

Client Alert



July 2016

Stimulus Package for Insurance Companies and Pension Funds has now been revoked by the OJK

Background

On 31 August 2015, the Financial Services Authority (*Otoritas Jasa Keuangan* or "**OJK**") issued several circular letters as a stimulus policy package to minimize the detrimental effects of unstable global financial conditions, at that time, on the insurance and pension fund business sector. The stimulus package applied to insurance and reinsurance companies (conventional and syariah) and pension funds whose investment values had dropped such that the investment values no longer reflected their fair value and/or such insurance companies' and pension funds' solvability levels had dropped below the required minimum solvability level ("**Leniency Circular Letters**").

To see our full client alert on this please click [here](#).

Recent Development

On 27 June 2016, the OJK revoked the Leniency Circular Letters under:

- OJK Circular Letter No. 21/SEOJK.05/2016 on Revocation of OJK Circular Letter No. 24 of 2015 on Debt Instrument Investment Valuation and Adjustment of Risk Based Minimum Capital for Insurance Companies.
- OJK Circular Letter No. 22/SEOJK.05/2016 on Revocation of OJK Circular Letter No. 25 of 2015 on Syariah Securities Valuation and Fund Calculation to Anticipate Failure Risks in Managing Assets and/or Liabilities of Syariah Insurance Companies and Syariah Reinsurance Companies.
- OJK Circular Letter No. 23/SEOJK.05/2016 on Revocation of OJK Circular Letter No. 26 of 2015 on Securities Valuation for Pension Funds.

Implications

- For insurance and reinsurance companies
 - companies can no longer use an amortized value in valuing debt instruments.
 - companies must meet the minimum RBC required under Chairman of Capital Market and Financial Institutions Supervisory Body Regulation No. PER-08/BL/2012 on Guidelines on Calculation of Risk Based

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Minimum Capital for Insurance Companies and Reinsurance Companies.

- For syariah insurance and reinsurance companies
 - companies can no longer use an amortized acquisition value in valuing syariah debt securities.
 - companies must meet the minimum funds requirements, to anticipate risks of failure in managing assets and/or liabilities for solvability level calculation , under Chairman of Capital Market and Financial Institutions Supervisory Body No. PER-07/BL/2011 on Guidelines on Calculation of Funds Required to Anticipate Loss Risks in Managing Tabarru' Funds and Calculation of the Amount of Funds Required for Companies to Anticipate Potential Loss Risks in Conducting Syariah Insurance and Reinsurance Business.
- Pension funds can no longer use a final redemption value in valuing debt securities investments, without providing the supporting written documents, nor can they use the amortized acquisition value.