

PRESS RELEASE

OJK Issues Stimulus Regulation for Insurance Companies and Pension Funds

Jakarta, September 4, 2015. Financial Services Authority (OJK) has issued a new regulation that gives stimulus to insurance companies and pension funds in effort to reduce impacts of the weakening global financial condition.

This policy is expected to be able to improve national financial market stability and to support growth in insurance companies and pension funds.

The stimulus policy has been stipulated in OJK circular letters, namely:

1. OJK Circular Letter Number 24 of 2015 on evaluation of bond investment and adjustment of minimum risk-based capital for insurance and reinsurance companies;
2. OJK Circular Letter Number 25 of 2015 on evaluation of Sharia bond investment and calculation of funds to anticipate risk of failure in managing wealth and/or responsibilities of Sharia insurance and reinsurance companies; and
3. OJK Circular Letter Number 26 of 2015 on evaluation of securities investment for pension funds.

With this regulation, insurance companies can conduct evaluation of bond by referring to shorted amount value (amortization). Pension funds can refer to redemption value without written document or shorted amount value (amortization).

Apart from that, insurance companies can also adjust the amount of minimum risk-based capital calculated in solvency ratio of 50 (fifty) percent minimally. Insurance and reinsurance companies can adjust minimum risk-based capital to solvency ratio of 120 (one hundred and twenty) percent maximally. As for Sharia insurance and reinsurance companies, they can adjust to solvency ratio of tabarru fund (collection of fund from participants' contribution) of 30 (thirty) percent maximally.

Insurance companies and pension funds that can apply these OJK regulations are insurance, reinsurance, Sharia insurance, Sharia reinsurance companies and pension funds directly impacted by global financial condition that has led to a decrease of market value of current investment and decrease of solvency ratio.

These OJK circular letters are temporary until financial market condition has recovered. Under such circumstance, these OJK circular letters will be revoked and not effective anymore.

The issued relaxation policy will not lessen OJK's supervision over insurance companies and pension funds, and OJK will remain applying prudential principle in conducting regulation and supervision.

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