

PRESS RELEASE

OJK ORGANIZES INTERNATIONAL SEMINAR TO BOOST GROWTH IN INSURANCE INDUSTRY, PENSION FUNDS AND NATIONAL SOCIAL SECURITY SYSTEM

Jakarta, September 7, 2015. Financial Services Authority (OJK) organized on September 7-8, 2015 in Bali an international seminar themed “Ensuring Financial Sustainability of Insurance, Pension and Social Security Systems: Challenges and Opportunities”.

The international seminar was a part of OJK’s efforts to reinforce insurance industry, pension funds and social security implementation through a forum expected to be able to facilitate enrichment of knowledge and experiences from various countries.

The international conference was attended by 300 domestic and foreign participants, including from ministries, insurance industry, pension funds, financial services associations particularly associations in insurance industry and pension funds, supervisors, academics, Social Security Agency (BPJS) and other sectors.

Chairman of OJK Board of Commissioners Muliawan. D. Hadad said in his speech that insurance industry, pension funds and National Social Security System (SJSN) have significant roles in national economy, considering that they share similar characteristic as long-term business.

“These sectors have the capacity as sources of financial stability during crisis and are able to provide development fund to support Indonesia’s needs of infrastructure in the future. OJK really supports growth in these three sectors towards sustainable economy,” he said.

The forum also facilitated OJK and insurance industry players in Indonesia to learn from other countries’ experiences related to challenges, problem-solution approaches and decisions in certain conditions required for implementing SJSN.

Implementation of National Social Security System is highly important to be continuously developed, given that Indonesia is among the disaster-prone countries, therefore Indonesia must learn a lot from other countries’ experiences on how to handle natural disasters and perform mitigation.

The international seminar was also expected to be able to bring forward various thoughts and solutions regarding future challenges in non-bank financial industry’s programs, among others the low insurance penetration (the ratio of insurance premium to gross domestic product) and limited number of experts.

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Increase of insurance assets that was lower than increase of Indonesia's GDP has caused low insurance penetration in Indonesia in 2014 at 2.14 percent. This penetration level was far behind other countries and even among ASEAN countries. For instance, Singapore had level of penetration of 4.3 percent and Malaysia at 3 percent.

One of the reasons of low insurance penetration is lack of experts capable of maximizing applied statistics and actuarial science to support non-bank financial industry's development. To date, human resources in insurance companies and pension funds still cannot understand about risks thus incapable of managing them accordingly to company's capacity, and this problem makes companies difficult to develop optimally.

The next challenge is implementing SJSN, that is in how to maintain sustainable funding for SJSN and perform good administration, considering it involves a lot of participants and large amount of funds required to implement SJSN.

Additionally, Indonesia, which sits near to the Pacific Ring of Fire, is highly prone to natural disasters such as earthquake, tsunami, flood, drought and volcano eruptions. Such condition may arise some risks; therefore good management and risk mitigation are needed.

As for development in non-bank financial industry, based on OJK's statistical data as of July 2015, non-bank financial industry has total assets of Rp 1,496.15 trillion, with insurance industry's assets of Rp 775.34 trillion and pension funds' assets of Rp 196.64 trillion.

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