OTORITAS JASA KEUANGAN

ROADMAP

FOR THE DEVELOPMENT AND STRENGTHENING OF THE INDONESIAN INSURANCE INDUSTRY

2023-2027

Restoring Confidence Through Industrial Reform

Stronger Together

OTORITAS JASA KEUANGAN

ROADMAP

FOR THE DEVELOPMENT AND STRENGTHENING OF THE INDONESIAN INSURANCE INDUSTRY

2023-2027

Restoring Confidence Through Industrial Reform

Stronger Together

All Parties Involved

Director:

- Chief Executive of Insurance, Guarantee Institution, and Pension Fund Supervision, OJK
- Deputy Commissioner of Insurance, Guarantee Institution, and Pension Fund Supervision, OJK
- Head of Insurance, Guarantee Institution, and Pension Fund Regulation and Development Department, OJK
- Head of Insurance and Supporting Services, Guarantee Institution, and Pension Fund Supervision Department, OJK

Authors:

- Directorate of Insurance, Guarantee Institution, and Pension Fund Development, OJK
- Asosiasi Asuransi Jiwa Indonesia (AAJI)
- Asosiasi Asuransi Umum Indonesia (AAUI)
- Asosiasi Asuransi Syariah Indonesia (AASI)
- Asosiasi Perusahaan Pialang Asuransi dan Reasuransi Indonesia (APPARINDO)
- Asosiasi Penilai Kerugian Asuransi Indonesia (APKAI)

Contributors:

- Fiscal Policy Agency, Ministry of Finance of the Republic of Indonesia
- Center of Health Provision Policy, Ministry of Health of the Republic of Indonesia
- Badan Penyelenggaraan Jaminan Sosial (BPJS) Kesehatan
- Insurance Companies throughout Indonesia

OTORITAS JASA KEUANGAN

Table of Contents

Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027 1

Table of Contents 4
List of Tables 6
List of Graphs 6
List of Figures 9
Signature Page 10
Foreword By The Chairman Of The Board Of Commissioners OJK 11
Foreword By The Chief Executive Of The Insurance, Guarantee Institutions, And Pension Fund Supervision OJK 12
Foreword By The Chairman Of The Indonesian Insurance Council (DAI) 14

Chapter . I Background 17

1.1 The Insurance Industry in Indonesia 18
1.2 Conventional Insurance 18
1.3 Sharia Insurance 20
1.4 Interconnection with Other Roadmaps 21
1.5 The Composition Process of Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027 22
1.6 Vision, Period, and Users of the Roadmap 23

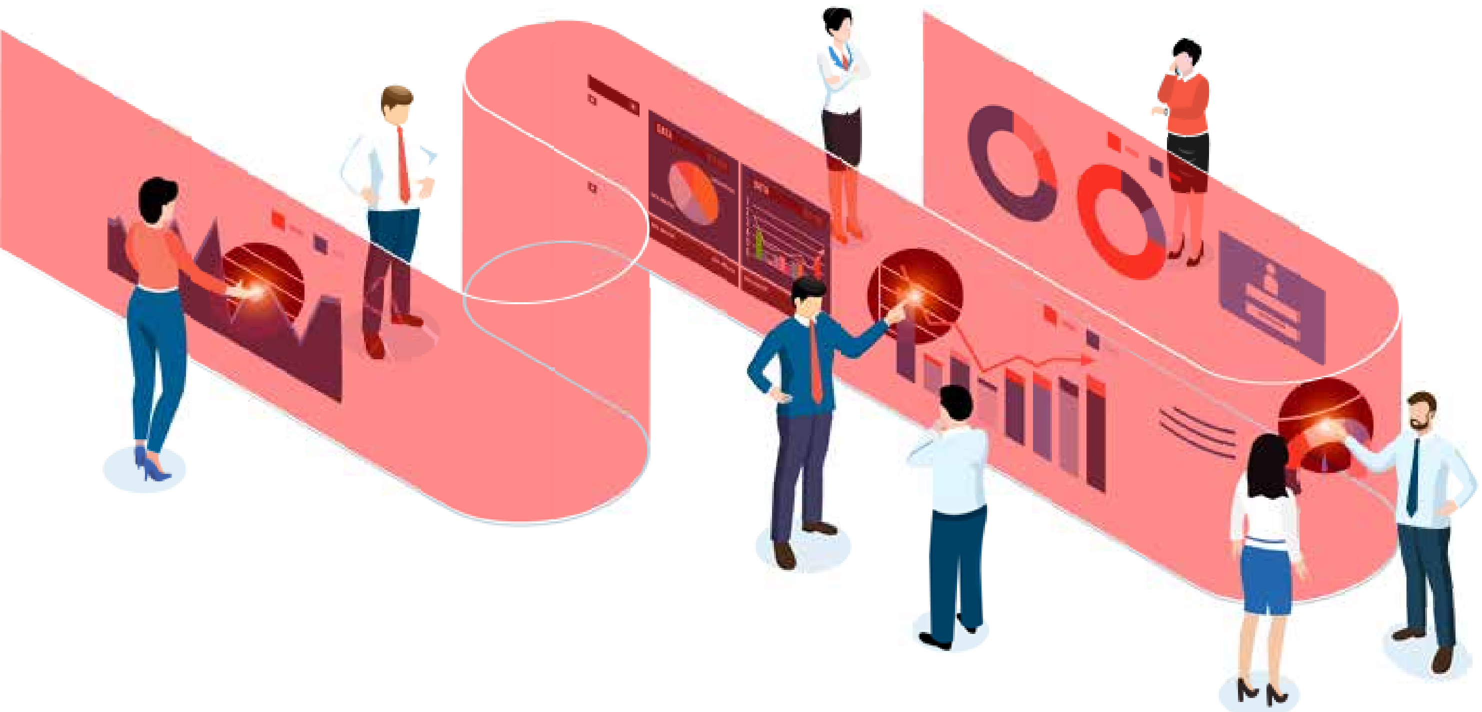
Chapter. II The Principles of Insurance Industry Development 25

2.1 Growth Acceleration 26
2.2 Dual Financial System 26
2.3 Regulation and Supervision Based on Industry Characteristics 27
2.4 Industry Consolidation 27
2.5 Digitalization 28
2.6 Fair Competition 29
2.7 Balance of Consumer and Business Interests 29
2.8 Contribution to Sustainable Economic Growth 29
2.9 International Standards Compliance 30
2.10 Sharia Insurance Support for the Halal Industry and Social Funds Optimization 30

Chapter. III Analysis of the Insurance Industry Gap and Strategies to Narrow the Gap 33
3.1 Market Structure 34
3.2 Industry Growth 36
3.3 Soundness and Capital Levels 41
3.4 Range of Services 43
3.5 Investment Placement 45
3.6 Product Development 49
3.7 Ownership Structure 54
3.8 Implementation of GRC 55
3.9 HR Development 56
3.10 Synergy/Collaboration with Other Parties 60
3.11 The use of Information Technology 61

Chapter. IV Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027 67
4.1 Phase 1 Foundation Strengthening (2023-2024) 70
4.2 Phase 2 Consolidation & Momentum Creation (2025-2026) 75
4.3 Phase 3 Alignment & Growth (2027) 79
4.4 Monitoring and Evaluation of the Roadmap for Development and Strengthening of the Indonesian Insurance Industry 2023-2027 83

Chapter. V Conclusion 85
References 87
Glossary 88



List of Tables

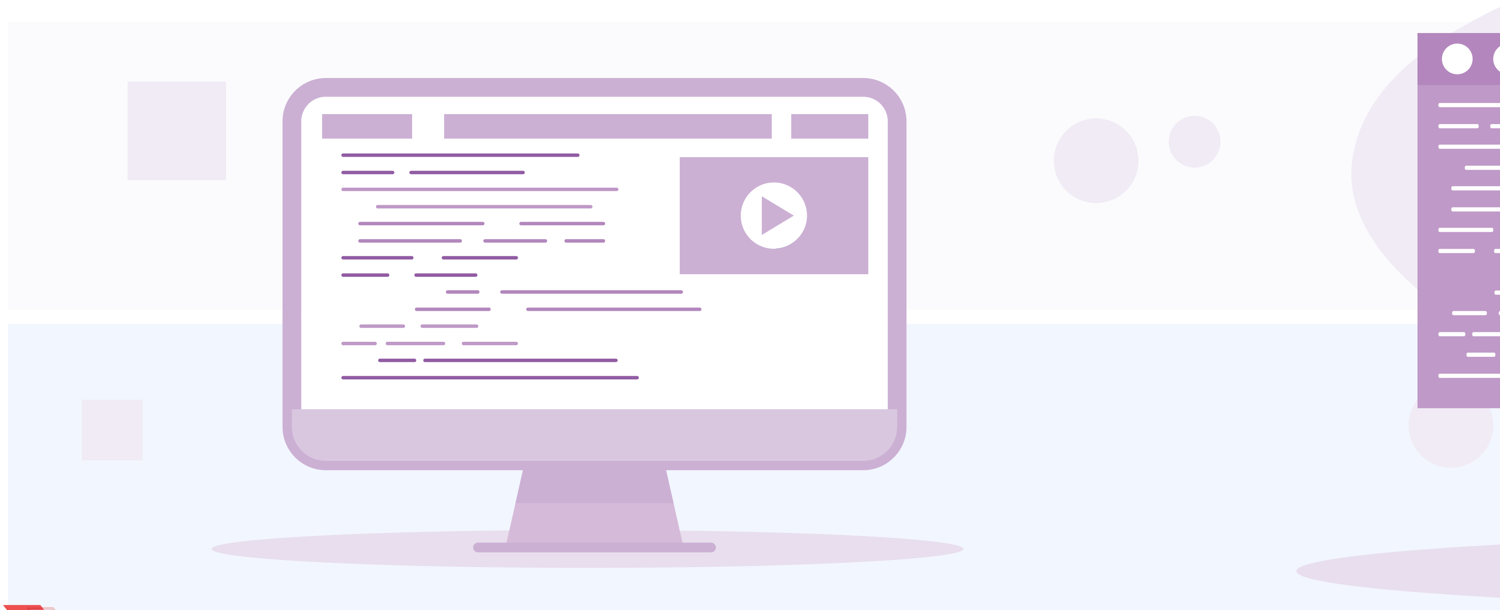
No	Name	Hal
4.1.	Phase 1: Strengthening the Foundation (2023-2024)	73
4.2.	Phase 2: Consolidation & Momentum Creation (2025-2026)	77
4.3.	Phase 3 Adjustment & Growth (2027)	81

List of Graphs

No	Name	Hal
1.1.	Penetration and Density Compared to ASEAN Countries	19
1.2.	Literacy and Inclusion Compared to Other Financial Sectors	20
3.1.	Market Share of the Insurance Industry and Premium Income	34
3.2.	Percentage of Business Sectors Covered Based on the 2023 OJK Survey	35
3.3.	Distribution Channels and Five-Year Future Plans	35
3.4.	Premium and Contribution Growth in Indonesia (2018-2022)	36
3.5.	Penetration and Density of Commercial Insurance in Some ASEAN Countries (2022)	37
3.6.	Penetration and Density in Indonesia (2018-2022)	38
3.7.	Perceptions of Industry Players Regarding Industry Growth and Challenges	39
3.8.	Focus of the Insurance Industry in the Next 5 Years	40

No	Name	Hal
3.9	Number of Insurance Companies with RBC Below Requirements for the Period 2018-2022	41
3.10	Number of Insurance Companies with Investment Adequacy Ratio Below Requirements for the Period 2018-2022	42
3.11	Number of Insurance and Reinsurance Companies by Equity Group in 2022	43
3.12	Distribution of Life Insurance and General Insurance Premium Income by Provinces in 2022	44
3.13a	Insurance Company Focus on Marketing for the Next 5 Years	44
3.13b	Distribution of Branch/Representatives Offices of Insurance Companies in 2022	44
3.14	Comparison of JCI Growth and BI Interest Rates on ROI of Conventional Life Insurance Companies and ROI of Conventional General Insurance and Reinsurance Companies in 2018 - 2022	46
3.15	Percentage of Investment Portfolio of Conventional Life Insurance Companies in 2018 and 2022	47
3.16	Percentage of Investment Placements in General Insurance and Reinsurance Companies in 2018 and 2022	47
3.17	Percentage of Sharia Life Insurance Company Investment Portfolio in 2018 and 2022	48
3.18	Percentage of General Insurance and Sharia Reinsurance Companies Investment Portofolios in 2018 and 2022	49
3.19	Percentage Comparison of Conventional Life Insurance Premium Income Per Business Line in 2018 and 2022	50
3.20	Percentage Comparison of Conventional General Insurance and Reinsurance Premium Income Per Business Line in 2018 and 2022	51
3.21	Percentage Comparison of Sharia Life Insurance Contribution Income Per Business Line in 2018 and 2022	52
3.22	Percentage Comparison of Sharia General Insurance and Reinsurance Contribution Income Per Business Line in 2018 and 2022	52
3.23	Development of Conventional and Sharia Life Insurance Product Line	53
3.24	Development of Conventional and Sharia General Insurance and Reinsurance Product Lines	53

No	Name	Hal
3.25	Percentage of Business Groups and Company Status Based on the 2023 OJK Survey	54
3.26	Percentage of Business Sectors Covered Based on the 2023 OJK Survey	55
3.27	Number of Insurance Industry Complaints 2018-2022	55
3.28	Percentage of Number of Insurance Employees in 2022	57
3.29	Percentage of Number of Insurance Employees Needed by Company Function in 2022	57
3.30	Number of Insurance Agents in Insurance Associations 2020-2022	58
3.31	Number of Insurance Actuarial Personnel in 2022	59
3.32	Parties and Business Fields Collaborating Based on the OJK Insurance Survey 2023	60
3.33	Companies Facing Synergy Challenges Based on the OJK Insurance Survey 2023	60
3.34	Incidents of Information Technology Usage Based on the OJK Insurance Survey 2023	61
3.35	Digital Channels as Company Focus and Digital Channel Plans Based on the OJK Insurance Survey 2023	62



List of Figures

No	Name	Hal
1.1.	Parties Involved in the Roadmap Development Process	22
4.1.	Insurance Industry Development and Strengthening Strategy	68
4.2.	Implementation Phases of Insurance Industry Development and Strengthening	69
4.3.	Monitoring and evaluation mechanism for the Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027	83

Signature Page

IMPLEMENTATION OF ROADMAP FOR THE DEVELOPMENT AND STRENGTHENING OF THE INDONESIAN INSURANCE INDUSTRY 2023-2027

OJK, Indonesian Life Insurance Association (AAJI), Indonesian General Insurance Association (AAUI), Indonesian Sharia Insurance Association (AASI), Indonesian Insurance & Reinsurance Broker Association (APPARINDO), and Indonesian Insurance Adjuster Association (APKAI) agreed to set the Roadmap for the Development and Strengthening of the Insurance Industry 2023-2027 as a collaborative guidelines in developing insurance industry over the next 5 (five) years.

Jakarta, October 23rd 2023

Ogi Prastomiyono
Chief Executive of the PPDP Supervision, OJK

Budi Tampubolon
Chairman of AAJI

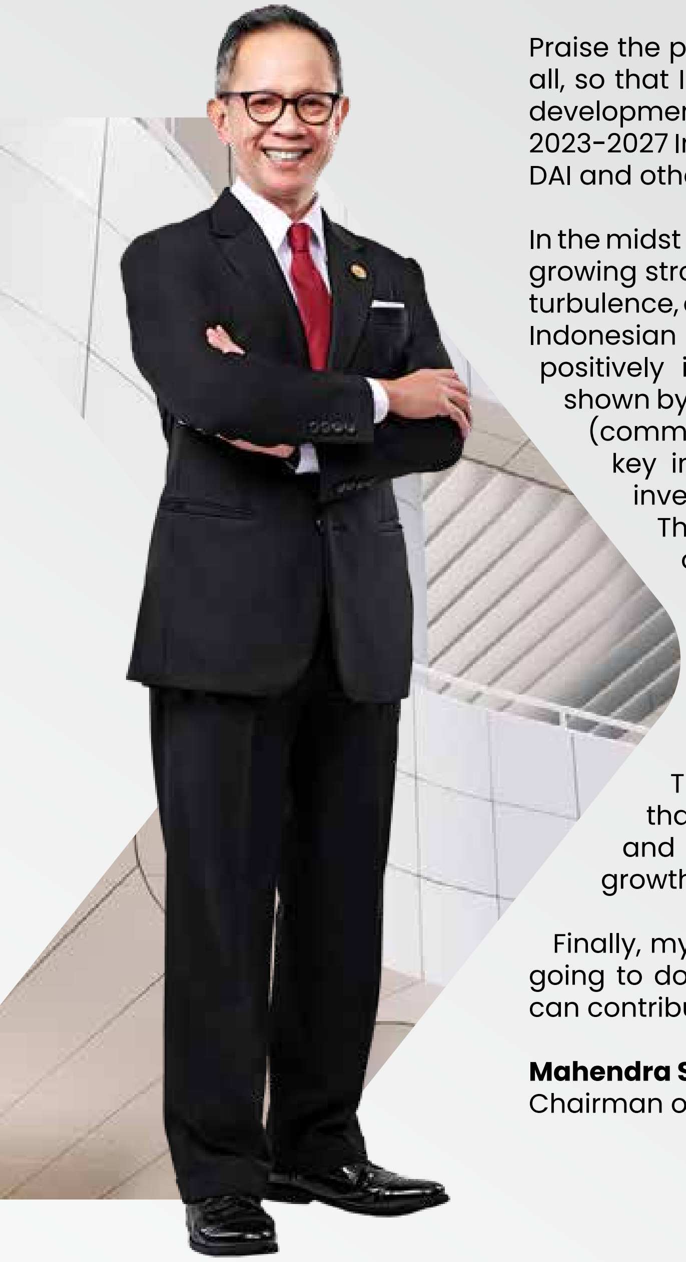
Budi Herawan
Chairman of AAUI

Rudy Kamdani
Chairman of AASI

Yulius Bhayangkara
Chairman of APPARINDO

Dikarioso Sabirin
Chairman of APKAI

Foreword
Chairman Of The Board of Commissioners OJK



Praise the presence of God Almighty, for His grace bestowed upon us all, so that Indonesia OJK has completed to deliver Roadmap for the development and strengthening of the Indonesian insurance industry 2023-2027 In preparing this roadmap, OJK involved associations under DAI and other related stakeholders.

In the midst of slowing pace of global economy, Indonesian economy is growing strongly. Despite many challenging risks such as geopolitical turbulence, economic uncertainty, and the threat of another pandemic, Indonesian economy continues to grow optimistically. This optimism positively impacts insurance industry nationwide. This has been shown by OJK data as of August 2023 (YoY), of all insurance industry (commercial insurance, social and mandatory insurance) the key indicators have been improving such as asset at 6.15%, investment at 7.6%, equity at 16.17%, and premiums at 2.46%. The Indonesian insurance industry must take advantage of this momentum of optimism to become stronger and developed.

This Roadmap for the development and strengthening of the Indonesian insurance industry 2023-2027 has been prepared comprehensively to serve as a guide for the OJK and insurance companies in Indonesia. This roadmap aims to establish an insurance industry that is healthy, efficient, integrity, strengthens consumer and community protection, and supports national economic growth.

Finally, my hope is that for all the initiatives that we have done and going to do are all intended to establish an insurance industry that can contribute to support the welfare of all of Indonesian people.

Mahendra Siregar
Chairman of the Board of Commissioners OJK

Foreword
By OJK

Foreword By The Chief Executive of The Insurance, Guarantee Institutions, And Pension Fund Supervision OJK

Assalamu'alaikum Warahmatullahi Wabarakatuh. Om Swastiastu, Namo Buddhaya, Greetings of Virtue. Best wishes for all of us.

Praise and gratitude to Allah SWT, because with His blessing and mercy, the whole preparation of Roadmap for the development and strengthening of the Indonesian insurance industry 2023-2027 can be completed. Indonesia OJK uses an inclusive approach in the process of drafting this roadmap, by involving all insurance sector stakeholders. This involvement is to build a sense of ownership from all stakeholders to jointly commit to the initiatives in this roadmap.

The insurance sector has an important role in the Indonesian economy, both as a support risk management and as an institutional investor. During the COVID-19 pandemic, the insurance sector also played a role in the national economy's resiliency by absorbing the financial impacts that arise through insurance claim payments.

However, the insurance sector has not fully developed and growing optimally to be able to make a significant contribution to the economy of Indonesia. This is indicated, among others, by the level of penetration and density of the insurance sector which is still far behind compared to peer countries. In line with the National Survey of Financial Literacy and Inclusion in 2022, the level of insurance inclusion is also much lower than the level of literacy, as an indication of deterrent factors that inhibit public interest in insurance. It should be thought that condition is partly influenced by various problems that undermine the level of public confidence in this sector, including various complaints from policyholders, product distribution that does not comply with regulations and not match with customer profiles, as well as problems at the soundness level which generally begin with insurance business operations that are not prudent and accountable.

Taking into consideration these various conditions and challenges, Indonesia OJK has a strategic policy in the insurance sector by making simultaneous efforts to resolve current issues and at the same time to develop the insurance sector. The drafting of this roadmap is an effort to respond to various dynamics occurring in the insurance sector which is in line with the Indonesian government's goal of developing and strengthening the financial sector in Indonesia through Law Number 4 of 2023 concerning Development and Strengthening of the Financial Sector. This roadmap is also a form of embodiment of the Indonesia OJK's Destination Statement 2022-2027, which is to develop a financial services industry that is sound, efficient, and with integrity, as well as strengthen consumer protection, in the context of market deepening, increasing inclusion and stability of the financial sector.

The development and strengthening of the insurance sector in this roadmap are supported through 4 main pillars, namely strengthening resilience and competitiveness, developing key elements in the insurance sector ecosystem, accelerating digital transformation, as well as reinforcement of regulation, supervision, and licensing in the insurance sector. The implementation of this roadmap is derived in 3 phases, the first phase is the strengthening of the foundation, the second phase is consolidation and creating momentum, and the last phase is alignment and growth. This roadmap is adaptive and can be adjusted in line with the dynamics of the development of the insurance sector so that policy responses are needed that are relevant, measurable, and accountable to support the competitiveness of the insurance sector.

As far as I can see, since the financial crisis in 1998, financial services sector reform in Indonesia has never touched the insurance sector. Therefore, I believe that now is the right time to start Industrial Reform in the insurance sector to restore public confidence in the insurance sector in Indonesia. The Industrial Reform contained in this roadmap is not just a document but is a joint commitment from all insurance sector stakeholders to collaborate and synergize establishing an even better insurance sector.

Finally, I would like to express my appreciation to all parties who have provided very valuable ideas and thoughts in the drafting of Roadmap for the development and strengthening of the Indonesian insurance industry 2023-2027. May God Almighty always bless every good intention and effort we make in creating a strong, stable, and trustworthy insurance sector, that can protect the consumer.

Stronger Together!

Wassalamualaikum Warahmatullahi Wabarakatuh.

Ogi Prastomiyono
Chief Executive of The Insurance, Guarantee Institutions, And Pension Fund Supervision, OJK

Foreword
BY DAI

Foreword By The Chairman of DAI

We express our gratitude to the presence of God Almighty and acknowledge His mercy and grace. OJK and all insurance company stakeholders, including 12 associations under DAI such as AAUI, AAJI, AASI, APPARINDO, and APKAI, have successfully completed the Insurance Industry Roadmap. This Roadmap envisions the realization of a sound, efficient, and integrity-based insurance industry, enhancing consumer and community protection, and promoting economic growth through market deepening, increased inclusion, and financial stability.

The Indonesian Insurance Council considers this Roadmap as a significant milestone towards a more integrated and high-quality direction for the country's insurance industry development. It is our hope that this Roadmap will serve as a solid foundation to guide the advancement of the Indonesian insurance industry towards a better future. By outlining strategic objectives, addressing challenges, and providing detailed action plans, we believe that this Roadmap will enhance collaboration among industry players, associations, governments, and other relevant institutions.

The insurance Roadmap has been aligned with several other Roadmaps, aiming to foster innovation, transparency, and professionalism in the insurance industry. It also aims to create a more favorable environment for consumers, offering better financial protection for the Indonesian people. DAI extends its utmost appreciation to the OJK, and all stakeholders involved in the publication of this Roadmap. DAI is fully committed to working together in implementing the proposed action plan outlined in this Roadmap.

With a spirit of collaboration and shared determination, we are confident that the Indonesian insurance industry will continue to progress, providing tangible benefits to the national economy and the welfare of society.

Rudy Kamdani
Chairman of DAI
Period 2023-2024

Chapter. I
Background

Background

1.1 The Insurance Industry in Indonesia

The insurance industry plays a crucial role in the economy of the country. Its primary function is to restore individuals and businesses to their previous financial positions before a risk or loss occurred. In the present era, insurance is essential for protecting against unforeseen events that can affect both businesses and individuals.

To put it differently, insurance assists both business and individuals mitigate risks that are inherent in all activities. In the business sector, insurance is relevant across various industries such as commodities, retail, transportation, infrastructure, and more. At the individual level, insurance is present in all aspects that require protection, including life and asset protection. It offers individuals valuable social benefits. Furthermore, insurance companies play a significant role in stimulating the economy as they invest their assets in the stock and bond markets. This investment activity contributes to the overall growth of the economy. In the realm of the financial ecosystem, insurance plays an active role in contributing to and propelling other industries forward.

1.2 Conventional Insurance

From a business perspective, the life insurance sector has consistently witnessed growth in assets over the past 5 years, with a CAGR of 3%. This growth has resulted in a total asset value of 585 trillion rupiah. Similarly, premium income from life insurance has remained stable over the past 5 years, amounting to 169.95 trillion rupiah by the end of 2022. However, there has been a slight decrease of 2.4% in life insurance claims over the same period, reaching 157.53 trillion rupiah in 2022. The number of claims has shown minor fluctuations. In terms of assets, the general insurance industry ranks as the second-largest industry after life insurance. General insurance assets have experienced an 8% CAGR growth, reaching 197 trillion rupiah by the end of 2022. Premium amounts have also grown at a rate of 7% by CAGR, totaling 78 trillion rupiah by the end of 2022. On the other hand, general insurance claims have increased by 8.3% over the past 5 years, amounting to 40.78 trillion rupiah in 2022. When considering both the life insurance and general insurance sectors collectively, the overall growth in assets has been 4%. This indicates that the insurance industry still holds significant potential despite the global challenges it currently faces. Moreover, the number of commercial insurance players, particularly in the conventional sector, continues to grow, reaching 124 players by the end of 2022.

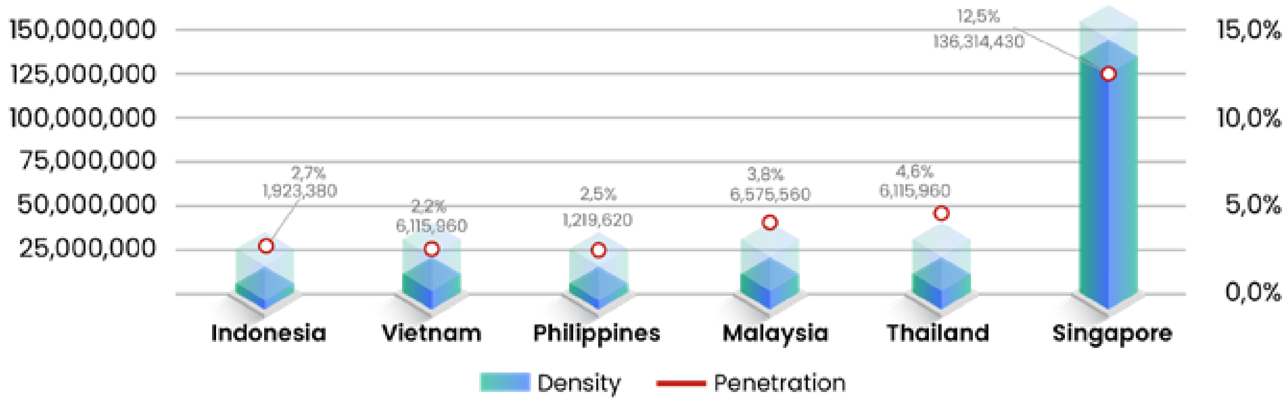
Reinsurance is important for the insurance industry because it helps increase its ability to handle risks. Over the past 5 years, reinsurance companies have seen significant growth in their assets, with an annual growth rate of 12%. By the end of 2022, their total assets reached 34 trillion rupiah. Additionally, reinsurance claims have also increased by 9.6% per year during the same period, reaching 53.94 trillion rupiah in 2022. If this trend continues, the reinsurance industry will be able to strengthen domestic reinsurance capacity. By the end of 2022, there were 7 conventional reinsurance companies in operation.

In terms of supporting businesses, as of December 2022, there were 155 insurance brokerage companies, 41 reinsurance companies, and 27 loss appraiser companies. These supporting businesses have experienced significant growth that corresponds with the expansion of the insurance industry.

According to the ASEAN Insurance Surveillance Report 2022, the level of insurance penetration in Indonesia is currently at 2.7%. This percentage is comparatively lower than neighbouring ASEAN countries. For instance, Singapore has an insurance penetration rate of 12.5%, Malaysia at 3.8%, Thailand at 4.6%. In addition to low insurance penetration, Indonesia also has a low insurance density.

As of the end of 2022, the insurance density in the country was recorded at 1.923.380 rupiah. OJK has set a target in its destination statement to increase insurance density to 2,4 million rupiah by 2027. Achieving this target will require the implementation of various market deepening strategies. Graph 1.1 depicts ASEAN countries penetration and density in the AISR 2022.

In terms of literacy and inclusion, based on the OJK's SNLIK, the levels of literacy and inclusion

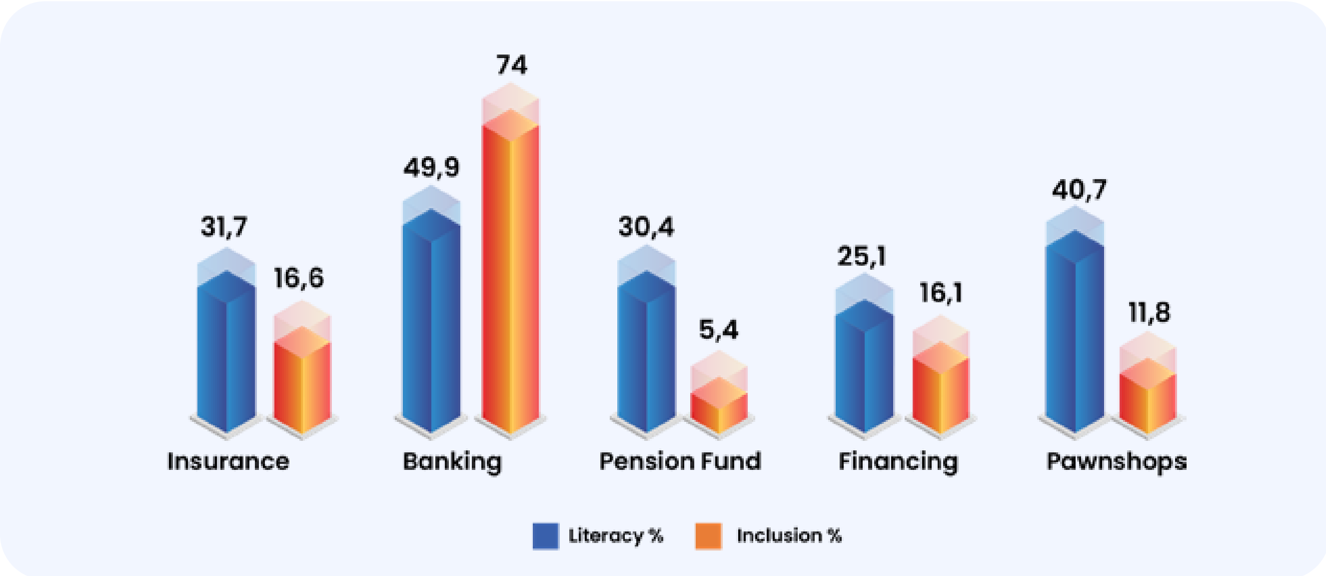


Graph 1.1. Penetration and Density Compared to ASEAN Countries

Source: OJK, ASEAN Insurance Surveillance Report 2022

in the insurance sector are lower compared to other financial sectors. In 2021, the literacy rate in the insurance sector was recorded at 31.7%, while the inclusion rate stood at 16.6%. In comparison, the banking sector has achieved higher levels of literacy and inclusion. The literacy rate in the banking sector reached 49.9%, while the inclusion rate was at 74.0%. The results of the 2021 literacy and inclusion survey is visualizedin graph 1.2.

From the customer's perspective, there were 1,291 recorded complaints related to insurance



Graph 1.2. Literacy and Inclusion Compared to Other Financial Sectors

Source: SNLIK 2022

in Indonesia to OJK in 2022. This number places the insurance sector among the highest in terms of complaint volume compared to other financial sectors. The number of complaints has been steadily increasing each year, starting from only 22 complaints in 2018. This indicates a growing awareness among consumers about their rights and the complaint mechanisms available to them. However, this also highlights the urgent need to enhance consumer education and improve market behavior within the insurance industry in Indonesia.

The enactment of Law Number 4 of 2023 on Development and Strengthening of the Financial Sector (P2SK Law) brings hope to the financial industry in Indonesia. The P2SK Law serves as the legal framework for the entire financial sector, including insurance. Specifically for the insurance sector, the P2SK Law has implications for various aspects such as capital requirements, guarantee funds, PPP, spin-off of sharia units, digitalization of the insurance industry, and provisions for mutual insurance business operations. The P2SK Law, which provides comprehensive regulation for the financial sector in Indonesia, has the potential to bolster and sustain the expansion of the insurance industry in the country.

1.3 Sharia Insurance

As the country with the largest muslim population globally, Indonesia possesses significant potential for sharia finance. In 2022, sharia life insurance assets accounted for 5.6% of the total assets in the life insurance sector, while sharia general insurance held a market share of 3.7%. This growth is supported by 15 full-fledged sharia insurance and reinsurance companies, along with 43 sharia insurance and reinsurance companies in the form of UUS.

The contribution of sharia life insurance to the overall market is expanding, with a market share of 11.8% in 2022, compared to just 5.8% 5 years ago. In the sharia general insurance sector, the contribution reached 3.8% of the total general insurance industry in 2022. The sharia reinsurance industry is supported by one full-fledged sharia reinsurance company and 3 sharia reinsurance companies in the form of UUS, with a combined asset value of 36 trillion rupiah.

Given the increasing role of the sharia insurance industry and the growing demand for sharia insurance among the public, a comprehensive strategy is necessary. This strategy should encompass sharia insurance penetration, product development, operational enhancements, and other components that support the sustainable development of sharia insurance.

1.4 Interconnection with Other Roadmaps

The Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027 is in line with several other roadmaps that have been published, such as the OJK roadmap, the banking roadmap, the capital market roadmap, the sustainable finance roadmap, the HR roadmap for financial services institutions, and the MEKSI. The alignment of the Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027 with these other roadmaps demonstrates the interconnectedness of the insurance industry with various sectors within the financial services industry.

Regarding the connection between the Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027 and the banking roadmap, the insurance industry has links in terms of investment, credit risk management, payment systems, transaction traffic, and collaborative product development. The Strategic Programs outlined in the Insurance Development and Strengthening Roadmap aim to optimize the connectivity between insurance and banking, providing benefits to customers and the general public.

The connection between insurance and the capital market lies in the fact that insurance companies can utilize various investment instruments available in the capital market as vehicles for investment. This ensures that the investment returns can support the insurance company's ability to make claim payments in the future. In terms of connectivity with financing companies, insurance companies provide insurance coverage for the customers of financing companies and establish mutual relationships to mitigate risks associated with financing businesses. Insurance companies also offer protection for obligees in case the principal party fails to fulfill their obligations in guaranteeing business activities.

The presence of the MEKSI can serve as a catalyst for the advancement of the sharia insurance market. In return, insurance companies have the potential to contribute to the growth of the sharia economy, which encompasses various sectors, including the halal industry.

1.5 The Composition Process of Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027

To support the expansion of the insurance industry in Indonesia, the OJK, in collaboration with insurance associations, developed a roadmap for insurance development. The primary objective of this roadmap was to align the industry with the vision of the OJK in advancing the insurance sector in Indonesia. The creation of the Insurance Development and Strengthening Roadmap involved considering the interests of all stakeholders within the insurance industry.

The development process of the roadmap was comprehensive, taking into account the perspectives of regulators, industry players, customers, and other stakeholders. It began with a thorough assessment of the current state of the insurance industry in Indonesia, identifying its strengths, challenges, and areas for improvement. The OJK, as the regulatory body, coordinated with various stakeholders, including internal parties such as insurance supervision and licensing, as well as external parties like insurance associations, relevant ministries/agencies, and the public.

The composition process of Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027 involved various tools and methods. These included extensive discussions with all stakeholders, both internal and external. Additionally, surveys were conducted with these parties, utilizing both qualitative and quantitative approaches. Crucially, the roadmap was harmonized with various interconnected roadmaps, such as the MPSJKI, OJK roadmap, and other roadmaps developed by the insurance industry, including life insurance roadmap and sharia insurance roadmap. Notably, the Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027 specifically contributes to the advancement of MEKSI, particularly in relation to sharia insurance.

Furthermore, during the formulation of the Insurance Development and Strengthening Roadmap, it was crucial to align it with the provisions of Law Number 4 of 2023 on Development and Strengthening of the Financial Sector (P2SK Law). This alignment was necessary to ensure that the growth of the insurance industry adheres to the mandate of establishing a robust financial sector. The development process of the roadmap also involved the active participation of all relevant stakeholders, as depicted in Figure 1.1.

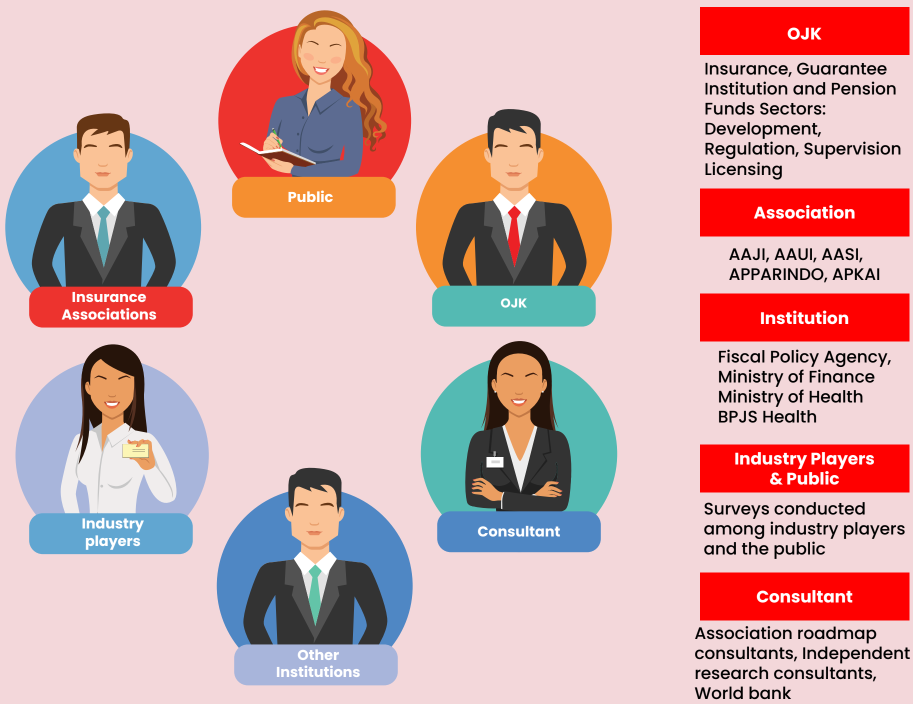


Figure 1.1. Parties Involved in the Roadmap Development Process

Source: OJK

1.6 Vision, Period, and Users of the Roadmap

After going through the process of identifying problems and mapping problem resolution, as well as to accelerate the development of insurance in Indonesia, the insurance industry Roadmap has a vision: **"Realizing a Sound, Efficient, and Integrity-Based Insurance Industry, Enhancing Consumer and Community Protection, and Promoting Economic Growth."**

The roadmap's implementation will involve the collective efforts of all components of the insurance industry in Indonesia, including life insurance, general insurance, reinsurance, and supporting institutions such as insurance brokers, reinsurance brokers, and insurance loss appraisers, as well as the supporting ecosystem and all stakeholders, including OJK and other institutions, will collaborate in achieving the vision of the roadmap.

To achieve the vision outlined in the Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027, the roadmap already consist of strategic programs organized into 4 pillars. These programs will be implemented in 3 phases, each focusing on the intended strategic programs within the 4 pillars. All strategic programs under these pillars have success indicators that will be monitored on a regular basis to ensure that they are completed within the time frame set.

The roadmap will serve as a reference for the development of the insurance industry from 2023 until 2027. At the conclusion of the designated timeframe of the roadmap, there will be a comprehensive and simultaneous evaluation conducted for the subsequent phase of the insurance industry development plan.

Chapter. II
The Principles of Insurance Industry Development

The Principles of Insurance Industry Development

Aligned with the vision of industry development, the Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027 aims to provide a systematic and sustainable strategy to address various challenges in achieving the goals of insurance industry development. The development strategy is formulated with reference to principles that serve as a framework to ensure that each strategy set can mutually reinforce the development of the insurance industry.

The principles are as the following:

- Growth Acceleration
- Dual Financial System
- Regulation and Supervision Based on Industry Characteristics
- Industry Consolidation
- Digitalization
- Fair Competition
- Balance of Consumer and Business Interests
- Contribution to Economic Growth
- International Standards Compliance
- Sharia Insurance Support in the Halal Industry and Shariah Social Funds Utilization

2.1 Growth Acceleration

The insurance industry in Indonesia has consistently demonstrated year-on-year growth, as evidenced by the increasing premiums and assets. However, its contribution to the national economy has remained relatively stagnant. This is evident in the limited growth of total penetration of commercial insurance, mandatory insurance, and social insurance premiums, which collectively make up the majority of the insurance industry. From 2017 until 2021, the penetration rate only increased from 3.00% to 3.13%. In comparison to other countries, insurance penetration in Indonesia remains relatively low. For instance, the commercial insurance penetration in Indonesia in 2021 was approximately 1.4%, which is lower than the ASEAN region's average of 3.9%. Consequently, there is a need for development strategies to accelerate the growth of the insurance industry.

To address this, the Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027 has been formulated with the aim of accelerating the growth of the insurance industry. The roadmap includes strategic programs that are expected to have a significant impact on industry growth. These programs encompass strengthening the industry's capacity, improving efficiency, fostering innovation in products and services, enhancing collaboration between insurance industry players and their ecosystems, strengthening consumer protection, and enhancing regulations and supervision to stimulate business growth. Achieving these changes requires commitment and active participation from all stakeholders, including industry players and regulators, to expedite the growth of the insurance industry.

2.2 Dual Financial System

Indonesia is one of the countries that has a dual financial system that includes both conventional and sharia financial systems. The coexistence of these 2 systems is driven by the public's demand for products and services offered in each system. The conventional financial industry has a longer history in Indonesia compared to the sharia financial industry, which emerged in the 1990s in response to the public's awareness and demand for sharia-compliant financial products and services.

In the insurance industry, sharia insurance was introduced in Indonesia in 1994, while conventional insurance had been established for several decades prior. Since its introduction, sharia insurance has experienced rapid growth, evident in the increasing number of industry players, participants, premiums, contributions, and assets. However, there is still a demand for conventional insurance products among the public. This is due to certain limitations of the sharia insurance industry compared to conventional insurance, such as capacity constraints in managing and underwriting risks, limitations in investment instruments, product variations, and low levels of financial literacy.

The significant market potential for sharia insurance and the limitations of the Islamic insurance industry highlight the importance of its development. However, these limitations should not hinder public access to insurance products. Therefore, it is crucial to develop both sharia insurance and conventional insurance to meet the diverse needs of the public and promote insurance inclusion and penetration. The development of these 2 types of insurance should progress simultaneously, taking into account the inherent differences in their characteristics.

2.3 Regulation and Supervision Based on Industry Characteristics

The insurance industry plays a vital role in providing individuals and businesses with instruments to manage and protect against risks. This is the fundamental characteristic of the insurance industry, namely, as an industry that manages or underwrites the risks faced by individuals or businesses. Policyholders rely on insurance companies to ensure the coverage of risks they encounter. If an insurance company fails to fulfill its obligations and cannot pay out claims in the event of a disaster, it can have severe consequences for consumers and erode trust in the market. Therefore, as a risk management industry, it is crucial to ensure that insurance companies meet their obligations and maintain public trust in the financial system. This objective is achieved through regulations that address both prudential and market conduct aspects. By effectively implementing the principles of prudence and responsible business behavior, all players in the insurance industry can uphold consumer protection. The regulation and supervision of insurance companies, sharia insurance companies, reinsurance companies, and sharia reinsurance companies should prioritize both prudential and market conduct aspects. Similarly, the regulation and supervision of insurance brokers, insurance agents, and insurance loss appraisers should focus on market conduct aspects while still considering prudential aspects.

The insurance industry comprises a wide range of players, including life insurance companies, general insurance companies, reinsurance companies, insurance brokers, reinsurance brokers, insurance agents, and insurance loss appraisers. Some of these players operate under conventional principles, while others adhere to sharia principles. Additionally, supporting professions such as actuarial consultants and public accountants contribute to the strength of the insurance industry. Naturally, the varying business activities conducted by each type of industry player result in distinct characteristics for each player. Therefore, regulations and supervision of the insurance industry should consider these differences in the characteristics of each business entity.

2.4 Industry Consolidation

The insurance market in Indonesia is characterized by the presence of numerous small-scale businesses. While a small number of companies dominate the market, the majority compete for a relatively small market share in terms of premium income. This situation emphasizes the importance of capital support in fostering the development of the insurance industry. Capital support plays a crucial role in enhancing a company's ability to bear risks and strengthening its operations through the utilization of information technology and the improvement of HR. However, the presence of a large number of industry players with small-scale operations can intensify competition for the limited market share, potentially leading to unhealthy business competition.

To accelerate the growth of the insurance sector and enhance its competitiveness in the face of liberalization, it is essential to improve capacity and efficiency within the industry. This can be achieved through various methods, including industry consolidation. Globally, in recent years, some global insurance players have engaged in mergers and acquisitions, which have had an impact on the consolidation of the global insurance industry. These corporate actions are typically aimed at improving business efficiency and creating synergies. The mergers and acquisitions carried out by global insurance industry players have also affected the structure of the insurance market in Indonesia.

Industry consolidation can be a strategic approach to drive the future development of the insurance industry. Historically, the government has implemented policies to encourage industry consolidation, such as regulations pertaining to single presence policy and increased minimum capital requirements for companies. Additionally, the requirement to separate sharia units (spin-off) can also act as a catalyst for industry consolidation. This aligns with the Law Number 4 of 2023 on Development and Strengthening of the Financial Sector, which grants OJK the authority to request the spin-off of sharia units as part of the insurance industry consolidation efforts. The consolidation of the insurance industry aims to strengthen an effective, efficient, sound, and competitive insurance ecosystem while supporting the national economy.

2.5 Digitalization

The advent of information technology, also known as digitalization, has had a significant impact on various industries, including insurance. Digitalization has transformed how consumers seek information and select insurance products or services. It has also created opportunities for insurance companies to expand their reach, improve efficiency, and enhance competitiveness. As a result, insurance industry players must adapt to these changes. To capitalize on these opportunities, some insurance companies have accelerated the use of information technology in their marketing strategies and operational processes. This includes strengthening their IT infrastructure, enhancing the skills of their workforce in technology-related areas, and fostering collaborations within the digital ecosystem. These efforts need to be continuously improved as the digital economy evolves rapidly, necessitating the insurance industry to adapt accordingly.

The role of information technology in the insurance industry is crucial, particularly in supporting operational activities aimed at serving policyholders. The development of information technology in the insurance sector is constantly evolving in response to changes in the business environment and the growing demand from policyholders for technology-driven insurance products and services. By effectively utilizing information technology, insurance companies can drive efficiency and effectiveness in their business processes while enhancing their competitiveness.

Digitalization not only presents opportunities for the growth of the insurance industry but also brings about increased cyber risks within the sector. These risks can manifest as data breaches and disruptions to company operations. The rise in cyber risks is directly linked to the growing use of digital technology by insurance industry players. Therefore, as digitalization accelerates in the insurance industry, it is crucial to strengthen governance and risk management practices related to information technology. Additionally, information technology-based supervision is essential to mitigate potential negative impacts of information technology usage on consumers and industry stability.

To support the use of information technology, OJK has issued various regulations. These include POJK Number 4/POJK.05/2021 on the Implementation of Risk Management by Non-Bank Financial Institutions, Article 40 of POJK Number 70/POJK.05/2016 on the Conduct of Business of Insurance Brokers, Reinsurance Brokers, and Insurance Loss Appraisers, Chapter IIIA of POJK Number 28 of 2022 on Amendments to POJK Number 70/POJK.05/2016 on the Conduct of Business of Insurance Brokers, Reinsurance Brokers, and Insurance Loss Appraisers, and Chapter VIII of SEOJK Number 19/SEOJK.05/2020 on Insurance Product Marketing Channel, as well as SEOJK Number 30/SEOJK.05/2022 on Amendments to SEOJK Number 19/SEOJK.05/2020 on Insurance Product Marketing Channel.

2.6 Fair Competition

Competition in the business world can drive improvements in company efficiency and the quality of services provided to consumers. This can be advantageous for consumers as it can lead to more affordable insurance products with high-quality services. Improved efficiency and service quality can also stimulate growth in the industry and enhance the overall competitiveness of the national insurance sector.

However, intense competition can also result in market behaviors that harm consumers and disrupt the stability of the industry. These behaviors may include setting premium rates that do not align with the risks covered, offering high marketing commissions to secure distribution channels, and lacking transparency regarding a company's condition, products, and services. Unhealthy competition can negatively impact other industry players and consumers, ultimately leading to disruptions in industry performance and stability.

Therefore, the development of the insurance industry must carefully consider both the positive and negative impacts of competition, both in the short and long term. In general, competition is expected to drive industry growth while ensuring fair treatment for all stakeholders. Fair competition requires active participation from business entities and a focus on responsible business behavior. Regulatory frameworks and oversight, including the enforcement of codes of ethics, play a crucial role in promoting fair and healthy competition for all stakeholders.

2.7 Balance of Consumer and Business Interests

Consumers and businesses fundamentally share the common interest of ensuring that companies fulfill their obligations to consumers. When companies fulfill their obligations, it enhances public trust, which positively impacts the long-term performance and stability of the industry. However, in practice, differences in interests can arise between consumers and businesses. These differences stem from the distinct roles of insurance companies as providers of insurance products and consumers as users of these products. Insurance companies, as business entities, have an interest in maximizing profits, which can sometimes lead to unfair practices towards consumers. Conversely, consumers have an interest in obtaining affordable prices and having their losses covered by insurance companies, which can create moral hazards in terms of applying for coverage and filing claims.

It is crucial to develop the insurance industry while maintaining a balance between the interests of consumers and businesses. The insurance business operates on the principle of utmost good faith, which requires honest, transparent, and fair conduct from both industry players and consumers. This principle should guide industry players in all aspects of their business processes, from the initial stage of establishing contracts to ongoing interactions with consumers. To promote consumer protection, OJK can establish regulations and supervision that encourage active participation from industry participants and consumers in adopting fair business practices.

2.8 Contribution to Sustainable Economic Growth

The insurance industry plays 2 crucial roles in supporting economic growth, namely as a means of risk protection for individuals and businesses, and as a source of investment funds. As a risk protection instrument, insurance companies provide coverage for various types of risks faced by individuals and businesses. This includes industries such as finance, real estate, construction, transportation, agriculture, and mining. By serving as a mechanism for risk protection, the insurance industry indirectly contributes to economic growth. Additionally, insurance companies invest their managed assets in various investment instruments, such as time deposits, government securities, corporate debt securities, and stocks. These investments serve as a source of capital for business and national developments.

The diversity of industries utilizing insurance products and the placement of insurance industry assets in different investment instruments indicate a positive contribution to the national economy. However, the role of the insurance industry is relatively small, as reflected in the insurance penetration rate, which was around 3.5% in 2021 and decreased to 2.7% in 2022. Therefore, efforts to develop and strengthen the role of the insurance industry in economic growth need continuous enhancement, both directly and indirectly. This can be achieved through insurance industry support for the development of priority industries outlined in the national medium-term development plan established by the government. This support can be in the form of providing insurance products that meet the needs of these industries or through investment in these sectors.

2.9 International Standards Compliance

The presence of international standard-setting bodies in the insurance industry plays a crucial role in providing guidelines for best practices, regulation, and supervison. These guidelines aim to promote transparency, stability, and consistency within the insurance sector. Various organizations within the insurance sector, as well as the broader financial sector, have issued international standards. These organizations include the International Association of Insurance Supervisors (IAIS), the Islamic Financial Services Board (IFSB), the International Financial Reporting Standards (IFRS) Foundation, the Financial Services Board (FSB), and The Financial Action Task Force on Anti Money Laundering and Countering the Financing of Terrorism (FATF AML CT).

These international standards cover various aspects of the insurance sector, including financial reporting, prudential regulations, and market conduct. It is important for the insurance industry in Indonesia to reference these standards in its development to align with best practices, enhance industry competitiveness, and prepare for global changes.

2.10 Sharia Insurance Support for the Halal Industry and Social Funds Optimization

The halal industry and sharia social funds are essential elements in sharia economics and finance with immense growth potential. It is expected that the halal industry and sharia social funds can make a significant contribution to the national economic growth. As part of the sharia economic and financial ecosystem, sharia insurance is expected to synergize with stakeholders in sharia economics and finance. Hence, the Roadmap for the Development and Strengthening of insurance should serve as a reference for insurance industry stakeholders in supporting the halal industry and optimizing synergy with sharia social funds.

Chapter. III

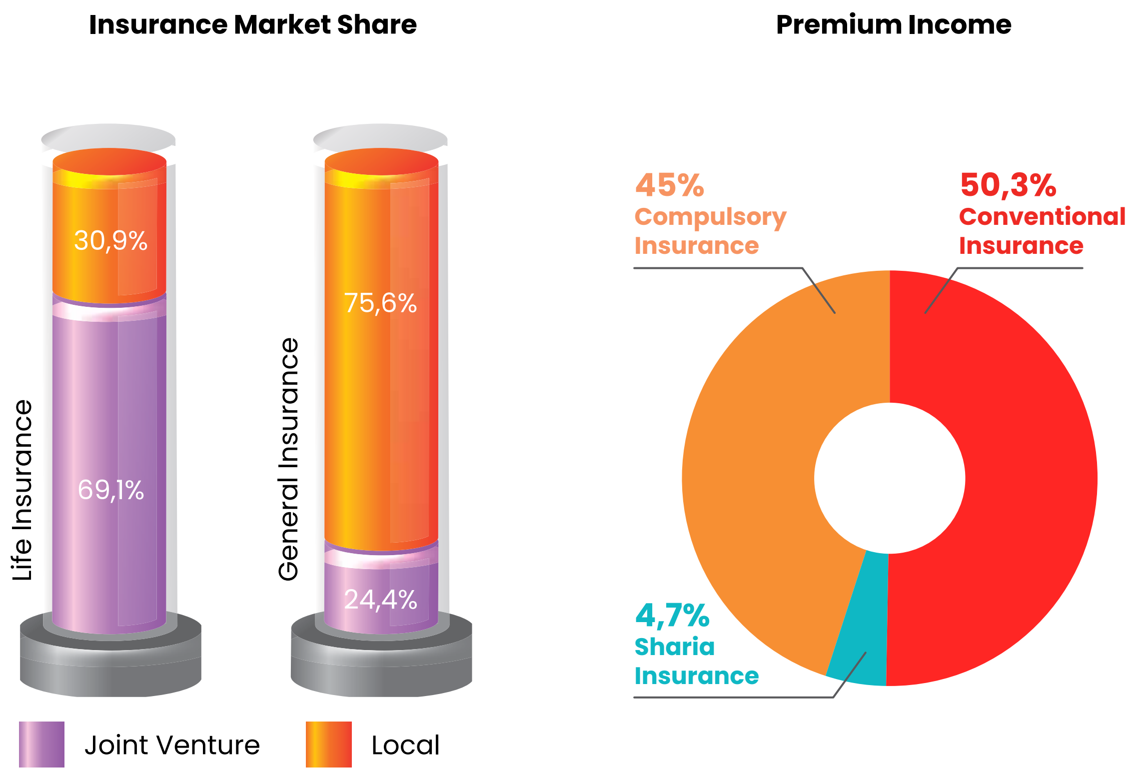
Analysis of the Insurance Industry Gap and Strategies to Narrow the Gap

Analysis of the Insurance Industry Gap and Strategies to Narrow the Gap

3.1 Market Structure

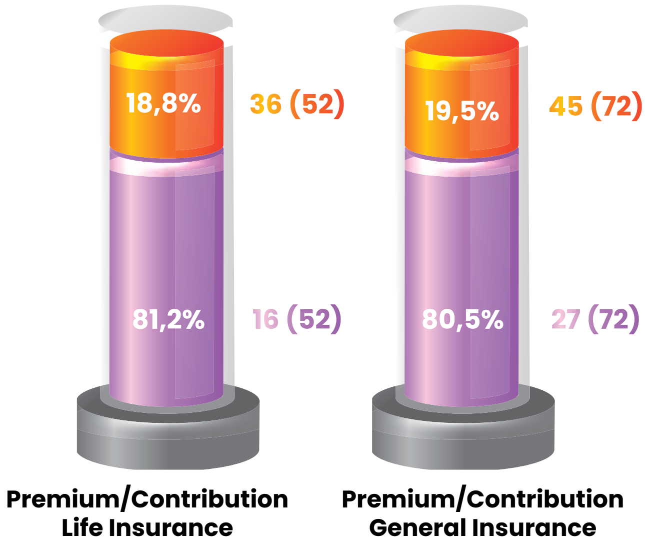
As of December 31, 2022 (based on unaudited data), the number of insurance companies with operating permits in Indonesia consists of 136 conventional insurance companies, comprising 52 life insurance companies, 72 general insurance companies, 7 reinsurance companies, and 5 social and mandatory insurance companies (excluding insurance supporting institutions, actuaries, and insurance agents). Life insurance accounts for 38.98% of the total premiums/contributions in the insurance industry, while general insurance and reinsurance contribute 16.03%, and social and mandatory insurance make up 45%. Joint venture companies hold a dominant market share of 69.1% in the life insurance sector, whereas in the general insurance industry, joint venture insurance companies have a market share of 34.4%. Therefore, it is important to enhance the implementation of international standards while also taking into account the unique characteristics of the Indonesian market.

The sharia insurance industry in Indonesia is still relatively small compared to the conventional insurance industry. As of December 31, 2022, there are 29 sharia life insurance companies, 25 sharia general insurance companies, and 4 sharia reinsurance companies (including sharia business units). Based on the data as of December 31, 2022, conventional insurance premiums accounted for a market share of 50.32%, while social and mandatory insurance premiums accounted for 45%, and sharia insurance contributions amounted to 4.76%. These figures indicate significant growth opportunities for sharia insurance in Indonesia. It is important to note that there are currently no social insurance or mandatory insurance products based on sharia principles. Therefore, there is a need to strengthen the role of sharia insurance in Indonesia. Graph 3.1 shows the insurance market share and premium/contribution composition in Indonesia in 2022.



Graph 3.1 Market Share of the Insurance Industry and Premium Income

Source: OJK, processed (2023)



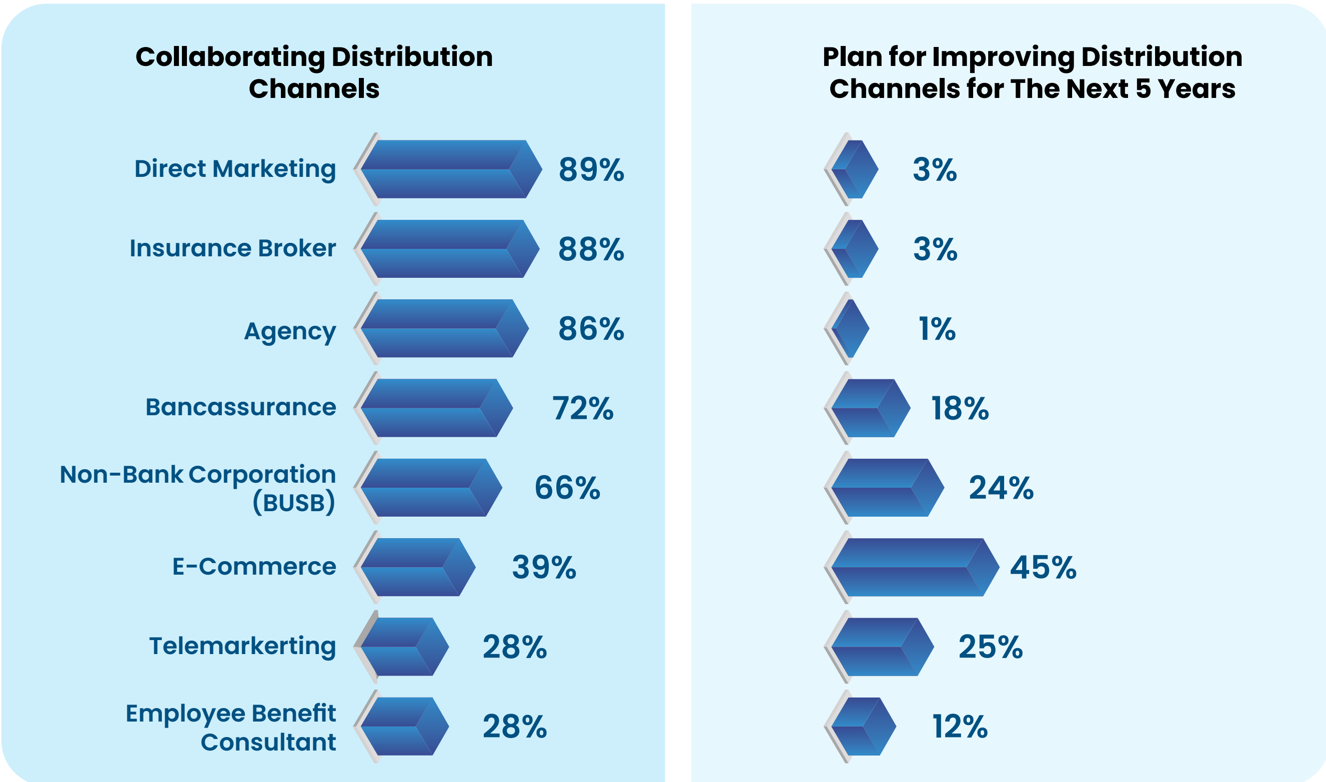
Graph 3.2 Percentage of Business Sectors Covered Based on the 2023 OJK Survey

According to the data provided by OJK, a considerable number of insurance companies, both in the general insurance and life insurance industries, have relatively small business sizes. Additionally, a small number of insurance companies hold the majority of premiums in the insurance industry, representingmore than 80% of the total premiums.

According to the data presented in Graph 3.2, 69.2% of the number of life insurance companies (36) and 62.5% of the number of general insurance companies (45) contribute less than 20% of the total premium/contribution to the industry. Therefore, it is crucial to enhance the capacity of companies and consolidate the industry.

Source: OJK, processed (2023)

According to the OJK survey conducted in 2023, the insurance industry currently relies heavily on direct marketing, brokers, and agents as distribution channels, accounting for more than 85% of the industry's composition. However, a significant number of insurance industry players have expressed their intention to increase marketing efforts through e-commerce, telemarketing, and non-bank business entities. Approximately 55% of insurance industry players plan to prioritize digital channels for their company's marketing strategies. To achieve this, some insurance industry players are planning to invest in digital technology, enhance features available on digital platforms, collaborate with digital companies, create customer portals, and undertake other initiatives to support the development of digitization. The distribution channels and the 5 year plans of the insurance industry are shown in Graph 3.3.



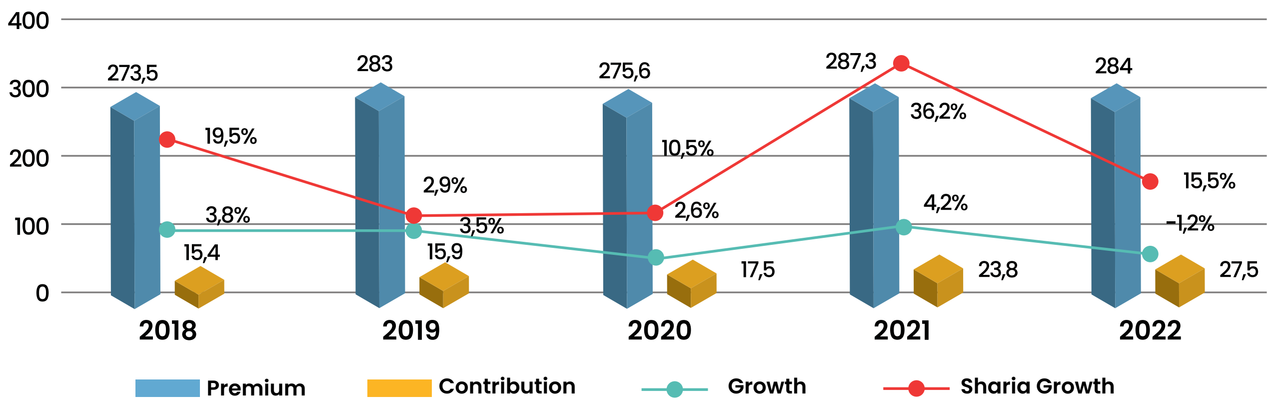
Graph 3.3 Distribution Channels and Five-Year Future Plans

Source: OJK, processed (2023)

The emergence of information technology has enabled insurance companies to digitally promote insurance products through websites, marketplaces, social media, and other platforms. This technological role can be utilized by local life insurance companies and sharia insurance companies to expand their market share in Indonesia. The limited market share of sharia insurance can be attributed to factors such as low levels of financial literacy, limited access to insurance products, and a lack of offerings that cater to all segments of society. Despite Indonesia's population being predominantly muslim, sharia insurance products have not been widely known among the public. To address this, industry players in sharia insurance can collaborate with products that are integrated with halal businesses to improve public access and develop sharia insurance products that can reach a wider customer base.

3.2 Industry Growth

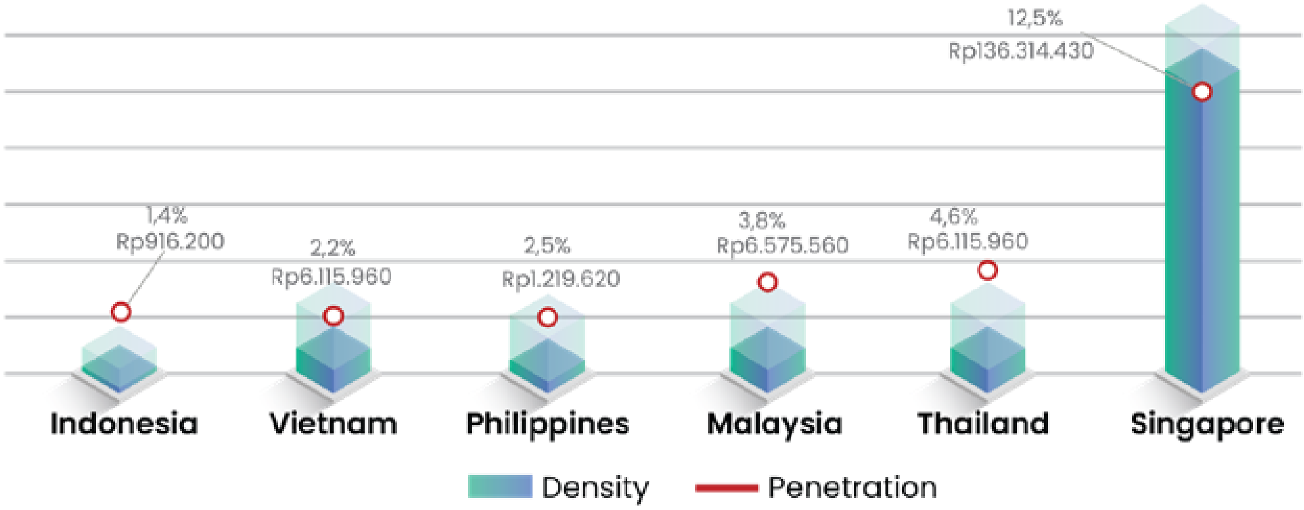
The insurance industry as a whole is currently experiencing growth. However, the growth rate of premium in the conventional insurance sector over the past 5 years has been relatively modest, averaging only 1.89% per year. Specifically, conventional insurance premiums have grown by a mere 0.9%, while the contribution of sharia insurance has seen a significant increase of 15.7% during the same period. Despite this growth, the market share of sharia insurance contributions remains relatively small compared to conventional insurance premium (excluding social and mandatory insurance), accounting for only 15.51% in 2022. The growth of the insurance industry from 2018 to 2022 is depicted in Graph 3.4.



Graph 3.4 Premium and Contribution Growth in Indonesia (2018-2022)

Source: OJK, processed (2023)

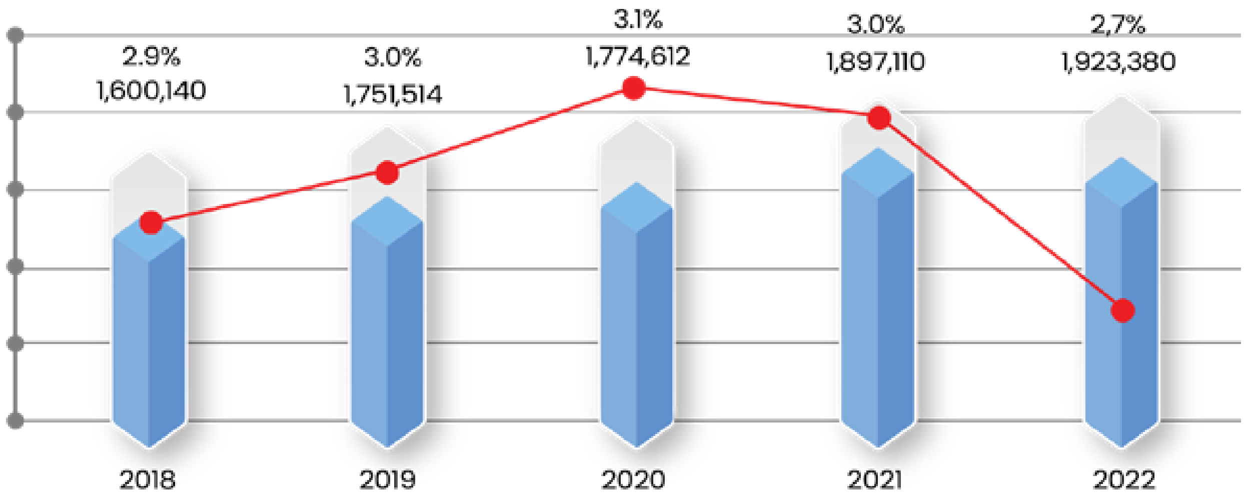
Despite witnessing growth, the insurance industry's role in the national economy remains relatively stagnant. In comparison to other ASEAN countries, insurance penetration in Indonesia is relatively low. According to the ASEAN Insurance Surveillance Report 2022 (excluding mandatory/ social insurance), Indonesia's insurance penetration rate was 1.4% in 2021. In contrast, Vietnam had a penetration rate of 2.2%, the Philippines 2.5%, Malaysia 3.8%, Thailand 4.6%, and Singapore 12.5%. Furthermore, Indonesia also lags behind these countries in terms of insurance density, with commercial insurance density at only 916,200 rupiah. The levels of insurance penetration and density in ASEAN countries in 2021 are visually presented in Graph 3.5.



Graph 3.5 Penetration and Density of Commercial Insurance in Some ASEAN Countries (2022)

Source: OJK, processed (2023)

Taking into account social insurance, mandatory insurance, and insurance for the National Armed Forces/Police, the insurance density in Indonesia has risen from 1.600.140 rupiah in 2018 to 1.923.380 rupiah. However, despite this nominal increase in insurance density, the figure remains relatively low. The insurance penetration and density in Indonesia from 2018 to 2022 are illustrated in graph 3.6.

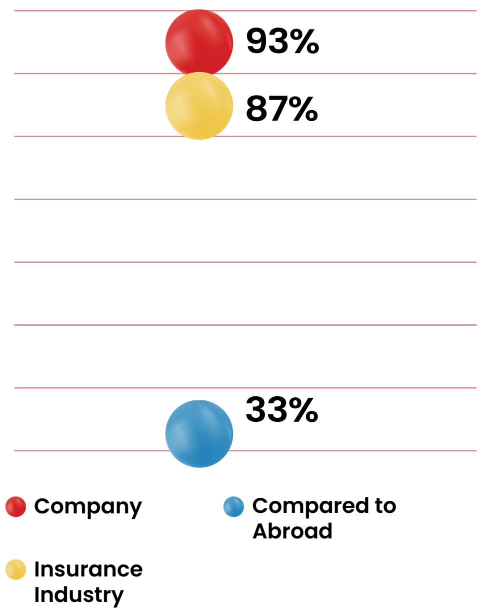


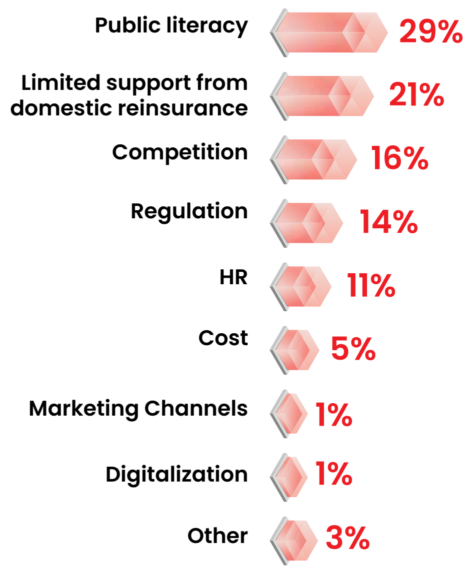
Graph 3.6 Penetration and Density in Indonesia (2018-2022)

Source: OJK, processed (2023)

Furthermore, the growing significance of the insurance industry in the economy can be observed through the increase in the insurance inclusion rate, which represents the percentage of the population utilizing insurance products. According to the SNLIK, Indonesia's insurance inclusion rate has risen from 13.15% in 2019 to 16.63% in 2022. However, there is still a substantial gap between the insurance inclusion rate and the insurance literacy rate. Based on SNLIK, the insurance literacy rate was 19.40% in 2019 and has increased to 31.72% in 2022. This 12.32 point increase in literacy indicates that more individuals have a better understanding of insurance types and products.

The low insurance penetration can be attributed to various factors, including limited insurance literacy, limited reach of insurance company marketing efforts, a mismatch between insurance products and services and people's needs, limitations in the insurance industry's risk-bearing capacity, and the limited purchasing power of the public. Therefore, efforts are required to develop the industry by enhancing public literacy, expanding marketing reach, innovating products that align with people's needs and capabilities, and increasing the capacity of industry players. The perception of insurance growth and the challenges can be observed in Graph 3.7.





Graph 3.7 Perceptions of Industry Players Regarding Industry Growth and Challenges

Source: OJK Survey, processed (2023)

According to the OJK survey conducted in 2023, a significant majority of insurance industry players (93%) are optimistic about the future growth of their companies over the next 5 years. Similarly, 87% of the insurance industry as a whole has a positive outlook on the industry's growth. However, 33% of insurance industry players perceive that the growth of the insurance industry in Indonesia is not as favorable as the growth observed in foreign countries. To foster the growth of the insurance industry, there are 2 primary challenges, namely public literacy and limited support from domestic reinsurance. Insufficient public literacy poses a challenge for both insurance industry players and the OJK in relation to the insurance industry over the next 5 years. The specific areas of focus for the insurance industry in the upcoming 5 years are depicted in graph 3.8.

Graph 3.8 Focus of the Insurance Industry in the Next 5 Years

Source: OJK, processed (2023)

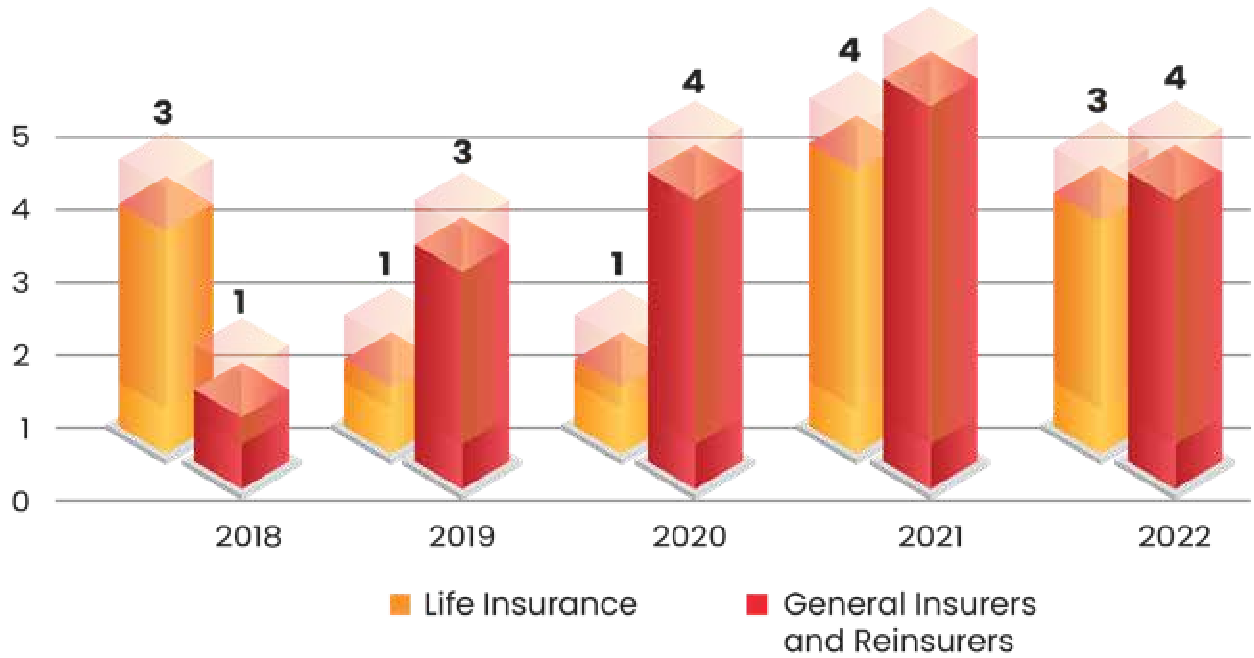
Insurance companies have identified 5 key strategies to achieve industrial growth over the next 5 years. These strategies include starting a digitalization system (25%), strengthening the ecosystem (24%), opening new marketing channels (17%), increasing the number of marketing efforts (17%), and strengthening capital (11%). The most significant strategy, digitalization, not only has a direct impact but also influences other strategies such as ecosystem strengthening, marketing channels, and the number of marketers that can be implemented using information technology.

3.3 Soundness and Capital Levels

A. Risk Based Capital (RBC)

RBC framework is a measure used to determine the amount of capital necessary for insurance companies to meet their obligations to policyholders, even in unexpected or adverse scenarios. The primary objective of RBC is to safeguard the interests of policyholders and maintain the overall stability of the insurance industry.

The RBC process involves insurance companies conducting an assessment of the risks associated with their asset portfolios, liabilities, and operational risk. Insurance companies are required to determine the necessary amount of capital based on the risks they encounter and ensure that this capital meets the minimum requirements established by the OJK. Graph 3.9 illustrates the number of insurance companies with RBC below the stipulated requirements for the period 2018 to 2022.



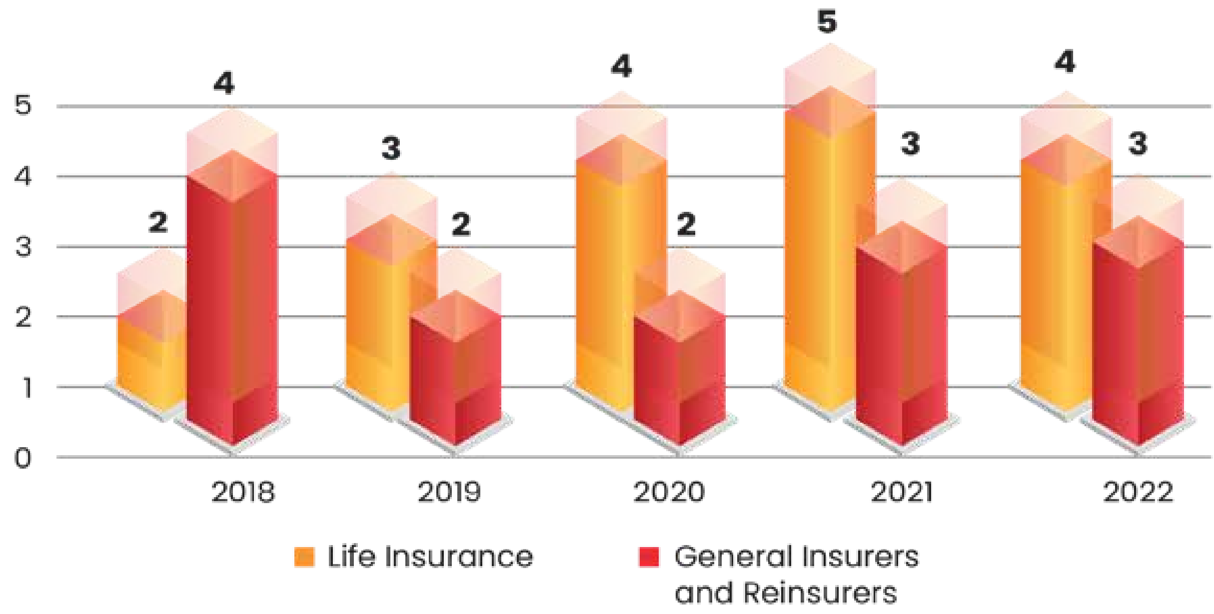
Graph 3.9 Number of Insurance Companies with RBC Below Requirements for the Period 2018-2022

Source: OJK, processed (2023)

Based on the provided graph, it is evident that the overall financial health of the life insurance, general insurance, and reinsurance industries in Indonesia have a good level of financial soundness with an average achievement of a solvency ratio exceeding 120%, while there are relatively small proportion of the number of companies within these industries that have not been able to meet the minimum solvency ratio requirement. Specifically, in 2022, only 7 companies, accounting for approximately 5.6% of the total, are projected to have an RBC level below 120%.

B. Investment Adequacy Ratio

Investment adequacy ratio illustrates the relationship between an insurance company's investment assets and its total liabilities or expected claims. This ratio provides an overview of how effectively an insurance company can fulfill its financial obligations by utilizing income generated from its investments. The number of insurance companies with investment adequacy ratio below the stipulated requirements in the period from 2018 to 2022 is presented in Graph 3.10.



Graph 3.10 Number of Insurance Companies with Investment Adequacy Ratio Below Requirements for the Period 2018-2022

Source: OJK, processed (2023)

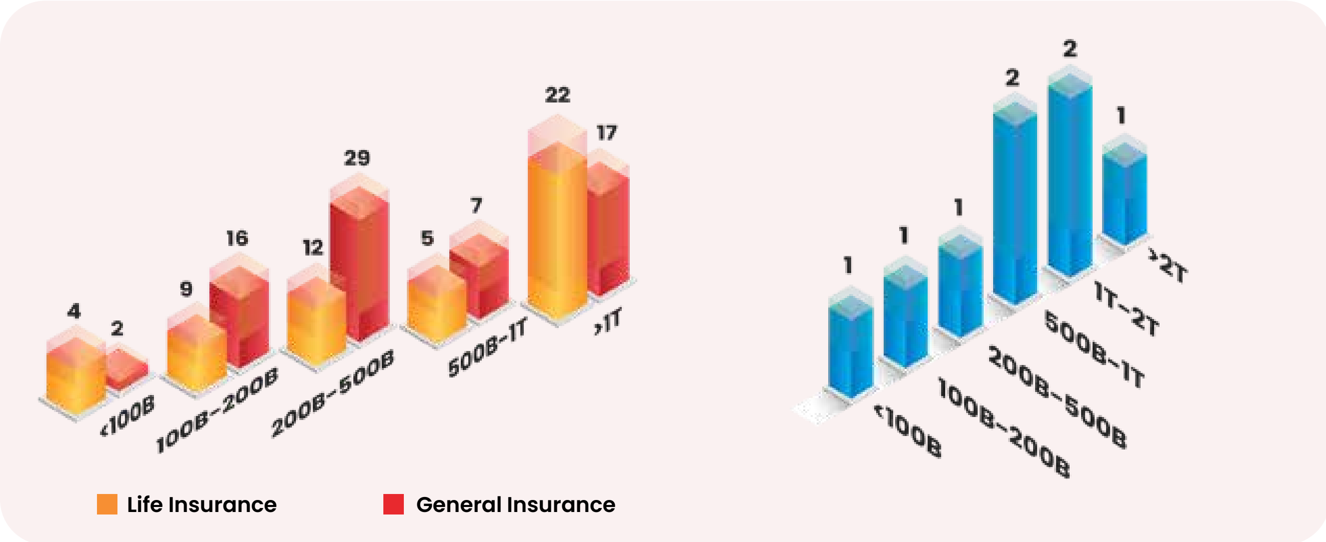
Based on the graph above, it is evident that in 2018, there were 2 life insurance companies and 4 general insurance and reinsurance companies had investment adequacy ratio levels below 100%. In 2022, there were 7 companies with investment adequacy ratio levels below 100%, consisting of 4 life insurance companies and 3 general insurance and reinsurance companies.

C. Equity

Equity represents the residual value that remains for shareholders once all obligations have been fulfilled. It serves as an important measure of an insurance company's long-term sustainability and its ability to provide returns to shareholders. The level of equity held by an insurance company also provides insights into its financial stability and its capacity to meet the claims of policyholders. For investors, the equity of an insurance company is a critical factor in evaluating its financial performance and growth potential. A consistent and increasing growth in equity is generally seen as a positive indication, suggesting effective management and the ability to generate sustainable profits. Graph 3.11 visually presents the distribution of insurance and reinsurance companies based on different equity groups.

Number of Insurance Companies Based on Equity

Number of Reinsurance Companies Based on Equity



Graph 3.11 Number of Insurance and Reinsurance Companies by Equity Group in 2022

Source: OJK, processed (2023)

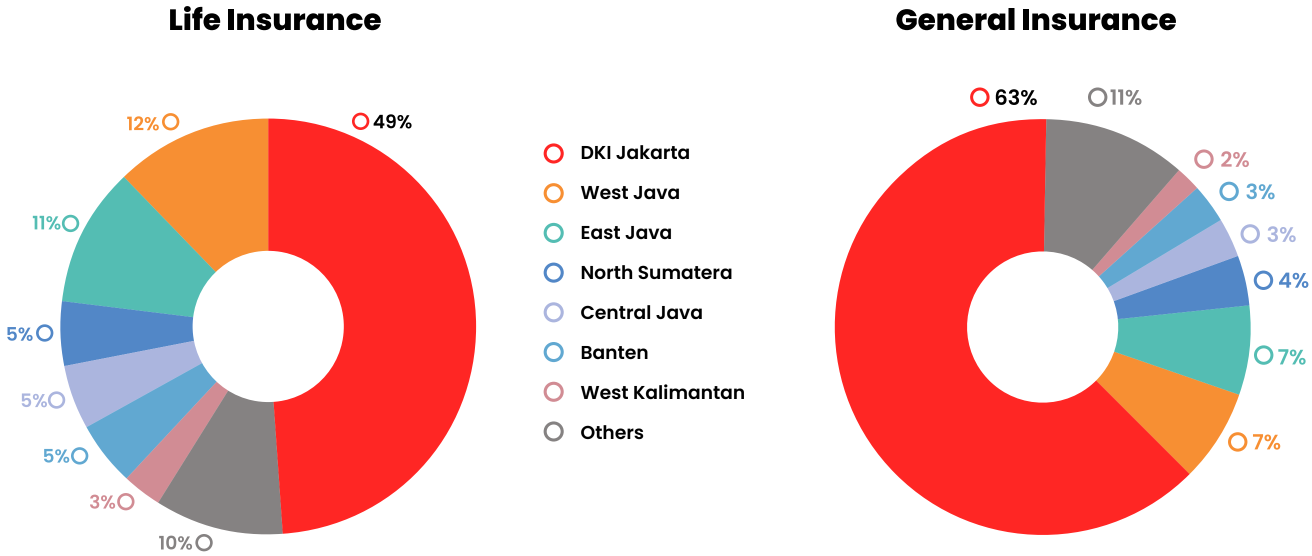
Based on the provided diagram, it is evident that out of a total of 124 conventional insurance companies, 39 companies have equity exceeding 1 trillion rupiah. However, for reinsurance companies, only 1 company has met the minimum equity exceeding of 2 trillion rupiah. This indicates that the majority of insurance and reinsurance companies have equity below 1 trillion rupiah. Consequently, it becomes crucial to develop a consolidation strategy in order to meet the required capital.

3.4 Range of Services

A. Conventional Insurance

The general insurance industry in Indonesia has experienced positive growth in recent years, as indicated by an increase in gross premiums generated by general insurance companies. However, it is important to acknowledge that achieving equitable access to general insurance remains a challenge in Indonesia, DKI Jakarta recorded the highest percentage of premium income, representing 63% of the total.

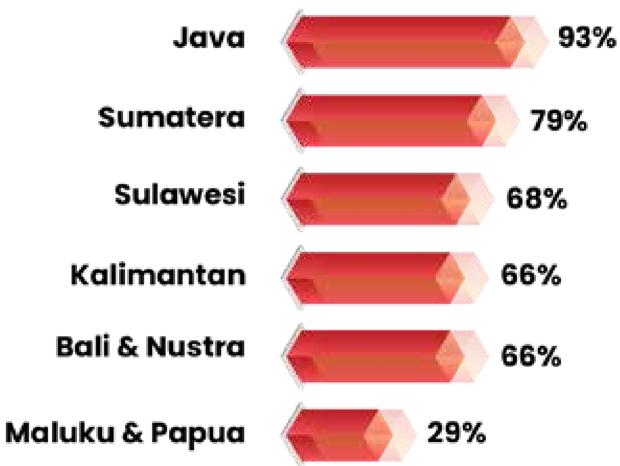
Similarly, the life insurance industry has been growing, but challenges in achieving equal access persist. In 2022, DKI Jakarta accounted for the largest percentage of life insurance premium income at 49%, while other provinces remained below 15%. Several factors contribute to the unequal access to life insurance in Indonesia, including geographic disparities, limited financial education leading to low public awareness, and premium pricing issues. Additionally, the lack of focus on expanding insurance companies outside of Java further exacerbates the gap in insurance services across the archipelago. Graph 3.12 presents the distribution of life insurance and general insurance premium income by provinces in 2022.



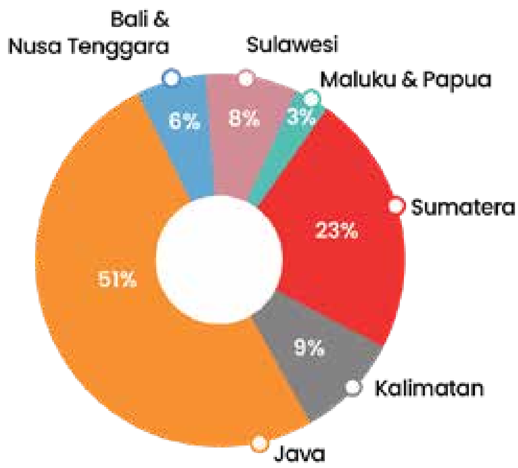
Graph 3.12 Distribution of Life Insurance and General Insurance Premium Income by Provinces in 2022

Source: OJK, processed (2023)

According to a survey conducted by the OJK on the insurance industry in 2023, industry players are projected to continue focusing their marketing efforts on Java in the next 5 years. This includes regions such as DKI Jakarta, West Java, Central Java, East Java, and Banten, as depicted in figure 3.13a. The OJK data further reveals that insurance marketing is bolstered by the concentration of branch offices on Java, as shown in graph 3.13b.



Graph 3.13a Insurance Company Focus on Marketing for the Next 5 Years



Graph 3.13b Distribution of Branch / Representatives Offices of Insurance Companies in 2022

Source: OJK, processed (2023)

B. Sharia Insurance

Sharia insurance companies face similar geographical patterns as conventional insurance companies, but achieving equitable access to sharia insurance remains a challenge. This is evident from the consistent concentration of sharia insurance contribution income in certain regions, particularly on the island of Java, with DKI Jakarta being a notable location.

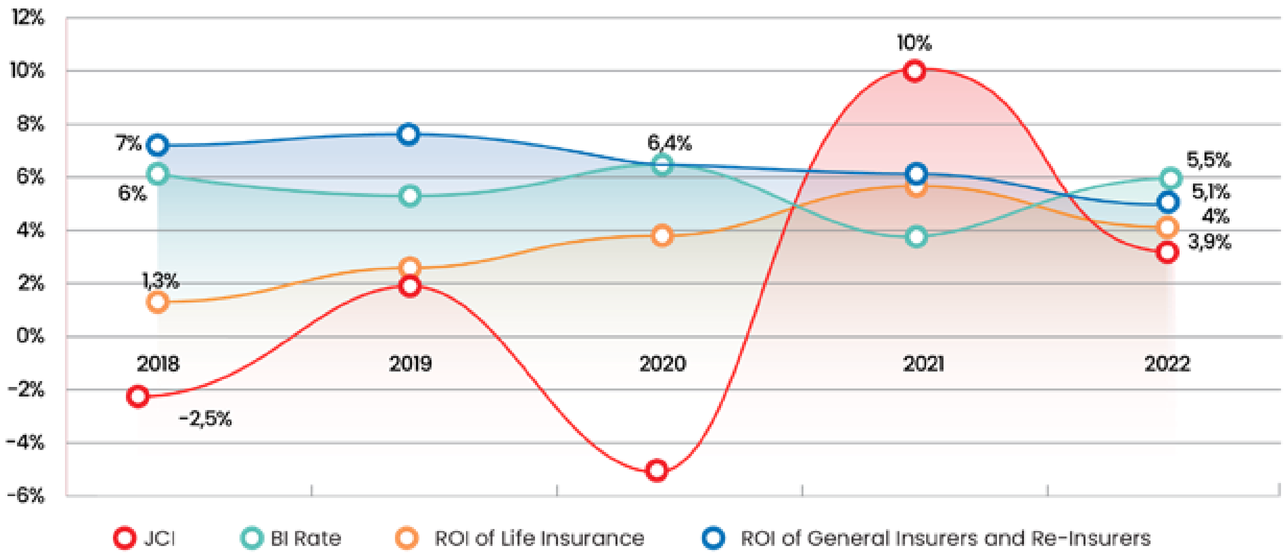
Although the contribution income of sharia insurance companies may not be as high as conventional insurance premium income, it is hoped that the growth of sharia insurance can be increased. For instance, the province of Aceh has significant potential for sharia insurance due to its predominantly muslim population. However, the premium income in Aceh remains relatively low, indicating a possibility that insurance companies have not expanded their operations into certain areas. Therefore, there is a need to enhance efforts to increase the potential of sharia insurance in Indonesia, including expanding the reach of sharia insurance companies to untapped regions.

3.5 Investment Placement

A. Conventional Insurance

During the period of 2018 to 2022, there have been movements in the BI interest rates, with an average decrease of 2.15% over the last 5 years. The interest rates decreased from 6% in 2018 to 5.50% in 2022. Similarly, the JCI experienced an overall increase of 2.55% during the same period. Although there were some fluctuations, with the index starting at 6,194.92 in 2018 and rising to 6,850.52 in 2022, the Indonesian stock market has demonstrated relative stability. Furthermore, it is predicted that the stock market will be influenced by the level of confidence among foreign investors, who are expected to enter the stock market due to the widening foreign capital inflows.

In terms of investment in the insurance sector, the average growth rate for conventional insurance companies during the 2018-2022 period was 3.52%. Among these companies, life insurance companies accounted for the largest total investment, amounting to 517.08 trillion rupiah or 82.29% of the total. General insurance companies contributed 92.88 trillion rupiah or 1.78%, while reinsurance companies contributed 18.44 trillion rupiah or 2.93%. However, the investment returns of conventional life insurance companies experienced a slight decline in 2022, dropping to 3.95% from 5.26% in 2021. Similarly, the investment returns of conventional general insurance and reinsurance companies also experienced a downward trend, reaching 5.16% by 2022. The decline in investment returns for general insurance and reinsurance companies was primarily driven by a significant decrease in stock investments from 167.6 billion rupiah in 2019 to 19.83 billion rupiah in 2020. The graph 3.14 below provides a visual representation of the comparison between the growth of the JCI and BI interest rates on the ROI of conventional life insurance companies, as well as the ROI of conventional general insurance and reinsurance companies from 2018 to 2022.

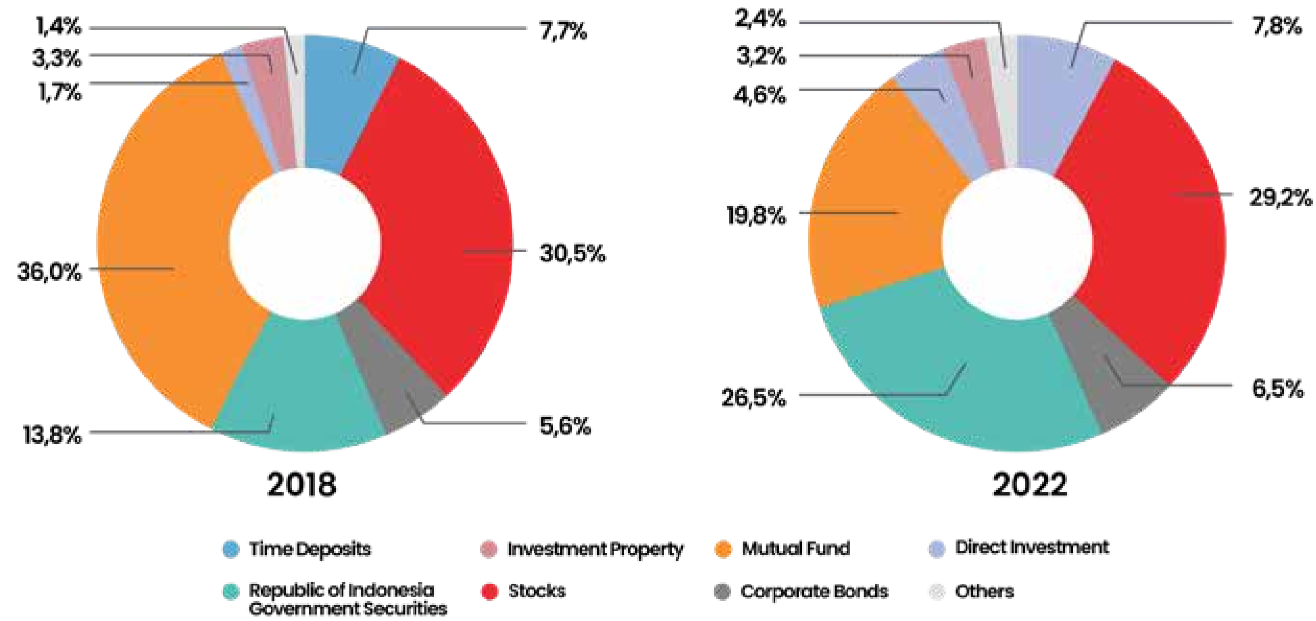


Graph 3.14 Comparison of JCI Growth and BI Interest Rates on ROI of Conventional Life Insurance Companies and ROI of Conventional General Insurance and Reinsurance Companies in 2018 - 2022

Sources:
1. OJK, processed.
2. BI, processed.

During the period of 2018-2022, there was significant growth in investment for life insurance, general insurance, and reinsurance by 11.45%, 29.13% and 63.52% respectively. Life insurance investment increased from 463.96 trillion rupiah in 2018 to 517.08 trillion rupiah in 2022. General insurance investment grew from 71.92 trillion rupiah to 92.88 trillion rupiah. Reinsurance investment increased from 11.27 trillion rupiah to 18.54 trillion rupiah in 2022.

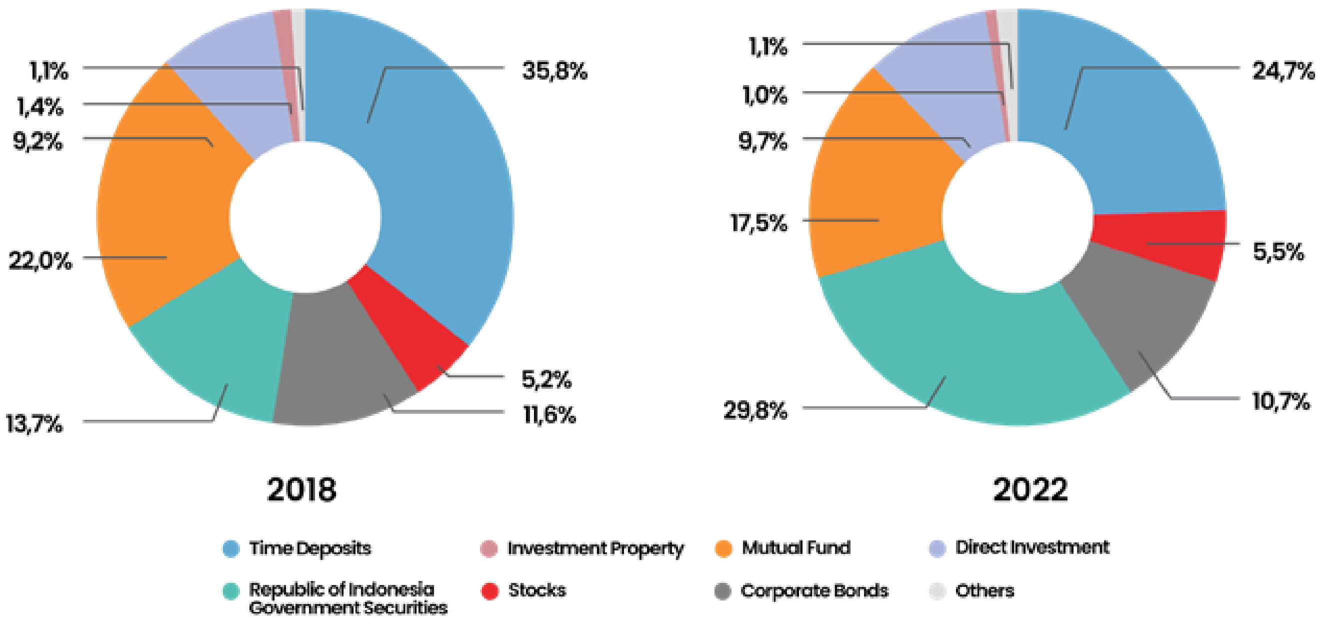
In terms of the composition of life insurance investments, there were notable changes between 2018 and 2022. In 2018, the investment portfolio was dominated by mutual funds, shares, and SBN. However, by 2022, there were shifts in the investment allocation. The percentage of investment in mutual funds decreased by 16.26%, from 36.02% in 2018 to 19.76% in 2022. Investment in shares also decreased by 1.31%, from 30.47% in 2018 to 29.16% in 2022. This change was driven by a policy shift in 2017, which introduced a gradual investment obligation in SBN. As a result, the percentage of investment in SBN increased by 12.75%, from 13.76% in 2018 to 26.51% in 2022. The percentage of the investment portfolios for conventional life insurance companies in both 2018 and 2022 is presented in graph 3.15.



Graph 3.15 Percentage of Investment Portfolio of Conventional Life Insurance Companies in 2018 and 2022

Source: OJK (2023), processed

The growth in investment for general insurance and reinsurance is primarily driven by investments in SBN, time deposits, and mutual funds. General insurance and reinsurance companies experienced a decrease in investment in time deposits by 10.01%, declining from 35.75% in 2018 to 24.74% in 2022. Similarly, investment in mutual funds also decreased by 4.58%, from 22.03% in 2018 to 17.45% in 2022. These changes were driven by a policy shift in 2017 regarding the investment rates in government securities, resulting in an increase of 16.09% from the previous 13.67% to 29.76% in 2022. The percentage allocation of investment placements in general insurance and reinsurance companies in both 2018 and 2022 is shown in graph 3.16.



Graph 3.16 Percentage of Investment Placements in General Insurance and Reinsurance Companies in 2018 and 2022

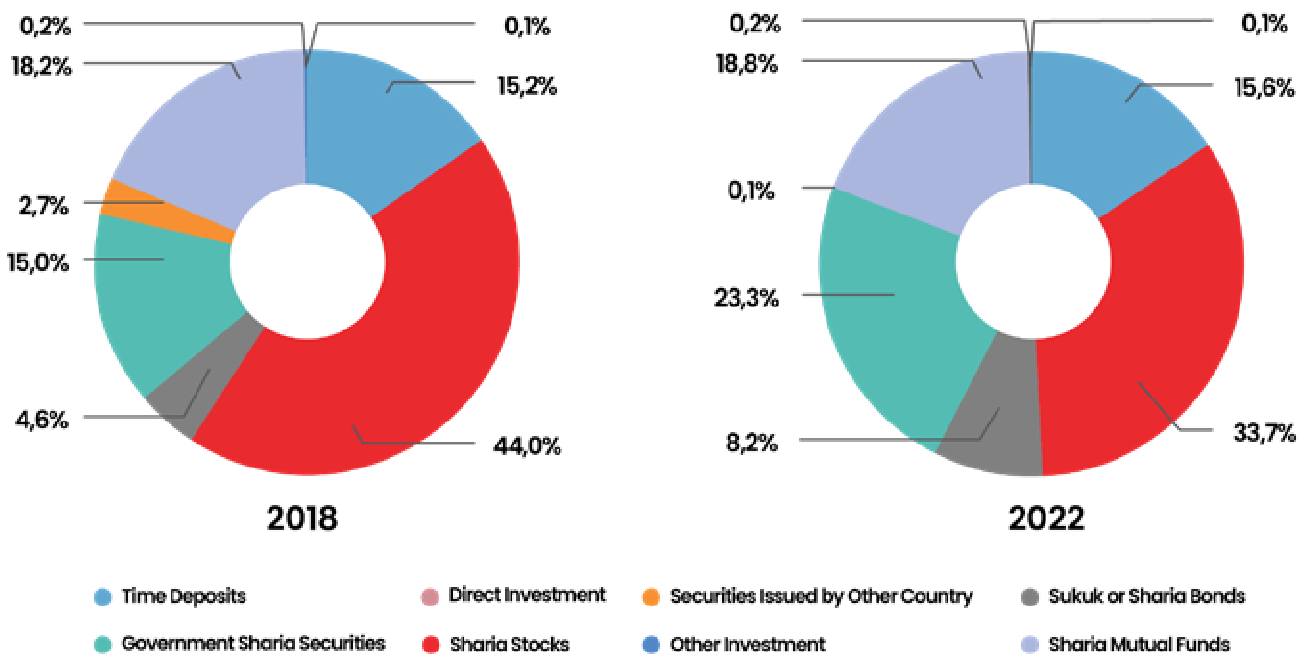
Source: OJK (2023), processed

To support the implementation of Environment, Social, and Governance (ESG) principles, the insurance industry, including life insurance, general insurance, and reinsurance, can invest in businesses that prioritize ESG practices. However, investing in sectors that prioritize and promote ESG principles can also carry risks for the company, as the returns from these investments may be somewhat less satisfactory.

B. Sharia Insurance

In 2022, sharia insurance and reinsurance companies are expected to experience a 2.46% increase in investments compared to the previous year, rising from 38,511.30 billion rupiah to 37,585.96 billion rupiah. This increase in investment value is primarily driven by a 21.48% growth in the investment value of sharia general insurance and reinsurance companies, which rose from 6.036 trillion rupiah in 2021 to 7.33 trillion rupiah in 2022. However, the investment value of sharia life insurance decreased by 1.26% from 29.53 trillion rupiah in 2021 to 29.16 trillion rupiah in 2022.

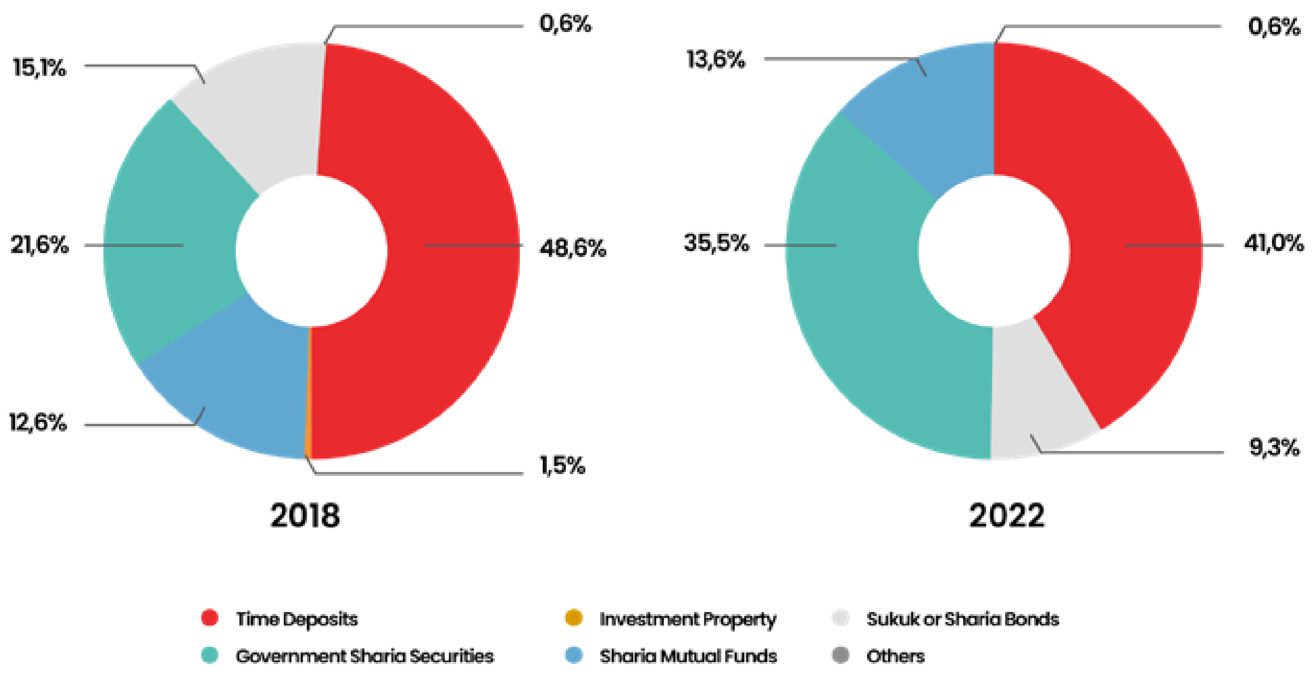
When examining the distribution of investment portfolios for sharia life insurance in 2018 and 2022, it is evident that investments are predominantly allocated to sharia stocks, sharia mutual funds, time deposits, and SBSN. In 2018, there was a decrease in certain investment types compared to 2022. For example, the investment in sharia stocks decreased by 10.27%, from 43.99% in 2018 to 33.72% in 2022. On the contrary, other investment types experienced an increase in 2022. This includes SBSN, sharia mutual funds, and time deposits, which increased by 8.37%, 0.65% and 0.37% respectively. These investment types rose from 14.96%, 18.19%, and 15.23% in 2018 to 23.33%, 18.84%, and 15.60% in 2022. These changes reflect a shift in investment types towards those that generate higher returns. The percentage distribution of sharia life insurance company investment portfolios in 2018 and 2022 can be observed in graph 3.17.



Graph 3.17 Percentage of Sharia Life Insurance Company Investment Portfolio in 2018 and 2022

Source: OJK (2023), processed

The portfolio of the General Insurance and Sharia Reinsurance Companies is primarily composed of time deposits, SBSN, Sharia mutual funds, and sukuk. In 2018, the largest investment placement for general insurance and Sharia reinsurance was in time deposits, accounting for 48.57% of the portfolio. However, this percentage decreased by 7.53% in 2022, to 41.04%. Similarly, investments in Sharia mutual funds and sukuk experienced a decline of 1.54% and 3.29% respectively, decreasing from 15.12% and 12.57% in 2018 to 13.58% and 9.28% respectively in 2022. On the other hand, investments in SBSN increased by 13.92%, rising from 21.61% in 2018 to 35.53% in 2022. The increase in SBSN investments reflects the commitment of general insurance and reinsurance companies to support the government in infrastructure development. A summary of the comparison of portfolio percentages for Sharia general insurance and reinsurance companies in 2018 and 2022 can be observed in graph 3.18.



Graph 3.18 Percentage of General Insurance and Sharia Reinsurance Companies Investment Portfolios in 2018 and 2022

Source: OJK (2023), processed

According to a survey conducted by the research team of the OJK, the primary factor considered when placing insurance investments is the risk factor, accounting for 69% compared to other factors such as yield (21%), liquidity (9%), and liability period (1%). Insurance industry players expressed their belief that the current range of investment instruments regulated by statutory provisions is sufficient to meet their investment needs in the next 5 years. Ideally, there needs to be a balance between risk factors and investment returns for the Insurance Company's investment objectives.

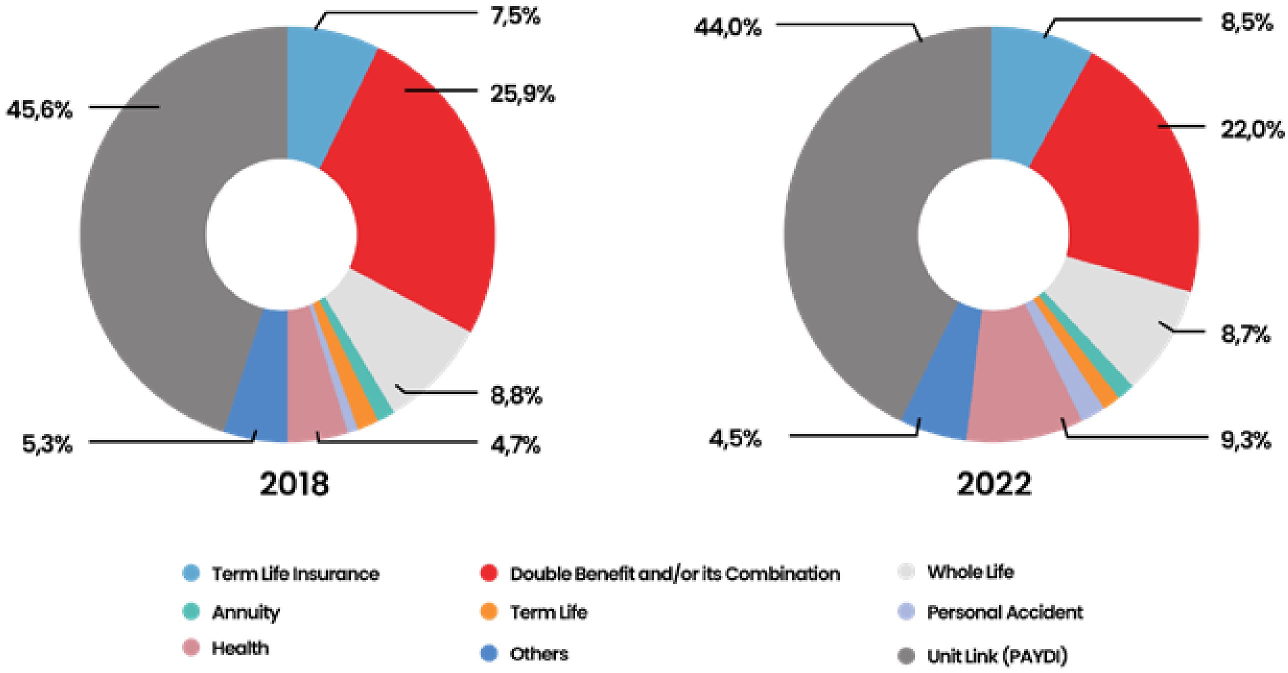
3.6 Product Development

A. Conventional Insurance

The growth of assets and investments in the conventional insurance industry is heavily influenced by the growth of premiums and contributions. From 2018 to 2022, there was a 3.8% decrease in life insurance premiums, declining from 198.30 trillion rupiah to 169.95 trillion rupiah. In 2020, conventional life insurance premiums experienced an 8.28% decrease from 186.26 trillion rupiah to 170.83 trillion rupiah but booked a growth of 7.90% in 2021. The lower growth in conventional life insurance premiums can be attributed to the impact of the COVID-19 pandemic.

On the other hand, general insurance and reinsurance premiums increased by 6.3% during the same period, rising from 89.32 trillion rupiah to 113.96 trillion rupiah. This growth was supported by the property insurance business line and credit insurance business line.

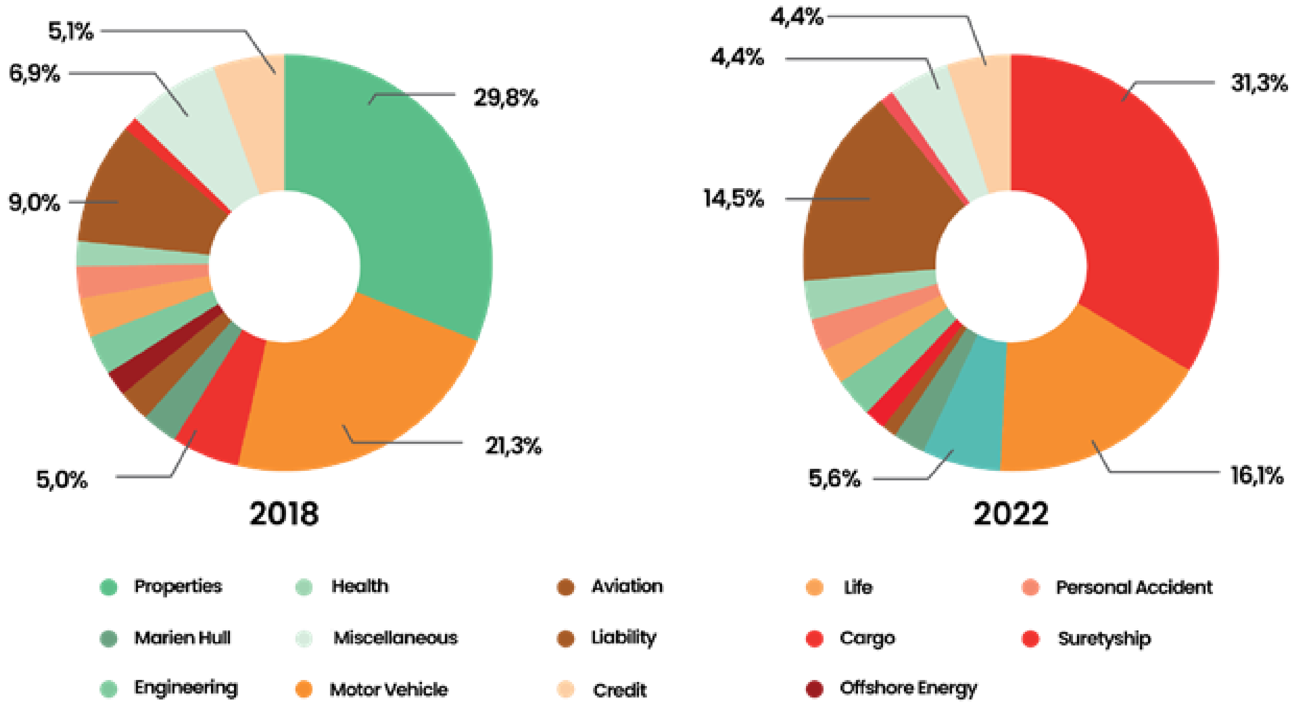
In 2022, the life insurance industry still rely on premium generated from investment-linked insurance products (PAYDI). When comparing premium income from 2018 to 2022, it is evident that almost half of the conventional life insurance premiums in 2022, amounting to 169.95 trillion rupiah, were derived from PAYDI, accounting for 44.0% or 74.85 trillion rupiah. This is followed by endowment products at 22.0% or 37.41 trillion rupiah. In contrast, in 2018, conventional life insurance premium income, particularly from PAYDI, appeared to be larger than in 2022, reaching 45.8% or 90.39 trillion rupiah, followed by endownment at 25.9% or 51.36 trillion rupiah. A summary of the percentage comparison of conventional life insurance premium income per business line in 2018 and 2022 can be observed in graph 3.19.



Graph 3.19 Percentage Comparison of Conventional Life Insurance Premium Income Per Business Line in 2018 and 2022

Source: OJK (2023), processed

Meanwhile, in terms of the growth of the conventional general insurance and reinsurance industries in 2022, premium income was still dominated by property insurance, followed by motor vehicle insurance and aircraft frames. When comparing the years 2018 and 2022, there was an increase in the property insurance business line from 30% to 32%. On the other hand, motor vehicle insurance experienced a decrease in premiums from 21% in 2018 to 16% in 2022. This decline in premiums for the motor vehicle insurance business line can be attributed to the transfer of business to property insurance and a decrease in motor vehicle insurance. A summary of the percentage comparison of premium income per business line for conventional general insurance and reinsurance in 2018 and 2022 can be observed in graph 3.20.



Graph 3.20 Percentage Comparison of Conventional General Insurance and Reinsurance Premium Income Per Business Line in 2018 and 2022

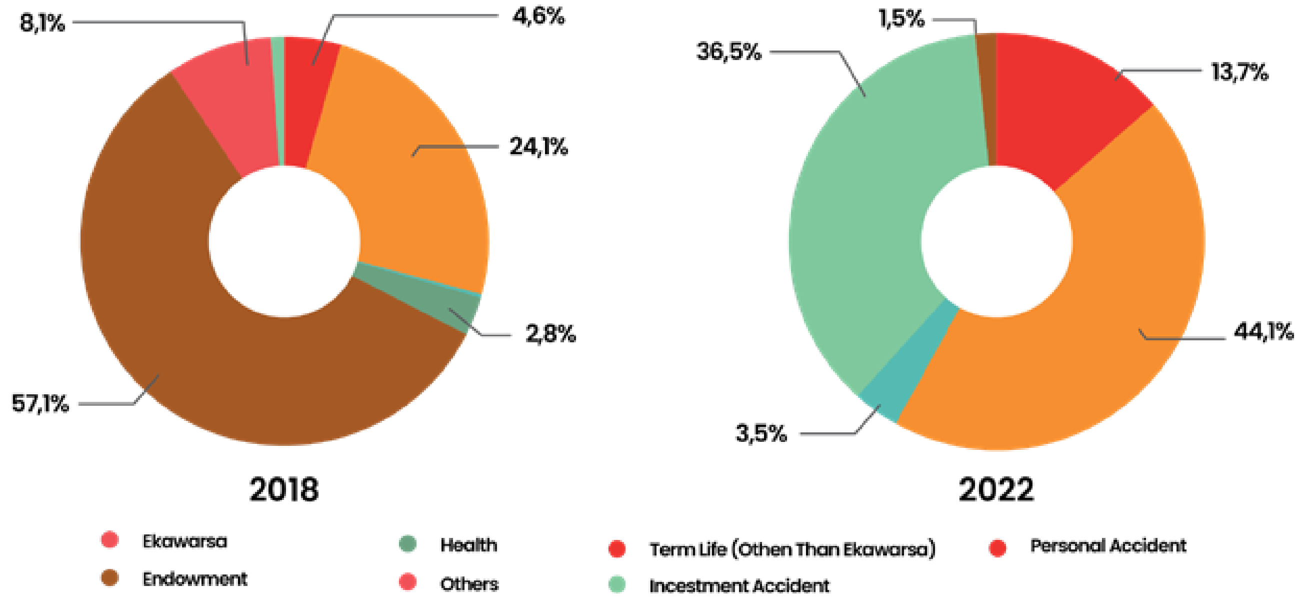
Source: OJK (2023), processed

Over the past 5 years, there has been no significant alteration in the distribution of premiums across different business lines for both traditional life insurance companies and conventional general insurance and reinsurance companies. This lack of change indicates a lack of innovation in insurance products. However, as a means of promoting sustainable finance, the insurance industry has the potential to create insurance products specifically tailored to the needs of green businesses. For instance, they can offer insurance coverage for solar power panels and the protection and restoration of coral reefs.

B. Sharia Insurance

In the period of 2018-2022, there was a significant increase in contributions for sharia life insurance, with a growth rate of 15.92%. The contributions rose from 12.66 trillion rupiah in 2018 to 22.85 trillion rupiah in 2022. Similarly, sharia general insurance and reinsurance also experienced a growth rate of 14.03%, increasing from 4.62 trillion rupiah in 2018 to 7.81 trillion rupiah in 2022.

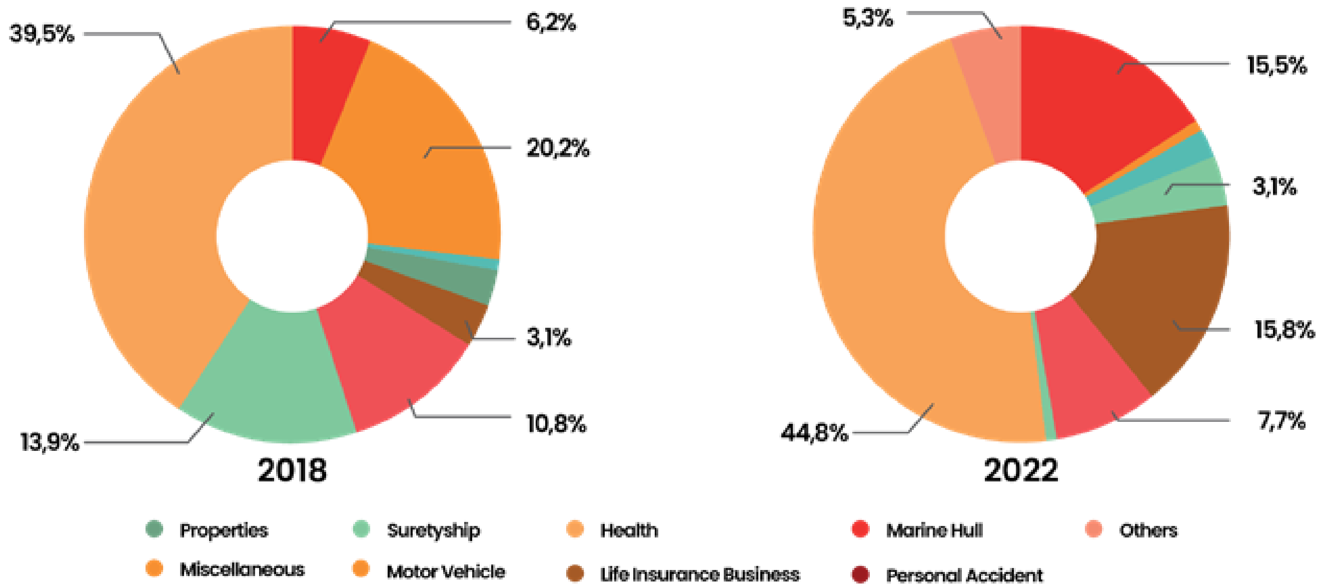
Regarding the investment aspect of sharia life insurance in 2022, the majority of investments were allocated to endowment products and/or its combinations of sharia life insurance investment products. There has been a notable change in contribution income, particularly in sharia insurance investment products, which decreased by 20.6 % from 57.1% in 2018 to 36.5% in 2022. On the other hand, other sharia life insurance products, such as sharia endowment products, witnessed a significant increase of 20 % from 24.1% in 2018 to 44.1% in 2022. Additionally, term life product other than ekawarsa, also experienced growth by 9.1 % from 4.6% in 2018 to 13.7% in 2022. Graph 3.21 provides a visual representation of the comparative percentage of sharia life insurance contribution income per business line for the years 2018 and 2022.



Graph 3.21 Percentage Comparison of Sharia Life Insurance Contribution Income Per Business Line in 2018 and 2022

Source: OJK (2023), processed

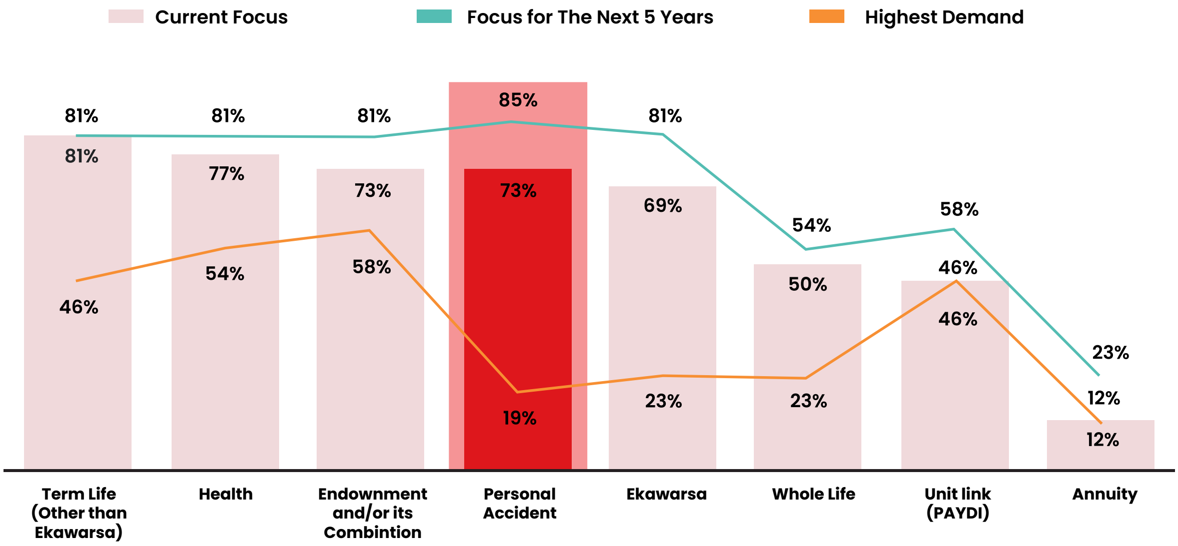
In terms of sharia general insurance and reinsurance contribution income in 2022, the majority of investments were allocated to other insurance products, motor vehicle insurance products, and personal accident insurance products. However, there has been a decrease in contribution income, particularly from motor vehicle insurance products, which declined by 4.7 % from 20.2% in 2018 to 15.5% in 2022. Similarly, contribution income from life business line products also experienced a significant decrease of 12.7 % from 13.9% in 2018 to 1.2% in 2022. On the other hand, other insurance products, personal accident insurance product, and suretyship product witnessed increases in contribution income. Other insurance products saw a growth of 5.3% from 39.5% in 2018 to 44.8% in 2022. Personal accident insurance products increased by 5 % from 10.8% in 2018 to 15.8% in 2022, while suretyship product experienced a growth of 7.7 % from 0% in 2018 to 7.7% in 2022. These shifts in contribution income highlight significant changes in several sharia insurance business lines. The comparative percentage of sharia general insurance and reinsurance contribution income per business line in 2018 and 2022is shown in graph 3.22.



Graph 3.22 Percentage Comparison of Sharia General Insurance and Reinsurance Contribution Income Per Business Line in 2018 and 2022

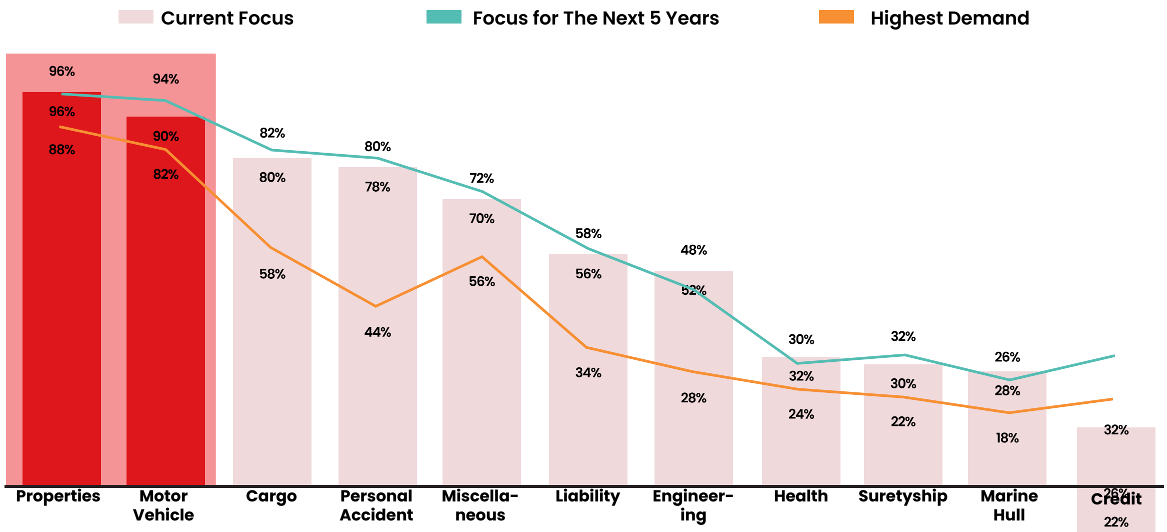
Source: OJK, processed

According to the findings of a survey conducted by OJK in 2023, it is projected that term life insurance products will dominate the market for both conventional and sharia life insurance in 2022. However, due to a lack of consumer demand, there are plans to make changes to the product offerings, with a specific focus on personal accident insurance products, over the next 5 years. For more details, please refer to graph 3.23.



Graph 3.23. Development of Conventional and Sharia Life Insurance Product Line

Currently, the primary emphasis in the general insurance and reinsurance sectors, whether conventional or sharia-compliant, is on property and motor vehicle insurance products. These insurance offerings are highly sought after by consumers due to their significant demand. It is anticipated that this focus on property and motor vehicle insurance will continue in the future, as these products continue to be in high demand. For more details, please refer to graph 3.24.

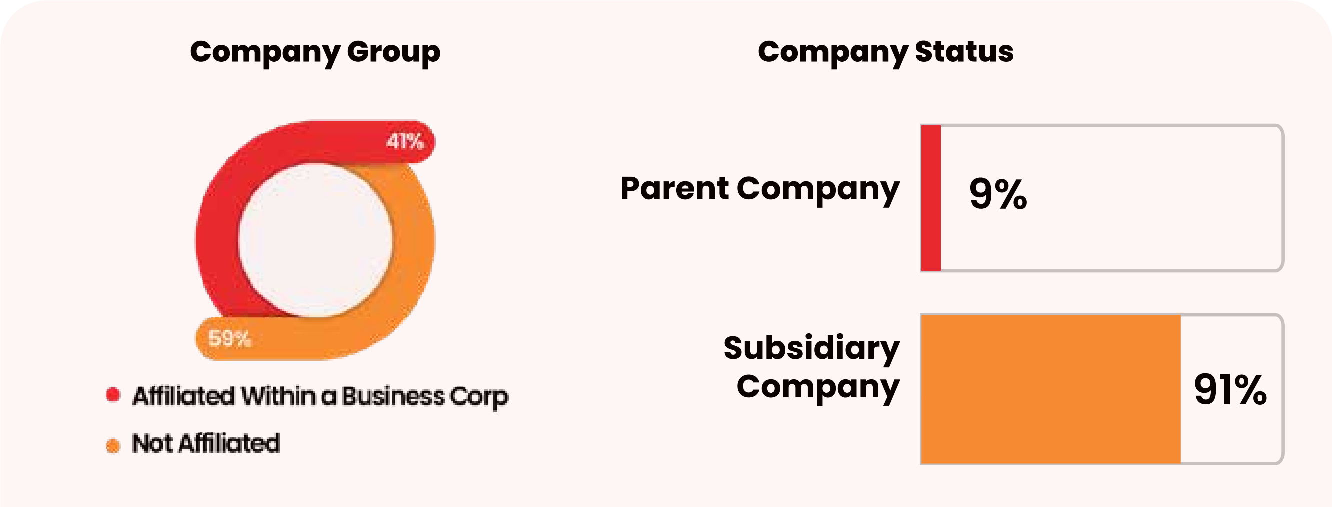


Graph 3.24. Development of Conventional and Sharia General Insurance and Reinsurance Product Lines

Based on the aforementioned survey findings, the majority of insurance premium income, accounting for 66%, is derived from the life insurance business line, including sharia life insurance. In contrast, general insurance and reinsurance, including sharia, contribute to 34% of the premium income. Interestingly, the implementation of PAYDI's regulation in the life insurance sector has not resulted in a shift of focus for insurance companies towards this product. Instead, life insurance companies intend to strengthen their development of basic types of insurance in the future. On the other hand, there is no significant difference between the current focus and future development plans for general insurance and reinsurance companies. To bridge the gap in societal protection, the insurance industry must innovate and offer products that cater to specific needs. Refining and simplifying product licensing could also be an option to encourage insurance product innovation.

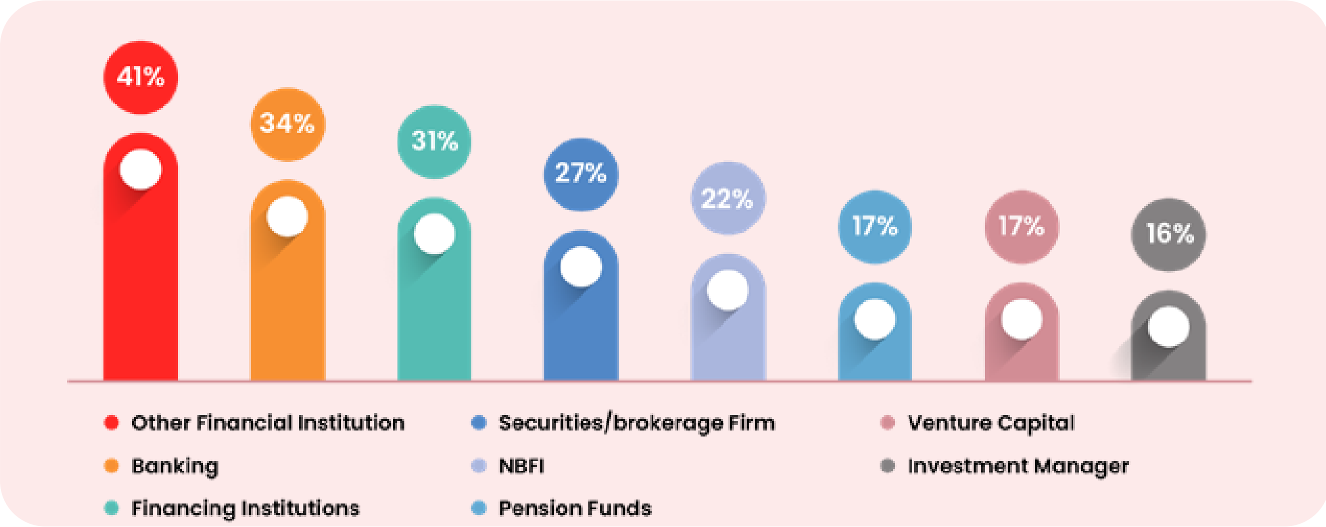
3.7 Ownership Structure

As of 31 December 2022 (according to unaudited data), there are a total of 136 conventional insurance companies operating in Indonesia. These companies can be categorized into different types, including 52 life insurance companies, 72 general insurance companies, 7 reinsurance companies, and 5 social and compulsory insurance companies. It's important to note that this count excludes insurance broker companies, reinsurance brokerage companies, actuaries, and insurance agents. Additionally, a survey conducted by the OJK in 2023 revealed that 59% of insurance industry players are members of business groups, while the remaining 41% are not affiliated with any business groups. Among the insurance industry players who are part of business groups, 9% are parent companies, while the remaining 91% are subsidiaries. The survey also provided insights into the business fields covered by these company groups. The majority of them, accounting for 41%, are members of other financial institutions, while 34% are involved in banking. This indicates that many insurance industry players are part of conglomerates and have oversight over various sectors, including other financial institutions, banking, securities financing institutions, and non-financial businesses. Given these findings, it is crucial to strengthen integrated supervision, as most insurance companies are part of larger business groups. Graph 3.25 illustrates the percentage of business groups and company status based on the 2023 OJK survey, while graph 3.26 shows the percentage of business sectors covered based on the same survey.



Graph 3.25 Percentage of Business Group and Company Status Based on the 2023 OJK Survey

Source: OJK Insurance Survey 2023, processed

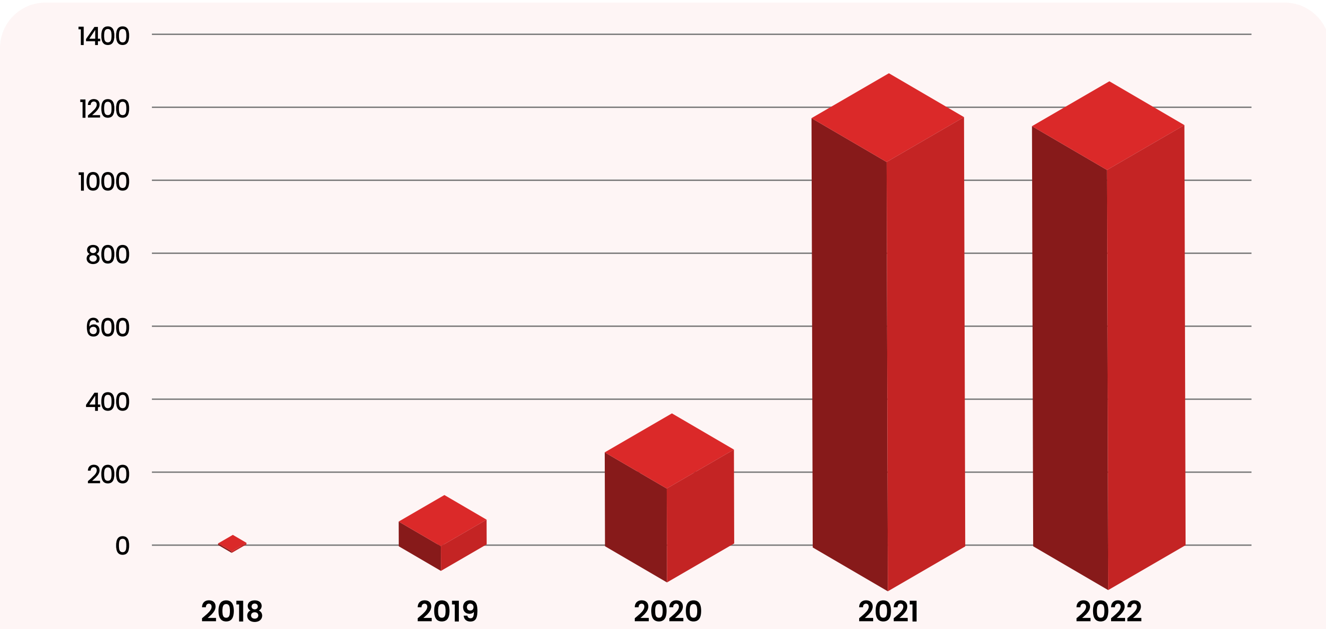


Graph 3.26 Percentage of Business Sectors Covered Based on the 2023 OJK Survey

Source: OJK Insurance Survey 2023, processed

3.8 Implementation of GRC

GRC involves the implementation of appropriate policies, procedures, and controls to effectively manage Governance, Risk, and Compliance aspects. Within insurance companies, there are typically internal departments such as corporate governance, risk management, and compliance that are responsible for implementing and ensuring adherence to GRC principles. The primary objective of GRC in insurance companies is to ensure smooth operational continuity, robust risk management, and compliance with relevant regulations. By having strong GRC practices in place, insurance companies can minimize risks, safeguard their reputation, and build trust among stakeholders, including policyholders, regulators, and investors. The overview of the number of complaints within the insurance industry from 2018 to 2022 can refer to graph 3.27.



Graph 3.27 Number of Insurance Industry Complaints 2018-2022

Source: OJK (2023), processed

From the provided diagram, it is evident that the number of complaints filed with the OJK regarding the insurance industry has been increasing over the years. Particularly in 2021 and 2022, there has been a significant rise in the number of complaints. This indicates a need for the insurance industry to enhance the quality of consumer protection, especially in terms of resolving disputes for policyholders, particularly with problematic insurance companies.

According to data from the OJK Education and Protection Division, since its establishment, the OJK has been providing various services to consumers of insurance companies. These services include addressing consumer inquiries, providing information, and handling consumer complaints. From January 2018 to December 31, 2022, the OJK's insurance sector has received a total of 3,144 consumer complaints. Among these, the majority of complaints, totaling 2,334, were related to life insurance, while 759 complaints were related to general insurance.

In dealing with the complaints above, OJK continues to improve the regulation and supervision of the insurance sector, including:

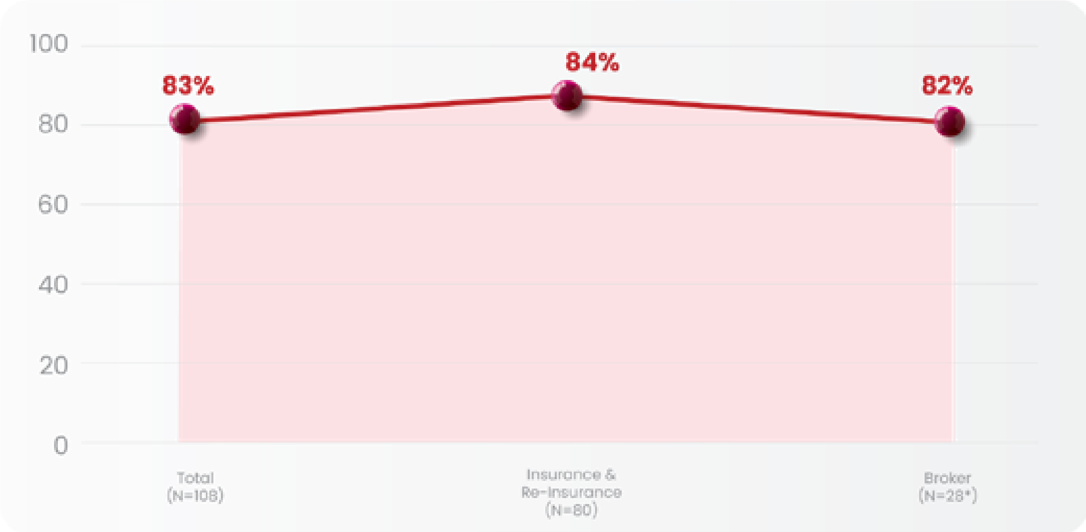
1. Addressing customer complaints and managing PAYDI by insurance companies.
2. Adjusting provisions regarding financial soundness which include tightening insurance company investment activities.
3. The insurance company's obligation to appoint actuary and the obligation to report the results of the review to the OJK.
4. Intensifying preemptive measures and early detection in order to identify the main causes of insurance problems.

3.9 HR Development

In the context of insurance companies, the development of HR is tailored to the specific needs of this industry. There are several key areas of focus when it comes to human resource development in insurance companies. These encompass important aspects such as:

1. Product and Insurance Knowledge Training
2. Sales and Marketing Skills
3. Risk Management and Underwriting
4. Technology and Digital Transformation
5. Leadership and Managerial Development

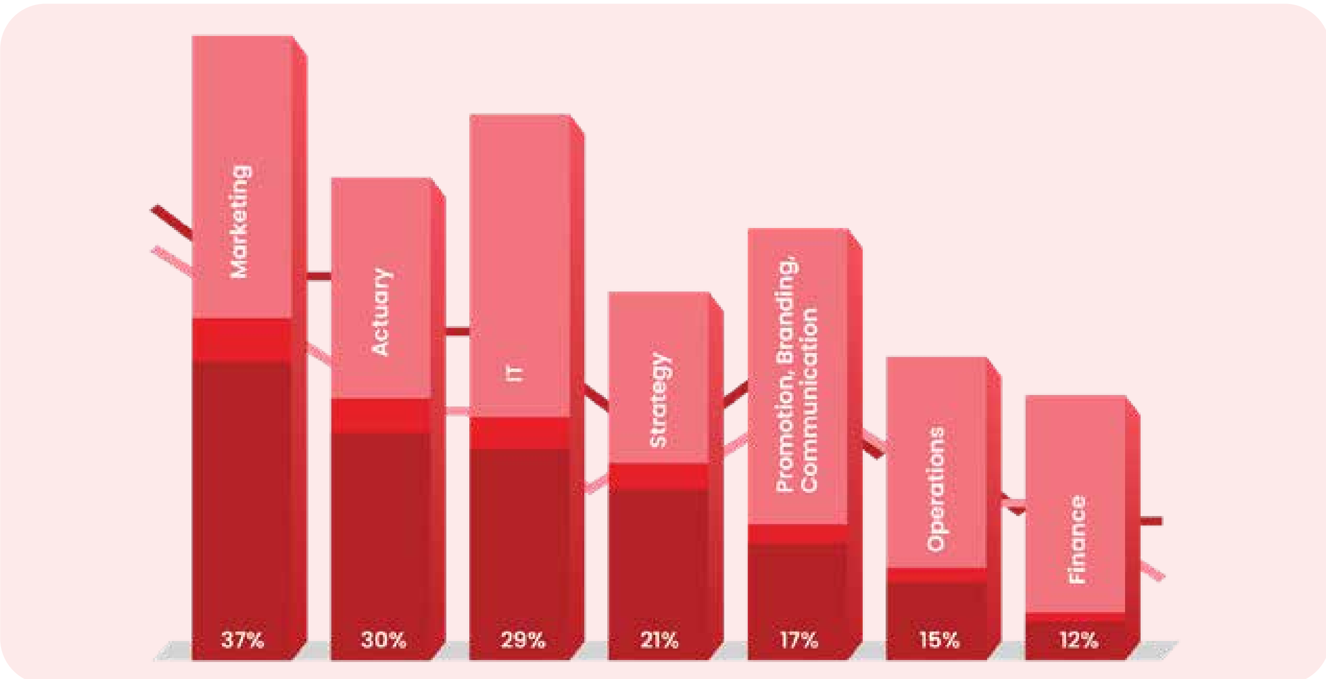
A summary of the percentage of employees of insurance and reinsurance companies and brokers in 2022 that are in accordance with the company's needs can be seen in graph 3.28.



Graph 3.28 Percentage of Perception on Adequateness of Number of Insurance Employees in 2022

Source: OJK (2023), processed

According to the information presented in graph 3.28, it is evident that over 80% of the HR in insurance companies are evaluated as meeting the required quantity. Additionally, graph 3.29 displays the percentage of insurance employees needed based on different company functions for the year 2022.



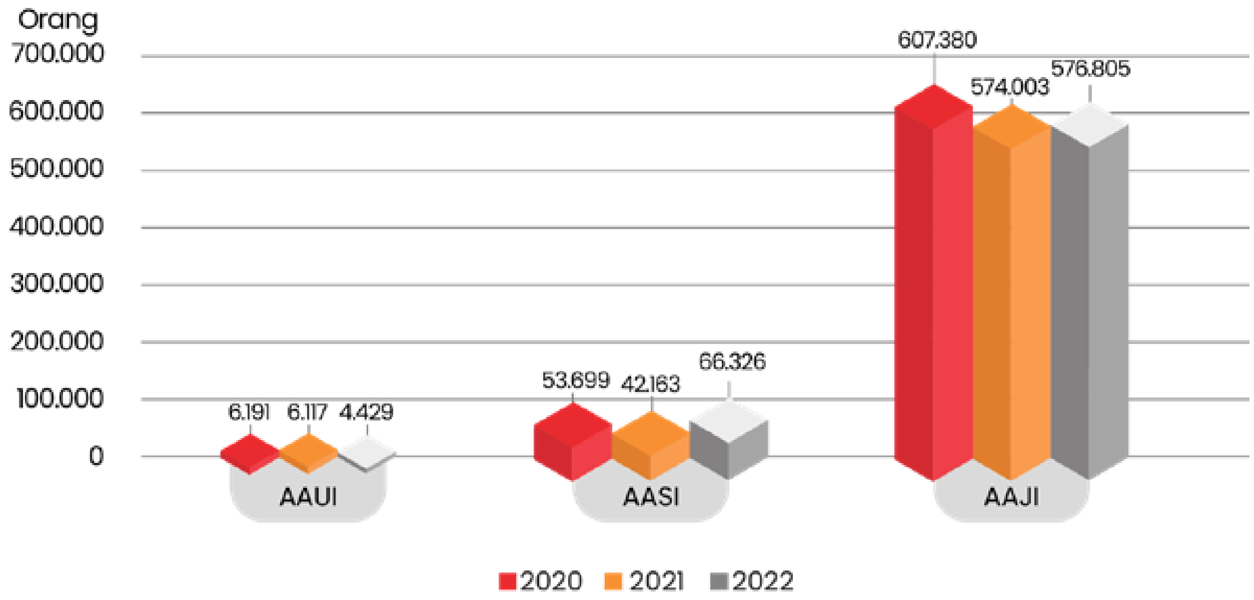
Graph 3.29 Percentage of Perception on Adequateness of Number of Insurance Employees Needed by Company Function in 2022

Source: OJK (2023), processed

According to the information presented in graph 3.29, the three functions that require the most attention and must be fulfilled by HR are marketing, actuarial, and information technology.

- Marketing
  The marketing function plays a crucial role in the insurance industry. Insurance marketers serve as intermediaries between insurance companies and customers, facilitating communication and building relationships. Their role is particularly vital in the highly regulated insurance sector. The key responsibilities of marketers include:
  1. Assisting potential customers understand the products that will be offered.
  2. Providing customers with knowledge and awareness regarding the significance of safeguarding themselves and their families.
  3. Assisting the administrative processes including providing after-sales service.
  4. Building loyalty with customers.

  The number of insurance agents in insurance associations from 2020 to 2022 can be seen based on graph 3.30.



Graph 3.30 Number of Insurance Agents in Insurance Associations 2020-2022

Source: insurance association data (2023)

Considering the crucial role played by marketers, it is imperative to prioritize the development of HR in the marketing field. As per the existing regulations, the training and development of marketers encompass various aspects, including compliance with SEOJK Number 31/SEOJK.05/2022 on Insurance Product Marketing Channel Through Cooperation With Bank (Bancassurance), which pertains to the collaboration between banks and insurance companies (Bancassurance) for marketing insurance products. Additionally, SEOJK Number 19/SEOJK.05/2020 on Insurance Product Marketing Channel addresses the marketing channels for insurance products.

Furthermore, marketers are required to obtain agency certification and be registered with an association, as stipulated in POJK Number 67/POJK.05/2016 on Business And Institutional Licenses of Insurance Companies, which focuses on the licensing of insurance companies, sharia insurance companies, reinsurance companies, and sharia reinsurance companies. The business conduct of insurance companies, sharia insurance companies, reinsurance companies, and sharia reinsurance companies is governed by POJK Number 69/POJK.05/2016 on Business Implementation for Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Reinsurance Sharia Companies. Lastly, SEOJK Number 5/SEOJK.05/2022 on Investment-Linked Insurance Products addresses insurance products linked to investment.

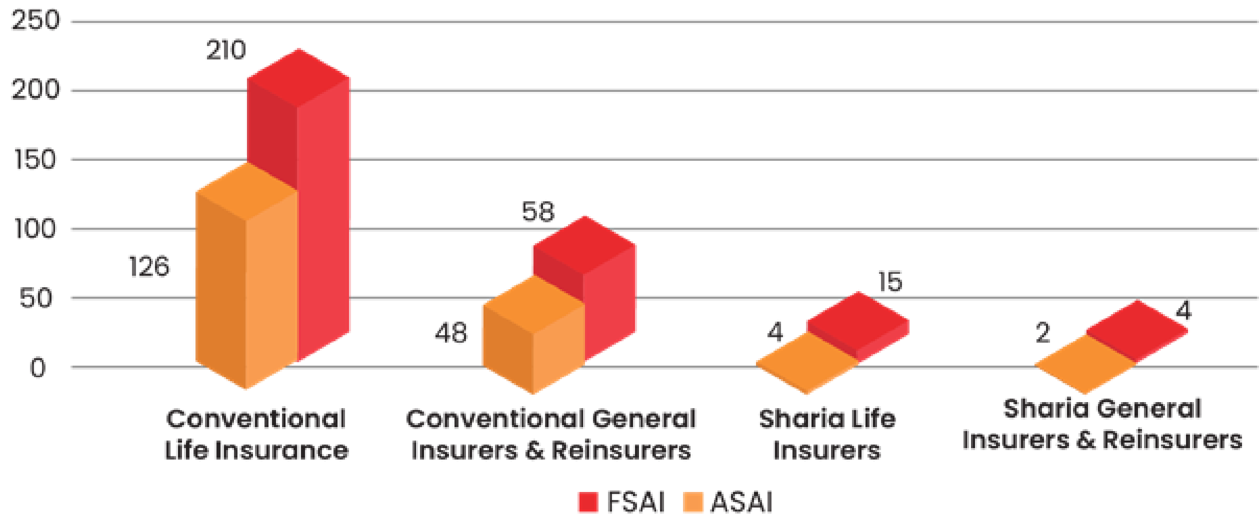
The company currently has the authority to handle the technical aspects of HR development. However, there are now regulations in place regarding the implementation of HR development and certification requirements. These regulations aim to prevent marketers from engaging in misseling practices.

- Actuary

Actuary plays a crucial role in the insurance industry. They are highly skilled professionals who utilize their expertise in mathematics, statistics, and finance to assess risk, create insurance products, and assess the financial stability of insurance companies. The subsequent section outlines the primary duties and responsibilities of actuarial staff within insurance companies.

1. Risk assessor
2. Insurance product design
3. Portfolio management
4. Determination of premium rates
5. Financial and risk analysis
6. Regulatory compliance

The number of insurance actuarial personnel in 2022 can be seen in graph 3.31.

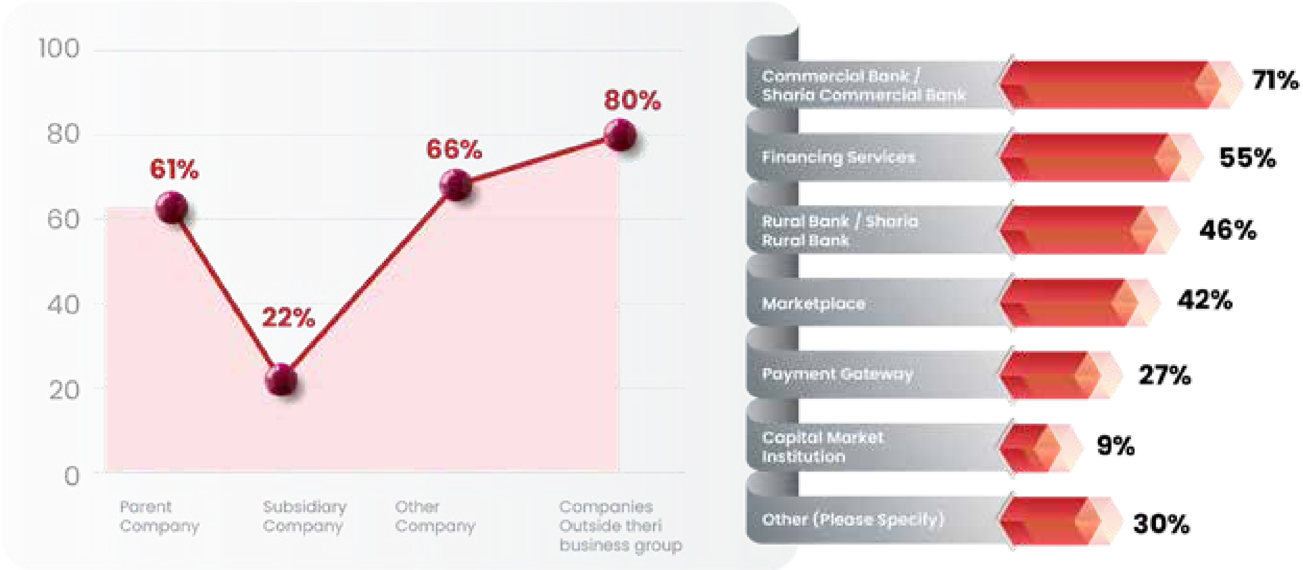


Graph 3.31 Number of Insurance Actuarial Personnel in 2022

Source: OJK, processed

By analyzing the provided diagram, it is evident that there exists a significant disparity in the utilization of actuarial staff between life insurance companies and general insurance companies. Consequently, it becomes imperative to enhance the recruitment and deployment of actuarial professionals within the General Insurance industry. This is particularly crucial due to the escalating demand for Risk Based Pricing within the General Insurance sector.

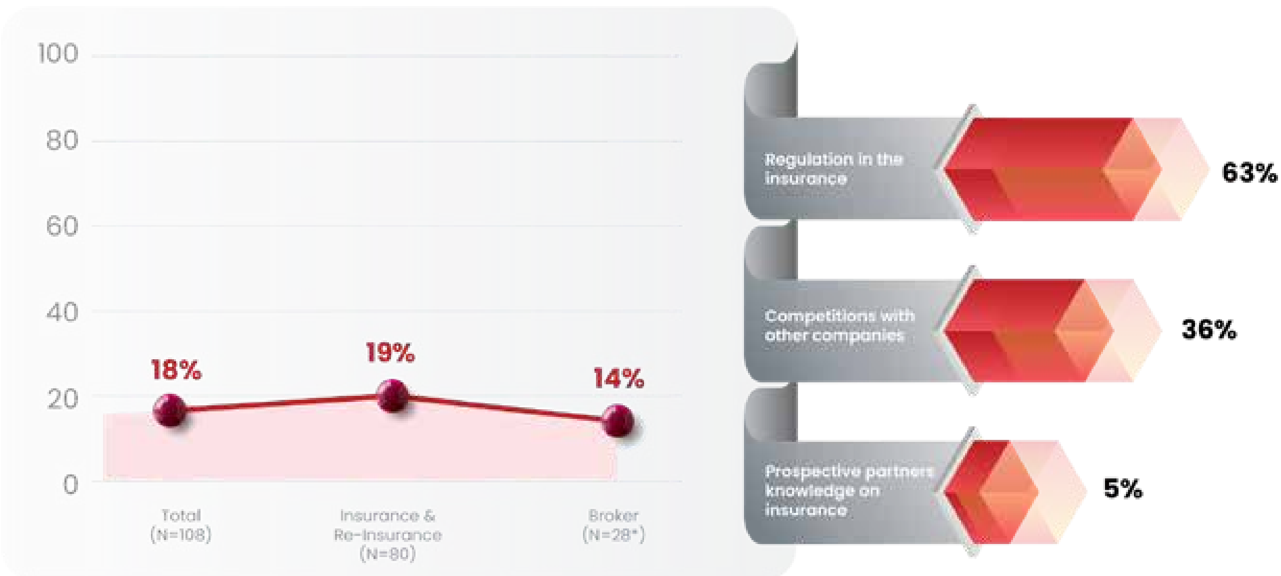
3.10 Synergy/Collaboration with Other Parties



Graph 3.32 Parties and Business Fields Collaborating Based on the OJK Insurance Survey 2023

Source: OJK Insurance Survey 2023, processed

According to the findings of the OJK survey conducted in 2023, as depicted in Graph 3.32, it can be observed that insurance industry participants commonly engage in partnerships with external companies outside their corporate group, with a rate of 80%. Collaboration with parent companies stands at 61%, while collaboration with subsidiary companies is significantly lower at 22%. The survey results indicate that the majority of insurance industry players collaborate with general banks/sharia banks, accounting for 71% of partnerships, followed by financing companies at 55%, and rural banks/ sharia rural banks at 46%.



Graph 3.33 Companies Facing Synergy Challenges Based on the OJK Insurance Survey 2023

Source: OJK Insurance Survey 2023, processed

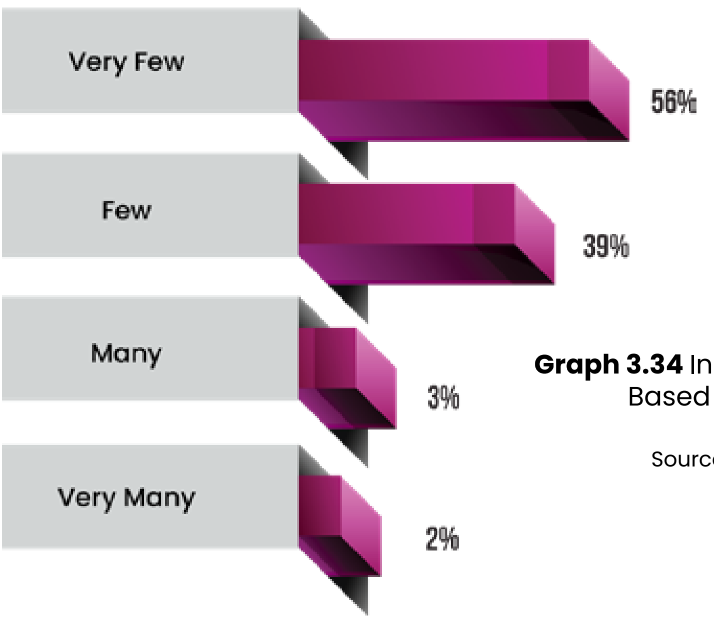
To facilitate the rapid and comprehensive development of the insurance industry, effective synergy, collaboration, and coordination among the government, regulatory authorities, the industry, and other relevant stakeholders are crucial. The policies and regulations governing the insurance industry are closely intertwined with those issued by the government, OJK, and relevant ministries/agencies. Hence, harmonizing policies from these entities and various other relevant authorities is essential to support the growth of the insurance industry. The effectiveness of regulations issued by the OJK is influenced by the active involvement of the insurance industry, including industry associations. Therefore, the OJK will continue to encourage the active participation of associations in both the formulation and implementation of regulations. Additionally, the OJK will strengthen collaboration with associations to ensure the

In terms of research and regulatory development, it is expected that the OJK will strengthen collaboration with diverse stakeholders engaged in insurance business activities. Furthermore, the OJK is encouraged to establish partnerships with academics from universities and research institutions to facilitate research and studies that contribute to the advancement of the insurance industry.
Achieving synergy within the Insurance Industry Ecosystem can be accomplished through a range of approaches, such as:

- Synergy with other financial service industries
- Synergy among financial institutions
- Synergy with social institutions
- Synergy with ministries/agencies
- Synergy with associations
- Synergy with other insurance industry players
- Increaseing public awareness within the context of the sharia economic ecosystem

3.11 The use of Information Technology

Information technology plays a crucial role in the insurance industry, specifically in facilitating the day-to-day operations of insurance companies as they cater to their policyholders. The advancement of information technology within the insurance sector is constantly evolving to align with changes in the business landscape and the evolving demands of policyholders for insurance products and services that leverage technology. By making the most of information technology, there are opportunities to improve efficiency and effectiveness in business processes, ultimately leading to enhanced competitiveness within the insurance industry.



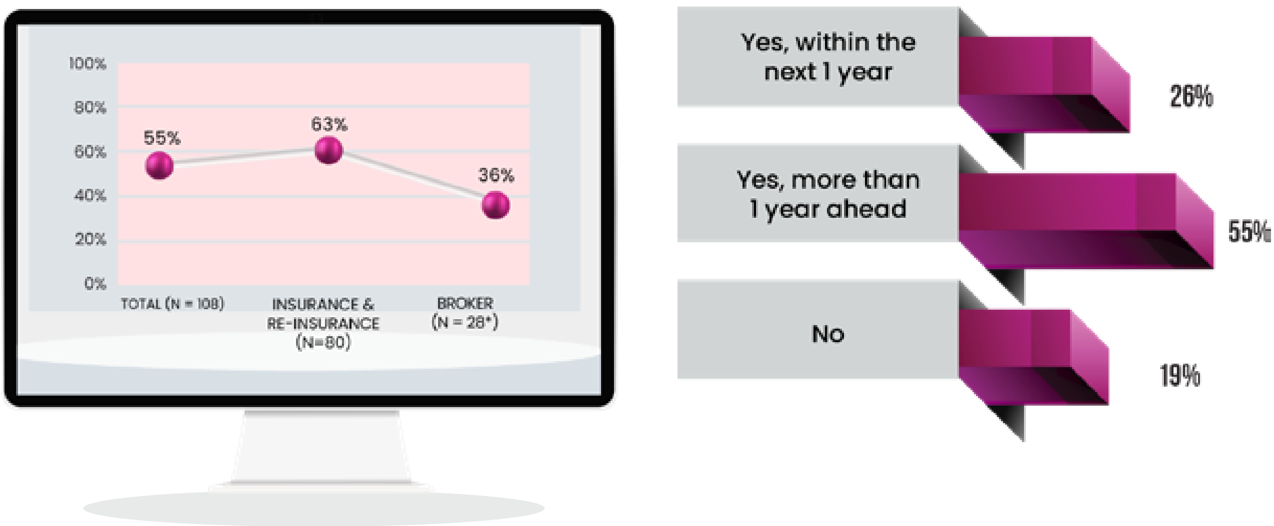
Graph 3.34 Incidents of Information Technology Usage Based on the OJK Insurance Survey 2023

Source: OJK Insurance Survey 2023, processed

Based on the findings of the OJK's 2023 survey on the insurance industry, the utilization of information technology in insurance companies remains relatively limited, with only 56% indicating its usage (as shown in Graph 3.34). However, industry players recognize the importance of strengthening data security measures, including the implementation of cloud technology, enhancing data management and analytics capabilities, and integrating emerging technologies like Artificial Intelligence (AI) and blockchain.

In accordance with the survey results, insurance companies have yet to fully leverage the latest advancements in information technology. For example, cloud computing, a recent trend in information technology, offers customizable services such as Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Software as a Service (SaaS). Cloud service providers also offer additional services that utilize cutting-edge technologies like AI, machine learning, and big data analytics. These services can be utilized by insurance companies to keep up with the latest trends in information technology adoption while managing costs effectively.

The adoption of the latest information technology requires insurance companies to raise awareness within their organizations. Several crucial aspects need to be considered, including managing operational risks and addressing potential new risks, aligning HR, adapting information technology infrastructure, and developing robust business continuity plans to accommodate technological changes.



Graph 3.35 Digital Channels as Company Focus and Digital Channel Plans Based on the OJK Insurance Survey 2023

Source: OJK Insurance Survey 2023, processed

With the current advancements in information technology, as depicted in Graph 3.35, it is evident that only 62% of insurance companies have a focus on digital marketing channels. This implies that 38% of companies have not fully embraced digital marketing. In today's digital age, a significant number of insurance industry players have already shifted their focus towards digital channels, accounting for 62%. However, this also indicates that there is still room for growth. Among the 38% of insurance companies not yet focused on digital channels, a considerable portion plans to shift their focus in the future. Specifically, 55% have a timeline of more than 1 year, while 26% plan to do so within the next year. Nevertheless, it is important to note that some insurance companies may still choose not to pursue digital channel strategies.

The rapid development of information technology has significantly transformed the ecosystem, both globally and within national boundaries. One of the key drivers of this transformation is the increased internet usage and adoption of digital devices among the Indonesian population. The majority of Indonesians own electronic devices such as mobile phones, laptops, tablets, smartwatches, and other gadgets.

Furthermore, the rapid growth of the digital economy and innovations in information technology have influenced the development of service offerings across various sectors, including the financial services sector. Additionally, changes in customer behavior towards digital channels have led to an increased demand for easily accessible insurance products and services in the digital era. These changes have prompted insurance companies to innovate in information technology, both in operational aspects and in the development of products and services.

1. Promoting Digitalization

Digitalization is an inevitable aspect of the current digital era. It is crucial to implement digitalization in both operational and business aspects, as well as to enhance the quality of HR and ensure the availability of information technology infrastructure. Regulatory support plays a vital role in facilitating digitalization within insurance companies.

To begin with, the implementation of digitalization programs is necessary to support the operational and business activities of insurance companies. Digital financial innovation involves the transformation of business processes, business models, and financial instruments to bring new value to the financial services sector by leveraging the digital ecosystem. As of August 2021, the OJK has registered 83 applications for Innovative Digital Financial Products (IKD), which are categorized into 16 clusters. These clusters include aggregator, financial planner, blockchain-based solutions, innovative credit scoring, online distress solutions, regtech, insurance broker marketplace, financing agent, insurance hub, funding agent, transaction authentication, tax and accounting, insurtech, property investment management, e-KYC, and WealthTech.

OJK promotes the improvement of human resource quality in the insurance industry to support its role within the digital financial ecosystem. This is achieved through the formulation of policies, capacity building, and training initiatives, with the aim of enhancing the competencies of insurance industry personnel, particularly in technology-related fields.
The utilization of information technology, in collaboration with various stakeholders, is expected to enable the insurance industry to expand its business activities and enhance operational efficiency. This will contribute to increased competitiveness in the digital era, amidst ongoing disruptions in information technology.

The use of information technology is supported by several regulations from OJK. These include POJK Number 4/POJK.05/2021 on the Implementation of Risk Management by Non-Bank Financial Institutions, Article 40 of POJK Number 70/POJK.05/2016 on the Business Activities of Insurance Broker Companies, Reinsurance Broker Companies, and Loss Adjuster Companies, Chapter IIIA of Regulation Number 28/2022 on Amendments to POJK Number 70/POJK.05/2016 on the Business Activities of Insurance Broker Companies, Reinsurance Broker Companies, and Loss Adjuster Companies, Roman VIII SEOJK Number 19/SEOJK.05/2020 on Insurance Product Marketing Channel, and SEOJK Number 30/SEOJK.05/2022 on Amendments to SEOJK Number 19/SEOJK.05/2020 on Insurance Product Marketing Channel.

2. Promoting the Use of Cutting-Edge Technology

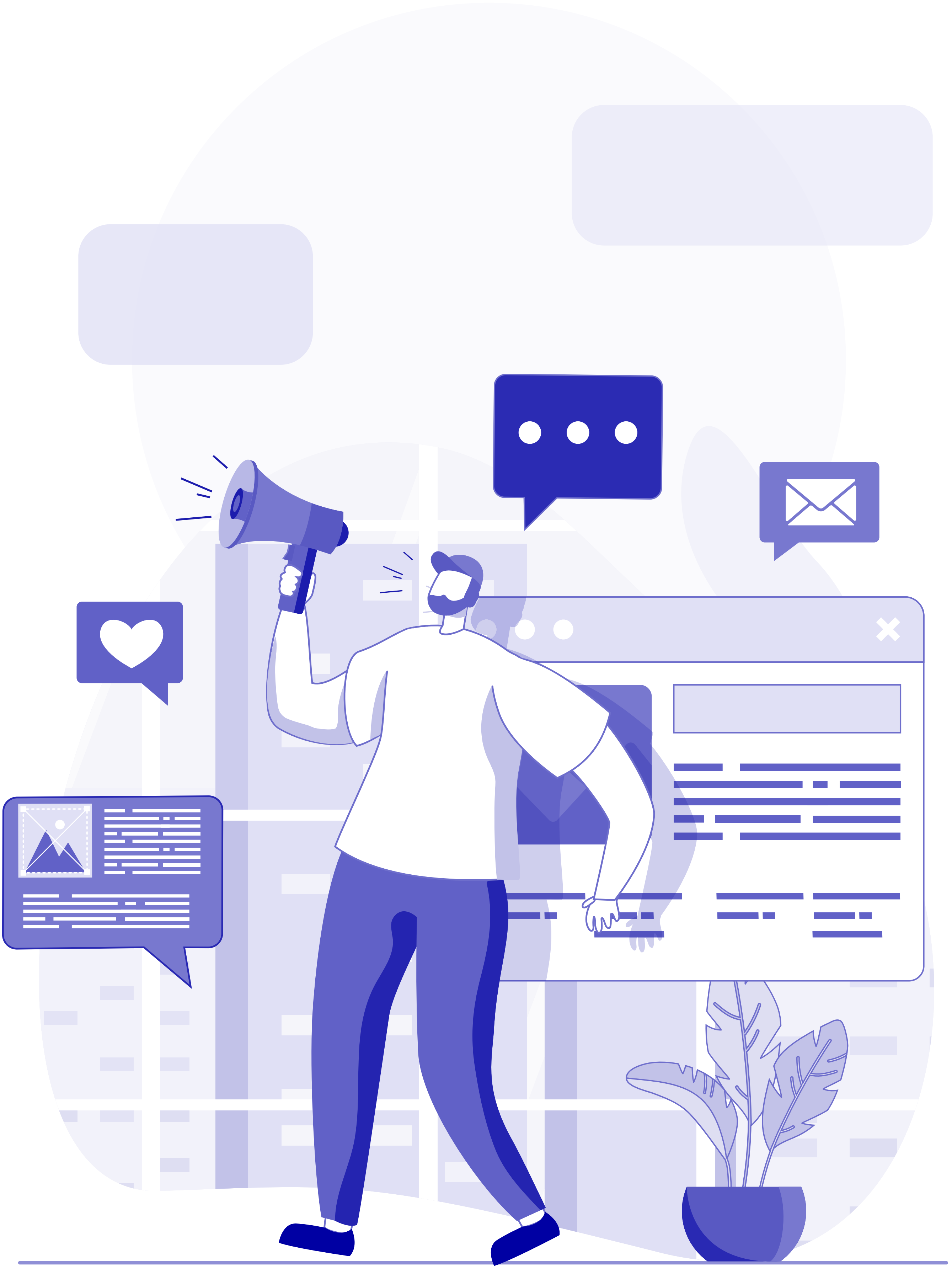
The rapid progress of information technology introduces advanced technologies that can be employed to support businesses. Insurance companies have the opportunity to leverage state-of-the-art information technology, such as Cloud Computing, to offer services with the latest technology that caters to users' needs at affordable costs. However, there is still a perception that implementing cutting-edge information technology in insurance companies requires significant expenses and is considered too complex.

In order to enhance the competitiveness of the insurance industry in the digital era, OJK will promote the adoption and utilization of cutting-edge information technology in insurance companies. This requires raising awareness among insurance company executives about the benefits and possibilities of utilizing cutting-edge information technology, enabling the industry to plan and implement the latest technology to support their business operations. This awareness is not limited to executives alone; it also requires support from insurance company owners to facilitate the integration of cutting-edge information technology. Therefore, OJK will continue to foster this awareness through workshops or capacity-building programs for the insurance industry, as well as workshops or seminars for insurance company owners, emphasizing the importance of embracing information technology.

Furthermore, OJK consistently provides support for the implementation of cutting-edge information technology through networking events. These events allow insurance companies to connect with technology providers who offer the latest information technology solutions. By participating in these events, insurance companies can familiarize themselves with the products and services offered by these providers, thereby expanding their pool of potential partners for implementing cutting-edge information technology.

OJK's efforts to promote the use of cutting-edge information technology in insurance companies aim to foster growth and enhance competitiveness in the face of ongoing disruptions in information technology. However, this also requires infrastructure readiness from the insurance industry. This includes having electronic applications/systems that can connect with the applications or electronic systems of cloud providers or other information technology service providers. Additionally, it requires the availability of skilled HR capable of efficiently operating interconnected applications or electronic systems. This ensures that the utilization of cutting-edge information technology is optimized in supporting the insurance industry's business operations.

These initiatives are expected to accelerate the digital transformation of the insurance industry, thereby strengthening its competitiveness in the digital era. In practice, insurance companies can implement these initiatives as long as they meet the requirements and criteria outlined in the applicable laws and regulations, particularly those related to the provision of insurance products.



Chapter. IV

Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027

Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027

The Roadmap for the Development and Strengthening of the Insurance Industry 2023-2027 serves as a guide for stakeholders to collaborate in advancing and strengthening the insurance sector. This roadmap is established with the vision of creating a soundness, efficient, and integrity-based insurance industry, enhancing consumer and public protection and supporting economic growth. The realization of this vision will be accomplished through 4 pillars or frameworks, which will be implemented in 3 phases, namely the foundation strengthening phase, the consolidation and momentum creation phase, and the alignment and growth phase. These pillars or frameworks will be translated into strategic programs, and the progress of these programs will be assessed using one or more indicators.

The successful implementation of these strategic programs necessitates active involvement from various stakeholders, including OJK, ministries/agencies, company associations, professional associations, insurance companies, and professional certification bodies. In a broader sense, the Roadmap for the Development and Strengthening of the Insurance Industry 2023-2027 is illustrated in the framework depicted in Figure 4.1 below.

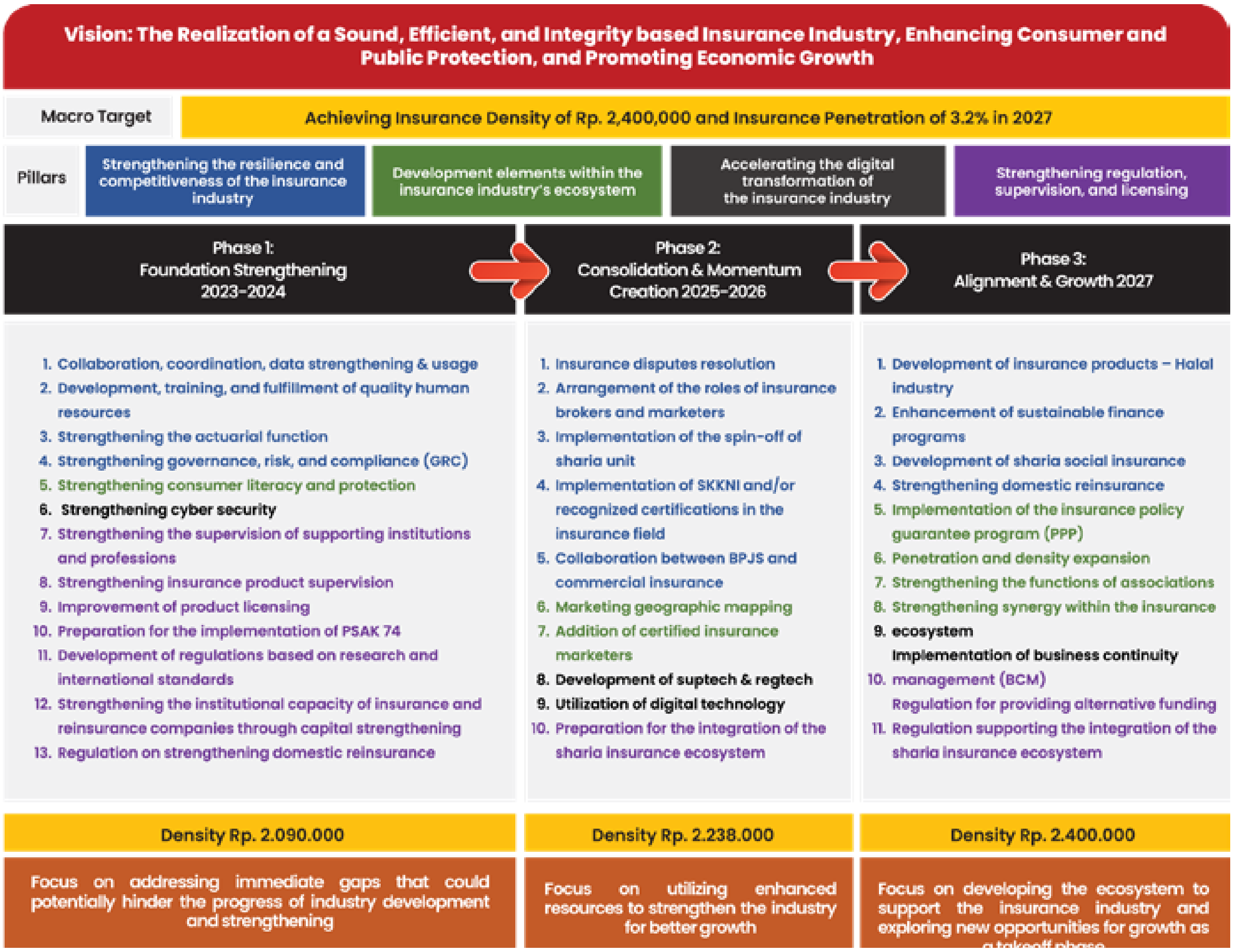


Figure 4.1 Insurance Industry Development and Strengthening Strategy

According to the depicted Figure 4.1, Insurance Industry Development and Strengthening Strategy in the future consists of 4 pillars. These pillars, along with their corresponding strategic programs, are essential elements in realizing the vision of the roadmap. The successful implementation of these strategic programs is expected to contribute to achieving the macro target of insurance density of 2,4 million rupiah and insurance penetration of 3,2% by 2027.The pillars mentioned can be observed alongside strategic initiatives that aim to support the goals outlined in the roadmap. The pillars of the Roadmap for insurance regulation and development are listed below:

a. Strengthening the resilience and competitiveness of the insurance industry.
b. Developing elements within the insurance industry ecosystem.
c. Accelerating the digital transformation of the insurance industry.
d. Strengthening regulation, supervision, and licensing.

The follow-up actions in the above roadmap are implemented in the phase of development and strengthening of insurance, which is presented as follows:

a. Phase 1 – Foundation Strengthening from 2023 until 2024, focuses on addressing immediate gaps that could potentially hinder the progress of industry development and strengthening.
b. Phase 2 – Consolidation and Momentum Creation from 2025 until 2026, focuses on utilizing enhanced resources to strengthen the industry for better growth.
c. Phase 3 – Alignment and Growth 2027, focuses on developing the ecosystem to support the insurance industry and exploring new opportunities for growth as a takeoff phase.

The program's initial implementation phase has been planned based on the targets outlined in the 4 pillars. This phase is divided into 3 stages, as shown in Figure 4.2. The specific details of the implementation phases for the development and strengthening of the insurance industry are as follows:

Phase 1: Foundation Strengthening 2023-2024	Phase 2: Consolidation & Momentum Creation 2025-2026	Phase 3: Alignment & Growth 2027
1. Collaboration, coordination, data strengthening & usage 2. Development, training, and fulfillment of quality human resources 3. Strengthening the actuarial function 4. Strengthening governance, risk, and compliance (GRC) 5. Strengthening consumer literacy and protection 6. Strengthening cyber security 7. Strengthening the supervision of supporting institutions and professions 8. Strengthening insurance product supervision 9. Improvement of product licensing 10. Preparation for the implementation of PSAK 74 11. Development of regulations based on research and international standards 12. Strengthening the institutional capacity of insurance and reinsurance companies through capital strengthening 13. Regulation on strengthening domestic reinsurance	1. Insurance disputes resolution 2. Arrangement of the roles of insurance brokers and marketers 3. Implementation of the spin-off of sharia unit 4. Implementation of SKKNI and/or recognized certifications in the insurance field 5. Collaboration between BPJS and commercial insurance 6. Marketing geographic mapping 7. Addition of certified insurance marketers 8. Development of suptech & regtech 9. Utilization of digital technology 10. Preparation for the integration of the sharia insurance ecosystem	1. Development of insurance products – Halal industry 2. Enhancement of sustainable finance programs 3. Development of sharia social insurance 4. Strengthening domestic reinsurance 5. Implementation of the insurance policy guarantee program (PPP) 6. Penetration and density expansion 7. Strengthening the functions of associations 8. Strengthening synergy within the insurance 9. ecosystem Implementation of business continuity 10. management (BCM) Regulation for providing alternative funding 11. Regulation supporting the integration of the sharia insurance ecosystem
Density Rp. 2.090.000	Density Rp. 2.238.000	Density Rp. 2.400.000
Focus on addressing immediate gaps that could potentially hinder the progress of industry development and strengthening	Focus on utilizing enhanced resources to strengthen the industry for better growth	Focus on developing the ecosystem to support the insurance industry and exploring new opportunities for growth as a takeoff phase

Figure 4.2 Implementation Phases of Insurance Industry Development and Strengthening

4.1 Phase 1 Foundation Strengthening (2023-2024)

A. Strategic Programs Under the Pillar of Strengthening Resilience and Competitiveness of the Insurance Industry

1. Strengthening Collaboration and Coordination, Using Data and Credit Scoring as the Basis for Risk Assessment
   Information regarding the risk profile of insurance objects play a crucial role in enabling insurance companies to determine reasonable and reliable premiums, contributions, and technical reserves. Having access to such data allows the insurance industry to evaluate the risk profiles of insurance objects and reduces the likelihood of insurance companies facing penalties due to data input errors. To achieve this, it is necessary to establish an industry-wide risk profile database that can be accessed by all insurance companies. This database should contain information such as fraud data and insurance policy details, including premiums, coverage, and individual policyholders' claims. Additionally, it is important to promote the presence of independent institutions capable of analyzing risk profile data, which can serve as references for all companies during the underwriting process. However, it is crucial for this program to adhere to robust data management principles to prevent any issues related to the misuse of consumer data.

2. Developing, Training, and Fulfillment of Quality HR
   Some companies still encounter challenges in meeting their specific human resource requirements, particularly in areas such as actuaries. In order to support the growth of the insurance industry, it is essential to have competent HR across all business processes. To address this, it is necessary to establish regulation or oversight mechanism that facilitate the fulfillment of human resource needs within insurance companies. This can be achieved by creating new avenues to attract local talent and promoting the insurance industry as a desirable career option for skilled and talented individuals.

   Human resource needs are greatly influenced by a company's current operational conditions and its plans for business development. Therefore, human resource development should be tailored to meet these specific needs. To ensure the realization of human resource development programs, insurance companies should allocate sufficient budgets for this purpose. It is also expected that insurance companies have a comprehensive mapping of training needs for their employees to ensure continuous development.

   In the context of digital transformation, the insurance industry requires competent HR in adequate numbers to drive innovation and ensure the reliability of information technology systems used by companies. Therefore, insurance companies should focus on developing the competencies of their HR in the field of information technology to enhance the effectiveness of information technology risk management.

3. Strengthening the Role of Actuaries in Insurance Company Operations
   According to POJK Number 69/POJK.05/2016 on Business Implementation for Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Reinsurance Sharia Companies, actuaries in insurance companies have various responsibilities, including the determination of premium rates for insurance products. Additionally, POJK Number 23/POJK.05/2015 specifies that premiums should be based on the loss profile or risk profile. Ideally, actuaries should determine premium, or contribution rates based on these risk profiles. However, in practice, there are indications that these regulations are not fully implemented when determining premiums for all insurance products. This can lead to premiums that do not accurately reflect the risks assumed by the company, which can be detrimental to both the insurer and the policyholders. Therefore, there is a need to improve the effectiveness of the actuarial function within insurance companies when it comes to determining premiums or contributions.

4. Strengthening the Implementation of GRC in Insurance Companies
   According to legislative regulations, insurance companies have been required to implement good governance, effective risk management, and compliance functions. However, However, these provisions are regulated separately, resulting in some companies continuing to implement GRC measures separately. . To improve the effectiveness of GRC, it is important for all GRC functions to be aligned and operated through a fully integrated governance system. Therefore, there is a need to strengthen GRC through regulations that require the integrated application of GRC.

B. Strategic Program Under the Pillar of the Developing Elements within the Insurance Industry Ecosystem

5. Strengthening the Role of Companies in the Consumer Literacy and Protection
   Insurance industry sustainable growth are dependent on insurance literacy and consumer protection. Having a good understanding of insurance can help the public make informed decisions when using insurance products, reducing the likelihood of disputes. Additionally, strong insurance literacy contributes to a positive perception of the industry as the public becomes familiar with best practices of insurance operations. Law enforcement should also have a comprehensive understanding of insurance matters to effectively enforce regulations. Consumer protection measures are crucial in building trust within the insurance industry. It is important for companies to prioritize consumer protection at every stage, including product offering, throughout the insurance period, claims processing, and dispute resolution. Insurance companies, being key players, have a central role in promoting insurance consumer literacy and protection, with support from all stakeholders. Collaborative strategies can be implemented to increase public awareness and understanding of insurance, while facilitating access to consumer information and complaint services can enhance consumer protection.

C. Strategic program Under the Pillar of of Accelerating Digital Transformation of the Insurance Industry

6. Strengthening Cyber Security in the Insurance Industry
   As the use of technology in company operations continues to grow, the risks associated with information technology will also increase. It is crucial, therefore, to enhance the risk management practices related to the information technology used by companies in order to effectively address potential cyber threats.

D. Strategic Programs Under the Pillar of Strengthening Regulation, Supervision, and Licensing

7. Strengthening Supervision of Supporting Institutions and Supporting Professions
   Ensuring the proper functioning of professional components within insurance companies, including public accountants, actuarial consultants, and appraisers, as well as supporting institutions like insurance brokers, reinsurance brokers, and insurance agents, is essential for effective oversight of the insurance industry. These support components serve as a secondary layer of supervision of companies, complementing the internal controls as the first layer and the supervision by OJK as the third layer. To enhance supervision over these supporting components, it is important to consistently apply supervisory guidelines to maintain the quality of the supporting component functions.

8. Strengthening Insurance Products Supervision
The performance of an insurance company and the protection of consumers are greatly influenced by the offerings and marketing of insurance products. Certain business practices, particularly those related to credit insurance, may necessitate additional supervision to prevent harm to both consumers and insurance companies. To strengthen the supervision of insurance products, regulations and supervision pertaining to credit insurance will be improved. Furthermore, the profitability of insurance products should be mapped, and products that have a negative impact on the financial soundness of insurance companies may be subject to sales limitations. The profitability of each insurance product can serve as one of the supervisor's references in carrying out its supervision.

9. Improvement of Product Licensing
The approval of insurance products is an important supervisory measure aimed at minimizing any potential negative impact on the performance of insurance companies and ensuring consumer protection. However, the demand for insurance products can change rapidly, requiring insurance companies to be able to develop new products quickly. Therefore, the mechanism for approving insurance products should allow for rapid innovation while still prioritizing risk mitigation for both the company and consumers.

   To enhance the provisions for the approval of insurance products, adjustments can be made to the product approval process to strike a balance between risk mitigation and the need for innovation, among others by differentiating the approval process based on the characteristics of the products to be marketed.

10. Preparation for the Implementation of PSAK 74
In order to enhance the quality of reporting by insurance and reinsurance companies, Indonesia has adopted IFRS 17 as PSAK 74, effective from 2025. The implementation of PSAK 74 requires substantial resource support, including information system development and HR. To ensure that all companies can implement PSAK 74 effectively, there will be a monitoring process in place to assess the industry's preparedness and address any identified issues.

11. Development of Regulations Based on Research and International Standards
Regulatory frameworks are essential for safeguarding consumers, promoting a robust industry, and maintaining stability. Hence, regulations should be based on studies of current business practices and incorporate best practices in insurance industry regulation and supervision from other countries. It is also important to assess the impact of existing regulations to identify areas for improvement. To ensure the development of products aligned with research and international standards, evaluations such as Regulatory Impact Assessments (RIA) and Financial Sector Assessment Program (FSAP) will be conducted on the existing regulations.

12. Strengthening Insurance and Reinsurance Companies Through Capital Strengthening, Mergers, Consolidation, and Grouping According to Provisions
To ensure a robust insurance industry and enable insurance companies to fulfill their obligations to policyholders, expand their operations to gain a larger penetration of the Indonesian market, and reduce existing risks, it is essential to enhance their capital. The implementation of consolidation strategies will further enhance these endeavors.

13. Regulation on Strengthening Domestic Reinsurance
Reinsurance is a vital component of the insurance ecosystem in Indonesia. Establishing a basic legal framework is important to strengthen reinsurance in line with the development and strengthening of Indonesia's insurance sector.

These strategic programs are summarized in Table 4.1 for Phase 1.

Table 4.1 Phase 1: Foundation Strengthening (2023-2024)

Indicators, Responsible Parties, and Timeline

No	Strategic Programs	Indicators	Responsible Parties	2023	2024
1	Strengthening collaboration and coordination, the use of data and credit scoring as the basis for risk calculation	The decline in the number of companies sanctioned for data errors	Industry, associations, OJK		V
		Issuance of provisions regarding the establishment of a fraud database			V
		The use of credit scoring for underwriting			V
2	Development, training, and fulfillment of quality HR	Qualification of HR with certifications related to actuarial, risk management, internal audit, and other insurance profession certifications.	Industry, associations, OJK, relevant institutions		V
		Fulfillment of main parties who already have insurance profession certifications.			V
		Issuance of regulation regarding the requirement to develop insurance HR.			V
		Insurance companies have implemented information technology risk management provisions related to human resource competence.			V
3	Strengthening the role of actuaries in insurance company operations	Company's actuaries have been actively involved in the entire financial reporting of the company.	Industry		V
4	Strengthening company Governance, Risk, and Compliance (GRC)	Issuance of integrated GRC regulation	Industry, OJK		V
5	Strengthening the role of companies in consumer literacy and protection	There has been a national strategy to increase insurance literacy which has been implemented among the public, including law enforcement officers, by insurance industry stakeholders, including sharia insurance. Topics also include programs to restore public trust in the insurance industry.	Industry, OJK, associations		V

No	Strategic Programs	Indicators	Responsible Parties	2023	2024
		The company uses benchmarking with other financial industry for customer service standards.			
		Ensure that the product and/or service design process is in accordance with consumer needs and abilities as well as the suitability of features, risks, marketing channels and costs with appropriate consumer targets.			
6	Strengthening cyber security in the insurance industry	100% of insurance companies with digital services have implemented internationally certified information technology risk management, including cyber security.	Industry		V
7	Strengthening the supervision of supporting institutions and professions	Refinement of regulations related to the supervision of supporting professions	OJK		V
8	Strengthening the supervision of supporting institutions and professions	Periodic issuance of regulations on insurance products, including credit insurance, endowment, health insurance, and other products.	OJK	V	
9	Strengthening insurance product supervision	Implementation of Amendment to POJK 23/2015	OJK	V	
10	Product licensing improvements	OJK identifies regulations affected by the implementation of PSAK 74	OJK	V	V
		Insurance companies ensure all preparations for the implementation of PSAK 74 are completed by December 31, 2024, at the latest.	Industry, OJK		
		Sharia insurance companies prepare for harmonization with the implementation of PSAK 74 in conventional insurance.			
11	Development of regulations based on research and international standards	Implementation of Regulatory Impact Assessment (RIA) in the formation of regulation.	OJK	V	

No	Strategic Programs	Indicators	Responsible Parties	2023	2024
12	Strengthening the institutions of insurance and reinsurance companies through capital strengthening, mergers, consolidations, and grouping of insurance companies in accordance with provisions.	Issuance of institutional provisions that include capital, mergers, consolidation, and grouping of insurance companies in accordance with provisions.	OJK	V	
		100% of companies have met the institutional strengthening requirements, including capitalization and consolidation in accordance with provisions.	OJK	V	
13	Regulation of strengthening domestic reinsurance	Issuance of regulation related to strengthening domestic reinsurance	OJK		V

4.2 Phase 2 Consolidation & Momentum Creation (2025-2026)

A. Strategic Programs Under the Pillar of Strengthening Resilience and Competitiveness of the Insurance Industry

1. Resolution of Insurance-related Issues
Ensuring that insurance-related issues are resolved effectively, efficiently, and transparently is a way to protect consumers. According to the laws and regulations, disputes can be resolved through internal processes within insurance companies, alternative dispute resolution institutions, or the court system. To make dispute resolution accessible to consumers, it is recommended to utilize internal and alternative dispute resolution mechanisms. It is crucial to build trust in these mechanisms, which is influenced by consumers' experiences. Therefore, it is important to strengthen dispute resolution processes within companies and alternative dispute resolution institutions to ensure that all disputes are resolved effectively. Mediation institutions should also play a significant role in resolving insurance-related issues.

2. Arrangement of the Roles of Insurance Brokers and Insurance Product Marketers
Insurance brokers and product marketers have a crucial role in expanding the insurance products marketing. They have direct interactions with consumers and, as a result, it is important for them to have the necessary skills and ethical standards to ensure fair treatment of consumers. Organizing the responsibilities of insurance brokers and product marketers involves regulating the partnership between insurance companies and insurance brokerage companies, as well as supervising insurance agent companies. Currently, the supervision of insurance agents is entrusted to insurance companies and associations. To improve sales practices, specific regulations are required to address various issues related to market conduct by insurance marketers in carrying out selling process

3. Implementation of Shariah Unit Spin-Off
The sharia unit spin-off can improve the organizational structure of insurance companies and promote the adherence to sharia principles. The insurance law has established regulations concerning the sharia unit spin-off. Therefore, it is crucial to promote the adoption of sharia unit spin-off in insurance companies, complying the criteria set by OJK.

4. Implementation of SKKNI and/or Recognized Certifications in the Insurance Field
The SKKNI for insurance represents an agreement among stakeholders in the insurance industry regarding the qualifications of insurance HR. It is intended to be a guideline for industry players in developing their HR. To effectively implement the SKKNI, it is important to promote certification and invest in the development of HR based on the SKKNI standards. Certification can be carried out by recognized entities to expedite education and enhance competency in the insurance field.

5. Collaboration between BPJS Kesehatan and Commercial Insurance in Providing Value-Added Insurance Products for Health Security Participants
According to the law and regulations, insurance companies are authorized to offer health insurance, personal accident insurance, and life insurance. On the other hand, BPJS Kesehatan provides social security through health, personal accident, and life insurance. While there may be some overlap in the risks covered by insurance companies and BPJS Kesehatan, BPJS Kesehatan primarily focuses on providing essential protection. This leaves room for insurance companies to provide supplementary benefits that are not covered by BPJS Kesehatan. To ensure that the public receives maximum benefits, collaboration between BPJS Kesehatan and insurance companies is necessary to facilitate easy access to these additional benefits.

B. Strategic Programs Under the Pillar of Developing Elements within the Insurance Industry Ecosystem

6. Geographical Mapping of Insurance Product Marketing
A significant portion of insurance premiums and insurance company offices are concentrated on Java. The objective of expanding the geographical reach of insurance product marketing is to ensure that people outside of Java have access to insurance products. This expansion can be accomplished by establishing company offices, forming partnerships with other entities, and utilizing information technology for marketing purposes. However, it is important to expand the marketing reach in a cost-effective manner to prevent a significant impact on premium rates for policyholders. Increasing the number of marketing personnel in regions outside of Java is also a crucial strategy to achieve this objective. This approach can also address unemployment concerns in these areas and stimulate local economies.

7. Organic Growth of Certified Insurance Marketers
Insurance marketers play a crucial role in driving insurance product sales, which has a significant impact on the performance of insurance companies and consumer protection. Therefore, it is vital to increase both the quantity and competence of marketers to ensure the sustainable growth of the industry. The expansion of insurance marketers should primarily focus on achieving balanced market penetration across different regions of Indonesia. Encouraging organic growth is important to minimize any potential negative effects on policyholders caused by churning practices. Promoting the insurance marketer profession as a reputable career choice can contribute to achieving these goals.

C. Strategic Programs Under the Pillar of Accelerating Digital Transformation of the Insurance Industry

8. Development of Suptech and Regtech
   To enhance supervision, OJK has been utilizing information technology for overseeing the insurance industry. This is known as suptech, and it involves using technology to monitor and regulate the investments made by insurance and reinsurance companies. However, there is still room for improvement in the use of suptech to make supervision more effective. In addition, insurance companies can make use of regtech, which is regulatory technology, to ensure compliance with legal regulations. The development of suptech and regtech involves creating information technology systems and establishing the necessary regulatory frameworks.

9. Utilization of Digital Technology for Insurance Operations and Marketing
   Digital technology can potentially be used to accelerate insurance literacy, expand insurance marketing reach, and improve the quality of company operations and services. However, there are only a limited number of companies that prioritize digital transformation as a core aspect of their development. As a result, it is necessary for stakeholders and the ecosystem to collaborate in order to expedite the process of digital transformation in marketing and company services.

D. Strategic Programs Under the Pillar of Strengthening Regulation, Supervision, and Licensing

10. Preparation for Sharia Insurance Ecosystem Integration
    To create a sharia ecosystem, it is important to thoroughly examine the various components associated with this ecosystem. By conducting a study on the sharia financial ecosystem, it help to identify ways to enhance its utilization in sharia insurance.

These are the summarized strategic programs for phase 2, as outlined in table 4.2.

Table 4.2 Phase 2: Consolidation & Momentum Creation (2025-2026)

Indicators, Responsible Parties, and Timeline

No	Strategic Programs	Indicators	Responsible Parties	2025	2026
1	Insurance disputes resolution	The resolution of disputes between insurance companies and policyholders reported to the APPK that has been followed up according to the established SLA	OJK, Industry, relevant institutions		V
		Mediation institutions function effectively			V
2	Arrangement of the roles of insurance brokers and marketers	Issuance of regulation regarding the supervision of independent marketing offices.	OJK	V	
		Issuance of regulation regarding the cooperation structure between brokers and insurance companies.			
3	Implementation of the Sharia unit spin-off	100% of Sharia Units have complied with the spin-off provisions.	Industry, OJK		V

No	Strategic Programs	Indicators	Responsible Parties	2025	2026
4	Implementation of National Competency Standards (SKKNI) and/or recognized certifications in the insurance field	Issuance of regulation for the requirement of certification in the insurance field in accordance with SKKNI and/or recognized certifications.	OJK, Industry, qssociations	V	
5	Collaboration between BPJS Kesehatan and Commercial Insurance in Providing Value-Added Insurance Products for Health Security Participants	Implementation of business cooperation related to social security and insurance benefits.	Industry, BPJS Kesehatan	V	
6	Geographical mapping of insurance product marketing	Average annual growth of insurance premiums outside Java is 10%.	Industry, OJK		V
7	Addition of organically certified insurance marketers	Establishment of a Professional Certification Institution (LSP) for insurance marketer certification.	Industry, associations	V	
		Increase in the number of certified insurance marketers		V	
		Increase in the number of certified Sharia insurance marketers			
8	Development of supervisory technology (suptech) and regulatory technology (regtech)	Issuance of regtech regulation	OJK		V
		Availability of adequate system to support offsite and onsite supervision implementation.			
9	Utilization of digital technology for insurance operation and marketing	Insurance industry premiums from digital channels grow by 20% annually.	Industry	V	
		50% of companies with retail businesses have e-service facilities (e-policy, e-submission, e-claim, etc.).			V
		Twofold increase in premium sales through e-commerce and digital channels for companies with retail businesses.		V	
		50% of Sharia insurance companies with retail businesses have digital services and/or conduct digital marketing.			V
		100% of companies with retail businesses have digital platforms.			V
10	Preparation for the integration of the Sharia insurance ecosystem	Conducting studies on the sharia financial ecosystem to promote the use of sharia insurance.	OJK		V

4.3 Phase 3 Alignment & Growth (2027)

A. Strategic Programs Under the Pillar of Strengthening the Resilience and Competitiveness of the Insurance Industry

1. Development of General Insurance Products Tailored to the Needs of the Halal Industry (Including Shariah FSIs), Environmentally Friendly Products, Muslim Lifestyle, and Export-Oriented Products
   The halal industry, environmentally friendly products, muslim lifestyle, and export-oriented sectors offer significant growth opportunities and are prioritized in development. Therefore, the insurance industry is expected to provide insurance products that meet the needs of these sectors. Collaboration with the industry ecosystem is essential, including partnerships with industry stakeholders in product development, insurance literacy programs, and product marketing.

2. Enhancement of Programs to Support Sustainable Finance
   Based on the POJK Number 51/POJK.03/2017 on the Implementation of Sustainable Finance for Financial Institutions, Issuers, and Public Companies, insurance companies, Shariah insurance companies, reinsurance companies, and Shariah reinsurance companies are required to implement sustainable finance. To comply with these regulations, it is important to promote the wider adoption of sustainable finance practices. This can be achieved by offering insurance products specifically designed for electric vehicles, minimizing paper usage in company operations, and investing in environmentally-friendly financial instruments like green bonds and others.

3. Development of Shariah Social Insurance
   The awareness and demand for sharia financial services and sharia economics are increasing. Nevertheless, there is presently a lack of a social security program that adheres to sharia principles. In order to offer an alternative for individuals seeking sharia social security, it is expected that stakeholders can establish social security programs that align with sharia principles. Consequently, stakeholders engaged in social insurance should develop regulatory and operational frameworks to accomplish this objective.

4. Strengthening Domestic Reinsurance
   Reinsurance plays a vital role in facilitating the progress of the insurance sector, and as a result, it is necessary to bolster the capacity of domestic reinsurance in line with the expansion of the insurance industry. The insurance law has mandated the reinforcement of domestic reinsurance capacity. Hence, it is crucial to enhance the capacity of domestic reinsurance by strengthening capital and improving risk management capabilities. This initiative also involves providing incentives to attract foreign reinsurance investments to Indonesia. By strengthening domestic reinsurance, it is expected that Indonesia's balance of payments deficit associated with reinsurance will be reduced.

B. Strategic Programs Under the Pillar of Developing Elements within the Insurance Industry Ecosystem

5. Implementation of PPP
   Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector has mandated the establishment of an policy guarantee program to operate from January 2028. The insurance policy guarantee program is expected to enhance protection for consumers of troubled insurance companies. Therefore, cooperation among stakeholders is required to prepare the regulatory framework and infrastructure needed for the implementation of the guarantee program.

6. Development of Insurance Products to Expand Insurance Penetration and Density
The types of insurance products needed by society can vary based on the types of risks faced by different social groups. Additionally, government policies mandating insurance for specific social groups require support for the development of insurance products. Hence, the insurance industry needs to innovate to provide insurance products that align with societal needs and support national development programs. These products can be voluntary or mandated by the government. Innovations are also required for marketing these insurance products, including collaborations with stakeholders in the micro, small, and medium-sized enterprises (MSME) and agricultural sectors for microinsurance products, charitable fund management institutions for insurance products targeting recipients of zakat and infak, and e-commerce platforms for digital marketing.

7. Strengthening the Functions of Insurance Associations
Insurance company associations and professional associations play a vital role in the insurance industry ecosystem, acting as catalysts for industry development and strengthening. Therefore, strengthening the functions of these associations is essential to support human resource development, increase insurance literacy, develop practice standards, and enforce ethical codes.

8. Enhancing Synergy between Insurance Companies and the Insurance Industry Ecosystem in Business Development
The growth of the insurance industry is heavily influenced by the conditions of its ecosystem. Hence, insurance companies must optimize synergy with the industry ecosystem to accelerate growth. This may include efforts to enhance insurance literacy and product marketing through collaboration with other stakeholders in the insurance industry.

C. Strategic Programs Under the Pillar of Accelerating the Digital Transformation of the Insurance Industry

9. Implementation of Business Continuity Management (BCM)
Effective information technology risk management must also include BCM to anticipate the impact of disruptions to the company's business operations. Therefore, accelerating digital transformation must be balanced with strengthening company BCM related to the use of information technology. This is also related to disaster risk and other risks that could have a negative impact on the continuity of the company's business and also the impact on customer interests.

D. Strategic Program Under the Pillar of Strengthening Regulation, Supervision and Licensing

10. Regulation for providing alternative funding
Funding plays a crucial role in ensuring that insurance companies have sufficient resources to manage risks and grow their business. At present, insurance companies rely on funding from shareholder capital contributions, retained earnings, and subordinated loans. However, in certain cases, these funding sources may be insufficient, particularly for companies facing solvency issues. Therefore, it is necessary to explore alternative funding sources, such as "hybrid capital" instrument that possess characteristics of both capital and debt. Subordinated loans, which are currently regulated, represent a form of hybrid capital. However, the existing provisions regarding subordinated loans do not effectively attract investors to provide funding. Consequently, there is a need for regulation that govern the use of hybrid capital, which can attract investors while still adhering to prudential principles.

11. Regulation that support the integration of the sharia insurance ecosystem.
    To establish an efficient sharia insurance ecosystem, it is crucial to conduct a comprehensive analysis of the interconnected instruments within the ecosystem. In this context, regulation pertaining to the sharia financial ecosystem is essential to ensure optimal utilization of the sharia ecosystem in the realm of sharia insurance.

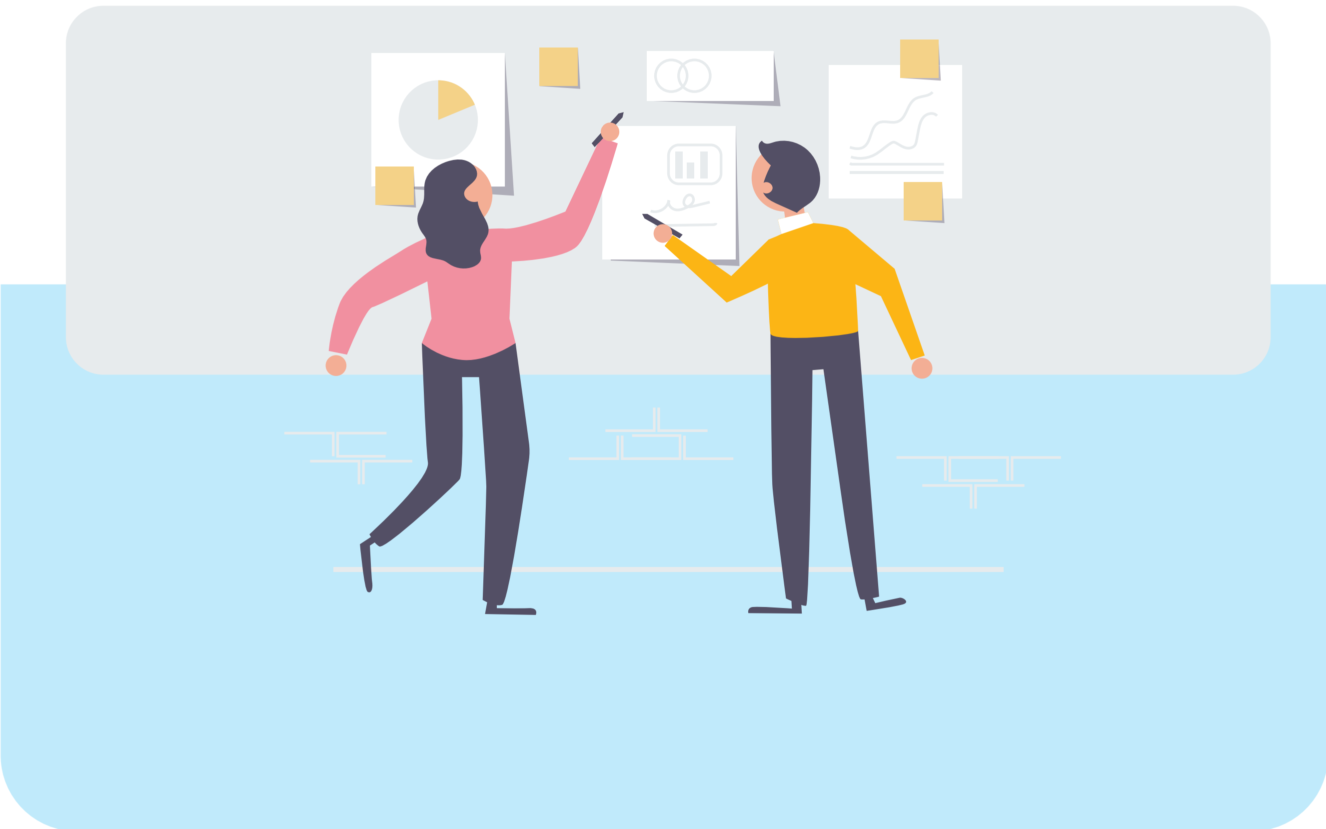
A summary of the strategic programs in phase 1 is shown in table 4.3.

Table 4.3. Phase 3 Adjustment & Growth (2027)

Indicators, Responsible Parties, and Timeline

No	Strategic Programs	Indicators	Responsible Parties	2027
1	Development of general insurance products tailored to the needs of the halal industry (including sharia FSIs), environmentally friendly, Muslim lifestyle and export-oriented	50% of sharia insurance companies have developed insurance products according to the needs of the halal industry by 2027.	Industry, associations, OJK	V
		Increasing sharia insurance literacy and inclusion through ecosystem synergy by 5% per year		
2	Increasing programs to support sustainable finance	25% of general insurance companies have marketed Battery-Based Electric Motor Vehicles (KBLBB) insurance products.	Industry, OJK	V
		The decline in paper use in the company by 50%		V
		Increased investment in green instruments.		V
3	Development of Sharia social insurance	Implementasi skema jaminan sosial dengan prinsip Syariah	Industry, BPJS Kese-hatan	V
4	Strengthening domestic reinsurance	The decline in the trade balance deficit related to reinsurance activities	Industri, OJK	V
5	Implementation of the Policy Guarantee Program (PPP)	All the necessary elements for the launch of the PPP are prepared, including the required regulations and infrastructure	OJK, ministries/ agencies, industry	V
6	Development of insurance products in order to expand insurance penetration and density	Here is mandatory insurance according to needs	Associations, industry, OJK, Indonesian Ulema Council, ministries/ agencies	V
		Implementation of disaster insurance.		
		There is micro insurance for the agricultural and MSME sectors.		
		50% of sharia insurance companies have marketed sharia insurance products related to halal tourism by 2027		
		50% of sharia insurance companies have marketed sharia insurance products related to halal tourism by 2027		
		50% of sharia insurance companies market their products digitally by 2027		

No	Strategic Programs	Indicators	Responsible Parties	2027
7	Strengthening the function of insurance associations	Human resource development by increasing the Association's involvement in quality improvement programs of insurance company management teams.	Industry	V
		Implementation of a literacy improvement program.		
		Development of standards of practice.		
		Enforcement of the code of ethics.		
8	Strengthening synergies between insurance companies and the insurance industry ecosystem in business development	There is new collaboration between insurance companies and business partners in the context of marketing insurance products.	Industry	V
		Implementation of business matching activities involving sharia insurance.		
9	Implementation of Business Continuity Management (BCM)	100% of insurance companies have Business Continuity Management (BCM)	Industry	V
10	Regulation for providing alternative funding	Issuance of regulation regarding alternative funding to support insurance company capital.	OJK	V
11	Regulation that support the integration of the sharia insurance ecosystem	The issuance of regulation that support the integration of the sharia insurance ecosystem	OJK	V



4.4 Monitoring and Evaluation of the Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027

As a form of joint commitment, the implementation of the roadmap requires joint supervision from OJK, AAJI, AAUI, AASI, APPARINDO, and APKAI. The monitoring and evaluation mechanism of the Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027 is ilustrated in Figure 4.3.

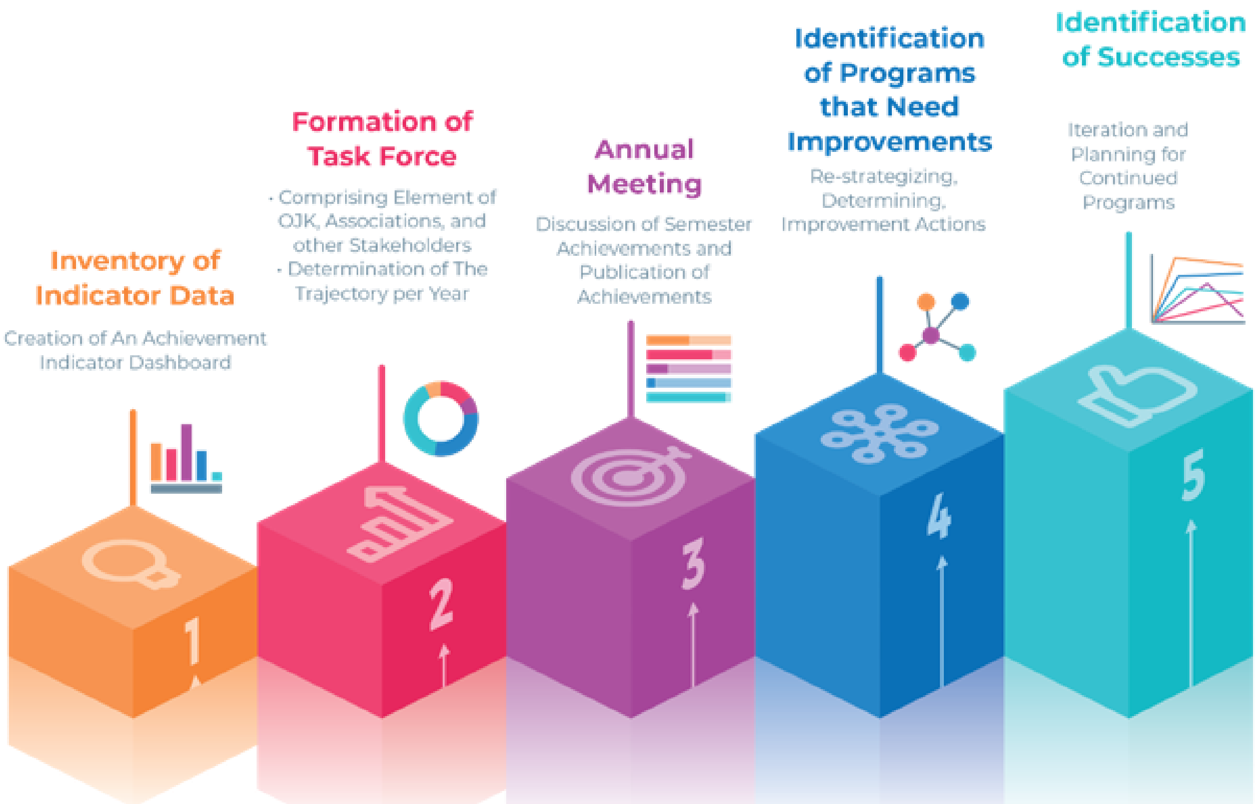
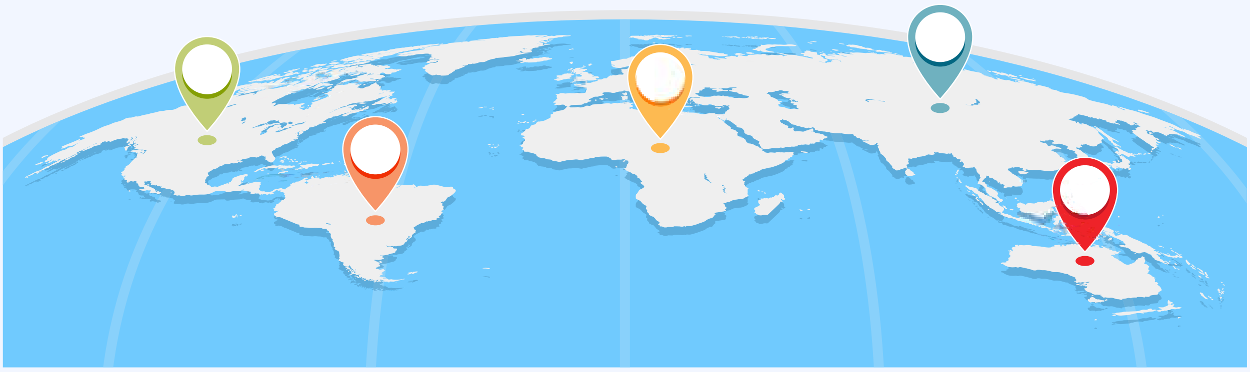


Figure 4.3. Monitoring and evaluation mechanism of the Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027

Source : OJK

Chapter. V
Conclusion

Conclusion



The Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027 is the result of collaboration and cooperation from a team consisting of various stakeholders, including elements of government, associations, industry and society. With the vision as stated in this roadmap, namely **"Realizing a Sound, Efficient, and Integrity-Based Insurance Industry, Enhancing Consumer and Community Protection, and Promoting Economic Growth Through Market Deepening, Increasing Inclusion and Financial Stability"**, all parties collaborate to achieve a better future for the industry. Over the next 5 years, all stakeholders in the insurance industry share the common objective of taking strategic measures to reinforce their role and function as an institution that instills a feeling of security and confidence among the public.

This Roadmap presents a clear vision for the future of the insurance industry in Indonesia. By summarizing the collaborative strategic programs, all stakeholders are committed to implementing effective and focused measures to develop the insurance industry in the coming years. Through initiatives to enhance capital, ensure industry sustainability, improve governance, and build trust in the financial services sector, it is expected that better protection for the industry and society will be achieved, along with increased public confidence. Additionally, the Roadmap promotes the growth of sharia insurance companies, reflecting an inclusive approach.

The Roadmap is a dynamic document that will adapt to both internal and external changes in the insurance industry. Adjustments may be made in the future to ensure that the Roadmap remains up to date, adaptable, and responsive. It is crucial for all stakeholders to coordinate, cooperate, and collaborate to achieve the expected programs, targets, and objectives outlined in the Roadmap. The strategic programs that have been prepared will be continuously monitored and evaluated to ensure their successful implementation.

Thank you, and we hope that the Roadmap for the Development and Strengthening of the Indonesian Insurance Industry 2023-2027 will serve as a valuable guidelines for all relevant parties.

References

AAJI. 2022.
Indonesian Life Insurance Roadmap. Jakarta: AAJI.

AASI. 2022.
Indonesian Sharia Insurance Blueprint. Jakarta: AASI.

Bank Indonesia. 2022.
Indonesian Economic and Financial Statistics. Jakarta: BI.

Ministry of National Development Planning/National Development Planning Agency. (2018).
Indonesian Sharia Economic Masterplan 2019-2024. Jakarta: Ministry of National Development Planning/National Development Planning Agency.

OJK. (2022).
Indonesian Financial Services Sector Master Plan 2021-2025. Jakarta: OJK.

OJK. (2023).
OJK Consumer Complaints Data 2022. Jakarta: OJK.

OJK. (2023).
Indonesian NBFI Statistics 2022. Jakarta: OJK.

OJK. (2023).
Indonesian Sharia NBFI Statistics 2022. Jakarta: OJK.

OJK. (2023).
National Survey of Financial Literacy and Inclusion 2022. Jakarta: OJK.

OJK. (2023).
Survey of Indonesian Insurance Industry Players & Customers in the Context of Preparing the 2023-2027 Insurance Roadmap. Jakarta: OJK.

Law Number 21 of 2011
Concerning OJK.

Law Number 4 of 2023
Concerning Development and Strengthening of the Financial Sector.

Glossary

AAJI	:	Asosiasi Asuransi Jiwa Indonesia
AAUI	:	Asosiasi Asuransi Umum Indonesia
AASI	:	Asosiasi Asuransi Syariah Indonesia
APPARINDO	:	Asosiasi Perusahaan Pialang Asuransi dan Reasuransi Indonesia
APKAI	:	Asosiasi Penilai Kerugian Asuransi Indonesia
AISR	:	ASEAN Insurance Surveillance Report
ASEAN	:	Association of Southeast Asian Nations
BI	:	Bank Indonesia
BPJS Kesehatan	:	Badan Penyelenggaraan Jaminan Sosial (BPJS) Kesehatan
CAGR	:	Compound Annual Growth Rate
Density	:	People average incomes set aside for product in one year
Dual Economic Systems	:	Carrying out business processes using conventional principles or sharia principles
GRC	:	Governance, Risk, Compliance
HR	:	Human Resources
NBFI	:	Non-Bank Financial Institutions
JCI	:	Jakarta Composite Index
LJK	:	Financial Services Institutions
MEKSI	:	Indonesian Sharia Economic Masterplan
MPSJKI	:	Master Plan for the Indonesian Financial Services Sector
OJK	:	Otoritas Jasa Keuangan
Penetration	:	Industry's funds compared to Gross Domestic Product (GDP)
POJK	:	OJK Regulation
PPP	:	Policy Guarantee Program
ROI	:	Return on Investment
SBN	:	Surat Berharga Negara
SBSN	:	Surat Berharga Syariah Negara
SEOJK	:	OJK Circular Letter
SJK	:	Financial Services Sector
SNLIK	:	National Survey of Financial Literacy and Inclusion
Spin-off	:	Separation of business units
UUS	:	Sharia Business Unit

For further information regarding the Roadmap for the Development and Strengthening of the Indonesian Insurance 2023-2027, please contact the person in charge as follows:

Edi Setijawan
e_setijawan@ojk.go.id

Muhamad Anugrah
muhamad.anugrah@ojk.go.id

Alis Subiyantoro
alis.subiyantoro@ojk.go.id

Cahya Tri Kristya Mardiyanto
cahya.tri@ojk.go.id

Yulita Riani Putri
yulita.riani@ojk.go.id

Agung Praditya
agung.praditya@ojk.go.id

Jean Dina Rysti
jean.dina@ojk.go.id

OTORITAS
JASA
KEUANGAN