

**DECREE OF THE MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA  
NO. 422/KMK.06/2003**

**CONCERNING**

**BUSINESS CONDUCT 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 relating to Business Conduct of Insurance and Re-insurance Companies as stipulated in the Decree of the Minister of Finance No. 225/ KMK.017/1993;
- b. that based on the aforesaid consideration in paragraph (a), a Decree of the Minister of Finance needs to be issued concerning Business Conduct 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 BUSINESS CONDUCT  
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. Insurance Policy is a policy or insurance agreement, or under any name, and other documents which form integral and inseparable part of the insurance agreement, including

- a certificate of collective participation, between the insurer and the policyholder or insured.
2. Minister is the Minister of Finance, the Republic of Indonesia

## CHAPTER 2

### NEW INSURANCE PROGRAM

#### Article 2

An insurance program shall be considered as a new insurance program if

- a. such program has never been marketed by the Insurance Company concerned; or
- b. such program is a modification of an insurance program which has been marketed covering the risks insured, policy provisions, methods of calculating premium, premium reserve or cash value.

#### Article 3

1. Report of the plan to launch an insurance program as stipulated in Article 18, Government Regulation No. 73 year 1992 concerning Insurance Business Conduct, as amended by Government Regulation No. 63 year 1999, a new loss insurance program shall be furnished with:
  - a. A sample of the Insurance Policy
  - b. Statement of an expert containing description of and basis for premium calculation and the technical reserve, complete with assumptions and their supporting data;
  - c. Underwriting projection for the next 3 (three) years
  - d. Reinsurance support for the insurance program concerned
  - e. Description of marketing method and sample of brochures being used
  - f. A cooperation agreement in the event the insurance program is marketed jointly with another party
  - g. Ratification from the Syariah Supervisory Board for an Insurance Company or its Branch Office running its operations on the principle of syariah
  
2. Report of the plan to launch an insurance program as stipulated in Article 18, Government Regulation No. 73 year 1992 concerning Insurance Business Conduct, as amended by Government Regulation No. 63 year 1999, a new life insurance program shall be furnished with:
  - a. A sample of the Insurance Policy
  - b. Statement of an actuary containing description and computation relating to:
    - i. premium rates, technical reserve including actuarial assumptions and their supporting data;
    - ii. cash value, policy dividend and the like in the event the insurance program contains cash value, policy dividend and the like
  - c. Profit testing or asset share;
  - d. Reinsurance support for the insurance program concerned

- e. Description of marketing method and sample of brochures being used
- f. A sample of cooperation agreement in the event the insurance program is marketed jointly with another party
- g. Ratification from the Syariah Supervisory Board for an Insurance Company or its Branch Office running its operations on the principle of syariah

#### Article 4

A Non-life Insurance Company which is planning to market a new insurance program, surety bond and or the like shall, in addition to the requirement stated in Article 3 paragraph (1), satisfy the following requirements :

- a. in possession of an expert qualified as a pro-manager in non-life insurance, experienced in surety bond at least 3 (three) years;
- b. the type of guarantee covered shall be limited to construction bond and customs bond.

#### Article 5

A Life Insurance Company which is planning to market a new insurance program associated with investment, such as unit link insurance and or the like shall, in addition to the requirement stated in Article 3 paragraph (2) hereof, satisfy the following requirements :

- a. in possession of an expert qualified as an assistant manager in investment, experienced in the related field at least 3 (three) years;
- b. in possession of an adequate information system
- c. Further provisions concerning the new insurance product as stated in paragraph (1) hereof shall be stipulated in a Decision of the Director General of Financial Institutions.

#### Article 6

An Insurance Company which is planning to market a new insurance program as stated in Article 3, 4 and 5 hereof shall meet the requirement relating to solvency argin and shall be free from any administrative sanction.

### CHAPTER 3

#### POLICY

#### Article 7

In any insurance cover, an Insurance Policy shall match the sample of Insurance 1 policy reported to the Minister as stated in Article 3 hereof.

#### Article 8

Such Insurance Policy shall contain at least the following provisions relating to

- a. period of insurance
- b. description of benefits offered

- c. payment of premium
- d. grace period for payment of premium
- e. rate of exchange to be used for an Insurance Policy denominated in foreign currency if the payment of premium and benefits is converted into rupiah
- f. time recognized as receipt of payment of premium
- g. the Company's policy towards payment of premium made past the agreed grace period
- h. period during which the Company cannot review validity of the insurance contract (incontestable period)
- i. table of cash values for Life Insurance Policy that provides for cash values
- j. calculation of policy dividend or the like for Life Insurance Policy that provides for policy dividend or the like
- k. termination of insurance, either by the insurer or the policyholder, including the conditions and reasons thereof
- l. conditions and procedure for claim, including supporting documents therefor
- m. designation of place for settlement of dispute
- n. language prevailing in the event of dispute or discrepancy of opinion for Insurance Policies which are printed in 2 (two) or more languages

#### Article 9

An Insurance Policy shall be printed clearly to enable greater readability and easily understood directly or indirectly by the policyholder and or the insured.

#### Article 10

1. An Insurance Policy issued and marketed in the Indonesian territory shall be printed in the Indonesian language.
2. If necessary, such Insurance Policy may be printed in a foreign language side by side with the Indonesian text.

#### Article 11

1. In the event the Insurance Policy contains a provision which may be interpreted as an exclusion or limitation on the risk causes covered under the Insurance Policy concerned, the said provision shall be written or printed in such a way as to facilitate easy recognition of such exclusion or limitation.
2. In the event the Insurance Policy contains a provision which may be interpreted as reduction, limitation or waiver of liability on the part of the insure, the said provision shall be written or printed in such a way as to facilitate easy recognition of such reduction, limitation or waiver of liability.

#### Article 12

The amount of cash value of policies issued after this decree comes into force as stated in Article 8 letter (i) hereof shall at least be equal to:

- a. 95% (ninety-five per cent) of the premium reserve for whole life insurance programs
- b. 80% (eighty per cent) of the premium reserve for other life insurance programs

- c. accumulated funds of the policyholders for policies connected with investments and other similar policies

#### Article 13

1. In the event payment of premium and or claims of the Insurance Policy expressed in foreign currency shall be in rupiah, such payment shall be made using the exchange rate issued by Bank Indonesia on payment date.
2. Such exchange rate as stated in paragraph (1) hereof shall be equivalent to the foreign currency which should be received by the beneficiary if the payment were made in the said foreign currency.
3. In policies using rupiah indices, payment of premium or benefits shall be based on the index ratio applicable on payment date.

#### Article 14

1. Insurance Policies issued by a joint venture Insurance Company shall contain provisions on the existence or non-existence of voting rights for the policyholders
2. Such provisions on the existence or non-existence of voting rights as stated in paragraph (1) hereof shall be in accordance with the company's articles of association.

#### Article 15

Insurance Policies shall not contain provisions which may be interpreted that the insured may not institute any legal actions so that the insured shall accept a claim rejection.

#### Article 16

Insurance Policies shall not contain provisions which may be interpreted as restriction on all parties to institute any legal actions in the event of dispute regarding a provision of the policies.

#### Article 17

No provision in the Insurance Policies regarding choice of the court of justice in the event of dispute on the insurance agreement shall restrict such choice to the domicile of the insurer.

#### Article 18

In the event the Minister considers that the policy contains matters that could harm the insured or insurer, the Minister may ask the Insurance and Reinsurance Company to review such policy.

### CHAPTER 4 PREMIUM

#### Article 19

1. Calculation of premium rates shall be based on fair assumption and generally accepted insurance practices
2. Decision on loss insurance premium rates shall be made in consideration at least of :

- a. net premium computed on the basis of risk and loss profile of the insurance concerned for the last 5 (five) years;
  - b. cost of acquisition, administrative and other general expenses
3. Decision on life insurance premium rates shall be made in consideration at least of :
- a. net premium computed on the basis of interest rate, mortality table or morbidity in use
  - b. cost of acquisition, administrative and other general expenses;
  - c. projected investment returns from premium

## CHAPTER 5 TERMINATION OF INSURANCE

### Article 20

1. Notice of termination of insurance, either by the insurer or by the insured, shall be made in writing.
2. In the event of termination of Insurance Policy that has no savings element, refund of premium shall at least be equal to an amount computed proportionately on the basis of the unexpired term of insurance, deducted by part of the premium paid to the insurance broker and or agent's commission.
3. In the event of termination of Insurance Policy that has savings element, the Insurance Company shall pay an amount which is at least equal to the cash value at the time of such termination.

## CHAPTER 6 REINSURANCE

### Article 21

1. An Insurance Company shall have automatic reinsurance backup for each insurance program marketed in every branch.
2. Such automatic reinsurance backup as stated in paragraph (1) hereof shall be obtained subject to the following conditions :
  - a. for a Non-Life Insurance Company, reinsurance backup from 1 (one) Reinsurance Company and 1 (one) domestic Non-Life Insurance Company
  - b. for a Life Insurance Company, reinsurance backup from at least 1 (one) domestic Reinsurance Company.<sup>3</sup>
3. The provision stated in paragraph (1) hereof shall not apply in the event no automatic reinsurance backup is available for the insurance program being marketed, either separately or jointly.
4. Such automatic reinsurance backup from an overseas reinsurer for a Non-Life Insurance Company may only be obtained if the company concerned shall have prior automatic reinsurance backup from a domestic company at a certain amount or at certain percentage.
5. Facultative reinsurance backup may only be obtained in the event the automatic reinsurance backup shall not be adequate or the type of risk covered is excluded in such automatic reinsurance backup after considering domestic availability.

6. Further provisions concerning automatic reinsurance backup as stated in paragraph (4) hereof shall be determined by a Decree of the Director General of Financial Institutions.

#### Article 22

1. Reinsurance backup from an overseas reinsurer shall be obtained from such company that has a minimum of BBB rating or its equivalent at the time the reinsurance is ceded.
2. In the event such reinsures as stated in paragraph (1) hereof has a different rating, the lower rating shall be used.
3. In the event the overseas reinsurer as stated in paragraph (1) hereof does not have a rating from the rating agency, such reinsurer shall have good reputation evidenced by a statement from the local insurance supervising agency, explaining that :
  - a. the reinsurance company still has a valid operating license
  - b. the reinsurance company is free from any sanction imposed by the local insurance supervising agency
  - c. the reinsurance company's financial statement shows an equity of at least 150% (one hundred fifty per cent) from the minimum paid up capital of a domestic Reinsurance Company
4. Evidence of compliance to the requirement stated in paragraphs (1) and (2) hereof shall be submitted by the Insurance Company to the Minister together with report on the automatic reinsurance program.

### CHAPTER 7

#### TRANSFER OF INSURANCE PORTFOLIO

#### Article 23

1. Transfer of part of or the whole insurance portfolio by the Insurance or Reinsurance Company may only be made after prior approval from the Minister.
2. Such transfer of insurance portfolio as stated in paragraph (1) hereof shall meet the following requirements :
  - a. that such transfer does not prejudice the rights of the policyholder, the insured or his beneficiary;
  - b. that such transfer is made to an Insurance or Reinsurance Company of same type; and
  - c. that such transfer does not cause the recipient Insurance or Reinsurance Company to violate the prevailing laws in insurance business
3. In the event the Insurance or Reinsurance Company transfers the whole insurance portfolio, the said company shall submit a request from its shareholders to return the operating license after completion of such transfer.
4. The approval from the Minister will be given not later than 30 (thirty) days after receipt of such request.
5. If within the period stated in paragraph (4) hereof the Minister does not decline giving such approval, the Insurance or Reinsurance Company concerned may take actions towards such transfer of portfolio requested.
6. After obtaining such approval as stated in paragraph (3) hereof, the Insurance or Reinsurance Company concerned shall give written notice to all policyholders.
7. The Insurance or Reinsurance Company that transfers its insurance portfolio shall

announce such transfer in the Indonesian newspaper with wide circulation for at least 3 (three) days consecutively.

8. After completion of such transfer, the Insurance or Reinsurance Company shall report the execution of the transfer of insurance portfolio.

#### Article 24

The Minister retracts the operating license of the Insurance or Reinsurance Company that has completed the transfer of its entire insurance portfolio as stated in Article 23 paragraph (3).

### CHAPTER 8 CLAIM SETTLEMENT

#### Article 25

Actions taken by an Insurance or Reinsurance Company which can be considered as a hindrance to claim settlement as stated in Article 23 paragraph (1) of Government Regulation No. 73 year 1992 concerning Insurance Business Conduct as amended by Government Regulation No. 63 year 1999 are those which :

- a. delay the process of claim settlement by requiring submission of certain documents subsequent to similar submission of document which essentially contain the same content;
- b. delay the claim settlement and payment by connecting it with settlement and or payment of its reinsurance claim;
- c. do not settle the claim which forms part of the insurance, connecting it with claim settlement which forms another part of such insurance under the same policy;
- d. delay the appointment of a Loss Adjuster, in the event services of such Loss Adjuster are required in the process of claim settlement; or
- e. apply a claim settlement procedure which does not conform to the generally accepted insurance practices.

#### Article 26

1. An Insurance Company may only ask those documents stated in the Insurance Policy to support a claim
2. In the event the Insurance Policy contains other conditions to support such claim, they shall be :
  - a. relevant to the insurance; and
  - b. fair in the process of claim settlement.
3. The provision pertaining to other conditions as stated in paragraph (2) hereof shall be stated in the Insurance Policy

#### Article 27

An Insurance Company shall pay a claim not later than 30 (thirty) days after an agreement is reached between the insured and insurer or confirmation on the amount payable.

## CHAPTER 9 REPORTING

### Article 28

An Insurance and Reinsurance Company shall submit an annual report of the automatic reinsurance treaty for the current year to the Minister not later than January 15.

### Article 29

1. An Insurance and Reinsurance Company shall submit an annual report of the results of its operations for the period ended on December 31 to the Minister.
2. Such annual report on operations as stated in paragraph (1) hereof shall be submitted not later than April 30 of the following year.

### Article 30

1. An Insurance and Reinsurance Company shall submit reports on the results of its operations for the quarter ended on March 31, June 30, September 30 and December 31 to the Minister.
2. Such quarterly reports as stated in paragraph (1) hereof shall be submitted not later than 30 (thirty) days after the end of each quarter.
3. Such operating reports as stated in paragraph (1) hereof for an Insurance and Reinsurance Company with Syariah principle, or an Insurance and Reinsurance Company whose branch follows Syariah principle shall be accompanied with Statement of the Syariah Supervisory Board that the operations of such Insurance or Reinsurance Company for the quarter being reported do not deviate from the Syariah principle.

### Article 31

1. The Company's Actuarial Consultant shall submit a report on projection of the company's ability to satisfy its obligations for the next period of at least 5 (five) years.
2. Such report as stated in paragraph (1) hereof shall be submitted to the Minister not later than April 30 of the following year.

### Article 32

Format and organization of such reports as stated in Article 28, 29, 30 and 31 hereof shall be determined by the Decree of the Director General of Financial Institutions.

## CHAPTER X ADMINISTRATIVE FINE

### Article 33

1. Payment of administrative fine as stated in Article 1 point 11, Government Regulation No. 73 year 1992 concerning Insurance Business Conduct as amended by Government Regulation No. 63 year 1999 shall be made as follows :
  - a. Fill out the Non-Tax State Revenue Deposit Slip (SSBP) for credit to the account of State Treasury, describing the type of payment as other state revenue;

- b. Pay the fine through the Office of the State Treasury or a bank appointed by the Government as receiving bank, or the Post Office
2. Such payment as stated in paragraph (1) hereof shall be made not later than 7 (seven) work days since the date of submission of the annual report
3. In the event a Restriction of Business Activity sanction is imposed on an Insurance or Reinsurance Company for failure of submitting its annual report, the said sanction will only be lifted if such report and proof of payment of the fine have been submitted to the Minister.
4. A copy of SSBP as proof of payment of the fine shall be submitted to the Directorate of Insurance not later than 7 (seven) work days since the date of such payment.

## CHAPTER XI TRANSITIONAL PROVISION

### Article 34

An Insurance or Reinsurance Company that has obtained an operating license prior to the date of this Decree shall make adjustments to the provisions stated herein within a maximum period of 1 (one) year after the date this decree comes into force.

## CHAPTER 12 CLOSING PROVISION

### Article 35

The enactment of this Decree of the Minister of Finance shall invalidate Decree of the Minister of Finance No. 225/KMK.017/1993 concerning Business Conduct of Insurance and Reinsurance Companies.

### Article 36

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,

signed by

BOEDIONO