



**LAW OF THE REPUBLIC OF INDONESIA**  
**NUMBER 2 OF 1992**  
**CONCERNING**  
**SYSTEMS OF INSURANCE UNDERTAKINGS**  
**BY THE MERCY OF GOD**

**THE PRESIDENT OF THE INDONESIAN REPUBLIC**

- Considers : a. that in order to create a fair and prosperous society, based on Pancasila and the 1945 Constitution, the development in all areas needs to be implemented continuously;
- b. that in the development implementation could happen all kinds of risks which have to be tackled by society;
- c. that a sound insurance undertaking is one of the efforts to tackle risks faced by members of society and at the same time forms one of the institutions that accumulates community's funds, so that it has a strategic position in the development and in economic life, in the effort to improve public welfare;
- d. that in the framework of increasing the role of the insurance undertakings in the development, there is a need to give wider opportunities to parties wanting to do business in the area of insurance, without neglecting the principle of a sound and responsible business, which at the same time could stimulate economical activities in general;
- e. that in relation to those things mentioned, it is considered to be important to establish Laws concerning Insurance undertakings.
- Keeping in mind : 1. Article 5 paragraph (1), Article 20 paragraph (1), and Article 33 paragraph (1) of the 1945 Constitution;
2. Code of Civil Law (Statute Book of 1847, No. 23);

3. Code of Commercial Law (Statute Book of 1847 No. 23) as have been altered several times, the last time with Law no. 4 of 1971 concerning Amendments and Additions to the Stipulation of Article 54 Code of Commercial Law (Gov. Official Gazette Of 1971 No. 20, Additional Gazette No. 2959);
4. Law No. 12 of 1967 concerning Subjects of cooperative systems (Gazette 1967 No. 23, Additional Gazette No. 2832);
5. Law No. 9 of 1967 concerning the Stipulation of the Government regulation replacing Law No. 1 of 1969 concerning Forms of State undertakings (Gazette of 1969 No. 16, Addition of Gazette No. 2890) to become Law (Gazette of 1969 No. 40, Additional Gazette No. 2904).

By Agreement

THE INDONESIAN LEGISLATIVE ASSEMBLY

DECIDES:

To enact : THE LAW CONCERNING INSURANCE  
UNDERTAKINGS

## CHAPTER 1

### GENERAL STIPULATIOIS

#### Article 1

In this Law what is mean by:

1. Insurance or Guarantee is an agreement between two or more parties, in which the guarantor party commits itself to the insured party, by receiving insurance premium, to give compensations to the insured party, due to financial losses, damages or losses of anticipated profits, or give legal responsibility to a third party that could cause anguish to the insured party, due to an uncertain occurrence, or give repayment based on the death or life of an insured person.
2. Insurance objects are properties and services, body and soul, human health, legal responsibility, and all other interests that could be lost, damaged, suffer losses and or decreasing in value.

3. A Social Insurance Program is an obligatory organized insurance program based on a Law, with the aim of giving basic protection for the welfare of society.
4. An Insurance undertaking is an Insurance Company against Financial losses, a Life Insurance Company, a Reinsurance Company, a Broker Company, a Reinsurance Broker Company, an Insurance Agent, a company that appraises insurance losses, and an Actuary Consultant Company.
5. An insurance Company against Financial Losses is a company that gives services in dealing with risks to financial losses, advantages losses, and legal responsibility to a third party, arising from an uncertain occurrence.
6. A Life Insurance Company is a company that gives services in dealings with risks related to the life or death of an insured person.
7. A Reinsurance Company is a company that gives services in re-guarantees matters against risks faced by an Insurance Company against Financial Losses and or a Life Insurance Company.
8. A Broker Company is a company that gives intermediary services in concluding an insurance deal and handling an insurance compensation settlement by acting for the interest of the insured person.
9. A Reinsurance Broker Company is a company that gives intermediary services in the placing of re-insurance and handling of the re-insurance compensation settlement by acting for the interest of the insurance company.
10. An Insurance Agent is a person or a legal body which activities are giving services in marketing insurance services for and on behalf of the guarantor.
11. A company that appraises Financial Losses is a company that gives services in appraising the losses on guaranteed insurance objects.
12. An Actuary Consultant Company is a company that gives actuary services to insurance companies and pension funds in the framework of founding and managing an insurance program and or a pension program.
13. An affiliation is a relation between a person or a legal body and another or several persons, or another legal body, in such a way that one of them could influence the management or policy of the other person or the other legal body, or just the opposite, could exploit the existence of a joint ownership of shares or a joint management of an company.
14. The Minister is the Minister of Finance of the Republic of Indonesia.

**CHAPTER II**  
**THE AREA OF INSURANCE UNDERTAKINGS**

**Article 2**

An insurance undertaking is a business effort, which is active in the area of:

- a. Insurance initiatives, meaning financial service initiatives which by accumulating funds of society, through collecting insurance premium, give protection for society members who use insurance services against the possibility of financial losses due to uncertain occurrences or against a person's life or death.
- b. supporting insurance companies, by organizing intermediary services, appraising insurance losses and by giving actuary services.

**CHAPTER III**  
**CATEGORIES OF INSURANCE UNDERTAKINGS**

**Article 3**

The categories of insurance undertakings cover:

- a. Insurance initiatives that consist of:
  1. Insurance companies against financial losses, which give services in dealing with risks of financial losses, advantages losses, and legal responsibility to a third party, arising from uncertain occurrences;
  2. Life insurance companies which give services in dealing with risks related to the life or death of an insured person;
  3. Reinsurance companies, which give services in dealing with risks faced by an Insurance Company against Financial losses and/ or by a Life Insurance Company.
- b. Supporting companies for insurance businesses consist of:
  1. Insurance Broker companies that give intermediary services in the concluding of an insurance deal and the handling of an insurance compensation settlement, by acting for the interest of the insured party;
  2. Reinsurance broker companies that give intermediary services in placing the reinsurance and handling reinsurance compensation settlements, by acting for the interest of the insurance company;

3. Appraiser companies on insurance losses, that give appraisal services concerning guaranteed insurance objects;
4. Actuary consultant companies that give actuary consultation services;
5. Insurance agent companies that give intermediary services in the framework of marketing insurance services for and on behalf of insurance companies.

## **CHAPTER IV**

### **THE SCOPE OF THE INSURANCE BUSINESS**

#### **Article 4**

An insurance business as mentioned in Article 3 under a, shall only be executed by an insurance business system, with an activity scope as follows:

- a. An insurance company for financial losses can only organize a business in the area of financial losses, including reinsurance;
- b. A Life Insurance can only organize a business in the area of insurances in relation with life, health, personal accidents, annuity matters, and be a founder and board of a pension fund, pursuant to a valid legislation regulation concerning pension funds;
- c. A reinsurance company can only organize a reinsurance business.

#### **Article 5**

A supporting business for insurance companies as mentioned in article 3 under b, can only be executed by an insurance business system with a business activity scope as follows:

- a. A broker Insurance Company can only organize a business by acting as a representative of the insured party in the framework of a transaction related to the insurance contract;
- b. A reinsurance broker company can only organize a business by acting as a representative of the insurance company in the framework of a transaction related to the reinsurance contract;
- c. A company to Appraise insurance losses can only execute a business by giving appraisal services concerning financial or property losses or damages were occurring to the objects of the insurance against losses.
- d. An Actuary Consultant Company can only execute a business that gives services in the actuary area;
- e. An Insurance Agent Company can only give insurance marketing services for one insurance company that owns a business license from the Minister.

**CHAPTER V**  
**CONCLUDING AN INSURANCE OBJECT**

**Article 6**

- (1) The concluding of an insurance object has to be based on the guarantor's freedom of choice, except for a Social Insurance Program.
- (2) The concluding of an insurance object as mentioned in paragraph (1) has to be done whilst considering the capacity of the insurance company and the domestic reinsurance company.
- (3) Further regulations concerning paragraph (2) are settled by Government Regulations.

**CHAPTER VI**  
**FORMS OF INSURANCE UNDERTAKINGS**

**Article 7**

- (1) Insurance undertakings shall only be organized by legal bodies that have the form of:
  - a. A Partnership company;
  - b. A Cooperation
  - c. A Joint Venture (Mutual).
- (2) Without reducing the stipulation as mentioned in paragraph (1), the actuary consultant company and the insurance agent company could be organized by an individual company.
- (3) The stipulations concerning insurance companies that have the form of a Joint Venture (Mutual) are further settled by Law.

**CHAPTER VII**  
**THE OWNERSHIP OF INSURANCE UNDERTAKING**

**Article 8**

- (1) An Insurance undertaking shall only be founded by:
  - a. Indonesian citizens and or Indonesian legal bodies fully owned by Indonesian citizens or Indonesian legal bodies;
  - b. An insurance company of which the owner is as mentioned under a, together with an insurance company obeying a foreign law.

- (2) An Insurance undertaking founded as mentioned in paragraph (1) under b, must be:
  - a. An insurance company that has the same kind of activity as the business activity of the Insurance Company that founded or owns it;
  - b. An Insurance Company against Losses or a Reinsurance Company, of which its founders or owners are Insurance Company for Losses and or Reinsurance Company.
- (3) Further stipulations concerning ownership of Insurance Undertakings as mentioned in paragraph (2) are settled with Government Regulations.

## **CHAPTER ABOUT VISION COMPANY LICENSING**

### **Article 9**

- (1) Every party that organizes an insurance company is obliged to obtain a business license from the Minister, except for companies organizing a Social Insurance Program.
- (2) To obtain a business license as mentioned in paragraph (1), one has to meet provisions concerning:
  - a. Statutes;
  - b. Organizations structures;
  - c. Capitalization;
  - d. Ownerships;
  - e. Expertise in the insurance system area;
  - f. Work program worthiness;
  - g. Other things needed to support a healthy growth of an insurance company.
- (3) In the event that there is a foreign party ownership as mentioned in Article 8 paragraph (1) under b, then for the effort to obtain a business license as mentioned in paragraph (1) one must meet the provisions as mentioned in paragraph (2) and the stipulations concerning the ownership and management limits of the foreign party.
- (4) Further stipulations concerning provisions concerning business licensing as mentioned in paragraph (2) and paragraph (3) are settled by Government Regulations.

**CHAPTER IX**  
**THE PROCESS OF FOUNDING AND SUPERVISION**

**Article 10**

The process of founding and supervision concerning insurance companies are executed by the Minister.

**Article 11**

- (1) The process of funding and supervision concerning insurance companies cover:
- a. Financial soundness for Insurance Companies against Losses, Life Insurance companies and Reinsurance Companies which consist of:
    - 1. Solvency level limit;
    - 2. Retentions of their own;
    - 3. Reinsurance;
    - 4. Investment;
    - 5. Technical resources; and
    - 6. Other stipulations related to financial soundness;
  - b. Company Organizing which covers:
    - 1. Insurance policy provisions;
    - 2. Premium levels;
    - 3. Claims of settlements;
    - 4. Provisions Competence in the area of insurance;
    - 5. Other stipulations relating to the organizing of companies.
- (2) Every Insurance company is obliged to maintain its soundness, pursuant to the stipulations as mentioned in paragraph (1) and is obliged to do business pursuant to healthy insurance principles.
- (3) Further stipulations concerning financial health in the organizing of the company as mentioned in paragraph (1) are settled by Government Regulations.

**Article 12**

An Insurance Broker Company is prohibited to place a deal of concluding insurance at an insurance company that does not have a business license as mentioned in Article 9.



### **Article 13**

- (1) An Insurance Broker Company is prohibited to place a deal of concluding an insurance at an insurance company which is an affiliation of the Insurance Broker Company in question, except if the aspirant insured party had beforehand been advised in writing, and agreed to the existence of that Affiliation.
- (2) An Insurance Company that appraises Insurance Losses is prohibited to make evaluations concerning insurance objects already insured with an Insurance Company against Losses, which is an affiliation of the Insurance Company in question that appraises Insurance Losses.
- (3) An Actuary Consultant Company is prohibited to give services to a Life Insurance or a pension fund, which is an Affiliation of the Actuary Consultant Company in question.
- (4) An Insurance Agent is prohibited to act as an agent of an Insurance Company, which does not possess a business license as mentioned in Article 9.

### **Article 14**

- (1) A Social Insurance Program shall only be organized by A State Owned Company.
- (2) For a company that organizes a Social Insurance Program as mentioned in paragraph (1) the stipulation prevails concerning the process of founding and supervision in this Law.

### **Article 15**

- (1) In executing the process of founding and supervision, the Minister carry out an periodical or regularly examination, if necessary, on the insurance company.
- (2) Every insurance company is obliged to show its books, records and reports, and give necessary information in the framework of the examinations as mentioned in paragraph (1).

### **Article 16**

- (1) Every Insurance Company against Losses, Life Insurance Company, Reinsurance Company, Insurance Broker Company and Reinsurance Broker Company is obliged to submit its balances and balance sheet, complete with the clarifications to the Minister.
- (2) Every Insurance Company is obliged to submit its operational reports to the Minister.
- (3) Every Insurance Company against Losses, Life Insurance Company, and

Reinsurance Company is obliged to announce its balances and balance sheet in a daily newspaper in Indonesia with a wide circulation.

- (4) Besides the duties as mentioned in paragraph (1), paragraph (2), and paragraph (3), every Life Insurance Company is obliged to submit its investment reports to the Minister.
- (5) The form, structure and schedule of the delivery of the company's reports and the announcement of its balance and balance sheet as mentioned in paragraph (1), paragraph (2), paragraph (3), and paragraph (4) are determined by the Minister.

#### **Article 17**

- (1) In the event of occurring a violation concerning the stipulations in this Law or the implementation of the regulations, then the Minister could take measures in the form of giving admonitions, delimitating the company's activity, or annulling its business license.
- (2) The measures as mentioned in paragraph (1) are applied in phases, as follows:
  - a. Giving admonitions;
  - b. Delimitating the company's activity;
  - c. Annulling its business license
- (3) Before annulling the business license, the Minister could order the company in question to compose a program in the framework of overcoming the cause the restriction on its activity.
- (4) The process of the implementation of the stipulation as mentioned in paragraph (1), and the period for the company to meet the stipulation as mentioned in paragraph (3), are settled by Government Regulations.

#### **Article 18**

- (1) In the event that the composing of a program as mentioned in Article 17 paragraph (3) has been implemented, but it turned out that the company in question is not able or not willing to erase the things that caused the restriction as mentioned, and then the Minister will annul the company's business license.
- (2) The revocation of the business license will be announced by the Minister in a daily newspaper in Indonesia with a wide circulation.

#### **Article 19**

In the event that the company has succeeded in taking measures in the framework of overcoming the cause of the restriction on its activity in the period

of time as mentioned in Article 17 paragraph (4), then the company in question will run its business again.

## **CHAPTER X BANKRUPTCY AND LIQUIDATION**

### **Article 20**

- (1) Without decreasing the validity of the stipulation in the Bankruptcy Regulation, in the event of annulment of a business license as mentioned in Article 18, the Minister, based on the interest of the public, could ask the Court to declare the company in question as bankrupt.
- (2) The right of the policyholder concerning the division of wealth of an Insurance Company against Losses or a Life Insurance Company that had been declared bankrupt, is a priority right.

## **CHAPTER XI STIPULATION ABOUT CRIME**

### **Article 21**

- (1) Whoever commits or orders someone else to run an insurance company without a business license as mentioned in Article 9, will be threatened with a criminal jail sentence for 15 (fifteen) years at the longest and a fine of Rp. 6284 2.500.000.000,- (two billions and five hundred rupiahs) at the most.
- (2) Whoever embezzles an insurance premium is threatened with a criminal jail sentence for 15 (fifteen) years at the longest and a fine of Rp. 2.500.000.000 (two billion five hundred million rupiah) at the most.
- (3) Whoever commits an act of embezzling by replacing, giving as guarantee, and or mortgaging without right, the wealth of a Life Insurance Company or an Insurance Company against Losses or a Reinsurance Company, is threatened with a criminal jail sentence for 15 (fifteen) years at the longest and a fine of Rp.2.500.000,- (two billion and five hundred million rupiahs)
- (4) Whoever accepts, receives stolen goods, or mortgages, or resells company's wealth as mentioned in paragraph (3), while he knows or should know that those goods are assets of an Insurance Company against Losses or a Life Insurance Company or a Reinsurance Company, is threatened with a criminal jail sentence of 5 (five) years at the longest and a fine of Rp. 500.000.000,' (five hundred million rupiahs) at the most.
- (5) Whoever either individually or collectively commits an act of falsifying documents of an Insurance Company against Losses or a Life Insurance Company or a Reinsurance Company, is threatened with a criminal jail

sentence of 5 (five) years at the longest and a fine of Rp. 250.000.000,' (two hundred and fifty million) rupiah at the most.

#### **Article 22**

Without decreasing the criminal stipulation as mentioned in Article 21, an Insurance Company that does not fulfill the stipulations in this Law and the regulations of Implementation, is subjected to an administrative sanction, indemnity, or a fine of which its stipulation will be determined by Government Regulations.

#### **Article 23**

The criminal act as mentioned in Article 21 is a felony.

#### **Article 24**

In the event that the criminal act as mentioned in Article 21 has been committed by or on behalf of a legal body or an undertaking which is not a legal body, then the criminal indictment is executed toward that body or toward them who gave orders to commit that criminal act or who acted as leader of that crime, or toward both.

### **CHAPTER XII**

#### **STIPULATION CONCERNING CHANGE**

#### **Article 25**

- (1) An Insurance Company that has obtained a business license from the Minister at the moment this Law was established, is declared to have got a business license based on this Law.
- (2) An Insurance Company as mentioned in paragraph (1) is obliged to adapt itself with the stipulations in this Law.
- (3) The stipulation concerning the adaptation as mentioned in paragraph (2) and the Minister determines the period.

#### **Article 26**

The legislation regulations concerning insurance companies which already exist at the moment this Law commenced to be valid, as long as they do not contradict this Law, are declared to remain valid until the legislation regulations that replaced them are established, based on this Law.

**CHAPTER XIII**  
**CLOSING STIPULATIONS**

**Article 27**

With this Law being validated, the Ordinance on Life Insurance companies (Gazette of 1941 No. 101) is declared not to be valid anymore.

**Article 28**

This Law comes into effect on the date it was enacted.

In order that it will be known by everybody, it is ordered to place the enactment of this Law in the Gazette of the Republic of Indonesia.

Ratified in Jakarta

On the 11<sup>th</sup> of February 1992

THE PRESIDENT OF THE REPUBLIC OF  
INDONESIA

Signed by  
SOEHARTO

Enacted in Jakarta

On the 11<sup>th</sup> of February, 1992

MINISTER/SECRETARY OF THE  
STATE

OF THE REPUBLIC OF INDONESIA

Signed by  
MOERDIONO

THE GAZETTE OF THE REPUBLIC OF INDONESIA OF 1992, NO. 13

**ELUCIDATION  
ABOUT  
THE LAW OF THE REPUBLIC OF INDONESIAN  
NUMBER 2 OF THE YEAR 1992  
CONCERNING  
INSURANCE UNDERTAKINGS**

**I. GENERAL**

The main objective of the long term development, as written in the Broad Outline of the State Course, is the creation of a strong base for the nation of Indonesia to grow and develop on its own strength, towards a fair and prosperous society, based on Pancasila and the 1945 Constitution. Economic development needs investment support in a sufficient amount, of which its implementation must be based on own abilities, and therefore real efforts are needed to mobilize investment funds, especially which come from the community's savings. The role of insurance undertakings, as one of the financial institutions, becomes important, because it is hoped that from their activities, the mobilization of society's funds will be increasing for the development's funding. Apart from that, a development cannot escape all kinds of risks that are able to disturb the results of the development achieved. In relation to that, the presence of strong Insurance companies is needed, which can accommodate losses caused by the existence of all kinds of risks. The need for insurance companies' services also form one of the financial tools in the household economic life system, either in facing financial risks arising as a result of the most basic risks, i.e. nature risks like death, as well as in facing all kinds of risks concerning owned assets and properties.

The need for the presence of insurance companies is also felt by the business world, considering that at one side, there are all kinds of risks which wittingly and rationally are felt as disturbing the continuance of its business activities, while at the other side the business world is often unable to escape from a system that forces it to use insurance services. Insurance undertakings have been present for quite along time in the economic matters in Indonesia and play a role in the course of the nation's history, side by side with other activity sectors. This far, the presence of insurance companies are only based on the Commercial Law Code which arranges insurance as an agreement. In the mean time an insurance company forms a business that promises protection to the insured persons and at the same time this business is also related to the community funds. Considering these two roles of the Insurance business, so in the expansion of the economic development, which constantly increases, the need for the present of a strong and reliable insurance industry also increases. In relation to those things, insurance companies form a business area that needs the Government's constant founding

and supervision, in the framework of safeguarding the interests of society. To achieve that, a set of stipulations are needed in the form of Laws, so that it has a more solid legal strength, which will be a good base for the business movements of the companies in this area, as well as for the Government in the framework of implementing the founding and supervision.

Actually, this Law follows a business specialization principle in the business categories of insurance systems. This is based on the consideration that an insurance company forms a business that needs expertise and technical special skills to run it. This Law also emphasizes the existence of freedom of the insured person in choosing the insurance company. In the framework of protection for the rights of the insured person, this Law also establishes stipulations that are guidelines in running the company, by striving hard so that companies practices which could cause conflicts of interests, will be avoided as far as possible, and also striving hard so that the services offered will take shape bases on objective considerations, that will not harm the user of those services.

## II. ARTICLE BY ARTICLE

### **Article 1**

Clear.

### **Article 2**

Clear.

### **Article 3**

The grouping of Insurance company categories in this Article is based on the sense that companies doing insurance businesses are companies that bear insurance risks. Apart from that, in the area of insurance systems there are also companies with activities that do not bear insurance risks. These activities are grouped in this Article as supporting insurance companies. Nevertheless, as fellow providers of services in the area of insurance systems, both groups of insurance exertions form company partners that need each other and fill up each other, and mutually need to give contributions for the progress of the insurance sector in Indonesia. Apart from the grouping according to business categories, insurance businesses can also be divided based on the nature of the organizing of the businesses, into two groups: the groups of a social nature and the groups of a commercial nature. An insurance effort of a social nature is active in the framework of running a Social Insurance Program that has an obligatory nature based on the Law, and gives basic protection for the interest of society.

#### **Article 4**

Based on this stipulation, every insurance undertaking should only run a kind of business that has already been determent. In that way, it cannot be possible for an insurance company to run an insurance business against losses and a life insurance at the same time.

Furthermore, in the stipulation of this Article, the sense of pension funds is limited to the pension fund of financial institutions.

#### **Article 5**

The service that can be given by an Actuary Consultant Company covers amongst others the consultation concerning matters related to analysis and calculations of reservations, compositions of actuary reports, appraising the possibility of the occurrence of risks, and the act of planning a Life insurance product .

#### **Article 6**

##### Paragraph (1)

This stipulation is mean to protect the right of the insured parties so that they can freely choose an insurance company as their insurer. This is important, considering that the insured parties are most concerned about concerning the object for which they made the insurer responsible. Therefore, it is only natural that they determine for themselves, freely, without any influence or pressure from any party, the insurance company to be their insurer.

##### Paragraph (2)

This principle of freedom to choose an insurer contains the meaning that the insured parties are free to place the deal of concluding their insurance objects at a Life Insurance Company and an Insurance Company against Losses, which have obtained a business license in Indonesia.

##### Paragraph (3)

To enable the implementation of this stipulation being conformed with the development of the insurance undertakings in Indonesia, the further stipulations concerning the concluding of an insurance deal and or the placing of its reinsurance, is settled in the implementation regulation of this Law.

#### **Article 7**

##### Paragraph (1)

Clear.



Paragraph (2)

Clear.

Paragraph (3)

Considering that the Law concerning the form of the Joint Venture (Mutual) has not yet been made, then for the time being the stipulations concerning insurance undertakings having the form of a Joint Venture (Mutual) is settled with a Government regulation.

## **Article 8**

Paragraph (1)

In this paragraph is stipulated that an Indonesian citizen and or an Indonesian legal body can be a founder of an insurance company, both by fully owning, as well as by forming a joint venture with a foreign party. Included in the sense of an Indonesian legal body are amongst others: a State Owned Company, A Regional Government Owned Company, a Cooperation, and a Private Owned Company.

Paragraph (2)

An insurance company founded or owned by a domestic insurance company and a foreign insurance company having the same kind of business activities, are meant to cause the emerge of more professional management activities of insurance undertakings. Moreover, cooperation between insurance companies of the same kind, is also meant to increase the possibilities of technology transfer processes. In accordance with the goal of this stipulation which is meant to increase the growth of professionalism in the management of companies, the joint ownership of an insurance company by an Insurance Company against Losses or a domestic Reinsurance Company with an Insurance Company against Losses or a foreign Reinsurance Company, must remain to be based on the kind of business of each partner in that ownership mentioned above.

Examples concerning that matter are as follows:

- a. A foreign Reinsurance Company with a domestic Insurance Company against Losses can set up an Insurance Company against Losses or a Reinsurance Company;
- b. A foreign Insurance Company against Losses with a domestic Reinsurance Company can set up an Insurance Company against Losses or a Reinsurance Company.

Paragraph (3)

Clear.

## **Article 9**

### Paragraph (1)

Especially for State Owned Companies running a Social Insurance Program, the functions and tasks as organizer of that program in question, will be molded in Government Regulations. This means that the Government indeed has ordered the State Owned Company in question to organize a Social Insurance Program of which the execution had been decided by the Government.

### Paragraph (2)

To support the activities of a responsible insurance company, the things which are needed are: statutes, a good structure of the organization, a sufficient capital amount, a Clear. ownership status, insurance experts according to their fields, a proper working plan in accordance with the condition, and other matters which later on are expected to be able to support the healthy growth of the insurance company. By expertise in the field of insurance systems in this stipulation covers amongst others expertise in the area of actuary, underwriting, risks management, appraising insurance losses, etc, pursuant to implementation of the insurance company's activities.

### Paragraph (3)

In the sense of the stipulation term concerning limits of ownerships and managements by foreign parties, is also included the knowledge about the Indonesianization process. With the existence of this stipulation, it is hoped that the national insurance industry will be more and more resting on its own strength.

### Paragraph (4)

Clear.

## **Article 10**

Clear.

## **Article 11**

### Paragraph (1)

The Solvency Margin level is a measuring rod of the financial soundness of the Insurance Company and the Reinsurance Company. This solvency margin level is the difference between wealth against duty, of which the calculations are based on a certain calculation in accordance with the nature of the insurance company. An own retention in this case, forms a part of the responsibility

which is the own burden or responsibility in accordance with the level of financial capability of the insurance company or the Reinsurance Company in question. Reinsurance is a part of the responsibility, which is re-insured with another insurance company and or a Reinsurance Company. In relation with investments, the things that will be arranged are the investment policy of Insurance Companies against Losses, Life Insurance Companies and Reinsurance Companies in deciding safe and productive kinds of investments. In accordance with the nature of the insurance company in which an uncertain responsibility burden emerges, then the Insurance Company against Losses , the Life Insurance Company, the Reinsurance Company need to form and maintain a reserve which will be calculated based on insurance technical considerations, and meant to guard the insurance company in question so that it will fulfill its duty to the policy holder. Insurance is an agreement or contract, which is molded in a policy form. As an agreement or contract, the stipulations established in it, should not harm the interests of the policyholder. To protect the interests of the society at large, the premium level stipulation should not place a burden on the insured person, not threaten the perpetuity of the insurer's company, and is not of a discriminative nature. In the framework of founding and supervision, the stipulation for management, which covers problems of settling claims, will determine the limit of maximum time between the moments there is a certainty concerning the amount of claims that have to be paid, and the moment the repayment of that claim is executed by the insurer. One of the stipulations in connection with the management of a company, is the one about the payment of insurance premium to the insurer for the taking of risks, pursuant to the agreement that had been made.

Paragraph (2)

Clear.

Paragraph (3)

Clear.

## **Article 12**

Clear.

## **Article 13**

Paragraph (1)

Clear.

Paragraph (2)

Clear.

Paragraph (3)

Clear.

Paragraph (4)

Clear.

#### **Article 14**

Paragraph (1)

Clear.

Paragraph (2)

A company that is organizing a Social Insurance Program is actually organizing one of an insurance category, that is a life insurance or an insurance against losses or a combination of the two. That is why , apart from the legislation regulations that formed it, the Minister as the one who founds and supervises insurance companies, is authorized and responsible to execute the founding and supervision on the company that is organizing that social insurance company in question, whilst the founding and supervision on the Social Insurance Program is executed by the technical Minister in question based on the Laws that settles the Social Insurance Program mentioned.

#### **Article 15**

Paragraph (1)

The examinations are mean to investigate directly the truthfulness of the report that had been submitted by the company, both about the financial health as well as about the management practices of the company, pursuant to the stipulations of the Law. The examinations in question could be executed periodically or at any time if considered important, with the goal that the protection for the community will be guaranteed and deviations happening at the company could be uncovered as early as possible.

Paragraph (2)

Clear.

Paragraph (3)

Clear.

## **Article 16**

Paragraph (1)

Clear.

Paragraph (2)

Clear.

Paragraph (3)

Clear.

Paragraph (4)

Clear.

Paragraph (5)

Clear.

## **Article 17**

Paragraph (1)

The decision concerning the giving of admonitions, delimitations on the company's activities, and annulment of the business license are measures that can be taken in stages towards a company that had committed deviations concerning the stipulations of this Law. In certain cases, the Minister could listen to the opinion of parties who are needed.

Paragraph (2)

The needed measures taken in phases are a sequence that must be followed before annulling business licenses. Nevertheless, against State Owned Companies that organizes Social Insurance Programs, the stipulation of Article 17 paragraph (2) under b and c cannot be applied. This is in considering of the fact that if things happen that could disturb the perpetuity of the State Owned Company in question, then the following step will be based on the legislation regulation concerning Social Insurance Programs as mentioned and also the legislation regulations concerning the founding of the State Owned Company in question.

Paragraph (3)

Depending on the level and category of violations that had happened, the Minister could give a chance to a company to exercise mending efforts, by ordering it to take measures considered to be needful, and of which the developments are constantly followed, without sacrificing the protection for the company as well as for the insured parties. In the management regulations that arrange procedures of impositions sanctions, there will be decisions about

the maximum time limit provided for the company in question to compose a working plan as mentioned in this paragraph, and submit it to the Minister. That time limit shall not exceed 4 (four) months since the beginning of the delimitation of the business activity. The working plan that has been submitted will further be used as one of the considerations in determining the following steps in the procedure of imposing sanctions.

Paragraph (4)

Clear.

## **Article 18**

Paragraph (1)

In the event that the Minister considers the mending efforts not showing any improvements or in the event that the company did not make any mending efforts, the Minister will annul the business license of the company in question.

Paragraph (2)

Clear.

## **Article 19**

Clear.

## **Article 20**

Paragraph (1)

If the business license of a insurance company has been annulled, then its employees need to be protected in order that the policy holders will still get their rights proportionally. To protect the interests of the mentioned policyholders, the Minister is given authority based on this Law to ask the Court to declare the insurance company in question as bankrupt, so that its assets could not be used for the interests of the board or its owner, without heeding the interests of the policyholders. Apart from that, with the authority to ask for the bankruptcy as mentioned, the Minister will be able to prevent the continuance of invalid activities of the company of which the business license had been annulled, so that the possibility of bigger losses for the community would be avoided.

Paragraph (2)

The prominent right in this paragraph contains the sense that in the event of bankruptcy, the right of the policyholder has a higher position than that of the other parties, except in the matters of duties

for the country, pursuant to the legislation regulations in effect.

**Article 21**

Paragraph (1)

Clear.

Paragraph (2)

Clear.

Paragraph (3)

Clear.

Paragraph (4)

Clear.

Paragraph (5)

Clear.

**Article 22**

Clear.

**Article 23**

Clear.

**Article 24**

Clear.

**Article 25**

Paragraph (1)

Clear.

Paragraph (2)

Clear.

Paragraph (3)

The period needed to make adjustments based on the stipulations of this paragraph is 1 (one) month.

**Article 26**

Clear.

**Article 27**

Clear.

**Article 28**

Clear.

ADDITIONAL GAZETTE OF THE REPUBLIC OF INDONESIA NO. 3467