

PRESS RELEASE

OJK STRENGTHENS THE INSURANCE INDUSTRY THROUGH THE IMPLEMENTATION OF STATEMENTS FINANCIAL ACCOUNTING STANDARD 74 (PSAK 74)

Jakarta, 9 March 2023. The Indonesian Financial Services Authority (OJK) determined that improving the credibility of the national insurance industry would be a priority work program to be undertaken, among others by ensuring the readiness of industry players to implement PSAK 74 (the Statements Financial Accounting Standard 74) on Insurance Contract by 1 January 2025.

“We hope that the implementation of PSAK 74, a standard adopted from IFRS 17, can address the issue of asymmetric information that caused inconvenience to the relevant stakeholders, i.e., consumers, investors, and the regulator, as this would allow them to obtain a complete and correct picture about the financial conditions and the operational performance of an insurance company,” said the OJK Chief Executive for the Supervision of Insurance, Guarantee Institutions, and Pension Fund, Ogi Prastomiyono.

Ogi believes that the insurance industry sector plays a critical role to support national economic growth, either as insurance service providers or risk management service providers for business players and communities, and as institutional investors for long-term funding needs.

Within the past few years, several insurance industry players faced some problems, and this could potentially erode public confidence in the quality and capacity of national insurance industry players.

Furthermore, Ogi added that the implementation of PSAK 74 is in line with the mandate determined in Law No. 4 of 2023 on Financial Sector Development and Strengthening (UU P2SK) which stipulates that Financial Sector Providers (PUSK) are required to prepare and submit their financial statements in accordance with financial reporting standards issued by the Financial Report Standards Committee, a committee that will be established based on a Presidential Decree.

As an initial step to actively support the implementation of PSAK 74, on 31 October 2022 OJK formed a Steering Committee for the Implementation of PSAK 74. Chaired by a Member of OJK’s Board of Commissioners, the Committee members consist of representatives from the Ministry of State-owned Enterprises, Ministry of Finance, Institute of Indonesia Chartered Accountants, Financial Accounting Standards Board, Sharia Accounting Standards Board, Indonesian Institute of Certified Public Accountants, Society of Actuaries of Indonesia, Association of Indonesian Actuarial Consultants, Indonesian Life Insurance Association, Indonesian General Insurance Association, and OJK’s Deputy Commissioner of NBFI Supervision who is also the Chair of the PSAK 74 Implementation Working Group.

The Steering Committee is expected to provide solutions and/or policies to address problems at the technical operational level. On 21 February 2023, the Committee held a meeting to discuss several strategic issues, including the High-Level Roadmap for PSAK 74 Implementation and the expected outputs from the preparation of PSAK 74 implementation by 2023.

In that meeting, the PSAK 74 Implementation Working Group presented a report on their work programs in 2022, particularly the gap analysis to identify the preparedness of national insurance industry players to implement PSAK 74.

The Steering Committee also discussed several issues that must be prepared to ensure proper and timely implementation of PSAK 74, including human resources holding actuarial qualification, regulatory revisions particularly concerning financial soundness of insurance companies and taxation, supporting infrastructure, and the consequences of PSAK 74 implementation on the financial soundness of insurance and reinsurance companies.

To meet the needs for human resources, particularly actuaries, as one of the main competencies required for the implementation of PSAK 74, the insurance industry associations and the Society of Actuaries of Indonesia (PAI) have discussed some policy options to meet the needs of actuaries in the insurance industry sector, including by scheduling additional actuary certification exams.

In addition, insurance industry associations, both the General Insurance Association (AAUI) and Life Insurance Association (AAJI), have carried out programs to support the implementation of PSAK 74, including, among others, public outreach and training activities, as well as by developing a joint system to support the infrastructure readiness of insurance companies.

OJK has also communicated with the World Bank, IMF, and international insurance companies to support and assist the implementation of PSAK 74 in Indonesia, including through technical assistance. Further, several joint venture companies that have already implemented IFRS 17 are also expected to help and support the implementation of PSAK 74 through, among others, knowledge-sharing sessions.
