

NEW INSURANCE BILL PASSED

The Insurance Bill (**Insurance Bill**) was passed by the House of Representatives on 23 September 2014. The Insurance Bill repeals and replaces the current Law No. 2 of 1992 on The Insurance Business.

In addition to the current insurance businesses such as general insurance, life insurance, and reinsurance businesses, the Insurance Bill regulates Sharia insurance.

Under the Insurance Bill:

1. An insurance business may be in the form of (i) a limited liability company, (ii) a cooperative, or (iii) a mutual business (to be further regulated in an implementing regulation).
2. The cooperative and mutual businesses are only entitled to provide insurance and sharia insurance services for its members.
3. Shareholders of an insurance company may be (a) Indonesian citizens and/or legal entities which are directly or indirectly wholly-owned by Indonesian citizens; (b) a cooperation between Indonesian parties and foreign parties, subject to certain requirements, such as the foreign entity should be an insurance company providing the same services or a parent company where one of its subsidiaries is engaged in the same insurance business services; (c) a foreign citizen if such participation is made through a transaction in the stock-exchange.
4. Any party undertaking insurance business must obtain a business license from the Financial Services Authority (OJK).
5. Insurance companies must have one controller, whose appointment and termination should be reported to and approved by the OJK.
6. Experts and actuaries should be recruited by insurance companies to ensure good insurance management and to manage financial risk.
7. To secure the interests of policy holders, insurance companies and sharia insurance companies must participate in a deposit policy program (eg Indonesia Deposit Insurance Corporation/*Lembaga Penjamin Simpanan* or **LPS**). Further provisions on the LPS will be regulated in a subsequent law which is expected to be issued within 3 years of the issuance of the Insurance Bill.
8. Insurance companies must be a member of a mediation agency and an insurance business association.
9. A controlling shareholder is only allowed to act as a controlling shareholder in one

insurance company, unless the controlling shareholder is the Indonesian Government.

10. Various administrative sanctions are provided, such as restrictions on business activities, revocation of business license, fines, etc. Meanwhile, criminal sanctions range from 3 years to 15 years imprisonment, depending on the violation.
11. Different grace periods are provided for certain parties to comply with the new provisions, eg a controlling shareholder holding shares in more than one insurance company must follow the 'one-company' restriction in 9. above within 3 years from the date of issuance of the Insurance Bill.