



Insurance & Reinsurance

in 23 jurisdictions worldwide

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Regulation

1 Regulatory agencies

Identify the regulatory agencies responsible for regulating insurance and reinsurance companies.

The Financial Services Authority (OJK) is responsible for regulating and supervising the financial services sector in Indonesia, including insurance and reinsurance companies. Specifically, the insurance and reinsurance sector is under the jurisdiction of the Head Executive Supervisor of Nonbank Financial Institutions of the OJK.

OJK was formed under Law No. 21 of 2011 on Financial Services Authority (the OJK Law) and on 1 January 2013 assumed the authority to supervise and regulate capital markets and nonbank financial institutions (including insurance and reinsurance companies) from the predecessor agency, the Capital Markets and Financial Institutions Supervisory Agency (Bapepam-LK) of the Ministry of Finance (MOF). All relevant regulations of Bapepam-LK remain in force until revoked or amended.

With effect from 1 January 2014, the banking sector is also under the jurisdiction of the OJK.

2 Formation and licensing

What are the requirements for formation and licensing of new insurance and reinsurance companies?

Pursuant to Law No. 2 of 1992 on Insurance Business (the Insurance Law), to conduct insurance and reinsurance business in Indonesia (other than operating social insurance programmes), a company must hold a business licence issued by the OJK (previously MOF). To obtain a business licence from the OJK, the entity must be established as a: state-owned limited liability company, cooperative, limited liability company (PT), or mutual fund. PT is the most common form of entity.

Insurance and reinsurance companies may be founded by Indonesian nationals or Indonesian legal entities that are wholly Indonesian-owned or by local insurance or reinsurance companies in a joint venture with a foreign insurance or reinsurance company.

The objective and purpose of the entity must include the type of insurance business (ie, life insurance, general insurance or reinsurance). Indonesian insurance laws and regulations do not recognise the principle of composite insurance; therefore, it is not possible for an insurance company to engage in the general insurance and the life insurance businesses simultaneously. However, general insurance companies are permitted to provide reinsurance.

Once the company has been established, it can apply for an insurance business licence from the OJK. MOF Decree No. 426/KMK.06/2003 on Licences and Organisation of Insurance and Reinsurance Companies (KMK 426/2003) sets forth procedures and application requirements, including:

- evidence that the company has complied with minimum paid-up capital and security fund requirements;

- evidence that the company's articles of association have been approved by the Minister of Law and Human Rights;
- structure of the company's organisation and management with details on functions and duties, including a scheme for human resources development for at least three years;
- curriculum vitae of the directors, commissioners and appointed experts, along with a statement letter from the directors and the appointed experts declaring that they do not hold a position in any other company, in accordance with applicable regulations;
- for a joint venture company, a cooperation agreement between the local investor and the foreign party, which covers at least the required capital composition, composition of the board of directors and board of commissioners, as well as the foreign investor's obligation to prepare and provide training; and
- statement from the shareholders that the funds allocated for capital injection have not been derived from criminal acts (in accordance with the Money Laundering Act).

3 Other licences, authorisations and qualifications

What licences, authorisations or qualifications are required for insurance and reinsurance companies to conduct business?

No other types of licence are required, except for life insurance companies that will also found and manage a pension fund (which is allowed under the Insurance Law, but is subject to OJK approval).

Pursuant to KMK 426/2003, an insurance or reinsurance company must become a member of an association of similar companies, such as, the Indonesian General Insurance Association for general insurers.

4 Officers and directors

What are the minimum qualification requirements for officers and directors of insurance and reinsurance companies?

Under OJK Regulation No. 2 of 2014 on Good Corporate Governance for Insurance Business Companies (OJK 2/2014), insurance and reinsurance companies must have at least three directors and three commissioners. Directors and commissioners must pass the 'fit and proper test' before holding the position. Fit and proper procedures are governed under OJK Regulation No. 4 of 2013 on Obligatory Fit and Proper Test for Positions in Non-Banking Financial Services (OJK 4/2013).

OJK 2/2014 provides that a position may not be held by any person who has served as a director or a commissioner of an insurance company that has been penalised with restriction of business, a financial services company whose licence has been revoked for violations, or a financial services company or non-financial services company that has been declared legally bankrupt in the past five years. Law No. 40 of 2007 on Limited Liability Companies (the Company Law) also applies general restrictions on persons disqualified from holding positions as director or commissioner.

Insurance and reinsurance companies must appoint at least one certified expert from the Indonesian Insurance Management Expert Association (AAMAI), or from a foreign association that is acknowledged by the AAMAI and who is registered as an expert with the OJK. Insurance companies must also appoint one expert actuary certified by the Indonesian Actuaries Society (PAI), or a foreign actuarial association that is acknowledged by PAI, who is registered as an actuary with the OJK.

The fit and proper requirements apply generally to all appointed experts in insurance and reinsurance companies.

5 Capital and surplus requirement

What are the capital and surplus requirements for insurance and reinsurance companies?

Under Government Regulation No. 73 of 1992 on Provisions on Insurance Business, most recently amended by Government Regulation No. 81 of 2008 (GR 73/1992), insurance and reinsurance companies must have minimum paid-up capital of 100 billion and 200 billion rupiah, respectively. These requirements were introduced in the 2008 amendment, and by 31 December 2014 all insurance and reinsurance companies must comply.

As part of the obligation to secure policyholders' interests, insurance and reinsurance companies must allocate at least 20 per cent of their paid-up capital in the form of time deposit, debt securities or other commercial paper issued by the government. The time deposit must be self-renewing in a non-affiliated commercial bank in Indonesia.

In addition to the minimum capital, insurance and reinsurance companies are required to meet minimum solvency margins. Under MOF Regulation No. 53 of 2012 on the Financial Health of Insurance and Reinsurance Companies (PMK 53/2012), the minimum solvency margin ratio is 100 per cent, but the solvency target is 120 per cent. The calculation of the margin is based on the minimum risk-based capital. If the margin is below 120 per cent, the company must submit a solvency improvement plan to the OJK to increase to 120 per cent within the following year and will be prohibited from paying dividends. If the margin goes below 40 per cent, the OJK can issue a first and final warning letter. PMK 53/2012 authorises the OJK to require financially troubled insurers to transfer their insurance portfolio to another company if needed to protect the interests of policyholders.

6 Reserves

What are the requirements with respect to reserves maintained by insurance and reinsurance companies?

Technical reserves (premium and claim reserves) are governed by the OJK under PMK 53/2012 and Head of Bapepam-LK Regulation No. 9 of 2012 (BLK 9/2012). BLK 9/2012 provides that insurance and reinsurance companies must set up technical reserves that are: in accordance with product characteristics and relevant risk profile; consistent for different products in the same product group; ensure recognition of liability is reasonable and fair to all policyholders; and are pursuant to actuarial practices and standards in Indonesia.

In the event that the OJK identifies irregularities with technical reserves, the OJK may request revaluation of all or part of the technical reserves that are considered improper.

7 Product regulation

What are the regulatory requirements with respect to insurance products offered for sale? Are some products regulated by multiple agencies?

Insurance products must be notified to the OJK before they are offered for sale to customers. The notification must be accompanied with, among others: details of the insurance product; specimens of

the policy and technical marketing and operation scheme; information on reinsurance scheme; statement from relevant experts; and a copy of the cooperation agreement if the products are marketed in collaboration with other parties (such as bancassurance products). Insurance companies that fail to maintain the minimum solvency margin and are penalised with administrative sanctions are prohibited from offering new products until the improvement plan targets are met.

8 Change of control

What are the regulatory requirements on a change of control of insurance and reinsurance companies? Are officers and directors of the acquirer subject to background investigations?

All changes of share ownership in insurance and reinsurance companies, regardless of whether there is a change of control, are subject to the OJK's prior approval. Non-change of control transfers of shares of listed insurance and reinsurance companies through the stock exchange are exempt from the approval requirement. In case of acquisition of an Indonesian insurance company by another Indonesian insurance company, both insurance companies need to obtain separate approvals from the OJK. The same applies to reinsurance companies. The OJK's objective is to ensure the interests of the insured, so that if a new shareholder is approved, no policy issued by the new shareholder will be detrimental to the existing insured. For insurance and reinsurance companies established in the form of PT, acquisition procedures under the Indonesian Company Law also apply.

Following the issuance of OJK 4/2013, the acquirer of majority shares in insurance and reinsurance companies must pass the fit and proper test to become a controlling shareholder. If the value of the acquired shares with voting rights exceeds 25 per cent, or if the acquired shares are less than 25 per cent but the proposed acquirer will have an element of control over the company, the acquirer is deemed to be a controlling shareholder for the purposes of OJK 4/2013. Currently, there is no clear guideline on how to measure control when the acquired shares are less than 25 per cent.

If a change of control meets certain thresholds it also needs to be notified to the Indonesian Antitrust Authority (KPPU) for review and assessment. Since 2010, KPPU has issued several M&A approvals for insurance businesses, including acquisition of PT UOB Life Sun Assurance, PT Asuransi Jiwa Sinar Mas, and PT Asuransi Dharma Bangsa.

9 Financing of an acquisition

What are the requirements and restrictions regarding financing of the acquisition of an insurance or reinsurance company?

There is no specific requirement or restriction related to financing. In general, the OJK will review the financial situation and solvency of the acquiring party during the approval process to ensure the proposed shareholder is financially sound and capable of contributing additional capital if required. The OJK requires the proposed shareholder to submit a statement confirming that the funds to acquire the insurance or reinsurance company did not originate from money laundering or other illegal activities.

10 Foreign investment

What are the requirements and restrictions concerning the investment in an insurance or reinsurance company by foreign citizens, companies or governments?

The prevailing insurance laws and regulations only allow direct participation by a foreign party in an Indonesian insurance or reinsurance company by means of a joint venture with an Indonesian partner, and only if the foreign party is the same type of insurance company (ie, a foreign life insurance company may only participate

in a joint venture life insurance company) or a holding company, provided that one of its subsidiaries is a similar type of insurance company (not necessarily in Indonesia), as evidenced by audited financial statements or the objectives and purposes of the companies concerned and as reflected in the business licences or articles of association (or equivalent documents) of the subsidiaries.

GR 73/1992 stipulates that at the time of establishment, direct investment by a foreign party in an insurance or reinsurance company shall not exceed 80 per cent, which is consistent with the maximum foreign ownership allowed under the Indonesian Negative Investment List. However, GR 73/1992 creates the possibility that a foreign party can increase its ownership after the joint venture insurance or reinsurance company has been incorporated, provided that the Indonesian party's capital is maintained. The paid-up capital invested by the Indonesian party of a joint venture insurance or reinsurance company may not be reduced if the foreign party already owns 80 per cent. However, the Indonesian party's ownership percentage may be reduced by dilution when further capital is contributed by the foreign shareholder. The additional capital contribution is subject to the OJK's prior approval.

Further, KMK 426/2003 requires a foreign shareholder in a joint venture insurance or reinsurance company to meet the following requirements:

- have a minimum rating of A or its equivalent from an internationally acknowledged rating institution (applicable only for foreign insurance or reinsurance companies);
- have capital of at least five times the amount of its direct participation in the joint venture insurance company;
- have had a healthy level of financial soundness for the past two years, as evidenced by audited financial statements; and
- submit to the OJK a cooperation agreement or joint venture agreement between the new foreign shareholder and the Indonesian shareholder.

In practice, if deemed necessary, the OJK may request additional documentation to consider in issuing the approval. New foreign controlling shareholders are subject to the fit and proper test (see question 8).

11 Reinsurance agreements

What are the regulatory requirements with respect to reinsurance agreements between insurance and reinsurance companies domiciled in your jurisdiction?

All insurance companies (both life and general) must carry treaty reinsurance for each line of insurance business marketed.

Insurance companies (both life and general) are obliged to obtain facultative reinsurance in case sufficient treaty reinsurance is unavailable because of the following conditions: specific characteristic of the insurance business line, marketing of new insurance business line or particular risk based on a request from a policyholder.

There are no requirements regarding the minimum provisions that must be included in a reinsurance agreement, although insurance and reinsurance companies are required to submit their reinsurance schemes to the OJK for evaluation. Ultimately, the provisions will depend on the terms agreed between insurer and reinsurer.

12 Ceded reinsurance and retention of risk

What requirements and restrictions govern the amount of ceded reinsurance and retention of risk by insurers?

Insurance companies must obtain a certain portion of their reinsurance from Indonesian reinsurance companies, based on the capacity of local providers, although foreign reinsurance companies may provide back-up reinsurance after the local reinsurance requirements are fulfilled or if the insurance company is unable to obtain sufficient support from a local reinsurance company. For life insurance

companies, reinsurance must be provided by at least one local reinsurance company. For general insurance companies, reinsurance must be provided by at least two local reinsurers, one of which must be a reinsurance company (as opposed to a general insurance company offering reinsurance). Last year, OJK issued a guidance letter exhorting all general insurers to maximise their reliance on local reinsurance companies. Foreign reinsurance companies are not required to obtain approval from the OJK, but need to maintain at least a BBB or equivalent rating from an internationally recognised rating agency in order to be considered a qualified reinsurer. These requirements apply equally for treaty reinsurance and facultative reinsurance.

Insurance and reinsurance companies are obliged to comply with self-retention requirements under Bapepam-LK Regulation No. 11 of 2012 on Reinsurance Support, Self-Retention Limit, and the Form and Composition of Reinsurance Program Reports (BLK 11/2012). The calculation depends on financial capacity and the encountered level of risk. The determination of minimum and maximum self-retention amounts shall be based on the risk and loss profile, namely, a certain percentage of capital for every risk, and the amount of gross premiums that must be retained for every line of business. BLK 11/2012 sets mandatory maximum limits for self-retention at 10 per cent of capital for every risk.

13 Collateral

What are the collateral requirements for reinsurers in a reinsurance transaction?

There are no collateral requirements for reinsurers.

14 Insolvent and financially troubled companies

What laws govern insolvent or financially troubled insurance and reinsurance companies?

PMK 53/2012 sets forth administrative procedures and the OJK's range of power in respect of financially troubled insurance or reinsurance companies. The OJK is authorised to take certain measures in order to revitalise insurance and reinsurance companies under supervision. If an insurer does not comply with the solvency ratio, the company must submit a plan to improve its financial capability. If a company is financially troubled, the OJK may restrict or prohibit the company from distributing dividends. PMK 53/2012 also authorises the OJK to require financially troubled insurers to transfer their insurance portfolio to another company to protect the interests of policyholders.

Financially troubled insurance and reinsurance companies are also subject to Law No. 37 of 2004 on Bankruptcy and Suspension of Payment (the Bankruptcy Law). Under the Bankruptcy Law, any creditor may file a bankruptcy petition against a debtor that has at least two creditors and has failed to repay at least one due and payable account. A bankruptcy petition (or suspension of debt payment submission) for insurance and reinsurance companies may only be filed by the OJK (previously the MOF).

15 Intermediaries

What are the licensing requirements for intermediaries representing insurance and reinsurance companies?

There are three types of intermediaries: agents, adjusters and brokers. All of them are considered insurance supporting businesses and are required to secure a business licence from the OJK before entering the market.

Insurance agents may offer insurance products on behalf of insurance companies, based on an agency agreement. Insurance agencies must appoint at least one agent certified by an insurance industry association. Agents may only enter into agency agreements with one insurance company at a time. During the period of the

agency agreement, the insurance company must provide education and continuous training to the agents, with an emphasis on competence and integrity.

Adjuster's services are related to the assessment of actual losses of the insured. Adjuster companies must appoint at least one expert certified by the Indonesian Insurance Adjusters Association (AAAI).

Insurance brokers act as independent brokers related to reinsurance contracts (treaties) and insurance claim settlement. Insurance brokers are required to appoint at least one certified expert from the AAMAI. Reinsurance brokerage activities in Indonesia require an insurance broker licence from the OJK.

Insurance claims and coverage

16 Third-party actions

Can a third party bring a direct action against an insurer for coverage?

In principle, third parties generally may not bring direct actions against insurance companies unless the right of the third party is recognised under the insurance policy (eg, banker's clause) or granted under laws and regulations.

17 Late notice of claim

Can an insurer deny coverage based on late notice of claim without demonstrating prejudice?

There is no specific regulation authorising an insurer to deny a claim due to late notice. In practice, the timeframe for submitting a notice of claim is set forth under the insurance policy.

OJK Regulation No. 1 of 2013 on Consumer Protection in the Financial Services Sector requires insurance companies to inform their policyholders about the procedures for acceptance, postponement or denial of a claim, including information on the period of time available to file a claim under the policy.

In addition, GR 73/1992 prohibits insurance companies from including in their policies any provision that restricts the insured's rights to pursue legal action, including related to refusal of claim.

18 Wrongful denial of claim

Is an insurer subject to extra-contractual exposure for wrongful denial of a claim?

As general rule, the insurer shall provide coverage if the risk is claimable. However, if an insurer wrongfully denies a claim, such conduct may be subject to administrative sanction by the OJK, ranging from warning letter to revocation of business licence, based on the report from the insured. The insured may also pursue a claim in tort to the extent the denial of claim is considered an unlawful act.

19 Defence of claim

What triggers a liability insurer's duty to defend a claim?

There is no duty for a liability insurer to defend a claim, as the decision to defend is the prerogative of the insurer as normally granted under the policy. It is common practice for a policy to contain provisions regarding the insurer's right to manage any settlement or litigation proceedings in the name of the insured.

As soon as the insured notifies the insurer of a possible claim, the insurer shall investigate all circumstances and request relevant documents to assess the insurance cover of the damages.

20 Indemnity policies

For indemnity policies, what triggers the insurer's indemnity obligations?

In general, the insurance company must indemnify the insured for all insured events or accepted risks. The insured and insurer are allowed to agree upon the accepted risk, including any losses, damages or

legal liability that may be borne by third parties. Therefore, the trigger for the obligation depends on the accepted risks as agreed in the insurance policy.

21 Incontestability period

Is there an incontestability period beyond which a life insurer cannot contest coverage based on misrepresentation in the application?

Under article 8 of MOF Decree No. 422 of 2003 on the Operation of Insurance and Reinsurance Companies, the incontestability period is one of the mandatory provisions that must be contained in all insurance policies. There is no specific time period stipulated under the regulation, but in practice, insurers usually provide a two-year incontestability period.

22 Punitive damages

Are punitive damages insurable?

Punitive damages are not insurable.

23 Excess insurer obligations

What is the obligation of an excess insurer to 'drop down and defend', and pay a claim, if the primary insurer is insolvent or its coverage is otherwise unavailable without full exhaustion of primary limits?

Indonesian law is silent on the obligation of an excess insurer to 'drop down and defend', and pay a claim, if the primary insurer is insolvent.

24 Self-insurance default

What is an insurer's obligation if the policy provides that the insured has a self-insured retention or deductible and is insolvent and unable to pay it?

The obligation of the insurer will depend on the provisions of the insurance policy, which may govern the range of the insurer's obligations if the insured is unable to pay the deductible.

25 Claim priority

What is the order of priority for payment when there are multiple claims under the same policy?

Indonesian insurance regulations do not acknowledge priority of payment.

26 Allocation of payment

How are payments allocated among multiple policies triggered by the same claim?

Under the Indonesian Commercial Code (ICC), an insured may only recover up to the full amount of loss. If the first policy purchased is insufficient to cover the loss, the additional policies shall contribute in the order that coverage was purchased, until the claimable amount is paid in full, or policy limits are reached.

Reinsurance

27 Reinsurance disputes

Are formal reinsurance disputes common, or do insurers and reinsurers tend to prefer business solutions for their disputes without formal proceedings?

Formal reinsurance disputes are not that common in Indonesia, and in general disputes are resolved without formal proceedings. The option to resolve a dispute through litigation or arbitration, depending on the forum chosen in the agreement, is possible if settlement cannot be reached.

Update and trends

The current Insurance Law is over 20 years old. Amendment is needed to address the significant changes and developments in the Indonesian insurance market since the current law was promulgated. A draft revision has been circulating for several years and is currently in discussion in the parliament; however, at the time of writing, no firm deadline has been set.

In spite of the absence of a holistic revision of the Insurance Law, the MOF and the OJK have been active in issuing new implementing regulations in order to address the current realities of the insurance market. When the new Insurance Law is finally enacted, those implementing regulations will continue to be relevant, insofar as they do not conflict with the provisions of the new law.

As part of its effort to support and promote micro-insurance, the OJK has launched a blueprint for micro-insurance products. It is expected that in the near future, the OJK will issue a regulatory framework on micro-insurance, which will cover, among others: product specification, marketing and premium requirements. In addition, in early 2014, the OJK issued a circular letter on education for financial literacy to provide guidelines for financial services institutions to help the public become more financially knowledgeable.

28 Common dispute issues

What are the most common issues that arise in reinsurance disputes?

Reinsurance disputes can arise when there is an outstanding debt between insurance and reinsurance company, breach of reinsurance agreement or delay of claim settlement.

29 Arbitration awards

Do reinsurance arbitration awards typically include the reasoning for the decision?

Arbitration proceedings, including reinsurance arbitration, are governed under Law No. 30 of 1999 on Arbitration and Alternative Dispute Resolution (the Arbitration Law). According to article 54 of the Arbitration Law, the reasoning is a necessary element of an arbitration award.

30 Power of arbitrators

What powers do reinsurance arbitrators have over non-parties to the arbitration agreement?

Arbitrators do not have power over non-parties to the arbitration agreement. However, the Arbitration Law does allow third parties who have a relevant interest to join the arbitration proceeding upon approval of the parties involved and the panel of arbitrators.

31 Appeal of arbitration awards

Can parties to reinsurance arbitrations seek to vacate, modify or confirm arbitration awards through the judicial system? What level of deference does the judiciary give to arbitral awards?

The Arbitration Law clearly stipulates that arbitration awards are final and binding; therefore, they cannot be appealed. However, in order to execute an arbitration award, within 30 days after the decision being duly read out by the arbitrators, the original or a copy of the award must be submitted and registered with the relevant district court. If a party does not voluntarily execute the award, the disputing party may request the head of the competent district court to order the disputed party to execute the award. Foreign awards shall be brought to the Central Jakarta District Court for enforcement in Indonesia.

Reinsurance principles and practices

32 Obligation to follow cedent

Does a reinsurer have an obligation to follow its cedent's underwriting fortunes and claims payments or settlements in the absence of an express contractual provision? Where such an obligation exists, what is the scope of the obligation, and what defences are available to a reinsurer?

There are no regulations governing the obligation of reinsurers to follow their cedents' underwriting fortunes, claim payments or settlements in the absence of express contractual provision. This issue falls under the terms of the specific reinsurance agreement, which may contain provisions to follow the fortune. Under treaty reinsurance, the reinsurer may agree in advance to accept partially or wholly the cedent's coverage portfolio.

33 Good faith

Is a duty of utmost good faith implied in reinsurance agreements? If so, please describe that duty in comparison to the duty of good faith applicable to other commercial agreements.

All commercial agreements in Indonesia are governed by the duty of good faith. However, Indonesian insurance doctrine recognises an implicit duty of utmost good faith to be observed in both insurance and reinsurance agreements. The duty of utmost good faith is stricter than in other commercial agreements, as stipulated in article 251 of the ICC, which states that any insurance contract made without correct disclosure will be void.

34 Facultative reinsurance and treaty reinsurance

Is there a different set of laws for facultative reinsurance and treaty reinsurance?

No, both are subject to the same regulations, namely PMK 53/2012 and BLK 11/2012.

35 Third-party action

Can a policyholder or non-signatory to a reinsurance agreement bring a direct action against a reinsurer for coverage?

A policyholder does not have any right to bring direct action against a reinsurer of the risk covered by the agreement. This is due to the fact that the policyholder has no contractual relationship with the reinsurer, and the reinsurance agreement is a separate agreement for the benefit of the insurer, rather than the policyholder. In other words, the reinsurance company has no duty to pay claims directly to the policyholder.

36 Insolvent insurer

What is the obligation of a reinsurer to pay a policyholder's claim where the insurer is insolvent and cannot pay?

GR 73/1992 strictly regulates that the reinsurance agreement must provide for the event that the reinsurer or cedent is liquidated. The rights and obligations between the reinsurer and cedent under reinsurance transactions shall remain binding until either the reinsurer or the cedent, or both, have been liquidated.

37 Notice and information

What type of notice and information must a cedent typically provide its reinsurer with respect to an underlying claim? If the cedent fails to provide timely or sufficient notice, what remedies are available to a reinsurer and how does the language of a reinsurance contract affect the availability of such remedies?

Generally, there is no regulation that governs the type of notice and information that must be provided by a cedent with respect to a

claim under Indonesian law. In practice, it depends on the provisions agreed by the parties in the reinsurance agreement.

38 Allocation of underlying claim payments or settlements

Where an underlying loss or claim triggers multiple reinsured policies, how does the reinsured allocate its claims or settlement payments among those policies? Do the reinsured's allocations to the underlying policies have to be mirrored in its allocations to the applicable reinsurance agreements?

Under BLK 11/2012, treaty reinsurance comprises proportional treaty reinsurance along with self-retention (quota share), proportional treaty reinsurance directly after self-retention (surplus), and treaty reinsurance for excess loss. In the event that quota share and surplus treaty reinsurance both apply, the quota share treaty must be prioritised over the surplus treaty for the allocation of claim payments or settlements. If there is one or more surplus treaties, the surplus treaty after using the self-retention must pay first.

39 Review

What type of review does the governing law afford reinsurers with respect to a cedent's claims handling, and settlement and allocation decisions?

There are no regulations that regulate specific rights of review afforded to reinsurers.

40 Reimbursing of commutation payments

What type of obligation does a reinsurer have to reimburse a cedent for commutation payments? Must a reinsurer indemnify its cedent for 'incurred but not reported' claims?

There are no regulations that govern such obligation. It depends on the terms agreed by the parties.

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