

CIRCULAR LETTER

Intended to
ALL COMMERCIAL BANKS
IMPLEMENTING BUSINESS CONVENTIONALLY
IN INDONESIA

Regarding : Risk Management in Marketing Cooperation between
Commercial Banks and Insurance company
(Bancassurance)

In respect of the increasing demand for insurance products, which followed by the increase in insurance product marketing through marketing cooperation between insurance company and Banks (bancassurance), and in view of the current development, then some adjustments related to the regulations concerning bancassurance is required. This is necessary considering bancassurance does not only bring advantages but may also bring various risks to the Banks, especially Legal Risk and Reputation Risk. Therefore, in order to support the development of the financial market, to improve the implementation of Risk Management by Banks, to protect its customers interest, and in line with the Minister of Finance Regulation that governs items related to insurance product marketing through cooperation with Banks (bancassurance), also as the

implementation of Bank Indonesia Regulation Number 5/8/PBI/2003 dated May 19th, 2003 concerning the Implementation of Risk Management for Commercial Banks (State Gazette of Republic of Indonesia Year 2003 Number 56, Supplement to State Gazette of Republic of Indonesia Number 4292) as amended by Bank Indonesia Regulation Number 11/25/PBI/2009 (State Gazette of Republic of Indonesia Year 2009 Number 103, Supplement to State Gazette of Republic of Indonesia Number 5029), it is deemed necessary in order to rearrange the provisions concerning the implementation of Risk Management on Banks doing marketing cooperation with insurance company (bancassurance) in the form of the following Circular Letter:

I. GENERAL

1. What referred to as activities of marketing cooperation between Banks and insurance company hereinafter called as bancassurance in this Bank Indonesia Circular Letter is the cooperation activities between Banks and insurance company within the framework of marketing the insurance products through Banks. This cooperation activity is classified in the following 3 (three) business models:

- a. Reference

Reference is the marketing cooperation activity of insurance products, where Banks act only to refer or recommend an insurance product to the customers.

The role of Banks in the marketing is limited to as an intermediary in delivering the information of the insurance products from the insurance company Bank partners with to

customers or providing access to the insurance company to offer insurance products to customers.

These activities are divided into following:

1) Reference in the Framework of Bank Products

Banks refer or recommend insurance products which become the requirement to obtain a banking product to customers. The requirement of the insurance products presence is meant for the interest and protection to the Banks on Risks related to the products issued or service implemented by the Banks to the customers. In this case, the insurance products also essentially protect debtors as the insured parties even though in the policy it is included as banker's clause because the Banks are the beneficiaries.

Examples of Bank products that require the presence of insurance are:

- a) House mortgage accompanied with fire insurance obligation to the house or building financed by the Banks also life insurance to the debtors.
- b) Motor vehicle credit accompanied with the loss insurance obligation to the motor vehicle financed by the Banks.
- c) Credit to employees/retirees accompanied with life insurance obligation to the debtors.

2) Reference Not in the Framework of Bank Products

Banks refer the insurance products that do not become the requirement to obtain a banking product to customers. The marketing cooperation activities can be done through:

- a) Banks forward the brochure, leaflet, and/or similar items which contains offers, information, and/or description from the insurance company Bank partners on an insurance product to Bank customers, either face to face or through mail and electronic media, including using the Bank website.

In case the customers require further information or are willing to buy the insurance products referred through the marketing activities, then Banks must direct the customers to the insurance company Bank partner.

- b) Banks provide space in the Bank office environment, which can be used by the insurance company Bank partner in order to market the insurance products (in-branch sales) to the customers.
- c) Banks provide customers data, which can be used by the insurance company Bank partner to market the insurance products complying principles as referred to in point II.B.3.

b. Distribution Cooperation

Distribution cooperation is the marketing cooperation activity of the insurance products, where Banks act as the marketer of the insurance products by giving description on the insurance products directly to the customers. Description from the Banks can be done face to face with the customers and/or by using communication means (telemarketing), including mail, electronic media, and Bank website.

The role of Banks is not only as the intermediary in forwarding the insurance products information from the insurance company Bank partner to the customers, but the Banks also give explanation directly related to the insurance products such as characteristics, benefits, and Risks from the products marketed and forwarding the interest or purchasing request of the insurance products from the customers to the insurance company Bank partner.

c. Product Integration

Product Integration is the marketing cooperation activity of the insurance products, where Banks act as the marketer of the insurance products to the customers by modifying and/or combining insurance products with Bank products.

This marketing cooperation activity performed by the Banks by offering or selling the bundled product to customers through face-to-face and/or using communication means (telemarketing), including mail, electronic media, and Bank website.

Thus, the role of the Banks is not only forwarding and giving explanations related to the insurance products to the customers, but also following up the customers application on the bundled products, including those related to the insurance products to the insurance company Bank partner.

2. Banks implementing bancassurance must comply to the related applicable provisions in banking and insurance field, such as Bank Indonesia provisions relating to risk management, bank secrecy, product information transparency, and insurance supervisory authority provisions particularly those related to bancassurance.
3. In implementing bancassurance, the Banks are prohibited to bear or also bear the Risk arises from the insurance products offered. Any Risks from the insurance products become the obligation of the insurance company Bank partner.
4. Banks implementing bancassurance are only allowed to market the insurance products stated in the cooperation agreement between Banks and the insurance company Bank partner.
5. Insurance products stated in the cooperation agreement are products listed in Bapepam and LK, and also have obtained approval from the the Minister of Finance to be marketed through bancassurance.

II. THE IMPLEMENTATION OF RISK MANAGEMENT IN BANCASSURANCE

A. General

1. Banks implementing bancassurance are obliged to implement Risk Management according to Bank Indonesia Regulation which governs the implementation of risk management for commercial banks and this Circular Letter of Bank Indonesia, in light of the fact that Banks faces various Risks attached to those activities, in particular Legal Risk and Reputation Risk.
2. Banks are obliged to compile written policies and procedures regarding bancassurance by referring to Bank Indonesia Regulation Number 5/8/PBI/2003 concerning the Implementation of Risk Management for Commercial Banks as amended by Bank Indonesia Regulation Number 11/25/PBI/2009 and this Circular Letter of Bank Indonesia.

B. Implementation of Risk Management in Several Bancassurance Main Aspects

1. Determination of Insurance Company that Becomes Bank Partner

Banks are obliged to do evaluation on the insurance company that becomes Bank partner in bancassurance by complying at least the following items:

- a. The insurance company that can be chosen as Bank partner is the insurance company that has the minimum solvability rate in accordance to the applicable provisions according to the latest data from Bapepam and LK.

- b. Banks are obliged to ensure that the insurance company Bank partner has obtained the approval letter from the the Minister of Finance to do bancassurance.
- c. Banks are obliged to supervise, analyze, and evaluate the performance and/or reputation of the insurance company Bank partner regularly at least once in 1 (one) year or in any time when there is a change of the performance and/or reputation condition of the insurance company Bank partner revealed from various kinds of information sources.
- d. Banks are obliged to discontinue the cooperation before the end of the agreement or not to continue the agreement if:
 - 1) The insurance company Bank partner does not fulfill the provisions as referred to at letter a; and/or
 - 2) there is a drop of the reputation of the insurance company Bank partner that significantly affects Bank Risk profiles.
- e. In case the Banks discontinues the cooperation as referred to at letter d, the Banks are obliged to:
 - 1) stop marketing the insurance product stated in the concerned cooperation agreement; and
 - 2) inform the continuation of customers right and obligations settlement regarding the insurance product that has been marketed.

- f. In case the marketed insurance product are related to unit link, the Banks are obliged to ensure that the insurance company Bank partner fulfill the requirements as follows:
- 1) have fulfilled the requirements related to unit link as governed in the the Minister of Finance Regulation that governs the implementation of the business of insurance company and reinsurance company;
 - 2) record and manage specifically the wealth and liabilities of the insurance company Bank partner sourcing from the unit link investment products; and
 - 3) implement other required things in order that the fund trusted by the customers is managed optimally, professionally, and independently.

2. The Compilation of the Cooperation Agreement

The cooperation agreement within the framework of bancassurance between the Bank and the insurance company Bank partner must be prepared in Bahasa Indonesia and at least contains items as follows:

- a. Clarity of rights and obligations for each party (the Bank and the insurance company Bank partner), especially the clauses stating that obligations of each party in doing bancassurance, are as follows:
 - 1) For Reference and/or Distribution Cooperation business model, Banks do not bear the Risk on any insurance products sold.

- 2) For Product Integration business model, Banks are only obliged to bear the Risk limited to Bank products.
- b. Particular clauses related to business model and/or special features of insurance products for Distribution Cooperation business model regarding unit link products, such as the insurance company Bank partner must record and manage specifically the wealth and liabilities of the insurance company sourcing from unit link products investment.
 - c. Each bancassurance agreement can only contain 1 (one) business model specifically for 1 (one) insurance product or 1 (one) bundled product marketed.
 - d. Period of the agreement.
 - e. Clarity of the obligations for each party which are the Bank or the insurance company Bank partner in implementing customer due diligence (CDD) or know your customer (KYC) obligations.
 - f. Determination of clauses that contains conditions that causes the end of the cooperation agreement, including clauses that allow Banks to discontinue the cooperation before the end of the agreement as referred to in point II.B.1.d or following the instruction of Bank Indonesia as referred to in point II.B.4.g.
 - g. Clarity of the settlement of the rights and obligations of each party (the Bank or the insurance company Bank partner), including obligations for the insured party and/or beneficiary party, if the cooperation agreement ended, whether because the end of the cooperation agreement or discontinued as referred to at letter f.

- h. Clarity of responsibility limit of the Bank and the insurance company Bank partner on each product marketed if conflict arises with customers.
- i. Obligations of each party in keeping customers data confidential.

3. Use of Customers Data

- a. In using customers data, Banks must fulfill the provisions as follows:

- 1) Article 40 and Article 44A Act Number 7 Year 1992 concerning Banking as amended by Act Number 10 Year 1998 in conjunction to Bank Indonesia Regulation that governs the requirements and procedures of giving order or written permission to open bank secrecy.
- 2) Bank Indonesia Regulation that governs the transparency of bank products and use of customers personal data.

Based on the aforementioned provisions, in bancassurance, Banks can only give customers personal data to the insurance company Bank partner as long as there is a written agreement from the customers.

- b. In doing bancassurance, the Bank and the insurance company Bank partner are obliged to implement customer due diligence or know your customer principle in accordance to the applicable provisions.

4. Implementation of Customer Protection Principles.

a. In implementing bancassurance, Banks are obliged to implement the transparency principles by explaining orally and in writing to customers as follows:

1) The insurance marketed is not the product and the responsibility of the Banks and not included in the coverage of guarantee program as referred to in statutory provisions regarding Indonesia Deposit Insurance Corporation, even though the Bank logo and/or the Bank attribute in the brochures or other marketing documents are used in Distribution Cooperation and Product Integration business models.

2) The use of Bank logo and/or other attributes in the brochures or other marketing documents used in Distribution cooperation and Product Integration business models as referred to at number 1) has the only purpose to show the cooperation between the Bank and the insurance company Bank partner.

3) The characteristics of insurance consist of features, Risks, benefits, insurance fees, membership requirements, and customer claim procedures.

b. Banks should ensure that Bank logo and attributes are not included in the insurance policy.

- c. For collective insurance, each customer must receive a sign of membership. In the case where the Bank is the one issuing the sign of membership, then the concerned sign of membership should state clearly that the insurance Risks becomes the responsibility of the insurance company.
- d. Banks should be transparent to the customers regarding the fees to be paid, including if in the insurance premium to be paid contains the calculation of other cost components such as provision fee, administration fee, and/or commission given from the insurance company Bank partner to the Bank within the framework of bancassurance.
- e. In particular for bancassurance through Distribution Cooperation and Product Integration business models:
 - 1) Banks must ensure that the customers have understood the explanation of the benefits and product Risks whether orally or in writing as listed in the marketing/offering documents.
 - 2) Customer statement that the customer has understood the benefits and product Risks as referred to at number 1) should be made in a separate written document, in Indonesian, and signed by the customer using a wet signature.
 - 3) Banks must ensure that the customer party who sign the written document is the authorized signing party.

- f. Banks must ensure that the marketed insurance product has fulfilled the applicable statutory provisions in insurance field as follows:
 - 1) product criteria and/or product requirements; and
 - 2) product reporting obligation.
- g. Bank Indonesia may instruct Banks to discontinue bancassurance based on Bank Indonesia evaluation, if the bancassurance implemented:
 - 1) is not suitable with the new activity implementation plan of bancassurance that is reported to Bank Indonesia and/or approval from the Minister of Finance and/or registration of the insurance product from Bapepam and LK;
 - 2) has a potentially negative impact to Bank performance; and/or
 - 3) is not suitable with the applicable provisions.
- h. Since Banks are instructed to discontinue bancassurance as referred to at letter g, then Banks:
 - 1) are prohibited to continue the marketing of the concerned bancassurance product; and
 - 2) are responsible to the customers to the extent of Bank obligations in accordance to the agreements between the Bank and the insurance company Bank partner.

C. Implementation of Risk Management for Each Bancassurance Business Model

1. Reference

Besides the implementation of Risk Management in several main aspects of bancassurance as referred to in point II.B, Banks should fulfill several particular requirements for Reference business model as follows:

- a. In implementing Reference business model within the Framework of Bank Products as referred to in point I.1.a.1):
 - 1) To accommodate Banks customers freedom in choosing the required insurance product, Banks must offer a choice of insurance product concerned to at least from 3 (three) the insurance company Bank partner that 1 (one) of them can be Bank Related Party. Definition of Bank Related Party refers to the Bank Indonesia provisions governing Legal Lending Limit.
 - 2) Insurance products referred are limited to protection insurance products and those insurance products should be the requirement to obtain a banking product for customers.
- b. In doing business model in the form of Reference Not within the Framework of Bank Products as referred to in point I.1.a.2) which is done such as through in-branch sales as referred to in point I.1.a.2)b), the insurance company Bank partner that use space/counter/desk provided by Banks must still show the name of the insurance company Bank partner clearly in the space/counter/desk used. In addition, the insurance employees assigned for the marketing in the

space/counter/desk must still use the employee identity from the insurance company Bank partner and are not allowed to wear the same uniform with Bank employees.

2. Distribution Cooperation

Besides from the implementation of Risk Management in several main aspects of bancassurance as referred to in point II.B, Banks must meet several particular requirements for Distribution Cooperation business model as follows:

- a. Banks must have a particular task force for bancassurance or officials assigned to be responsible for bancassurance in Banks, with the scope of tasks of developing, marketing, and managing bancassurance.
- b. Bank employees handling bancassurance are obliged to meet the qualifications in accordance to the applicable provisions as follows:
 - 1) have agency certificate issued by the related association; and
 - 2) have received training on the insurance product that will be marketed.
- c. Bank marketing or customer service employees are able to do the initial insurance product offer in bancassurance but the follow up of the offer must be done by the Bank Employees who meet the requirements as referred to at letter b.
- d. Banks are responsible only until the insurance product offer, while the underwriting process, policy issuing, policy changes, claims, and other activities related to the insurance

product must be done and are the responsibility of the insurance company Bank partner.

e. Banks are allowed only to do the Distribution Cooperation related to:

- 1) insurance products which are protection; and/or
- 2) unit link products.

f. Banks doing Distribution Cooperation on unit link products as referred to in point e.2) are obliged to meet the requirements as follows:

- 1) have particular bancassurance task force;
- 2) include the clauses in the cooperation agreement stating that the insurance company Bank partner is fully responsible for the managing of the concerned fund of unit link investment products;
- 3) state clearly that the managing of the fund of the unit link investment products is done and become the responsibility of the insurance company in the document that gives explanation on benefits and unit link product Risks as referred to in point II.B.4.e.1);
- 4) The products marketed are limited to unit link products that have money market investment strategies and/or fixed income investment strategies in accordance to the provisions concerning unit link products governed by the insurance supervisory authorities.
- 5) Besides having the qualifications as referred to in point II.C.2.b, the Bank employees handling the unit link

products are obliged to have skills and agency certificate particularly for unit link products.

- 6) The marketing activity of the unit link must be done by the Bank employees.
- g. Banks are obliged to maintain adequate number of employees who hold agency certificate in every office that does bancassurance.

3. Product Integration

Besides implementing the Risk Management in several bancassurance main aspects as referred to in point II.B, the Banks must meet the requirements for Product Integration business model as follows:

- a. Bundled products marketed must still be separated into part of product that become Bank Risks and part of product that become the insurance company Bank partner Risks so each Risk can be identified, measured, monitored, and controlled.
- b. Banks are only allowed to do Product Integration related to insurance products which are protection.
- c. In terms of the marketing is done by using communication means such as through mail, electronic media, and Bank website, then those means are only as initial introductory of the bundled products and further process must still be done through face to face with the customers for further explanation as referred to at letter d.
- d. Banks are obliged to explain to the customers orally and in writing on part of the product that become Bank Risks and

part of the product that become the insurance company Bank partner Risks, including the rights and obligations of the Bank, the insurance company Bank partner, and the customers.

- e. Customers must get the insurance policy or the proof of membership individually in terms of the customers are included in the collective insurance product as referred to in point II.B.4.c
- f. Banks are obliged to form a particular bancassurance task force with the tasks to develop, market, and manage the bundled products. In case of the Banks doing bancassurance with other business models, then this task force also handles the concerned bancassurance in other business models.
- g. Officials and/or employees incorporated in bancassurance task force are obliged to meet the qualifications in accordance to the applicable provisions as follows:
 - 1) have agency certificate issued by the related association;
and
 - 2) receive trainings regarding the insurance product that will be marketed.
- h. Banks are only allowed to do marketing, if the insurance company Bank partner have obtained the bancassurance approval with Product Integration business model from the Minister of Finance and/or registration of bundled products from Bapepam and LK.
- i. The insurance coverage period must be at least the same as the period of the product purchased by the customers.

- j. Banks are obliged to maintain the adequacy of employees who have agency certificate in every office doing bancassurance.
- k. The name of the bundled product must reflect that the product is the combination of the Bank product and the insurance product.

III. REPORTING

A. New Bancassurance Activity Report

- 1. Banks that do bancassurance at the first time are obliged to include the bancassurance plan as a new activity in Bank Business Plan in the same year with the year of the activity implementation plan.

Obligation to compile Bank Business Plan refers to the applicable Bank Indonesia regulation concerning commercial banks business plan. The inclusion format of new activity report in Bank Business Plan refers to Appendix 1 of this Bank Indonesia Circular Letter.

- 2. Banks that have fulfilled the requirements as referred to in number 1 or have previously done bancassurance, are obliged to submit report for every bancassurance implementation activity that has fulfilled the new activity criteria to Bank Indonesia that contains:

- a. Report of New Activity Implementation Plan in the form of Bancassurance; and
 - b. Report of Realization of the New Activity Implementation in the form of Bancassurance.
3. Activities in the form of Bancassurance are considered as new activities whenever they meet the criteria as follows:
 - a. Banks have never done bancassurance previously; or
 - b. Banks have previously done bancassurance but the development done changes or increases certain Risks for the concerned Banks with the bancassurance done, such as: the change of business model, the change of insurance company partner, the change of premium, the change of benefits, the change of time period, the change of product name, the change of requirements, and other changes, that requires approval from the Minister of Finance and/or reporting to Bapepam and LK regarding the insurance product offered.
4. The submission of the Report of New Activity Implementation Plan in the form of bancassurance as referred to at number 2 letter a is done as follows:
 - a. Report must be submitted the latest of 60 (sixty) days before the new activity implementation in the form of bancassurance.

b. Report as referred to at letter a follows the format in Appendix 2 of this Bank Indonesia Circular Letter, contains at least the information and explanations as follows:

- 1) general information that contains purpose, overview of potential customers, analysis of Strengths, Weaknesses, Opportunities, Threats (SWOT) for bancassurance, the insurance product marketed and the business model that will be implemented;
- 2) assessment and solvability analysis as well as the licence of the insurance company Bank partner;
- 3) cost and benefit analysis;
- 4) Risk Management that covers identification, measurement, monitoring, and controlling towards the Risks attached to the activities in the form of bancassurance;
- 5) standard operating procedure/SOP, organization and bancassurance implementation authority by considering the setting of risk management implementation;
- 6) readiness of bancassurance special task force and/or officials responsible for bancassurance and also readiness of bancassurance marketing human resources;
- 7) analysis result of legal aspect and compliance aspect concerning bancassurance;
- 8) readiness of Bank information system related to bancassurance;

- 9) policies and procedures related to the implementation of Anti Money Laundering and Terrorist Funding Prevention programs (APU and PPT);
- 10) documents related to activities in the form of bancassurance such as the concept of cooperation agreement with the insurance company Bank partner;
- 11) documents within the framework of transparency to customers such as brochures, leaflets, and/or application forms; and
- 12) approval letter of bancassurance cooperation from the Minister of Finance and registration statement of the insurance product from Bapepam and LK.

In terms of the approval letter from the Minister of Finance and/or registration statement from Bapepam and LK is not yet issued, Banks can inform Bank Indonesia the proof of the concerned approval and registration. After the approval letter of bancassurance cooperation and registration statement of insurance products have been issued, Banks are obliged to submit them to Bank Indonesia.

- c. Banks can implement bancassurance 1 (one) day after receiving confirmation from Bank Indonesia.

Confirmation from Bank Indonesia is given the latest of 60 (sixty) days after all the requirements are fulfilled and the reporting documents are fully received by Bank Indonesia

including the issued approval letter and registration statement as referred to at point.b.12).

5. In case of the Banks have not done any new activities in the form of bancassurance after exceeding a period of 6 (six) months from the date of the confirmation letter from Bank Indonesia then the confirmation letter concerned is declared invalid and the Banks should resubmit the Report New Activity Implementation Plan in the form of Bancassurance in accordance to the provisions in this Bank Indonesia Circular Letter.
6. Report of Realization of the New Activity Implementation in the form of Bancassurance as referred to at number 2 letter b is obliged to be submitted the latest of 7 (seven) working days after the implementation the new activity in the form of bancassurance.

Report of Realization of the New Activity Implementation in the form of Bancassurance contains at least the information and explanations as follows:

- a. Name and type of product including the business model done;
- b. date of the new activity implementation which is the date when the insurance product starts to be marketed and can be utilized by customers for the first time; and
- c. the suitability of the new activity in the form of bancassurance with the submitted Report of New Activity Implementation Plan in the form of Bancassurance.

7. Banks are declared to have realized the new activity in the form of bancassurance when the Banks have marketed the insurance product and Banks functions in bancassurance can be utilized by customers.

B. Bancassurance Periodic Report

1. Banks doing bancassurance are obliged to compile Bancassurance Periodic Report monthly.
2. The Bancassurance Periodic Report as referred to at number 1 is submitted to Bank Indonesia every 3 (three) months or quarterly which consists of the position in every end of month for 3 (three) consecutive months period using the format according to Appendix 3 of this Bank Indonesia Circular Letter.
3. The submission of Bancassurance Periodic Report as referred to at letter 2 is the latest of 15 (fifteen) days after the end of the 3rd (three) month from the related quarter. What referred to the end of the quarter is the end of March, June, September, and December.

For the first time, Bancassurance Periodic Report is submitted for the position of end of June 2011.

In case of the 15th (fifteenth) is a holiday then the report is submitted the latest of 1 (one) working day after the holiday concerned.

C. Report Submission

1. Report of New Activity Implementation Plan in the form of Bancassurance as referred to in point III.A.2.a and Report of the Realization of New Activity Implementation in the form of Bancassurance as referred to in point III.A.2.b is submitted to Bank Indonesia with the address of:
 - a. The related Directorate of Bank Supervision, Jl. M.H. Thamrin No.2, Jakarta 10350, for Banks with head office in the working area of Bank Indonesia Head Office; or
 - b. Local Bank Indonesia Office, for Banks with head office outside the working area of Bank Indonesia Head Office.
2. Bancassurance Periodic Report as referred to in point III.B.1 is submitted on-line through Commercial Banks Head Office Report (LKPBU) to Bank Indonesia by referring to Bank Indonesia provisions concerning Commercial Banks Head Office Report.
3. As long as the Bancassurance Periodic Report can not be submitted on-line through LKPBU, the report concerned is obliged to be submitted off-line to Bank Indonesia with the address of:
 - a. The related Directorate of Bank Supervision, Jl. M.H. Thamrin No.2, Jakarta 10350, for Banks with head office in the working area of Bank Indonesia Head Office; or
 - b. Local Bank Indonesia Office, for Banks with head office outside the working area of Bank Indonesia Head Office,

with copy to Directorate of Banking Research and Regulation c.q. Bureau of Financial System Stability, Jl. M.H. Thamrin No.2, Jakarta 10350.

IV. PROCEDURES OF THE SANCTION IMPOSITION

1. Violation of Management Risks Implementation as referred to in number II of this Circular Letter is subject to administrative sanctions as referred to in Article 34 of Bank Indonesia Regulation Number 5/8/PBI/2003 dated May 19th 2003 concerning the Implementation of Risk Management for Commercial Banks as amended by Bank Indonesia Regulation Number 11/25/PBI/2009 dated July 1st 2009, such as follows:
 - a. written warning;
 - b. decrease of Bank soundness rating;
 - c. freezing of certain business activities;
 - d. inclusion of members of the executive board, Bank employees, and/or shareholders to the list of parties who hold fail predicate for fit and proper test or in Bank Indonesia administrative notes as set forth in the applicable Bank Indonesia Regulation; and/or
 - e. termination of the Bank management.
2. Violation of reporting obligation as referred to in point III.A.4, and point III.A.6 is subject to sanctions as referred to in Article 34 of Bank Indonesia Regulation Number 5/8/PBI/2003 dated May 19th 2003 concerning the Implementation of Risk Management for Commercial Banks as amended by Bank Indonesia Regulation Number 11/25/PBI/2009 dated July 1st 2009.

V. TRANSITIONAL PROVISIONS

1. The marketing of the insurance product and/or the bundled product that is done by Banks before the enactment of this Circular Letter and is still running, is declared as bancassurance as referred to in this Circular Letter as long as it has been adjusted.
2. Regarding to the insurance product and/or bundled product as referred to at number 1 which can not be adjusted and/or contradicted to this Circular Letter, the Banks are obliged to do things as follows:
 - a. immediately stop the selling of the product concerned and/or fully redirect to the insurance company Bank partner concerned;
 - b. do things needed related to the continuation of the products that have been sold through bancassurance for the interest of the customers in accordance to what has been agreed between the Bank, the insurance company Bank partner, and/or the customers until the end of the insurance coverage period and/or Bank products period. Towards the concerned insurance product and/or bundled product that have been running, the Banks are prohibited to do the activities related to the extension of time period and/or contract value addition; and
 - c. explain to the customers again orally and in writing for the part of the product that becomes Bank Risks and part of the product that becomes the insurance company Bank partner Risks, including the rights and obligations of each party.

3. Banks that have been doing bancassurance but the implementation of bancassurance main aspects is still not in accordance to the requirements governed in this provisions are obliged to adjust the latest of 6 (six) months since the enactment of this Circular Letter.
4. Banks that have the policies and written procedures of the Risk Managements implementation on bancassurance before the enactment of this Circular Letter, are obliged to adjust the concerned policies and written procedures the latest of 6 (six) months after the enactment of this Circular Letter.

VI. CONCLUSION

With the enactment of this Bank Indonesia Circular Letter thus Bank Indonesia Circular Letter No.6/43/DPNP dated October 7th 2004 regarding the Implementation of Risk Management on Banks implementing Marketing Cooperation with the Insurance Company (Bancassurance) is revoked and declared invalid.

This Bank Indonesia Circular Letter comes into force on December 23rd 2010.

For the purpose of public cognizance, ordering the declaration of this Bank Indonesia Circular Letter to be promulgated in the State Gazette of Republic of Indonesia.

Thus for Your acknowledgement,

BANK INDONESIA,

MULIAMAN D.HADAD
DEPUTY GOVERNOR