

# **THE OPERATION OF INSURANCE CORPORATION**

## **(Regulation of the Financial Service Authority of the Republic of Indonesia No. 2/POJK.05/2017 dated January 11, 2017)**

### **[Continued from Business News No. 9026 pages 29-48]**

#### **Article 32**

- (1) UUS of regency/municipal scale insurance company or sharia compliant insurance company shall have equities of at least Rp10,000,000,000 (ten billion rupiah) within a maximum period of 5 (five) years after securing a business permit.
- (2) UUS of provincial scale insurance company or sharia compliant insurance company shall have equities of at least Rp15,000,000,000 (fifteen billion rupiah) within a maximum period of 5 (five) years after securing a business permit.
- (3) UUS of national scale insurance company or sharia compliant insurance company shall have equities of at least Rp30,000,000,000 (thirty billion rupiah) within a maximum period of 5 (five) years after securing a business permit.

#### **CHAPTER X**

#### **INVESTMENT OF INSURANCE CORPORATION**

##### **Part One**

##### **Types of Investment**

#### **Article 33**

- (1) Insurance company and reinsurance company shall place investment in the types of investment as follows:
  - a. deposit in bank;
  - b. state securities;
  - c. securities issued by Bank Indonesia;
  - d. corporate bonds;
  - e. shares listed at the Indonesia stock exchange;
  - f. asset-backed stocks;
  - g. mutual fund;

- h. medium term notes;
  - i. repurchase agreement;
  - j. real estate investment fund in the form of collective investment contract;
  - k. land and buildings; and/or
  - l. direct participation in a company engaged in the financial service sector in Indonesia.
- (2) The types of investment that can be placed by insurance company and reinsurance company as referred to in paragraph (1) include the types of investment using sharia principles.

#### Article 34

Sharia compliant insurance company, sharia compliant reinsurance company and UUS shall place investment in the types of investment as follows:

- a. deposits in sharia commercial bank, sharia business unit of commercial bank, and sharia smallholder financing bank;
- b. sharia state securities;
- c. sharia securities issued by Bank Indonesia;
- d. corporate sukuk;
- e. shares listed in the Indonesia stock exchange and included in the list of sharia stocks stipulated by the Financial Service Authority;
- f. sharia asset-backed stocks;
- g. sharia mutual fund;
- h. sharia medium term notes;
- i. sharia repurchase agreement;
- j. sharia real estate investment fund in the form of collective investment contract; and/or
- k. direct participation in a company engaged in the sharia financial service sector in Indonesia.

#### Article 35

- (1) The investment in the form of corporate bond as referred to in Article 33 paragraph (1) letter d and corporate sukuk as referred to in Article 34 letter d shall meet the following conditions:
- a. being listed at the Indonesia stock exchange; and

- b. having investment grade rating issued by the stock rating agency licensed by the Financial Service Authority.
- (2) The investment in the form of asset-backed stock as referred to in Article 33 paragraph (1) letter f and sharia asset-backed stock as referred to in Article 34 letter f shall meet the following conditions:
- a. being listed at the Indonesia stock exchange;
  - b. having investment grade rating issued by the stock rating agency licensed by the Financial Service Authority; and
  - c. being made through public offering as set forth in the law and regulation in the capital market sector.
- (3) The investment in the form of medium term notes as referred to in Article 33 paragraph (1) letter h and sharia medium term notes as referred to in Article 34 letter h shall meet the following conditions:
- a. being listed at the Central Custodian of Indonesian Stocks;
  - b. having a monitoring agent listed as a trustee agent at the Financial Service Authority; and
  - c. having investment grade rating issued by the stock rating agency licensed by the Financial Service Authority.
- (4) The investment in the form of repurchase agreement as referred to in Article 33 paragraph (1) letter i and sharia repurchase agreement as referred to in Article 34 letter i shall meet the following conditions:
- a. any repurchase agreement transaction and sharia repurchase agreement transaction leads to a change in the holding of stocks;
  - b. using a written agreement contract applying Global Master Repurchase Agreement Indonesia issued by the Financial Service Authority or other party recognized by the Financial Service Authority;
  - c. the type of insurance is limited to state securities, securities issued by Bank Indonesia, and/or corporate bonds having investment grade rating issued by stock rating agency licensed by the Financial Service Authority;
  - d. repurchase agreement transaction and sharia repurchase agreement transaction is listed at the Central Custodian of Indonesian Stocks or Bank Indonesia Scriptless Securities Settlement System (BI-S4);
  - e. the period of time does not exceed 90 (ninety) days; and
  - f. the value of repurchase agreement and sharia repurchase agreement shall be a maximum of 80% (eighty percent) of the market value of the insured securities.
- (5) The investment in the form of real estate investment fund in the form of collective investment contract as referred to in Article 33 paragraph (1) letter j and sharia real estate investment fund in the form of

collective investment contract as referred to in Article 34 letter j shall meet the following conditions:

- a. having received an effective statement from the Financial Service Authority; and
- b. being made through public offering as set forth in the law and regulation in the capital market sector.

(6) The investment in the form of land and buildings as referred to in Article 33 paragraph (1) letter k shall meet the following conditions:

- a. being held and controlled by insurance corporation, evident from land and/or building titles on behalf of the insurance corporation;
- b. giving rentals and other income through transactions based on the prevailing market value; and
- c. not being placed in buildings or land and buildings being used as a collateral, being disputed and/or being blocked by other party.

(7) The investment in the form of direct participation in a company engaged in the financial service sector in Indonesia as referred to in Article 33 paragraph (1) letter l and direct participation in a company engaged in the sharia financial service sector in Indonesia as referred to in Article 34 letter k shall meet the following conditions :

- a. direct participation is made in shares issued by a limited liability company; and
- b. if insurance corporation is the majority shareholder or holds a minimum of 25% (twenty percent) of the limited liability company's shares, the insurance corporation holds and uses its right to :
  - 1. place a representative in the board of commissioners of the limited liability company; and
  - 2. receive unlimited access to all pieces of material information related to the company as a whole.

#### Article 36

If the company issuing the types of investment in the form of corporate bonds and/or medium term notes is a non-bank financial service corporation, the condition to have investment grade rating from stock rating agency licensed by the Financial Service Authority as referred to in Article 35 paragraph (1) letter b and paragraph (3) letter c can be excepted if :

- a. the type of investment has a rating of 1 (one) notch below investment grade; and
- b. the non-bank financial service corporation issuing corporate bonds and/or medium term notes meet provisions on financial soundness based on the law and regulation in the field of non-bank financial service corporation.

## Part two

## Limitation of Investment

## Article 37

- (1) Insurance company and reinsurance company which will place investment in the type of investment in the form of land and buildings as referred to in Article 33 paragraph (1) letter k shall meet the following conditions:
  - a. having operational scope on a national scale; and
  - b. having sufficient risk management.
- (2) Insurance corporation which will place investment in the type of investment in the form of medium term notes as referred to in Article 33 paragraph (1) letter h and sharia medium term notes as referred to in Article 34 letter h, repurchase agreement as referred to in Article 33 paragraph (1) letter i and sharia repurchase agreement as referred to in Article 34 letter i, real estate investment fund in the form of collective investment contract as referred to in Article 33 paragraph (1) letter j, and sharia real estate investment fund in the form of collective investment contract as referred to in Article 34 letter j shall meet the following conditions:
  - a. having operational scope on a national scale;
  - b. having assets amounting to at least Rp1,000,000,000,000 (one trillion rupiah); and
  - c. having sufficient risk management.

## Article 38

- (1) The investment in the form of deposits in bank as referred to in Article 33 paragraph (1) letter a and deposits in sharia commercial bank, sharia business unit of commercial bank and sharia smallholder financing bank as referred to in Article 34 letter a shall meet the following conditions:
  - a. investment in each commercial bank or sharia commercial bank shall not exceed 30% (thirty percent) of the investment value; and
  - b. investment in each smallholder credit bank or sharia smallholder financing bank shall not exceed 10% (ten percent) of the investment value.
- (2) Provisions on the limitation of investment in the form of deposits in bank and deposits in sharia commercial bank sharia business, unit of commercial bank, and sharia smallholder financing bank as referred to in

paragraph (1) are excepted to insurance corporation receiving assignment from the government, evident from a certificate of assignment.

- (3) If the insurance corporation receiving assignment from the government as referred to in paragraph (2) places investment in the form of deposits in bank, it shall be placed in deposits in commercial bank, sharia business unit of commercial bank, sharia commercial bank, smallholder credit bank, and/or sharia smallholder financing bank owned by the government by paying attention to the sound level of the bank.
- (4) The investment in the form of corporate bonds as referred to in Article 33 paragraph (1) letter d and/or corporate sukuk as referred to in Article 34 letter d shall not exceed 10% (ten percent) for each issuer and in total shall not exceed 20% (twenty percent) of the investment value.
- (5) The investment in the form of shares listed in the Indonesian stock exchange as referred to in Article 33 paragraph (1) letter e and Article 34 letter e shall not exceed 5% (five percent) of the investment value for each issuer and in total shall not exceed 20% (twenty percent) of the investment value.
- (6) The investment in the form of asset-backed stocks as referred to in Article 33 paragraph (1) letter f and sharia asset-backed stocks as referred to in Article 34 letter f shall not exceed 5% (five percent) of the investment value for each investment manager or issuer and in total shall not exceed 20% (twenty percent) of the investment value.
- (7) The investment in the form of mutual funds as referred to in Article 33 paragraph (1) letter g and sharia mutual funds as referred to in Article 34 letter g shall not exceed 5% (five percent) of the investment value for each investment manager and in total shall not exceed 20% (twenty percent) of the investment value, except for investment in mutual funds in the form of collective investment contract limited participation is set at a maximum of 10% (ten percent) of the investment value.
- (8) The investment in the form of medium term notes as referred to in Article 33 paragraph (1) letter h and sharia medium term notes as referred to in Article 34 letter h shall meet the following conditions:
  - a. the investment shall not exceed 10% (ten percent) of the investment value of insurance corporation; and
  - b. the investment shall not exceed 10% (ten percent) of the value of medium term notes issued.
- (9) The investment in the form of repurchase agreement as referred to in Article 33 paragraph (1) letter i and sharia repurchase agreement as referred to in Article 34 letter i for each counter-party shall not exceed 2% (two percent) of the investment value and in total shall not exceed 5% (five percent) of the investment value.

- (10) The investment in the form of real estate investment fund in the form of collective investment contract as referred to in Article 33 paragraph (1) letter j and sharia real estate investment fund in the form of collective investment contract as referred to in Article 34 letter j shall not exceed 5% (five percent) of the investment value for each investment manager and in total shall not exceed 20% (twenty percent) of the investment value.
- (11) The investment in the form of land and buildings as referred to in Article 33 paragraph (1) letter k shall not exceed 5% (five percent) of the investment value.
- (12) The investment in the form of direct participation in company engaged in the financial service sector in Indonesia as referred to in Article 33 paragraph (1) letter l and direct participation in company engaged in the sharia financial service sector in Indonesia as referred to in Article 34 letter k shall not exceed 10% (ten percent) of the investment value.
- (13) Provisions on the limitation of investment in the form of direct participation as referred to in paragraph (12) are excepted to insurance corporation receiving assignment from the government, evident from a certificate of assignment.
- (14) The insurance corporation receiving assignment from the government as referred to in paragraph (13) is banned from placing investment in the form of direct participation exceeding 15% (fifteen percent) of the investment value.

#### Article 39

- (1) The total value of placement of insurance company and reinsurance company in investment instrument as referred to in Article 33 paragraph (1) letters e, g, h, i, j, and l shall not exceed 60% (sixty percent) of the investment value.
- (2) The total value of placement of sharia insurance company and sharia reinsurance company in investment instrument as referred to in Article 34 letters e, g, h, i, j, and k shall not exceed 60% (sixty percent) of the investment value.

#### Article 40

- (1) The total value of investment of insurance corporation placed in an affiliated party, excluding direct participation shall not exceed 10% (ten percent) of the investment value.
- (2) The affiliated party as referred to in paragraph (1) is the party having relations with one or more other party

in such a way that one of the parties can influence the management or policy of the other party or the other way around.

- (3) The relations that can influence management or policy as referred to in paragraph (2) are as follows:
- a. one of the parties has one or more director or official one level below director or commissioner who also holds the post of director or official one level below director or commissioner in the other party;
  - b. one of the parties has one or more director, commissioner or controlling shareholder, who has family relations by marriage or descent up to the second degree, horizontally or vertically, and holds the post of director, commissioner or controlling shareholder in the other party;
  - c. one of the parties holds at least 25% (twenty five percent) of the other party's shares;
  - d. one of the parties is the largest shareholder of the other party;
  - e. the parties are controlled by the same controller; or
  - f. one of the parties has voting right in the other party exceeding 50% (fifty percent) based on an agreement.
- (4) The placement of investment in the affiliated party as referred to in paragraph (1), does not include relations due to capital ownership or participation by the central government or regional government.

#### Article 41

- (1) The compatibility with the limitation of investment as referred to in Article 38 up to Article 40 is decided at the time of placing investment.
- (2) The board of directors shall ensure that the limitation of investment at the time of placing investment has complied with provisions as referred to in Article 38 up to Article 40.

### CHAPTER XI

#### FINANCIAL SOUNDNESS

##### Part One

##### General

#### Article 42

- (1) Insurance corporation shall keep its financial soundness.
- (2) The measurement of the financial soundness as referred to in paragraph (1) covers:



- a. liquidity ratio;
  - b. gearing ratio;
  - c. rentability; and
  - d. self assessment of corporate governance for insurance corporation.
- (3) The obligation to meet the financial soundness as referred to in paragraph (1) for UUS is fulfilled separately from the components of liquidity ratio and rentability as referred to in paragraph (2) letters a and c, and other components as set forth in the circular of the Financial Service Authority.
- (4) Provisions on the procedure of measuring the financial soundness of insurance corporation as referred to in paragraphs (2) and (3) are to be provided for in a circular of the Financial Service Authority.

## Part Two

### Liquidity Ratio and Rentability

#### Article 43

- (1) Insurance corporation shall keep its liquidity ratio.
- (2) Insurance corporation shall keep liquidity ratio at a minimum of 120% (one hundred and twenty percent).
- (3) The liquidity ratio as referred to in paragraph (2) is calculated using current ratio, namely a ratio of current assets to current liabilities.
- (4) The rentability as referred to in Article 42 paragraph (2) letter c serves as the capability of insurance corporation in producing profit.
- (5) The assessment of the rentability factor as referred to in paragraph (4) covers the assessment of assets' performance and operational efficiency.

## CHAPTER XII

### USE OF INFORMATION TECHNOLOGY

#### Article 44

- (1) In carrying out its activities insurance corporation uses information technology.
- (2) Insurance corporation shall have sufficient risk management to use information technology, covering at least:
  - a. sufficient policy and procedure of using information technology;
  - b. sufficient process of identifying, measuring, monitoring and controlling risks resulting from the use of

- information technology; and
- c. internal control system in the use of information technology.

#### Article 45

- (1) Insurance corporation shall have website.
- (2) The website as referred to in paragraph (1) shall carry at least the following information:
  - a. business permit from the Financial Service Authority or other authority before the establishment of the Financial Service Authority;
  - b. organizational structure and names of officials of the insurance corporation covering at least the board of commissioners, sharia supervisory board (if any), the board of directors and officials one level below director;
  - c. address, network of branch office, e-mail address, office phone number, and names of officials of branch office;
  - d. condensed information on product and all products marketed;
  - e. procedure and way of making transactions;
  - f. information on the procedure of serving and settling complaints;
  - g. list of active insurance agents;
  - h. application of corporate governance contained in an annual report
  - i. audited annual financial statement;
  - j. information on UUS and sharia insurance business for insurance company carrying out sharia insurance business and/or having UUS; and
  - k. other information required by other regulation or need from insurance corporation.
- (3) Insurance corporation shall update information carried in the website as referred to in paragraph (1) no later than 20 (twenty) working days after there is a change in the information as referred to in paragraph (2).

#### Article 46

- (1) Insurance corporation which has data center and disaster recovery center shall place the data center and disaster recovery center in the Indonesian territory in the interests of law enforcement, protection, and upholding of state sovereignty with regard to the data of its citizens.

- (2) Insurance corporation which has disaster recovery center shall place the disaster recovery center in a location separated from the head office.
- (3) Provisions on data center and disaster recovery center in the Indonesian territory refer to the law and regulation concerning the operation of electronic system and transactions.

## CHAPTER XIII

### INSURANCE SUPPORTING CORPORATION

#### Part One

#### Micro, Small and Medium Businesses and Cooperatives Rating Agency

#### Article 47

- (1) Insurance corporation can use the services of micro, small, and medium businesses and cooperatives rating agency in carrying out its businesses.
- (2) Micro, small, and medium businesses and cooperatives rating agency used shall be registered at the Financial Service Authority.
- (3) Micro, small, and medium businesses and cooperatives rating agency as referred to in paragraph (1) shall carry out rating activities independently, objectively, and accountably in assigning rating.

#### Article 48

- (1) The business activities carried out by micro, small, and medium businesses and cooperatives rating agency comprise:
  - a. gathering data of micro, small and medium businesses and cooperatives and other data; and
  - b. processing data of micro, small and medium businesses and cooperatives and other data to produce rating information.
- (2) Data of micro, small and medium businesses and cooperatives and other data gathered and processed by micro, small, and medium businesses and cooperatives rating agency as referred to in paragraph (1) can only be used to produce rating information..
- (3) The rating information produced by micro, small, and medium businesses and cooperatives rating agency as referred to in paragraph (1) letter ~~a~~, either individual or aggregate, shall contain at least:
  - a. viability of micro, small and medium businesses and cooperatives to obtain fund;

- b. reputation track record of micro, small and medium businesses and cooperatives in fulfilling the obligation to provide fund;
- c. rating to assess the capability of micro, small and medium businesses and cooperatives to fulfill the obligation to provide fund;
- d. characters of micro, small and medium businesses and cooperatives; and
- e. other information that can be used to assess the capability of micro, small and medium businesses and cooperatives.

#### Article 49

- (1) Micro, small, and medium businesses and cooperatives rating agency shall :
  - a. maintain the accuracy, updating, security and secrecy of data;
  - b. have reliable system;
  - c. have operational policy and procedure put in written guidance; and
  - d. have rules of game that must be complied with by each party using rating information.
- (2) The operational policy and procedure of rating activities as referred to in paragraph shall cover at least:
  - a. steps to secure data;
  - b. access level;
  - c. procedure of altering data;
  - d. information security;
  - e. business continuity plan;
  - f. end-user computing;
  - g. disaster recovery plan;
  - h. operational monitoring including audit trail;
  - i. procedure of providing rating information; and
  - j. procedure of handling and settling complaints.

#### Article 50

- (1) Micro, small, and medium businesses and cooperatives rating agency that has been registered at the Financial Service Authority can gather and process data of micro, small and medium businesses and cooperatives and other data.

- (2) To expand and enrich the scope of data of micro, small and medium businesses and cooperatives and other data as referred to in paragraph (1), micro, small, and medium businesses and cooperatives rating agency can cooperate with :
- ministries and/or other state institutions;
  - financial service institutions; and/or
  - other corporate bodies.
- (3) Micro, small, and medium businesses and cooperatives rating agency can obtain data as referred to in paragraph (1) directly based upon an agreement and the law and regulation.

#### Article 51

- (1) The management of data of micro, small and medium businesses and cooperatives and other data by micro, small, and medium businesses and cooperatives rating agency covers gathering, processing and distributing data.
- (2) To manage the data as referred to in paragraph (1), micro, small, and medium businesses and cooperatives rating agency shall comply with the law and regulation concerning the operation of electronic system and transactions.

#### Article 52

- (1) To manage the data as referred to in Article 50 paragraph (1), micro, small, and medium businesses and cooperatives rating agency shall take security steps to maintain the accuracy, updating, security and secrecy of data.
- (2) To maintain the accuracy, updating, security and secrecy of data as referred to in paragraph (1), micro, small, and medium businesses and cooperatives rating agency shall place a server and database in the territory of the Republic of Indonesia.
- (3) Micro, small, and medium businesses and cooperatives rating agency shall have disaster recovery center placed in a location separated from the head office.

#### Article 53

- (1) The parties that have access to rating information are :
- financial service institutions as members of the micro, small, and medium businesses and cooperatives

rating agency;

- b. ministries and other state institutions as referred to in Article 50 paragraph (2) letter a as sources of data of the micro, small, and medium businesses and cooperatives rating agency;
  - c. other micro, small, and medium businesses and cooperatives rating agencies;
  - d. micro, small and medium businesses and cooperatives for the relevant rating information; and/or
  - e. other parties.
- (2) Micro, small, and medium businesses and cooperatives rating agency shall administer all requests for rating information from parties as referred to in paragraph (1).
- (3) Micro, small, and medium businesses and cooperatives rating agency can impose fees on the parties as referred to in paragraph (1) for the rating information .

#### Article 54

- (1) In performing its duties, the Financial Service Authority can ask for data managed by micro, small, and medium businesses and cooperatives rating agency directly.
- (2) With regard to the request for data as referred to in paragraph (1), micro, small, and medium businesses and cooperatives rating agency shall give access to the Financial Service Authority in the form of information and data requested, opportunity to see all financial accounts physically related to its activities and other matters needed.

#### Part Two

#### Insurance Agent

#### Article 55

- (1) In carrying out its business activities, insurance corporation can use the service of insurance agent.
- (2) The insurance agent as referred to in paragraph (1) is an individual or corporate body marketing insurance business activities for and on behalf of insurance corporation
- (3) Insurance agent is banned from embezzling IIJP, IJK, IJPU, and/or IJKU.
- (4) Insurance corporation shall have an agent agreement with insurance agent marketing insurance business activities for and on behalf of insurance corporation.
- (5) All actions taken by insurance agent related to insurance transaction become the responsibility of insurance corporation as its agent.

## Part Three

## Broker

## Article 56

- (1) Broker is a party that gives consulting and/or brokerage services in insurance and settles its claims by acting for and on behalf of the insured.
- (2) Broker shall provide as clear information as possible to insurance corporation about the insured object of insurance.
- (3) Broker shall provide as clearly information as possible to the insured about the content of certificate of insurance or certificate of kafalah, including the rights and obligations of the insured.
- (4) Broker is banned from issuing document on the granting of temporary insurance or sharia compliant insurance and/or certificate of insurance or certificate of kafalah.

## Article 57

- (1) Insurance broker or sharia insurance broker can receive IJP or IJK payments from the insured.
- (2) Reinsurance broker or sharia reinsurance broker can receive IJPU or IJKU payments from insurance company or sharia insurance company.
- (3) Insurance company or sharia insurance company shall issue a certificate of insurance or certificate of kafalah after receiving IJP or IJK payments as referred to in paragraph (1) from insurance broker or sharia insurance broker.

## CHAPTER XIV

## REPORTING

## Article 58

- (1) Insurance corporation shall convey a complete monthly report to the Financial Service Authority.
- (2) Provisions on model, structure, and procedure of submitting a monthly report are set forth in a regulation of the Financial Service Authority concerning monthly report of non-bank financial industry.

## Article 59

- (1) Insurance corporation shall convey a complete yearly financial statement audited by public accountant to the Financial Service Authority no later than 4 (four) months after the book year ends.

- (2) The book year as referred to in paragraph (1) is based on calendar year.
- (3) The yearly financial statement as referred to in paragraph (1):
  - a. is presented in the rupiah currency; and
  - b. is conveyed in writing to the Financial Service Authority with the address as carried in the website of the Financial Service Authority.
- (4) If the deadline for the submission of report falls on holiday, the deadline for the submission of the report is the first following working day.
- (5) If insurance corporation secures a business permit less than 6 (six) months after the calendar year ends, the obligation to convey the yearly financial statement as referred to in paragraph (1) shall begin in the following calendar year.

#### Article 60

In addition to the monthly report as referred to in Article 58 and the yearly financial statement as referred to in Article 59, insurance corporation shall submit a report any time if needed by the Financial Service Authority.

#### Article 61

- (1) Insurance corporation shall announce a condensed balance sheet and profit/loss statement no later than 4 (four) months after the book year ends, at least on one Indonesian daily with broad circulation in the operational territory of the insurance corporation.
- (2) Insurance corporation shall report the realization of the announcement as referred to in paragraph (1) in writing to the Financial Service Authority no later than 30 (thirty) days after the realization of the announcement, along with evidence of announcement.
- (3) If the deadline for the submission of the report as referred to in paragraph (2) falls on holiday, the deadline for the submission of the report is the first following working day.

### CHAPTER XV

#### ACCOUNTING GUIDANCE FOR INSURANCE CORPORATION

#### Article 62

- (1) Insurance corporation shall record its business activities based upon the standard statement of financial



accounting relevant to the insurance corporation and the accounting guidance for Indonesian insurance corporations.

- (2) Provisions on the accounting guidance for Indonesian insurance corporations as referred to in paragraph (1) are to be provided for in a circular of the Financial Service Authority.

## CHAPTER XVI

### UPHOLDING OF COMPLIANCE

#### Part One

#### Notification

#### Article 63

- (1) Insurance corporation which does not meet provisions as referred to in Article 3 paragraph (1), Article 4 paragraph (1), Article 7 paragraph (2), Article 12 paragraph (3), Article 25 paragraphs (2) and (3), Article 44 paragraph (2), Article 45 paragraphs (1) and (3), and/or Article 55 paragraph (4) of this regulation of the Financial Service Authority shall be given a notification.
- (2) Insurance corporation which has UUS which does not meet provisions as referred to in Article 3 paragraph (1), Article 4 paragraph (1), Article 7 paragraph (2), Article 12 paragraph (3), Article 25 paragraphs (2) and (3), Article 44 paragraph (2), and/or Article 55 paragraph (4) of this regulation of the Financial Service Authority shall be given a notification.
- (3) Insurance corporation shall meet provisions as referred to in paragraphs (1) and/or (2) no later than 1 (one) month after the issuance date of the notification.

#### Part Two

#### Plan for Fulfillment

#### Article 64

- (1) Insurance corporation which does not meet provisions as referred to in Article 11 paragraph (6), Article 12 paragraph (2), Article 16 paragraph (1), Article 19, Article 21, Article 22 paragraph (1), Article 23 paragraph (1), Article 27 paragraphs (1), (2), (4), and (5), Article 28 paragraphs (1), (3), and (4), Article 29, Article 31, Article 42 paragraph (1), Article 43 paragraphs (1) and (2), and/or Article 46 paragraphs (1) and (2) of this regulation of the Financial Service Authority shall submit a plan to fulfill the provisions to the Financial Service Authority no later than 1 (one) month after the date when the violation is stipulated.

- (2) Insurance corporation which has UUS which does not meet provisions as referred to in Article 11 paragraph (6), Article 12 paragraph (2), Article 16 paragraph (1), Article 19, Article 21, Article 22 paragraph (1), Article 23 paragraph (1), Article 27 paragraphs (1), (2), (4), and (5), Article 29, Article 32, Article 42 paragraph (1), Article 43 paragraphs (1) and (2), and/or Article 46 paragraphs (1) and (2) of this regulation of the Financial Service Authority shall submit a plan to fulfill the provisions to the Financial Service Authority no later than 1 (one) month after the date when the violation is stipulated.
- (3) The plan to meet the provisions as referred to in paragraphs (1) and/or (2) shall contain at least the plan to be realized by insurance corporation to meet the provisions, along with a certain period of time to meet the provisions as referred to in paragraphs (1) and/or (2).
- (4) The plan to meet the provisions as referred to in paragraphs (1) and/or (2) contains:
- a. restructuring of assets and/or liabilities;
  - b. increase of paid-up capital;
  - c. transfer of assets, partly and wholly;
  - d. restriction on the distribution of profit;
  - e. restriction on activities leading to violation of rules;
  - f. restriction on bookkeeping at new branch office;
  - g. merger of corporate bodies; and/or
  - h. other things to be done to meet provisions as referred to in paragraphs (1) and (2).
- (5) The plan to meet provisions as referred to in paragraphs (1) and/or (2) shall be signed by all members of the board of directors and the board of commissioners.
- (6) The plan to meet provisions as referred to in paragraphs (1) and/or (2) shall be first approved by a general meeting of shareholders or equal meeting if the plan contains a plan to increase paid-up capital or a plan to merge businesses.
- (7) The plan to meet provisions as referred to in paragraphs (1) and/or (2) shall receive a statement of non-objection from the Financial Service Authority.
- (8) If the plan to meet provisions as referred to in paragraphs (1) and/or (2) is considered by the Financial Service Authority insufficient to overcome problems, insurance corporation shall improve the plan to meet provisions.
- (9) The Financial Service Authority issues a statement of non-objection to the plan to meet provisions submitted by insurance corporation by taking into the problems faced by insurance corporation no later than 15

fifteen) working days after receiving a complete plan to meet provisions.

(10) If within a period of time as referred to in paragraph (9) the Financial Service Authority does not issue a statement of non-objection nor give any response, insurance corporation can realize the plan to meet provisions as referred to in paragraphs and/or (2).

(11) Insurance corporation shall realize the plan to meet provisions as referred to in paragraphs (1) and/or (2).

## CHAPTER XVII

### ADMINISTRATIVE SANCTIONS

#### Article 65

- (1) If after the period of notification as referred to in Article 63 paragraph (3) has passed insurance corporation does not meet provisions as referred to in Article 63 paragraphs (1) and/or (2) of this regulation of the Financial Service Authority, the insurance corporation shall be liable to administrative sanctions in stages as follows:
  - a. written warning;
  - b. the freezing of business activities and/or the freezing of business activities of UUS; or
  - c. the revocation of business permit and/or the revocation of UUS permit.
- (2) In addition to the sanctions as referred to in paragraph (1), the Financial Service Authority can impose extra sanctions in the form of :
  - a. restriction on certain business activities;
  - b. cancellation of approval; and/or
  - c. reassessment of capability and compliance.
- (3) Insurance corporation which does not meet provisions as referred to in paragraph (1) but the violation has been settled shall remain subjected to a first written warning which will end automatically.
- (4) The written warning as referred to in paragraph (1) letter a can be issued a maximum of 3 (three) consecutive times with the validity period of each of them covering 2 (two) months.
- (5) If before the period of the written warning as referred to in paragraph (4) has passed insurance corporation has met provisions as referred to in Article 63 paragraphs (1) and/or (2), the Financial Service Authority shall revoke the written warning.
- (6) If after the period of the third written warning as referred to in paragraph (4) has passed insurance corporation does not meet provisions as referred to in Article 63 paragraphs (1) and/or (2), the Financial Service

Authority shall freeze business activities and/or business activities of UUS.

- (7) The sanction in the form of the freezing of business activities and/or business activities of UUS is issued in writing and is valid for a maximum of 6 (six) months after the date of stipulation.
- (8) If the validity period of the sanctions in the form of written warning, the freezing of business activities; and/or the freezing of business activities of UUS ends on holiday, the sanctions in the form of written warning, the freezing of business activities; and/or the freezing of business activities of UUS shall be valid until the first following working day.
- (9) Insurance corporation subjected to sanctions in the form of the freezing of business activities; and/or the freezing of business activities of UUS as referred to in paragraph (6) is banned from carrying out business activities.
- (10) If before the period of the freezing of business activities and/or the freezing of business activities of UUS as referred to in paragraph (7) ends insurance corporation has met provisions as referred to in Article 63 paragraphs (1) and/or (2), the Financial Service Authority shall revoke sanctions in the form of the freezing of business activities; and/or the freezing of business activities of UUS.
- (11) If sanctions in the form of the freezing of business activities; and/or the freezing of business activities of UUS are still valid and insurance corporation continues to carry out insurance business activities, the Financial Service Authority can directly revoke the business permit and/or business permit of UUS.
- (12) If after the period of the freezing of business activities as referred to in paragraph (7) has passed insurance corporation does not meet provisions as referred to in Article 63 paragraphs (1) and/or (2), the Financial Service Authority shall revoke the business permit and/or UUS permit of the insurance corporation.
- (13) The Financial Service Authority can announce sanctions in the form of the freezing of business activities; and/or the freezing of business activities of UUS as referred to in paragraph (1) letter b and/or , sanctions in the form of the revocation of business activities; and/or the revocation of business activities of UUS as referred to in paragraph (1) letter c to the public.

#### Article 66

- (1) Insurance corporation which does not meet provisions as referred to in Article 64 paragraph (1), (2), (8), or (11) of this Regulation of the Financial Service Authority is subjected to administrative sanctions in stages in the form of :
  - a. written warning;

- b. freezing of business activities and/or freezing of business activities of UUS; or
  - c. revocation of business permit and/or revocation of UUS permit.
- (2) Besides the sanctions as referred to in paragraph (1), the Financial Service Authority can impose additional sanctions in the form of :
- a. restriction on certain business activities;
  - b. cancellation of approval; and/or
  - c. reassessment of capability and compliance.
- (3) Insurance corporation which does not meet provisions as referred to in paragraph (1) but the violation has been settled shall remain subjected to a first written warning which ends automatically.
- (4) The written warning as referred to in paragraph (1) letter a can be issued a maximum of 3 (three) consecutive times with each of them being valid for a maximum of 2 (two) months.
- (5) If before the period of written warning as referred to in paragraph (4) has passed insurance corporation has met provisions as referred to in Article 64 paragraph (1), (2), (8), or (11), the Financial Service Authority shall revoke the written warning.
- (6) If after the period of the third written warning as referred to in paragraph (4) has passed and insurance corporation does not meet provisions as referred to in Article 64 paragraph (1), (2), (8), or (11), the Financial Service Authority shall freeze business activities and/or business activities of UUS.
- (7) If insurance corporation does not meet provisions as referred to in Article 64 paragraph (1), (2), (8), or (11) until the end of the period of the third written warning as referred to in paragraph (4), the insurance corporation shall be subjected to a sanction of having business permit and/or UUS permit revoked without prior sanctions of freezing business activities and/or business activities of UUS as referred to in paragraph (6).
- (8) The sanction in the form of the freezing of business activities and/or business activities of UUS is issued in writing and is valid for 6 (six) months after the date of stipulation.
- (9) If the period of sanctions in the form of written warning, freezing of business activities, and/or freezing of business activities of UUS ends on holiday the sanctions in the form of written warning, freezing of business activities, and/or freezing of business activities of UUS shall be valid until the first following working day.
- (10) Insurance corporation subjected to sanctions in the form of the freezing of business activities and/or business activities of UUS as referred to in paragraph (6) is banned from carrying out business activities.

- (11) During the period of sanctions in the form of the freezing of business activities and/or business activities of UUS as referred to in paragraph (8), insurance corporation:
- is banned from providing insurance; and
  - remains responsible for settling all obligations including insurance obligations made as contained in a certificate of insurance, certificate of kafalah, and/or cooperation agreement.
- (12) If before the period of the freezing of business activities and/or business activities of UUS as referred to in paragraph (8) ends insurance corporation meets provisions as referred to in Article 64 paragraphs (1), (2), (8), and (11), the Financial Service Authority shall revoke sanctions in the form of the freezing of business activities and/or business activities of UUS.
- (13) If sanctions in the form of the freezing of business activities and/or business activities of UUS are still valid and insurance corporation continues to carry out insurance business activities, the Financial Service Authority can directly impose sanctions in the form of the revocation of business activities and/or UUS permit.
- (14) If after the period of the freezing of business activities and/or business activities of UUS as referred to in paragraph (8) has passed, insurance corporation does not meet provisions as referred to in Article 64 paragraph (1), (2), (8), or (11), the Financial Service Authority shall revoke the business permit and/or UUS permit of the insurance corporation.
- (15) The Financial Service Authority can announce sanctions in the form of the freezing of business activities and/or business activities of UUS as referred to in paragraph 1) letter b, and/or sanctions in the form of revocation of UUS permit as referred to in paragraph (1) letter c to the public.

#### Article 67

- (1) Insurance corporation which does not meet provisions as referred to in Article 9 paragraph (2), Article 11 paragraph (4), Article 13, Article 14, Article 20 paragraph (2), Article 25 paragraph (1), Article 30 paragraph (1), Article 33 paragraph (1), Article 34, Article 35, Article 37, Article 38 paragraphs (1), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), and (14), Article 39, Article 40 paragraph (1), Article 58 paragraph (1), Article 59 paragraph (1), Article 60, Article 61 paragraphs (1) and (2), and/or Article 62 paragraph (1) of this Regulation of the Financial Service Authority, is subjected to administrative sanctions in stages in the form of :
- written warning;

- b. freezing of business activities; or
  - c. revocation of business permit.
- (2) Insurance corporation which which has UUS which does not meet provisions as referred to in Article 9 paragraph (2), Article 11 paragraph (4), Article 13, Article 14, Article 20 paragraph (2), Article 25 paragraph (1), Article 30 paragraph (1), Article 34, Article 35, Article 37 paragraph (2), Article 38 paragraphs (1), (3), (4), (5), (6), (7), (8), (9), (10), (12) and (14), Article 39, Article 40 paragraph (1), Article 58 paragraph (1), Article 60, and/or Article 62 paragraph (1) of this Regulation of the Financial Service Authority, is subjected to administrative sanctions in stages in the form of :
- a. written warning;
  - b. freezing of business activities of UUS; or
  - c. revocation of UUS permit. business permit.
- (3) Insurance corporation which does not meet provisions as referred to in paragraphs (1) and/or (2) but the violation has been settled, shall remain subjected to a first written warning which ends automatically.
- (4) The written warning as referred to in paragraph (1) letter a and/or paragraph (2) letter a, can be issued a maximum of 3 (three) consecutive times with each of them being valid for a maximum of 2 (two) months.
- (5) If before the validity period of the written warning as referred to in paragraph (4) has ended insurance corporation has meet provisions as referred to in paragraphs (1) and/or (2), the Financial Service Authority shall revoke the written warning.
- (6) If after the validity period of the third written warning as referred to in paragraph (4) has ended insurance corporation does not meet provisions as referred to in paragraphs (1) and/or (2), the Financial Service Authority shall freeze business activities and/or business activities of UUS.

(7) Sanction  
to be continued

(S)