

## **PRESS RELEASE**

### **OJK'S COMMITTED TO ADDRESSING PROBLEMS IN THE INSURANCE INDUSTRY AND ENHANCING CONSUMER PROTECTION**

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Jakarta, 2 February 2023. The Indonesian Financial Services Authority (OJK) continues to work on addressing problems in several insurance companies while strengthening regulations and supervision to improve consumer protection and support the advancement of a healthier, more efficient, and sustainable insurance industry.

Resolutions of cases involving insurance companies such as PT Asuransi Jiwa Adisarana Wanaartha (Wanaartha Life/PT WAL), PT Asuransi Jiwa Kresna (Kresna Life/PT AJK), and Asuransi Jiwa Bersama Bumiputera, as well as Asuransi Jiwasraya are intensively pursued in accordance with prevailing regulations.

#### **Wanaartha Life**

In the case of PT WAL, whose business license was revoked by OJK last December, OJK continues to monitor the work of the Liquidation Team (TL) in implementing work programs proposed by the Shareholders at the company's Extraordinary General Meeting of Shareholders.

In accordance with the Law No. 40 of 2007 on Limited Liability Companies and PT WAL's Articles of Association, the formation of a Liquidation Team is entirely under the authority of the General Meeting of Shareholders (GMS). OJK's authority on such formation is to verify the administrative requirements of the proposed team members nominated by the Shareholders in line with the applicable regulations.

Currently, The Team has registered and submitted notification to the Directorate General of Legal Administrative Affairs at the Ministry of Law and Human Rights to obtain a decree that officially recognizes the Circular Resolution of the General Meeting of Shareholders to dissolve the Company and to form a liquidation team on 30 December 2022.

Prior to the GMS Circular Resolution to form a liquidation team, OJK had verified the proposed team members that were nominated by the shareholders and approved by the GMS. The verification referred to provisions under Article 4 of OJK Regulation (POJK) 28/2015 on Dissolution, Liquidation, and Bankruptcy of Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Sharia Reinsurance Companies. Of the three proposed team members, only two met the qualifications. Thus, the formation of the liquidation team and the dissolution of the Company complied with the applicable regulations.

In accordance with the Liquidation Team's newspaper announcement on 11 January 2023, the Insurance Policyholders, the Insured, Participants, Employees, and other Creditors can immediately submit invoices to the Liquidation Team who will then verify the supporting documents for calculating the obligations to be settled with the relevant parties.

Policyholders are required to adhere to the timeline for registering their invoices in line with the team's announcement and in accordance with the regulations. OJK has also coordinated with the team, requiring that the invoice registration process is carried out quickly, safely, and with due regard to the principle of prudence.

OJK appreciates the legal process taken by the Indonesian National Police who has named 7 suspects in the case of PT WAL, including the Controlling Shareholders and their family members who were alleged to have committed a criminal offense, i.e., Evelina Fadil Pietruschka, Manfred Armin Pietruschka, and Rezanantha Pietruschka; OJK encourages the Police to confiscate the assets of the Controlling Shareholders to fund the settlement of obligations to the policyholders.

OJK also requires the Controlling Shareholders to return to Indonesia to take responsibility for PT WAL's problems. In addition, OJK will take firm actions against Public Accountants, Public Accounting Firms, appointed actuaries, and Actuarial Consultants who provided their services to PT WAL.

### **Kresna Life**

In the case of PT Asuransi Jiwa Kresna (Kresna Life/PT AJK), OJK has reviewed the Financial Restructuring Plan (RPK) submitted on 30 December 2022 outlining the plan to convert the company's obligations into subordinated loans.

Regarding the Plan, OJK emphasizes that Kresna Life must be transparent in disclosing information to all policyholders to understand the scheme, risks, and consequences of the Plan.

Further, Kresna Life was given one month to provide proof of positive confirmation from the parties, particularly policyholders, on whether or not they agreed with the Plan. OJK will then review the Plan's adequacy in line with the applicable regulations, including adjustments made by Kresna Life to improve the Plan.

OJK has given the opportunity to Kresna Life to submit a comprehensive, structured, and measurable Plan in line with the regulations. As this would be the last opportunity, if the Plan fails to address the Company's problems within the specified time limit, OJK will take more stringent supervisory actions.

### **AJB Bumiputera 1912**

In the case of AJB Bumiputera 1912 (AJBB), OJK has repeatedly engaged in intensive discussions to make sure that the company's Financial Restructuring Plan (RPK) can address its fundamental problems. Based on multiple reviews and meetings, OJK believes that there is significant progress in the Plan's programs and policies.

In the latest Plan, the Extraordinary Assembly of AJBB has decided to consistently maintain AJBB as a joint venture (mutual agency) under the principle of a joint venture, i.e., profit/loss sharing, as stipulated in Article 38 of AJBB's Articles of Association. As a consequence, the insurance policy benefits were reduced, passive policyholders' liabilities went through reclassification, and AJBB's equity deficit was significantly scaled down. AJBB also plans to optimize its assets as well as the marketing of its insurance

products through affinity partnership schemes and multi-channel distribution strategies using the segregation of accounts, intended as a source of insurance premium income.

OJK is currently reviewing AJBB's Financial Restructuring Plan through Onsite Supervisory Presence to ensure AJBB's readiness when the Plan is implemented. Reviews of the Plan were made based on, among others, the calculation of assets and liabilities verified by actuary consultants and independent asset appraisal consultants with assistance from The World Bank.

OJK will issue a No Objection Letter if OJK considers that measures to address the deficit are carried out with good governance and in line with the applicable regulations and taking into account the interests of policyholders more broadly.

### **Jiwasraya**

In responding to the case of PT Jiwasraya, OJK has issued a No Objection Letter for Jiwasraya's Financial Restructuring Plan (RPK) through letter No. S-449/NB.2/2020 dated 22 October 2020. Based on OJK's monitoring, some of the main activities outlined in the plan have been implemented.

IFG Life, the insurer designated to receive the transfer of liabilities, has had its equity increased through additional capital from State Equity Participation (PMN) and IFG. Insurance policies have been restructured, followed by the transfer of policies of those agreeing to be moved from Jiwasraya to IFG Life.

A phased transfer of the policy portfolio is currently underway. OJK has required the Company to transfer all policies immediately. For policies that have not been transferred, OJK requires Jiwasraya to adjust its plan to reflect the current situation. To support such a transfer, additional capital is needed from the shareholders to ensure that policies that are subject to restructuring can be transferred to IFG Life.

Jiwasraya must submit a Financial Restructuring Plan that can achieve the full transfer of the portfolio of all policyholders agreeing to be restructured, including the required additional capital from their shareholders to complete the transfer.

### **Implementation of the Law on Financial Sector Development and Strengthening (UU P2SK)**

Law on Financial Sector Development and Strengthening (UU P2SK) is now enacted, providing the momentum for financial sector reform to be more inclusive, deep, and stable. OJK is committed to implementing the Law together with the stakeholders, including by immediately drafting the implementing regulations of the Law.

In implementing the P2SK Law in the insurance sector and as a way to enhance protection for policyholders, OJK takes an active role together with the Government and the Indonesian Deposit Insurance Corporation (LPS) to put in place a program for insurance policy guarantee. For insurance companies in the form of joint ventures, OJK will make certain that the governance for joint ventures is in line with the regulatory provisions in the P2SK Law.

## **Strengthening Supervision**

To further strengthen the insurance industry to enhance consumer protection, OJK continues to improve the regulations and supervision of the insurance sector, among others, by following through the resolution of complaints from insurance product customers as well as encouraging further improvements in marketing and managing Investment-Linked Insurance Products (PAYDI) by insurance companies, ensuring consistency with OJK Circular Letter (SEOJK) on PAYDI (SEOJK No. 5/2022).

OJK also supports the readiness of insurance industry players to carry out their business in line with international standards and best practices, among others, through the implementation of the Indonesian Financial Accounting Standard 74 (PSAK74) on Insurance Contracts.

OJK is set to complete reforms in the Non-Banking Financial Industry (NBFI), with the goal that the industry can grow and develop in a healthy and sustainable way, with adequate capital support, qualified human resources, good governance, and effective risk management.

OJK also plans to issue regulations on the financial soundness of insurance companies, including some restrictions on the investment activities of insurance companies.

The new regulation is set to replace OJK Regulations (POJK) No. 71/2016 and OJK Regulation No. 72/2016 on the financial soundness of insurance companies and sharia insurance companies.

In enforcing the regulation requiring insurance companies to have in-house actuary professionals (appointed actuaries), the Chief Executive of NBFI Supervision has sent out an ultimatum to companies to meet the requirement no later than 30 June 2023. OJK also requires the submission of reviews by an independent actuary on the work outcomes of the company's appointed actuary.

Finally, to enhance the reputation and stability of the insurance industry in anticipation of and as a preparation to welcome the Insurance-Policy Guarantee Agency (LPP), OJK will intensively further the preemptive measures and early detection to identify the main causes of problems in the insurance sector, so that insurance companies are able to immediately take prompt corrective actions.

It is expected that such immediate corrective actions can help to curb problems in the insurance industry, preventing them from becoming bigger and more complex as well as avoiding prolonged resolution in addressing the financial soundness and performance issues in the industry.

## **Consumer Protection**

OJK continues to strengthen consumer protection, among others by issuing balanced regulations of consumer protection, i.e., OJK Regulation (POJK) No. 6/2022 on Public and Consumer Protection in Financial Services Sector. OJK also continues to strengthen market conduct supervision in accordance with Law No. 4 of 2023 on the Financial Sector Development and Strengthening.

In addition to strengthened regulations and market conduct supervision, OJK is committed to continuing to deliver financial education programs massively. In 2022, OJK organized 1,897 financial education sessions, reaching 9.1 million participants.

In the insurance industry, OJK continues to support insurance companies to optimize their internal dispute resolution function, so that consumer complaints can be addressed immediately and resolved properly, to prevent potential reputational risk for national insurance companies and the insurance industry sector.

As of 30 December 2022, OJK received 315,783 inquiries for services, including 14,764 complaints, 92 complaints indicative of violations, and 3,018 disputes which were lodged to LAPS SJK, an Alternative Dispute Resolution Agency for the Financial Services Sector. Of those complaints, as many as 7,252, or 49 percent were complaints related to the NBFIs sector. OJK has taken follow-up actions on those complaints.

Further, in 2022, OJK monitored 21,373 advertisements of financial services and identified 460 advertisements that violated the rules. In this regard, OJK has issued Guidance Letters and Instructions to Financial Institutions to stop advertising materials that do not meet the regulatory provisions.

Regarding PT WAL, OJK has required the company to take follow-up actions on the complaints, including by issuing a written warning as a sanction for late/no response in addressing the complaints. OJK also had a series of meetings with PT WAL's clients, both before and after the business license was revoked (CIU), to explain the settlement process for policyholders.

Meanwhile, OJK has also required Kresna Life to take follow-up actions on the complaints, including by issuing a written warning as a sanction. OJK also organized meeting(s) between the consumers and the company management, including requiring the company to explain to policyholders about the company's Financial Restructuring Plan.

OJK also continues to require the management of both AJBB and Jiwasraya to respond to and resolve their consumers' complaints.

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