

PRESS RELEASE

OJK ISSUES FOUR REGULATIONS TO ACHIEVE TRANSFORMATION OF INSURANCE AND PENSION FUND INDUSTRY

Jakarta, January 10, 2024. Indonesia Financial Services Authority (OJK) issued four OJK Regulation (POJK) to strengthen regulation in achieving transformation of insurance and pension fund industry.

Four POJK were issued at the end of 2023:

1. POJK Number 20 of 2023 on Insurance Products related to Sharia Credit and Financing, and Suretyship Products or Sharia Suretyship;
2. POJK Number 23 of 2023 on Licensing of Insurance Business and Company, Sharia Insurance Company, Reassurance Company, and Sharia Reassurance Company;
3. POJK Number 24 of 2023 on Licensing of Insurance Broker Business and Company, Reassurance Broker Company, and Insurance Loss Assessor Company; and
4. POJK Number 27 of 2023 on Implementation of Pension Fund Business.

The four regulations aim to accelerate transformation in the insurance and pension fund sector to become a sound, strong, and sustainably growing industry sector, thereby significantly contributing to the national economic growth.

Capital capacity limitations is one of the main issues in the insurance industry sector. The issue potentially disrupts the sectors' resilience and stability in anticipating potential economic crisis, which consequently may hinder optimum growth and development of the insurance industry sector players.

Therefore, one of the main substances regulated in the POJK Number 23 of 2023 and POJK Number 24 of 2023 are adjusting the provision upon the minimum paid-up capital for new entry as well as increases minimum equity for business actors who have obtained business license.

Additionally, as a consequence of the COVID-19 pandemic crisis, one of the issues that disrupts the financial soundness level of insurance companies is non-prudent practices in insurance product portfolio management related to sharia credit or financing.

Therefore, the POJK Number 20 of 2023 issuance aims to drive insurance companies to implement more optimum mitigation mechanism upon the exposure of risks borne by the insurance company from the marketing of a certain insurance product.

In relating to this, several main substances of the regulation stipulate the provision of access to credit/financing distribution data, sharing of risk between insurance companies and banks/financing institutions, and maximum limit of credit insurance premium allocated as commission or acquisition cost.

Meanwhile, in the pension fund sector, POJK Number 27 of 2023 on Implementation of Pension Fund Business contains implementation requirements based on the mandate of Law Number 4 of 2023 on Development and Strengthening of Financial Sector.

The POJK adjusts several POJK which had been issued in the previous years on pension fund, pension fund investment, as well as POJK on dues, pension benefits, and other benefits.

In the investment aspect, the POJK provisions aim to encourage prudent governance strengthening of pension fund investment through competence requirement for pension fund manager and additional prerequisites on investment placement with high-risk tendencies such as: Limited Participation Mutual Funds (RDPT), Infrastructure Investment Funds (DINFRA), Medium-Term Notes (MTN), and Repurchase Agreement (REPO).

In the pension benefit financing aspect, this POJK also contain requirements on periodical pension benefit financing directly paid with pension fund, or annuity product that provides retirement benefit payments for a minimum of 10 years.

One of OJK priority programs for the insurance industry sector in 2024 is refinement of regulations relating to insurance products and their distribution.

The regulation refinement of insurance products and their distribution is crucial to follow the dynamic insurance product innovation development while simultaneously strengthening the prudential aspect and market behaviour.

Basic improvements to the regulation are simplification of agreement and insurance product recording mechanism in accordance with the insurance products' complexity and risk level and encourage the strengthening of insurance company internal functions, particularly in insurance product development and supervision.

Moreover, OJK will set up the guaranteed industry as a strengthening and development measures of guarantee industry sector, which plays a strategic role in the MSME actors segment financing ecosystem. The measures carried out are preparing guarantee industry roadmap and strengthening the regulatory framework on business licensing and implementation within the industry sector.

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