MINISTER OF FINANCE
OF THE REPUBLIC OF INDONESIA

COPY OF
REGULATION OF THE MINISTER OF FINANCE OF REPUBLIC OF INDONESIA
NUMBER 53/PMK.010/2012

CONCERNING

FINANCIAL SOUNDNESS OF INSURANCE COMPANIES AND REINSURANCE
COMPANIES

BY THE GRACE OF GOD ALMIGHTY

THE MINISTER OF FINANCE OF REPUBLIC OF INDONESIA,

Considering:

a. that in order to encourage the growth of national insurance industry and to enhance the effort to protect the beneficiary or policy holder, there is a need to improve the provision concerning financial soundness of insurance companies and reinsurance companies, either in the form of limited liability company or non-limited liability company;

b. that in effort to improve the provision concerning financial soundness of insurance companies and reinsurance companies as referred to in item a, there is a need to adjust entirely the Ministerial Decree of Finance Number 424/KMK.06/2003 concerning Financial Soundness of Insurance Companies and reinsurance Companies as has several times been amended recently with Regulation of the Minister of Finance Number 158/PMK.010/2008 and the Ministerial Decree of Finance Number 504/KMK.06/2004 concerning Financial Soundness for Insurance Companies in the Form of Non-Limited Liability Company Legal Entity;

c. that based on the consideration as referred to in item a and item b, there is a need to stipulate Regulation of the Minister of Finance concerning Financial Soundness of Insurance Companies and re-insurance
Companies;

In View of:

1. Law Number 2 Year 1992 concerning Insurance Business (State Gazette of the Republic of Indonesia Year 1992 Number 13, Supplement to State Gazette of the Republic of Indonesia Number 3467);

2. Government Regulation Number 73 Year 1992 concerning Insurance Operation (State Gazette of the Republic of Indonesia Year 1992 Number 120, Supplement to State Gazette of the Republic of Indonesia Number 3506) as has several times been amended recently with Government Regulation Number 81 Year 2008 (State Gazette of the Republic of Indonesia Year 2008 Number 212, Supplement to State Gazette of the Republic of Indonesia Number 4954);

3. Decree of The Minister of Finance Number 422/KMK.06/2003 concerning Insurance Company and Reinsurance Company Business;

4. Decree of The Minister of Finance Number 426/KMK.06/2003 concerning Business Licensing and Institutional of Insurance Company and Reinsurance Company;

DECIDES:

To enact: REGULATION OF THE MINISTER OF FINANCE CONCERNING FINANCIAL SOUNDNESS OF INSURANCE COMPANIES AND REINSURANCE COMPANIES.

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Regulation of the Minister of Finance:

1. Company is Insurance a Company or Reinsurance Company, whether in the legal entity form of limited liability company or not.
2. Insurance Company is General Insurance Company and Life Insurance Company.
3. Reinsurance Company is a Reinsurance Company as referred to in Law concerning insurance business.
4. General Insurance Company is a general insurance company as referred to in Law concerning insurance business.
5. Life Insurance Company is a life insurance company as referred to in Law concerning insurance business.
6. Admitted Asset is admitted asset which is counted in Solvability Level as referred to in regulation in the field of insurance.
7. Liability is obligation as referred to in regulation in the field of insurance.
8. Solvability Level is the difference between the amount of Admitted Asset deducted with the amount of Liability.
9. Equity is equity based on financial accounting standard applicable in Indonesia.
10. Net Premium is gross premium deducted with commission and reinsurance premium paid after deducted with received reinsurance commission.
11. Insurance Product Related to Investment is insurance product which, in addition to providing protection, also provide investment return referring to market investment return, either stated in the form of unit or non-unit.
12. Guarantee Fund is part of Company’s asset which is intended to be final assurance in effort to protect the policy holder’s interest.
13. Investment Manager is investment manager as referred to in capital market law.
14. Bank is general bank as referred to in banking law.
15. Custodian Bank is general bank which has obtained approval from Capital Market and Financial Institution Supervisory Board serving as custodian.
16. Affiliate is affiliate as referred to in insurance business law.
17. Minister is the Minister of Finance of the Republic of Indonesia.

CHAPTER II
SOLVABILITY LEVEL

Part One
Risk-Based Minimum Capital

Article 2

(1) Company, at any time, must meet Solvability Level at least 100% (one hundred percent) of risk-based minimum capital.

(2) Company must annually define Solvability Level target.

(3) Solvability Level target as referred to in paragraph (2) is at least 120% (one hundred and twenty percent) of risk-based minimum capital.

(4) The Minister can order the Company to increase the Solvability Level target as referred to in paragraph (3) by considering the risk which may incur from plan of strategically change and/or development of company business.

(5) In the event the Company cannot meet the order to increase the Solvability Level target as referred to in paragraph (4), the Company is prohibited to implement the plan for strategic change and/or to develop its business.

Article 3

(1) Risk-based minimum capital is an amount of fund necessarily to anticipate loss risk which may incur as the result of deviation in asset and Liability management.

(2) Loss risk which may incur as the result of deviation in asset and Liability management as referred to in paragraph (1) consists of:

a. failure in asset management;

b. missmatch between the Projected Flow of asset and Liability;
c. mismatch between the value of Assets and Liabilities on each currency;

d. difference between actual claim expense and expected claim expense;

e. insufficiency premium because of difference in the results of investment assumed to be in the determination of premium and investment returns being obtained;

f. inability of the reinsurer to meet the obligation to pay a claim; and/or

g. failure in the production process, inability of human resources or systems to perform well, or other circumstances.

(3) In the case the Life Insurance Companies marketing their Insurance Product Related to Investment, risk-based minimum capital as referred to in paragraph (1) must be increased for certain percentage of the investment funds derived from Insurance Product Related to Investment.

(4) Further provision concerning the calculation of the amount of risk-based minimum capital as referred to in paragraph (1) and paragraph (3) is set forth by Regulation of the Chairman of the Capital Market and Financial Institution Supervisory Agency.

Part Two

Admitted Asset

in the Form of Investment

Article 4

(1) Admitted Asset in the form of investment must be placed for type:

a. term deposits on Bank, including deposit on call and deposit in less than or 1 (one) month) term;

b. non negotiable certificate deposit on Bank;

c. shares traded on stock exchange;

d. corporate bond;
e. corporate sukuk;
f. securities issued by the Republic of Indonesia;
g. securities issued by a country other than the Republic of Indonesia;
h. securities issued by Bank Indonesia;
i. securities issued by the multinational institutions of which the Republic of Indonesia is one of the members or shareholders;
j. mutual funds;
k. asset-backed securities issued based on collective investment contract of asset-backed securities;
l. real estate investment fund;
m. direct investment (unlisted shares in stock exchange);
n. building with strata title or land with building, for investment;
o. financing through cooperation mechanisms with other parties in the form of purchasing receivable (refinancing);
p. pure gold; and/or
q. mortgage loan.

(2) Admitted Asset in the form of investment as referred to in paragraph (1) which can be placed overseas should be in the type of:

a. shares traded on stock exchange;
b. corporate bond;
c. corporate sukuk;
d. securities issued by other than the Republic of Indonesia;
e. securities issued by the multinational institutions of which the Republic of Indonesia is one of the members or shareholders;
f. mutual funds; and/or
g. direct investment (unlisted shares in stock exchange).

Article 5
(1) Valuation of Admitted Assets in the form of investment as referred to in article 4 paragraph (1) must be made under the following provisions:

a. term deposits on Bank, including deposit on call and deposit in less or 1 (one) month) term, based on nominal value;

b. non negotiable certificate deposit on Bank, based on cash value;

c. shares traded on stock exchange, based on the market value by using the final closing price information on the stock exchange;

d. corporate bond, based on the market value determined by bond pricing agency that have obtained permission from the Capital Market and Financial Institution Supervisory Agency or bond pricing agency that has been recognized internationally;

e. corporate sukuk, based on the market value determined by bond pricing agency that have obtained permission from the Capital Market and Financial Institution Supervisory Agency or bond pricing agency that has been recognized internationally;

f. securities issued by the Republic of Indonesia, based on the market value determined by bond pricing agency that have obtained permission from the Capital Market and Financial Institution Supervisory Agency or bond pricing agency that has been recognized internationally;

g. securities issued by other than the Republic of Indonesia, based on the market value determined by bond pricing agency that has been recognized internationally;

h. securities issued by Bank Indonesia, based on the market value;

i. securities issued by the multinational institutions of
which the Republic of Indonesia is one of the members or shareholders, based on the market value determined by bond pricing agency that has been recognized internationally;
j. mutual funds, based on net assets value;
k. asset-backed securities issued based on collective investment contract of asset-backed securities, based on the market value;
l. real estate investment fund, based on the market value;
m. direct investment (unlisted shares in stock exchange), based on the equity value;
n. building with strata title or land with building, for investment, based on the value determined by authorized, registered assessment agency or Sale Value of Taxable Object (NJOP) in the event there is no assessment by an assessment agency.
o. financing through cooperation mechanisms with other parties in the form of receivable purchase (refinancing), based on remaining receivable value after deducted with allowance for collectible receivable (net performing loan);
p. pure gold, based on the market value; and/or
q. loan secured with mortgage right, based on remaining loan value.

(2) The provisions concerning Admitted Asset in the form of investment as referred to in paragraph (1) can be amended with Regulation of the Chairman of the Capital Market and Financial Institution Supervisory Agency only in order to anticipate het abnormality of financial markets and is applied in a limited period of time;

Article 6

(1) The placement of Admitted Asset in investment in the
form of corporate bond and corporate sukuk as referred to in Article 4 paragraph (1) item d and item e must at least have BBB rate or equal from credit rating agency which has permission from Capital Market and Financial Institution Supervisory Agency.

(2) The placement of Admitted Asset in investment in the form of securities issued by the multinational institutions of which the Republic of Indonesia is one of the members or shareholders as referred to in Article 4 paragraph (1) item i must meet the following provisions:
   a. having at least BBB rate or equal from credit rating agency which is recognized internationally;
   b. sold through general bidding; and
   c. the information concerning transaction is accessible in Indonesia.

(3) The placement of Admitted Asset in investment in the form of mutual funds as referred to in Article 4 paragraph (1) item j, must meet the following provisions:
   a. having been declared effective by Capital Market and Financial Institution Supervisory Board; and
   b. made through general bidding as set forth in regulation of capital market law.

(4) The placement of Admitted Asset in investment in the form of mutual funds as referred to in Article 4 paragraph (1) item j in the form of limited-participation collective investment contract, the limited-participation mutual fund must have underlying securities traded on the stock exchange.

(5) The placement of Admitted Asset in investment in the form of asset-backed securities issued based on collective investment contract of asset-backed securities and real estate investment fund as referred to in Article 4 paragraph (1) item k and item l must meet the following provisions:
a. having been declared effective by Capital Market
   and Financial Institution Supervisory Agency;

b. having at least BBB rate or equal from credit rating
   agency which has obtained permission from Capital
   Market and Financial Institution Supervisory Agency;

and

c. made through general bidding as set forth in
   regulation of capital market law.

(6) The placement of Admitted Asset in investment in the
form of building with strata title or land with building,
for investment, as referred to in Article 4 paragraph (1)
item n must meet the following provisions:

a. owned and controlled by the Company, as proven
   with evidence of ownership in the Company name
   from the authorized agency;

b. providing lease income and other incomes through
   transactions which are based on market prices; and

c. not placed on building with strata title or land with
   buildings which are being collateralized, in
   dispute, or blocked by other parties.

(7) The placement of Admitted Asset in investment in the
form of financing through cooperation mechanisms with
other parties in the form of receivable purchase
(refinancing) as referred to in Article 4 paragraph (1)
item o can only be made on the receivable owned by
financing company and/or Bank provided that:

a. constitutes multi-finance companies which have
   obtained license from the Minister and/or Bank
   which has obtained the business license from
   Bank Indonesia;

b. constitutes multi-finance companies and/or Bank
   which is not the affiliate of the Company;

c. the concerned multi-finance companies and/or
   Bank is not being imposed with administrative
   sanction in the form of restriction of business
   activities or suspension of business activities by the
Minister of the Chairman or Bank Indonesia at the time the cooperation starts; and

d. meet the provision of financial soundness level based on regulation of financing and/or banking law, at the time the cooperation starts.

(8) The placement of Admitted Asset in investment in the form of pure gold as referred to in Article 4 paragraph (1) item p must meet the following provisions:

a. meeting specification condition stipulated by commodity exchange which has obtained license from the authorized agency; and

b. kept in Custodian Bank, commodity which has cooperation with commodity exchange as referred to in item a.

(9) The placement of Admitted Asset in investment in the form of loan secured with mortgage right as referred to in Article 4 paragraph (1) item q must meet the following provisions:

a. the loan is provided to individual;

b. the loan is secured with first mortgage right;

c. the loan is made in accordance with regulation of law;

d. land title certificate which has been labeled with mortgage right charge is kept by the Company; and

e. the amount of each loan is at maximum 75% (seventy percent) of the minimum security value between the values determined by assessment agency registered at the authorized agency and Sale Value of Taxable Object (NJOP).

Article 7

(1) The placement of Admitted Asset in overseas investment in the form of shares traded on stock exchange as referred to in Article 4 paragraph (2) item a must meet the following provisions:

a. included in active stock category traded on the
stock exchange where the share is recorded based on the criteria set forth by the concerned stock exchange; and

b. information about the share issuer and transaction is accessible in Indonesia.

(2) The placement of Admitted Asset in overseas investment in the form of corporate bond, corporate sukuk, and securities issued by other than the Republic of Indonesia as referred to in Article 4 paragraph (2) item b, item c, and item d must meet the following provisions:

a. having at least BBB rate or equal from credit rating agency which is recognized internationally;

b. sold through general bidding; and

c. the information concerning transaction is accessible in Indonesia.

(3) The placement of Admitted Asset in overseas investment in the form of mutual fund as referred to in Article 4 paragraph (2) item f must meet the following provisions:

a. issued by the investment manager overseas that has Affiliate relationship to Investment Manager in Indonesia that has license from Capital Market and Financial Institution Supervisory Agency; and

b. recorded in stock exchange in the state where the investment manager domiciles.

Article 8

(1) The placement of Admitted Asset in investment in the form of shares traded on stock exchange, corporate bond, and corporate sukuk as referred to in Article 4 paragraph (2) item a, item b, and item c traded in domestic or overseas stock exchange and the issuer is a foreign legal entity, is classified as overseas investment.

(2) The placement of Admitted Asset in investment in the form of securities issued overseas by an Indonesian
legal entity through foreign legal entity which is specifically incorporated in order to publish the concerned securities, is classified as domestic investment.

(3) The placement of Admitted Asset in investment in the form of securities issued by the multinational institutions of which the Republic of Indonesia is one of the members or shareholders as referred to in Article 4 paragraph (1) item i and Article 4 paragraph (2) item e denominated in rupiah, is classified as domestic investment.

Article 9

(1) The limitation on Admitted Asset in the form of investment as referred to in Article 4 is as follows:

a. investment in the form of term deposits including deposit on call and deposit in less or 1 (one) month) term which is non negotiable certificate deposit on Bank, for each Bank is at maximum 15% (fifteen percent) of the total investment;

b. investment in the form of shares traded on stock exchange, for each issuer is at maximum 10% (ten percent) of the total investment and entirely at maximum 40% (forty percent) of the total investment;

c. investment in the form of corporate securities, corporate sukuk, and securities issued by the multinational institutions of which the Republic of Indonesia is one of the members or shareholders, for each issuer is at maximum 15% (fifteen percent) of the total investment and entirely 50% (fifty percent) of the total investment;

d. investment in the form of securities issued by a country other than the Republic of Indonesia for each issuer is at maximum 10% (ten percent) of the total investment;

e. investment in the form of mutual fund, for each Investment Manager is at maximum 15% (fifteen
percent) of the total investment and entirely 50% (fifty percent) of the total investment;

f. investment in the form of asset-backed securities issued based on collective investment contract of asset-backed securities for each Investment Manager is at maximum 10% (ten percent) of the total investment and entirely at maximum 20 % (twenty percent) of the total investment;

g. investment in the form of real estate investment fund, for each Investment Manager is at maximum 10% (ten percent) of the total investment and entirely at maximum 20 % (twenty percent) of the total investment;

h. investment in the form of direct investment (unlisted shares in stock exchange) is entirely at maximum 10% (ten percent) of the total investment;

i. investment in the form of building with strata title or land with building, for investment, is entirely at maximum 10% (ten percent) of the total investment;

j. investment in the form of financing through cooperation mechanisms with other parties in the form of receivable purchase (refinancing) for each party is at maximum 10% (ten percent) of the total investment and entirely at maximum 20% (twenty percent) of the total investment;

k. investment in the form of pure gold is entirely at maximum 10% (ten percent) of the total investment: and/or

l. investment in the form of loan secured with mortgage right, is entirely at maximum 10% (ten percent) of the total investment.

(2) The placement of Admitted Asset in the form of investment as referred to in paragraph (1) item b, item c, and item e, the entire amount is at maximum 80% (eighty percent) of the total investment.

(3) In the case the placement of Admitted Asset in the form
of investment s referred to in paragraph (1) item b, item c, item d, item e, and item h is made on the instruments of overseas investment, the entire amount is at maximum 20% (twenty percent) of the total investment.

Article 10

(1) The total investment of Company placed on a party which is affiliated to the Company is at maximum 10% (ten percent) of the total investment.

(2) The type of Company investment placed on affiliated party as referred to in paragraph (1) is not included in direct investment (unlisted shares on stock exchange).

(3) The Company total investment placed on one of affiliates but the affiliate is not affiliated to the Company, at maximum 20% (twenty percent) of the total investment.

(4) The one party which is not affiliated to the Company as referred to in paragraph (3) is a group of companies which has affiliate relationship one to another.

(5) The party as referred to in paragraph (1) and paragraph (4) is including party which, either individually or jointly, has Affiliate relationship and/or other legal relationship to the other party, that is:
   a. family relationship, for marriage and hereditary up to two levels, either horizontally or vertically;
   b. relationship between the party to an employee one level under directors, member of directors, or member of board of commissioners of the party;
   c. relationship between 2 (two) or more companies where there is one or more of the same member of directors of member of board of commissioners; and/or
   d. relationship between the company with the main shareholder.

(6) Affiliate relationship and/or other legal relationship to other party as referred to in paragraph (5) does not
include relationship because of ownership or capital participation relationship by the Republic of Indonesia.

Article 11
The total investment being used as the basis of limitation calculation on Admitted Asset in the form of investment as referred to in Article 9, Article 10 paragraph (1) and paragraph (3) constitutes the value of entire investment forms as referred to in Article 4 per date of financial position statement in which the valuation is based on the provision as referred to in Article 5.

Part Three
Admitted Asset in Non-Investment Form
Article 12
Admitted Asset in non-investment form must be in the form of:

a. cash and bank;

b. direct premium receivable, including coinsurance premium receivable as share of the Company;

c. coinsurance claim receivable;

d. reinsurance receivable;

e. investment receivable;

f. investment return receivable;

g. policy loan; and/or

h. building with strata title or land with building, for own usage.

Article 13
Valuation on Admitted Asset in non-investment form as referred to in Article 12 must be made provided that:

a. cash and bank, based on nominal value, provided that overseas cash and bank entirely admitted is at maximum 1% (one percent) of the current Equity period;

b. direct premium receivable, including coinsurance premium receivable as share of the Company, based on the value of remaining receivable which is at maximum 2 (two) months as of:
premium payment; or

2) due date of premium payment for policy with installed premium payment.

c. coinsurance claim receivable, based on the value of remaining receivable which is at maximum 2 (two) months as of the claim payment to the beneficiary;

d. reinsurance receivable, based on the value of remaining receivable which is at maximum 2 (two) months as of the due date of the payment;

e. investment receivable, based on the value of receivable which is at maximum 1 (one) month as of the due date of the payment;

f. investment return receivable, based on the value of remaining receivable which is at maximum 1 (one) month as of the due date of the payment;

g. policy loan, based on the value of remaining loan in which the policy loan is at maximum 80% (eighty percent) of the cash value of the concerned policy; and/or

h. building with strata title or land with building, for own usage, based on the value determined by assessment agency which is registered on the authorized institution or based on Sale Value of Taxable Object (NJOP) in the case there is no assessment by assessment agency, in which the entire value is at maximum 15% (fifteen percent) of the Equity of current period.

Part Four

Status of Admitted Asset

Article 14

Admitted Asset in the form of investment as referred to in Article 4 and Admitted Asset in non-investment form
investment as referred to in Article 12 must:

a. be owned and controlled by the Company, proven with evidence of ownership in the Company's name from the authorized institution;

b. not be in dispute;

c. not be a collateral; and

d. not be blocked by the authority.

Part Five
Liability

Article 15

Liability which is counted in Solvability Level must include all of the Company’s Liabilities, including technical reserves.

Article 16

(1) Liability in the form of technical reserves as referred to in Article 15 includes:

a. premium reserve for products which are more than 1 (one) year of term, in which the term and condition of the policy is not renewable in the end of policy period;

b. unearned premium reserve for products which are up to 1 (one) year of term or more than 1 (one) year of term, in which the term and condition of the policy is renewable in the end of policy period;

c. reserve of fund accumulation for products or parts of product which provides benefit in the form of fund accumulation; and

d. claim reserve.

(2) The formation of premium reserve as referred to in paragraph (1) item a must consider the income and expenditure which can occur in the future by assuming central estimation, added with marginal risks.

(3) The formation of unearned premium reserve as referred to in paragraph (1) item b must consider reserve or all unexpired risks reserve, including reserve catastrophic reserve.
(4) Fund accumulation reserve as referred to in paragraph (1) item c constitute fund accumulation reserve of guaranteed products.

(5) Claim reserve as referred to in paragraph (1) item d includes claim reserve in the settlement process and claim reserve which is incurred but not reported (INBR).

Article 17

(1) The valuation on Liability in the form of technical reserve as referred to in Article 16 paragraph (1) must be made by the Appointed actuary.

(2) The valuation on Liability in the form of technical reserve as referred to in paragraph (1) for General Insurance Company can be made by the actuary of an actuarial consultant company which is not affiliated to the Company, up to December 31, 2014.

Article 18

(1) In the case an impropriety is found on technical reserve or parts of technical reserve which is formed by the Company, the Chairman of Capital Market and Financial Institution Supervisory Agency can:
   a. request the Company to re-evaluate the amount of technical reserve or that of part of technical reserve which is considered improper; or
   b. request to review the technical reserve or parts of the technical reserve by an independent party on the Company’s charge.

(2) The Company is obliged to appoint an independent party within 1 (one) month as of the request for review as referred to in paragraph (1) item b.

Article 19

Further provisions concerning the formation of technical reserve as referred to in Article 16 are set forth by the Regulation of the Chairman of Capital Market and Financial Institution Supervisory Board.
Part Six
Subordinated Loan

Article 20

In order to calculate the Solvency Level, subordinated loan is not treated as element of Liability if the loan meets the following conditions:

a. used in order to meet the provision of minimum on Solvability Level; and

b. cited in notarial agreement, containing at least:

1) the payment of loan principal can only be made if it does not make the Company unable to meet the provision as referred to in Article 2 paragraph (3);

2) the term of loan amortization is not limited; and

3) the interest rate is promised for at maximum 1/5 (one fifth) of the interest rate of Bank Indonesia at the time the agreement is signed.

Part Seven
Investment Adequacy

Article 21

(1) The Company is obliged to have asset in the form of investment which has met the conditions concerning type, valuation, and limitation of Admitted Asset added with Admitted Asset in the form of cash and bank, at least for the amount of technical reserve added with Liability of own-retention claim payment and other Liability to the insured.

(2) Liability of own-retention claim payment as referred to in paragraph (1) constitutes the Liability of payment on the claim which has been agreed, but has not been paid, deducted with claim charge, as part of the reinsurer.
Reinsurance Support

Article 22

(1) The Company is obliged to obtain automatic reinsurance support for each line of insurance marketed business, including automatic reinsurance support to catastrophic risks.

(2) Automatic reinsurance support as referred to in paragraph (1) for General Insurance Company must be obtained at least from 2 (two) domestic reinsurer, one of which is the Reinsurance Company.

(3) Automatic reinsurance support as referred to in paragraph (1) for Life Insurance Company must be obtained at least from 1 (one) domestic Reinsurance Company.

(4) In the case domestic automatic reinsurance support as referred to in paragraphs (2) and paragraph (3) is not obtained, the automatic reinsurance support can be obtained from overseas reinsurer.

(5) Overseas automatic reinsurance support as referred to in paragraph (4) may only be made after the Company does not obtain automatic reinsurance support from all of domestic Reinsurance Companies.

(6) In the case automatic reinsurance support as referred to in paragraph (1) is obtained from overseas insurer, the Company must obtain the support of foreign reinsurer which has at least BBB rating or equivalent from internationally recognized rating agency.

(7) In the event overseas insurer rating agency as referred to in paragraph (6) is issued by more than one rating agency, the rating being used is the lowest one.

(8) The Insurance Company is obliged to attach the evidence of non-obtained domestic automatic reinsurance support as referred to in paragraph (4) and the evidence of overseas insurer rating as referred to in paragraph (6) in its reinsurance program report.
Article 23
In the case Reinsurance Companies reject to grant automatic reinsurance support to the Insurance Company as referred to in Article 22 paragraph (2) and paragraph (3), the concerned Reinsurance Company must deliver a carbon copy of letter of rejection to the Chairman of the Capital Market and Financial Institution Supervisory Agency, along with the reason for rejection within 15 (fifteen) days as of the date of rejection.

Article 24
(1) The automatic reinsurance support as referred to in Article 22 paragraph (1) can be exempted in the case:
   a. there is no reinsurer which is willing to provide automatic reinsurance support because of specific risk characteristics of the insurance business line;
   b. the Company will start marketing a new insurance business line;
   c. the Company markets the insurance products only for meeting the request of policyholder on comprehensive insurance package and not to market it on its own; or
   d. the risks being managed does not exceed its own-retention capacity.
(2) The Company is obliged to attach the evidence of cause for non-obtaining or non-necessarily automatic reinsurance support as referred to in paragraph (1) in its reinsurance program report.

Article 25
(1) The Company is obliged to obtain facultative reinsurance support in the case:
   a. The Company does not obtain automatic reinsurance support because of reasons as referred to in Article 24 paragraph (1) item a to item c; or
   b. automatic reinsurance support is insufficient to the risks suffered by the Company.
(2) Facultative reinsurance support as referred to in paragraph (1) for General Insurance Company must be obtained from at least 2 (two) domestic reinsurers.

(3) The facultative reinsurance support as referred to in paragraph (1) for Life Insurance Company must be obtained from at least 1 (one) domestic reinsurer.

(4) In the case domestic facultative reinsurance support as referred to in paragraph (2) and paragraph (3) is not obtained, the facultative reinsurance support can be obtained from overseas reinsurer.

(5) In the case domestic facultative reinsurance support as referred to in paragraph (1) is not obtained from overseas reinsurer, the Company must obtain overseas reinsurer support which has at least BBB rating or equivalent from internationally recognized rating agency.

(6) In the event overseas reinsurance rating as referred to in paragraph (5) is issued by more than one rating agencies, the rating being used is the lowest one.

Article 26

(1) In the case automatic reinsurance support as referred to in Article 22 paragraph (1) and/or facultative reinsurance support as referred to in Article 25 paragraph (1) is assessed by the Chairman of Insurance Bureau, Capital Market and Financial Institution Supervisory Agency can endanger and/or worsen the financial soundness condition of the Company or can make the Company unable to operate its function as Insurance Company or as Reinsurance Company, the Chairman of Capital Market and Financial Institution Supervisory Agency can order the Company to change its reinsurance support program to be more appropriate to the condition of Company, in the form of:

a. change in facultative reinsurance to be automatic reinsurance, or otherwise;
b. change in non-proportional reinsurance to be proportional reinsurance, or otherwise; and/or
c. other changes.

(2) The Company is obliged to implement the order of the Chairman of Capital Market and Financial Institution Supervisory Agency as referred to in paragraph (1).

Article 27

Further provisions concerning automatic reinsurance support as referred to in Article 22 and facultative reinsurance as referred to in Article 25 are set forth with the Regulation of the Chairman of Capital Market and Financial Institution Supervisory Agency.

Part Two

Own-Retention

Article 28

(1) The Company is obliged to have its own-retention for each risk being managed in accordance with applied minimum own-retention limit and maximum own-retention limit.

(2) The stipulation of minimum own-retention limit and maximum own-retention limit as referred to in paragraph (1) must be based on risk and loss profile which is made orderly, regularly, relevantly, and accurately.

(3) Further provisions concerning own-retention limit as referred to in paragraph (1) and paragraph (2) are set forth with Regulation of the Chairman of Capital Market and Financial Institution Supervisory Agency.

CHAPTER IV

INVESTMENT-LINKED INSURANCE PRODUCTS

Article 29

(1) Life Insurance Company which markets Investment-Linked Insurance Products is obliged to separate the record of investment fund and Liability derived from
Investment-Linked Insurance Products with asset and Liability derived from other life Insurance Products. 

(2) Asset derived from Investment-Linked Insurance Products is not considered as Admitted Asset.

Article 30

(1) The placement of investment fund derived from Investment-Linked Insurance Products must be made on:

a. term deposit on Bank, including deposit on call and deposit in less or 1 (one) month term;
b. non negotiable certificate deposit on Bank;
c. shares traded on stock exchange;
d. corporate bond;
e. corporate sukuk;
f. securities issued by the Republic of Indonesia;
g. securities issued by other than the Republic of Indonesia;
h. securities issued by Bank Indonesia;
i. securities issued by the multinational institutions of which the Republic of Indonesia is one of the members or shareholders;
j. mutual funds;
k. asset-backed securities issued based on collective investment contract of asset-backed securities; and/or
l. pure gold.

(2) The type of investment derived from Investment-Linked Insurance Products as referred to in paragraph (1) must be adjusted to the product description which is reported to the Minister and which is promised to the policy holder.

Article 31

The placement of investment fund derived from Investment-Linked Insurance Products as referred to in Article 30
paragraph (1) must meet the provisions as referred to in Article 6 and Article 7.

Article 32
(1) The placement of investment overseas on investment fund derived from Investment-Linked Insurance Products for each sub-fund must at maximum 20% (twenty percent) of the amount of each sub-fund.
(2) Sub-fund as referred to in paragraph (1) is the classification of Investment-Linked Insurance Products based on its investment strategy.

CHAPTER V
DERIVATIVE TRANSACTION

Article 33
(1) The Company is prohibited to make derivative transaction or to have derivative instruments, excluding:
   a. for hedging purpose; and
   b. made with other party (counterpart) which has at least BBB rating or equivalent from rating agency which has obtained license from Capital Market and Financial Institution Supervisory Agency or from internationally recognized rating agency.
(2) Derivative transaction for hedging purpose as referred to in paragraph (1) item a must be approved by the directors.
(3) The derivative instruments for hedging purpose as referred to in paragraph (1) item a are in the form of:
   a. contract of shares sale option on owned shares;
   b. contract of currency hedging; and/or
   c. contract of interest rate hedging.

Article 34
(1) The Company must report any derivative transaction as referred to in Article 33 the Chairman of the Capital Market and Financial Institution Supervisory Agency within 7 (seven) business days as of the date of
transaction.

(2) The report of derivative transaction as referred to in paragraph (1) must be enclosed at least with:
   a. results of the study of the need of hedging;
   b. derivative transaction agreement;
   c. evidence of rating of other party (counterpart) as referred to in Article 33 paragraph (1) item b; and
   d. evidence of directors’ approval.

CHAPTER VI
GUARANTEE FUND
Part One
Formation of Guarantee Fund

Article 35
(1) The Company is obliged to make Guarantee Fund at least 20% (twenty percent) of minimum own capital which is required as referred to in regulation of insurance law.

(2) The amount of Guarantee Fund as referred to in paragraph (1) must be adjusted to the development of business volume of the Company provided that:
   a. for Life Insurance Company, it is obliged to form Guarantee Fund for 2% (twenty percent) of premium reserve for Investment-Linked Insurance Products added with 5% (five percent) of premium reserve for products other than Investment-Linked Insurance Products and unearned premium reserve.
   b. for General Insurance Company and Reinsurance Company, it is obliged to form Guarantee Fund for 1% (one percent) of Net Premium added with 0,25% (zero point twenty five percent) of reinsurance premium.

(3) In the case Guarantee fund as referred to in paragraph (1) is higher than the amount of Guarantee Fund as referred to in paragraph (2), the Guarantee Fund must be formed as the amount of Guarantee Fund
(4) In the event the amount of Guarantee fund as referred to in paragraph (1) is equal to or smaller than the amount of Guarantee Fund as referred to in paragraph (2), the Guarantee Fund must be formed as the amount of the Guarantee Fund as referred to in paragraph (2).

Article 36

(1) The amount of premium reserve, including unearned premium reserve as referred to in Article 35 paragraph (2) item a and Net Premium and reinsurance premium as referred to in Article 35 paragraph (2) item b, is obtained from financial statement per recent December 31 which has been audited by an independent auditor.

(2) In the case Guarantee Fund is less than the amount as referred to in Article 35 paragraph (1) or paragraph (2), the Company must add its Guarantee Fund within 5 (five) business days after date of April 30 of the current year.

(3) In the case Guarantee Fund which has been owned is more than the amount as referred to in Article 35 paragraph and paragraph (2), the Company can diminish its Guarantee Fund, after obtaining approval from the Chairman of the Capital Market and Financial Institution Supervisory Agency.

(4) The Guarantee Fund as referred to in Article 35 paragraph and paragraph (2) must be placed in the form of:
   a. deposit, with automatic extension on Bank which is not affiliated to the Company; and/or
   b. securities issued by the Republic of Indonesia, which at the time of placement as Guarantee fund has remainder of the term until the due date at least 1 (one) year.

Part Two
Guarantee Fund Administration

Article 37
(1) All Guarantee Funds are required to be administered in the Custodian Bank.
(2) The Custodian Bank as referred to in paragraph (1) shall not be an Affiliate of the Company, except that such Affiliate relationship occurs due to the ownership or participation of capital of Republic of Indonesia.

Article 38
The Guarantee Fund Administration in Custodian Bank as referred to in Article 37 paragraph (1) must be based on an agreement between the Company and the Custodian Bank which at least contains:

a. delegation or authorization by the Company to the Custodian Bank to disburse, transfer, or handover Guarantee Fund after obtaining approval of the Minister or delegate officials;

b. obligations of Custodian Bank to place the fund it obtains from the disbursement of Guarantee Fund in the form of bonds issued by the Republic of Indonesia being overdue into 1 (one) month saving deposit in the Bank on behalf of the Company, in case the Company has not reimbursed the said overdue Guarantee Fund;

c. provision that the Custodian Bank cannot perform the instruction of either the Company or other parties to disburse, transfer, and handover the deposit or financial paper issued by the Republic of Indonesia used as Guarantee Fund unless an approval of the Minister or delegate officials has been obtained; and

d. provision that the Custodian Bank must deliver monthly administrative report of Guarantee Fund owned by the Company to the Head of Capital Market and Financial Institution Supervisory Agency att. Head of Insurance Bureau not later than the 15th day of the following month which at least contains:

1) name of Company owning the Guarantee Fund;
2) type of Guarantee Fund;  
3) bilyet number and the issuing Bank for deposit;  
4) serial of bond issued by the Republic of Indonesia;  
5) nominal value of Guarantee Fund; and  
6) overdue date.  

Part Three  
Changes in Guarantee Fund  

Article 39  

(1) The formation or addition of Guarantee Fund may be performed on the following conditions:  
a. new placement of deposit and/or bond issued by the Republic of Indonesia as Guarantee Fund;  
b. placement of deposit which was formerly non-Guarantee Fund and is now Guarantee Fund; and/or  
c. placement of bond issued by the Republic of Indonesia which was formerly non-Guarantee Fund and is now Guarantee Fund.  

(2) The Company may reimburse Guarantee Fund on the following conditions:  
a. from deposit into bond issued by the Republic of Indonesia or vice versa;  
b. changing the term of deposit in the Bank;  
c. changing the Bank on which the deposit is placed; and/or  
d. exchanging bond issued by the Republic of Indonesia with other financial papers issued by the Republic of Indonesia.  

(3) In case the Company shall reimburse the Guarantee Fund as referred to in paragraph (2), the Company must place in advance substitute Guarantee Fund at least at the same value as the Guarantee Fund to be reimbursed.  

(4) In case there is Guarantee Fund in the form of financial paper issued by the Republic of Indonesia to be overdue, the company must place in
advance a new Guarantee Fund at least at the same value as the said bond issued by the Republic of Indonesia to be overdue, at the furthest 1 (one) day before the due date.

Article 40

(1) The Minister may order the Company to add the amount of the highest Guarantee Fund amounting to the value of technical reserves, in case:
   a. the Company cannot meet the provisions concerning the Solvency Level and under a sanction of business line limitation;
   b. the Company has Solvency Level less than 40% (forty per cent).

(2) The Company must add the amount of Guarantee Fund as referred to in paragraph (1) not later than 1 (one) month after being ordered to add the amount of its Guarantee Fund.

CHAPTER VII
REPORTING
Part One
Report Preparation

Article 41

(1) Company is required to prepare:
   a. non-consolidated annual financial statement for a period of January 1 to December 31 based on financial accounting standards applicable in Indonesia;
   b. non-consolidated annual financial statement for a period of January 1 to December 31 based on regulations of law in the field of insurance;
   c. non-consolidated quarterly financial statement ending on March 31, June 30, September 30, and December 31 based on the regulations of law in the field of insurance;
d. reinsurance program report for activities in current year;

e. quarterly Guarantee Fund report ending on March 31, June 30, September 30, and December 31; and

f. annual actuary report for a period of January 1 to December 31.

(2) In case the Life Insurance Company markets an Insurance Product Related to Investment, the reports or statements as referred to in paragraph (1) must be added with:

a. investment fund report of Insurance Product Related to Investment per annum for a period of January 1 to December 31;

b. quarterly investment fund report of Insurance Product Related to Investment ending on March 31, June 30, September 30, and December 31.

(3) The annual financial statement as referred to in paragraph (1) item a and paragraph (2) item a is subject to audit by independent auditors.

(4) The annual financial statement as referred to in paragraph (1) item b must obtain an opinion of independent auditor in regard to its compliance with the regulations of law in the field of insurance.

(5) For Companies whose parts of their businesses are based on sharia principles, the report or statement as referred to in paragraph (1) items b to e shall not include those reports or statements related to the sharia unit of such Companies.

(6) The actuary report as referred to in paragraph (1) item f constitutes a report describing the Company's estimated capability of meeting its obligations in the future.

(7) The report as referred to in paragraph (1) item f should be signed by the Company's actuary.

(8) For General Insurers, the signing of this report as referred to in paragraph (7) can be performed by the actuary of actuarial consulting company unaffiliated to
the Company at the latest for actuary report of 2014.

(9) The annual actuary report as referred to in paragraph (1) item f is subject to review and assessment for its fairness presentation by an actuary from actuarial consulting company unaffiliated to the company at least 1 (once) in 3 (three) year.

(10) The provisions concerning the form and structure of reports and statements as referred to in paragraph (1) items b to f are governed by the Regulation of Head of Capital Market and Financial Institution Supervisory Agency.

Article 42
In those reports and statements as referred to in Article 41 paragraph (1), every asset and Liability in foreign currency is required to be presented in rupiah based on the median exchange rate established by Bank of Indonesia on the report or statement dates.

Part Two
Report Announcement

Article 43
(1) The Company is required to announce a summary of its audited annual financial statement as referred to in Article 41 paragraphs (3) and (4) on the Company's website not later than April 30 of the following year.

(2) The Company is required to announce the quarterly financial statement as referred to in Article 41 paragraph (1) item c on the Company's website at the furthest 1 (one) month after the relevant quarter ends.

(3) The term on which the announcement as referred to in paragraphs (1) and (2) are required to be performed is up to the issuance of the next annual or quarterly reports.

(4) The provisions concerning the form and structure of summary of annual financial statement as referred to in paragraphs (1) and (2) are governed by the Regulation of
Article 44

In case there is a part in need of correction in the the announced reports as referred to in Article 43 paragraphs (1) and (2), the Company is required to correct such reports and re-announce them in its website.

Article 45

(1) The Company is required to announce a summary of its audited annual financial statement as referred to in Article 41 paragraphs (3) and (4) at least on 1 (one) newspapers in Indonesia with its distribution at national level not later than April 30 of the following year.

(2) The evidence of announcement as referred to in paragraph (1) must be delivered to Head of Insurance Bureau, Capital Market and Financial Institution Supervisory Agency not later than April 30.

(3) In case the April 30 is a holiday, then, the deadline for the delivery of announcement evidence as referred to in paragraph (2) shall be the first day after such April 30.

(4) The provisions concerning the form and structure of summary of annual financial statement as referred to in paragraph (1) are governed by Regulation of Head of Capital Market and Financial Institution Supervisory Agency.

Third Part
Report Delivery

Article 46

(1) The Company is required to deliver:

a. reports and statements as referred to in Article 41 paragraph (1) items a, b, and f not later than April 30 of the following year;

b. reports and statements as referred to in Article 41 paragraph (1) item c and e at the latest 1 (one)
month after the end of the relevant quarter; and
c. reinsurance program report as referred to in Article 41 paragraph (1) item d not later than January 15 of the following year, to the Minister.

(2) Reports as referred to in paragraph (1) items a and b must be attached with letter of statement of its board of directors declaring its responsibility of the validity of report being delivered.

(3) In case the deadline of delivery of report as referred to in paragraph (1) is a holiday, then, the deadline of report delivery shall be the first business day after the said deadline.

CHAPTER VIII
FINANCIAL RECOVERY PLAN

Article 47
Any Company fails to meet the minimum target of Solvency Level as referred to in Article 2 paragraph (3):
a. is required to deliver a Financial Recovery Plan; and
b. is prohibited from distributing its dividend or providing rewards in any form whatsoever to its shareholders.

Article 48
In case the Company’s Solvency Level is less than 40% (forty per cent), the Company:
a. shall be given first and last warning sanction;
b. is required to deliver Financial Recovery Plan; and/or
c. is prohibited from distributing dividend or providing rewards in any form whatsoever to its shareholders.

Article 49
(1) Financial Recovery Plan as referred to in Article 47 item a must be submitted to the Minister at the latest 1 (one) month since the Company’s financial status does not meet the criteria as referred to in Article 2 paragraph (3).
(2) Financial Recovery Plan as referred to in paragraph (1), should at least contain steps of financial recovery along with certain timeframe needed to meet the provisions of minimum target of Solvency Level as referred to in Article 2 paragraph (3).

(3) These steps of financial recovery as referred to in paragraph (2), should at least contain action plan as follows:
   a. asset and/or Liability restructuring;
   b. addition of paid up capitals;
   c. provision of subordinated loan;
   d. improvement of premium rate;
   e. transfer of any or all insurance portfolio; and/or
   f. merge of business units.

(4) Financial Recovery Plan as referred to in paragraph (1) should be signed by all members of board of directors and commissioners.

(5) Financial Recovery Plan as referred to in paragraph (1) should be previously approved by general meeting of shareholders in case such recovery plan contain paid up capital addition action plan or business unit merging action plan.

(6) Financial Recovery Plan as referred to in paragraph (1) must obtain a non-objection statement from the Minister.

(7) In case the Minister deems the Financial Recovery Plan as referred to in paragraph (2) inadequate to deal with the problem, the Company is required to revise the said Financial Recovery Plan.

(8) The Minister gives a non-objection statement of Financial Recovery Plan delivered by the Company by taking into account the problem faced by the Company at the latest 14 (fourteen) business days as of the receipt date of Financial Recovery Plan as a whole.

(9) If within the terms as referred to in paragraph (8) the
Minister give neither his/her non-objection statement nor response, the Company may implement its Financial Recovery Plan as referred to in paragraph (1).

Article 50

(1) The Company must deliver to the Minister an implementation report of Financial Recovery Plan and monthly financial statement not later than the 15th day of the following month.

(2) In case the 15th day is a holiday, then, the deadline of delivery of implementation report of recovery plan as referred to in paragraph (1) shall be the first business day after that 15th day.

Article 51

(1) In case the Company predicts that its Solvency Level will not be met within the terms as set forth in the Financial Recovery Plan, the Company may amend its Financial Recovery Plan.

(2) The amendment of Financial Recovery Plan as referred to in paragraph (1) must obtain in advance a non-objection statement of the Minister.

(3) The Minister gives a non-objection statement of amendment of Financial Recovery Plan delivered by the Company at the latest 14 (fourteen) business days as of the receipt date of such amendment of Financial Recovery Plan as a whole.

(4) If within the term as referred to in paragraph (3) the Minister gives neither non-objection statement nor response, the Company may perform the amendment of Financial Recovery Plan as referred to in paragraph (1).

Article 52

The Minister may order the Company to transfer some or all insurance portfolios to other Companies, in case:

a. The Company cannot meet the provisions concerning the Solvency Level as referred to in Article 2 paragraph (1) and under a sanction of business line limitation; or
b. The Company has a Solvency Level less than 40% (forty per cent) and under a warning sanction.

CHAPTER IX
PROHIBITION

Article 53
(1) The Company is prohibited from returning subordinated loan or paying dividend to its shareholders if it will cause the failure of meeting the minimum target of Solvency Level as referred to in Article 2 paragraph (3).
(2) The Company is prohibited from paying dividend to its shareholders if it will cause the lesser amount of authorized capital under the required authorized capital provisions.
(3) The Company is prohibited from performing any transfer of asset to its shareholders or any party affiliated to the Company unless through an arm’s length transaction.

Article 54
(1) The Company is prohibited from placing:
   a. investment in any party affiliated with the Company greater than the amount limit as referred to in Article 10 paragraph (1);
   b. investment in an affiliate party yet such party is not affiliated with the Company greater than the amount limit as referred to in Article 10 paragraph (3); and
   c. investment abroad over the investment fund deriving from Insurance Product Related to Investment greater than the amount limit as referred to in Article 32 paragraph (1).
(2) In case the amount of investment is greater than the limit as referred to in paragraph (1) due to the increase in the value of such investment, the Company must adjust it back to the investment amount in accordance with the provisions as referred to in Article 10.
paragraphs (1) and (3) and Article 32 paragraph (1) within the latest 3 (three) months since the discovery of such increase of investment value.

Article 55

(1) The Company is prohibited from having investment abroad, unless in the form of investment as referred to in Article 4 paragraph (2).

(2) The Company is prohibited to have investment abroad greater than 20% (twenty per cent) of the total investment.

(3) In case the investment value abroad is greater than the limit as referred to in paragraph (2) due to the increase in such investment value, the Company must adjust the investment value back in accordance with the provisions as referred to in paragraph (2) within the latest 3 (three) months since the discovery of such increase in the investment value.

CHAPTER X
CLOSING PROVISIONS

Article 56

By the time this Regulation of Minister is in full effect and force:

a. Articles 21, 22, 28, and 31 of Ministerial Decree of Finance Number 422/KMK.06/2003 concerning the Organization of Insurance Company and Reinsurance Company Businesses;

b. Ministerial Decree of Finance Number 424/KMK.06/2003 concerning the Financial Performance of Insurance Company and Reinsurance Company as have several times been amended lately with the Regulation of Minister of Finance Number 158/PMK.010/2008;

c. Ministerial Decree of Finance Number 424/KMK.06/2003 concerning the Financial Performance of Insurance Company and Reinsurance
Company as has several times been amended lately with Regulation of Minister of Finance Number 158/PMK.010/2008

d. Ministerial Decree of Finance Number 504/KMK.06/2004 concerning the Financial Performance for Insurance Company in the Form of Non-Limited Liability Company Enterprise, are revoked and declared null and void.

Article 57

(1) This Regulation of Minister does not apply to a Company whose entire business are managed based on sharia principles or to the sharia unit of a Company whose parts of its business are based on sharia principles.

(2) The provision on Financial Performance for Company whose entire business are managed based on sharia principle or for sharia unit of a Company whose parts of its business are based on sharia principles are governed with a separate Regulation of Minister.

Article 58

This Regulation of the Minister of Finance shall come into force on January 1, 2013.

For public cognizance, this Regulation of the Minister of Finance shall be announced in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta
on April 3, 2012
MINISTER OF FINANCE
Signed by,
AGUS D.W. MARTOWARDOJO
Enacted in Jakarta
On April 3, 2012
MINISTER OF LAW AND HUMAN RIGHTS
Signed by
AMIR SYAMSUDIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2012 NUMBER 375