

**GOVERNMENT REGULATION
OF THE REPUBLIC OF INDONESIA
NUMBER 73 YEAR 1992
CONCERNING
INSURANCE BUSINESS CONDUCT
THE PRESIDENT OF THE REPUBLIC OF INDONESIA**

- Considering :
- a. that, in supporting the national development, the role of insurance in Indonesia is deemed necessary to be encouraged in order to be able to grow and develop without ignoring the sound and reliable business principle in performing their activities.
 - b. that, it is accordingly deemed necessary to regulate the insurance business conduct in a Government Regulation.

- In view of :
1. Article 5 pars, (2) of the 1945 Constitution;
 2. The Commercial Code (Staatablad Year 1847 Number 23) as amended and supplemented most recently by Law Number 4 Year 1971 concerning Amendment and Supplement of the Stipulations Article 54 of The Commercial Code (State Gazette Year 1971 Number 20; State Gazette Supplement Number 2959);
 3. Law Number 2 Year 1992 on Insurance Business (State Gazette of the Republic of Indonesia Year 1992 Number 13 and State Gazette Supplement of the Republic of Indonesia Number 3467);
 4. Law Number 25 of 1992 concerning System of Cooperatives (State Gazette Number 116 of 1992; State Gazette Supplement Number 3502);

D E C I D E S

To determine : GOVERNMENT REGULATION *OF THE* REPUBLIC OF INDONESIA ON INSURANCE BUSINESS CONDUCT

CHAPTER I
GENERAL PROVISION

Article 1

The terms hereunder shall have the meaning as follows :

1. Insurance Company is either Loss Insurance Company or Life Insurance Company.
2. Supporting Business Insurance Company is either Insurance Broker Company, Reinsurance Broker Company, Insurance Agents, Loss Adjuster Company, or Actuarial Consultant Company.
3. Own retention is a portion of the sum insured which shall not be ceded to reinsurance company, the portion of which must be retained on insurance company's own risk.
4. The Management is the board of directors for limited liability company or state owned limited liability company, or other term which equals to that for cooperative and mutual company.
5. Minister is the Minister of Finance of the Republic of Indonesia.

CHAPTER II
THE COVERAGE OF INSURANCE OBJECT

Article 2

Insurance objects in Indonesia shall only be covered by Insurance Company which has obtained Business License from the Minister, unless :

- a. No Insurance Company in Indonesia, either individually or as a group, shall have the capacity to cover the risks of the insurance objects; or
- b. No Insurance Company shall be willing to cover the insurance object;
- c. The Owners of the insurance object concerned is not Indonesian or Indonesian legal entity.

CHAPTER III
LICENSING OF INSURANCE BUSINESS COMPANY

P a r t O n e

General Requirements for Insurance Business Company

Article 3

(1) In carrying out its business activities, the Insurance Business Company shall comply with the following provisions :

- a. Its articles of association shall state that:
 1. The purpose of corporate establishment is only to carry out one type of insurance business activity;
 2. The company shall not provide any loan to the shareholders.
- b. organizational structure of the Company shall at least contain the following function :
 1. For the Insurance Company and the Reinsurance Company, they shall have risks management function, financial management function and service function;
 2. For the Insurance Broker Company and the Reinsurance Broker Company, they shall have financial management function and service function;
 3. For the Insurance Agent Company, the Loss Adjuster Company, and Actuarial Consultant Company, they shall have technical function, in accordance with the service field which is conducted.
- c. Its capital requirement shall in compliance with the prevailing regulation.
- d. Technical expert shall be adequately employed in accordance with its type of business activities.
- e. The corporate management shall be carried out in accordance with stipulations provided in this Government Regulation, which at least shall be

supported by :

1. Human resource development system;
2. Administration system;
3. Data management system.

(2) Further provisions concerning letter d and e shall be determined by the Minister.

Article 4

- (1) Member of the Board of Commissioners and the Board of Directors of insurance business company which its shares, either wholly or in majority owned by Indonesian, or Indonesian legal entity, shall all have to be Indonesian.
- (2) Member of the Board of Commissioners and the Board of Directors of insurance business company in which part of its capital represent direct foreign investment, shall have to be partly Indonesian and partly foreigner, or all Indonesian.

Article 5

1. It is required that any member of the Board of Commissioners as well as the Board of Directors should not have any misbehaved performance in insurance business, or had ever been penalized caused by insurance or economic crime charges in one part, and in the other part they should have the good and high moral standard of living.
2. At least a half of the total member of the Board of Directors shall have the knowledge and experience in underwriting.
3. Member of Board of Directors shall not have the same executive position in any other companies, except for the position in the Board of Commissioners.
4. Further provisions concerning para (2) shall be determined by the Minister.

Article 6

- (1) The paid-up capital for the company which its share are

whole owned by Indonesian citizen or Indonesian legal entity, shall be as follows :

- a. Rp 3,000,000,000.- (three billion rupiah), for General Insurance Company;
- b. Rp 2,000,000,000.- (two billion rupiah), for the Life Insurance Company;
- c. Rp 10,000,000,000.- (ten billion rupiah), for Reinsurance Company;
- d. Rp. 500,000,000.- (five hundred million rupiah), for Insurance Broking Company;
- e. Rp.500,000,000.- (five hundred million rupiah, for Reinsurance Broking Company.

(2) The paid-up capital for the joint venture companies shall be as follows :

- a. Rp 15,000,000,000.- (fifteen billion rupiah), for General Insurance Company;
- b. Rp 4,500,000,000.- (four billion and five hundred million rupiah), for Life Insurance Company;
- c. Rp 30,000,000,000.- (thirty billion rupiah), for Reinsurance Company;
- d. Rp 3,000,000,000.- (three billion rupiah), for Insurance Broking Company;
- e. Rp 3,000,000,000.- (three billion rupiah), for Reinsurance Broking Company;

(3) The direct investment of foreign party to the joint venture company at the stage of incorporation shall not exceed 80% of the total capital of the company.

(4) The shareholders of a Joint-Venture Company shall have a joint venture agreement in which they agree on the increment of shares ownership by the Indonesian shareholders.

Article 7

1. At the stage of incorporation, Insurance and Reinsurance Company shall deposit 20% of its minimum paid-up capital required in a nonaffiliated bank, in a form of automatically roll over time deposit.
2. Time deposit as stated in para (1) shall be the ultimate guarantee in protecting the interest of policyholders.
3. The deposit as stipulated in para (1) shall be under the name of the Minister qq. the name of the company concerned.
4. The deposit as stated in para (1) shall be adjusted from time to time, the amount of which shall be determined by the Minister in accordance with the increase of company's business volume.
5. After getting approval from the Minister, the deposit as stated in par& (1) can be disbursed, based on :
 - a. request from the liquidator during of the process of the liquidation; or
 - b. request from a company, which its Business License has been revoked, provided that all of such company's obligations have been fulfilled.

Article 8

- (1) The Insurance and Reinsurance company shall perform :
 - a. Human resources development which is expected to be enable to support the professional management of a company, sound business activities, ability to adapt technological development, and in organizing the orderly and reliable insurance business.
 - b. Financial administration which shall support financial management and the application of company's internal control.
 - c. Data management which shall support the application of risk management function, marketing, claim settlement and other services to the policyholders as well as to prepare the relevant, up to date and accurate data either for supervisory and direct examination purposes or for analysis any matter related to company's development.
- (2) The Insurance or Reinsurance Broking Company shall have to organize all items stipulated in para (1) letter a and b.

- (3) Loss Adjuster and Actuarial Consultant Company shall have to organize all items stipulated in para (1) letter a.
- (4) Further provisions concerning para (1), (2) and (3) shall be determined by the Minister.

Part two

Licensing of Insurance Business Company

Article 9

- (1) The licensing application procedures for the Insurance Company, is divided into 2 (two) stages, namely :
 - a. Principal Approval;
 - b. Business License.
- (2) Stipulation as provided in pars. (1) letter a shall not be applied to the Insurance Agent and Actuarial Consultant Company.
- (3) The application for Principal Approval shall be submitted to the Minister which to be completed with the following documents:
 - a. Article of incorporation which has been made and signed by Public Notary;
 - b. Structure of organization's plan;
 - c. Company's plan on the expert(s) employment;
 - d. Company's general working plan;
 - e. For a Joint Venture Company, the draft of joint venture agreement;
 - f. Insurance program to be released into the market, together with its reinsurance plan;
 - g. Copy of time deposit's placement as stated in article 7 para (1).
- (4) Principal Approval as mentioned in para (1) letter a shall be valid for a period of 1 (one) year.

- (5) The application for Business License shall be submitted to the Minister, which to be completed with the following documents :
- a. Article of incorporation of company which has been legalized by competent authority;
 - b. Organizational structure of the established company;
 - c. Evidence of the fulfillment of paid-up capital;
 - d. Evidence of expert employed by the company;
 - e. Company's working program, including the list of any preparations which have been made;
 - f. For a Joint Venture Company, a joint venture agreement which has been signed by the respective party;
 - g. Model of policy and insurance program to be released into the market, including premium formula and the reinsurance back up (for the Insurance Company);
 - h. Retrocession agreement (for the Reinsurance Company);
 - i. Agency contract by and between the Insurance Agent and the Insurance Company (for the Insurance Agent).
- (6) Further provisions concerning para (3) and para (4) shall be determined by the Minister.

Article 10

If within the period of 3 (three) months after the date of the Business License, the Insurance Business Company concerned shall have not begun its business activities, the Minister shall have the option to revoke the Business License which has ever been granted to such company.

CHAPTER IV

FINANCIAL SOUNDNESS

Article 11

- (1) Insurance and Reinsurance company shall have to maintain their respective Solvency Margin.

- (2) Solvency Margin stated in para (1) is the difference between Total Admitted Assets and Total Liabilities including the amount of paid-up capital required.
- (3) Further stipulations on Solvency Margin and Admitted Assets as stated in para (2) shall be determined by the Minister.

Article 12

- (1) Insurance or Reinsurance Company is required to have and apply its Own Retention, the amount of which shall be based on financial capacity and the rate of risk factor.
- (2) The General Insurance and Reinsurance Company shall have to keep the sound balance between the total net premium and the total gross premium as well as the net premium and the company's net worth.
- (3) Life Insurance Company which provides Personal Accident and Health Insurance Program shall have to keep the sound balance between the total net premium and total gross premium coming from the above mentioned programs as well as the balance between total net premium coming from such program and Company's net worth.
- (4) Further provisions concerning para (1), (2) and (3) shall be determined by the Minister.

Article 13

- (1) The Insurance or Reinsurance Company shall invest its funds in a secure and profitable types of investment, and such investment shall have the rate of liquidity in correspond to company's obligations.
- (2) The Minister shall decide types of investment *which* shall not be permitted to be made by the Insurance or Reinsurance Company.

Article 14

- (1) The Insurance and Reinsurance Company shall have to set insurance technical reserve in accordance with the type of insurance business they perform, namely :
 - a. The general insurance technical reserve, consist of reserve

on premium *which* has not been treated as income, and the claim reserve.

- b. The Life Insurance Premium Reserve, consist of premium reserve, annuity premium reserve, reserve on premium which has not been treated as income, and the claim reserve.
- (2) Further provisions concerning para (1) shall be determined by the Minister.

Article 15

- (1) Any insurance coverage, whose sum insured exceeds its Own Retention, shall have the reinsurance back up.
- (2) Reinsurance to overseas, either by the Insurance or the Reinsurance Broking Company, shall only be ceded to the reinsures which is proven to have met the requirement stipulated in the prevailing regulations.
- (3) The provision stated in para (1) shall also apply to the overseas' retrocession ceded by Reinsurance or Insurance Company.
- (4) The amount of direct premium earned in insurance company shall have to be bigger than the amount of indirect premium earned.
- (5) Further provisions concerning para (1), para (2), para (3) and pars, (4) shall be determined by the Minister.

Article 16

- (1) Any insurance treaty shall be made in writing and shall not provide any clause which promises to give definite benefit to the reinsurer.
- (2) Reinsurance treaty shall have a clause which stipulates that in case the insurance company is being under process of liquiudation, the right and obligation of such insurance company which arisen from reinsurance transaction, shall be managed by the liquidators concerned.

C H A P T E R V

B U S I N E S S O P E R A T I O N

Article 17

In marketing any insurance program, the disclosure of all relevant informations which shall not on the contrary to the stipulations provided in the policy, is strictly required, and such informations shall not be misleading.

Article 18

- (1) Prior to the selling of a new insurance program, the insurance company shall have to report to the Minister.
- (2) Insurance company shall not sell any new insurance program which cannot meet with the provisions stipulated in the Article 19 and Article 20.
- (3) Further provisions concerning para (1) shall be determined by the Minister.

Article 19

- (1) Policy, or any other name given to an insurance agreement, including its combined documents, shall not provide word or sentence which would cause different interpretation concerning the risks covered by such insurance, the obligation of the insurer and the insured, or to hamper the insured to claim his rights.
- (2) A policy or its combined documents shall provide detail disclosure on the amount of premium to be paid to the Insurance Company as well as to the Insurance Broking Company, respectively.
- (3) Further provisions concerning para (1) shall be determined by the Minister.

Article 20

- (1) The premium shall be decided at the rate which is neither inadequate, excessive nor discriminatory.
- (2) The rate of premium shall be deemed as inadequate, if :
 - a. the amount of premium earned is so small that shall not correspond to the benefit promised to the policy holder;
 - b. the accumulation of such premium earned shall endanger the company's

solvency;

- c. the application of such rate of premium shall jeopardize the sound and healthy competition in the market.
- (3) The rate of premium shall be deemed as excessive, if the amount of premium earned is so large which shall not properly correspond to the benefit promised to the policy holders.
- (4) The rate of premium shall be deemed discriminatory, if the rate of premium of a type of insurance, covering the same risk characteristics, applies differently among the policy holders.

Article 21

- (1) The rate of premium shall be determined based on a sound underwriting procedure.
- (2) Further provisions concerning para, (1) shall be determined by the Minister.

Article 22

- (1) The insurance premium can be directly paid by the insured to the Insurance Company, or through the Insurance Broking Company on behalf of the insured.
- (2) In case the insurance premium is paid *through* the Insurance Broking Company, such Insurance Broking Company shall have to pay the premium concerned to the Insurance Company within the premium payment's time limit stipulated in the respective policy.
- (3) In case the payment of insurance premium by the Insurance Broking Company to the Insurance Company is beyond the time limit stipulated in the policy, such Insurance Broking Company shall bear the responsibility to pay any claim arisen from the damage or loss occurred during the absence of insurance premium payment which should have been paid by such Insurance Broking Company in accordance with the stipulation provided in para (2).

Article 23

- (1) Insurance or Reinsurance Company shall or shall not commit any action which might cause the claim settlement and or payment procedure become longer.
- (2) In applying the claim settlement of an insurance, the insured has the right to appoint any other party, including the Insurance Broking Company who has served as intermediary to cover the insurance concerned.

- (3) Further provisions concerning para (1) shall be determined by the Minister.

Article 24

- (1) The Insurance Broking Company is obliged to give an open and clear information to the insured concerning the insurance object covered, and honestly inform the relevant stipulation covered in the respective policy, including the right and obligation of the insured.
- (2) The Insurance Broking Company may not issue policy or any type of insurance coverage document.
- (3) The Insurance Broking Company shall maintain the sound balance between the premium amount which has not been paid to the Insurance Company and company's net worth.
- (4) Further provision^s concerning para (3) shall be determined by the Minister.

Article 25

- (1) The Reinsurance Broking Company is obliged to give an open and clear information to the reinsurer concerning the insurance object covered, and clearly inform the ceding company concerning its right and obligation.
- (2) The Insurance Broking Company shall pay or transfer the premium from the ceding company to the reinsures within the premium payment's time limit stipulated in the reinsurance treaty.

Article 26

- (1) In carrying out its business activity, the Loss Adjuster Company shall apply the required skill and expertise based on the prevailing respective professional ethics.
- (2) In carrying out its business activity, the Actuarial Consultant shall apply the required skill and expertise based on the prevailing respective professional ethics.
- (3) The Minister shall have the option to give directives to the Loss Adjuster Company and the Actuarial Consultant in formulating their respective professional ethics stated in para (1) and para (2).

Article 27

- (1) Insurance Agent shall only have the right to represent one insurance company.
- (2) Insurance Agent must have an agency contract with Insurance Company whom such Agent represents to.
- (3) Any action taken by Insurance Agent which related to insurance transaction shall be the responsibility of the represented Insurance Company.
- (4) Insurance Agent shall give an honest and clear informations on the insurance program to be sold, the relevant stipulations provided in the policy, including the right and obligation of the policy holders.

Article 28

- (1) The Insurance Business Company shall have the right to employ foreign expert as technical expert, advisor or consultant, provided that :
 - a. such employment is deemed necessary in order to implement a certain project related to the operational underwriting activities of the company;
 - b. the project stated in letter a shall not exceed 5 (five) year term.
- (3) Joint Venture Company as described in article 6 para (3) shall have the right to employ foreign expert as an executive manager other than member of the Board of Directors, provided that :
 - a. such foreign expert shall hold a position which is still not be able to be managed by the Indonesian;
 - b. such foreign expert shall have prepared the Indonesianization plan through education and training program.
- (3) Apart from requirement stipulated in para (1) and para (2), the employment of foreign expert shall be in compliance with the prevailing regulation on man power.
- (4) Further provisions concerning para (2) shall be determined by the Minister.

Article 29

- (1) Only the establishment a branch office of the Insurance Business Company, whose activity shall have the authority to reject or to sign insurance policy and to pay or to reject a claim, which needs prior approval from the Minister.
- (2) To apply for such approval as stated in para (1), the Insurance and

Reinsurance Company shall meet the requirement of solvency margin.

- (3) Branch office as stated in para (1) shall have the technical experts and suitable administrative as well as data management system.
- (4) Prior to establishment of any office other than office as stated in para (1), the Insurance and Reinsurance Company shall have to report to the Minister concerning its plan to establish such office.
- (5) Any establishment of branch office by the Supporting Business Insurance Company shall have to be reported in advance to the Minister.

Article 30

- (1) The approval of branch office's establishment as stated in article 29 para (1) can be revoked if within the period of 2 (two) months since the date of approval, such branch office shall have not begun its business activities.
- (2) The Insurance Business Company shall have to submit a written report to the Minister upon the dissolution of its office as stated in article 29.

Article 31

- (1) Any deviation from the requirement which have formerly been fulfilled in order to obtain the Business License, shall have to be reported to the Minister.
- (2) If the Minister considers that the deviation stated in para (1) is not in compliance with this Government Regulation or its implementing regulation, the Minister shall ask the company to restore the situation in order to be in line with the prevailing regulations.
- (3) Further provisions concerning para (1) and (2) shall be determined by the Minister.

CHAPTER VI

SOCIAL INSURANCE PROGRAM ARRANGEMENT

Article 32

- (1) Social Insurance Program is an insurance program which shall have to be obligatory performed based on a law provided merely for such purpose.
- (2) The Social Insurance Program as stated in para (1) shall only be performed by the state owned limited liability company.

Article 33

The Insurance Company which performs the Social Insurance Program shall not be permitted to carry out other insurance program.

Article 34

This Government Regulation with its implementing regulation shall also apply to the Insurance Company which performs the social insurance program.

Article 35

- (1) The Insurance Company, which on the date of the enactment of this Government Regulation has already performed social insurance program, shall be obliged to adjust its activities in compliance with the prevailing regulations.
- (2) Further provision concerning para (1) shall be determined by the Minister.

CHAPTER VII

MERGER AND CONSOLIDATION

Article 36

- (1) The Insurance or Reinsurance Company which shall be merged or consolidated, shall have obtained a prior approval from the Minister.
- (2) Merger or consolidation as stated in para (1) can only be applied by and between :

- a. A General Insurance Company and other General Insurance Company or Reinsurance Company, in order to form a General Insurance Company;
 - b. A Reinsurance Company and other Reinsurance Company or General Insurance Company, in order to form a Reinsurance Company; or
 - c. A Life Insurance Company and other Life Insurance Company in order to form a Life Insurance Company.
- (3) The requirement to obtain the approval for merger or consolidation are as follows :
- a. Merger or consolidation concerned shall not minimizing the right of the policy-holders;
 - b. Financial conditions of the merged or consolidated company shall meet the requirement on solvency margin.
- (4) The application procedure for approval of merger or consolidation shall be further determined by the Minister.

CHAPTER VIII

S A N C T I O N

Article 37

Any Insurance Business Company which is not in compliance with this Government Regulation and its implementing regulation concerning the licensing, financial soundness, operational performance, report submittance, publication of company's Balance Sheet together with Profit and Lose Statement, or related to the provision on direct examination, is subject to the following sanctions : written warning, business restriction and Business License cancellation.

Article 38

- (1) Notwithstanding the stipulation provided in article 37, it is further stipulated that :
- a. Any Insurance or Reinsurance Company which fails to submit its yearly financial report and yearly operational report, and or fail to publicize its balance sheet together with the income statement within a certain period of time which shall be further determined, is subject to a fine of Rp 1,000,000.- (one million rupiah) for every one day the company exceeds the stipulated limit of time in submitting such reports.

b. Any Insurance Broking Company or Reinsurance Broking Company which fails to submit its annual financial report and yearly operational report within a certain period of time which shall be further determined, is subject to an administrative fine of Rp 500,000.- (five hundred thousand rupiah) for every one day the company exceeds the stipulated limit of time in submitting such reports.

(2) Further provision concerning para (1) shall be determined by the Minister.

Article 39

(1) The administrative fine shall cease on the date the company pays such fine to the State Treasury, followed by the submittance of the annual financial report, operational report and the publication of company's balance sheet as provided in the Article 38, within 2 (two) working days after the date of such payment.

(2) In case the company shall have submitted the annual-financial report and operational report, or its balance sheet has also been publicized, but the administrative fine still remains unpaid, such amount of fine shall be treated as company's debt in its current balance sheet.

Article 40

If an Insurance Business Company has been fined due to the negligence as stipulated in the Article 38 for a continuing period of 90 (ninety) days, further sanction of Restriction on Business Activities shall be applied to such company, without discharging the obligation to pay the imposed fine.

Article 41

(1) Sanction of giving a written warning shall be applied after any violation to Article 37 occurs.

(2) Such written warning shall be given for not more than 3 (three) times consecutively, within the period of not longer than 1 (one) month, respectively.

(3) If the final written warning has been given to a company and the company it is still not be able to comply with the prevailing regulations, further sanction of Restriction on Business Activities shall be applied.

Article 42

- (1) The sanction of Restriction on Business Activities as stipulated in the Article 41 para (3) shall be imposed for a period of not longer than 12 (twelve) months.
- (2) During the period as stated in para (1), the minister shall have the option, if it is deemed necessary, to ask the company to prepare a recovery working program which shall be submitted to the Minister not later than 3 (three) months after such notice has been given to the company.
- (3) In case the Insurance Business Company shall be able to overcome the situation or condition which caused the imposition of the Restriction on Business Activities 'sanction during the period as stipulated by the Minister, such sanction imposition shall be immediately revoked.
- (4) In the event the company shall not be able either to overcome the situation or condition which caused the imposition of the Restriction on Business Activities 'sanction, or to realize the recovery working plan as stipulated in para (2) within the time period stated in para (1), such company shall be regarded as being unable to overcome the situation or condition which caused the imposition of the sanction concerned, and therefore such company's Business License shall be revoked by the Minister.

Article 43

- (1) The Minister shall have the option to revoke the Insurance Broking Company's Business License due to the negligence of such company in paying the premium as stipulated in Article 22 para (3)
- (2) Notwithstanding the Article 41 and Article 42, the revocation of the Insurance Broking Company's Business License shall only be executed in the following stage of procedures :
 - a. A written warning sanction shall be imposed by the Minister immediately after the company's obligation to pay the claim as stated in Article 22 para (3) has been identified;
 - b. The Restriction on the Business Activities 'sanction shall be imposed, if the company within 30 (thirty) days after the written warning sanction stated in para (a) shall have not paid the claim as stated in Article 22 para (3);
 - c. The company's Business License shall be revoked, if after 1 (one) month after the date of the imposition of sanction as stated in letter b, the Insurance Broking Company shall have not been able to meet the obligation to make the claim payment in compliance with Article 22 para (3).
 - d. In case the company shall have been able to pay the claim as stipulated in Article 22 para (3) prior to the cancellation of

its Business License, the Minister shall revoke the sanction of Restriction on Business Activities which has formerly been imposed.

- (3) If the provision as referred to in Article 22 para (3) applies for the second time to an Insurance Broking Company, the latest infringement shall be deemed as the continuance of the previous ones, for which, the sanction to be imposed to such company shall be the next stage of sanction which has ever been imposed, instead of repeating from the stage of written warning's sanction.

Article 44

- (1) Business License which has ever been granted to any Insurance Business Company prior to the enactment of this Government Regulation, shall remain valid, the owner of which shall have to adjust their existence and operations in accordance with this Government Regulation and its implementing regulations.
- (2) The Insurance Broking Company shall have to renew its respective Business License, either as an Insurance Broking Company or a Reinsurance Broking Company.
- (3) Further provisions regarding para (1) and para (2) shall be determined by the Minister.

Article 45

The implementing regulation of the Presidential Decree Number 40 Year 1988 on General Insurance Business and any other regulation, shall no longer be valid on the date of the enactment of each succeeding regulation under this Government Regulation.

CHAPTER X

CLOSING PROVISION

Article 46

By the enactment of this Government Regulation, it is declared that the Presidential Decree Number 40 Year 1988 on the General Insurance Business shall no longer be valid.

Article 47

This Government Regulation shall come into force on the date of its enactment.

For public purpose, this Government Regulation shall be issued in the State Gazette of the Republic of Indonesia.

Issued in Jakarta, on 30 October 1993

Enacted in Jakarta
on 30 October 1993

The President of the
Republic of Indonesia

Signed by
Minister/Secretary of State
MOERDIONO

Signed by President of
The Republic of Indonesia
S O E H A R T O

ELUCIDATION ON
GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA
NUMBER 73 YEAR 1992
CONCERNING
INSURANCE BUSINESS CONDUCT
THE PRESIDENT OF THE REPUBLIC OF INDONESIA

G E N E R A L

In order to increase the implementation of National Development which is based on self capabilities, efforts is required to regulate the financial institutions in order to make them enable to carry out their functions in providing financial services which are needed by the public and business activities, and get the real public trust for their strength and reliability, so that they have bigger role in supporting the economic growth , expand the even distribution and output of the development including the expansion of business and job opportunity.

By the enactment of Law Number 2 of 1992 concerning Business of Insurance, there has been one set of regulation for insurance industry as one of the financial institution elements, which is expected to cope with risk faced by the public as well as to opportunity to any party who really intends to do insurance business , as well as stressing that such business activity is based on sound and responsible principles, notwithstanding the public interest in general or particularly, the insured.

Therefore, in carrying out their activities, the Insurance Business Companies are still necessary to maintain their compliance with the prevailing business regulation, including the level of soundness of the business, as stipulated in this Government Regulation.

ARTICLE BY ARTICLE

Article 1

Sufficiently clear

Article 2

Basically, each insurance object in Indonesia shall be covered by Insurance Companies in Indonesia. However, if there is no Insurance Company which could or is able to carry out insurance coverage on object in question, this coverage could be

carried out by Insurance Companies domiciled abroad.

Article 3

Paragraph (1)

Articles of association shall strictly state the type of insurance business which will be conducted.

The examples of the prevailing laws in letter c, are the Law Number 2 of 1992 on Insurance Business and its implementing regulations, as well as Indonesian Commercial Code (KURD).

Paragraph (2) Sufficiently clear.

Article 4

Paragraph (1)

Sufficiently clear.

Paragraph (2) Sufficiently clear.

Article 5

Paragraph (1)

Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Paragraph (4) Sufficiently clear.

Article 6

Paragraph (1)

In this Government Regulation, the term of paid up capital shall be the paid up capital of limited liability company, or primary saving and compulsory saving of cooperative, or initial fund of the mutual company.

The provision of capital requirement shall not apply to Insurance Agent Company, Loss Adjuster Company, and Actuarial Consultant

Company because professionalism tends to be more dominant in their business activities. Therefore, the capital factor is expected to be fulfilled by themselves in accordance with the needs of the respective company in carrying out their activities.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Paragraph (4)

If there are changes of share ownership, the new shareholders must obey and bind themselves with the joint venture agreement which have been made by the founders, of which among other contains the increment plan of ownership of the Indonesian party.

The increasing of ownership by the Indonesian party could be performed by among others, selling shares from foreign party to Indonesian party, adding the paid up capital only by the Indonesian party, and or go public.

Article 7

Paragraph (1)

Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3)

Interest or any other income accruing from the fund deposited under the name of the Minister shall become the right of respective company.

Paragraph (4) Sufficiently clear.

Paragraph (5) Sufficiently clear.

Article 8

Paragraph (1)

Human resources development as stated in paragraph (1) letter a shall also include the enhance of knowledge and skill of Insurance Agent who shall carry out marketing activities for and on behalf of an Insurance Company.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Paragraph (4) Sufficiently clear.

Article 9

Paragraph (1)
Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Paragraph (4)
Before the ending of ¹ (one) year period, Insurance Business Company shall make further preparation by themselves in order to apply for their respective Business Licenses.

Paragraph (5)
The defined term of retrocession in letter shall be the reinsurance on reinsurance coverage.

Paragraph (6) Sufficiently clear.

Article 10

Paragraph (1)
Sufficiently clear.

Article 11

Paragraph (1)
Sufficiently clear.

Paragraph (2)
Sufficiently clear.

Paragraph (3)
Sufficiently clear.

Article 12

Paragraph (1)
Sufficiently clear.

Paragraph (2)

In this paragraph, the term of gross premium shall be the total direct premium written plus the indirect premium written, subtracted with the brokerage Commissions. Net premium shall be the difference between gross premium and the reinsurance paid which excludes the brokerage commissions.

Calculation Example :

A company receive direct premium written Rp 1,000.- with 20% broker commissions. 50% of the direct coverage is reinsured. The company receive the reinsurance commission 25 % of the reinsurance premium paid. Besides, the company also receive indirect premium written Rp 300,- with 25% reinsurance commission paid. Therefore, the gross premium and the net premium as stated in this paragraph is as follows :

DIRECT PREMIUM WRITTEN:

a. Premium received = Rp. 1,000.-

b. Brokerage commission (20%)= Rp. 200.-

REINSURANCE COVERAGE:

c. Reinsurance premium paid (50% x a) = Rp. 500

d. reinsurance commissions received (25% x e) = Rp. 125

INDIRECT PREMIUM WRITTEN:

e. premium received = Rp. 300

f. commission paid (25% x e) = Rp. 75

GROSS PREMIUM = direct premium written - direct commission coverage
+ indirect premium written + indirect cpmmission coverage

= [a-b] + [e-f]

= [Rp 1.000 - Rp 200] + [Rp 300 - Rp 75]

= Rp 1.025

NET PREMIUM = GROSS PREMIUM - reinsurance premium paid -
reinsurance commission coverage

= Rp 1.025 - [Rp 500 - Rp 125] = Rp 650

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Article 13

Paragraph (1)

Most of fund which is invested by Insurance Company or Reinsurance Company comes from the public and shall be related to the obligations of the company to the insured. Therefore, an investment shall be managed in a manner which takes into considerations the legal aspects, the level of risks, the level of profit, and the liquidity rate which shall be in line with the obligations to be fulfilled. Therefore, the Minister shall determine types of investment which permitted to be conducted, for example deposits, shares and bonds traded in Stock Exchange in Indonesia.

Paragraph (2) Sufficiently clear.

Article 14

Paragraph (1)

Technical reserve indicates the obligations of Insurance Company or Reinsurance Company as a result of an insurance transaction. By the provision of this Article, Loss Insurance Company shall have the following technical reserves :

- unearned premium reserves, which is a part of the current insurance premium.
- claim reserves.

Life Insurance Company, based on the types of insurance programs which released into the market, shall have technical reserves as follows :

- premium reserves,
- annuity premium reserves,
- unearned premium reserves,
- claim reserves.

Reinsurance Company, based on the types of insurance covered by reinsurance, shall have technical reserves as follows:

- unearned premium reserves,
- premium reserves,
- claim reserves.

Paragraph (2) Sufficiently clear.

Article 15

Paragraph (1)
Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Paragraph (4) Sufficiently clear.

Paragraph (5) Sufficiently clear.

Article 16

Paragraph (1)
The provision in this paragraph prohibits a reinsurance agreement which shall enable the reinsures to receive an amount which shall definitely not be less than certain amount, regardless the amount of claim assured in the reinsurance treaty concerned.

Paragraph (2) Sufficiently clear.

Article 17

The term of marketing of insurance programs is every

activity which directly or indirectly attract prospective insures, including the promotion activities, advertisement, brochure, prospectus.

Article 18

Paragraph (1) Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Article 19

Paragraph (1) Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Article 20

Paragraph (1) Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Paragraph (4) Sufficiently clear.

Article 21

Paragraph (1) Sufficiently clear.

Paragraph (2) Sufficiently clear.

Article 22

Paragraph (1)

The term of direct payment of insurance premium to the Insurance Company shall mean every payment made either directly to the Insurance Company or through an intermediary appointed by the Insurance Company, such as Insurance Agents, banks, and other institution deemed as equal thereto.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Article 23

Paragraph (1)

Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Article 24

Paragraph (1)

Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Paragraph (4) Sufficiently clear.

Article 25

Paragraph (1) Sufficiently clear.

Paragraph (2) Sufficiently clear.

Article 26

Paragraph (1) Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Article 27

Paragraph (1) Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Paragraph (4) Sufficiently clear.

Article 28

Paragraph (1) Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Paragraph (4) Sufficiently clear.

Article 29

Paragraph (1) Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Paragraph (4) Sufficiently clear.

Paragraph (5) Sufficiently clear.

Paragraph (6) Sufficiently clear.

Article 30

Paragraph (1) Sufficiently clear.

Paragraph (2) Sufficiently clear.

Article 31

Paragraph (1)
Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear. Article 32

Paragraph (1)

This provision implies that the Social Insurance Program is based on separate law and its implementation is obligatory.

Paragraph (2) Sufficiently clear.

Article 33

Sufficiently clear.

Article 34

Sufficiently clear.

Article 35

Paragraph (1)
Sufficiently clear.'

Paragraph (2) Sufficiently clear.

Article 36

Paragraph (1)
Sufficiently clear.

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Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Article 37

Paragraph (4) Sufficiently clear Article 37

Sanction on restriction of business activities could be among other in the form of:

- a. The prohibition to cover a new insurance policy for Insurance Company;
- b. The prohibition to cover a new insurance retrocession for Reinsurance Company;
- c. The prohibition to carry out an intermediary service for Insurance Broking Company and Reinsurance Broking Company;
- d. The prohibition to carry out actuarial consultant service for Actuarial Consultant Company;
- e. The prohibition to carry out loss adjuster service for Loss Adjuster Company;
- f. The prohibition to carry out marketing service for Insurance Agent.

Article 38

Paragraph (1)
Sufficiently clear.

Paragraph (2) Sufficiently clear.

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Article 39

Paragraph (1)
In the event the report is submitted by using the delivery service, the 2 (two) working days' time limit shall commence on the date of the fine payment until the date of such delivery.

The 2 (two) working days' time limit applied for the publicized balance sheet and income statement in daily newspaper, shall commence on the date on which the request to publicize the balance sheet and income statement is accepted by the daily newspaper concerned.

Paragraph (2) Sufficiently clear.

article 40

Sufficiently clear.

article 41

Paragraph (1)
Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Article 42

Paragraph (1)
Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Paragraph (4) Sufficiently clear.

Article 43

Paragraph (1)
Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Article 44

Paragraph (1)
Sufficiently clear.

Paragraph (2) Sufficiently clear.

Paragraph (3) Sufficiently clear.

Article 45

Sufficiently clear.

Article 46

Sufficiently clear.