

PRESS RELEASE

OJK BEEFS UP INSURANCE INDUSTRY, REPLACING AJB BUMIPUTERA 1912 MANAGEMENT

Jakarta, 24 October 2016 — The Financial Services Authority (OJK) has been fostering efforts to beef up national insurance industry by building the capacity of insurance companies to make them even more competitive.

As of August 2016, the industry showed excellent performance, with risk-based capital (RBC) of life and general insurance industries stood at 513.4% percent and 266.9 percent respectively, far above the minimum required RBC of 120 percent for insurance companies.

Other data on national insurance industry indicated year-on-year growth, such as asset growth of 12.8 percent and total investments that climbed 15.2 percent. As of August 2016, life and general insurance industries recorded return on assets (ROA) of 3.34 percent and 3.04 percent and return on equity (ROE) of 7.70 percent and 6.29 percent respectively.

To reinforce insurance companies, the OJK also took various steps and made many efforts to some life and general insurance companies, and reinsurance companies by pushing them to increase capital, optimize internal supervision and control, apply good corporate governance and risk management. On the other hand, the OJK also revoked business licenses of some insurance companies in order to prevent policyholders and other qualified parties from suffering more losses.

Moreover, the OJK urged insurance companies to upgrade their facilities and infrastructure, in terms of information technology, human resources development, product innovation, and distribution channel expansion.

In line with efforts to beef up the insurance industry and individual insurance companies, the OJK has taken steps to strengthen insurer AJB Bumiputera 1912.

It is necessary to take such steps for AJB Bumiputera 1912, given that it is one of the oldest insurance companies in Indonesia, a mutual business owned by its millions of policyholders. Hence, special measures are essential in order to optimize the firm's performance.

Therefore, in order to improve AJB Bumiputera 1912's performance and in turn, make it more competitive, and considering different aspects and risk analysis to the company's condition, the OJK took accelerated steps to strengthen the insurance firm by replacing its management effective from October 21, 2016.

The OJK replaced the insurer's management in accordance with Law No. 21/2011 on Indonesia's Financial Services Authority, Law No.40/2014 on Insurance, and OJK Regulation No. 41/POJK.05/2015 on Procedures for the Appointment of Statutory Managers for Financial Services Institutions.

The OJK took such action since the ongoing restructuring process had yet to achieve its goal—to see AJB Bumiputera 1912 produce stronger performance.

The main task of the insurer's new management is to make sure that the company will run smoothly as usual and implement overall restructuring to AJB Bumiputera 1912 to strengthen the firm's financial condition. The new management will immediately plan strategic steps for the company and submit them to the OJK.

To ensure that steps will be taken to beef up AJB Bumiputera 1912, through a corporate restructuring program, the new management will be supported, among others, by financial consulting company PricewaterhouseCoopers, tax audit firm Rustam Consulting, actuarial firm PT Milliman Indonesia, BNP Paribas bank and securities companies such as PT Mandiri Sekuritas, PT Bahana Sekuritas, PT Danareksa Sekuritas, and PT BNI Sekuritas Indonesia.

For more information:

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