

**DECREE OF THE MINISTER OF FINANCE OF
THE REPUBLIC OF INDONESIA
NO. 426/KM K.06/2003**

**CONCERNING
LICENSING AND INSTITUTION OF INSURANCE
AND REINSURANCE COMPANIES**

THE MINISTER OF FINANCE

Considering :

- a. that in the framework of keeping up with the development in national insurance industry, it is deemed necessary to make a comprehensive adjustment to the provisions concerning Licensing of Insurance and Reinsurance Companies as stipulated in the Decree of the Minister of Finance No. 223/KMK.017/1993 year 1993;
- b. that based on the aforesaid consideration in paragraph (a), a Decree of the Minister of Finance needs to be issued concerning Licensing and Institution of Insurance and Reinsurance Companies;

In view of :

1. Law No. 2 year 1992 concerning Insurance Business (State Gazette No. 13 year 1992, Supplement No. 3467);
2. Government Regulation No. 73 year 1992 on Insurance Business Conduct (State Gazette No. 120 year 1992, Supplement No. 3506), as amended by Government Regulation No. 63 year 1999 (State Gazette No. 118 year 1999, Supplement No. 3861);
3. Presidential Decree No. 228/M year 2001;

HAS DECIDED:

To enact : **DECREE OF THE MINISTER OF FINANCE CONCERNING LICENSING AND
INSTITUTION OF INSURANCE AND REINSURANCE COMPANIES**

**CHAPTER 1
GENERAL PROVISION**

Article 1

In this Decree of the Minister of Finance, the following terms shall have meanings as follows:

1. The *Syariah* Principle is a principle based on Moslem laws to be used for an agreement between an Insurance or Reinsurance Company with another party when receiving instructions to manage the participant's funds through investment or other undertakings according to the *Syariah*.
2. Board of Directors is that of a limited liability company or state-owned enterprise or its equivalent of a cooperative and joint undertaking.
3. Board of Commissioners is that of a limited liability company or state-owned enterprise or its equivalent of a cooperative and joint undertaking.

4. Marketing office is an office other than a branch as stated in Article 29 paragraph 4, Government Regulation No. 73 year 1992 concerning Insurance Business Conduct as amended by Government Regulation No. 63 year 1999.
5. Association is an association of Non-Life Insurance, Life Insurance or Reinsurance Companies.

CHAPTER 2 BUSINESS LICENSE

Part One Requirements and Procedures to Obtain Business License For Conventional Insurance and Reinsurance Companies

Article 2

1. To obtain the business license an Insurance or Reinsurance Company shall file an application in writing to the Minister, enclosing :
 - a. proof evidencing fulfillment of the requirement as stated in Article 6, 7 and 9, Government Regulation No. 73 year 1992 concerning Insurance Business Conduct as amended by Government Regulation No. 63 year 1999; and
 - b. other supporting documents covering :
 1. organization chart and management, including their job description and
 2. balance and supporting documents and projection of its balance sheets, income statement and cash flows, accompanied by reasonable assumptions for the next period of at least 3 (three) years;
 3. manpower planning, including human resources development for the next period of at least 3 (three) years;
 4. bio data of the Directors, Commissioners and expert staff and the supporting proof thereof;
 5. statement of single employment for the Directors and expert staff,
 6. Taxpayer Identification Code Number (NPWP) of the company, the Directors, Commissioners and shareholders;
 7. proof of paid-up capital;
 8. proof of collateral deposit placed;
 9. description of the administrative system and data processing system;
 10. complete address of the company; and
 11. statement made by the shareholders that the capital funds do not come from criminal acts stated in the Money Laundering Law.
2. Besides the requirement stated in paragraph 1 hereof, an Insurance or Reinsurance Company where there is direct placement of a foreign party shall also fulfill the following provisions :
 - a. having at least Arating or its equivalent from a rating agency with international recognition;
 - b. having an equity of at least 5 (five) times of the amount of the direct placement in the Insurance or Reinsurance Company yet to be established;
 - c. submit the audited financial statements for the last 2 (two) years showing sound financial condition; and
 - d. submit a copy of cooperation agreement between the Indonesian and the foreign party in the Indonesian language, covering at least the following points :
 1. capital structure as stated in Article 6 paragraph 3, Government Regulation No. 73 year 1992 concerning Insurance Business Conduct as amended by

- Government Regulation No. 63 year 1999;
2. composition of the Board of Commissioners and Directors as stated in Article 4 paragraph 2, Government Regulation No. 73 year 1992 concerning Insurance Business Conduct as amended by Government Regulation No. 63 year 1999; and
 3. obligation of the foreign partner to set up and carry out education and training programs in the respective field.

Part Two
Requirements and Procedures to Obtain Business License
For Insurance and Reinsurance Companies With *Syariah* Principle

Article 3

Any party may run insurance or reinsurance business with *Syariah* Principle by way of:

- a. new establishment of Insurance or Reinsurance Company with *Syariah* Principle;
- b. conversion of an Insurance or Reinsurance Company with conventional principle into an Insurance or Reinsurance Company with *Syariah* Principle;
- c. setting up of new branch office with *Syariah* Principle of an Insurance or Reinsurance Company with conventional principle;
- d. conversion of a branch office with conventional principle of an Insurance or Reinsurance Company with conventional principle, into a branch office with *Syariah* Principle of the Insurance or Reinsurance Company with conventional principle.

Article 4

1. To establish an Insurance or Reinsurance Company as stated in Article 3 letter a hereof, the requirements stated in Article 2 hereof shall be fulfilled.
2. Conversion of an Insurance or Reinsurance Company as stated in Article 3 letter b hereof shall meet the requirements stated in Article 2 hereof and shall be subject to the following provisions :
 - a. such action does not cause the insured or policyholders to sustain losses;
 - b. inform the policyholders regarding such conversion;
 - c. transfer the insurance portfolio to another insurance company with conventional principle or pay its cash value, in the event the insured or policyholder is unwilling to be the insured or policyholder of an insurance company with *Syariah* Principle.
3. In addition to the requirements stated in paragraph 1 hereof, establishment or conversion of an Insurance or Reinsurance Company with *Syariah* Principle shall also be accompanied by:
 - a. supporting document evidencing the expertise in insurance and or *Syariah* economics of the expatriate staff to be employed;
 - b. proof of ratification from the National *Syariah* Council concerning the appointment of a member of the Company's *Syariah* Supervisory Council;
 - c. proof of ratification of the Company's *Syariah* Supervisory Council on the insurance program to be launched, covering at least :
 1. basis for computation of the premium rate, premium reserve and asset share or profit testing for a Life Insurance Company;
 2. basis for computation of the official premium rates, premium reserve and projected underwriting for a Non-Life Insurance Company;
 3. method of marketing;
 4. plan of automatic reinsurance support for an Insurance Company and plan of retrocession for a Reinsurance Company; and
 5. sample of policy, insurance application and brochures

- d. financial guidelines according to *syariah* covering at least the method of investment, either limitation for the type or amount;
- e. operating guidelines according to *syariah* covering at least the distribution of risk;
- f. proof evidencing fulfillment of the requirements stated in paragraph 2 hereof for the conversion of an Insurance or Reinsurance Company stated in Article 3 letter b hereof.

Part Three
Granting or Rejection of Application for Business License

Article 5

1. Granting or rejection of an application for business license of an Insurance or Reinsurance Company shall be determined not later than 30 (thirty) working days after the application is completely received.
2. Such rejection as stated in paragraph 1 hereof shall be accompanied with explanation in writing.

Article 6

An Insurance or Reinsurance Company whose application for business license is rejected may request that its collateral deposit be refunded as stipulated in Article 7 paragraph 1. Government Regulation No. 73 year 1992 on Insurance Business Conduct, as amended by Government Regulation No. 63 year 1999.

Article 7

An Insurance or Reinsurance Company shall submit its program for automatic reinsurance support not later than 30 (thirty) working days after the date the business license is granted.

CHAPTER 3
INSTITUTION

Part One
Organization Structure

Article 8

The organization structure of an Insurance or Reinsurance Company shall fulfill the following requirements :

- a. at least it reflects clearly the functions of risk management, financial management and services separately;
- b. completed with job description, authority, responsibility, and working procedures of each unit within the organization.

Part Two
Board of Directors, Commissioners and Shareholders

Article 9

An Insurance or Reinsurance Company shall have at least 2 (two) members of the Board of Directors.

Article 10

An Insurance or Reinsurance Company shall have at least 1 (one) independent commissioner, namely commissioner who is not related by affiliation to the shareholders and or the Board of Directors.

Article 11

1. Every member of the Board of Directors, Commissioners or shareholder of the Insurance or Reinsurance Company shall pass the fit and proper test.
2. In the event the provision concerning the fit and proper test for shareholders has not yet been in force, shareholders who are not included in the list of outlaws in banking shall be deemed to have fulfilled the said provision.

Part Three
Fellowship

Paragraph 1
Fellowship In Non-Life Insurance

Article 12

1. A Non-Life Insurance Company shall employ a fellow in non-life insurance.
2. Such non-life insurance fellow as stated in paragraph 1 hereof shall fulfill the following requirements :
 - a. qualified in non-life insurance management as certified by the Association of Insurance Fellow of Indonesia (AAMAI) or similar association from overseas duly recognized by AAMAI;
 - b. experienced in risk management for at least 3 (three) years;
 - c. not under sanction imposed by the association of his profession; and
 - d. registered in the Directorate General of Financial Institutions as in non-life insurance fellow.

Article 13

1. Such non-life insurance fellow as stated in Article 12 hereof shall evaluate the technical aspect of non-life insurance business.
2. In performing his task, the fellow shall refer to the prevailing standard practices and professional code of ethics.

Article 14

An Insurance or Reinsurance Company shall only employ an insurance fellow who has undergone education and or training on the insurance program marketed.

Paragraph 2 Fellowship In Life Insurance

Article 15

1. A Life Insurance Company shall appoint at least 1 (one) life insurance fellow.
2. Such life insurance fellow as stated in paragraph 1 hereof shall fulfill the following requirements:
 - a. qualified in life insurance management as certified by the Association of Insurance Fellow of Indonesia (AAMAI) or similar association from overseas duly recognized by AAMAI;
 - b. experienced in risk management for at least 3 (three) years;
 - c. not under sanction imposed by the association of his profession;
 - d. registered in the Directorate General of Financial Institutions as expert in life insurance.
3. Such life insurance fellow as stated in paragraph 1 hereof shall evaluate the technical aspect of life insurance business.

Article 16

1. A Life Insurance Company shall appoint an actuary as the company actuary.
2. Such actuary as stated in paragraph 1 hereof shall fulfill the following requirements
 - a. qualified actuary from the Association of Indonesian Actuaries or similar association from overseas which is registered as full member of the International Association of Actuaries and recognized by the Association of Indonesian Actuaries;
 - b. experienced as insurance actuary for at least 3 (three) years;
 - c. recommended by the Association of Indonesian Actuaries as being fit for work in a Life Insurance Company in Indonesia, for a non-member of the Association of Indonesian Actuaries; and
 - d. registered in the Directorate General of Financial Institutions as actuary.

Article 17

1. The company actuary as stated in Article 16 paragraph 1 hereof shall evaluate the liabilities of a Life Insurance Company and other actuarial aspects.
2. In performing his task, the company actuary shall refer to the prevailing standard practices and professional code of ethics.

Article 18

A Life Insurance Company shall appoint an Actuarial Consulting Company that is not related by affiliation to the life insurance company concerned to evaluate its liabilities at least once in 3 (three) years.

Paragraph 3
Fellowship in Reinsurance Company

Article 19

1. A Reinsurance Company shall appoint a non-life reinsurance fellow.
2. Such fellow as stated in paragraph 1 hereof shall fulfill the following requirements:
 - a. qualified as non-life insurance fellow as certified by the Association of Insurance Fellow of Indonesia (AAMAI) or similar association from overseas duly recognized by AAMAI;
 - b. experienced in risk management for at least 3 (three) years;
 - c. not under sanction imposed by the association of his profession; and
 - d. registered in the Directorate General of Financial Institutions as non-life insurance fellow.

Article 20

1. Such fellow as stated in Article 19 paragraph 1 hereof shall evaluate the technical aspect of reinsurance business.
2. In performing his task, the fellow shall refer to the prevailing standard practices and professional code of ethics.

Paragraph 4
Appointment, Termination and Replacement
of Fellowship or Company Actuary

Article 21

1. An Insurance and Reinsurance Company shall report the appointment of an insurance fellow or company actuary to the Minister not later than 14 (fourteen) days after such appointment.
2. If, within 14 (fourteen) days after receipt of the report of such appointment as stated in paragraph 1 hereof, the Minister does not give any comments, then the reporting of appointment of the fellow or company actuary shall be deemed to have been completed.

Article 22

1. An Insurance or Reinsurance Company shall terminate the insurance fellow or company actuary who violates the laws in insurance not later than 7 (seven) days after such violation is detected.
2. An Insurance or Reinsurance Company that terminates the insurance fellow or company actuary as stated in paragraph 1 hereof shall appoint a replacement for the terminated fellow or actuary and report it to the Minister not later than 14 (fourteen) working days after such termination.

Paragraph 5
Associate in Branch Office

Article 23

1. A Non-Life Insurance and Reinsurance Company shall appoint a non-life insurance associate in each branch office.
2. Such associate as stated in paragraph 1 hereof shall fulfill the following requirements:
 - a. qualified as non-life insurance associate, as certified by the Association of Insurance Fellow of Indonesia (AAMAI) or similar association from overseas duly recognized by AAMAI;
 - b. experienced in technical management of non-life insurance for at least 2 (two) years;
 - c. not under sanction imposed by the association of his profession;

Article 24

1. A Life Insurance Company shall appoint a life insurance associate in each branch office
2. Such associate as stated in paragraph 1 hereof shall fulfill the following requirements:
 - a. qualified as life insurance associate as certified by the Association of Insurance Fellow of Indonesia (AAMAI) or similar association from overseas duly recognized by AAMAI;
 - b. experienced in technical management of life insurance for at least 2 (two) years; and
 - c. not under sanction imposed by the association of his profession

Paragraph 6
Registration of Insurance Fellow and Actuary

Article 25

- Any insurance fellow and actuary shall register himself by submitting an application in writing to the Director General of Financial Institutions, enclosing
- a. bio data completed with supporting documents;
 - b. copy of professional title certificate; and
 - c. statement certifying that the applicant is not under professional sanction imposed by the related association.

Paragraph 7
Cancellation of Registration of Insurance Fellow and Actuary

Article 26

- Registration of insurance fellow and actuary as stated in Article 25 hereof may be cancelled for the following reasons
- a. his professional title withdrawn by the professional association granting such title;
 - b. under sanction imposed by the professional association;
 - c. in violation of the laws in insurance business;
 - d. failing in the fit and proper test due to integrity factor, in case the fellow or actuary has undergone such test.

Part Four
Administrative and Data Processing System

Article 27

Management of the company shall be supported at least by :

- a. education and training of its human resources;
- b. administrative system that enables internal control; and
- c. data processing system capable of producing accurate and reliable information for decision-making.

Part Five
Employment of Expatriate Staff

Article 28

1. An Insurance or Reinsurance Company may employ an expatriate staff as fellow, advisor or consultant, or as executive outside the Board of Directors for a company with direct participation of a foreign partner, provided the said expatriate staff:
 - a. possesses the expertise necessary for the area of his responsibility; and
 - b. complies with the manpower laws.
2. The Insurance or Reinsurance Company employing such expatriate staff as stated in paragraph 1 hereof shall submit a report to the Minister on :
 1. work program related to the area of his responsibility; and
 2. education and training program related to his expertise for the employees of the Insurance or Reinsurance Company in which he is employed.
3. Such report on education and training as stated in paragraph 2 hereof shall be submitted semi-annually to the Minister for the semester ended in June and December not later than end of the following month.
4. An expatriate employed as advisor or consultant as stated in paragraph 1 hereof shall not be permitted to perform other functions than that of an advisor or consultant.

Part Six
Education and Training

Article 29

1. An Insurance or Reinsurance Company shall provide a budget for education and training program at least 5% (five per cent) of total manpower expenses, Directors and Commissioners, to improve the skill, knowledge and expertise in insurance of its employees.
2. Report of the implementation of the education and training program as stated in paragraph 1 hereof for one-year period ended on December 31 shall be submitted to the Minister not later than January 31 the following year.

Part Seven
Membership in Association

Article 30

1. An Insurance or Reinsurance Company shall be a member of Association of companies of the same kind.
2. The association as stated in paragraph 1 hereof has the functions such as
 - a. setting up standard practices and code of ethics for marketing insurance programs to create sound marketing competition;
 - b. coordinating the formulation of risk profile, mortality table and the like;
 - c. coordinating efforts to optimize the capacity of national insurance retention;
 - d. coordinating joint efforts towards the establishment of an insurance to deal with special risks;
 - e. conducting education and training in agency; and
 - f. implementing and determining agency certification.
3. Activities of the Association as stated in paragraph 2 hereof shall be consulted with the Minister periodically.

CHAPTER 4
BRANCH OFFICE AND MARKETING OFFICE

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

Article 31

1. An Insurance or Reinsurance Company may open a branch office as stated in Article 29 paragraph 1, Government Regulation No. 73 year 1992 concerning Insurance Business Conduct, as amended by Government Regulation No. 63 year 1999, subject to the following:
 - a. it meets the requirement on limit of solvency margin for the last 4 (four) quarters;
 - b. it employs an associate as stated in Article 23 paragraph 2 and Article 24 paragraph 2 working full time in the branch office concerned; and
 - c. it is not under administrative sanction.
2. To obtain a license to open a branch office as stated in paragraph 1 hereof, the Insurance or Reinsurance Company shall fulfill the provision stated in paragraph 1 hereof and file an application in writing to the Minister, enclosing:
 - a. description of its administrative and data processing systems that enables internal control function on the branch activities;
 - b. description of the authority given to the branch management to cover insurance, determine the premium rate, commission and claim settlement;
 - c. identity of the branch management;
 - d. proof of employment of an associate in the branch office as stated in paragraph 1 letter b hereof, including proof of his qualifications as an associate, bio data and other supporting documents;
 - e. complete address of the branch office; and
 - f. projected financial statements of the branch, covering projected income statement, cash flow at least for the next 3 (three) years.

Part Two
Opening of Branch Office with *Syariah* Principle
of Conventional Insurance and Reinsurance Company

Article 32

1. Opening of branch office as stated in Article 3 letter c or conversion of a branch office as stated in Article 3 letter d hereof shall fulfill the requirement as stated in Article 31 hereof and shall be subject to the following :
 - a. the articles of association state that the purpose and objective of the company is to run only the business of non-life insurance, life insurance or reinsurance, including that on the *Syariah* Principle;
 - b. the company has working capital of at least Rp 2,000,000,000 (two billion rupiahs); and
 - c. fellowship employment as stated in Article 23 paragraph 2 and Article 24 paragraph 2, having the qualifications in insurance and *syariah* economics.

2. In addition to fulfillment of the provisions stated in paragraph 1 hereof, opening of branches shall be completed with :
 - a. proof of ratification of the company's articles of association by the relevant authority;
 - b. proof of employment of associate in the branch office as stated in Article 23 paragraph 1 letter c hereof, including proof of his qualifications as expert, his bio data and other supporting documents;
 - c. ratification from the National *Syariah* Council concerning appointment of members of the Company's *Syariah* Supervisory Council;
 - d. ratification from the Company's *Syariah* Supervisory Council concerning:
 1. source of working capital for the branch office;
 2. separate accounting system specifically for the branch with *Syariah* Principle;
 3. insurance program to be marketed;
 4. basis for computation of premium rate, premium reserve and asset share or profit testing for a life insurance company;
 5. basis for computation of premium rate, premium reserve and asset share or projected underwriting for a non-life insurance and reinsurance company;
 6. method of marketing;
 7. plan for automatic reinsurance support for an insurance company and plan for automatic retrocession for a reinsurance company; and
 8. sample policy, insurance application form (SPPA) and brochure.

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

Article 33

Opening of branch office as stated in Article 3 letter c hereof shall fulfill the requirement as stated in Article 31 hereof and shall employ an associate as stated in Article 32 paragraph 1 letter c hereof.

Part Four
Opening of Marketing Office

Article 34

Opening of Marketing Office shall be reported to the Minister not later than 14 (fourteen) working days in advance of the date of such opening, stating its complete address and identity of its management.

Article 35

1. Such Marketing Office as stated in Article 34 hereof shall perform its function as Marketing Office that provides information to the public policyholders or insured.
2. Such Office as stated in paragraph 1 hereof shall not be permitted to
 - a. accept or reject any insurance cover;
 - b. sign policies;
 - c. decide on accepting to pay or rejecting claims.

Part Five
Closing of Branch and Marketing Office

Article 36

An Insurance or Reinsurance Company that is about to discontinue or close the activities of its branch or Marketing Office shall report to the Minister not later than 15 (fifteen) working days in advance of the date of such discontinuation or closing of the said office.

Article 37

License for opening a branch office shall be retracted in the following occasion:

- a. upon report of discontinuation or closing of the said branch by the Insurance or Reinsurance Company as stated in Article 36 hereof.
- b. the said branch shall not be running its operations within three months after the date of the opening license; and or
- c. the said branch office shall not be operational for six months consecutively.

CHAPTER 5
MARKETING THROUGH AGENT
AND THROUGH COOPERATION WITH THE BANK

Part One
Marketing Through Agent

Article 38

1. An Insurance Company shall enter into an agency agreement with insurance agents to market its programs.
2. An Insurance Company shall not be permitted to hire an agent who is still under agency agreement with another Insurance Company, unless the agent concerned has terminated such agreement for at least 6 (six) months.

3. In the event the Insurance Company uses marketing services besides the insurance agent as stated in paragraph 1 hereof, the said Insurance Company shall be fully responsible for any consequence that may arise from such insurance cover.

Part Two
Marketing Through Cooperation with the Bank

Article 39

1. An Insurance Company may conduct its marketing through cooperation with the bank.
2. An Insurance Company that conducts its marketing through cooperation with the bank as stated in paragraph 1 hereof shall be responsible for all actions of the bank relating to insurance transactions of the program thus marketed.

Article 40

1. An Insurance Company that is going to conduct the marketing through cooperation with the bank shall have the Minister's approval.
2. To obtain the Minister's approval, the Insurance Company that is going to conduct its marketing through cooperation with the bank shall file an application to the Minister enclosing:
 - a. the program to be marketed;
 - b. procedure of cover and payment of premium;
 - c. procedure of claim settlement; and
 - d. draft cooperation agreement with the bank duly initialed by both parties.
3. The bank officer assigned to market the insurance program shall fulfill the following requirements :
 - a. in possession of certificate of insurance agency issued by the relevant association; and
 - b. having undergone training on the insurance program to be marketed.
4. Such Insurance Company as stated in paragraph 1 hereof shall submit a copy of its signed agreement with the bank not later than 14 (fourteen) days after obtaining the Minister's approval.

CHAPTER 6
REPORT OF CHANGE

Article 41

1. An Insurance or Reinsurance Company shall report any change of:
 - a. address of the company, either its head office, branch or marketing office;
 - b. expert;
 - c. employment of expatriate;
 - d. organization structure;
 - e. management of branch or Marketing Office;
 - f. Taxpayer Identification Code Number (NPWP); and
 - g. insurance program being marketed.
2. Such change of address of branch office or otherwise as stated in paragraph I hereof may only be made :

- a. within the same town area or Regency;
- b. outside of one town area in the Capital of Province;
- c. from regency to town area, which is part of the development of the regency, or vice versa

Article 42

1. An Insurance or Reinsurance Company that amends its articles of association shall submit proof of ratification by the government authority to the Minister not later than 14 (fourteen) working days after the date of such ratification.
2. If such amendment shall not require ratification from the government authority, the amendment which is contained in a deed drawn up by the notary shall be submitted to the Minister not later than 14 (fourteen) working days after the date of such amendment.

Article 43

1. An Insurance or Reinsurance Company planning to change its ownership shall first report such plan to the Minister for approval.
2. In the event such change as stated in paragraph 1 hereof shall result in direct placement of a foreign party in the said insurance or reinsurance company, such foreign party shall be a similar Insurance Company or a holding company whose subsidiary operates most of its portfolio in insurance.
3. Such Insurance or Reinsurance Company as stated in paragraph 2 hereof shall fulfill the provision in Article 2 paragraph 2 hereof.
4. Such holding company as stated in paragraph 2 hereof shall fulfill the provision in Article 2 paragraph 2 letter b, c and d.

CHAPTER 7 MERGER, CONSOLIDATION AND ACQUISITION

Part One Merger and Consolidation

Article 44

1. Merger of Insurance or Reinsurance Company may be made by combining two or more insurance or reinsurance companies by retaining one of them with or without liquidating the other.
2. Consolidation of Insurance or Reinsurance Companies may be made by winding up two or more insurance or reinsurance companies and establishing a new entity, liquidating the wound up company.
3. Merger and consolidation as stated in paragraphs 1 and 2 hereof may only be made subject to fulfillment of the provisions stated in Article 36 paragraph 2, Government Regulation No. 73 year 1992 on Insurance Business Conduct, as amended by Government Regulation No. 63 year 1999.

Article 45

1. To obtain approval for merger or consolidation as stated in Article 36, Government Regulation No. 73 year 1992 on Insurance Business Conduct, as amended by Government Regulation No. 63 year 1999. the Insurance or Reinsurance Company shall file application to the Minister enclosing the following documents :
 - a. agreement in the Indonesian language on transfer of all rights and obligations of the companies that are to undergo merger or consolidation without prejudice to the rights of the insured;
 - b. the latest audited financial statements of the companies that are to undergo merger or consolidation;
 - c. pro forma financial statements of the new company resulting from the merger or consolidation that meets the provision on solvency margin; and
 - d. draft amendment of the articles of association
2. Agreement on transfer of rights and obligations as stated in paragraph 1 letter a hereof, stating among others that all rights and obligations resulting from the objects of insurance concluded by the companies undergoing merger or consolidation shall be the responsibility of the new company established therefrom.

Article 46

1. The newly merged or consolidated company as stated in Article 36, Government Regulation No. 73 year 1992 on Insurance Business Conduct, as amended by Government Regulation No. 63 year 1999, shall report the result of such merger or consolidation to the Minister enclosing :
 - a. the company's articles of association duly ratified by the government authority
 - b. the company's organization structure and management
 - c. appointment letter of experts
 - d. Taxpayer Identification Code Number (NPWP) of the company, the Board of Directors, Commissioners and shareholders; and
 - e. full address of the company
2. Such report as stated in paragraph 1 hereof shall be submitted to the Minister not later than 30 (thirty) working days after the date of approval or ratification of the company's articles of association from the government authority.
3. After receipt of such report on the merger or consolidation result as stated in paragraph 1 hereof, the Minister shall cancel the business license that is no longer used by the merged or consolidated company and issue another business license to the new company resulting from such merger or consolidation.

Part Two Acquisition

Article 47

1. An Insurance or Reinsurance Company may make acquisition by taking over the entire or majority shares of another insurance or reinsurance company, thereby transferring control over the said company.
2. To make such acquisition as stated in paragraph 1 hereof, the insurance or reinsurance company shall obtain the Minister's approval.

3. Such acquisition of the insurance or reinsurance company as stated in paragraph 1 hereof may be made subject to the following provisions :
 - a. the company making such acquisition shall be an insurance or reinsurance company of the same kind;
 - b. such acquisition shall not prejudice the right² of the insured; and
 - c. such acquisition shall take into account the provision on the limit of admitted assets in the form of investment to prevent the acquiring company from failure to fulfill the provision on limit of solvency margin.
4. To obtain approval for such acquisition, the Insurance or Reinsurance Company shall fulfill the provision in paragraph 3 hereof and file an application in writing to the Minister, enclosing the following :
 - a. an agreement in the Indonesian language on the transfer of rights and obligations of the company acquired to the acquiring company without prejudice to the rights of the insured;
 - b. the latest audited financial statements of the acquired and the acquiring company;
 - c. pro forma financial statements of the company after such acquisition, with due observance of the provision on solvency margin; and
 - d. draft amendment of the articles of association of the acquired company.

CHAPTER 8 OTHER PROVISION

Article 48

An Insurance or Reinsurance Company shall not be permitted to cover insurance through the intermediary of an insurance or reinsurance broker that does not have a business license from the Minister.

CHAPTER 9 TRANSITIONAL PROVISION

Article 49

1. An Insurance or Reinsurance Company that has already obtained a business license before enactment of this Decree shall make the necessary adjustments to the provisions in this Decree of the Minister of Finance not later than 1 (one) year after this Decree comes into force.
2. Any insurance expert and actuary shall register himself to the Director General of Financial Institutions as stated in Article 25 hereof not later than 6 (six) months after this Decree comes into force.

CHAPTER 10 CLOSING PROVISION

Article 50

The enactment of this Decree shall invalidate Decree No. 223/KMK.017/1993 of the Minister of Finance concerning Business Licensing of Insurance and Reinsurance Companies.

Article 51

This Decree of the Minister of Finance shall come into force on the date of its enactment.

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

Stipulated in Jakarta on September 30, 2003

Minister of Finance On behalf

signed by

BOEDIONO