



MINISTER OF FINANCE  
REPUBLIC OF INDONESIA  
COPY OF  
REGULATION OF THE MINISTER OF FINANCE  
NUMBER 11/PMK.010/2011

CONCERNING  
FINANCIAL SOUNDNESS OF INSURANCE BUSINESS  
AND REINSURANCE BUSINESS USING SHARIA  
PRINCIPLES

BY THE GRACE OF GOD ALMIGHTY

MINISTER OF FINANCE,

- Considering :
- a. that the implementation of insurance business and reinsurance business using Sharia principles has been regulated in Government Regulation Number 39 Year 2008 concerning the Second Amendment to Government Regulation Number 73 Year 1992 concerning Implementation of Insurance Business, as several times amended most recently by Government Regulation Number 81 Year 2008;
  - b. that in order to apply a precautionary principle and keep a balance between asset and liability in the implementation of insurance business and reinsurance business using Sharia principles as referred to in a, it is necessary to regulate provisions concerning the standard of financial soundness for an insurance company and a reinsurance company implementing all or part of their businesses based on Sharia principles;
  - c. that based on the considerations as referred to in a and b, it is necessary to stipulate Regulation of the Minister of Finance concerning Financial Soundness of Insurance Business and Reinsurance Business Using Sharia Principles;

- In View of :
1. Act Number 2 Year 1992 concerning Insurance Business (State Gazette of the Republic of Indonesia Year 1992 Number 13, Supplement to State Gazette of the Republic of Indonesia Number 3467);
  2. Government Regulation Number 73 Year 1992 concerning the Implementation of Insurance Business (State Gazette of the Republic of Indonesia Year 1992 Number 120, Supplement to State Gazette of the Republic of Indonesia Number 3506) as several times amended most recently by Government Regulation Number 81 Year



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2008 (State Gazette of the Republic of Indonesia Year 2008 Number 212, Supplement to State Gazette of the Republic of Indonesia Number 4954);

3. Presidential Decree Number 56/P Year 2010 ;
4. Minister of Finance Decree Number 422/KMK.06/2003 concerning the Implementation of Insurance Company's Business and Reinsurance Company's Business;
5. Minister of Finance Decree Number 424/KMK.06/2003 concerning Financial Soundness of Insurance Company and Reinsurance Company, as several times amended most recently by Regulation of the Minister of Finance Number 158/PMK.010/2008 ;
6. Regulation of the Minister of Finance Number 18/PMK.010/2010 concerning Application of Basic Principles to Implement Insurance Business and Reinsurance Business Using Sharia Principles;

HAS DECIDED:

To enact: : REGULATION OF THE MINISTER OF FINANCE CONCERNING FINANCIAL SOUNDNESS OF INSURANCE BUSINESS AND REINSURANCE BUSINESS USING SHARIA PRINCIPLES.

CHAPTER I

GENERAL PROVISIONS

Article 1

In this Regulation of the Minister of Finance:

1. Company means an insurance company or a reinsurance company implementing all or part of its businesses using Sharia principles.
2. Participant means a person or entity participating in insurance programs using Sharia principles or a Company participating in reinsurance programs using Sharia principles.
3. Tabarru' Akad means akad of grant in the form of granting of funds from one Participant to Tabarru' Fund for the purpose of mutual help among Participants, which is not commercial and not for commercial purposes.
4. Tabarru' Fund means a collection of funds derived from contributions of the participants, of which mechanism of use is in accordance with the agreed of Tabarru' Akad.
5. Participant's Investment Fund means an investment fund derived from the contributions of the Participants in life insurance products containing elements of investment, which is managed by the Company in accordance with the agreed of investment akad.



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6. Corporate fund means a fund derived from shareholders and/or corporate property used to conduct the activities of insurance business or reinsurance business using Sharia principles.
7. Net contribution means the excess of contributions from the Participants allocated to the Tabarru' Fund plus reinsurance contributions accepted with outgoing reinsurance contributions.
8. Admitted asset means asset accounted for in Solvency Level of Tabarru' Fund.
9. Solvency Level of Tabarru' Fund means the difference between the amount of Admitted Asset from the Tabarru' Fund minus liability of the Tabarru' Fund management.
- 10 Bank means an Sharia commercial Bank and/or Sharia business unit as referred to Act concerning Sharia banking.
- 11 Affiliate means an affiliate as referred to in Act concerning insurance business.
- 12 Custodian Bank means a commercial bank that has been approved by the Capital Market Supervisory Agency and Financial Institution to act as custodian.
- 13 State Sharia Securities mean Sharia securities as referred to in Act concerning state sharia securities.
- 14 Guarantee Fund means part of asset of Corporate Fund or part of asset of Tabarru' Fund and/or part of asset of Participant's Investment Fund intended as a final guarantee in order to protect the interests of the participants.
- 15 Qardh means loan of funds from the Company to the Tabarru' Fund in order to overcome the insufficiency of asset of Tabarru' Fund to pay compensation or claim to the Participants.
- 16 Asset Available for Qardh means part of asset of Corporate Fund made available to provide Qardh to Tabarru' Fund
17. Minister means the Minister of Finance of the Republic of Indonesia.

CHAPTER II  
SCOPE OF FINANCIAL SOUNDNESS

Article 2

1. Company must maintain the financial soundness consisting of:
  - a. financial soundness of Tabarru' Fund; and
  - b. financial soundness of Corporate Fund.
2. For a life insurance company that markets products containing elements of investment, in addition to maintaining the financial soundness as referred to in paragraph (1) must also maintain



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financial soundness of Participant's Investment Fund.

CHAPTER III  
FINANCIAL SOUNDNESS OF TABARRU' FUND

Part One

Solvency Level of Tabarru' Fund

Article 3

Company must maintain Solvency Level of Tabarru' Fund at least thirty percent (30%) of funds needed to anticipate the risk of loss that may arise as a result of the deviation in the management of asset and/or liability.

Article 4

1. The risk of loss that may arise as referred to in Article 3 shall include:
  - a. failure in the management of asset;
  - b. imbalance between asset flow projections and liabilities;
  - c. imbalance between asset value and liability in every currency type;
  - d. difference between occurring claim charge and estimated claim charge;
  - e. insufficiency of contribution due to difference in assumed return on investment in the determination of contribution to earned return on investment; and/or
  - f. inability of reinsurer to meet the obligation to pay claims.
2. Company shall calculate the amount of funds required to cover every risk of loss that may arise as referred to in paragraph (1).
3. Provisions concerning the calculation of the amount of funds as referred to in paragraph (2) shall be regulated by the Regulation of the Chairman of the Capital Market Supervisory Agency and Financial Institution.

Part Two

Admitted Asset in the Form of Investments

Article 5

1. Admitted Asset in the form of investments shall consist of:
  - a. deposits at the Bank;
  - b. Sharia stocks;
  - c. sukuk or Sharia bonds;
  - d. State Sharia Securities;
  - e. Sharia securities issued by Bank Indonesia;
  - f. Sharia securities issued by countries other than the Republic of Indonesia;



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- g. Sharia securities issued by multinational institution where the Republic of Indonesia becomes one of its members or shareholders;
  - h. Sharia mutual funds;
  - i. Sharia asset-backed securities issued based on collective investment contract of Sharia asset-backed securities;
  - j. financing through the mechanism of cooperation with other parties in the form of Sharia refinancing; and/or
  - k. pure gold.
2. Admitted Asset in the form of investments as referred to in paragraph (1) which may be located overseas only in the type of:
- a. Sharia stocks;
  - b. sukuk;
  - c. Sharia securities issued by countries other than the Republic of Indonesia;
  - d. Sharia securities issued by multinational institution where the Republic of Indonesia becomes one of its members or shareholders; and/or
  - e. Sharia mutual funds.

Article 6

Assessment of Admitted Asset in the form of investments as referred to in Article 5 paragraph (1) shall be as follows:

- a. deposits at the Bank, based on the nominal value;
- b. Sharia stocks, based on market value using the last trade price information on a stock exchange;
- c. sukuk or Sharia bonds, based on the fair market value determined by the securities price rating agency that has obtained a license from the Capital Market Supervisory Agency and Financial Institution or securities price rating agency that has been recognized internationally;
- d. State Sharia Securities, based on the fair market value determined by the securities price rating agency that has obtained a license from the Capital Market Supervisory Agency and Financial Institution or securities price rating agency that has been recognized internationally;
- e. Sharia securities issued by Bank Indonesia, based on market value;
- f. Sharia securities issued by countries other than the Republic of Indonesia, based on market value;
- g. Sharia securities issued by multinational institution where the



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Republic of Indonesia becomes one of its members or shareholders, based on market value;

- h. Sharia mutual funds, based on net asset value;
- i. Sharia asset-backed securities issued based on a collective investment contract of Sharia asset-backed securities that has received an effective statement from the Capital Market Supervisory Agency and Financial Institution, based on market value;
- j. financing through the mechanism of cooperation with other parties in the form of Sharia refinancing based on the value of remaining financing after deducted by allowance for uncollectible financing (net-performing loans), and
- k. pure gold, based on market value.

Article 7

The provisions concerning the assessment as referred to in Article 6 can be amended by Regulation of the Chairman of Capital Market Supervisory Agency and Financial Institution only in order to anticipate the unfairness in the financial markets and enforced in a limited period.

Article 8

1. Placement of Admitted Asset in the form of investment of Sharia stocks as referred to in Article 5 paragraph (1) b domestically, must meet the following provisions:
  - a. traded on stock exchanges, and
  - b. included in the list of Sharia securities issued by the Capital Market Supervisory Agency and Financial Institution.
2. Placement of Admitted Asset in the form of investment of sukuk or Sharia bonds as referred to in Article 5 paragraph (1) c domestically, must meet the following requirements:
  - a. at least having the rank included in category four (4) top ranks of the securities rating agency that has obtained a license from the Capital Market Supervisory Agency and Financial Institution; and
  - b. sold through a public offering and/or traded on a stock exchange in Indonesia.
3. Placement of Admitted Asset in the form of investment of Sharia mutual funds and Sharia asset-backed securities issued based on a collective investment contract of Sharia asset-backed securities as referred to in Article 5 paragraph (1) h and i domestically, must meet the following requirements:



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- a. having obtained an effective statement from the Capital Market Supervisory Agency and Financial Institution; and
  - b. conducted through public offering as regulated by laws and regulations in the field of capital market.
4. Placement of Admitted Asset in the form of investment of pure gold as referred to in Article 5 paragraph (1) k domestically, must meet the following requirements:
- a. meeting the specification requirements set by the commodity exchange that has obtained a license from the authorized institution; and
  - b. kept in custody that has cooperation with the commodity exchange as referred to in a.

Article 9

Other party as referred to in Article 5 paragraph (1) j must meet the following requirements:

- a. being a finance company obtaining a license from the Capital Market Supervisory Agency and Financial Institution or a Bank obtaining a license from Bank Indonesia;
- b. not being subject to administrative sanctions in the form of limitation of business activities or suspension of business activities by the Capital Market Supervisory Agency and Financial Institution or Bank Indonesia at the time of commencement of cooperation; and
- c. meet the provisions of financial soundness based on applicable laws and regulations at the time of the commencement of cooperation.

Article 10

1. In case that the Admitted Asset is in the form of investment of Sharia stocks and/or sukuk as referred to in Article 5 paragraph (1) b and c, which is traded in stock exchanges in the country and abroad and of which issuer is a foreign legal entity, it shall be categorized as an overseas investment.
2. In case that the Admitted Asset is in the form of investment of sukuk as referred to in Article 5 paragraph (1) c which is issued by a foreign legal entity of which shares are mostly owned by an Indonesian legal entity, it shall be classified as a domestic investment.
3. In case that the Admitted Asset is in the form of investment of Sharia stocks and/or sukuk as referred to in Article 5 paragraph (1) b and c which is denominated in rupiah and issued by multinational institution domiciled in a foreign country and the



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Republic of Indonesia becomes one of its members or shareholders, it shall be categorized as a domestic investment.

Article 11

1. Placement of Admitted Asset in the form of investment abroad in the form of Sharia stocks as referred to in Article 5 paragraph (2) a must meet the following requirements:
  - a. included in the category of Sharia stocks where the stocks are listed;
  - b. included in the category of stocks actively traded in stock exchange where the Sharia stocks are listed according to criteria established by the intended stock exchange; and
  - c. information concerning the issuer and transactions of the Sharia stocks can be accessed in Indonesia.
2. Placement of Admitted Asset in the form of investment abroad in the form of sukuk, Sharia securities issued by countries other than the Republic of Indonesia, and Sharia securities issued by multinational institution where the Republic of Indonesia becomes one of its members or shareholders as referred to in Article 5 paragraph (2) b, c, and d must meet the following requirements:
  - a. at least having the rank included in category of four (4) top ranks of the internationally recognized securities rating company;
  - b. sold through a public offering and/or traded in stock exchange, and
  - c. information concerning its transactions can be accessed in Indonesia.
3. Placement of Admitted Asset in the form of investment abroad in the form of Sharia mutual fund as referred to in Article 5 paragraph (2) e must meet the following requirements:
  - a. issued by overseas investment manager who has affiliate relationships with investment manager in Indonesia who has obtained a license from the Capital Market Supervisory Agency and Financial Institution; and
  - b. listed in stock exchange in the country where the investment manager is domiciled.

Article 12

1. Limitation of Admitted Asset in the form of investments as referred to in Article 5 shall be as follows:
  - a. investment in the form of deposits, for every bank with no more than twenty percent (20%) of total investment;





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- b. investment in the form of Sharia stocks, for every issuer respectively with no more than ten percent (10%) of total investment and entirely with no more than forty percent (40%) of total investment;
  - c. investment in the form of sukuk or Sharia bonds, for every issuer respectively with no more than twenty percent (20%) of total investment and entirely with no more than forty percent (40%) of total investment;
  - d. investment in the form of Sharia securities issued by countries other than the Republic of Indonesia, for every issuer respectively with no more than ten percent (10%) of total investment;
  - e. investment in the form of Sharia securities issued by the multinational institution where the Republic of Indonesia becomes one of its members or shareholders, for every issuer with no more than twenty percent (20%) of total investment;
  - f. investment in the form of Sharia mutual fund, for every investment manager respectively with no more than ten percent (10%) of total investment and entirely with no more than forty percent (40%) of total investment;
  - g. investment in the form of Sharia asset-backed securities, for every investment manager respectively with no more than ten percent (10%) of total investment and entirely with no more than twenty percent (20%) of total investment;
  - h. investment in the form of financing through the mechanism of cooperation with other parties in the form of Sharia refinancing, for every other party respectively with no more than ten percent (10%) of total investment and entirely with no more than twenty percent (20%) of total investment; and
  - i. investment in the form of pure gold, with no more than two percent (20) of total investment.
2. In case that the investments as referred to in paragraph (1) point b to point f are conducted on Sharia instruments issued abroad, the number of total investment on Sharia instruments issued abroad shall be no more than twenty percent (20%) of total investment.
  3. Total investment used as the basis for calculation of limitation as referred to in paragraph (1) shall be the value of all types of investments as referred to in Article 5 as of date of balance sheet of which valuation is based on the provisions as referred to in Article 6.



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Article 13

1. Placement of investment on one party shall be no more than twenty percent (20%) of total investment, except for placement of State Sharia Securities and Sharia securities issued by Bank Indonesia.
2. Party as referred to in paragraph (1) shall also include those who either individually or jointly have affiliation relationship and/or other legal relationships, namely:
  - a. relationship by marriage and descent until the second level, including horizontal and vertical;
  - b. relationship between the party and employees, directors, or commissioners of that party;
  - c. relationship between two (2) or more companies where there are one or more same members of directors or boards of commissioners; and/or
  - d. relationship between the company and major shareholders.

Part Three

Admitted Asset in the Form of Non-investment

Article 14

Admitted Asset in the form of non-investment shall consist of:

- a. cash and bank;
- b. contribution receivable;
- c. reinsurance receivable;
- d. investment receivable, and/or
- e. investment return receivable.

Article 15

Assessment of Admitted Asset in the form of non-investment as referred to in Article 14 shall be as follows:

- a. cash and bank, based on nominal value;
- b. contribution receivable, based on the value of remaining receivables with age of receivable of no longer than two (2) months, calculated
  1. commencement of coverage for the policy with payment of a single contribution, or
  2. maturity of contribution payment for the policy with payment of installment contribution;
- c. reinsurance receivable, based on the value of remaining receivables with age of receivable of no longer than two (2) months calculated from the due date of payment;
- d. investment receivable, based on the value of the remaining receivables with age of receivable of no longer than one (1) month calculated from the due date of payment; and



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- e. receivable of return on investment, based on the value of remaining receivables with age of receivable of no longer than one (1) month calculated from the date of return on investment becoming the right of the company.

Part Four

Status of Admitted Asset

Article 16

Admitted Asset in the form of investments as referred to in Article 5 and Admitted Asset in the form of non-investment as referred to in Article 14:

- a. shall be controlled by the Company;
- b. shall not be in dispute; and
- c. shall not be blocked by the authorities.

Part Five

Liability

Article 17

Liability that must be considered in determining the Solvency Level of Tabarru' Fund shall include all liabilities of Tabarru' Fund including liabilities in the form of technical allowance.

Article 18

1. Liabilities in the form of technical allowance as referred to in Article 17 shall include:
  - a. contribution allowance for products with a maturity of more than one (1) year where terms and conditions of its policy cannot be renegotiated at any anniversary of the policy;
  - b. contribution allowance not yet becoming the income or right for products with a maturity of up to one (1) year or a maturity of more than one (1) year where terms and conditions of its policy can be renegotiated at any anniversary of the policy, and
  - c. claim allowance.
2. The formation of contribution allowance as referred to in paragraph (1) a shall consider all revenues and expenditures that may occur in the future by using the assumption of central estimate plus the margin of risk.
3. The formation of contribution allowance not yet becoming the income or right as referred to in paragraph (1) b shall be calculated based on Net Contribution in proportion to the number of days until the policy ends (daily proportional).
4. The formation of contribution allowance not yet becoming the income or right as referred to in paragraph (1) b, for a collection policy of which details of coverage validity cannot be known for



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every member of collection, can be calculated based on the Net Contribution in proportion to the number of months until the policy ends (monthly proportional).

5. Claim allowance as referred to in paragraph (1) c shall include:
  - a. claims that are still in the process of settlement, calculated based on a reasonable estimate of incurred and reported claims but still in the process of settlement, along with service cost for the appraisal of insurance loss, minus claim expenses that will be part of the reinsurer; and
  - b. Incurred but not reported (IBNR) claims, calculated based on a reasonable estimate of incurred but not reported claims using the claim ratio method or one of the triangle methods, along with service cost for the appraisal of insurance loss, minus claim expenses that will be part of the reinsurer.
6. The use of calculation methods for allowance of incurred but not reported (IBNR) claims as referred to in paragraph (5) b shall be conducted consistently.
7. Guidelines on the formation of contribution allowance as referred to in paragraph (2) and calculation methods of claim allowance as referred to in paragraph (5) b shall be regulated by Regulation of the Chairman of the Capital Market Supervisory Agency and Financial Institution.

Article 19

1. The amount of Admitted Asset in the form of investments as referred to in Article 5 paragraph (1) plus Admitted Asset in the form of non-investment of cash and bank as referred to in Article 14 a shall be no less than the amount of technical allowance plus own retention claim payment obligation.
2. Own retention claim payment obligation as referred to in paragraph (1) shall be the obligation of payment for claims that have been agreed but not yet paid minus claim expenses that are part of the reinsurer.

Part Six

Reinsurance

Article 20

1. The company must obtain an automatic reinsurance support for every line of insurance business marketed.
2. Automatic reinsurance support as referred to in paragraph (1) must be obtained from at least two (2) Companies in the country.
3. In case that the automatic reinsurance support as referred to in



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paragraph (2) is not obtained, automatic reinsurance support can be obtained from conventional reinsurers in the country.

4. In case that the automatic reinsurance support in the country as referred to in paragraph (2) and paragraph (3) is not obtained, the reinsurance support can be obtained from the Companies abroad that have a good reputation.
5. Automatic reinsurance support from abroad as referred to in paragraph (4) can only be conducted after the Company does not obtain an automatic reinsurance support from all reinsurance companies in the country.
6. In case that the automatic reinsurance support as referred to in paragraph (4) is not obtained, reinsurance support can be obtained from conventional reinsurers abroad that, at the time of placement, have at least ranks included in category of four (4) top ranks from rating company that recognized internationally.
7. In case that the ranks of the reinsurers abroad as referred to in paragraph (6) are issued by more than one rating agencies, the ranks used shall be the lowest ranks.
8. The company must attach, to the report of automatic reinsurance programs, the evidence of not obtaining the automatic reinsurance support and evidence of reinsurer ranks abroad.

Article 21

1. Automatic reinsurance support as referred to in Article 20 paragraph (1) can be excluded in case that:
  - a. there are no reinsurers willing to provide the automatic reinsurance support due to specific risk characteristics of insurance business line;
  - b. the Company begins marketing a new insurance business line;
  - c. the Company markets the insurance products only to meet the demand of participants for a comprehensive membership package and does not market the products separately; or
  - d. managed risks do not exceed the capacity of own retention.
2. The company must attach evidence of cause of no obtaining or no needing the automatic reinsurance support as referred to in paragraph (1) in the report of automatic reinsurance programs.

Article 22

1. The company must obtain facultative reinsurance support in case that the Company does not have automatic reinsurance support for reasons as referred to in Article 21 paragraph (1) a, b, and c, or automatic reinsurance support is not sufficient for the risks



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accepted by the Company.

2. Facultative reinsurance support as referred to in paragraph (1) must be obtained from at least two (2) companies in the country.
3. In case that the facultative reinsurance support in the country as referred to in paragraph (2) is not obtained from the Companies, facultative reinsurance support can be obtained from conventional reinsurers in the country.
4. In case that the facultative reinsurance support in the country as referred to in paragraph (2) and paragraph (3) is not obtained, facultative reinsurance support can be obtained from the Companies abroad that have a good reputation.
5. Facultative reinsurance support from abroad as referred to in paragraph (4) can only be conducted after the Company does not obtain facultative reinsurance support from all reinsurance companies in the country.
6. In case that the facultative reinsurance support from abroad as referred to in paragraph (4) is not obtained from the Companies, facultative reinsurance support can be obtained from conventional reinsurers abroad that, at the time of placement, have at least ranks included in category of four (4) top ranks from the internationally recognized rating company.
7. In case that the ranks of the reinsurers abroad as referred to in paragraph (6) are issued by more than one rating agencies, the ranks used shall be the lowest ranks.

Article 23

1. In case the automatic reinsurance support as referred to in Article 20 paragraph (1) and/or facultative reinsurance support as referred to in Article 22 paragraph (1) assessed by the Insurance Bureau of Capital Market Supervisory Agency and Financial Institution may harm and/or worsen the condition of the Company's financial soundness or may make the company not perform the function as an insurance company or a reinsurance company, the Chairman of Capital Market Supervisory Agency and Financial Institution may instruct the Company to change its reinsurance support programs in order to be more appropriate with the condition of the Company, in the form:
  - a. change of facultative reinsurance to automatic reinsurance, or vice versa;
  - b. change of non-proportional reinsurance to proportional reinsurance, or otherwise; and/or



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- c. other changes.
2. The company must execute the instruction of the Chairman of Capital Market Supervisory Agency and Financial Institution as referred to in paragraph (1).

Part Seven

Own Retention

Article 24

1. The company must establish minimum own retention and maximum own retention for every risk it manages.
2. Formation of minimum own retention and maximum own retention by the Company as referred to in paragraph (1) shall be based on risk and loss profile of the intended Company made in an orderly, organized, relevant, and accurate manner.
3. In case that the Company will begin marketing a new insurance business line and does not have risk and loss profile, formation of minimum own retention and maximum own retention should use risk and loss profile of another party made in an orderly, organized, relevant, and accurate manner.
4. The amount of own retention for every risk shall be based on surplus accumulation of the Company's Tabarru' fund and equity.
5. Surplus accumulation of Tabarru' Fund as referred to in paragraph (4) shall consist of underwriting surplus accumulation that is not divided, return on investment accumulation of Tabarru' Funds that is not divided, and change of asset value not realized.
6. Further provisions regarding the amount of own retention as referred to in paragraph (4) shall be regulated by Regulation of the Chairman of the Capital Market Supervisory Agency and Financial Institution.

CHAPTER IV

FINANCIAL SOUNDNESS OF CORPORATE FUND

Part One

Asset Available For Qardh

Article 25

1. The Company must provide Asset Available for Qardh in Corporate Fund.
2. Asset Available for Qardh as referred to in paragraph (1) shall be no less than seventy percent (70%) of funds needed to anticipate the risk of loss that may arise as referred to in Article 4 paragraph (1) plus the number of funds that must be made available to anticipate the risk of loss that may arise from failure in the



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production process, the inability of human resources or systems to perform well, or any other adverse events.

3. The Company must calculate the amount of funds that should be made available to anticipate the risk of loss that may arise from failures in the production process, the inability of human resources, and/or systems to perform well, or any other adverse events as referred to in paragraph (2).
4. Provisions concerning the calculation of the amount of funds as referred to in paragraph (3) shall be regulated by Regulation of the Chairman of the Capital Market Supervisory Agency and Financial Institution.

Article 26

The company must add Asset Available For Qardh as referred to in Article 25 paragraph (2) with a number of shortages of funds needed in order to meet the following provisions:

- a. Solvency Level of Tabarru' Fund as referred to in Article 3; and/or
- b. The amount of Admitted Asset in the form of investments plus Admitted Asset in the form of non-investment in the form of cash and bank shall be at least equal to the amount of technical allowance plus own retention claim payment obligation as referred to in Article 19 paragraph (1).

Article 27

Asset calculated as Asset Available For Qardh as referred to in Article 25 shall consist of:

- a. cash and bank;
- b. deposits at the Bank;
- c. Sharia stocks;
- d. sukuk or Sharia bonds;
- e. State Sharia Securities;
- f. Sharia securities issued by Bank Indonesia;
- g. Sharia mutual funds and/or
- h. pure gold.

Article 28

Valuation of Asset Available For Qardh as referred to in Article 27, provisions of Article 6 and Article 15 a shall be applicable.

Article 29

Placement of Asset Available For Qardh as referred to in Article 27 c, d, g, and h must meet the provisions of Article 8.

Article 30

1. Limitation of Asset Available For Qardh as referred to in Article





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27 shall meet the following requirements:

- a. Sharia stocks, no more than forty percent (40%) of total Asset Available For Qardh;
  - b. sukuk or Sharia bonds, no more than forty percent (40%) of total Asset Available For Qardh;
  - c. Sharia mutual funds, no more than forty percent (40%) of total Asset Available For Qard; and
  - d. pure gold, no more than twenty percent (20%) of total Asset Available For Qardh.
2. Asset Available For Qardh placed on one party shall be no more than twenty percent (20%) of total Asset Available For Qardh, except for placement on State Sharia Securities and Sharia securities issued by Bank Indonesia.
  3. Party as referred to in paragraph (2) shall be the party as referred to in Article 13 paragraph (2).

Part Two

Solvency of Corporate Fund

Article 31

1. The Company must maintain the solvency of Corporate Fund.
2. Solvency of Corporate Fund as referred to in paragraph (1) shall represent the difference between asset and liability of the Company.
3. Solvency of Corporate Fund as referred to in paragraph (1) shall be at least in the amount of more than:
  - a. Asset Available For Qardh as referred to in Article 25 paragraph (2) and Article 26; or
  - b. Equity or working capital required under the Government Regulation Number 39 Year 2008 concerning Second Amendment to Government Regulation Number 73 Year 1992 concerning Implementation of Insurance Business.
4. Equity as referred to in paragraph (3) b shall consist of paid up capital, share premium, retained earnings, general reserves, special purpose reserves, increase or decrease in value of securities, and difference in valuation of fixed assets.
5. Working capital as referred to in paragraph (3) b shall consist of working capital, share premium, retained earnings, general reserves, special purpose reserves, increase or decrease in value of securities, and difference in assessment of fixed assets.

CHAPTER V

FINANCIAL SOUNDNESS OF PARTICIPANT'S INVESTMENT



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Article 32

1. Asset of Participant's Investment Fund may only be placed in types of investments as referred to in Article 5.
2. Asset of Participant's Investment Fund may only be placed in non-investment asset in the following types:
  - a. cash and bank;
  - b. investment receivable, and/or
  - c. Receivable of return on investment.

Article 33

1. Valuation of asset in the form of Participant's Investment Fund as referred to in Article 32, the provisions of Article 6 and Article 15 points a, d, and e shall be applicable.
2. Placement of asset in the form of Participant's Investment Fund as referred to in Article 32 paragraph (1), the provisions of Article 8 to Article 11 shall be applicable.
3. In case that the asset in the form of Participant's Investment Fund is placed on one party, the Company shall maintain the placement of investment not to exceed twenty percent (20%) of total Participant's Investment Fund, except for placement of State Sharia Securities and Sharia securities issued by Bank Indonesia.
4. Party as referred to in paragraph (3) shall be a party as referred to in Article 13 paragraph (2).
5. In case that the investment is made on Sharia instruments issued abroad, the Company shall keep the total amount of investment in the Sharia instruments issued abroad not exceeding twenty percent (20%) of the amount of Participant's Investment Fund.

CHAPTER VI

GUARANTEE FUND

Part One

The formation of Guarantee Fund

Article 34

1. The Company that operates its entire business using Sharia principles shall establish a Guarantee Fund of no less than twenty percent (20%) of the minimum own capital required as stipulated in Government Regulation Number 39 Year 2008 concerning Second Amendment to Government Regulation Number 73 Year 1992 concerning the Implementation of Insurance Business.
2. The amount of Guarantee Fund as referred to in paragraph (1) shall be adjusted to the development of the Company's business volume with the following conditions:



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- a. a life insurance company operating all its businesses using Sharia principles shall establish a Guarantee Fund of five percent (5) of the contribution allowance as referred to in Article 18 paragraph (1) points a and b plus two percent (2) of accumulated Participant's Investment Fund; or
  - b. general insurance company or reinsurance company operating all its businesses using Sharia principles shall establish a Guarantee Fund of one percent (1%) of Net Contribution and zero point twenty five percent (0.25%) of the outgoing reinsurance contribution.
3. In case that the amount of Guarantee Fund as referred to in paragraph (1) is more than amount of Guarantee Fund as referred to in paragraph (2), the Guarantee Fund shall be established in the Corporate Fund and can be considered as Asset Available For Qardh.
  4. In case that the amount of Guarantee Fund as referred to in paragraph (1) is equal to or smaller than the amount of Guarantee Fund as referred to in paragraph (2), the Guarantee Fund shall be established in Tabarru Fund and Participant's Investment Fund for a life insurance company or in Tabarru Fund for a general insurance company and reinsurance company.

Article 35

1. A Company operating some of its businesses using Sharia principles or called a sharia unit shall establish a Guarantee Fund of no less than twenty percent (20%) of the minimum working capital required as stipulated in Government Regulation Number 39 Year 2008 concerning Second Amendment to Government Regulation Number 73 Year 1992 concerning the Implementation of Insurance Business.
2. The amount of Guarantee Fund as referred to in paragraph (1) shall be adjusted to the development of the sharia unit's business volume with the following conditions:
  - a. the sharia unit of a life insurance company shall establish a Guarantee Fund of five percent (5%) of the contribution allowance as referred to in Article 18 paragraph (1) points a and b plus two percent (2%) of the accumulated Participant's Investment Fund; or
  - b. the sharia unit of a general insurance company or reinsurance company shall establish a Guarantee Fund of one percent (1%) of Net Contribution and zero point twenty five



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of outgoing reinsurance contribution.

3. In case that the Guarantee Fund as referred to in paragraph (1) is more than the amount of Guarantee Fund as referred to in paragraph (2), the Guarantee Fund shall be established in the Corporate Fund and can be considered as Asset Available For Qardh.
4. In case that the Guarantee Fund as referred to in paragraph (1) is equal to or smaller than the amount of Guarantee Fund as referred to in paragraph (2), the Guarantee Fund shall be established in Tabarru' Fund and Participant's Investment Fund for the sharia unit of a life insurance company or in Tabarru' Fund for the sharia unit of a general insurance company and reinsurance company.
5. Guarantee Fund of a sharia unit must be separated from Guarantee Fund established by a company for the insurance or reinsurance business not using Sharia principles.

Article 36

1. The amount of contribution allowance, accumulated Participant's Investment Fund, Net Contribution, and outgoing reinsurance contribution as referred to in Article 34 paragraph (2) and Article 35 paragraph (2) shall be obtained from financial statement as of December 31 audited by independent auditors.
2. In case that the Guarantee Fund is less than the amount as referred to in Article 34 paragraph (1) and paragraph (2), or Article 35 paragraph (1) and paragraph (2), the Company shall add the guarantee fund it has for no more than five (5) working days after April 30 of the current year.
3. In case that the Guarantee Fund which has been owned is more than the amount as referred to in Article 34 paragraph (1) and paragraph (2) or Article 35 paragraph (1) and paragraph (2), the Company may reduce its the Guarantee Fund owned after prior approval from the Head of the Insurance Bureau of Capital Market Supervisory Agency and Financial Institution.
4. Guarantee Fund as referred to in Article 34 and Article 35 shall be placed in the form of:
  - a. deposits with an automatic extension with a Bank which is not an affiliate of the Company; and/or
  - b. State Sharia Securities which, at the time of placement as the Guarantee Fund, have a remaining the term until the due date at least 1 (one) year.



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Guarantee Fund Administration

Article 37

1. The Company shall administer all Guarantee Funds to the Custodian Bank.
2. Custodian Bank as referred to in paragraph (1) shall not be an Affiliate of the Company, unless the affiliation is because of the Government capital ownership or participation.

Article 38

1. Guarantee Fund Administration by the Custodian Bank as referred to in Article 37 shall be based on agreement between the Company and the Custodian Bank.
2. The agreement as referred to in paragraph (1) must at least contain:
  - a. delegation or authorization by the Company to the Custodian Bank to disburse, transfer, or surrender the Guarantee Fund after obtaining approval from the Head of Insurance Bureau of Capital Market Supervisory Agency and Financial Institution;
  - b. Custodian Bank's obligation to place funds from the Guarantee Fund disbursement in the form of Sharia State Securities which have been due into a form of one (1) month term deposits with the Bank, in case that the Company has not made replacement of the said Guarantee Fund which has been due;
  - c. provision that the Custodian Bank cannot execute instruction from the Company or another party to perform disbursement, transfer, and delivery of deposits or State Sharia Securities used as Guarantee Funds, unless approval has been received from the Head of the Insurance Bureau of Capital Market Supervisory Agency and Financial Institution; and
  - d. provision that the Custodian Bank shall submit monthly report of Guarantee Funds owned by the Company to the Head of the Insurance Bureau of Capital Market Supervisory Agency and Financial Institution no longer than the 15th day of the following month.
3. Monthly report of Guarantee Funds as referred to in paragraph (2) shall at least contain:
  - a. name of Company owning the Guarantee Fund;
  - b. type of Guarantee Fund;
  - c. bilyet number and issuing Bank for the deposit;
  - d. series of State Sharia Securities;
  - e. nominal value of the Guarantee Fund; and



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- f. due date.
4. In case that the Head of the Insurance Bureau of Capital Market Supervisory Agency and Financial Institution is absent, the Head of Insurance Bureau of Capital Market Supervisory Agency and Financial Institution shall appoint two (2) officials at one level under the Head of the Insurance Bureau of Capital Market Supervisory Agency and Financial Institution to reject or provide approval for the disbursement or replacement of the Guarantee Fund.

Part Three

Changes of Guarantee Fund

Article 39

1. Formation or addition of the Guarantee Fund can be conducted by means of:
- new placement of deposits with the Bank and/or State Sharia Securities as Guarantee Funds;
  - placement of deposits with the Bank which were originally not Guarantee Funds into Guarantee Funds, and/or
  - placement of State Sharia Securities which were originally not Guarantee Funds into guarantee funds.
2. The Company can perform the replacement of Guarantee Fund in the following ways:
- From deposits with the Bank into State Sharia Securities or otherwise;
  - changing the period of deposits with the Bank;
  - changing the Bank where the deposits are placed; and/or
  - Exchange State Sharia Securities with other State Sharia Securities.
3. In case that the Company will perform the replacement of Guarantee Fund as referred to in paragraph (2), the Company must first place the replacement of Guarantee Fund of no less than the value of Guarantee Fund which will be replaced.
4. In case that there is Guarantee Fund in the form of State Sharia Securities which will be due, the Company must first place new Guarantee Fund of no less than the value of the said State Sharia Securities which will be due, at the latest 1 (one) day before the due date.

CHAPTER VII

REPORTING

Part One



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Preparation of Reports

Article 40

1. The Company shall prepare:
  - a. annual financial statement for the period of January 1 to December 31;
  - b. report on calculation of Tabarru' Fund Solvency Level, report on calculation of Corporate Fund solvency, and annual report of Participant's Investment Funds for the period of January 1 to December 31;
  - c. report on calculation of Tabarru' Fund Solvency Level, report on calculation of Corporate Fund solvency, and quarterly report of Participant's Investment Fund ended on March 31, June 30, 30 September, and December 31;
  - d. report of automatic reinsurance programs (treaty) for the current year's activities, and
  - e. quarterly report of Guarantee Fund ended on March 31, June 30, 30 September, and December 31.
2. The annual financial statement as referred to in paragraph (1) a shall be prepared based on financial accounting principles generally accepted in Indonesia.
3. The reports as referred to in paragraph (1) a and b shall be audited by independent auditors.
4. The report as referred to in paragraph (1) e shall at least contain:
  - a. name of the Custodian Bank;
  - b. type of Guarantee Fund;
  - c. bilyet number and issuing Bank for the deposits;
  - d. series of State Sharia Securities;
  - e. value of Guarantee Fund; and
  - f. due date.
5. Further provisions concerning the form and arrangement of reports as referred to in paragraph (1) letter b, c, and d shall be regulated by Regulation of the Chairman of the Capital Market Supervisory Agency and Financial Institution.

Article 41

An insurance company and a reinsurance company operating some of their businesses using Sharia principles must prepare annual financial statement as referred to in Article 40 paragraph (1) a separately from the annual financial statement for the insurance business or reinsurance business not based on Sharia principles.

Article 42



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Any asset and liability in foreign currency unit, in the report as referred to in Article 40 shall be denominated in rupiah based on exchange rate determined by Bank Indonesia on the balance sheet date.

Part Two

Publication of Reports

Article 43

1. The Company shall publish the reports as referred to in Article 40 paragraph (1) point a and point b on the Company's website no later than April 30 of the following year.
2. The Company shall publish the report as referred to in Article 40 paragraph (1) point c on the Company's website no later than one (1) month after the end of each quarter.
3. Period of publications as referred to in paragraph (1) and paragraph (2) shall be made until the publication of the following annual report or quarterly report.

Article 44

In case that there are parts that need to be corrected in the reports which have been published as referred to in Article 43 paragraph (1) and paragraph (2), the Company shall correct the reports and republish the reports on the Company's website.

Article 45

1. The reports as referred to in Article 40 paragraph (1) a and b which have been audited shall be published in a daily newspaper in Indonesia which has a national circulation, no later than April 30 of the following year.
2. Evidence of the publication as referred to in paragraph (1) shall be delivered to the Head of Insurance Bureau of Capital Market Supervisory Agency and Financial Institution no later than April 30.
3. In case that April 30 is a holiday, then the expired period for delivery of evidence of the publication as referred to in paragraph (2) shall be the first business day after the said April 30.
4. Provisions concerning the form and arrangement of the publication of the financial statement as referred to in paragraph (1) shall be regulated by Regulation of the Chairman of the Capital Market Supervisory Agency and Financial Institution.

Part Three

Delivery of Reports

Article 46





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1. The Company shall deliver to the Minister:
  - a. the reports as referred to in Article 40 paragraph (1) a and b, no later than April 30 of the following year;
  - b. the report as referred to in Article 40 paragraph (1) c, no later than one (1) month after the end of the quarter in question; and
  - c. the report of automatic reinsurance programs (treaty) for the current year's activities, not later than January 15.
2. In case that the expired period for delivery for the reports as referred to in paragraph (1) is a holiday, the expired period for delivery of the reports shall be the first business day after the expired period in question.
3. The reports as referred to in paragraph (1) a and b shall be accompanied by a statement of sharia supervisory board stating that the management of asset and liability has been conducted in accordance with Sharia principles.

CHAPTER VIII  
FINANCIAL RESTRUCTURING PLAN

Article 47

The Company shall prepare the financial restructuring plan when experiencing the following conditions:

- a. Solvency Level of Tabarru's Fund meets the provisions as referred to in Article 3, but Asset Available for Qardh does not meet the provisions as referred to in Article 25 paragraph (2) and/or solvency of Corporate Fund does not meet the provisions as referred to in Article 31 paragraph (3);
- b. Solvency Level of Tabarru' Fund does not meet the provisions as referred to in Article 3, but Asset Available For Qardh, when transferred to the Tabarru' Fund, is sufficient to meet the provisions of Solvency Level of Tabarru' Fund; or
- c. Solvency Level of Tabarru Fund does not meet the provisions as referred to in Article 3 and Asset Available For Qardh, when transferred to the Tabarru' Fund, is not sufficient to meet the provisions of Solvency Level of Tabarru' Fund.

Article 48

The preparation of financial restructuring plan as referred to in Article 47 shall be followed by financial restructuring measures as follows:

- a. In case that the Company has conditions as referred to in Article 47 b, the Company shall add entire underwriting surplus into the Tabarru' Fund.
- b. In case that the Company has conditions as referred to in Article



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47 letter c, the Company shall:

1. add the entire underwriting surplus into the Tabarru Fund;
2. discontinue marketing of its products; and
3. increase the paid up capital or working capital.

Article 49

1. Financial restructuring plan as referred to in Article 47 paragraph (1) shall be delivered to the Minister no later than one (1) month after the Company's financial condition meets the criteria as referred to in Article 47 paragraph (1).
2. Financial restructuring plan as referred to in paragraph (1) shall at least contain the restructuring measures accompanied by a fixed time period required to meet the provisions of solvency.
3. Restructuring measures as referred to in paragraph (2) shall at least contain the following plans:
  - a. plan to increase contribution rates;
  - b. plan to restructure asset and/or liability;
  - c. plan to increase paid-in capital or working capital;
  - d. plan to provide Qardh lending by the shareholders;
  - e. plan to transfer part or all of participations, and/or
  - f. plan to merge entity or business unit.
4. Period of financial restructuring plan as referred to in paragraph (2) must be adjusted to the condition of the problems faced by the Company, but does not exceed a period of improvement stipulated by the Minister.
5. The Company shall implement restructuring plan as referred to in paragraph (2) within the period stipulated in the financial restructuring plan as referred to in paragraph (4).
6. In case that the financial restructuring plan as referred to in paragraph (2) contains plan to increase paid up capital or working capital, it must first be approved by the general meeting of shareholders.
7. Financial restructuring plan as referred to in paragraph (2) shall be signed by all directors, commissioners, and sharia supervisory board.
8. In case that the financial restructuring plan as referred to in paragraph (1) assessed the Minister is not enough to overcome the problems, the Company shall make improvements on the financial restructuring plan.
9. The company must deliver a report on the implementation of financial restructuring plan every month, no later than every 15<sup>th</sup>



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of the following month.

- (10) In case that the 15<sup>th</sup> as referred to in paragraph (9) is a holiday, the expired period for delivery of the report on the implementation of restructuring plan shall be the first business day after the 15<sup>th</sup>.

CHAPTER IX  
PROHIBITIONS

Article 50

1. The Company shall be prohibited from paying dividends to shareholders if this causes:
  - a. The Company not to have the ability to provide Asset Available For Qard; and/or
  - b. decrease in the amount of paid up capital or working capital under the provisions required.
2. The Company shall be prohibited from conducting any form of transfer on asset of Tabarru' Fund and Participant's Investment Fund to the Company and/or other parties without first obtaining approval from the Minister except in the context of fulfilling the obligations to the Participant.
3. The Company shall be prohibited from pledging asset of Tabarru' Fund and Participant's Investment Fund to other parties.

CHAPTER X  
SANCTIONS

Article 51

1. Violation of the provisions of Article 4 paragraph (2), Article 18 paragraph (2), Article 18 paragraph (3), Article 18 paragraph (6), Article 20 paragraph (1), Article 20 paragraph (2), Article 20 paragraph (8) , Article 21 paragraph (2), Article 22 paragraph (1), Article 22 paragraph (2), Article 23 paragraph (2), Article 24 paragraph (1), Article 24 paragraph (2), Article 25 paragraph (1), Article 25 paragraph (3), Article 26, Article 30 paragraph (1), Article 31 paragraph (1), Article 33 paragraph (3), Article 33 paragraph (5), Article 34, Article 35, Article 36 paragraph (2) , Article 36 paragraph (4), Article 37 paragraph (1), Article 38 paragraph (1), Article 38 paragraph (2), Article 39 paragraph (3), Article 39 paragraph (4), Article 40 paragraph (1), Article 40 paragraph (2), Article 40 paragraph (3), Article 41, Article 42, Article 43, Article 44, Article 45 paragraph (1), Article 45 paragraph (2), Article 46 paragraph (1), Article 46 paragraph (3), Article 47, Article 48, Article 49 paragraph (1), Article 49 paragraph (5), Article 49 paragraph (8), Article 49 paragraph (9), Article 50 and Article 52 of



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Regulation of the Minister of Finance shall be categorized as violation of financial soundness, violation of report delivery, violation of balance sheet and profit and loss calculation publication and shall be subject to administrative sanctions.

2. Administrative sanctions as referred to in paragraph (1) shall be in the form of:
  - a. written warning;
  - b. restriction/suspension of business activities; or
  - c. revocation of business license.
3. Procedures and time for the imposition of administrative sanctions as referred to in paragraph (2) shall be conducted in accordance with the provisions concerning sanctions as stipulated in Government Regulation Number 73 Year 1992 concerning the Implementation of Insurance Business as several times amended most recently by Government Regulation Number 81 Year 2008.

CHAPTER XI  
TRANSITIONAL PROVISIONS

Article 52

Adjustment to compliance with the provisions concerning Solvency Level of Tabarru' Fund as referred to in Article 3 shall be performed with the following stages:

- a. no later than March 31, 2011, Solvency Level of Tabarru' Fund shall be minimum five percent (5%) of fund needed to anticipate the risk of loss that may arise as a result of the deviation in the management of asset and/or liability;
- b. no later than December 31, 2012, Solvency Level of Tabarru Fund shall be minimum fifteen percent (15%) of fund needed to anticipate the risk of loss that may arise as a result of the deviation in the management of asset and/or liability; and
- c. no later than December 31, 2014, Solvency Level of Tabarru' Fund shall be minimum thirty percent (30%) of fund needed to anticipate the risk of loss that may arise as a result of the deviation in the management of asset and/or liability.

Article 53

The Company that has obtained a business license prior to the enactment of this Regulation shall make adjustment to the provisions in this Regulation of the Minister of Finance no later than six (6) months from the stipulation of this Regulation of the Minister of Finance, except for the provisions concerning obligation of determination of the distribution allowance as referred to in Article 18



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paragraph (1) a, they shall enter into force for annual financial statement ended on December 31, 2012.

Article 54

Adjustment to compliance with the provisions concerning Asset Available For Qardh as referred to in Article 25 paragraph (2) shall be performed with the following stages:

- a. no later than 31 March 2011, the amount of Asset Available For Qardh shall be minimum twenty five percent (25%) of fund needed to anticipate the risk of loss that may arise as a result of the deviation in the management of asset and/or liability, plus a number of funds that should be made available to anticipate the risk of loss that may arise from failures in the production process, the inability of human resources, the system to perform well, and/or the presence of other adverse events;
- b. no later than 31 December 2012, the amount of Asset Available For Qardh shall be minimum forty-five percent (45%) of fund needed to anticipate the risk of loss that may arise as a result of the deviation in the management of asset and/or liability, plus a number of funds that should be made available to anticipate the risk of loss that may arise from failures in the production process, the inability of human resources, the system to perform well, and/or the presence of other adverse events; and
- c. no later than December 31, 2014, the amount of Asset Available For Qardh shall be minimum seventy percent (70%) of fund needed to anticipate the risk of loss that may arise as a result of the deviation in the management of asset and/or liability, plus a number of funds that should be made available to anticipate the risk of loss that may arise from failures in the production process, the inability of human resources, the system to perform well, and/or the presence of other adverse events.

CHAPTER XII

CLOSING PROVISIONS

Article 55

With the enactment of this Regulation of the Minister of Finance, Article 6 paragraph (2), Article 15, Article 16, Article 17, Article 18, Article 19 paragraph (3), Article 19 paragraph (4) of the Minister of Finance Decree Number 424/KMK.06/2003 concerning Financial Soundness of Insurance Company and Reinsurance Company and amendment thereof shall be revoked and declared void.

Article 56



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This Regulation of the Minister of Finance shall come into force on the date of its stipulated.

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

Stipulated in Jakarta  
on January 12, 2011  
MINISTER OF FINANCE,

Signed by

AGUS D.W. MARTOWARDOJO

Enacted in Jakarta  
on January 12, 2011  
MINISTER OF LAW AND HUMAN  
RIGHTS,

Signed by

PATRIALIS AKBAR

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2011  
NUMBER 17