechanisms, integrated information-sharing arrangements, and operational procedures may create legal uncertainty, overlapping authority, and administrative inefficiency, particularly in situations involving financially distressed insurance companies.

Applying Authority Theory demonstrates that the statutory allocation of powers should clearly distinguish supervisory, resolution, and fiscal functions in accordance with the principle of legality. Simultaneously, the application of Legal Harmonization Theory indicates that the effectiveness of the Policyholder Protection Scheme depends not only upon the existence of statutory authority but also upon regulatory consistency, institutional coherence, and effective inter-agency coordination. Accordingly, harmonization of legislation, institutional responsibilities, and operational coordination constitutes an essential prerequisite for ensuring legal certainty, protecting policyholders, and maintaining financial system stability.

As its principal contribution, this study proposes the Integrated Authority Harmonization Model (IAHM) as a comprehensive governance framework for the administration of the Policyholder

Protection Scheme. The model allocates statutory authority according to the principle of single function–single responsibility, while integrating regulatory harmonization, institutional coordination, data-sharing mechanisms, an early warning system, crisis management procedures, and a permanent coordination framework under the Financial System Stability Committee (Komite Stabilitas Sistem Keuangan KSSK). The proposed model is expected to minimize jurisdictional overlap, strengthen institutional accountability, improve regulatory effectiveness, and reinforce the resilience of Indonesia's Financial Safety Net.

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