

**LAW OF THE REPUBLIC OF INDONESIA**

**NUMBER 2 YEAR 1992**

**CONCERNING  
INSURANCE BUSINESS**

**BY THE GRACE OF ALMIGHTY GOD**

**THE PRESIDENT OF THE REPUBLIC OF INDONESIA,**

Considering

- a. that in order to materialize a just and prosperous society based on the principles of Pancasila and the 1945 Constitution, the development in all sectors needs to be carried out in a sustainable manner;
- b. that several varieties and types of risk which may arise in the implementation of development need to be coped with by the public;
- c. that sound insurance business is a means of coping with risks which are experienced by members of the public and at the same time is an institution which collect the public funds, so that it has a strategic position in the development and in the economic life of the people in order to develop the public wealth;
- d. that in the context of increasing the role of the insurance business in the national development, it is necessary to give more extensive opportunities to parties wishing to operate in the insurance sectors, without neglecting the principles of sound and accountable insurance business, which at the same time can support the economic activities in general;
- e. that to achieve the purpose set forth above, it is considered necessary to enact a Law on Insurance Business.

In view of :

1. Article 5 para (1), Article 20 para (1), and Article 33 para (1) of the 1945 Constitution;
2. the Civil Code (Staatsblad 1847 Number 23);

3. the Commercial Code (Staatsblad 1847 Number 23) as amended and supplemented, most recently by Law Number 4 of 1971 concerning the Amendment and Supplement of the Stipulations in Article 54 of The Commercial Code (State Gazette of the Republic of Indonesia 1971 Number 20, State Gazette Supplement of the Republic of Indonesia Number 2959);
4. Law Number 12 of 1967 concerning Principles of Cooperatives (State Gazette of the Republic of Indonesia Year 1967 Number 23, State Gazette Supplement of the Republic of Indonesia Number 2832);
5. Law Number 9 of 1969 concerning the establishment of Government Regulation as the Replacement of the Law Number 1 of 1969 (State Gazette of the Republic of Indonesia 1969 Number 16, State Gazette Supplement of the Republic of Indonesia Number 2890) concerning the Forms of State Business to become a Law (State Gazette of the Republic of Indonesia 1969 Number 40, State Gazette Supplement of the Republic of Indonesia Number 2904).

With the approval of the INDONESIAN PARLIAMENT

HAS DECIDED:

To enact : THE LAW CONCERNING INSURANCE BUSINESS

#### CHAPTER I

#### GENERAL PROVISION

#### Article 1

The following terms have meanings as follows

1. Insurance is an agreement between two or more parties, by which the insurer binds himself to the insured, by receiving a premium, to provide an indemnity to the insured because of loss, damage, or loss of expected profit, or legal liability of third party which may be suffered by the insured, which arise from an uncertain event, or to provide a payment based on the death or survival of an insured person.

2. Insurance Object is goods and services, life and limb, health of human beings, legal liabilities together with all other interests which may be lost, damaged, or decreased in value.
3. Social Insurance Program is a compulsory insurance program based on a Law which has the objective of providing protection for the welfare of the public.
4. Insurance Company is a Loss Insurance Company, Life Insurance Company, Reinsurance Company, Insurance Broker Company, Reinsurance Broker Company, Insurance Agent, Loss Adjuster Company, and Actuarial Consultant Company.
5. Loss Insurance Company is a company which provides services in coping with any risk of loss, loss of benefits, and legal liability to any third party, which arise from uncertain events.
6. Life Insurance Company is a company which provides services in coping with any risk in connection with survival or death of an insured person.
7. Reinsurance Company is a company which provides services in coping with any risk faced by any Loss Insurance Company and or Life Insurance Company.
8. Insurance Broker Company is a company which provides intermediary services in insurance coverage and insurance claims settlement by acting for the interest of the insured.
9. Reinsurance Broker Company is a company which provides intermediary services in the placement of reinsurance and the settlement of reinsurance claims by acting for the interest of the insured.
10. Insurance Agent is a person or legal entity whose activity is to provide services in marketing of insurance for and on behalf of the insurer.
11. Loss Adjuster Company is a company which provides services in calculating the amount of losses on the insured objects.
12. Actuarial Consultant Company is a company which provides actuarial services related to the establishment and management of insurance program and/or pension program to the Insurance Company and pension fund.
13. Affiliation is a relationship between an individual or legal entity with one or more person(s) or other legal entity(ies) as such that one of them may influence the management or policy of another person or legal entity, or vice versa, by taking advantage of joint ownership of shares or joint management of an enterprise.
14. Minister is the Minister of Finance of the Republic of Indonesia.

## CHAPTER II

### INSURANCE BUSINESS

#### Article 2

Insurance business covers business activities which operate in the fields of :

- a. Insurance, as a financial service business which, by collecting funds from the public through the collection of insurance premiums, provides protection to the interest of any public members who use the insurance services against the possible emergence of loss caused by uncertain events, or against the survival or death of a person.
- b. Insurance supporting business which carries out intermediary service, loss adjusting service, and the service of actuarial matters.

## CHAPTER III

### TYPES OF INSURANCE BUSINESS

#### Article 3

The types of insurance business activities encompass:

- a. Insurance business
  1. Loss insurance business which provides service in coping with risks of loss, loss of benefits, and legal liability to third parties which arise from uncertain events;
  2. Life insurance business which provides service in coping with risks in connection with survival or death of an insured person;
  3. Reinsurance business which provides service in reinsuring the risks faced by Loss Insurance Company(ies) and or Life Insurance Company(ies).
- b. Insurance supporting business :
  1. Insurance brokerage business which provides intermediary services in any insurance coverage as well as any settlement of claim, acting for the interest of the insured;
  2. Reinsurance brokerage business which provides intermediary services in any placement of reinsurance and the settlement of reinsurance claims, acting for the interest of the insurance company;

3. Loss adjuster business which provides services in calculating the amount of losses on the insured objects;
4. Actuarial consultant business which provides actuarial consulting services;
5. Insurance agency business which provides intermediary services in marketing of insurance for and on behalf of the insurer.

#### CHAPTER IV

#### SCOPE OF BUSINESS OF

#### INSURANCE COMPANIES

##### Article 4

Insurance business stipulated in Article 3 letter a may be carried out by Insurance Companies with the scope of business activities as follows :

- a. Any Loss Insurance Company may only conduct business in the field of lose insurance, including reinsurance;
- b. Any Life Insurance Company may only conduct the business of life insurance, health insurance, personal accident insurance, annuity business, and become the founder as well as manager of pension funds in accordance with the provision on the existing pension fund laws;
- c. Any Reinsurance Company may only conduct reinsurance business.

##### Article 5

Insurance supporting business as stipulated in Article 3 letter b may be carried out by Insurance Companies with the scope of business activities as follows :

- a. Broker Insurance Company may only conduct business by acting on behalf of the insured in any transaction related to insurance contracts;
- b. Broker Reinsurance Company may only conduct business by acting on behalf of the Insurance Companies in any transaction related to insurance contracts;

- c. Loss Adjuster Company may only conduct the business service of calculating the amount of losses arising from lost or damages of the loss insurance objects;
- d. Actuarial Consultant Company may only conduct the business of service in the actuarial matters;
- e. Agent Insurance Company may only give insurance marketing services for one insurance company which has a license issued by the Minister.

## CHAPTER V

### COVERAGE OF INSURANCE OBJECTS

#### Article 6

- (1) Unless for the coverage of Social Insurance Program, any coverage on Insurance Objects shall be on the basis of the freedom to choose the insurer.
- (2) Any coverage as stated in para (1) shall be carried out with respect to the capacity of domestic insurance market consideration.
- (3) Further regulations concerning the stipulations as stated in para (2) shall be provided in the Government Regulation.

## CHAPTER VI

### THE LEGAL FORM OF INSURANCE BUSINESS

#### Article 7

- (1) Insurance business may only be carried out by legal entities, each of which shall be in the form of :
  - a. State-owned Company (Persero);
  - b. Cooperative;
  - c. Limited Liability Company;
  - d. Mutual Company.
- (2) Notwithstanding the provision as stipulated in para (1) , actuarial consultant business and insurance agent business may be carried out by any sole proprietor firm.

- (3) Stipulations concerning mutual insurance business are further regulated by a separate Law.

## CHAPTER VII

### OWNERSHIP OF INSURANCE COMPANIES

#### Article 8

- (1) An Insurance Company may only be founded by:
- a. An Indonesian citizen and/or Indonesian legal entity which is fully owned by Indonesian citizen and/or Indonesian legal entity;
  - b. An Insurance Company which jointly owned by those as stated in letter a and an Insurance Company which has been incorporated under the jurisdiction of a foreign law.
- (2) An Insurance Company which is established as stated in pare (1) letter b must be :
- a. An Insurance Company having the same type of business activity with the business activity of the Insurance Company which establishes or owns it;
  - b. A Loss Insurance Company or a Reinsurance Company whose founder(s) or owner(s) is a Loss Insurance Company and or Reinsurance Company.
- (3) Further provisions on the ownership of Insurance Companies as stated in para (2) shall be stipulated in the Government Regulation.

## CHAPTER VIII

### LICENSING

#### Article 9

- (1) Unless for companies which carry out Social Insurance Programs, any person or legal entity intending to carry out insurance business activity must obtain a license from the Minister.
- (2) In order to obtain the license as stated in para (1), the following requirements must be fulfilled :

- a. The Articles of Association;
  - b. Organizational<sup>1</sup> structure;
  - c. Capital requirement;
  - d. ownership;
  - e. Expertise in the field of insurance;
  - f. Feasibility of the business plan;
  - g. other things needed to support the growth of insurance industry managed in sound business.
- 3) In order to obtain the license as stated\* in para (1), any company which has foreign ownership as described in Article 8 para (1) letter b shall comply with the provision stipulated in para (2) and the provision on the limitation of ownership as well as the number of manager(s) of the foreign party(ies).
- 4) Further provisions on licensing requirements as stated in paragraphs (2) and (3) shall be stipulated in the Government Regulation.

CHAPTER IX  
SUPERVISION

Article 10

Supervision of insurance business is undertaken by the Minister.

Article 11

- 1) Supervision of insurance business includes :
- a. Financial soundness for a Loss Insurance Company, Life Insurance Company, and Reinsurance Company, which covers:
    1. Solvency Margin;
    2. Own retention;
    3. Reinsurance;
    4. Investment;
    5. Technical reserves; and
    6. Other stipulations related to financial soundness;
  - b. Conduct of business of the company concerned, which consists of:
    1. The term and conditions of insurance policies;
    2. Rate of premiums;
    3. Claims settlement;



4. Requirements of underwriting expertise; and
  5. Other provisions related to business conducts.
- (2) Any Insurance Company is obliged to maintain its sound business in accordance with the provisions as stipulated in para (1), and carry out its business in accordance with sound insurance principles.
  - (3) Further provisions concerning financial soundness and the business conduct as set forth in para (1) shall be stipulated in the Government Regulation.

#### Article 12

Any Broker Insurance Company is prohibited to place insurance coverage to an Insurance Company which does not have a license as required by Article 9.

#### Article 13

- (1) Any Broker Insurance Company is prohibited to place insurance coverage to an Insurance company which has Affiliation with the respective Insurance Broker Company, unless the insured has been informed previously in writing and has agreed with the existence of such Affiliation.
- (2) Any Loss Adjuster Company is prohibited from conducting calculation of losses on Insurance Objects insured at a Lose Insurance Company which has Affiliation with the respective Loss Adjuster Company.
- (3) Any Actuarial Consultant Company is prohibited from providing services to a Life Insurance Company or a pension fund which has Affiliation with the respective Actuarial Consultant Company.
- (4) Any Insurance Agent is prohibited from acting as an agent of an Insurance Company which does not have a license as required by Article 9.

#### Article 14

- (1) Social Insurance Programs may only be carry out by State-owned Company.
- (2) Provisions concerning supervision in this Law apply as well to the companies which carry out Social Insurance Programs as stated in para (1).

Article 15

- (1) In implementing the supervision, the Minister shall periodically or at any time if it is deemed
  1. Solvency Margin;
  2. Own retention;
  3. Reinsurance;
  4. Investment;
  5. Technical reserves; and
  6. Other stipulations related to financial soundness;
- b. Conduct of business of the company concerned, which consists of:
  1. The term and conditions of insurance policies;
  2. Rate of premiums;
  3. Claims settlement;
  4. Requirements of underwriting expertise; and
  5. other provisions related to business conducts.
- (2) Any Insurance Company is obliged to maintain its sound business in accordance with the provisions as stipulated in para (1), and carry out its business in accordance with sound insurance principles.
- (3) Further provisions concerning financial soundness and the business conduct as set forth in para (1) shall be stipulated in the Government Regulation.

Article 16

- (1) Any Loss Insurance Company, Life Insurance Company, Reinsurance Company, Insurance Broker Company, and Reinsurance Broker Company must submit its balance sheet and income statement together with the explanatory notes to the Minister.
- (2) Any Insurance Company must submit its operational reports to the Minister.
- (3) Any Loss Insurance Company, Life Insurance Company, or Reinsurance Company must publish its balance sheet and income statement in a daily newspaper which has a wide circulation in Indonesia.
- (4) Notwithstanding the obligations as stated in para (1), para (2), and para (3), any Life Insurance Company shall also submit its investment report to the Minister.

- (5) The form, structure and timetables for the submission of reports as well as for publication of a company's balance sheet and income statement as set forth in para (1), para (2), para (3), and para (4) shall be determined by the Minister.

#### Article 17

- (1) In any event or action which is not in compliance with this Law or its implementing regulations, the Minister has the right to apply the sanctions of giving of a warning, restriction on company's business activities, as well as revocation of the company's license.
- (2) The actions stated in para (1) are applied by stages :
- a. Giving of a warning;
  - b. Restriction on company's business activities;
  - c. Revocation of company's license.
- (3) The Minister may require a company to prepare a plan in order to overcome the situation which causes the restriction on its business activities, prior to the revocation of such company's license.
- (4) The implementing procedure of the provision as stated in para (1), as well as the grace period for a company to comply with the provision as stated in para (3) shall be stipulated in the Government Regulation.

#### Article 18

- (1) If after taking actions to meet the plan as referred to in Article 17 para (3), the company is presumably failed or unprepared to get rid off the situation which caused such restriction on its business activities, then the Minister shall revoke the company's license.
- (2) The revocation of company's license shall be announced by the Minister in a daily newspaper which has a wide circulation in Indonesia.

#### Article 19

If during the grace period stipulated in Article 17 para (4), the company succeeds to overcome the situation which caused the restriction on its business activities, then such restriction shall be revoked and the company may conduct its business as it is used to.

CHAPTER X  
BANKRUPTCY AND LIQUIDATION

Article 20

- (1) In the event that an Insurance Company's license has been revoked in accordance with Article 18, notwithstanding the provision stipulated in the Law on Bankruptcy, for the sake of public interest, the Minister shall have the option to require a court to declare the bankruptcy of such company.
- (2) The right of the policy holder with regard to the distribution of the assets of a Loss Insurance Company or a Life Insurance Company which has been liquidated shall have the privilege as a priority right.

PENAL PROVISION

Article 21

- (1) Whoever conducts or orders to conduct the insurance business without having a license as stipulated in Article 9, is liable for imprisonment at the most of 15 (fifteen) years and a fine at the most of Rp 2,500,000,000.00 (two billion five hundred million rupiahs).
- (2) Whoever embezzles insurance premiums is liable for imprisonment at the most of 15 (fifteen) years and a fine at the most of Rp 2,500,000,000.00 (two billion five hundred million rupiahs).
- (3) Whoever embezzles the assets of a Loss Insurance Company or a Life Insurance Company or a Reinsurance Company by transferring, pledging, and or offering such assets as warranty without the right to do so is liable to imprisonment at the most of 15 (fifteen) years and a fine at the most of Rp 2,500,000,000.00 (two billion five hundred million rupiahs).
- (4) Whoever receives either legally or illegally, buys, or warrants, or resells the assets of company As described in pare (3) which is known or ought to be known by him that such-assets belong to a Loss Insurance Company or a Life Insurance Company, or a Reinsurance Company, is liable for imprisonment at the most of 5 (five) years and a fine at the most of Rp 500,000,000.00 (five hundred million rupiahs).

- (5) Whoever either individually or jointly makes a forgery document of a Loss Insurance Company or a Life Insurance Company or a Reinsurance Company is liable for imprisonment at the most of 5 (five) years and a fine at the most of Rp 2,500,000.00 (two hundred and fifty million rupiahs).

#### Article 22

Notwithstanding the penal provisions as provided In Article 21, an Insurance Company which does not comply with this Law and its implementing regulations is liable for an administrative sanction, compensation payment, or fine, which will be further stipulated in the Government Regulation.

#### Article 23

Such conducts as described in Article 21 shall be regarded as a crime.

#### Article 24

If the penal charge of the crime as set forth in Article 21 is committed by any legal entity or any business entity which is not a legal entity, a legal prosecution shall be taken against such entity, or against anyone who orders to commit the crime or serves as the leader of persons who commit the crime, or both of them.

### CHAPTER XII TRANSITIONAL PROVISION

#### Article 25

- (1) Any Insurance Company which has been licensed by the time this Law comes into force shall be deemed to has obtained a license under this Law.
- (2) The Insurance Company as stated in para (1) shall adapt itself to the provisions stipulated in this Law.
- (3) The provision of the adoption as stated in para (2) as well as its grace shall be determined by the Minister.

Article 26

Unless otherwise conflicting with this Law, any existing regulations on insurance business shall be deemed in effect by the time this Law comes into force, until such regulations shall have been replaced under this Law.

CHAPTER XIII

CLOSING PROVISION

Article 27

Upon the effectiveness of this Law, the Ordonantie op het Levensverzekering bedrijf (Staatsblad 1941 Number 101) is void.

Article 28

This Law shall come into effect on the date of the enactment.

*In order to inform the public, the enactment of this Law shall be published in the State Gazette of the Republic of Indonesia.*

Stipulated in Jakarta on February 11, 1992

THE PRESIDENT OF THE REPUBLIC  
OF INDONESIA

Signed by

S O E H A R T O

Enacted in Jakarta on February 11, 1992

MINISTER/SECRETARY OF STATE

Signed by

MOERDIONO

ELUCIDATION  
OF  
LAW NUMBER 2 YEAR 1992  
CONCERNING  
INSURANCE BUSINESS

GENERAL

The main objective of the long term development as stated in the State Guidelines (Garis-Garis Besar Haluan Negara) is to create a strong basis for the Indonesian people to grow and develop on self reliance for a just and prosperous society based on the Pancasila and the 1945 Constitution. The economic development requires a proper investment support, the implementation of which shall be based on self reliance and, therefore an earnest effort is needed to mobilize the investment fund, especially the one generated from the public savings. The role of the insurance business as one of the Financial Institutions has become more important, since it is expected that this business activity will be able to increase the mobilization of funds to finance the national development.

Meanwhile, the development is not exempted from variety of risks that are likely to interfere with the development results having been achieved. Accordingly, the presence of a strong insurance business, which is able to bear losses that might arise from the variety of risks, is undoubtedly needed. The insurance business services also constitute one of the financial instruments in the economic system of a household, in dealing with financial risks caused by either the basic risks i.e. natural risk of death or various risks on properties possessed. The presence of the insurance business is also needed by the business sector, on the one hand, taking into consideration the existence of variety of risks which are consciously and rationally perceived could interrupt the sustainability of the business activities and on the other hand, the business sector is often not able to prevent a certain system from forcing it to utilize the insurance services.

The insurance business has existed in Indonesian economy for a long time and played an important role in the course of the national history, standing side by side with the other sectors. So far, the existence of the insurance business has only been based on the Civil Code which regulates the insurance as an agreement. As a matter of facts, the insurance business is a business that promises a protection to the insured and, at the same time, it also deals with the public funds. Owing to those two roles, in an increasing economic development, the presence of a strong and reliable insurance industry is perceived as being urgent. In connection with those matters, the insurance

business constitutes a field of business which requires a sustainable guidance and supervision from the government in order to secure the public interest. Therefore, it is necessary for the government to have a regulation in the form of Law, so that it will have a stronger jurisdiction, constituting a basis, either for the business activities of the insurance companies, or for the government in conducting the supervision.

Basically, this Law follows the business specialization principle in the types of insurance businesses. This is due to the fact that the insurance business is a business requiring specific expertise. and skill in its conducts'.

This Law also underlines the freedom of the insureds in choosing the insurance companies. In order to protect the right of the insured, this Law also provides the provision to be the guideline for the

insurance's conduct of business in order to prevent any business activities which might cause conflict of interest as well as to make the services rendered be based on an objective consideration which will not harm any party concerned.

#### ARTICLE BY ARTICLE

##### Article 1

Clear enough.

##### Article 2

Clear enough.

##### Article 3

The classification on the type of insurance business in this Article is based on the understanding that the companies carrying out insurance business are those which bear insurance risks. Meanwhile within the insurance Industry there are also companies, which business activities do not bear insurance risks, as being classified in this Article as Supporting Insurance Business.

However, the insurance service providers, both the insurance companies and the supporting insurance business companies, are business partners that are dependent and supplement one to the other. while on the other side, they are expected to give contribution to the development of the insurance sector in Indonesia.

In addition to the classification on the type of business, the



insurance business may also be classified into two groups based on the characteristic of the business conductor i.e, social and commercial characteristic. The insurance business which has a social

characteristic is an insurance company conducting the Social Insurance Program, which is compulsory based on the Law that provides such Social Insurance program and provides a basic protection for the interest of the public.

#### Article 4

Under this stipulation, any insurance company is only allowed to conduct one type of business which has been determined. Thus it is not possible for an insurance company to conduct the loss insurance business and the life insurance business simultaneously.

Furthermore, the definition of Pension Fund in this Article is restricted to the Financial. Institution Pension Fund.

#### Article 5

The service rendered by the Actuarial Consultant Companies among other shall include the consultancy on the matters related to the analysis and calculation of reserves, the completion of the actuarial statement, the evaluation of the probability of risks which might occur and the development of life insurance products.

#### Article 6'

##### Paragraph (1)

This stipulation is intended to protect the insured rights to choose an insurance company as its insurer. It is deemed necessary, with the consideration that the insured is a party who is really concerned with the object insured, and it is natural if without getting persuasion and pressure from any other parties, such insured shall be able to determine a company to become its insurer.

##### Paragraph (2)

The principle of freedom to choose an insurer also means that the insured is free to place its insurance object only in either Life Insurance Company or loss Insurance Company which has obtained a license in Indonesia.

##### Paragraph (3)

In order to make the implementation of this stipulation be adapted to the development of the insurance business in Indonesia, further stipulations on the insurance coverage and or the placement of its reinsurance shall be regulated

in implementing regulations under this Law.

#### Article 7

##### Paragraph (1)

Clear enough.

Paragraph (2) Clear enough.

##### Paragraph (3)

In the absence of the Law concerning the legal form of a mutual company, the stipulations on the business conduct of the insurance mutual company will be provided in the Government Regulation.

#### Article 8

##### Paragraph (1)

In this Paragraph, it is determined that the Indonesian citizens and or Indonesian legal entities may become the founder of an insurance company, either by fully ownership or in the form of <sup>a</sup> joint venture with foreign parties.

The term Indonesian legal entity shall also include Among others the State-owned

Company Provincial.-owned Company  
(BUMD) , Coop<sup>er</sup>ative, and Private Company.

##### Paragraph (2)

The existence of insurance companion which are incorporated or owned by a domestic insurance company and foreign insurance company having the same business activities are intended to develop a more professional implementation of insurance business. Such cooperation between the same type of insurance companies shall also increase the possibility of transfer of technology.

In accordance with the objective of this stipulation which is aimed to extend the professionalism in management, the joint ownership between domestic Loss Insurance Company or Reinsurance Company and the foreign Loss Insurance Company or Reinsurance Company shall be based consistently on similar type of their respective business.

For example :

a. Foreign Reinsurance Company and domestic Loss Insurance Company

may establish Loss Insurance Company or Reinsurance Company.

Foreign Loss Insurance Company and domestic Reinsurance Company may establish Loss Insurance or Reinsurance Company.

Paragraph (3)

Clear enough.

Article 9

Paragraph (1)

The function and duty of the State-owned Company which carries out the Social Insurance Program shall be stipulated in the Government Regulation. It means that the Government assigns the State-owned Company to carry out the Social Insurance Program which has been determined by the Government to be implemented. For such State-owned Company, an insurance license from the Minister is no longer needed.

Paragraph (2)

To support an accountable insurance business activity, it is urged to have an article of association, a good organizational structure, sufficient amount of capital, a legal status of ownership, the underwriting expertise which is appropriate to its field, feasible working programs, and any other things which presumably shall be able to support the development of a sound insurance business in the future.

The underwriting expertise in this stipulation includes i.e. the expertise in the field of actuary, technical underwriting, risk management, loss adjuster, etc., which shall be in line with the insurance business activities to be carried out.

Paragraph (3)

The term of limitation on ownership and management by foreign parties includes the terms of the nationalization process. By this stipulation, it is expected that the national insurance industry can rely on its own strength

Paragraph (4) Clear enough.

Article 10

Clear enough.

Article 11

Paragraph (1)

Solvency Margin is one of the measurement of financial soundness for the Loss Insurance, Life Insurance and Reinsurance Companies. The Solvency Margin comes out from the difference between assets and liabilities, which shall be calculated based on a certain formula-in accordance with the characteristics of insurance business.

Own Retention is considered as a part of insurance being retained as its own responsibility depending on the level of financial capacity of the respective Loss Insurance, Life Insurance, or Reinsurance Companies.

Reinsurance is a part of the risk being reinsured to the other Lose Insurance, Life Insurance, and or Reinsurance Companies.

It will be further regulated that Loss Insurance, Life Insurance, and Reinsurance Companies shall only be permitted to put their investments in a safe and productive types of investments.

Due to the uncertain situation, the occurrence of which may cause the liability to the insurance company(ies), then the Lose Insurance, Life Insurance, and Reinsurance Company shall accumulate and maintain a reserve based on the

underwriting computation in order to keep the respective company being solvent against its obligations to the policy holder(s).

Insurance is an agreement or contract which is stated in the form of a policy. As an agreement or contract, then the terms and conditions therein shall not be against the policy holder's interests.

For the public interest protection, the rate of premium of an insurance contract shall neither to burden the policy holder nor to threaten the business activities of the respective insurance company, and shall not have the discriminative manner whatsoever.

With respect to supervision, the implementing regulation on claim settlement shall provide the maximum tolerable period starting from the time in which the fixed amount of a claim has been acknowledged up to the time of payment of such claim.

Paragraph (2) Clear enough.

Paragraph (3) Clear enough.

Article 12

Clear enough.

Article 13

Clear enough.

Article 14

Paragraph (1)

Clear enough.

Paragraph (2)

A company which conducts a social insurance program shall carry out one of the type of insurance business, i.e. life insurance or loss insurance, or combination of both. Notwithstanding the Law on which such company shall have been incorporated, the Minister has the right and responsibility to supervise a company which carries out a social insurance program, while the supervision on the social insurance program concerned shall be exercised by the technical minister based on the Law which provides such Social Insurance Program.

Article 15

Paragraph (1)

Examination on insurance company can be conducted either periodically or at any time deemed necessary, for the sake of public interest protection and in order to detect any fraud which might occur at the earliest possible time. Such examination intended to make direct observation on accuracy of the report submitted by the company regarding either to its financial soundness or to the compliance of its business activity with the existing regulation.

Paragraph (2) Clear enough.

Paragraph (3) Clear enough

Article 16

Clear enough.

Article 17

Paragraph (1)

The three consecutive stages of the administrative sanction, i.e., Letter of Notice, Restriction on Business Activities, and Revocation of Company's License, can be

applied to an insurance company which business conducts shall have not been in compliance with this Law. Under certain circumstances, the Minister may require the opinion from any other related institution before determining such administrative sanction to an insurance company.

Paragraph (2)

The stages of the administrative sanction shall be applied consecutively before revocation of the company's license. However, a state-owned company which carries out the Social Insurance Program business activity shall be waived from such stipulation. Such option based on consideration that if any situation occurs which might hamper the business activities of such insurance company, the further step to be taken shall be in accordance with the stipulation provided in the Law on which such Social Insurance Program being regulated.

Paragraph (3)

Depending on the Phase and type of obedience of the insurance company under this Law, the Minister shall give an opportunity to any insurance company to remedy its financial problem(s) by giving directives of any action deemed necessary to be taken, after which shall be monitored from time to time without losing the public interest and the insurer's as well. The implementing regulation under this Law shall provide

the time limit for such insurance company to formulate a program as stipulated in this paragraph to be submitted to the Minister. Such time limit shall not exceed 4 (four) months starting the date on which the restriction of its business activities shall have come into effect. After evaluating the program submitted by the insurance company concerned, the Minister shall consider the further step to be taken.

Paragraph (4) Clear enough.

Article 18

Paragraph (1)

If the Minister considers that the insurance company concerned has not made its best efforts, or its efforts have not achieved any improvements on its financial problem(s), the Minister shall revoke the company's license.

Paragraph (2) Clear enough.

Article 19

Clear enough.

Article 20

Paragraph (1)

The assets of a company which license has been revoked shall be protected in order to allow the policy holders to have their rights proportionally. For that purpose, the Minister shall have the right to

require a Court to declare that such company is in bankruptcy so the company's assets shall not be spent for the interests of the management or the owners

of the company perse without caring about the policy holders' interests. Meanwhile, by applying such right, the Minister shall be able to prevent any illegal business activities of a company which license has been revoked, in order to avoid any wider losses to the public concerned.

Paragraph (2)

In case of bankruptcy of an Insurance Company, the priority rights described in this paragraph constitute the higher priority status of the policy holders among any other creditors, unless against any payment obligation to the state, as so provided under the existing regulations.

Article 21

Clear enough.

Article 22

Clear enough.

Article 23

Clear enough.

Article 24

Clear enough.

Article 25

Paragraph (1)

Clear enough.

Paragraph (2) Clear enough.

Paragraph (3)

The appropriate period to make any adjustments in compliance under this paragraph shall be 1 (one) year.

Article 26

Clear enough.

Article 27

Clear enough.

Article 28

Clear enough.

STATE GAZETTE SUPPLEMENT *OF* THE REPUBLIC *OF* INDONESIA NUMBER 3467