

INDONESIA CAPITAL MARKET AND FINANCIAL INSTITUTIONS
SUPERVISORY AGENCY

COPY OF

REGULATION OF THE CHAIRPERSON OF INDONESIA CAPITAL MARKET
AND FINANCIAL INSTITUTIONS SUPERVISORY AGENCY

NUMBER: PER-10/BL/2012

CONCERNING

THE ACTUARIAL REPORT OF INSURANCE COMPANIES AND REINSURANCE
COMPANIES

THE CHAIRPERSON OF INDONESIA CAPITAL MARKET AND FINANCIAL
INSTITUTIONS SUPERVISORY AGENCY,

Considering : that in order to implement Article 41 paragraph (10) of the Regulation of the Minister of Finance Number 53/PMK.010/2012 on the Financial Soundness of Insurance Companies and Reinsurance Companies, it is necessary to stipulate a Regulation of the Chairperson of Indonesia Capital Market and Financial Institutions Supervisory Agency concerning the Actuarial Report of Insurance Companies and Reinsurance Companies;

In view of : 1. Law Number 2 of 1992 concerning Insurance Business (State Gazette of the Republic of Indonesia Number 13 of 1992 and Supplement to the State Gazette Number 3467);

2. Government Regulation Number 73 of 1992 concerning the Operations of Insurance Business (State Gazette of the Republic of Indonesia Number 120 of 1992, Supplement to the State Gazette of the Republic of Indonesia Number 3506) as has been amended several times and last by the Government Regulation Number 81 of 2008 (State Gazette of the Republic of Indonesia Number 212 of 2008, Supplement to the State Gazette of the Republic of Indonesia Number 4954);

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3. Regulation of the President of the Republic of Indonesia Number 24 of 2010 concerning the Positions, Duties, and Functions of State Ministries as well as the Organizational Structures, Duties, and Functions of Echelons I of State Ministries as has been amended several times and last by the Regulation of the President of the Republic of Indonesia Number 92 of 2011;
4. Regulation of the Minister of Finance Number 184/PMK.01/2010 concerning the Organization and Administration of the Ministry of Finance;
5. Regulation of the Minister of Finance of the Republic of Indonesia Number 53/PMK.010/2012 concerning the Financial Soundness of Insurance Companies and Reinsurance Companies;

HAS DECIDED:

To enact : REGULATION OF THE CHAIRPERSON OF INDONESIA CAPITAL MARKET AND FINANCIAL INSTITUTIONS SUPERVISORY AGENCY CONCERNING THE ACTUARIAL REPORT OF INSURANCE COMPANIES AND REINSURANCE COMPANIES

Article 1

MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA

INDONESIA CAPITAL MARKET AND FINANCIAL INSTITUTIONS
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The formats and structures of actuarial report of insurance companies and reinsurance companies shall be made according to the Appendix, which constitutes an integral part of this Regulation of the Chairperson.

Article 2

Upon this Regulation of the Chairperson's coming into effect, Article 6 of the Decision Letter of the Director General of Financial Institutions Number KEP-4033/LK/2004 concerning the Formats and Structures of Insurance Business Reports as well as the Formats and Structures of Announcement of Financial Statements of Insurance Companies and Reinsurance Companies shall be revoked and declared invalid.

Article 3

This Regulation of the Chairperson shall come into effect on June 1, 2013.

Stipulated in Jakarta

on December 27, 2012

CHAIRPERSON OF INDONESIA
CAPITAL MARKET AND FINANCIAL
INSTITUTIONS SUPERVISORY
AGENCY,

Signed by

NGALIM SAWEGA

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Head of General Affairs

MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA
INDONESIA CAPITAL MARKET AND FINANCIAL INSTITUTIONS
SUPERVISORY AGENCY

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Signed by

Prasetyo Wahyu Asi Suryo

NIP¹ 19571028 198512 1 001

¹ *Nomor Induk Pegawai* or Civil Service Employment Number

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MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA
INDONESIA CAPITAL MARKET AND FINANCIAL INSTITUTIONS
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APPENDIX

REGULATION OF THE CHAIRPERSON OF INDONESIA CAPITAL MARKET
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NUMBER PER-10/BL/2012

CONCERNING

THE ACTUARIAL REPORT OF INSURANCE COMPANIES AND REINSURANCE
COMPANIES

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Actuarial Report

[Name of Insurance or Reinsurance Company]

[Reporting Period]

I. THE ACTUARY'S STATEMENT

This part shall contain at least:

1.1 Information about the company's actuary, among others:

- Name of Company;
- Name of Actuary;
- Home Address and Phone Number;
- Office Address and Phone Number;
- Date of Appointment;
- Date and Place of Birth;
- Professional Qualifications;
- Work Experiences.

1.2 Description of procedures and compliance with healthy standard of practice

1.3 The actuary's opinion and accountability for the actuary's statement report

To the Board of Directors and Board of Commissioners of

PT [Insurance/Reinsurance Company...]

We, the undersigned, hereby declare that:

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1. All information submitted has been developed based professional judgment, and adequate tests have been administered to make reasonable assessment;
2. We assume full responsibility for the assessment result in this actuarial report in its entirety, including the portion of work that has been delegated to another party; and
3. This report is prepared in accordance with the applicable laws and regulations and the generally accepted actuarial principles.

Date and place of writing

Signature

Name

PAI² Registration No.

1.4 The Board of Directors' Statement

We, the undersigned, hereby declare that:

1. The procedure for determining liability has been in accordance with the applicable laws and regulations, and
2. The information provided for the Actuary in this actuarial report of PT ... of ... (reporting year) is accurate and complete.
3. We understand the content of this Actuarial Report and will implement the recommendations discussed in this Actuarial Report.

Date and place of writing

² *Persatuan Aktuaris Indonesia* or Society of Actuaries of Indonesia

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Title

Signature

Name

II. EXECUTIVE SUMMARY

This part shall contain the purpose of the report, scope of the report, summary of changes made since the previous report, key findings of the report and recommendations provided by the actuary to the Board of Directors.

III. INTRODUCTION

This part shall contain the background and purpose of the report, scope of the report, legal framework, and materiality, reliance and limitation in the preparation of the report.

IV. FOLLOW-UP TO THE PREVIOUS PERIOD'S RECOMMENDATIONS

This part shall contain the recommendations that have and have not been implemented.

V. DATA QUALITY

In this part, the actuary must explain about the data completeness, data reliability, procedures that have been followed to assure data completeness and reliability and data weaknesses (if any).

VI. DESCRIPTION OF THE COMPANY'S BUSINESS

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In this part, the actuary shall provide a description about the company's general information, consisting of the company's structure and operations, including:

6.1 Business line or marketed product

The actuary must describe the composition of products that are currently marketed and the composition of products that will be marketed according to the company's future plans.

In addition, the actuary must provide a description of any discontinued marketing of products or plans to discontinue marketing of products, if any, and the reason for discontinuance and the description of the portfolio management of such products with discontinued marketing.

6.2 Target market

The actuary must describe the target market for each line or product currently marketed and the company's future plan.

6.3 Distribution channel

The company must describe the distribution channel for each line or product currently marketed and the company's future plan.

6.4 Human resources and their technical competencies.

6.5 Information and communications technology support.

VII. FINANCIAL SOUNDNESS LEVEL AND CAPITAL ADEQUACY RATIO

This part shall contain at least:

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7.1 Financial soundness and capital adequacy analysis

The Actuarial Report must contain the company's financial soundness level and equity ratio for at least the past 5 (five) years in the form of tables and graphs. The actuary must provide a description about any event that leads to an increase or a decrease in the company's financial soundness level and equity ratio. In addition, if there is a significant movement in the company's financial soundness level and equity ratio, it is also necessary to describe the main driver of the movement.

7.2 Financial soundness and capital adequacy projection

The Actuarial Report must contain the company's financial soundness level and equity ratio projection for at least the next 5 (five) years in the form of tables and graphs.

This part must also contain a deviation analysis between last year's profitability projection and this year's realization to show whether or not there is a significant deviation and also as control for the actuary in making projection so that the projection it makes can be reliable.

The company's actuary must perform a stress test to identify the effects of various events and scenarios on the company's financial soundness level and equity ratio position to show any event that may threaten the financial soundness level adequacy and compliance with the minimum capital requirement.

7.3 Assumption

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The actuary must provide an explanation for the assumptions used in the financial soundness and capital projection, as well as an explanation for such assumptions' reasonableness.

7.4 Company's access to capital requirement analysis

The actuary must provide an explanation about the company's ability to obtain additional capital from shareholders or from other sources.

VIII. PRICING AND PROFITABILITY

This part shall contain at least:

8.1 Pricing policy

The actuary must provide a pricing policy analysis for each business line or marketed product including used assumptions.

8.2 Pricing policy review

The actuary must provide a pricing policy review if there is a change in the pricing policy or assumptions used in the pricing.

8.3 Cost realization and profitability analysis

The actuary must provide a cost realization and profitability analysis for each business line or marketed product.

In addition, the actuary must assess the profitability achieved by a product and its effects on the company's overall financial condition.

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8.4 Profitability analysis for new and existing insurance

For a life insurance company, the actuary must provide a profitability analysis for new and existing insurance. The company's actuary must show whether the new insurance produced in the current year generates a profit or incurs a loss.

8.5 Profit distribution

The actuary must provide an explanation about the amount of the policyholders' and shareholders' profits for a life insurance product that contains a participation element. If the life insurance company does not have any participation product, the entire discussion shall focus on the profits for the shareholders.

8.6 Profitability historical analysis

The actuary must provide a profitability historical analysis for at least the past 5 years and a projection for the next 5 years. To support the profitability analysis, the Actuarial Report must contain tables or graphs of profitability trend for the past 5 (five) years.

This part must also contain a deviation analysis between last year's profitability projection and this year's realization to show whether or not there is a significant deviation and also as control for the actuary in making projection so that the projection it makes can be reliable.

IX. LIABILITY

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9.1 Calculation method, assumption, and model

The actuary must provide a description about the calculation method, assumptions, and model used by the company to form liability, especially technical reserves for each business line and product.

9.2 Actuarial opinion

The actuary must provide an opinion as to the calculation method, assumptions, and model used by the company.

X. ASSET-LIABILITY MISMATCH

The actuary shall be expected to provide a description about:

10.1 Analysis of asset valuation method used by the company

10.2 Analysis related to asset diversification including market risk, credit risk, and currency fluctuation risk

10.3 Analysis of asset profile linked to the company's liability, including yield rate, duration, and liquidity

XI. REINSURANCE

The actuary shall be expected to provide a description about:

11.1 Analysis of reinsurance support owned by the company and conformity with the characteristics of business line or product marketed

11.2 Analysis of self-insured retention set by the company

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11.3 Quality of reinsurer that supports the company's reinsurance program

XII. RISK MANAGEMENT

The Actuarial Report must describe about:

12.1 Description and actuarial opinion about the risk management framework in the company

12.2 Analysis of the effectiveness of management risk implementation in the company

XIII. FINANCIAL PROJECTION

Estimates of the company's ability to meet future liabilities of the next 5 (five) year projections for the company's business, asset and liability growth, and financial soundness.

When making the projections, the actuary must use optimistic, normal, and pessimistic scenarios. The pessimistic assumptions shall include at least:

- a. Financial crisis
- b. Higher inflation than expected
- c. Catastrophic loss
- d. Lower yield
- e. Lower number of new insurance
- f. Higher discontinuance rate
- g. Higher claim rate

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The actuary must make a deviation analysis between last year's profitability projection and this year's realization to show whether or not there is a significant deviation and also as control for the actuary in making projection so that the projection it makes can be reliable.

XIV. OTHER AREAS OF ATTENTION

The company's actuary shall be expected to provide a description about other subjects that, in its opinion, are important to be disclosed, especially those having potential adverse effects on the company.

CHAIRPERSON OF INDONESIA
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