

**DECREE OF THE MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA
NUMBER 426/KMK.06/2003**

CONCERNING

**BUSINESS LICENSING AND INSTITUTIONAL ASPECTS OF INSURANCE
COMPANIES AND REINSURANCE COMPANIES**

THE MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA

- Considering: a. whereas in the framework of adapting to developments occurring in the national insurance industry, it is necessary to undertake a thorough adjustment of the provisions regarding Business Licensing of Insurance Companies and Reinsurance Companies as regulated in Decree of the Minister of Finance No. 223/KMK.017/1993 of 1993;
- b. whereas based on the consideration referred to in point a, it is necessary to issue a Decree of the Minister of Finance Regarding the Business Licensing and Institutional Aspects of Insurance Companies and Reinsurance Companies;
- In view of : 1. Law Number 2 of 1992 Concerning Insurance Business (State Gazette of the Republic of Indonesia Number 13 of 1992, Supplement to the State Gazette Number 3467);
2. Government Regulation Number 73 of 1992 Concerning Insurance Business Conduct (State Gazette of the Republic of Indonesia Number 120 of 1992, Supplement to the State Gazette Number 3506) as amended by Government Regulation Number 63 of 1999 (State Gazette of the Republic of Indonesia Number 118 of 1999, Supplement to the State Gazette Number 3861);
3. Presidential Decree Number 228/M of 2001;

HAS DECIDED:

To issue: **DECREE OF THE MINISTER OF FINANCE REGARDING
BUSINESS LICENSING AND INSTITUTIONAL ASPECTS OF
INSURANCE COMPANIES AND REINSURANCE COMPANIES.**

CHAPTER I GENERAL

PROVISIONS Article 1

In this Minister of Finance Decree, hereinafter referred to as:

1. Sharia Principle shall be the principle of agreements based on Islamic Law between Insurance Companies or Reinsurance Companies and other parties, accepting guidance in managing the participant's funds through investment activities and other activities conducted according to Sharia.

2. Board of Directors shall be the board of directors of a limited liability company or shareholder company et al, or the equivalent for co-operatives and joint ventures.
3. Board of Commissioners shall be the board of commissioners of a limited liability company or shareholder company et al, or the equivalent for co-operatives and joint ventures.
4. Marketing Office shall be an office other than a branch office as referred to in Article 29 paragraph (4) of Government Regulation Number 73 of 1992 Concerning Insurance Business Conduct as amended by Government Regulation Number 63 of 1999.
5. Association shall be the association of Loss Insurance Companies, Life Insurance Companies, or Reinsurance Companies.

CHAPTER II

BUSINESS LICENSE

Part One

Requirements and Procedures to Obtain Business Licenses for Insurance Companies and Conventional Reinsurance Companies

Article 2

- (1) To obtain a business license, the Insurance Company or Reinsurance Company must submit an application in writing to the Minister attaching the following:
 - a. evidence of compliance with the requirements as referred to in Article 6, Article 7 and Article 9 of Government Regulation Number 73 of 1992 Regarding Insurance Business Conduct as amended by Government Regulation Number 63 of 1999; and
 - b. other supporting documents, consisting of:
 - 1) organization and management structure, including description of duties and authorities;
 - 2) opening balance sheet, accompanied by supporting evidence, and financial projection consisting of balance sheet projection, profit-loss calculation, and cash flow, supported by proper assumptions for a period of at least the next 3 (three) years;
 - 3) plan for personnel division, including the plan to develop human resources for at least the next 3 (three) years;
 - 4) curriculum vitae of the members of the Board of Directors, Board of Commissioners and experts employed, accompanied by their supporting documents;
 - 5) statement on not having a double position in another company, for each of the members of the Board of Directors and the experts.

- 6) Taxpayer Registration Number (NPWP) of the company, Board of Directors, Board of Commissioners and shareholders;
 - 7) evidence of compliance on paid-up capital;
 - 8) evidence of security deposit having been made;
 - 9) details of the administrative system and data processing system being used;
 - 10) full address of the company; and
 - 11) shareholders' statement that the source of the funds used as the capital does not derive from an Original Criminal Offense as referred to in the Law on the Criminal Offense of Money Laundering.
- (2) For Insurance Companies or Reinsurance Companies which have direct participation by foreign parties, besides having to comply with the provisions of paragraph (1), the foreign party must also comply with the following provisions:
- a. have a minimum rating of A or its equivalent from an internationally-acknowledged rating institution;
 - b. have capital of at least 5 (five) times the amount of direct participation in the Insurance Company or Reinsurance Company to be established;
 - c. submit audited financial statements for the last 2 (two) years which indicate a healthy level of financial soundness;
 - d. submit a cooperation agreement between the Indonesian party and the foreign party drawn up in the Indonesian language, at least containing:
 - 1) capital composition as referred to in Article 6 paragraph (3) of Government Regulation Number 73 of 1992 Regarding Insurance Business Conduct as amended by Government Regulation Number 63 of 1999;
 - 2) membership composition of the Board of Commissioners and Board of Directors as referred to in Article 4 paragraph (2) of Government Regulation Number 73 of 1992 Regarding Insurance Business Conduct as amended by Government Regulation Number 63 of 1999; and
 - 3) the obligation for the foreign party to draw up and implement an education and training program in accordance with its area of expertise.

Part Two
Requirements and Procedures to Obtain Business Licenses for Insurance
Companies and Reinsurance Companies using the Sharia Principle

Article 3

Any party may engage in insurance business or reinsurance business based on the Sharia Principle by:

- a. establishing a new Insurance Company or Reinsurance Company with the Sharia Principle;
- b. conversion from Insurance Company with conventional principles to become an Insurance Company with the Sharia Principle or conversion from Reinsurance Company with conventional principles to become Reinsurance Company with the Sharia Principle;
- c. establishing a new branch office with the Sharia Principle of an Insurance Company with conventional principles or a Reinsurance Company with conventional principles; or
- d. conversion from an Insurance Company branch office with conventional principles to become a branch office with the Sharia Principle of an Insurance Company with conventional principles, or conversion from a Reinsurance Company branch office with conventional principles to become a branch office with the Sharia Principle of a Reinsurance Company with conventional principles.

Article 4

- (1) To establish an Insurance Company or Reinsurance Company as referred to in Article 3 point a, one must comply with the requirements as referred to in Article 2.
- (2) Conversion of an Insurance Company or Reinsurance Company as referred to in Article 3 point b must comply with the requirements as referred to in Article 2 and comply with the following provisions:
 - a. not be detrimental to the insured or policy holders;
 - b. notify such conversion to the policy holders; and
 - c. transfer the insurance portfolio to another conventional insurance company or pay the cash value of the insurance, for insured or policy holders that are not willing to become insured or policy holders of an insurance company with Sharia Principle.
- (3) Besides being required to comply with the provisions in paragraph (1), the establishment or conversion of an Insurance Company or Reinsurance Company with the Sharia Principle must also submit:
 - a. supporting evidence that the experts employed have expertise in the insurance sector and or Sharia economy;
 - b. evidence of ratification by the National Sharia Board of its appointment as a member of the Sharia Company Supervisory Board;

- c. evidence of ratification by the Sharia Company Supervisory Board of the insurance products to be marketed, at least covering:
- 1) basis for calculation of premium tariff, premium reserve and asset share or profit testing, for a Life Insurance Company;
 - 2) basis for calculation of premium tariff, premium reserve and underwriting projection, for a General Insurance Company;
 - 3) marketing strategy;
 - 4) support plan for automatic reinsurance for an Insurance Company, and retrocession support plan for a Reinsurance Company; and
 - 5) samples of policy, insurance coverage application letter (SPPA) and brochure.
- d. implementing guidelines on financial management according to Sharia which at least regulate the investment allocation, both for restrictions on type and the amount;
- e. guidelines on business conduct according to Sharia which at least regulate the distribution of risks; and
- f. evidence of fulfilling the requirements as referred to in paragraph (2) for conversion of an Insurance Company, or Reinsurance Company as referred to in Article 3 point b.

Part Three

The Approval or Rejection of Business License Application

Article 5

- (1) The approval or rejection of a business license application for an Insurance Company or Reinsurance Company shall be granted at the latest 30 (thirty) business days as of the date the application is completely received.
- (2) Every rejection as referred to in paragraph (1) must be accompanied by a written explanation.

Article 6

Insurance Company or Reinsurance Company which is rejected or cancels its business license application may submit an application for security deposit disbursement as referred to in Article 7 paragraph (1) of Government Regulation Number 73 of 1992 Regarding Insurance Business Conduct as amended by Government Regulation Number 63 of 1999.

Article 7

At the latest 30 (thirty) business days as of the date of the granting of the business license, Insurance Company or Reinsurance Company must submit the automatic reinsurance support program.

CHAPTER III

INSTITUTIONAL ASPECTS

Part One
Organizational Structure

Article 8

Organizational Structure of Insurance Company or Reinsurance Company must fulfill these requirements:

- a. at least clearly describe the existence of a risk management function, financial management function and service function, which are separate from each other; and
- b. be accompanied by details of the duties, authorities, responsibilities and working procedures of the respective organizational units.

Part Two
Board of Directors, Board of Commissioners and Shareholders

Article 9

Insurance Company or Reinsurance Company is required to have at least 2 (two) members of the Board of Directors.

Article 10

Insurance Company or Reinsurance Company must have at least 1 (one) independent Commissioner, meaning a Commissioner who does not have an affiliate relationship with a shareholder and or member of the Board of Directors.

Article 11

- (1) Every member of the Board of Directors, Board of Commissioners and shareholder of Insurance Company or Reinsurance Company must have passed the fit and proper test.
- (2) Where provisions regarding the fit and proper test for shareholders are not yet in effect, a shareholder shall be considered in compliance with the provisions of the fit and proper test if the party concerned is not included in the banking sector blacklist of disgraced people.

Part Three
ExpertsParagraph 1
General Insurance Company
Experts

Article 12

- (1) General Insurance Company must appoint a general insurance expert.
- (2) Loss insurance expert as referred to in paragraph (1) must comply with the following requirements:

- a. have a qualification as a general insurance management expert from the Indonesian Insurance Management Experts Association (AAMAI), or similar kind of overseas association after first obtaining an acknowledgment from the AAMAI;
- b. have work experience in the risk management sector of at least 3 (three) years;
- c. not be currently subject to sanctions from their professional association; and
- d. be registered as a general insurance expert at the Directorate General of Financial Institutions.

Article 13

- (1) Expert as referred to in Article 12 is required to perform evaluations of the technical aspects of general insurance business conduct.
- (2) In performing their duties, an expert must be guided by the prevailing standards of practice and professional codes of ethics.

Article 14

Insurance Company or Reinsurance Company may only hire underwriting employees who have participated in education and or training on the insurance line of business being marketed.

Paragraph 2 Life Insurance Company Experts

Article 15

- (1) Life Insurance Companies must employ at least 1 (one) expert on life insurance management.
- (2) Life insurance management expert as referred to in paragraph (1) must fulfill the following requirements:
 - a. have a qualification as an expert in life insurance management from the Indonesian Insurance Management Experts Association (AAMAI) or a similar overseas association after first obtaining an acknowledgement from AAMAI;
 - b. have work experience in the risk management sector of at least 3 (three) years;
 - c. not currently subject to sanctions from their professional association; and
 - d. be registered as a life insurance expert at the Directorate General of Financial Institutions.

- (3) Life insurance management expert as referred to in paragraph (1) is required to perform evaluations of the technical aspects of life insurance business conduct.

Article 16

- (1) Life Insurance Company must appoint an actuary as the company's actuary.
- (2) Actuary as referred to in paragraph (1) must comply with the following requirements:
 - a. have a qualification as an actuary from the Indonesian Actuaries Association or a similar overseas association that is registered as a full member of the International Association of Actuaries and have an acknowledgement from the Indonesian Actuaries Association;
 - b. have working experience in the life insurance actuary sector of at least 3 (three) years;
 - c. have a recommendation from the Indonesian Actuaries Association which states that the party concerned is considered suitable to work in a Life Insurance Company in Indonesia, for an actuary who is not a member of the Indonesian Actuaries Association; and
 - d. be registered as an actuary at the Directorate General of Financial Institutions.

Article 17

- (1) Company actuary as referred to in Article 16 paragraph (1) must conduct a valuation of the obligations of the Life Insurance Company and other actuarial technical aspects.
- (2) In performing their duties, company actuaries must be guided by the prevailing standards of practice and professional code of ethics.

Article 18

Life Insurance Company shall be obligated to appoint an Actuarial Consultant Company which does not have an affiliate relationship with the life insurance company concerned, in order to conduct a valuation of the company's obligations at least 1 (one) time every 3 (three) years.

Paragraph 3 Reinsurance Company Experts

Article 19

- (1) Reinsurance Company must appoint a general insurance expert.
- (2) Expert as referred to in paragraph (1) must fulfill the following requirements:
 - a. have a qualification as a life insurance management expert from the Indonesian Insurance Management Experts Association (AAMAI) or a

similar overseas association after first obtaining an acknowledgement from AAMAI;

- b. have work experience in the risk management sector of at least 3 (three) years;
- c. not be currently subject to sanctions from their professional association; and
- d. be registered as a general insurance expert at the Directorate General of Financial Institutions.

Article 20

- (1) Expert as referred to in Article 19 paragraph (1) must perform an evaluation of the technical aspects of reinsurance business conduct.
- (2) In performing their duties, experts must be guided by the prevailing standards of practice and professional code of ethics.

Paragraph 4

Appointment, Dismissal, and Replacement of Company Experts or Actuaries

Article 21

- (1) Insurance Company and Reinsurance Company must report the appointment of company experts and or actuaries to the Minister, at the latest 14 (fourteen) days as of the appointment date.
- (2) If within the 14 (fourteen)-day period as of the receipt of the company's expert or actuary appointment report as referred to in paragraph (1), the Minister does not provide a response, then such company's expert or actuary appointment report shall be declared completed.

Article 22

- (1) Insurance Company or Reinsurance Company is required to dismiss an insurance expert or company actuary who violates the laws and regulations in the insurance business sector at the latest 7 (seven) days as of a violation being discovered.
- (2) Insurance Company or Reinsurance Company that dismisses an insurance expert or company actuary as referred to in paragraph (1) is required to appoint an insurance expert or company actuary and report this to the Minister at the latest 14 (fourteen) business days as of the dismissal date.

Paragraph 5

Experts at Branch Offices

Article 23

- (1) General Insurance Company and Reinsurance Company are required to appoint general insurance adjunct experts for every branch office.
- (2) Expert as referred to in paragraph (1) must fulfill the following requirements:

- a. have a qualification as a loss insurance management adjunct expert from the Indonesian Insurance Management Experts Association (AAMAI) or a similar overseas association after first obtaining an acknowledgement from AAMAI;
- b. have work experience in the general insurance technical sector of at least 2 (two) years; and
- c. not be currently subject to sanctions from their profession association.

Article 24

- (1) Life Insurance Company must appoint a life insurance adjunct expert for every branch office.
- (2) Expert as referred to in paragraph (1) must fulfill the following requirements:
 - a. have a qualification as a life insurance management adjunct expert from the Indonesian Insurance Management Experts Association (AAMAI) or a similar overseas association after first obtaining an acknowledgement from AAMAI;
 - b. have work experience in the life insurance technical sector of at least 2 (two) years; and
 - c. not be currently subject to sanctions from their professional association.

Paragraph 6

Registration of Insurance Experts and Actuaries

Article 25

Each insurance expert or actuary is required to register themselves by filing a registration application in writing with the Director General of Financial Institutions, attaching:

- a. curriculum vitae accompanied by supporting data;
- b. copy of professional title certificate; and
- c. statement that they are not currently subject to sanctions from a professional association.

Paragraph 7

Revocation of Registration of Insurance Experts and Actuaries

Article 26

Registration of insurance experts and actuaries as meant in Article 25 may be revoked if the insurance expert or actuary:

- a. has his professional title revoked by the professional association issuing the title;

- b. is currently subject to sanctions from the professional association;
- c. violates the provisions of the laws in the insurance business sector;
- d. fails to pass the fit and proper test due to factor of integrity, in the event the expert or actuary has taken such test.

Part Four
Administrative System and Data Management

Article 27

The conduct of company management shall at least be supported by:

- a. conducting educational and human resource training;
- b. an administrative system that fulfills the internal control function; and
- c. a data management system that produces accurate information that can be relied on in decision-making.

Part Five
Use of Foreign Manpower

Article 28

- (1) Insurance Company or Reinsurance Company may employ expatriates as experts, advisors or consultants, or as executives outside the Board of Directors for companies that have direct participation by foreign parties, provided the expatriate concerned:
 - a. has expertise in accordance with the sphere of duties that will be his/her responsibility; and
 - b. complies with the provisions of the laws and regulations on manpower.
- (2) Insurance Company or Reinsurance Company that employs expatriates as referred to in paragraph (1) shall be obligated to submit to the Minister:
 - a. the expatriate's work program in accordance with his/her duties;
 - b. education and training program in his/her area of expertise to be provided by the expatriate to the employees of the Insurance Company or Reinsurance Company employing him/her.
- (3) A report on the undertaking of education and training as referred to in paragraph (2) for each semester that ends in the month of June and December must be submitted to the Minister at the latest at the end of the following month.
- (4) Expatriate employed as an advisor or consultant as referred to in paragraph (1) shall be prohibited to perform functions other than as advisor or consultant.

Part Six
Conducting Education and Training

Article 29

- (1) Insurance Company or Reinsurance Company is required to budget funds for conducting education and training of at least 5% (five percent) of the total costs of the employees, Board of Directors and Board of Commissioners, to improve the skills, knowledge and expertise of the employees in the insurance business sector.
- (2) Report on the conduct of education and training, including the use of the funds as referred to in paragraph (1), for each one-year period ending on December 31, shall be reported to the Minister at the latest by January 31 of the following year.

Part Seven
Association Membership

Article 30

- (1) Each Insurance Company or Reinsurance Company is required to become a member of a similar company Association.
- (2) Association as referred to in paragraph (1) shall have these duties, among others:
 - a. drawing up standards of practice and code of ethics for marketing insurance products in the framework of supporting the creation of healthy market competition;
 - b. coordinating the formulation of risk profiles, mortality tables, and similar products;
 - c. coordinating efforts to optimize national insurance retention capacity;
 - d. coordinating joint efforts or the establishment of insurance companies to cover special risks;
 - e. conducting agency education and training; and
 - f. conducting and stipulating agency certification.
- (3) The performance of Association activities as referred to in paragraph (2) shall be consulted periodically with the Minister.

CHAPTER IV

BRANCH OFFICE AND MARKETING OFFICE

Part One
Opening Branch Office of Conventional Insurance Company and
Reinsurance Company

Article 31

- (1) Insurance Company or Reinsurance Company may open a branch office as referred to in Article 29 paragraph (1) of Government Regulation Number 73 of 1992 Regarding Insurance Business Conduct as amended by Government Regulation Number 63 of 1999, provided that they:
 - a. comply with the solvency level provisions for the last 4 (four) quarters;
 - b. have experts as referred to in Article 23 paragraph (2) and Article 24 paragraph (2), who work full-time in the branch office concerned; and
 - c. are not currently subject to administrative sanctions.
- (2) To obtain a license to open a branch office as referred to in paragraph (1), Insurance Company or Reinsurance Company must fulfill the provisions in paragraph (1) and submit an application in writing to the Minister attaching:
 - a. details of the administrative system and data management system which fulfill the internal control function in relation to the branch office's activities;
 - b. details of the authority of the branch head over insurance coverage, premium stipulation, stipulating the size of commissions and claim settlement;
 - c. identity of the branch office head;
 - d. evidence of employing experts at the branch office as referred to in paragraph (1) point b, to be employed at said branch office, together with evidence of their expert qualifications and curriculum vitae with supporting evidence;
 - e. complete address of the branch office; and
 - f. branch office's financial projection which includes income and expenditures and cash flow projections for at least the next 3 years.

Part Two

Opening of Branch Office with Sharia Principle by Conventional Insurance Company
or Reinsurance Company

Article 32

- (1) Opening of branch office as referred to in Article 3 point c or conversion of branch office as referred to in Article 3 point d must comply with the requirements as referred to in Article 31 and comply with the following requirements:
 - a. in the company's articles of association it is stated that the purpose and objective of the company is only to engage in the business of general insurance, life insurance, or reinsurance business, including business with Sharia Principle;

- b. have branch office working capital in the minimum amount of Rp.2,000,000,000 (two billion rupiah); and
 - c. have experts as referred to in Article 23 paragraph (2) and Article 24 paragraph (2) having expertise in the insurance sector and or Sharia economy.
- (2) In addition to complying with the requirements in paragraph (1), the application to open a branch office with Sharia Principle must also be accompanied by evidence of:
- a. ratification of the articles of association by the competent authority;
 - b. evidence of employing experts as referred to in Article 32 paragraph (1) point c accompanied by evidence of qualifications, curriculum vitae and supporting evidence;
 - c. ratification by the National Sharia Council of the appointment as a member of the Sharia Company Supervisory Council;
 - d. ratification by the Sharia Company Supervisory Council of:
 - 1) branch office working capital source;
 - 2) a separate/independent accounting system especially for branch with Sharia Principle;
 - 3) insurance product to be marketed;
 - 4) basis for calculating premium tariff, premium reserve and asset share or profit testing for Life Insurance Company;
 - 5) basis for calculating premium tariff, premium reserve and underwriting projection for general insurance company and reinsurance company;
 - 6) marketing method;
 - 7) automatic reinsurance support plan for insurance company and retrocession support plan for reinsurance company; and
 - 8) samples of policy, insurance coverage application letter (SPPA) and brochure.

Part Three
Opening of Branch Office of Insurance Company and Reinsurance Company with
Sharia Principle

Article 33

Opening of Branch Office as referred to in Article 3 point c must comply with the requirements as referred to in Article 31 and have experts as referred to in Article 32 paragraph (1) point c.

Part Four
Opening of Marketing Office

Article 34

Opening of Marketing Office must first be reported in writing to the Minister at the latest 14 (fourteen) business days prior to the date of opening such office, by stating the complete address and the identity of office head.

Article 35

- (1) Marketing Office as referred to in Article 34 shall function as a Marketing Office that assists with information services to people who are policy holders or insured.
- (2) Office as referred to in paragraph (1) is prohibited:
 - a. to accept or reject insurance coverage;
 - b. sign policies; and
 - c. stipulate on payments or rejection of claims.

Part Five
Closing of Branch Offices and Marketing Offices

Article 36

Insurance Company or Reinsurance Company that plans to halt or end activities in a branch office and or Marketing Office must first report this to the Minister at the latest 15 (fifteen) business days prior to the halting or the closing date of the office concerned.

Article 37

Revocation of license to open a branch office shall be conducted where:

- a. there exists a report on the halting or closure of said branch office by Insurance Company or Reinsurance Company as referred to in paragraph (1) **[sic]**;
- b. the branch office is found not to have conducted operational activities for a period of three months as of the date the opening license was stipulated; and or
- c. the branch office is found not to have conducted operational activities for a period of six consecutive months.

CHAPTER V

MARKETING THROUGH AGENCY SERVICE AND THROUGH
COOPERATION WITH BANK

Part One
Marketing Through Agency Service

Article 38

- (1) Insurance Company is required to have an agency agreement with insurance agent marketing its insurance product.
- (2) Insurance Company is prohibited to employ agents that are still bound by an agency agreement with another Insurance Company except if the agent concerned terminated its agency agreement at least 6 (six) months previously.
- (3) In the event Insurance Company uses marketing services other than insurance agency as referred to in paragraph (1), the Insurance Company shall be fully responsible for consequences arising from such insurance coverage.

Part Two

Marketing Through Cooperation with Bank

Article 39

- (1) Insurance Company may conduct marketing in cooperation with bank (bancassurance).
- (2) Insurance Company conducting marketing in cooperation with bank as referred to in paragraph (1) shall be responsible for any actions of the bank related to the insurance transaction which is marketed through such bank cooperation.

Article 40

- (1) Insurance Company planning to conduct marketing in cooperation with bank must obtain the Minister's approval.
- (2) To obtain the Minister's approval, Insurance Company planning to conduct marketing in cooperation with bank must submit application to the Minister accompanied by:
 - a. products to be marketed;
 - b. coverage procedure and premium payment;
 - c. claim settlement procedure; and
 - d. concept behind cooperation agreement with bank which has been initiated by the parties.
- (3) Bank officer intending to conduct insurance product marketing must comply with the following requirements:
 - a. have an insurance agency certificate issued by the related association; and
 - b. have received training on the insurance product to be marketed.

- (4) Insurance Company as referred to in paragraph (1) shall be obligated to submit the cooperation agreement signed with the bank, at the latest 14 (fourteen) days after obtaining the Minister's approval.

CHAPTER VI REPORTS ON

AMENDMENTS Article 41

- (1) Insurance Company or Reinsurance Company is required to submit a report on any change to:
- a. company office address, whether head office, branch office or Marketing Office;
 - b. experts;
 - c. use of expatriates,
 - d. organizational structure;
 - e. head of branch office or Marketing Office;
 - f. Taxpayer Registration Number; and
 - g. insurance products being marketed.
- (2) Change of branch office address or other than branch office as referred to in paragraph (1) is only possible:
- a. for change of address in the same Municipality or same Regency;
 - b. for change of address between Municipalities of the Provincial Capital City;
 - c. for change of address from regency to municipality which is a development of said regency region, or the reverse.

Article 42

- (1) Insurance Company or Reinsurance Company which amends its articles of association must submit evidence of approval from the competent authority to the Minister at the latest 14 (fourteen) days as of the date the approval is obtained.
- (2) If the amendment of the articles of association does not require approval from the competent authority, the amendment contained in a notarial deed shall be submitted to the Minister at the latest 14 (fourteen) days as of the date of the amendment.

Article 43

- (1) Insurance Company or Reinsurance Company that intends to change its ownership must first report the plan to change such ownership to the Minister to obtain approval.
- (2) In the event the change as referred to in paragraph (1) is a change in ownership resulting in direct participation by a foreign party in the insurance company or reinsurance company, then the foreign party must be the same type of Insurance Company or a holding company a substantial majority of whose subsidiaries' portfolios are in the insurance sector.
- (3) Insurance Company or Reinsurance Company as referred to in paragraph (2) must comply with the provisions of Article 2 paragraph (2).
- (4) Holding company as referred to in paragraph (2) must comply with the provisions of Article 2 paragraph (2) points b, c, and d.

CHAPTER VII

MERGER, CONSOLIDATION, AND ACQUISITION

Part One
Merger and Consolidation

Article 44

- (1) Merger may be conducted by Insurance Company or Reinsurance Company through the merger of two or more insurance companies or reinsurance companies while retaining the existence of one company with or without liquidating the other company.
- (2) Consolidation may be performed by Insurance Company or Reinsurance Company by consolidating two or more insurance companies or reinsurance companies by establishing a new company and liquidating the consolidated companies.
- (3) Merger and consolidation as referred to in paragraph (1) and paragraph (2) may only be conducted in compliance with the provision in Article 36 paragraph (2) of Government Regulation Number 73 of 1992 Regarding Insurance Business Conduct as amended by Government Regulation Number 63 of 1999.

Article 45

- (1) To obtain approval for a merger or consolidation as referred to in Article 36 of Government Regulation Number 73 of 1992 Regarding Insurance Business Conduct as amended by Government Regulation Number 63 of 1999, Insurance Company or Reinsurance Company must submit an application to the Minister attaching the following evidence:
 - a. Agreement in the Indonesian language regarding the transfer of all rights and obligations from the companies conducting the merger or consolidation, without prejudice to the rights of the insured;

- b. the latest audited financial statements of the companies conducting the merger or consolidation;
 - c. proforma financial statement of the company resulting from the merger or consolidation in compliance with the provisions regarding solvency level; and
 - d. draft amendment of the articles of association.
- (2) Agreement or transfer of rights and obligations as referred to in paragraph (1) point a, among other things must state that the rights and obligations arising from all insurance object coverage performed by the company conducting the merger or consolidation shall be the responsibility of the new company resulting from the merger or consolidation.

Article 46

- (1) Company resulting from the merger or consolidation as referred to in Article 36 of Government Regulation Number 73 of 1992 Regarding Insurance Business Conduct as amended by Government Regulation Number 63 of 1999 is required to report on the result of undertaking the merger or consolidation to the Minister by attaching:
- a. company's articles of association ratified by the competent authority;
 - b. organizational structure and management of the company;
 - c. appointment letter for experts;
 - d. Taxpayer Registration Number (NPWP) of the company, the members of the Board of Directors, Board of Commissioners and shareholders; and
 - e. the company's complete address.
- (2) Report to the Minister as referred to in paragraph (1) must be submitted at the latest 30 (thirty) business days as of the date of approval or ratification of the company's articles of association by the competent authority.
- (3) After receiving the report on the result of the merger or consolidation as referred to in paragraph (1), the Minister shall revoke the business license that is no longer being used by the company conducting the merger, or shall revoke the business licenses of the companies conducting the consolidation and shall issue a business license to the company resulting from the consolidation.

Part Two Acquisition

Article 47

- (1) Acquisition may be conducted by Insurance Company or Reinsurance Company by taking over all or a majority of the shares of the other insurance

- company or reinsurance company, thereby causing the transfer of control of such company.
- (2) To conduct an acquisition as referred to in paragraph (1), insurance company or reinsurance company must obtain approval from the Minister.
- (3) The acquisition of an insurance company or reinsurance company as referred to in paragraph (1) may be conducted by complying with the following provisions:
- a. company conducting the acquisition shall be a similar type of insurance company or reinsurance company;
 - b. the conduct of the acquisition shall not cause a reduction of the rights of the insured; and
 - c. the conduct of the acquisition must observe the provisions regarding asset limits that are permitted in the form of investment so that this does not cause the company conducting the acquisition to not be in compliance with the provisions regarding the solvency level.
- (4) In order to obtain approval to conduct the acquisition, Insurance Company or Reinsurance Company must comply with the provision in paragraph (3) and must submit an application in writing to the Minister attaching the following evidence:
- a. agreement in the Indonesian language regarding the transfer of rights and obligations from the company being acquired to the acquiring company, without reducing the rights of the insured;
 - b. the latest audited financial statement of the company being acquired and the acquiring company;
 - c. proforma financial statement of the company following the acquisition which complies with the provisions regarding solvency level; and
 - d. draft amendment of the articles of association of the company being acquired.

CHAPTER VIII

OTHER PROVISIONS

Article 48

Insurance Company or Reinsurance Company is prohibited to provide insurance coverage through the services of an insurance broker company or reinsurance broker company that does not have a business license from the Minister.

CHAPTER IX TRANSITIONAL

PROVISIONS Article 49

- (1) Each Insurance Company or Reinsurance Company which has obtained a business license prior to the stipulation of this Minister of Finance Decree shall be obligated to conform with the provisions of this Minister of Finance Decree at the latest 1 (one) year as of the stipulation of this Minister of Finance Decree.
- (2) Each insurance expert and actuary expert is obligated to register themselves with the Director General of Financial Institutions as referred to in Article 25 at the latest 6 (six) months as of the stipulation of this Minister of Finance Decree.

CHAPTER X CLOSING

PROVISIONS Article 50

Upon the effectiveness of this Minister of Finance Decree, Minister of Finance Decree Number 223/KMK.017/1993 Regarding Business Licenses of Insurance Companies and Reinsurance Companies is declared no longer valid.

Article 51

This Decree of the Minister of Finance shall come into effect on the date of its issuance.

In order to cause this Decree of the Minister of Finance to be known to the general public, it is hereby ordered that this law be promulgated in the State Gazette of the Republic of Indonesia.

Issued in Jakarta
On September 30, 2003

MINISTER OF FINANCE
OF THE REPUBLIC OF INDONESIA,

Signed
BOEDIONO