

PRESS RELEASE

OJK ISSUES FIVE REGULATIONS ON DEVELOPMENT, SUPERVISION, AND STRENGTHENING OF INSURANCE, SURETY, AND PENSION FUND INDUSTRY

Jakarta, January 31, 2025. Indonesia Financial Services Authority (OJK) issued five OJK Regulation (“POJK”) to drive Insurance, Surety, and Pension Fund (“PPDP”) industry transformation.

The five POJK issued by the end of 2024 were:

1. POJK Number 34 of 2024 on Quality Development of Human Resources for Insurance Companies, Surety Institutions, Pension Funds, and Insurance, Surety, and Pension Fund Special Institution (“POJK 34/2024”)
2. POJK Number 35 of 2024 on Pension Fund Licensing and Institutions (“POJK 35/2024”)
3. POJK Number 36 of 2024 on Amendment of POJK Number 69/POJK.05/2016 on Business Implementation of Insurance Companies, Sharia Insurance Company, Reassurance Companies, and Sharia Reassurance Companies (“POJK 36/2024”)
4. POJK Number 37 of 2024 on Amendment of POJK Number 17/POJK.05/2017 on Procedure of Imposing Administrative Sanctions in the Insurance Sector and Blocking of Assets of Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Sharia Reinsurance Companies (“POJK 37/2024”)
5. POJK Number 38 of 2024 on Amendment of POJK Number 28/POJK.05/2015 on Dismissal, Liquidation, and Bankruptcy of Insurance Companies, Sharia Insurance Companies, Reassurance Companies, and Sharia Reassurance Companies (“POJK 38/2024”).

In addition to refining regulations as mandated by Law Number 4 of 2023 on the Development and Strengthening of the Financial Services Sector (“P2SK Law”), the five regulations aim to accelerate PPDP sector transformation into a healthy, solid, and continuously growing sector, significantly contributing to the national economic growth.

In the PPDP sector, human resources (HR) may significantly support business continuity amid financial services sector competition in the vast digital era when they have the proper capacity and competency in accordance with the business implementation characteristics in each industry.

Through POJK 34/2024, the HR quality development in the PPDP sector is expected to create innovative, efficient, inclusive, reliable, solid, and stable financial sector that supports strong, balanced, inclusive, and continuous national economic growth.

One of the efforts to supporting HR quality development in the PPDP industry is to provide funds for work competency or other technical and non-technical competencies enhancement. Moreover, the PPDP industry needs procedures and system as guidelines for the industry to strategize continuous HR quality development to stay competitive while considering the aspects of prudence.

In the insurance industry, healthy business development and facilitative ecosystem are the keys to ensure insurance industry's sustainability and long-term growth. Thereby, to create a solid and seamless insurance industry, OJK refined the regulation on business implementation of insurance companies, sharia insurance companies, reinsurance companies, and sharia reinsurance companies as a responsibility in preserving market stability and integrity and protecting the consumers.

Henceforth, the regulatory substances of POJK 36/2024 included adjusting the regulation on business scope expansion, cooperation with other parties, claim management resolution and risk division arrangement for trade credit insurance products. Additionally, digital insurance services regulation is needed to support business development information technology uses in business process.

To strengthen supervisory functions, legal enforcement measures such as adjustment to regulation on administrative sanctions and procedures of administrative sanctions imposing for insurance companies, sharia insurance companies, reinsurance, and sharia reinsurance companies. POJK 37/2024 aims to improve the effectiveness of risk-based supervision mechanism, including status determination and supervision follow ups.

The regulatory substances adjustments in POJK 37/2024 included addition of administrative sanction types, changes on administrative sanction imposing duration, changes on procedures of administrative sanction imposing which was previously implemented in stages and now is based on supervisory judgment, types of sanctions, and OJK's consideration in determining the violation category and applicable administrative sanctions.

POJK 38/2024 was issued to promote the effectiveness of insurance companies, sharia insurance companies, reinsurance, and sharia reinsurance companies' dismissal, liquidation, and bankruptcy. The current liquidation practices are considered as lacking effectiveness in resolving issues during the liquidation process. The refinements included completing and emphasizing the provision on liquidation team membership, uses of surety fund development, and additional provision on the procedures of debt payment postponement obligation.

In the pension fund sector, implementation regulations in POJK 35/2024 adapts the mandate of P2SK Law. The regulation adjusts 6 (six) existing POJK on pension fund dismissal and liquidation, inauguration of pension fund establishment, pension fund regulation changes, management and board of supervisors' criteria, sharia-based pension program implementation and pension fund governance.

In terms of licensing, POJK 35/2024 contains provisions for employers or founders, aiming to driving well-planned and comprehensively considered pension fund establishment, including additions such as criteria for investment manager in becoming a founder of DPLK.

Moreover, the main substances regulated in POJK 35/2024 included additional provision on minimum pension fund regulation content, pension fund organization including obligatory functions, pension fund governance including the number and composition of management, supervisory board, and sharia supervisory board, as well as regulation on pension fund dismissal and liquidation.

The preparation of the five regulations involved stakeholders' participation and inputs from the PPDP industry. The regulations will enter transitional period after the POJK are promulgated. Industry players are expected to prepare in the time being. The regulations are expected to be effectively implemented and beneficial for PPDP industry development.

OJK hopes with the regulations issuance, PPDP industry will become more stable, transparent, and has more capacity to protect consumers as well as trustworthy.

OJK also expects a healthy, inclusive, and prepared PPDP industry after implementing the right policy and regulations.

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