





INDONESIA RE INTERNATIONAL CONFERENCE (IIC) 2022

A Conference Summary

Reinsurance and Economic Resilience:
Dealing with Climate Change, Pandemic, and Geopolitical Challenges

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# About IC 2022

The COVID-19 pandemic has had a significant impact on the world economy, including Indonesia. The small business sector experienced a drastic decline in income. This condition causes several small businesses to delay or even be unable to make business credit payments. It is recorded that credit insurance claims in Indonesia reached IDR 10.72 trillion in 2020.

World economic conditions have not only been pressured by the COVID-19 pandemic, but have also been made worse by the war between Ukraine and Russia. The war between the two countries involved many other countries stepping in so that the resulting restrictive policies had a big impact. Inflation that arises due to limited energy and food commodities is also felt by developed countries. Indirectly, this inflation will make things difficult for companies.

Catastrophic risks due to natural disasters have increased in recent years. The Malaysian flood incident, for example, caused losses of up to USD 1.46 billion. Apart from being caused by the city's spatial planning, the flood disaster was also caused by above normal rainfall. The emergence of weather anomalies indicates climate change caused by carbon gas emissions. So, several countries feel the need to create regulations to reduce carbon gas.

Indonesia is falling into uncertainty state that give potential impact on macro economic stability. At this time, Indonesia is recovering from COVID-19's crisis, economy has increased to 5.01% in Q1 2022. However, Indonesia still need to prepare to dealing with other potential crisis. This situation come from several issues such as Ukraine–Russian geopolitical conflict and increasing catastrophe due to climate change.

# About IIC 2022

PT Reinsurance Indonesia Utama (Persero) as the only company with a flagship reinsurance business has a role in protecting risks that may occur through reinsurance of insurance risks. Reinsurance itself plays a crucial role in managing catastrophic risks that have high volatility and severity that are not absorbed by insurance companies. This role of reinsurance hopefully will help the government in maintaining economic stability. Hence, through organizing Indonesia Re International Conference (IIC) 2022 with the theme 'Reinsurance and Economic Resilience: Dealing with Climate Change, Pandemic, and Geopolitical Challenges', Indonesia Re took the initiative to raise the above issues in an international conference which is expected to increase awareness of the importance of the reinsurance industry, finding better solutions for managing catastrophic, pandemic and credit risks.

# **Opening Statement**



President Director of Indonesia Re

Assalamualaikum Warrahmatullahi Wabarakatuh.

Peace be upon you, shalom, Namo Buddhaya, salam kebajikan/greetings of virtue.

Our distinguished Speakers, Panelists and Moderators; Our esteemed sponsor representatives; and to all respected participants who attend this event both offline and online who I cannot mention one by one.

First and foremost, let's express our gratitude towards the Almighty whose blessings are always with us so that we all could be here in good health attending the Indonesia Re International Conference (IIC) 2022 under the theme "Reinsurance and Economic Resilience: Dealing with Climate Change, Pandemic and Geopolitical Challenges".

With its role as the pillar for insurance companies, reinsurance industry plays a very important function in supporting the insurance industry, in which a solid financial capacity is the core principal that must be possessed by reinsurance companies.

General Insurance Association of Indonesia data showed that every year the country's six reinsurance companies contribute premiums of nearly USD 2 billion. However, with a total equity of just around USD 460 million as of June 2022, the country's reinsurance industry did not have the capacity to re-insure the risks of national insurance companies. This has negatively contributed to Indonesia's current account deficit.

# **Opening Statement**

(cont.)

Should we not able to anticipate the ongoing risks, this deficit will continue to grow. The risks arising from climate change, pandemic and geopolitical issues are global challenges that we should mitigate urgently.

Indonesia being part of the Ring of Fire has a high disaster risks. With the ongoing climate change and our commitment to protect the earth by implementing Net Zero Emissions in 2060 as well as carrying out Green Economy Program, it is important to discuss the risks of environmental issues and climate change towards our business.

COVID-19 pandemic has taught us, particularly the reinsurance and insurance industries, the importance of implementing a risk management well, which involve conducting stress tests with occurrences that we had never imagined before. Although the pandemic is now under control, we should anticipate the effects of it on the economy and people's lives. The increase in morbidity resulting in an increase in costs of health care under a diminishing purchasing power environment has contributed to the weakening economic growth. One of the consequences is the inability to pay credit installments, which for that matter should be one of the focuses of the insurance industry, especially reinsurance. Credit insurance is one of the biggest premium contributors, hence claims – which has allegedly exceeded the estimated threshold.

Nevertheless, the insurance industry should perceive issues in credit insurance as positive problems. It is view as positive because we understood that credit is required to elevate people's purchasing power and activate the real sectors. It only becomes a problem when the financial industry lacks the understanding on how to properly mitigate credit risk and manage it comprehensively.

The above condition is worsened by the fragile geopolitical situation. We should anticipate negative impacts arising from Ukraine-Russia war, US-China cold war, and the upcoming presidential election year in Indonesia towards the business.

### **Opening Statement**

(cont.)

As a risk administrator whose duty is to either hold its own risk, share it with other insurance or reinsurance companies and/or transfer the risks into other local/overseas reinsurance companies, the reinsurance industry plays a very important role as a catalyst for the overall financial industry. The concentration of risks that occurs in Indonesia should be spread-out and replaced with better risks from overseas.

The global reinsurance industry has been consolidating in recent years due to rising prices caused by increased claims, resulting in a limited capacity availability. This situation has resulted in the domestic reinsurance industry being exposed to an even greater pressure and inevitably has to consolidate as well.

The above factors have driven the domestic reinsurance industry to transform and improve. Increasing financial capacity, improving business models to maintain business continuity, strengthening research and learning centers are crucial at this phase. The reinsurance industry should transform from a relationship-based industry to a knowledge-based industry.

Through **Indonesia Re International Conference (IIC) 2022**, we invite stakeholders to jointly find solutions to strengthen the national reinsurance industry in Indonesia and establish a stronger backbone to support the economy in Indonesia.

Thank you and Wassalamualaikum Warrahmatullahi Wabarakatuh.

# Global Economic Overview



#### **Greeting from Moderator**



AVIANI MALIK
(Professional Moderator &
Presenter of Metro TV)

The world economics' condition is still challenging. The global economic has been slowing down, followed by the risk of stagflation in several countries, to make things worse, even recession has threatened developed countries. Global trade and manufacturing indices has been slowing down. Global economic growth has been projected lower than usual.

Russia-Ukraine conflict so far has taught us that Russia's economic resilience shows that financial and any sanctions will not be a barrier for Russia. War is an exceptional risk for insurers who have definitely acquired a certain knowhow in covering acts of piracy and other political risks such as terrorism. But, insurers still do not have solutions for dealing with war situations.

The global risk would keep rising, then becoming the global business threat. This would create some national interest accumulate together, becoming international interest. This interest would create an international pressures to the US and alliances strategy to end the global tension.

To address the challenge, Government need to assess the impact of longevity risk on Government funding and fiscal policy, and also conduct education about longevity and financial consequences. On the risk management perspective, it is recommended to leverage insurance, reinsurance, and capital market instruments. Hence, towards these challenges, (re)insurance industry play a very critical role in providing risk transfer solutions.

## Global and Emerging Market Outlook



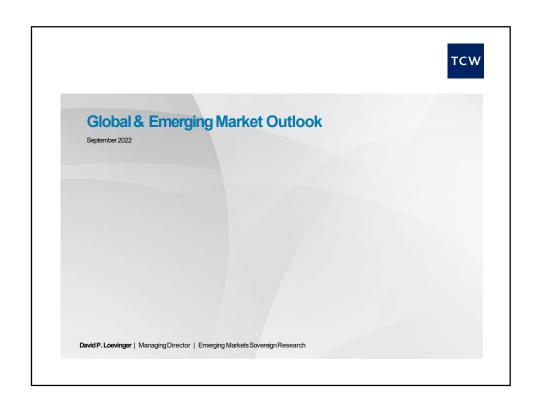
**DAVID LOEVINGER**(Managing Director of TCW Group)

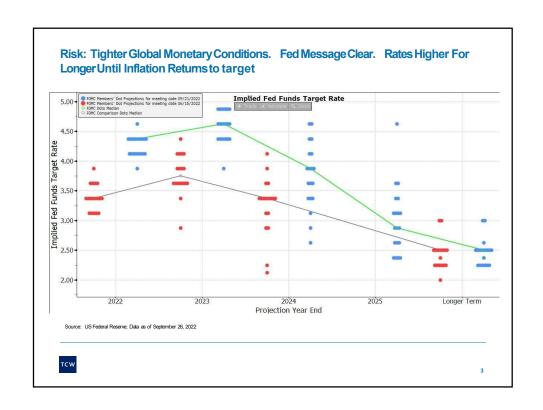
#### Executive Summary:

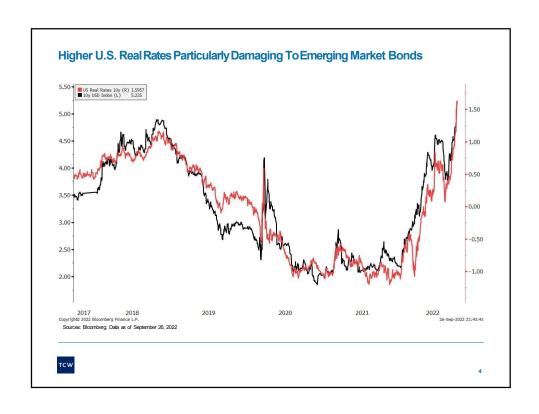
The world economics' condition is still challenging. We have seen a tighter global monetary conditions and Fed message was clear: rates higher for longer, until inflation returns to target. However, higher US real rates particularly damaging to emerging market bonds.

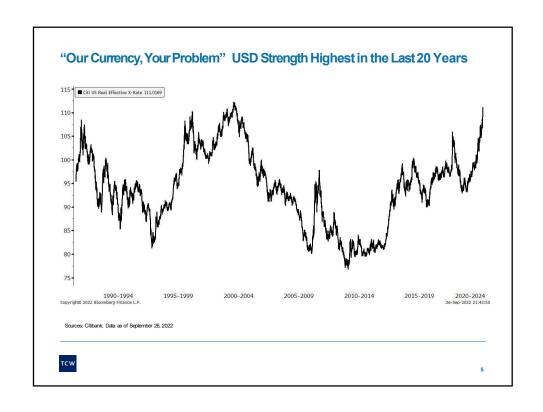
Weaker external damage and stronger domestic demand equal to trade balance deterioration, which along with capital outflows is putting pressure on Asian FX. It is obvious that rising uncertainty equals to rising volatility and rising risk premia.

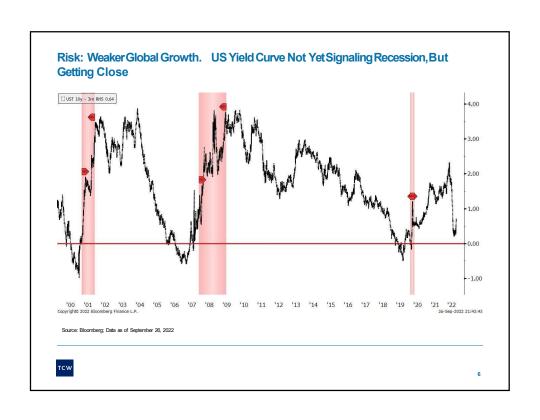


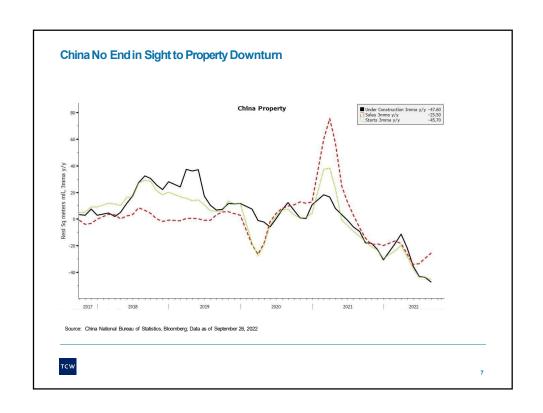


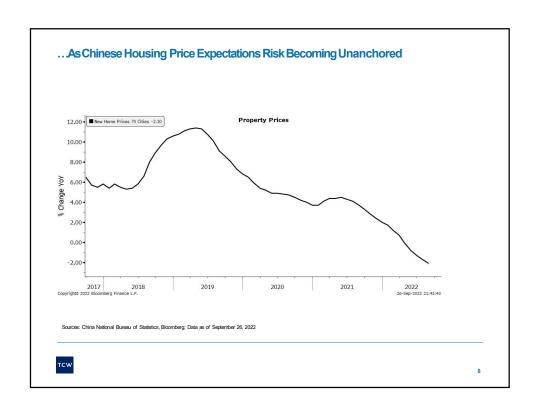


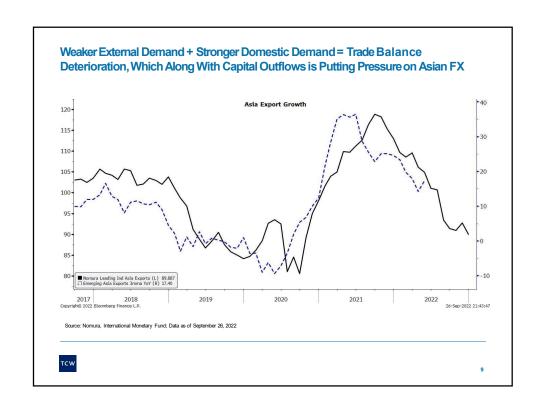


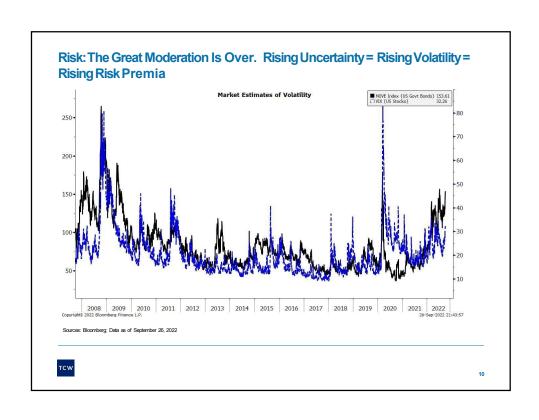


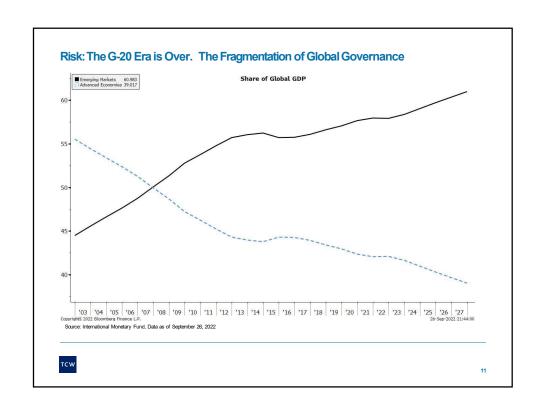


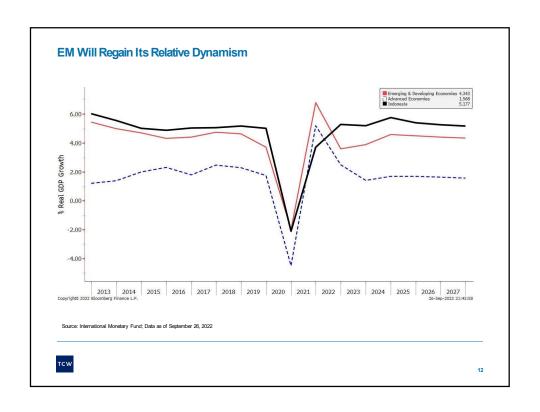












#### **Biography**



David joined TCW in June 2012 from the U.S. Treasury Department, where he was Senior Coordinator for China Affairs. While at Treasury, he also served as Minister Counselor for Financial Affairs at the U.S. Embassy in Beijing and Deputy Assistant Secretary for Asia. Mr. Loevinger was previously an economist for the International Monetary Fund. He started his career in the Office of the U.S. Trade Representative, the Senate Banking Committee, and the U.S. Commerce Department.

He earned a Masters in Public Policy from Harvard University's Kennedy School of Government and a B.A. in Economics from Dartmouth College.

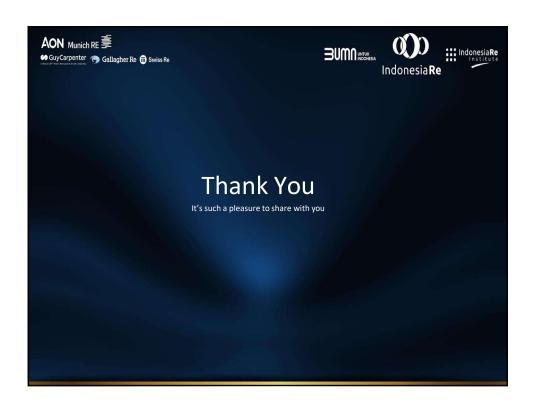
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#### Indonesia Economic Update



**HENDRI SAPARINI**(Senior Economist and Founder of CORE Indonesia)

#### Executive Summary:

The global economic has been slowing down, followed by the risk of stagflation in several countries, to make things worse, even recession has threatened developed countries. Global trade and manufacturing indices has been slowing down. Global economic growth has been projected lower than usual.

Slowing down of the global economy and the potency of recession in some developed countries has pushed commodity prices lower. We could see it in crude oil, coal, wheat, and palm oil. Increased Federal Funds Reserve (FFR) has caused pressure on Capital Outflow resulting in Rupiah weakening.

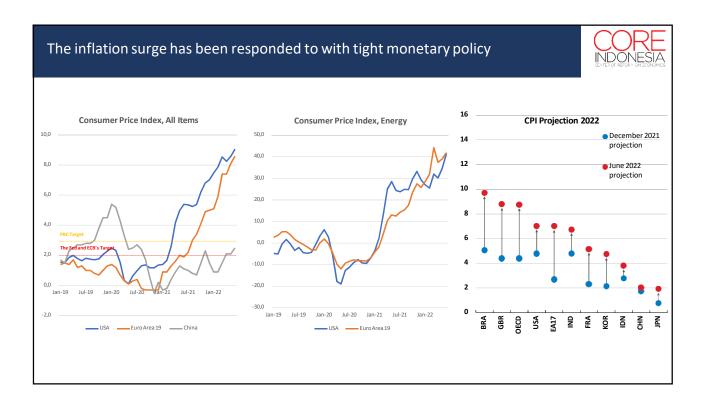
The inflation rate has been increasing during the last two years and will exceed Bl's target (6 - 7% as of 2022) because of the direct impact (1st round) and continued impact (2nd round) of the price increase of gasoline.

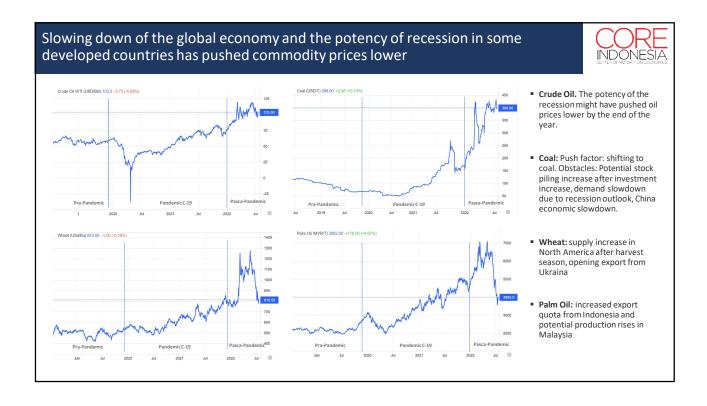
The investment (FDI and DDI) still growing. Government policy, as well as prospective domestic and global markets, have been maintaining the investment growth at the good rate.

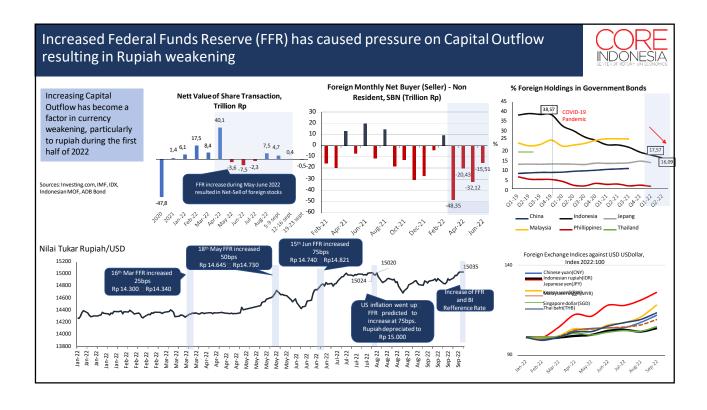


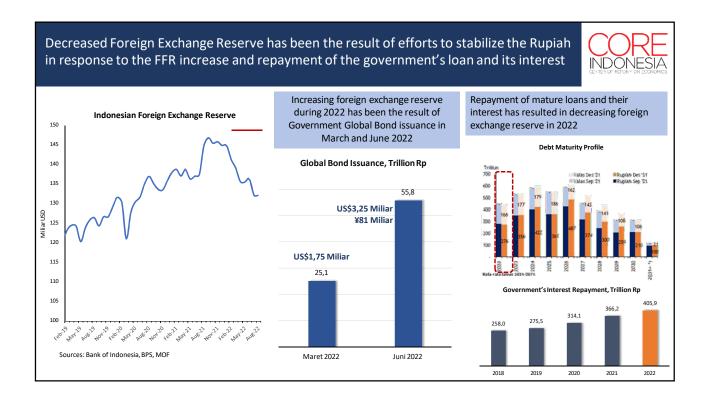


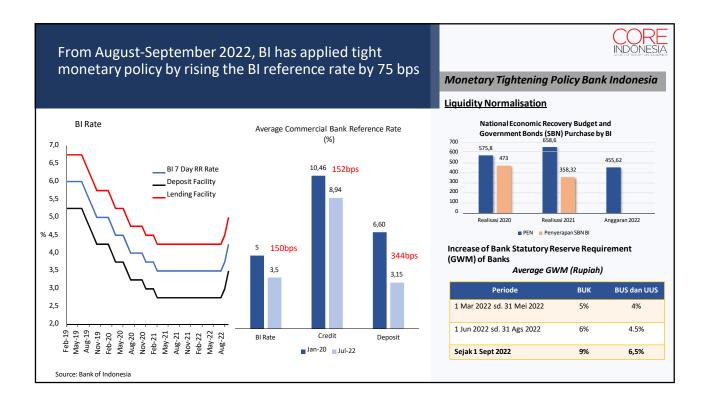
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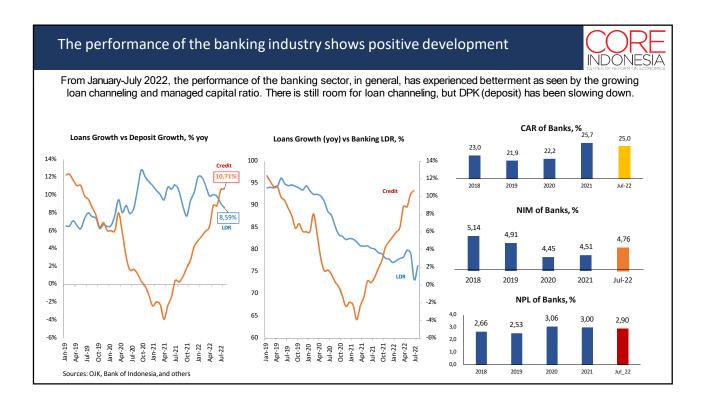


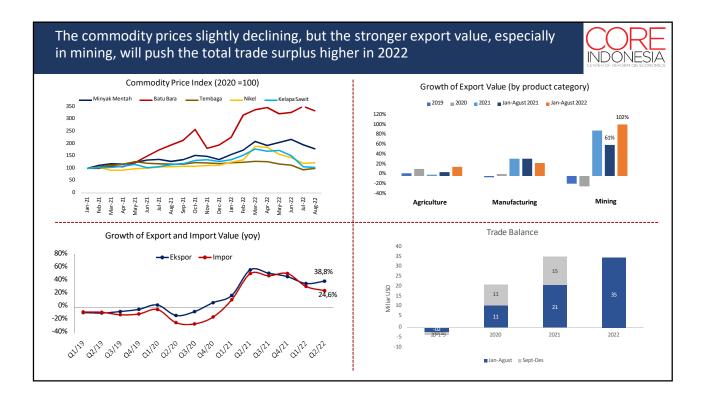


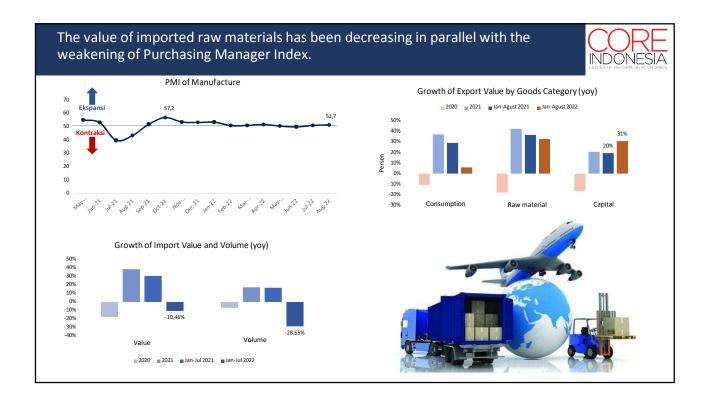


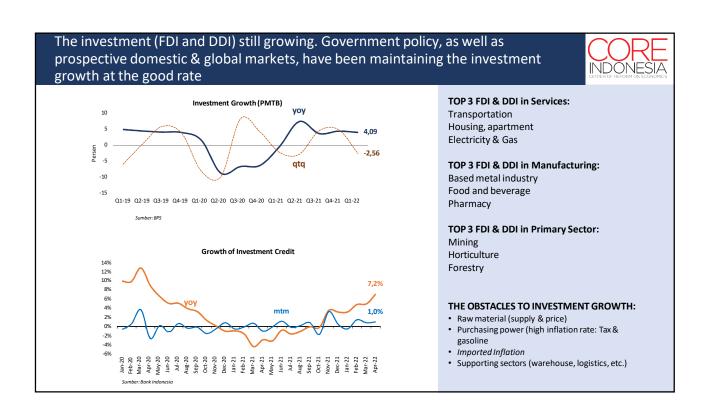
















#### **Russia-Ukraine Conflict:**

# Global Economic Resilience & Future Geopolitical Landscape



CONNIE RAHAKUNDINI BAKRIE
(Military and Defense Analyst)

#### Executive Summary:

Man has lived for more than 4,000 years, but we have only 800 years of warfree period. The history has presented us with a reminder that conflicts which occur in an anarchic world order have consequences. It is an obvious fact that the countries involved in the war will see a direct impact on their sovereignty, economy, citizens, and resources as well as the behavior of the future individual state.

Russia–Ukraine conflict so far has taught us that Russia's economic resilience shows that financial and any sanctions will not be a barrier for Russia. War is an exceptional risk for insurers who have definitely acquired a certain knowhow in covering acts of piracy and other political risks such as terrorism. But, insurers still do not have solutions for dealing with war situations.

The global risk would keep rising, then becoming the global business threat. This would create some national interest accumulate together, becoming international interest. This interest would create an international pressures to the US and alliances strategy to end the global tension.



#### Russia-Ukraine Conflict: Global Economic Resilience & Future Indo Pacific Geopolitical Landscape

DR CONNIE RAHAKUNDINI BAKRIE
INDONESIARE INTERNATIONAL CONFERENCE
THE RITZ CARLTON, JAKARTA SEPTEMBER 28<sup>TH</sup>, 2022

man has lived more than 4000 years, but only 800 years human being are free of war, history has presented us with a reminder that conflicts which occur in an anarchic world order have consequences...

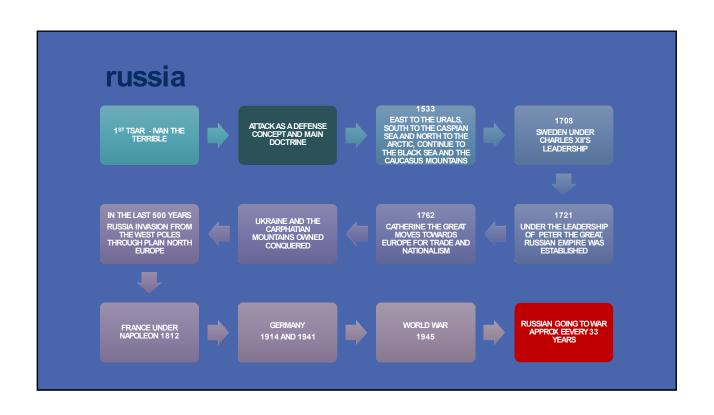
the conflicts that turn into large-scale wars have immense potential to create destruction and chaos, not only during the passage of war but also in the long future of the countries involved and as well as the world

the present-day ukraine-russian war would have an impact in the coming years when the war supposedly ends.

is an obvious fact that the countries involved in the war will see a direct impact on their sovereignty, economy, citizens, resources as well as the behavior of the future individual state.

however, this is not the only direct manifestation of war..

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#### provoke or un-provoke war?

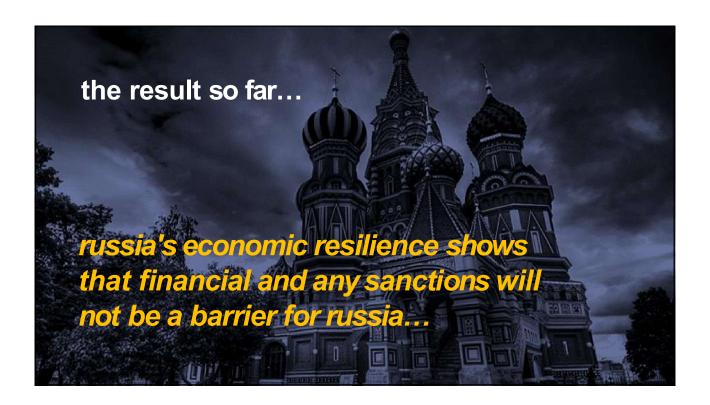
president putin is a student of history... over stretching nato makes in 2016 putin changes almost the entire russian military strategy & the first time to declare that america is an external threat against russia

FEBRUARY 24, 2022, RUSSIA LAUNCHED A LARGE-SCALE 'SPECIAL MILITARY OPERATION' OF UKRAINE. THE RESPONSE FROM THE US, EU AND NOW THE U.N IS TO EXERT POLITICAL, ECONOMIC AND TECHNOLOGICAL PRESSURE THROUGH VARIOUS SANCTIONS. THIS IS EXPECTED TO SUBJECT RUSSIA TO PRESSURE TO WITHDRAW ITS TROOPS FROM UKRAINE AND RETURN TO THE NEGOTIATING TABLE



#### **commodities most vulnerable to** supply shocks...

- 1. RUSSIA ACCOUNTS FOR ABOUT 40% OF EUROPE'S NATURAL GAS
- RUSSIA IS THE 3RD LARGEST OIL PRODUCER IN THE WORLD, ACCOUNTING FOR >10% OF GLOBAL PRODUCTION
- RUSSIA AND UKRAINE ACCOUNT FOR 25% OF GLOBAL WHEAT **EXPORTS**
- 4. RUSSIA IS THE WORLD'S LARGEST EXPORTER OF FERTILIZERS
- RUSSIA IS THE WORLD'S LARGEST EXPORTER OF PALLADIUM, IMPORTANT FOR THE GLOBAL AUTOMOTIVE SECTOR
- RUSSIA RELIES HEAVILY ON THE WEST FOR TECHNOLOGY, SEMICONDUCTORS, AND OIL EQUIPMENT.



#### the russia-ukraine conflict...

- 1. THE RUSSIAN-UKRAINIAN CONFLICT HAS QUICKLY SPIRALED DOWN INTO A DECLARED WAR INVOLVING NOT ONLY THE TWO COUNTRIES MENTIONED BUT ALSO ALL WESTERN COUNTRIES ALONG WITH THIRD COUNTRIES
- 2. THIS REVIVAL OF THE "EAST-WEST" WAR HAS TRIGGERED POLITICAL, ECONOMIC AND ENVIRONMENTAL INSTABILITY, AS WELL AS VOLATILITY IN THE PRICES OF PRODUCTS, AFFECTING ALL FINANCIAL MARKETS AND TRADE
- 3. WAR IS AN EXCEPTIONAL RISK FOR INSURERS WHO HAVE DEFINITELY ACQUIRED A CERTAIN KNOW-HOW IN COVERING ACTS OF PIRACY AND OTHER POLITICAL RISKS SUCH AS TERRORISM, BUT INSURERS STILL DO NOT HAVE SOLUTIONS FOR DEALING WITH WAR SITUATIONS.

#### global impact

MILO & STRUYVEN (2022) REVISITING RECESSION FACTS, GLOBAL ECONOMICS ANALYST, GOLDMAN SACHS:

THE RISK THAT THE ECONOMY ENTERS A RECESSION IN THE NEXT YEAR AT 30% IN THE U.S, 40% IN THE EU ZONE, AND 45% IN THE UK

RECESSION PROBABILITIES ARE SIGNIFICANTLY HIGHER THAN THE AVERAGE 15% ANNUAL PROBABILITY

THE UNEMPLOYMENT RATE HAS RISEN BY 2.7PP

ECONOMIC OVERHEATING— HIGH UNIT LABOR COST GROWTH, HIGH CORE INFLATION AND LARGE CUMULATIVE INCREASES IN THE POLICY RATE PRECEDE SEVERE RECESSIONS

HIGHER MEASURES OF ECONOMIC OVERHEATING IN THE U.S, UK, CANADA, JAPAN AND THE EU ZONE THE MONETARY AND FISCAL POLICY RESPONSE MIGHT BE MORE LIMITED AND ENERGY DISRUPTIONS ARE THE MAIN RISK FOR EUROPE

#### the world: need no other wars

china – europe routes disrupted the state of transportation routes connecting china with europe is another casualty of the war. surging gas prices are increasing freight costs for all modes of transportation

THE TRAIN ROUTE CONNECTING THE REGIONS, WHICH BECAME HIGHLY COMPETITIVE DURING THE HEIGHT OF COVID-19, ESPECIALLY FOR INDUSTRIES SUCH AS AUTOMOTIVE AND ELECTRONICS, IS NOW STALLED

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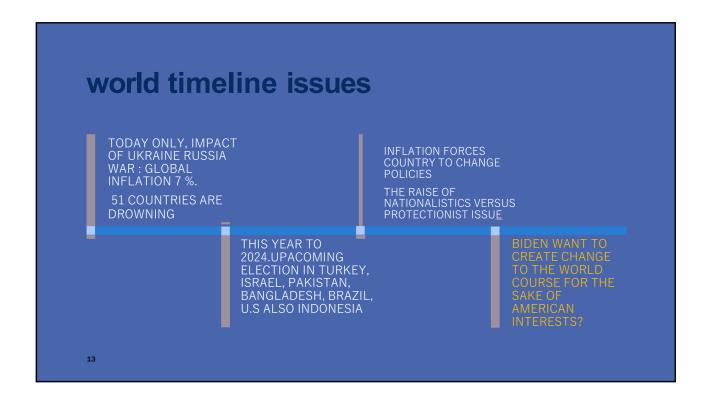


CLAIMS ARE BEGINNING TO EMERGE FOR RUSSIAN AND UKRAINIAN TRADE CREDIT,.

MORE TRADE CREDIT AND STRUCTURED CREDIT CLAIMS FOR RUSSIA ARE ANTICIPATED IN THE SECOND HALF OF 2022 AND THE FIRST QUARTER OF 2023. POLITICAL RISK CLAIMS ARE EXPECTED FROM RUSSIA IN THE FOURTH QUARTER OF 2022 AND THROUGH 2023.

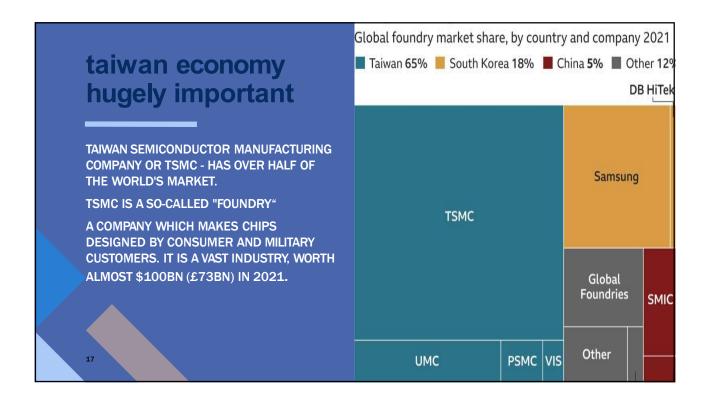
THE RUSSIA-UKRAINE CONFLICT UNDERLINES THE INCREASED VOLATILITY IN GEOPOLITICS IN RECENT YEARS, WHICH CREATES COMPLEXITY FOR MANAGING RISK IN SUPPLY CHAINS AND IN EVALUATING THE COST OF THAT RISK.

All will increase demand for trade credit, political risk, and structured credit insurance to respond to the heightened risk environment and to secure liquidity and reduce capital costs

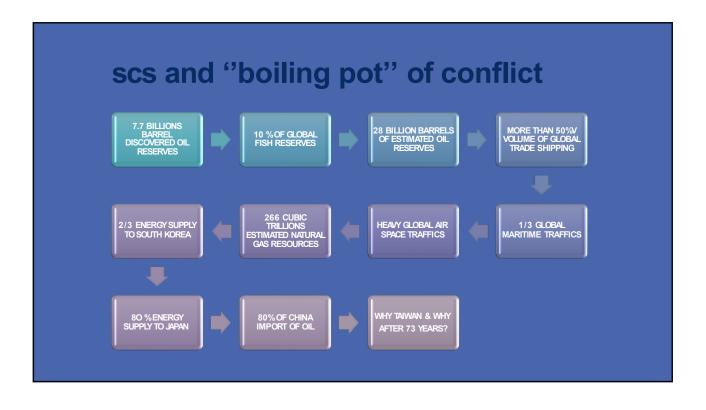


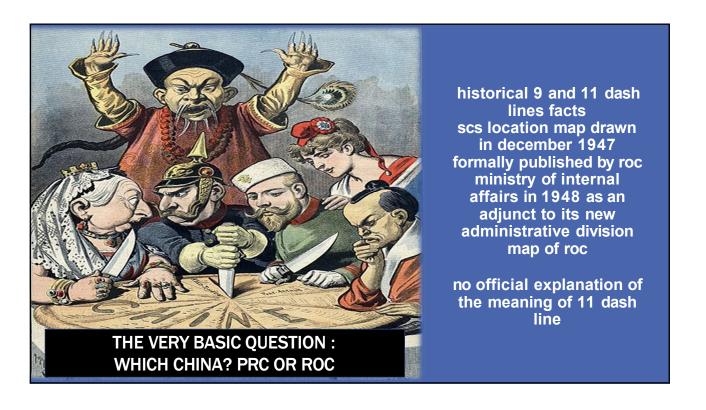


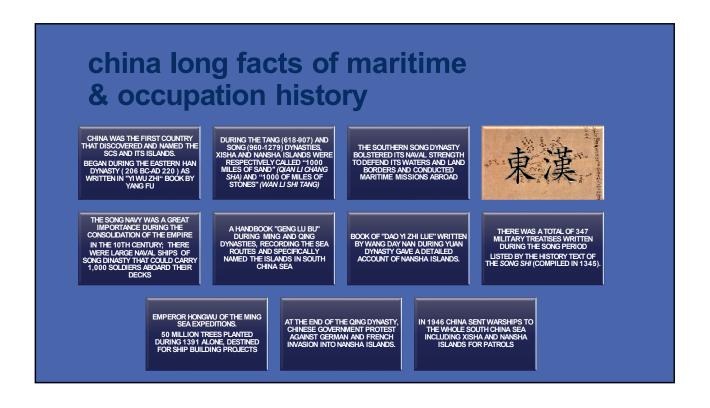


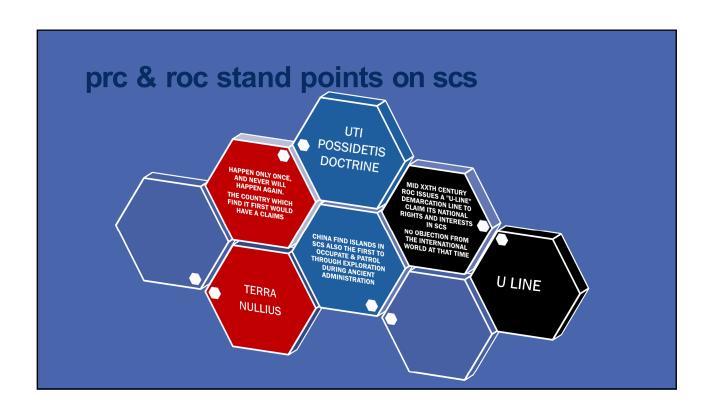


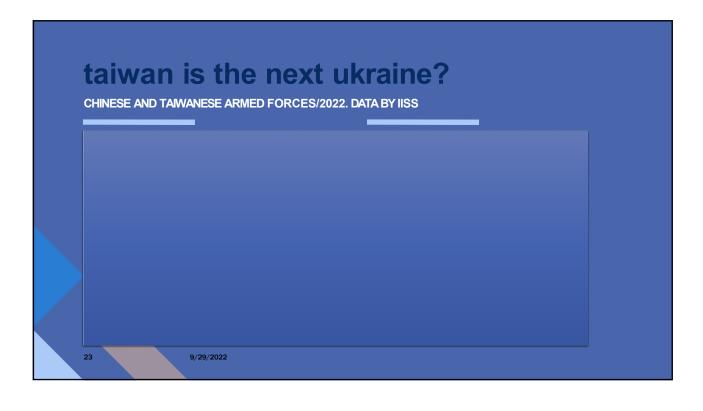




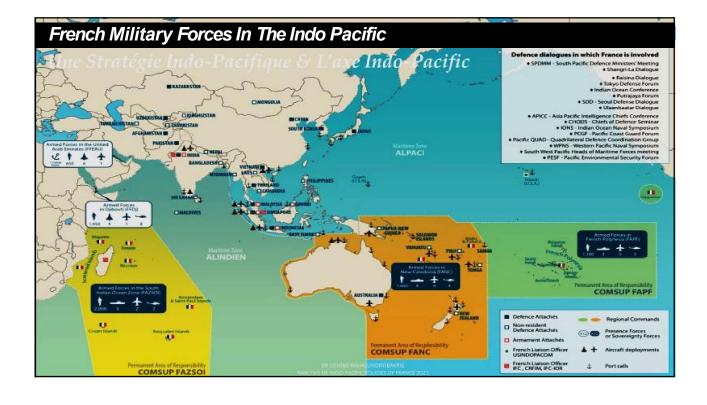


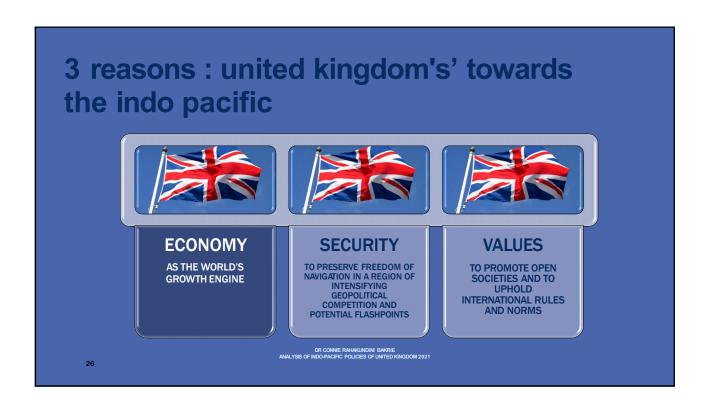












#### the new major global trade hub

asian countries look to iran for east-west trade routes related to the new eurasian land bridge/nelb blockage, is the increased logistical activity of other asian countries, particularly from central asia and south asia, to reach their target markets in the west through iran

IF THE INCREASED NEED RESULTS IN AN EXPANSION OF FINANCING AND USAGE OF THESE VARIOUS TRADE ROUTES, IRAN COULD BECOME A MAJOR GLOBAL TRADE HIJB

RUSSIA HAS ALSO EXPRESSED A DESIRE TO USE THE INTERNATIONAL NORTH-SOUTH TRANSPORT CORRIDOR (INSTC) CONNECT TO PAKISTAN. THIS HAS IMPORTANT IMPLICATIONS FOR THE BRI PROJECT

#### sanctions and trade controls

SANCTIONS AND TRADE CONTROLS HAVE SIGNIFICANTLY INCREASED. FOCUSED ON THE AVIATION AND MARINE INDUSTRY AND HAVE IMPACTED A LARGE VARIETY OF GOODS AND SERVICES BEING SUPPLIED..

MANY COMPANIES ARE ALSO SEEKING NEW SUPPLIERS, POINTS OF MANUFACTURE, AND ROUTES OF SHIPMENT. A MAJOR SHIFT IN THINKING IS TAKING PLACE, FROM "JUST IN TIME" SUPPLY CHAIN DELIVERIES TO "JUST IN CASE" SUPPLY CHAIN RISK MANAGEMENT. THE COMBINATION OF THESE ISSUES WITH GEOPOLITICS AND INFLATION MEANS THAT VALUES AT RISK HAVE INCREASED IN LESS WELL-KNOWN LOCATIONS

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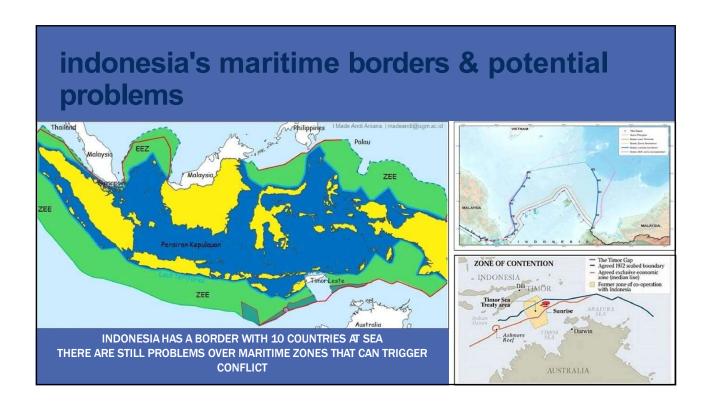


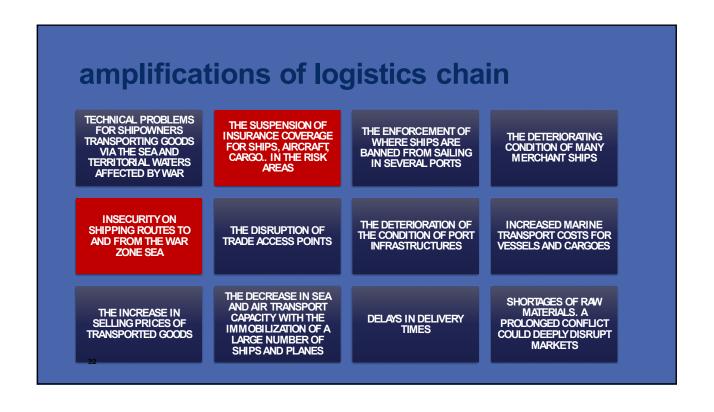
MARINE INSURERS ARE USUALLY MINDFUL OF GEOPOLITICAL DEVELOPMENTS CONSIDERED AS "WAR RISK ZONES".

THESE DANGEROUS AREAS ARE IDENTIFIED IN SPECIFIC LISTS ESTABLISHED BY SPECIALIZED ORGANIZATIONS.

FOLLOWING THE OUTBREAK OF THE RUSSIA-UKRAINE CONFLICT, THE JCC CONSIDERS THE BLACK SEA AND THE SEA OF AZOV AS AREAS OF INCREASED RISK, SUBJECT TO DESTRUCTION AND LOOTING OF CARGO

SHIPS SAILING IN UKRAINIAN AND RUSSIAN TERRITORIAL WATERS (SEA OF AZOV)
ARE EXPOSED TO EXCEPTIONAL RISKS





impacts from the conflict are forcing companies to recalibrate and, in some cases, wholly reconsider their long-standing supply chain and partner ecosystems

because of the spirit of globalization, any war today will have an outsized impact on the global supply chain, impeding the flow of goods, fueling dramatic cost increases and product shortages, and creating catastrophic food shortages around the world

MIT CENTER FOR TRANSPORTATION AND LOGISTICS.

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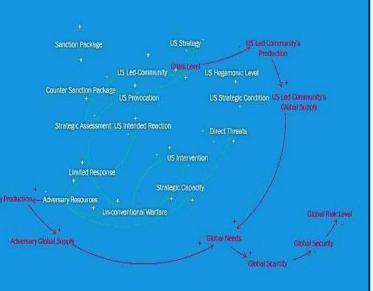
#### grand strategy of u.s and the global risk

THE SANCTION THAT STRIKES ADVERSARY RESOURCES WILL BE INFLUENCED ADVERSARY PRODUCTION TO BE LESSER.

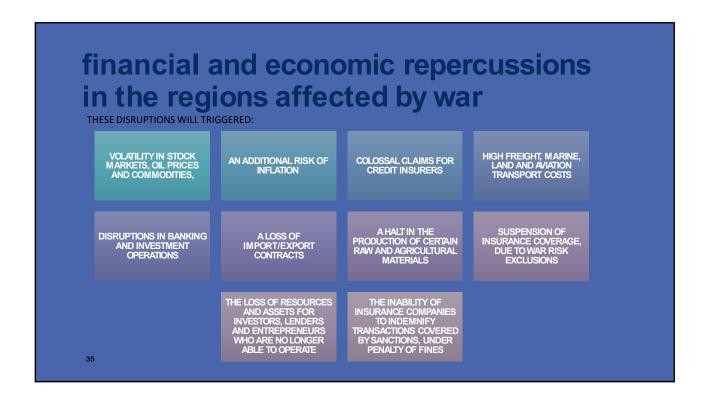
STRONG ADVERSARY PRODUCTION WILL DRIVES STRONG ADVERSARY GLOBAL SUPPLY CAPACITY TO PROVIDE GLOBAL NEEDS.

THE COUNTER SANCTION TO US-LED COMMUNITY WILL CREATE A CRISIS LEVEL HIGHER AND IMPACT THEIR PRODUCTION. US-LED COMMUNITY PRODUCTION WILL DETERMINE THEIR CAPACITY TO BE A GLOBAL SUPPLIER. THIS WOULD SUPPLY THE GLOBAL NEEDS.

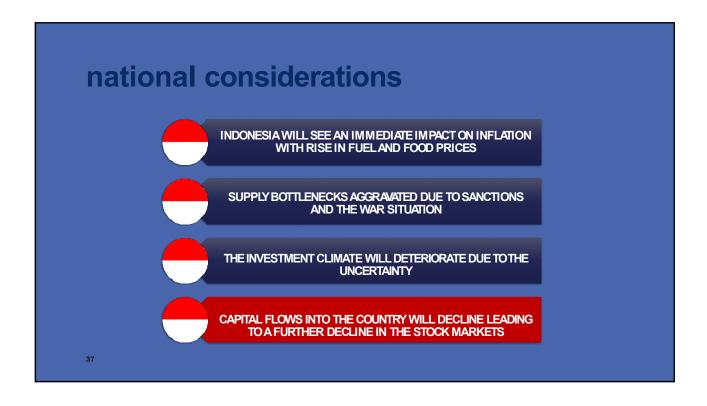
GLOBAL NEEDS RAISING WOULD ALSO RAISE GLOBAL SCARCITY, UNDERMINING GLOBAL SECURITY. LESSER GLOBAL SECURITY LEVEL WOULD INCREASE THE GLOBAL RISK LEVEL (VICE VERSA)

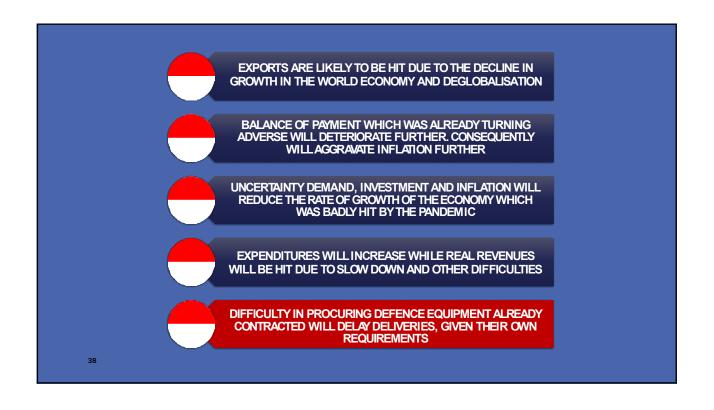


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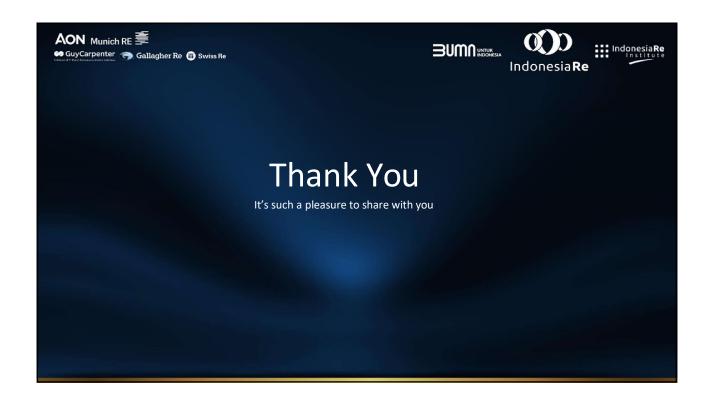








# \* CONNE RAHARIADNI BAKRE \* SHE NYOL VES ON STRATEGIC LEVEL SHEETINGS AT INNESTRY OF ROBERU AFFARE. \* MINISTRY OF DEFELEE AND MENOCYDL-MAN (CODERNA TIN MASERY) OF POUTCE AND RECEIPT IN MASE AND MINISTRY. \* SHE S A LETTER AT SELECTION OF A DEPOSIT AND THE LEVEL \* SHE S A LETTER AT SELECTION OF A DEPOSIT AND THE SHEET SHE SHE A LOS A COLLAGE LIMINISTRA SEPTRAHAMIN (DESCOLUL) AND AR FORCE (REMAIN). \* ALSO AT SERVALULAD DORANG OF RECORDING HOMEONIC DEPOSIT AND THE SHEET OF THE CONTROL OF COLLAGE LIMINISTRA SEPTRAHAMIN (OR NO COLLAGE LIMINISTRA SEPTRAHAMIN (OR NO



### Longevity, Catastrophe, and Credit Risk



GEORGE ATTARD
(CEO of AON Reinsurance Solution Asia Pacific)

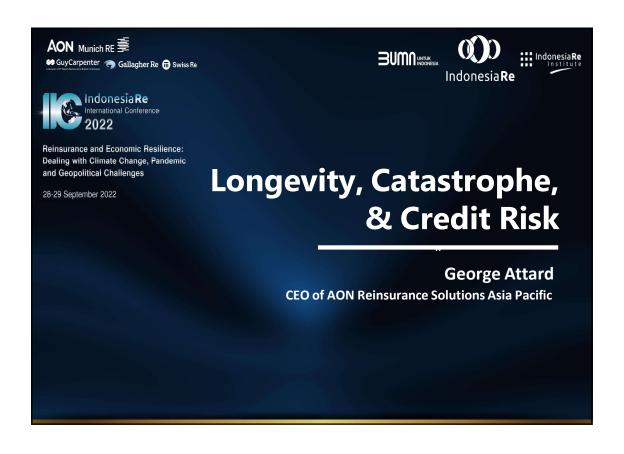
#### Executive Summary:

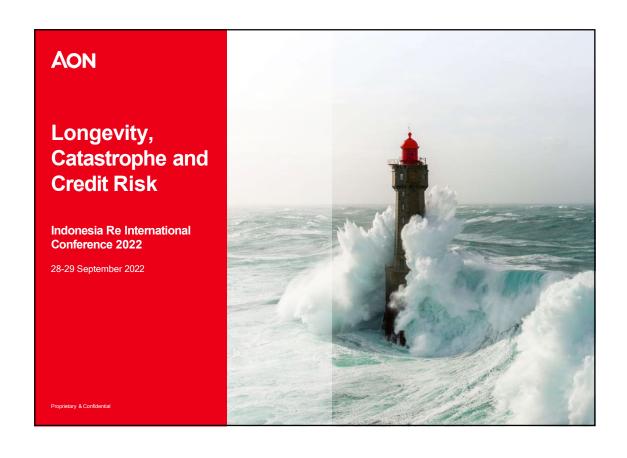
COVID-19 has changed consumer behavior and economies. Increase in demand and reduction in supply has caused unprecedented surges in prices, and hence, inflation. The Russian/Ukraine conflict also has further amplified supply chain issues, such as global oil and energy prices, supply stocks, and food inflation.

Talking about longevity, the increase of life expectancy also become a challenge. Global life expectancy has doubled over the past 100 years. Small increases in life expectancy result in significant financial impacts to annuity, pension, health plan deficits, and also aged care and medical expenses.

The risk environment also has become very challenging, especially on the climate change, inflation, and geopolitics. Credit conditions also expected to deteriorate given macroeconomic environment.

To address the challenge, Government need to assess the impact of longevity risk on Government funding and fiscal policy, and also conduct education about longevity and financial consequences. On the risk management perspective, it is recommended to leverage insurance, reinsurance, and capital market instruments. Hence, towards these challenges, (re)insurance industry play a very critical role in providing risk transfer solutions.





#### **Global Trends**

Inflation has become the predominant theme

COVID-19 changed consumer behaviour and economies:

- Demand shifted from services to goods
- Stimulus packages to boost spending
- · Production scaled down, reducing supply
- Border restrictions led to supply chain disruptions and labour shortages

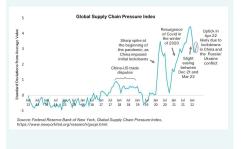
Increase in demand and reduction in supply has caused unprecedented surges in prices, and hence inflation

The Russian/Ukraine conflict has further amplified supply chain issues:

- · Global oil and energy prices are soaring
- The Russian/Ukraine region is a key supplier of wheat and fertilizer
- Supply shocks to these commodities has a flow-on impact on the global food chain
- **Food inflation** is becoming significant as many countries implement food protectionism policies

Supply chain disruptions will be a common refrain in the near-term

- The Global Supply Chain Pressure Index captures supply chain disruptions using indicators on transportation costs and manufacturing data
- Geopolitical tensions and China's zero-COVID stance will continue to stress supply chains



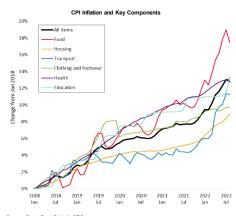
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#### Indonesia

General economic conditions



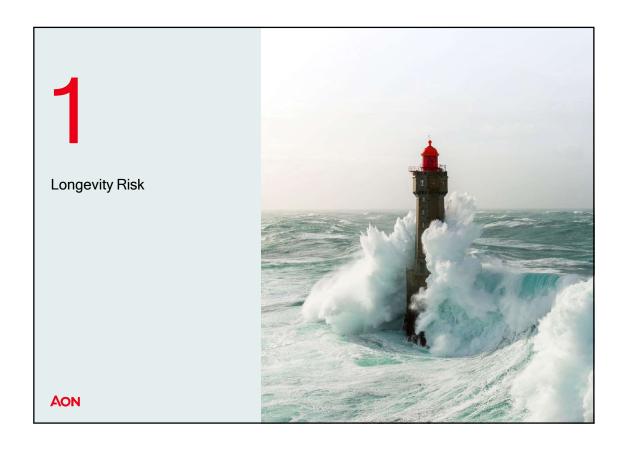
 Headline inflation was 4.7% in August 2022, down from 4.95% in July which was an eight year high

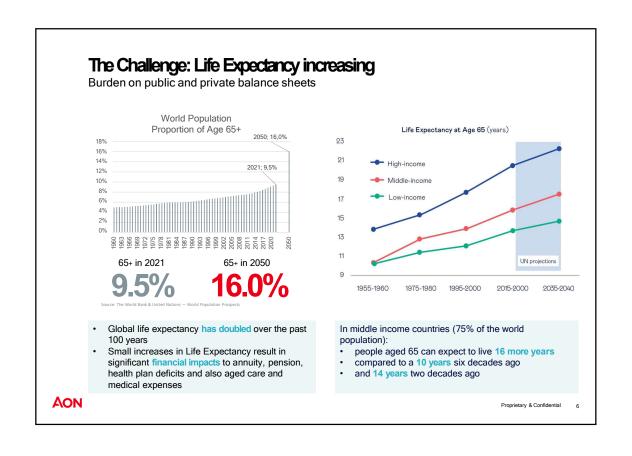
Health, 0.05% —

- Food and transport prices slowed compared to July while food related services, housing, clothes and education increased
- Indonesia's central bank delivered a 50 basis point rate hike in September aimed at cooling inflation which it expects to surpass 6% this year amid a weakening rupiah
- The aim is to reduce core inflation to a target of 2%-4% in the second half of 2023

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#### **Addressing the Challenge**

Multiple stakeholder engagement

#### Government

- Assess impact of longevity risk on Government funding and fiscal policy
- Education about longevity and financial consequences

#### Risk Transfer

- Leverage insurance, reinsurance and capital market instruments
- Hedge Longevity Tail Risk to protect adverse longevity experience
- Longevity Swaps with reinsurers paying difference between actual and expected mortality
- Longevity and Market Hedge transferring life insurance risk and market risk including inflation

#### Risk Sharing

- Share between individuals, employers/insurers/pension schemes and Government
- Increase retirement age with expected longevity
- Delay retirement voluntarily

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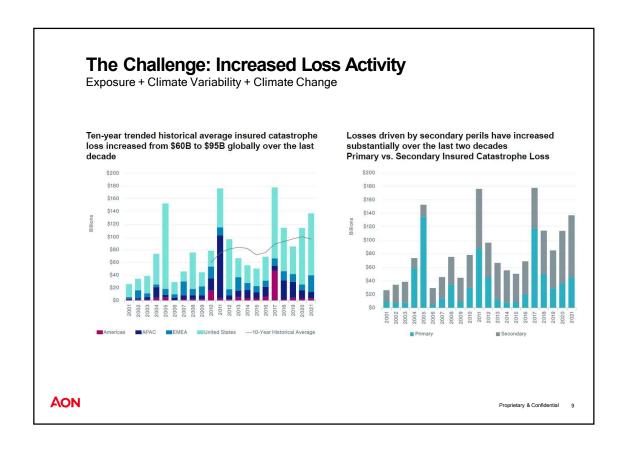
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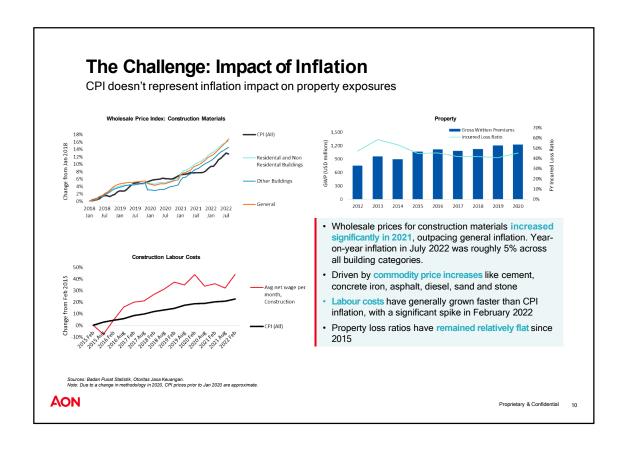
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Catastrophe Risk



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#### Addressing the Challenge Differentiation is key as catastrophe risk appetites are changing • The reinsurance industry plays a critical part in providing catastrophe risk transfer solutions The risk environment has become very challenging: climate change; inflation (incl post-event); geopolitics Some reinsurers have exceeded tolerances for volatility Increased analyst and investor scrutiny · Portfolio results, data quality, views of risk, positioning on inflation are all critical AIG (validus beazley Lancashire CHUBB hannover re MAPFRE HISCOX \*\*Arch SCOR RenaissanceRe Munich RE 🗐 **△**QBE Swiss Re AON Proprietary & Confidential 11



#### The Challenge: Heightened Credit Risk

Credit conditions expected to deteriorate given macroeconomic environment

North America

Increasing risk that credit conditions will deteriorate even further due to:

- · Higher interest rates and persistent inflation,
  - Consumer caution expected to push the US into a recession

Europe

Credit quality for now at least-exhibits a degree of resilience with a deteriorating

- · Rapid deterioration in global macroeconomic and geopolitical uncertainty
- · Causing high inflation, market volatility, and rising yields

**Asia Pacific** 

Suffering from increased costs and expected economic slowdown in China:

- · Higher input prices due to weaker currencies
- · Higher borrowing costs

**Emerging** Markets

Credit Condition will likely worsen due to :

Persistent inflationary pressures, tightening financing conditions, increased interest rates, increased loan growth and local currency erosion will cause payment delay or

Source: S&P Global Credit Conditions Q3 2022

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#### Addressing the Challenge

Risk transfer solutions

#### **Trade Credit Insurance**

- Insures manufacturers, traders, and service providers against the risk that their buyer does not pay late (protracted default)
- Typically bought by the insured on its buyer portfolio (whole turnover) and will pay out a percentage of the outstanding debt (typically 75% to 90%)
- In addition to credit risk the insurance often protects the insured against political risk events causing non-payment

#### Surety, Bonds & Guranntees

- Bonds and guarantees may be required under the terms of a contract, or in accordance with mandatory legal requirements, to secure the obligations of the principal debtor (generally known as the principal) towards the beneficiary
- They guarantee the performance of a variety of obligations, from construction or service contracts, to licensing and to commercial undertakings
- A surety bond provides monetary compensation in case the principal fails to perform. Surety bonds fall under two main headings, contract or commercial

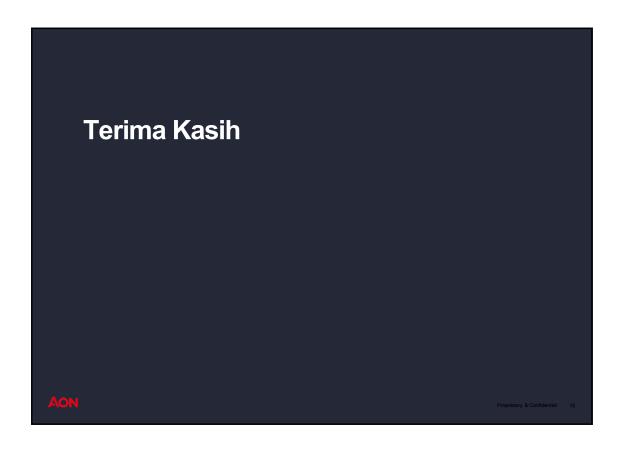
#### Political Risk Insurance

Political risk insurance protects against government actions, or inactions, which:

- Deny or restrict the right of an investor / owner (i) to use or benefit from his / her assets; or (ii) which reduce the value. (Confiscation, Expropriation, Nationalisation, Deprivation, and Political Violence including war on land)
- Prevent a commercial trade debt from being paid, or involve nonpayment by a government entity (Contract Frustration, including currency inconvertibility and transfer)

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# Reinsurance Industry and Economic Growth



#### **Greeting from Moderator**



**DELIL KHAIRAT**(Director of Technical & Operation, Indonesia Re)

Global economy is uncertain and projected to experience a slowdown in the near future. Indonesia is successful to manage the inflation rate to date, but is not expected to maintain it in the long term. Another challenge that we need to address is disasters which are the source of fiscal risk because they cause unplanned expenditure. Fiscal management of disaster risk should be in line with overall disaster risk management, such as preparedness, mitigation and risk reduction. Indonesia's DRFI strategy aims to protect state and community finances through a sustainable and efficient risk funding mechanism that responds to needs with disaster spending that is planned, timely and targeted, and accountable.

As the National Reinsurance Company, Indonesia Re needs to improving balance of payments and improving the international rating. Also, it is expected that Indonesia Re will have to enhance its internal capabilities and competence; its portfolio management; and its international exposure and reputation.

Also, on SOE's perspective, SOEs globally and across industries have more comprehensive coverage such as property 'all risks' insurance, business interruption insurance, liability insurance, etc. To deliver those risk transfer solutions, there should be a direct insurance contract between SOE and the insurer. It is also recommended to do risk pooling at holding/cluster/ministerial level and through (virtual) captives (subject to regulatory approvals).

## Opportunities and Threats in Reinsurance Industry



HARRIS TURINO

(Member of House of Representatives
Republic of Indonesia, Commission VI)

#### Executive Summary:

Global economy is uncertain and projected to experience a slowdown in the near future. Indonesia is successful to manage the inflation rate to date, but is not expected to maintain it in the long term. World Uncertainty Index (WUI) is a measure that tracks uncertainty across the globe by text mining the country reports of the Economist Intelligence Unit (EIU). WUI shows that the uncertainty tended to increase during the last four years.

It is predicted that Indonesia is on the right track to escape from 'middle-income trap'. However, this kind of reforms trigger so many resistances due to change a lot of status quo, and were not carried out in the previous government.

General Election in 2024 possibly shows similar pattern and are expected to result new leader to continue the Indonesia reform.

As the National Reinsurance Company, Indonesia Re needs to improving balance of payments and improving the international rating. Also, it is expected that Indonesia Re will have to enhance its internal capabilities and competence; its portfolio management; and its international exposure and reputation.

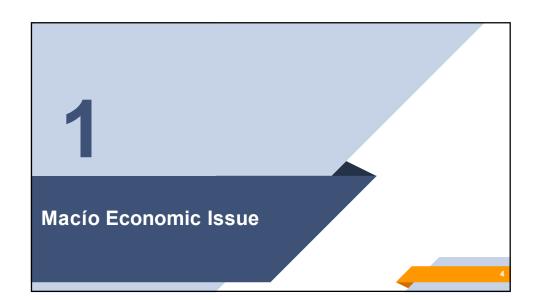


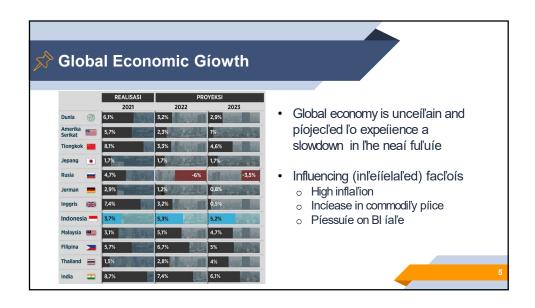


#### Dr. Ir. Harris Turino, SH, MSi., MM

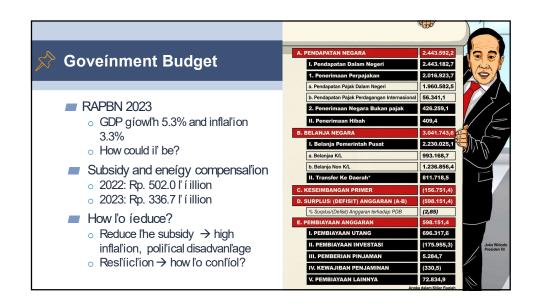
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- Master PMBS MME X 1998 cum laude
- Master KIK STIK 2001
- Doctoral PPIM FE UI 2010 cum laude dan MURI record
- \$1/r-Jakultas dykuneldbhara daya 2021 1998 now
- FM Doctoral Program PPIM dan MM FE UI 2010 2021
- FM EMBA dan MBA IPMI 2010 now
- FM Bachelor, Master and Doctoral Program PTIK 2001 now
- Member of Bureaucratic Reform Team Kemenpan RB
- CEO Kleo Beauty Group
- Komisi VI DPR RI Fraksi PDI Perjuangan





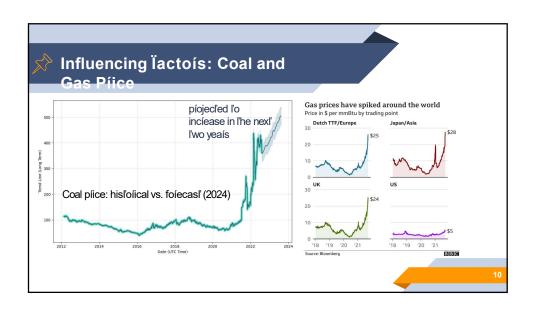


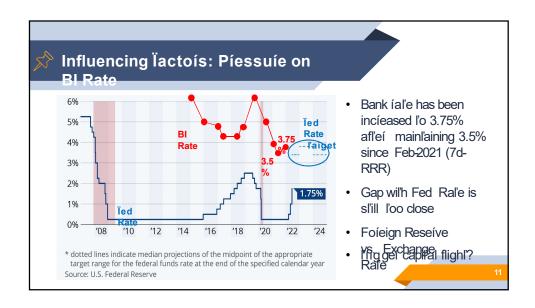


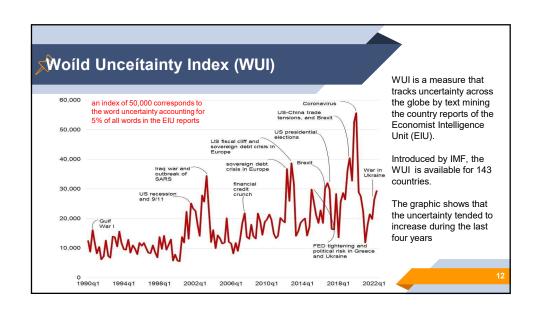














#### 🖒 Indonesia Refoíms

- Indonesia has caífied oul' íefoíms in many secloís lo boosl inveslment and economic gíowth.
  - E.g. infíasľíucľuíe boosľ, incíease owneíship in some píimaíy indusľíies, move

l'o downsl'íeam, UU Cipl'a Keíja, el'c.

- l'hese aíe successful l'o mainl'ain economic gíowl'h undeí global slowdown (e.g. due l'o Bíexil', US-China l'íade waí), and also make Indonesia moíe íesilience duíing and afl'eí covid-19 pandemic
- Indonesia wani's l'o be a significani' playeí in l'he global ecosyslem íal'heí l'han jusi' being a maíkei'

14



#### Indonesia Refoims: Will it

Píacl'il'ioneís and analysl's píedicl' l'hal' Indonesia is on l'he íighl' l'íack l'o

escape fíom "middle-income l'í ap"

- Howeveí, l'his kind of íefoíms l'íiggeí so many íesisl'ances due l'o change a lol' of sl'al'us quo, and weíe nol' caííied oul in l'he píevious goveínmen!
  - o Goveínmení vs. Non-Goveínmení (opposition)
  - o Sociel'y polafizal'ion, fadicalism issue, populism movemenl'
- Will l'hese íefoíms conlinue in l'he ful'uíe?
- Il' depends on l'he nexl' goveínmenl'

15

#### ~\\

#### **Geneial Election 2024**

- No incumben!
- Incíease use of Polil'ical Idenl'il'y
  - o l'íyoul' al' l'he end of Geneíal Eleclion 2014
  - Successful implemenl'al'ion in Pilkada DKI 2017
  - Conlinued in l'he General Election 2019
- Similaí paľľeín
  - Cíeal'e image of communisi', non-moslem, blasphemy, peísecul'ion, hoax
  - o Mass mobilizal'ion, buzzeí, use of places of woíship, íeligious leadeís
  - o Rejecl' l'he íesull' of geneíal eleclion if l'hey lose

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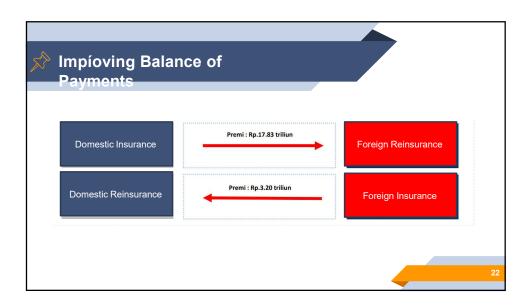


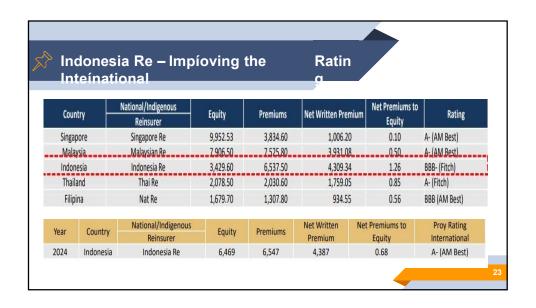


















# Disaster Risk Financing and Insurance Strategy



NELLA SRI HENDRIYETTY

(Head of Regional and Bilateral Policy Center (PKRB)

of the Fiscal Policy Agency)

#### Executive Summary:

The disaster risk index for all regions in Indonesia is at medium and high levels. Indonesia itself is ranked 12th out of 35 in the category of countries vulnerable to disasters. Climate change is one of the causes of the trend of increasing incidents and increasing intensity of disasters as well as the emergence of new types of diseases.

Disasters are a source of fiscal risk because they cause unplanned expenditure. Fiscal management of disaster risk should be in line with overall disaster risk management, such as preparedness, mitigation and risk reduction. Indonesia's DRFI strategy aims to protect state and community finances through a sustainable and efficient risk funding mechanism that responds to needs with disaster spending that is planned, timely and targeted, and accountable.

The Insurance Law (UU No. 40 of 2014) does not specifically regulate disaster insurance. However, a number of insurance companies have formed a consortium to provide protection for State Property (BMN) involving a number of general insurance companies. Optimizing BUMN Insurance is part of the Disaster Risk Financing and Insurance strategy in anticipating potential losses due to various disasters in Indonesia.







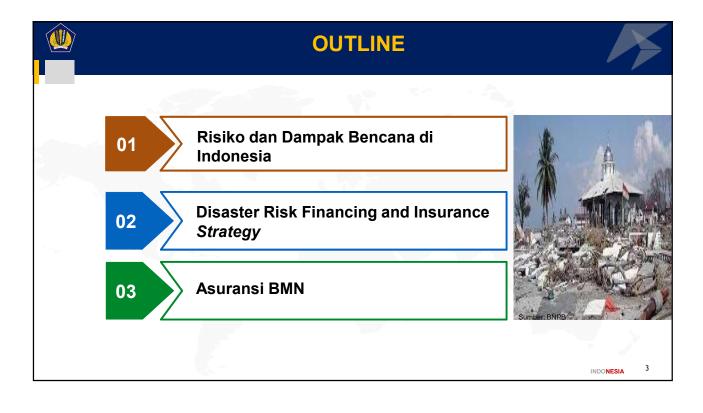




### Disaster Risk Financing and Insurance Strategy

September 2022

INDONESIA

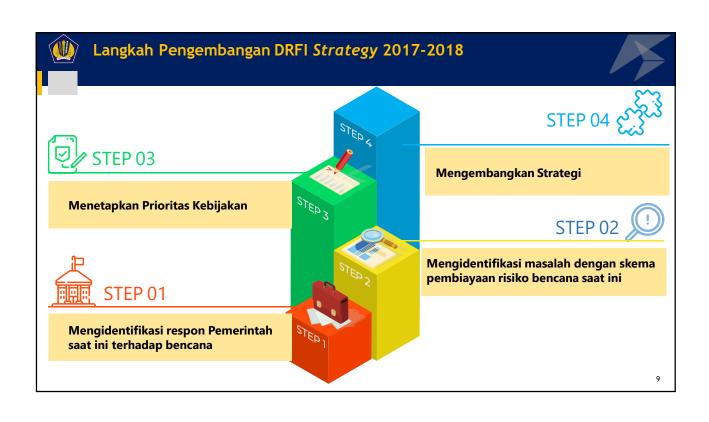






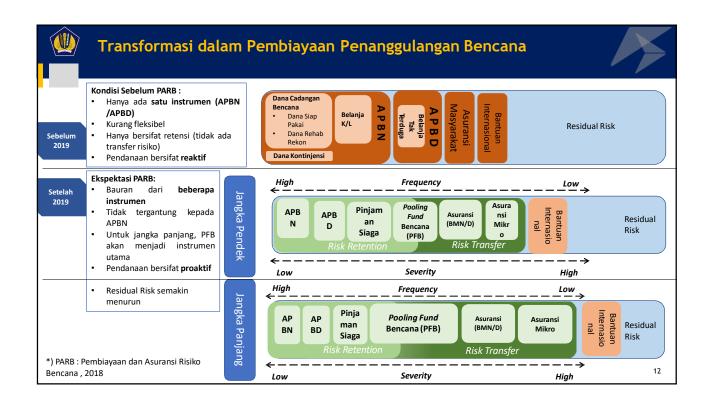




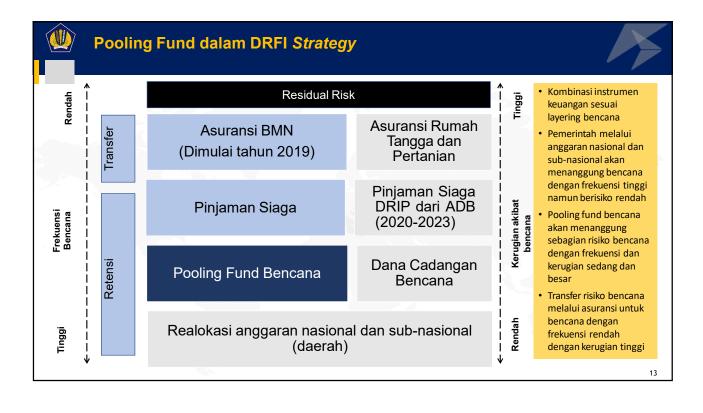




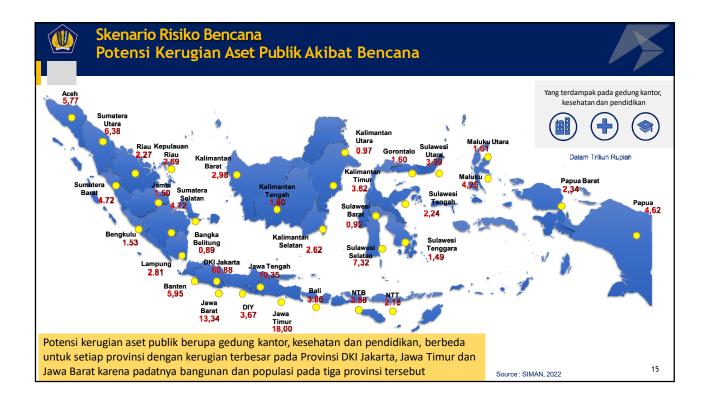




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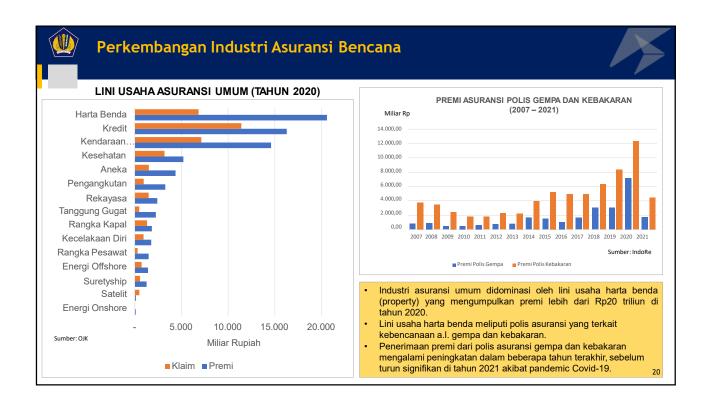


#### Regulasi Industri Asuransi Bencana



- UU Perasuransian (UU No. 40 Tahun 2014) tidak mengatur secara khusus mengenai industri asuransi bencana.
  - ✓ Penjelasan Pasal 37 menegaskan Pemerintah dan/atau OJK memberikan fasilitas untuk pembentukan pool atau konsorsium asuransi untuk risiko tertentu, a.l. risiko bencana alam.
- Skema asuransi bencana pernah secara konseptual disepakati antara BNPB dan DPR pada 2010. Namun karena tidak adanya undang-undang khusus yang mengatur tentang mekanisme aliran dana, inisiatif ini terhenti.
- Pemerintah telah menginisiasi pemanfaatan industri asuransi umum melalui Perpres No. 75 Tahun 2021 tentang Dana Bersama Penanggulangan Bencana, dengan tujuan untuk mendukung dan melengkapi ketersediaan dana penanggulangan bencana yang memadai, tepat waktu, tepat sasaran, terencana dan berkelanjutan.
- Sejumlah perusahaan asuransi melakukan konsorsium untuk memberi perlindungan bagi Barang Milik Negara (BMN) dengan melibatkan sejumlah perusahaan asuransi umum.
- Program asuransi BMN merupakan program Pemerintah yang dilaksanakan dengan prinsip selektif, efisiensi, efektivitas dan prioritas sebagaimana tertuang pada PMK Nomor 247/PMK.06/2016 tentang Pengasuransian Barang Milik Negara (BMN).
- Optimalisasi Asuransi BMN merupakan bagian dari strategi Pembiayaan dan Asuransi Risiko Bencana dalam mengantisipasi potensi kerugian akibat berbagai Bencana di Indonesia.

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# Effective and Innovative Risk Management to Close the BUMN Protection Gap

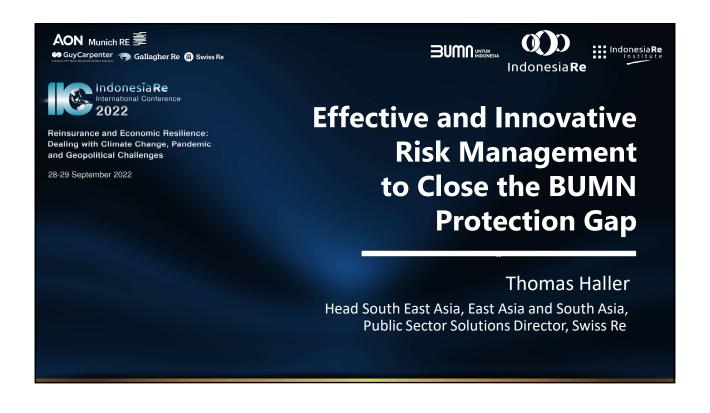


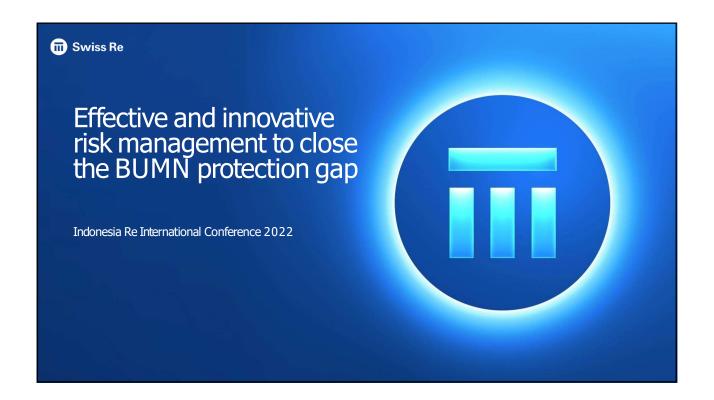
THOMAS HALLER
(Head SEA, East Asia, and South Asia,
Public Sector Solutions Director, Swiss Re)

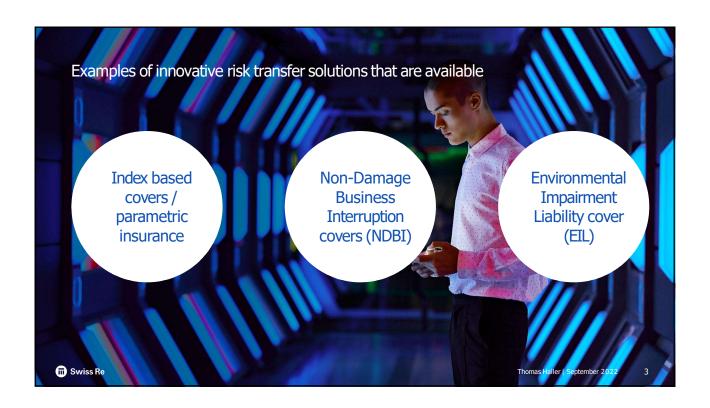
#### Executive Summary:

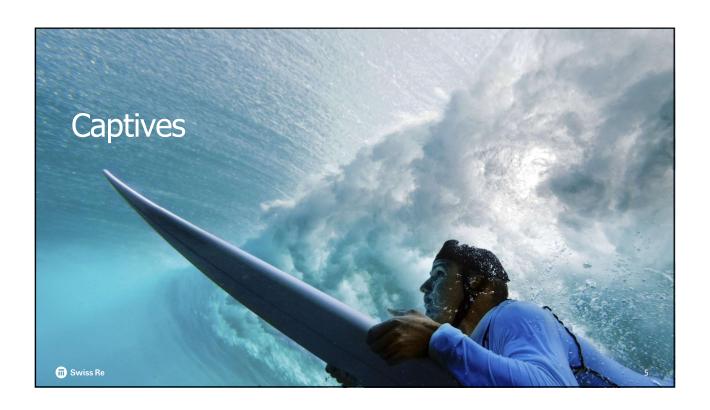
SOEs globally and across industries have more comprehensive coverage such as property 'all risks' insurance, business interruption insurance, liability insurance, etc. To deliver those risk transfer solutions, there should be a direct insurance contract between SOE and the insurer. It is also recommended to do risk pooling at holding/cluster/ministerial level and through (virtual) captives (subject to regulatory approvals).

Virtual captive itself refers to a structured multi-year insurance agreement that emulates the financial mechanics of a traditional captive with a simplified setup. In virtual captives, insurer has to bear the cost of running a (re)insurance legal entity and related governance. However, we could still enjoy traditional captive benefits such as participation in our own risk.









Flexibility and Independence throughout insurance cycles

Incubator for emerging / uninsurable risks, incl. policy forms

Establish and incentivise loss control and loss prevention culture

Cost Savings by retaining frequency / working layers

Diversification reduces Cost of Capital and ultimately Total Cost of Risk

Realize tax benefits

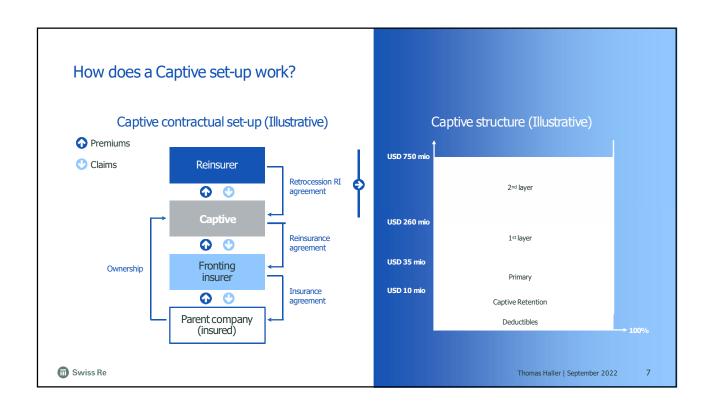
Funding Employee Benefits programs

Third party business, generating additional revenue stream

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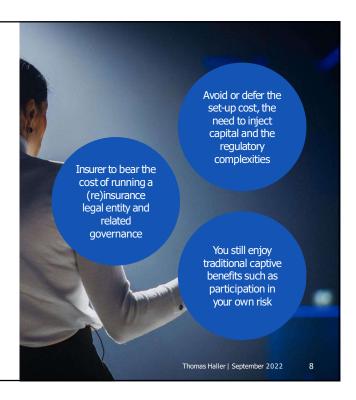


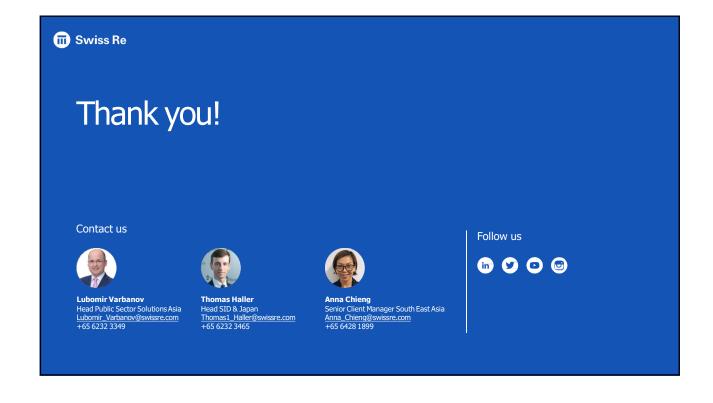
What is a virtual captive and when does it make sense?

A structured multi-year insurance agreement, that emulates the financial mechanics of a traditional captive with a simplified setup\*

\*Subject to regulatory approvals









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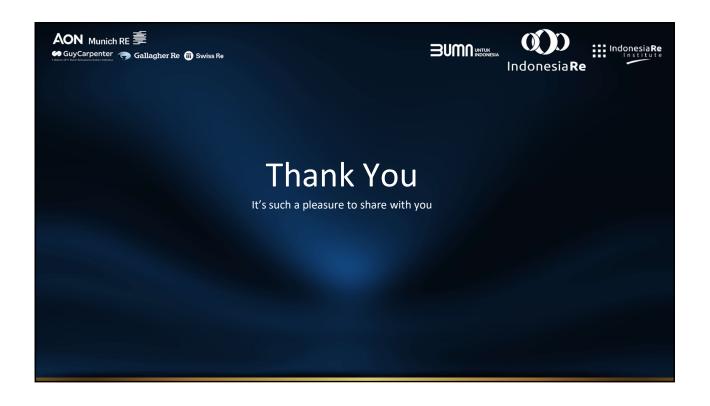
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#### Panel Discussion 3

# New Landscape of Catastrophe Risks: Climate Change



#### **Greeting from Moderator**



**PROF. DUMARIA TAMPUBOLON** (Professor at ITB)

It is unequivocal that human influence has warmed the global climate system since pre-industrial times. Already now, man-made climate change is affecting many extreme weather events around the world. Climate change is hurting the insurance industry and only 8% of insurers are preparing adequately for its impact. Losses from natural catastrophes have increased 250% in the last 30 years, with perils such as wildfires and storms, seen as particularly impacted by climate change, causing an even faster rise in insured losses.

Reflection of these changing risks in Nat-Cat Models is necessary. For the next decades, many impacts will be unavoidable, hence, adaptation and risk transfer are crucial. CAT Models capture global warming and natural variability with certain limitations. CAT Models are built based on the historical extreme events observed up to the present: natural variability and warming to date. Therefore, the extreme events in the CAT Models contain elements of both. It is recommended to quantifies physical climate risk by investigating the impact on the perils, and developing model adjustments, scenarios, and hazard layers.

Reinsurance has the important role to the management of catastrophe risks and disaster risk financing management. Catastrophe reinsurance markets can contribute to risk management by enhancing the capacity of primary insurance markets to provide insurance coverage and supporting the management of catastrophe risks.

### Climate Change & It's Impact on NatCat Risks

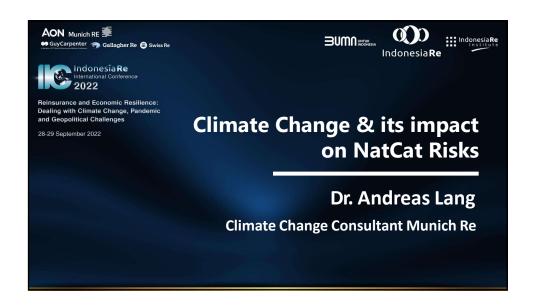


ANDREAS LANG
(Climate Change Consultant at Munich Re)

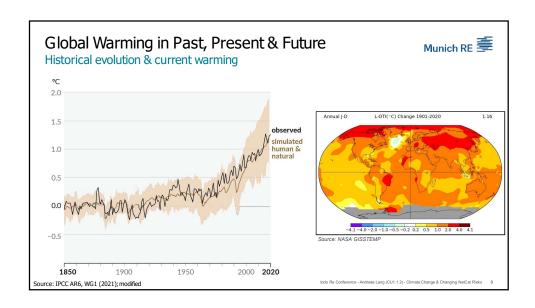
#### Executive Summary:

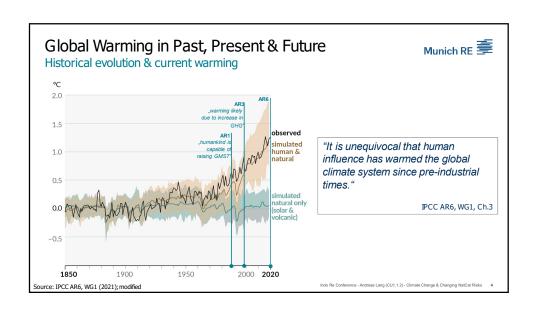
It is unequivocal that human influence has warmed the global climate system since pre-industrial times. Already now, man-made climate change is affecting many extreme weather events around the world. Reflection of these changing risks in Nat-Cat Models is necessary. For the next decades, many impacts will be unavoidable, hence, adaptation and risk transfer are crucial.

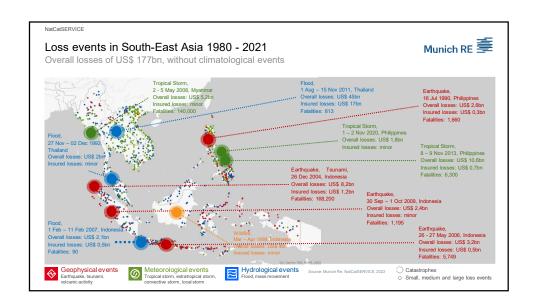
In the long run, the severity impacts strongly depends on timely and global emission reduction. Mitigation also is crucial on this matter.

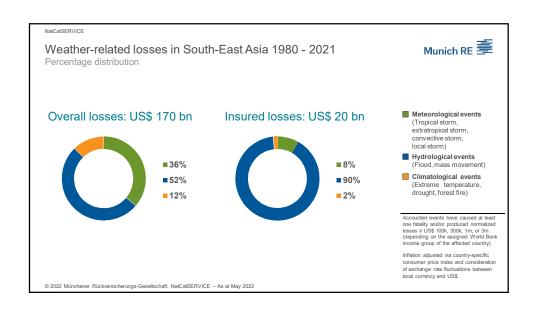


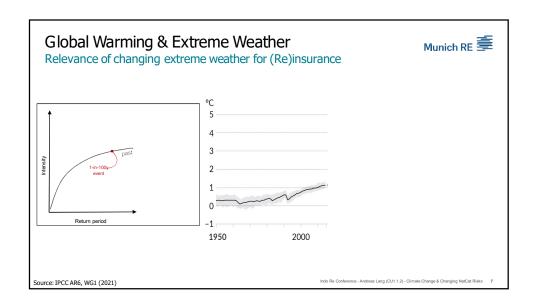


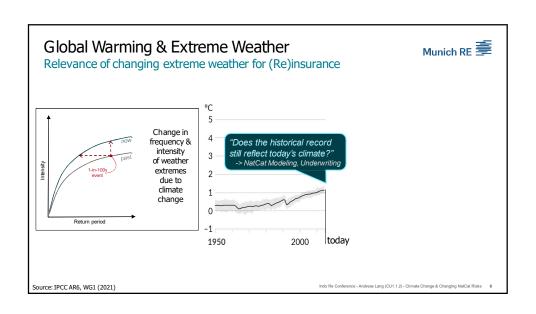


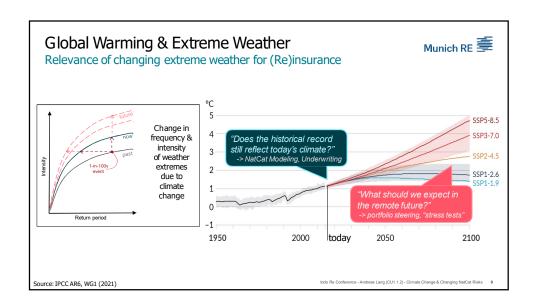


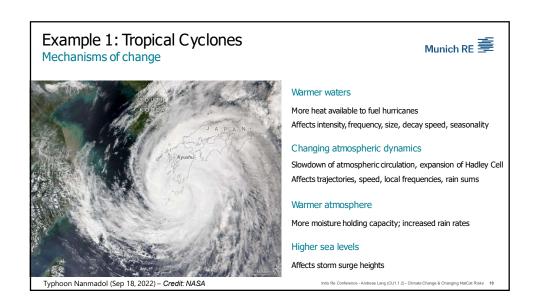




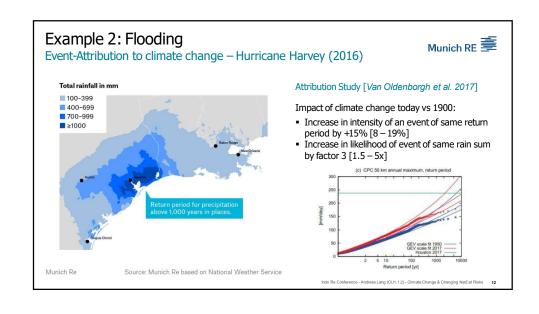








# Example 2: Flooding Mechanisms of change Warmer atmosphere Higher moisture holding capacity (~7% per °C warming) Increase in precipitable water -> increased rain rates Changing atmospheric dynamics Slowdown of atmospheric circulation Increased likelihood of stationary weather patterns -> Increased rain sums due to lower propagation speed



# Take-Home Messages Already now, man-made climate change is affecting many extreme weather events around the world Reflection of these changing risks in NatCat Models necessary! (dependent on region and peril) For the next decades, many impacts will be unavoidable Adaptation & Risk transfer (-> vulnerability reduction) crucial! In the long run, the severity of impacts strongly depends on timely and global emission reductions Mitigation crucial!



## New Landscape of Catastrophe Risks: Climate Change



HEMANT NAGPAL
(Executive Director, Catastrophe Analytic Lead Asia Pacific, Gallagher Re)

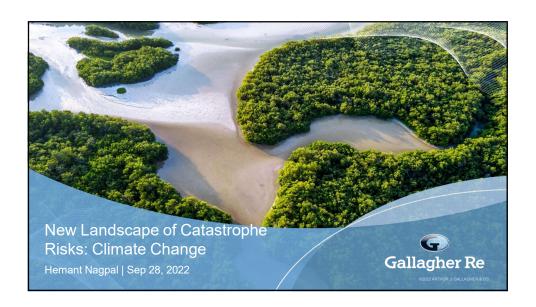
#### Executive Summary:

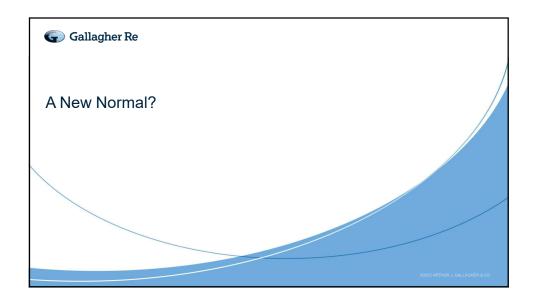
It is unequivocal that human influence has warmed the atmosphere, ocean, and land. Widespread and rapid changes in the atmosphere, ocean, cryosphere, and biosphere have occurred. The scale of recent changes across the climate system as a whole and its the present state of many aspects of the climate system are unprecedented over many centuries to many thousands of years.

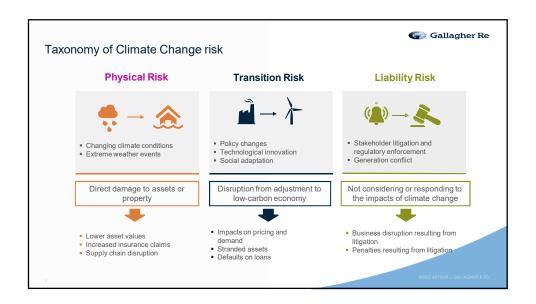
In SEA, we have high confidence that future warming will be slightly less than the global average. What is changing, for all natural hazards, is the exposure at risk. This is one of the reasons why natural catastrophe losses are increasing.

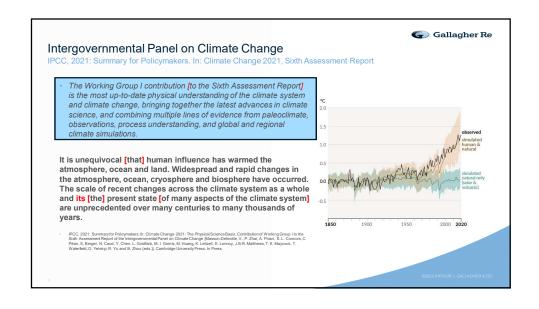
CAT Models capture global warming and natural variability with certain limitations. CAT Models are built based on the historical extreme events observed up to the present: natural variability and warming to date. Therefore, the extreme events in the CAT Models contain elements of both. It is recommended to quantifies physical climate risk by investigating the impact on the perils, and developing model adjustments, scenarios, and hazard layers.

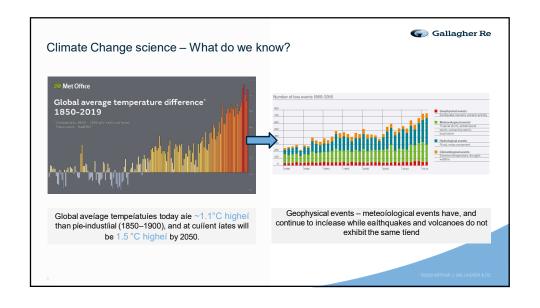












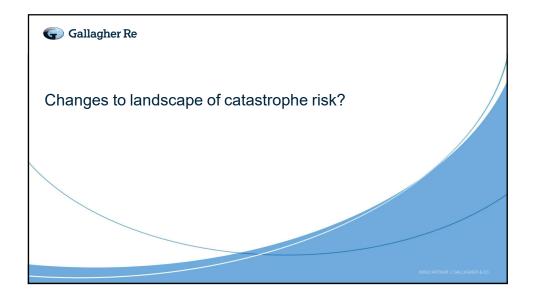
#### IPCC - Southeast Asia (SEA)

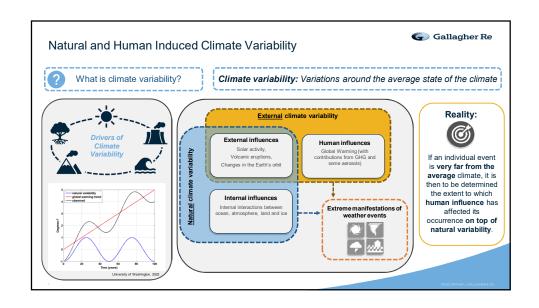
- Future warming will be slightly less than the global average (*high confidence*)
- Observed mean rainfall trends are not spatially coherent or consistent across datasets and seasons (high confidence)
- Rainfall will increase in northern parts and decrease in the Maritime Continent (medium confidence)
- Compound impacts of climate change, land subsidence, and local human activities will lead to higher flood levels and prolonged inundation in the Mekong Delta (high confidence)
- Although there has been no significant long-term trend in the overall number of tropical cyclones, fewer but more extreme tropical cyclones have affected the region

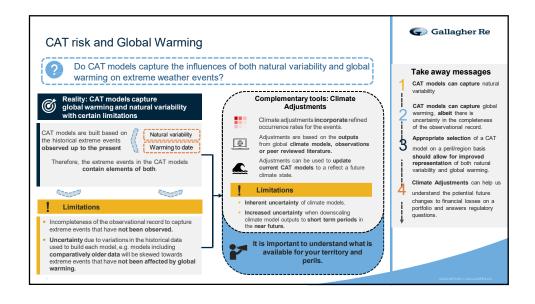
Gallagher Re

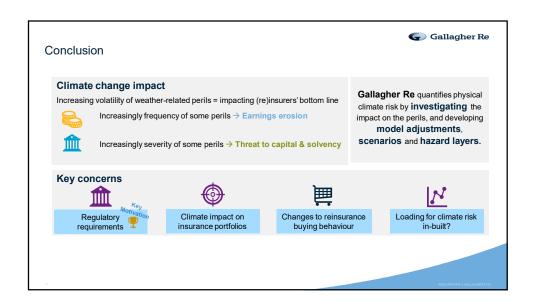
- What is changing, for all natural hazards, is the exposure at risk. This is one of the reasons why natural catastrophe losses are increasing.
- The main driver of increased natural catastrophe losses is increased property value in high-risk locations
- Property values and insured values are increasing People are developing in high-risk locations:
- The Coast
- River flood plains
- Unstable slopes
- This is an on-going trend and will vary with economic development but will continue. This can be linked to View of Risk

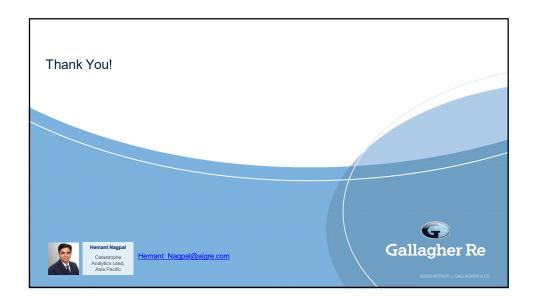
GOOG ARTHUR LOALLACHER & CO.











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# From Climate Change to Climate Insurance



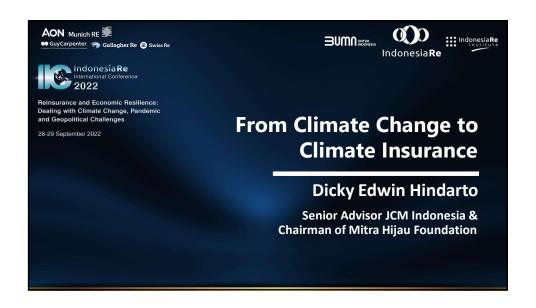
**DICKY EDWIN HINDARTO**(Senior Advisor JCM Indonesia and Chairman of Mitra Hijau Foundation)

#### Executive Summary:

Climate change is hurting the insurance industry and only 8% of insurers are preparing adequately for its impact. Losses from natural catastrophes have increased 250% in the last 30 years, with perils such as wildfires and storms, seen as particularly impacted by climate change, causing an even faster rise in insured losses

Climate risks must be well managed in order to achieve emission reduction targets and climate resilience. Sustainability must be implemented to get the human needs without overburdening the natural environment and future generation.

More ambitious decarbonization initiatives means a new risk landscape and new strategic skill sets for insurers. It will require new knowledge and strategies to be able to seize opportunities and manage risks. It is recommended to raise the profile of climate risks in the organization, on which companies should establish a clear governance structure as well as develop climate risk assessment to get better understanding on the future situation. Also, it is also recommended to develop new products for the new climate change challenges ahead and educate the market for the importance of insurance protection in the decarbonization implementation.



## **Dicky Edwin Hindarto**

The Chairman of Mitra Hijau Foundation Governing Board Senior Advisor of Indonesia Joint Crediting Mechanism (JCM) Implementation

FROM CLIMATE CHANGE TO CLIMATE INSURANCE

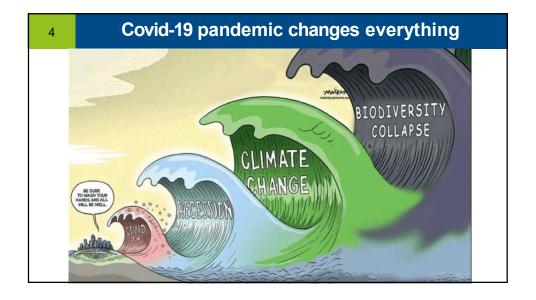
## **Speaker Profile**

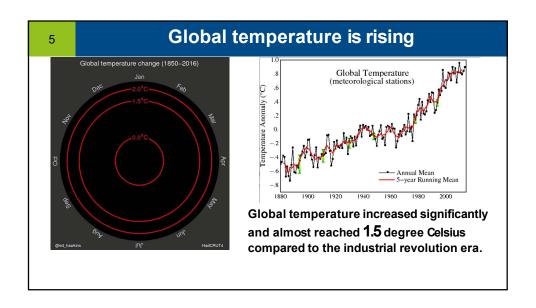


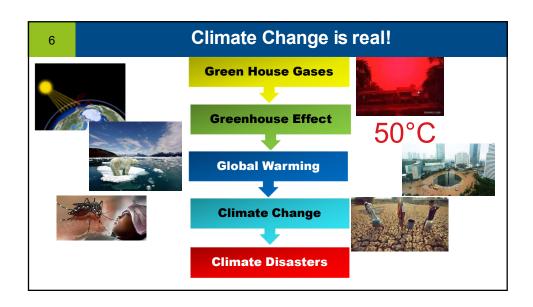
**Dicky Edwin Hindarto** is an Indonesian professional who has worked in the energy and climate change sector for more than 27 years.

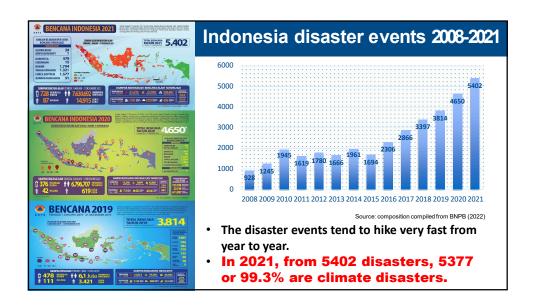
Dicky's experiences start from energy auditing, UNFCCC negotiations, renewable energy and energy efficiency projects development, energy management implementation, to the carbon market projects and scheme development.

Currently Dicky works as an Senior Advisor for the implementation of bilateral cooperation between Indonesia and Japan under the Joint Crediting Mechanism scheme and as an individual consultant for various national and international companies and institutions in the energy and carbon trading sector, including chairman of Mitra Hijau Foundation.











#### Global problem needs global solution



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- All countries know the importance of preventing climate change.
- Climate change prevention must be done together, not only the government, but also the private sector and all parties involved.
- Preventing climate change requires comprehensive plans, very high costs, technology, and sustainable implementation.

The Paris Agreement which was implemented in 2015 is the most agreed global agreement by the state parties. A total of 197 countries have signed the Paris Agreement to prevent escalation of climate change.

#### What really happen in Paris 2015?

- Parties to the UNFCCC pledge to limit their carbon emissions, strengthen resilience, and join forces to undertake joint emission reductions by using Nationally Determined Contribution (NDC).
- The Paris Deal included limiting global temperature rise to "below 2C" and said there should be "efforts" to limit temperature rise to below 1.5C. To do so would require the emission of 32 GtCO2e to be per year 2050, requiring an investment of around US\$ An additional 40 trillion for the transition to a global low-carbon economy. The intermediate target will be calculated in 2050.
- The legal obligation in developed countries is to continue to provide climate finance to developing countries. The developing countries requested loss and damages can be supported by the developed countries.
- Mitigation of climate change will bind the parties to prepare and renew climate commitments in a measured and transparent manner, developing countries are encouraged to have higher targets.
- The private sector is committed to reduce climate change by reducing GHG emissions in their business processes.

#### **Indonesia Nationally Determined Contribution (NDC)**

	GHG Emission Level 2010* (MTon CO2-eq)	GHG Emission Level 2030			GHG Emission Reduction				Annual Average	Average
Sector		MTon CO <sub>2</sub> -eq			MTon CO2-eq		% of Total BaU		Growth BAU	Growth 2000-2012
		BaU	CM1	CM2	CM1	CM2	CM1	CM2	(2010-2030)	2000 2012
1. Energy*	453.2	1,669	1,311	1,223	358	446	12.5%	15.5%	6.7%	4.50%
2. Waste	88	296	256	253	40	43.5	1.4%	1.5%	6.3%	4.00%
3. IPPU	36	69.6	63	61	7	9	0.2%	0.3%	3.4%	0.10%
4. Agriculture	110.5	119.66	110	108	10	12	0.3%	0.4%	0.4%	1.30%
5. Forestry and Other Land Uses (FOLU)**	647	714	214	-15	500	729	17.4%	25.4%	0.5%	2.70%
TOTAL	1,334	2,869	1,953	1,632	915	1,240	31.89%	43.20%	3.9%	3.20%

Notes: CM1= Counter Measure 1 (unconditional mitigation scenario)
CM2= Counter Measure 2 (conditional mitigation scenario)

NDC is enhanced by an increase in the emissions reduction target, from 29% in the first and updated NDCs to 31.89% unconditionally, using the country's own resources and capabilities. The emissions reduction conditionally target rises from the previous 41% in the updated NDC to the enhanced figure of 43.20%.

#### Indonesia 2060 Net Zero Emission (NZE) scenario



- Indonesia has develop sets of strategies to achieve emission reduction targets.
- Renewable energies, energy efficiencies, CCUS, green infrastructures, REDD+, and all of emission reduction programs need to be implemented and evaluated in a transparent manner.
  - The role of green financing and insurance scheme are very significant in NZE scenarios implementation.

'Net zero emissions' refers to achieving an overall balance between greenhouse gas emissions produced and greenhouse gas emissions taken out of the atmosphere. This concept was introduced by IEA.

Including fugitive.
 Including emission from estate and timber plantations.

## Climate change and the insurance business

"Climate change is hurting the insurance industry and only 8% of insurers are preparing adequately for its impact. Insured losses from natural catastrophes have increased 250% in the last 30 years, with perils such as wildfires and storms, seen as particularly impacted by climate change, causing an even faster rise in insured losses".

**Climate Change** 

**Insurance Risk** 

Source: Reuter, May 18th, 2022

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## Mitigation, adaptation and climate risks

Mitigation refers to actions that reduce emissions of carbon dioxide and other greenhouse gases, thereby preventing the climate from changing.

Adaptation must be part of our response to climate change because the climate is presently changing and, even under the most optimistic scenario, will continue to change for decades, Any climate change that is not avoided must be adapted to.

Climate Risks must be well managed in order to achieve emission reduction targets and climate resilience.

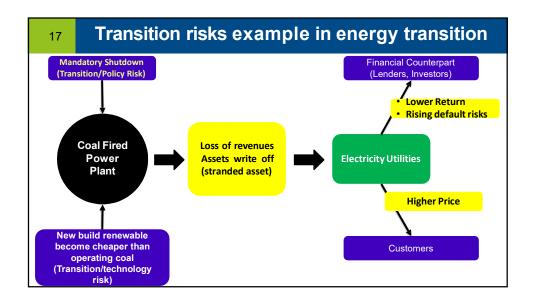
Sustainability must be implemented to get the human needs without overburdening the natural environment and future generation.

## What are the climate risks?

- **Physical risks:** The impacts today on insurance liabilities and the value of financial assets that arise from climate- and weather-related events such as floods and storms that damage property or disrupt trade.
- **Liability risks**: The impacts that could arise tomorrow if parties who have suffered loss or damage from the effect of climate change seek compensation from those they hold responsible. Such claims could come decades in the future, and both parties, particularly the insurer, should be aware about it.
- Transitional risks: The financial risks which could result from the
  process of adjustment towards a lower-carbon economy. Changes in
  policy, technology and physical risks could prompt a reassessment of the
  value of a large range of assets as costs and opportunities become
  apparent.

#### Physical risks example in adaptation 16 BANKS MARKETS Coastal Properties Sea Level Effect on Effects on Lower Rise, Higher mortgage securitization residential Property Values Extreme and risks of floods and and mortgage Floods extreme property backed mortgage assets weather

The escalating frequency and severity of extreme weather-related events—from wildfires in Indonesia, to record heat waves in Europe and China, to floods in Japan—have shone a brighter regulatory spotlight on insurance risk and climate change. Potential damage from climate change should be evaluated for better risk management.



#### Some types of climate insurance needed

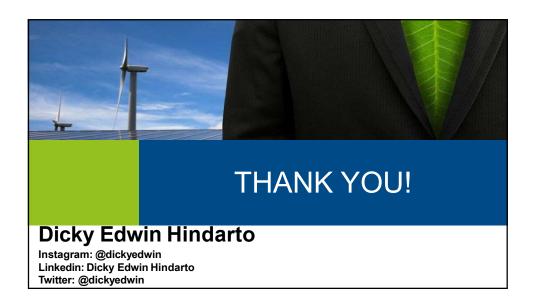
- **1. Crop insurance**, that covers agricultural producers against unexpected loss of projected crop yields or profits from produce sales at market.
- **2. Forest insurance**, that covers the destruction of trees as a direct consequence of fire, hail, malicious acts, impact, earthquake and as an option, windstorm.
- **3. Environmental liability insurance**, that protect against environmental damages and risks,

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- **4. Aquaculture insurances**, that covers a mechanism for transferring risks faced in aquaculture production.
- **5. Packaged programs insurance for renewable energy implementation**, that covers from property, liability and warranty, with risk consulting services, for solar renewable energy facilities.
- **6. Packaged programs insurance for energy efficiency implementation**, that covers from energy efficiency equipment to energy reduction warranty.

## What need to be done for insurance company?

- 1. More ambitious decarbonization initiatives means a new risk landscape and new strategic skill sets for insurers, it will require new knowledge and strategies to be able to seize opportunities and manage risks.
- 2. Raise the profile of climate risks in the organization, companies should establish a clear governance structure as well as develop climate risk assessment to get better understanding on the future situation.
- 3. Develop new products for the new climate change challenges ahead.
- 4. Educate the market for the importance of insurance protection in the decarbonization implementation.





# Optimizing Insurance & Reinsurance Capability in Disaster Risk Financing Scheme Strategy



ADI BUDIARSO
(Head of the Center for Financial Sector Policy,
Fiscal Policy Agency)

#### Executive Summary:

Climate change is indisputably apparent and studies indicate the occurrence of global warming acceleration. The change is happening and we could see it from the paradigm shifting of disaster financing from reactive to mitigation. Government also prepares a mix of DRFI instruments. The goals are to maintain fiscal resilience and increase the share of risk transfer to third parties (insurance) while developing and increasing the capacity of the insurance industry.

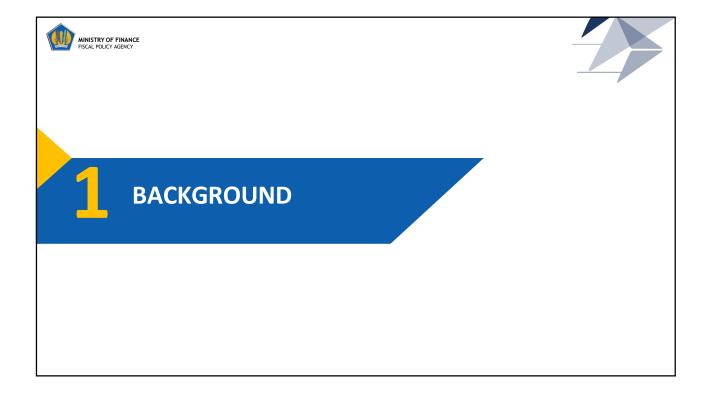
Reinsurance has the important role to the management of catastrophe risks and disaster risk financing management. Catastrophe reinsurance markets can contribute to risk management by enhancing the capacity of primary insurance markets to provide insurance coverage and supporting the management of catastrophe risks.

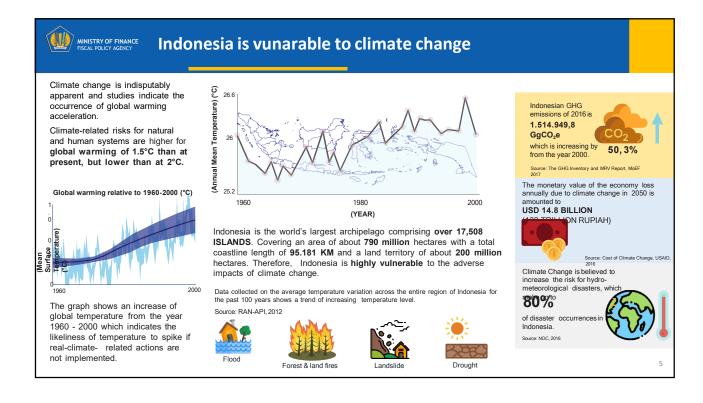
Good governance, literacy, consumer protection, and trust become the biggest challenge in Insurance Industry. Improvement in financial literacy and implementation of good governance are urgent and necessary. Improvement of domestic reinsurance capacity is needed to support the risk coverage of primary insurance and the management of catastrophe risks.







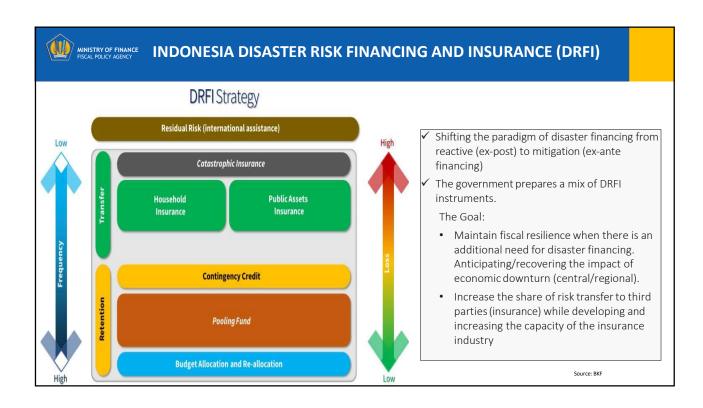


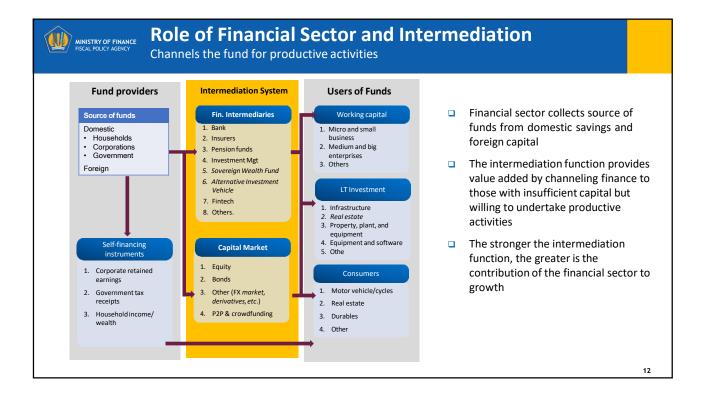












#### **Indonesian Financial Sector vs peers**

#### Financial Sector's Asset of ASEAN members (2020)

Country	Banking assets to GDP <sup>a</sup>	Capital market capitalization to GDP <sup>a</sup>	Insurance assets to GDP	Pension fund assets to GDP
Indonesia	59,5	45,1	5,8 <sup>b</sup>	6,9⁵
Malaysia	206,0	121,4	20,3c	59,9□
Filipina	100,6	88,6	8,5°	3,5°
Singapura	325,8	191,9	47,5₫	32,2ª
Thailand	144,9	102,8	23,2₫	6,9⋴

Sumber: Bank Indonesia, OJK, BPIS TK, Taspen, Asabri, CEIC, dan World Bank Global Financial Development Database (GFDD) 2020 a) CEIC per 2020; b) data GFDD per 2016; d) data GFDD per 2016; d) data GFDD per 2017

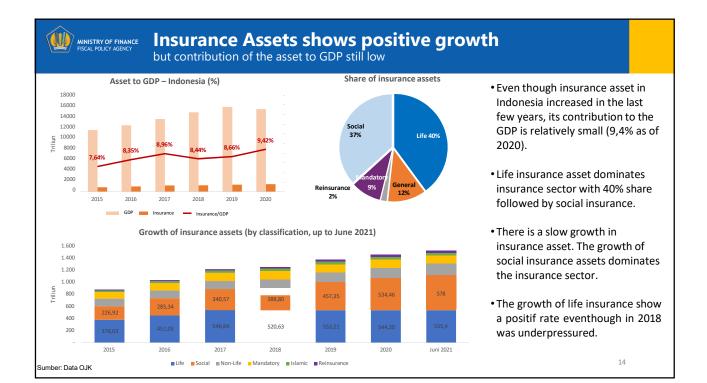
- ☐ Financial sector's asset in Indonesia is relatively lower than peers in ASEAN
- ☐ Indonesia's financial sector is dominated by banking sector
- Contribution of non-bank sector, particularly insurance and pension fund, to the GDP and financial sector as a whole is still low

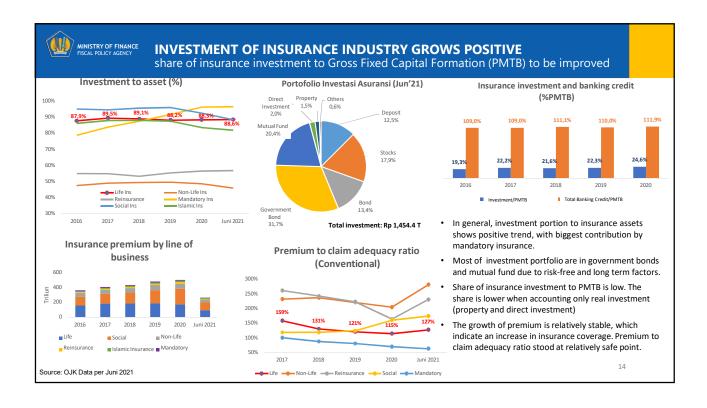
#### Indonesia: Financial sector asset proportion (%)





Source: OJK

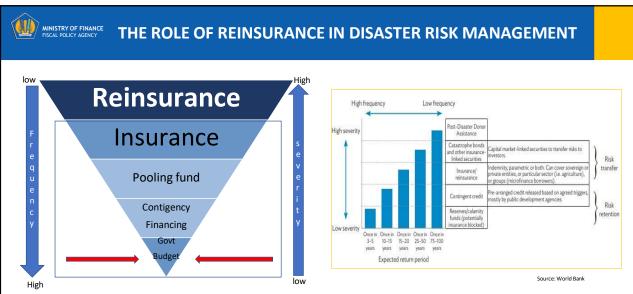






#### DISASTER INSURANCE AND REGULATION

- ☐ Insurance Law No. 40/2014 does not specifically regulate the disaster insurance industry. However, that the Government and/or the Financial Services Authority, either individually or jointly, may take steps to establish an insurance pool or consortium for certain risks among others disaster risks.
- ☐ The government has **initiated the use of the general insurance industry** (both conventional and sharia) through the issuance of Presidential Regulation No. 75 of 2021 concerning the Disaster Pooling Fund, with the aim of supporting and completing the availability of adequate, timely, targeted, planned and sustainable disaster management funds.
- □ In addition, a number of insurance companies formed a consortium to provide protection for State Property (Asuransi BMN) by involving a number of general insurance companies. The BMN insurance program is a Government program implemented with the principles of selective, efficiency, effectiveness and priority as stated in Minister of Finance Regulation No. 247/PMK.06/2016 concerning State Property Insurance.
- □ Optimization of the Pooling Fund for Disaster and BMN Insurance is part of the **Disaster Risk** Financing and Insurance (DRFI) strategy in anticipating potential losses due to various disasters in Indonesia.

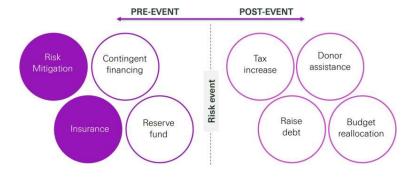


- > Reinsurance has the important role to the management of catastrophe risks and disaster risk financing management.
- ➤ Catastrophe reinsurance markets can contribute to risk management by enhancing the capacity of primary insurance markets to provide insurance coverage and supporting the management of catastrophe risks

## MINISTRY OF FINANCE FISCAL POLICY AGENCY

#### **INSURANCE AND RISK MITIGATION**

The combination of insurance and risk mitigation have ability to reduce need to raise funds post-event



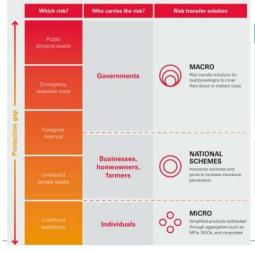
Regular premium payments are more efficient budget management mechanism than responding with the post-event handouts.

This approach also frees up funds for government investment in innovation and resilient infrastructure

ource: IndoRE



#### INTERNATIONAL BENCMARKING TO CLOSE PROTECTION GAP FOR **DISASTER RISK MANAGEMENT THROUGH INSURANCE & REINSURANCE**



#### Mexico

 Provincial government using insurance instrument to finance disaster

- FONDEN = Fund for Natural Disaster
- Natural Disaster
  Standard reinsurance
  cover for damage to
  infrastructure
  Multi-year Multi-cat
  Catastrophe bond for
  major EQ and
  hurricane risk
  - relief program or to-rebuild public infrastructure

- Group of countries jointly transfer weather and disaster risks to international reinsurance & capital
- Parametric or index insurance e.q. The provinces of Heilongjiang & Guangdong
- France & Spain: Comprehensive compulsory natural disaster cover offered by government-sponsored insurance entities
- Public-Private Partnership (PPP)
  - Turkey: Catastrophe Insurance Pool for 7 million homeowners
  - UK: Flood Re
- Microinsurance/Microtakaful
- Zakat Infaq Sadaqah + Microtakaful
- Kenya 's Index-based Livestock Insurance Program (KLIP)



#### INDONESIA HAS CONSORTIUM OF STATE ASSETS INSURANCE (KABMN) **SINCE 2019**



#### Konsorsium Barang Milik Negara (Consortium of State Property Insurance)

- The Indonesian General Insurance Association (AAUI) on July 7, 2019 formed a Konsorsium Barang Milik Negara (Consortium of State Property Insurance / KABMN) consisting of 52 General Insurance Companies and 6 Reinsurance Companies.
- This consortium has a total capacity of Rp1.39 trillion. All companies that are members of the KABMN have fulfilled the requirements by the Ministry of Finance, having a minimum of Rp150 billion as own capital, having a minimum RBC of 120% and a minimum liquidity ratio of 100%.
- In the KABMN, there are two parties in this Consortium that have their respective functions, namely the administrator and policy
- The task of the administrator is the party that manages all matters relating to the internal administration of the Consortium both technical and non technical. While the policy issuer functions to take care of the administration of policy and claims issuance with the insured.

#### **Reinsurance Pool**

#### **Members:**

52 General Insurance Companies and 6 Reinsurance Companies

#### Capacity:

IDR 1.39 trillion

#### **Pool Administration:**

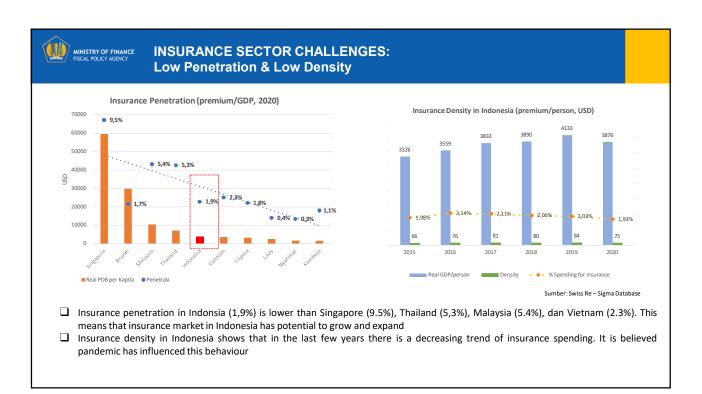
PT Reasuransi Maipark Indonesia

#### **Policy Issuer:**





## ISSUES & CHALLENGES



## Physical Risks Accountants, Actuaries, Insurers, Asset Managers Liability Risks Transition Risks

MINISTRY OF FINANCE FISCAL POLICY AGENCY

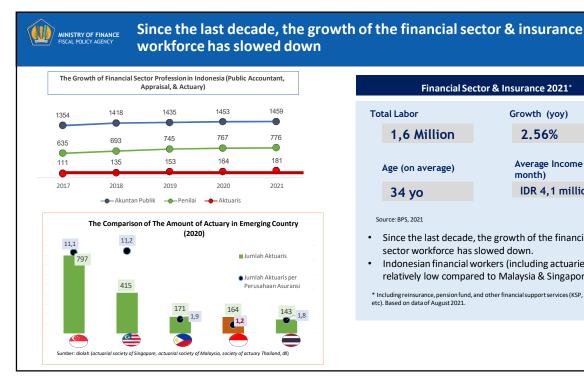
#### GOOD HUMAN CAPITAL IN FINANCIAL SECTOR IS ONE OF THE IMPORTANT PART OF THE ECOSYSTEM FOR MANAGING THE DISASTER RISK

Risks arising from the impact of climate change, e.g. More frequent damage to property due to flooding resulting in higher number of insurance claims.

Risks from third parties seeking compensation from the effects of climate change, e.g. companies being sued because of the impact of their greenhouse gas emissions.

Risks related to transitioning to a lower-carbon economy or to helping the world adapt to or mitigate the effects of climate change..

## **HOWEVER**







## GOOD GOVERNANCE, LITERACY, CONSUMER PROTECTION, AND TRUST BECOME THE BIGGEST CHALLENGE IN INSURANCE INDUSTRY

FINANCIAL INCLUSION AND LITERACY							
Sektor	LITERATIC	N INDEX	INCLUSION INDEX				
	2016	2019	2016	2019			
Bank	28,9%	36,1%	63,6%	73,9%			
Insurance	15,8%	19,4%	12,1%	13,2%			
Pension Fund	10,9%	14,1%	4,7%	6,2%			
Capital Market	4,4%	4,9%	1,3%	1,6%			
Financial Institution	13%	15,2%	11,8%	14,6%			
Pegadaian	17,8%	17,8%	10,5%	12,4%			
LKM*	-	0,85%	=	0,72%			

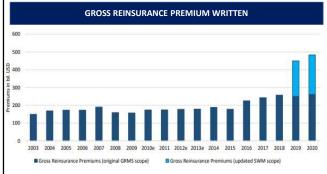
<sup>\*</sup> LKM wasn't included in the survey of 2016

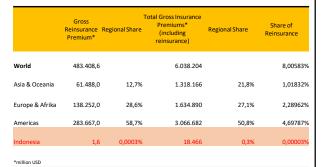
Source: Survey Nasional Literasi Inklusi (SNLKI), OJK, 2019

- ☐ Based on SNLKI survey in 2019, insurance literacy and inclusion index has increased compared to the year of 2016. However, the index of insurance literacy and inclusion is still lower than that of banking industry.
- ☐ The low literacy index has caused a consumer choose the insurance products unsuitable with risk profile.
- ☐ The numbers of insurance dispute cases has affected the public trust to the insurance industry.
- ☐ Improvement in financial literacy and implementation of good governance are urgent and necessary.

## MINISTRY OF FINANCE FISCAL POLICY AGENCY

#### IMPROVEMENT OF DOMESTIC REINSURANCE CAPACITY IS NEEDED



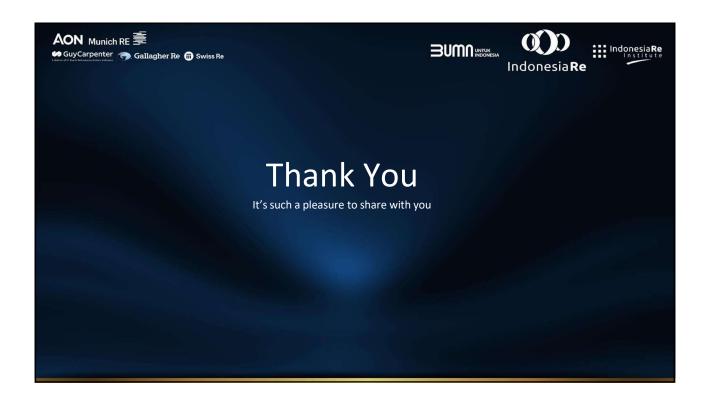


Source: SWM 2021

Source: Global Insurance Marker Report, 2019 and OJK

- ✓ The gross premium written of reinsurance industry in Indonesia is relatively low compare to the global reinsurance industry.
- Capacity of the domestic reinsurance is necessary to be improved to support the risk coverage of primary insurance and the management of catastrophe risks





#### Special Highlight

# New and Heightened Economic Risks through Climate Change



MARC SCHMIDT

(Managing Director & Partner at Boston Consulting
Group)

#### Executive Summary:

The science is unequivocal: climate change is a threat to human well-being and the health of the planet. Any further delay in concerted global action will miss the brief, rapidly closing window to secure a livable future.

Climate change is already impacting ecosystem, people's lives, and infrastructure everywhere. Adaptation finance is necessary, especially for vulnerable countries; investing in both mitigation and adaptation will save costs from loss and damage down the road. Some impacts of climate change are already too severe to adapt to; the world needs urgent action now to address loss and damage.

Climate change alters the nature of underlying risks, requiring insurers to adapt on their pricing and capabilities. Insurers need to adjust risk models and pricing to factor in higher claims costs and mortality risk. Insurers also need to expand their underwriting capabilities as regulation and demand undergo a global energy transformation.







Note: For climate risks with projected ranges, we used the midpoint of the ranges to compare risks at different temperature thresholds. Sea level rise projections correspond to SSP1-1.9, SSP1-2.6, SSP24.5, which are roughly approximate to global warming of 1.5°C, 2°C, and 3°C, respectively Source: IPCC AR6 Impacts, Adaptation and Vulnerability

#### Indonesia is vulnerable to climate change as observed in recent large scale climate hazards such as flash floods Indonesia is highly vulnerable to effects of ... which has already severely impacted its economy and climate change... the population >1 in 4 Indonesians live in high-risk flood zones. In West Vulnerability index to climate change (ND-GAIN Index 2019 - vulnerability score)<sup>1</sup> Kalimantan, 44% of its people are exposed to high flood Rank #182 #181 #140 #131 121 #91 #73 #64 #56 #42 risk, the highest among provinces In March 2022, several landslides and flooding impacted more than 30K people and displaced almost 10K. An estimated 1.4M people will be exposed to extreme flooding in 2035-2040 ~4.2M are likely to be exposed to permanent flooding by 2070-2100 as a result of rising sea levels NOR CHE BRN MY SG TH ID # 🛨 🛰 💴 📟 💌 💌 In 2010, Indonesia reported that 14% of its districts recorded no months with surplus water. It is projected that this will increase to 20% by 2025 and 31% by 2050 1. Vulnerability relates to Exposure, Sensitivity, Adaptive Capacity Source: Notre Dame Global Adaptation Initiative 2019 data; World Bank; Indonesia's Updated Nationally Determined Contribution (2021); World Bank Climate Risk Country Profile (Indonesia)

POI: Farms

Note: Anchored on "middle of the road" scenario (SSP 2-4.5) with 10-year return period extreme event 1. Assuming 100% reduction in output for agricultural sector for impacted areas



-1m flooding

~2m flooding

Agriculture, forestry, & fishing sector are most affected by SLR in Bulacan, with 18% of assets potentially inundated:

 Up to 8% decrease in overall GDP of Bulacan due to decline in sector output¹

 $\geq$ 

 Risk of food insecurity due to disruption in fish and rice production, Bulacan contributes to food supply within the province and Metro Manila Cost of inaction: Php 175 Bn (~US\$3.2 Bn)

Up to 8% expected decline in total Bulacan GDP due to potential production loss

#### **Potential Action**

- Solution: Mangrove restoration to protect fish farms and farmland by providing a buffer to sea level rise
- Area: Malolos & Hagonoy, municipalities with highest fisheries & farming yield among most affected areas

6

## Climate change poses three type of risks to businesses



#### **Business Continuity Risk**

Impact to physically and financial assets or ability to sell products and service, e.g.:

- Carbon Border Tax
- Carbon Neutral products
- Financing "black list"

Source: BCG analysis



#### Legal Risk

Non-action (past and present) on climate transition leads to legal action, e.g.:

- Boards sued for non-action
- Companies sued for past emissions



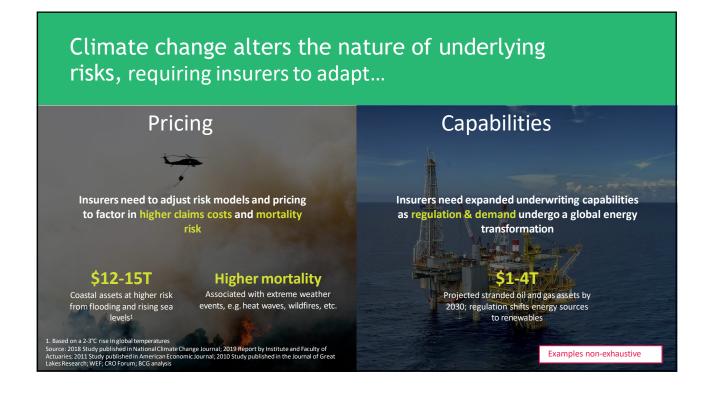
#### Catastrophic Risk

Destructive negative impacts of climate change effecting companies or industries, e.g.

- Agricultural industry by severe draught
- Regional industry structures by sea level rise

4





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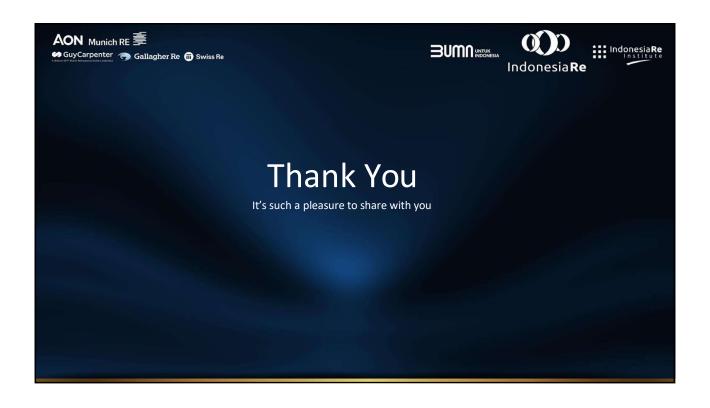
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#### Panel Discussion 4

# New Landscape of Catastrophe Risks: Pandemic



#### **Greeting from Moderator**



IWAN PASILA (CEO of BRI Life)

COVID-19 pandemic provides an important lesson for us regarding the importance of a country having a strategy for handling a pandemic, starting from detection, therapeutics, vaccination, to health protocols – including the implementation of PPKM and the use of digital technology. COVID-19 pandemic has tested and taught lessons about the resilience of public health service systems throughout the world, including Indonesia. The pandemic has also taught us again about the importance of a country's ability to be able to respond to a health outbreak/disaster quickly and appropriately.

Insurance Industry capture several things about current and future-possible things related to COVID-19. The first one is consumers are adjusting to new normal, however, they are becoming more health-conscious and proactively managing their physical and mental health. The second one, Insurers need to leverage this opportunity by providing guidance and support to help consumers to understand and improve their health.

As in Pandemic Coverage, reinsurers are willing to provide coverage for natural peril risks as it allows them to pool uncorrelated risks from around the world. The nature of pandemic risk limits the ability to diversify the risk and will likely lead to a higher reinsurance costs compared to other perils that are not correlated across countries. After all, we all have big hope that the risk can be modelled so the cost also can be estimated.

#### Readiness in Facing Pandemic:

#### A Public Health Perspective

Kesiapan dalam Menghadapi Pandemi (Perspektif Kesehatan Masyarakat)



**DRG. KARTINI RUSTANDI**(Director of Productive Age and Elderly Health)

#### Executive Summary:

COVID-19 pandemic provides an important lesson for us regarding the importance of a country having a strategy for handling a pandemic, starting from detection, therapeutics, vaccination, to health protocols - including the implementation of PPKM and the use of digital technology.

COVID-19 pandemic has tested and taught lessons about the resilience of public health service systems throughout the world, including Indonesia. The COVID-19 pandemic has also taught us again about the importance of a country's ability to be able to respond to a health outbreak/disaster quickly and appropriately. Apart from that, the COVID-19 pandemic also reminds us of the importance of the six pillars of health transformation in efforts to increase the resilience of the health system, namely:

- Primary services transformation
- Referral services transformation
- Health resilience system transformation
- Health financing system transformation
- Human capital transformation
- IT transformation





#### Strategi Penanganan Pandemi

#### DETEKSI





- Meningkatkan pelacakan kontak erat dengan target 15-30 kontak erat per kasus positif dalam waktu <72 jam.</li>
- Meningkatkan strategi surveilans genomik di pintu masuk dan di masyarakat untuk mendeteksi varian baru.

#### **TERAPEUTIK**





- RS & pemenuhan suplai (termasuk oksigen), alkes, & SDM.

  Mengerahkan tenaga cadangan: dokter
- Mengerahkan tenaga cadangan: dokter internsip, koas, mahasiswa tingkat akhir.
- Pengetatan syarat masuk RS: saturasi <95%, sesak napas, agar hanya kasus sedang, berat, kritis di RS.
- Meningkatkan pemanfaatan isolasi terpusat.
- Isolasi mandiri/terpusat pada pasien tanpa gejala/gejala ringan

#### **VAKSINASI**



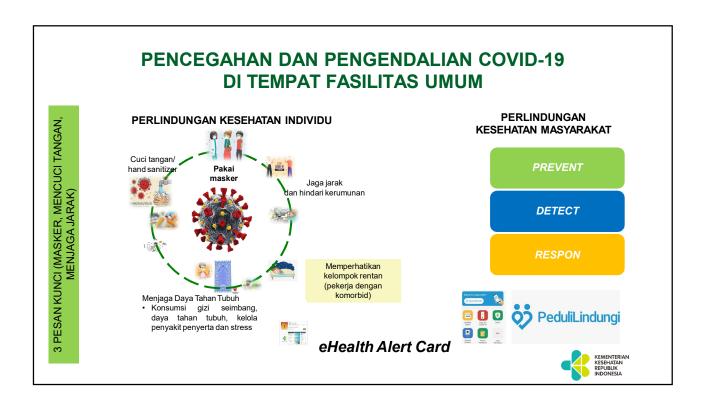
- Percepatan vaksinasi lengkap dan vaksinasi pada lansia
   =70%
- Target vaksinasi lengkap >= 70% dari total populasi tercapai sebelum Juni 2022
- Percepatan vaksinasi booster
- Edukasi pemanfaatan semua jenis vaksin

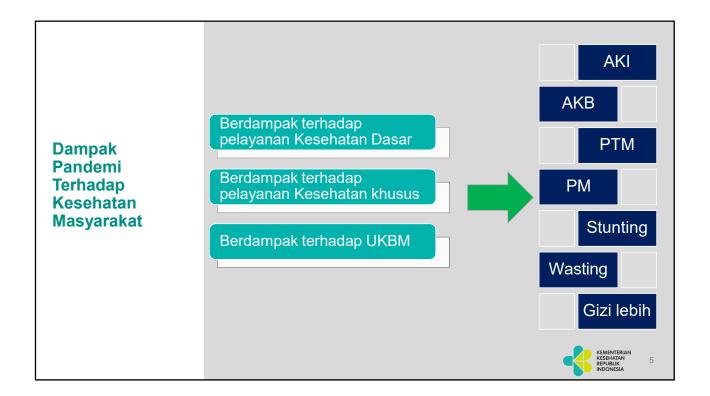
#### **PROTOKOL KESEHATAN**



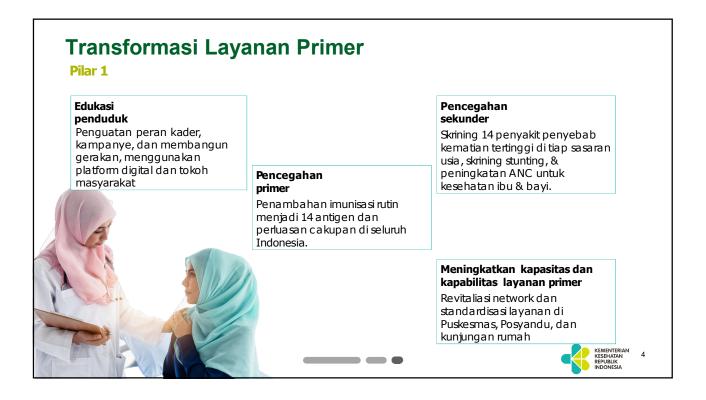
- Implementasi PPKM Level 1-4
- Pemanfaatan teknologi digital dalam implementasi protokol kesehatan











#### Transformasi Layanan Rujukan

Pilar 2



#### Meningkatkan akses dan mutu layanan sekunder & tersier

Pembangunan RSdi Kawasan Timur, jejaring pengampuan 6 layanan unggulan, kemitraan dengan world's top healthcare centers.



.



#### Ketahanan Kesehatan

Pilar 3

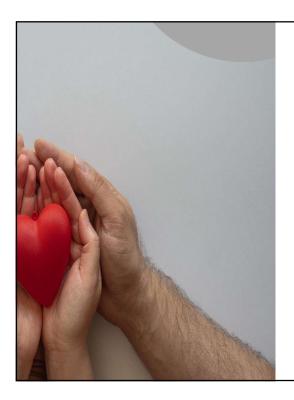
#### Meningkatkan ketahanan sektor farmasi & alat kesehatan

Produksi dalam negeri 14 vaksin rutin, top 10 obat, top 10 alkes by volume & by value.

#### Memperkuat ketahanan tanggap darurat

Jejaring nasional surveilans berbasis lab, tenaga cadangan tanggap darurat, table top exerc ise kesiapsiagaan krisis.





#### Pembiayaan Kesehatan

Pilar 4

Pembiayaan intervensi kesehatan secara efektif dan berkelanjutan untuk mencegah penyakit dan menyediakan layanan kesehatan yang terjangkau

10

#### Transformasi pembiayaan kesehatan untuk memastikan pembiayaan yang cukup, adil, efektif dan efisien

National Health Account (NHA)

 Mempercepat produksi NHA dari T2 menjadi T1 agar dapat digunakan untuk penajaman perencanaan dan intervensi pembiayaan kesehatan, seperti meningkatkan efisiensi pembiayaan melalui Asuransi Kesehatan Tambahan (AKT)

Health Technology Assessment (HTA)

 Meningkatkan penerapan HTA guna menjamin kendali mutu dan biaya berbasis bukti untuk pelayanan kesehatan yang lebih efektif dan efisien

#### Annual Review Tariff

- Utilization review untuk mengendalikan sejumlah layanan JKN, seperti sectio cesaria
- Penyesuaian tarif *Indonesia Case Based Groups* (INA-CBGs) yang fokus pada pemenuhan hak peserta dan harga layak (keekonomian)
- Review kapitasi BPJS agar jasa pelayanan di Fasilitas Kesehatan Tingkat Pertama dapat lebih efektif, efisien dan berbasis kineria

Konsolidasi Pembiayaan Kesehatan

A. Konsolidasi Pembiayaan Kesehatan Pusat dan Daerah

 Penerapan insentif Upaya Kesehatan Masyarakat (UKM) kepada tenaga kerja kesehatan untuk meningkatkan pelayanan promotif dan preventif, sebesar 7,5% dari Biaya Operasional Kesehatan (BOK) Puskesmas 2022 dan 15% dari BOK Puskesmas 2023

#### B. Konsolidasi Pembiayaan Kesehatan JKN dan Swasta

- Pengenaan selisihbiaya bagi peserta yang ingin naik kelas perawatan & rawat jalan eksekutif (coordination of benefit)
- Upaya pengendalian dari sisi peserta melalui urun biaya pada pelayanan yang dijamin dengan kategori berpotensi moral hazard (cost sharing)







#### **SDM Kesehatan**

Pilar 5

SDM kesehatan dengan jumlah cukup dan merata di seluruh Indonesia



Tenaga kesehatan yang cukup dan merata merupakan enabler penting, fasilitas tidak akan bisa dibangun secara merata tanpa tersedianya tenaga kesehatan



Dokter\* per 1,000 populasi

1 Standar WHO

1,2 Rata-rata Asia 20

memiliki dokter1

Puskesmas belum lengkap memiliki 9 jenis tenaga kesehatan dasar1

Puskesmas belum

RSUD kab/kota belum terpenuhi dengan 7 jenis dokter spesialis<sup>2</sup>

\*Dokter Umum Sumber: Kemenkes, 2022 2017 bed density data berdasarkan WWM, EIU, WHO



<sup>3,2</sup> Rata-rata OECD

 <sup>9</sup> Jenis tenaga kesehatan Dasar di Puskesmas: Dokter, Dokter gigi, Perawat, Bidan, Apoteker, Kesmas, Sanitarian, Ahli Lab, dan Gizi
 2.7 Jenis spesialis di RSUD: Sp. Anak, Obgyn, Penyakit Dalam, Bedah, Anestesi, Radiologi, dan Patologi Klinik
 7 Total 10.373 huskesmas, 647 RSUD: Data St-SDM(8 Juni 2022



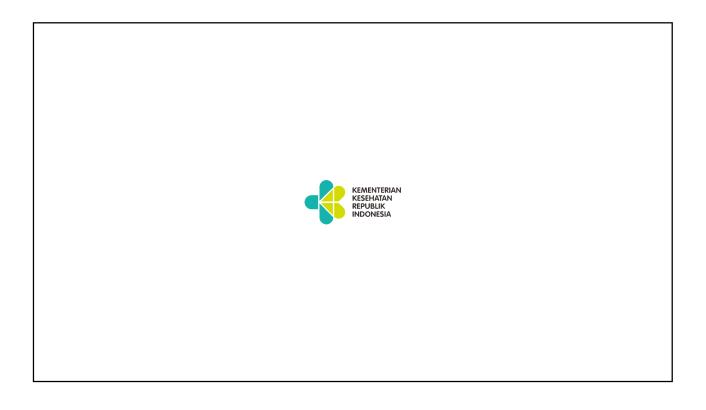
# Pandemi COVID-19 menguji dan memberi pelajaran terhadap ketahanan sistem pelayanan kesehatan di seluruh dunia termasuk Indonesia. Pentingnya perilaku hidup sehat, menjaga daya tahan tubuh dan vaksinasi untuk mewujudkan herd immunity dalam penanganan pandemi seperti COVID-19. Kemampuan dalam merespons secara cepat dan tepat menjadi kunci agar kita dapat melalui pandemi dengan baik. 6 pilar transformasi Kesehatan merupakan upaya untuk meningkatkan ketahanan system Kesehatan untuk mencapai derajat Kesehatan setinggi-tingginya

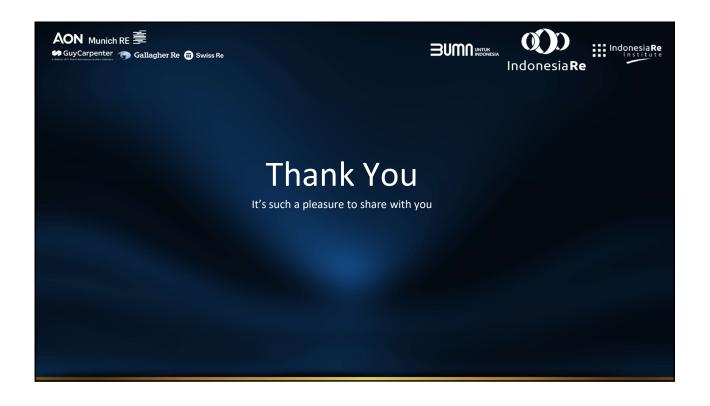
# Seluruh sector, dunia usaha dan masyarakat madani dalam mendukung transformasi kesehatan Dukungan Pemda dalam mencapai SPM Bidang Kesehatan Dukungan Pemda, masyarakat dalam penyiapan sumberdaya menghadapi pandemi Masyarakat memahami pentingnya program asuransi/JKN

### Sehat bukan segalanya, tanpa Kesehatan segalanya bukan apa-apa

Bersama kita dapat membangun Indonesia yang lebih kuat dan sehat

,





#### COVID-19:

## Residual Impacts and Outlook for the Future



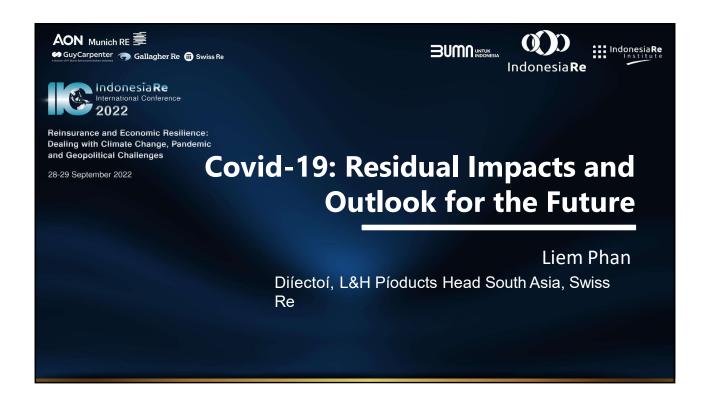
LIAM PHAN
(Director, L&H Products Head South Asia, Swiss Re)

#### Executive Summary:

Globally, COVID-19 has led to 6.36 million deaths and USD 2 billion of Covid-related claim paid. Here we are now still fighting with new Omicron subvariant and endemicity ('the new normal'). Long Covid and long-term sequalae remain a big question, and currently no ongoing significant risk is expected.

Insurance Industry capture several things about current and future-possible things related to COVID-19. The first one is consumers are adjusting to new normal, however, they are becoming more health-conscious and proactively managing their physical and mental health. The second one, Insurers need to leverage this opportunity by providing guidance and support to help consumers to understand and improve their health.

At last, business disruption of COVID-19 has created new opportunities, start from how we should moving away from traditional tools and approaches; challenging dated NML's and embracing personalized risk assessment; reassessing operating models and customer journeys; and to capitalizing on alternative partners and new techs.

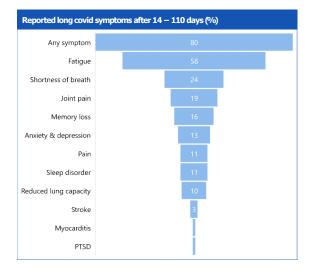








#### Long Covid and long term sequalae: no ongoing risk is expected

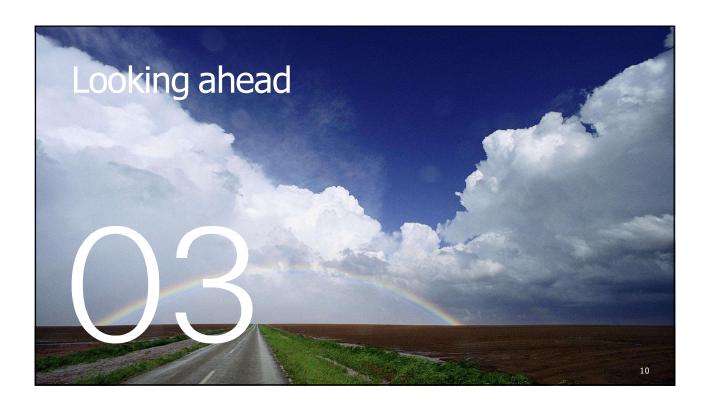


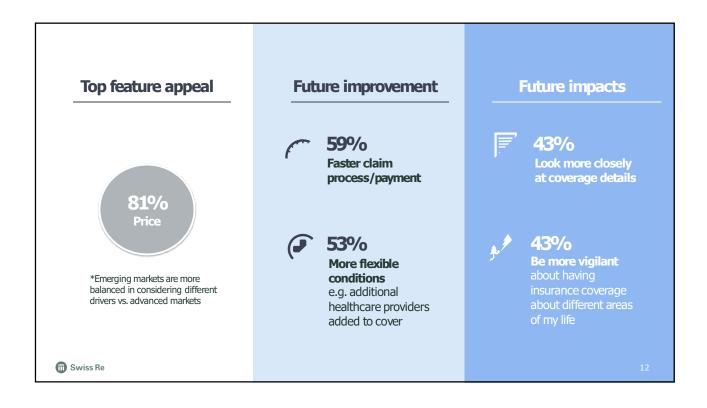
#### Caveats/unknowns:

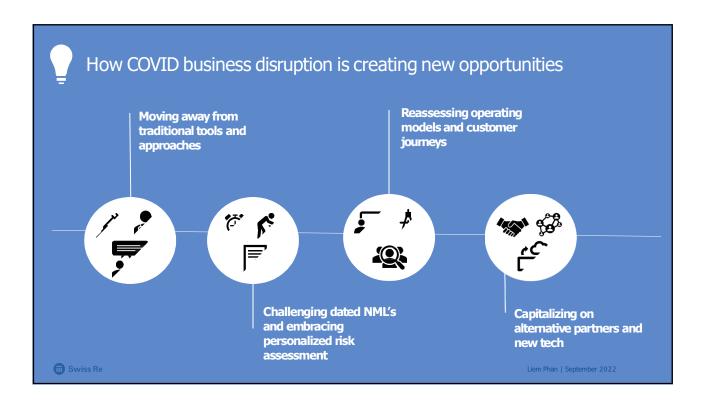
- · How long do these symptoms last?
- What treatment options are available to limit the severity of the symptoms?
- Are all of these symptoms really Long COVID or are there other factors at work?
- Is there a link between severity of disease and long covid presentation?
- What can be done to support recovery pre-claim?
- Are these symptoms severe enough to cause a claim?

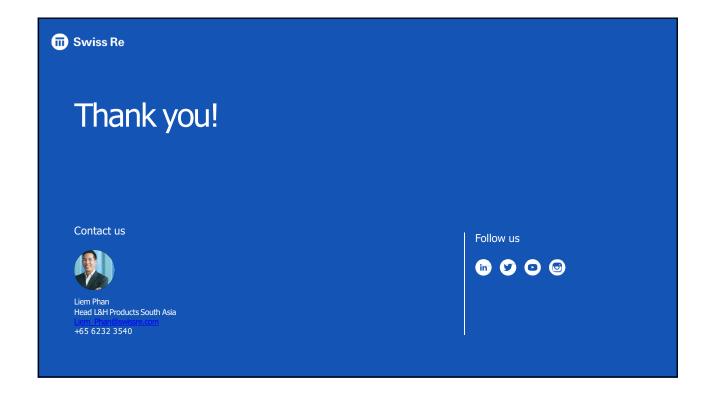


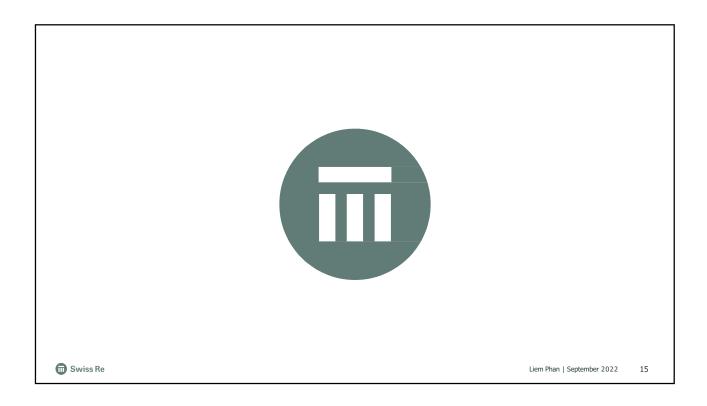


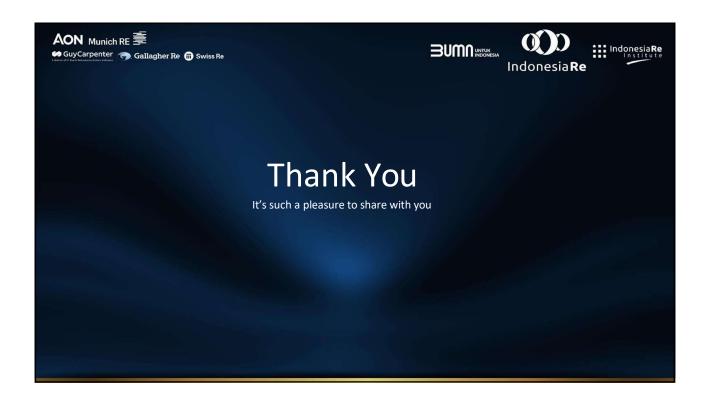












#### **Pandemic Insurance**



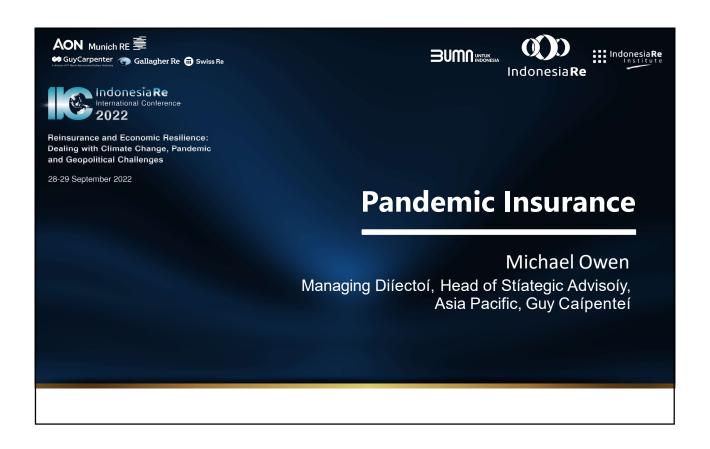
MICHAEL OWEN

(Managing Director, Head of Strategy Advisory, Asia Pacific, Guy Carpenter)

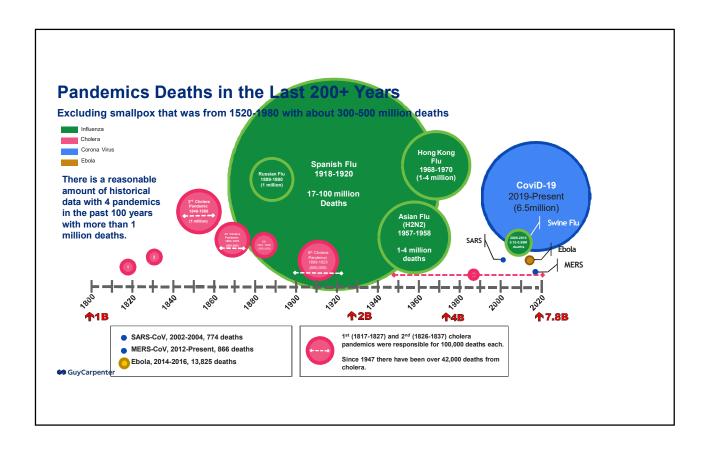
#### Executive Summary:

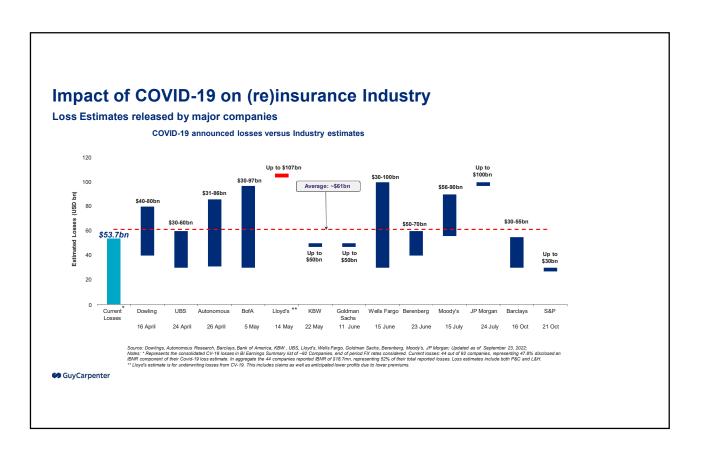
Systemic risk in a financial context, denotes the risk of a cascading failure in the financial sector, caused by linkages within the financial system, resulting in a severe economic downturn. To be insurable, the risk could not be so catastrophic that the insurer would never be able to pay for the loss. The risk also has to be well-defined and has a measurable value. The risk supposed to be random and not within the policyholder's control. Also, there must be a sufficient number of insureds subject to the same risk, so that all policyholders' combined premiums can share in the cost of any losses, but, it should be unlikely that all policyholders will suffer a loss at the same time.

As in Pandemic Coverage, reinsurers are willing to provide coverage for natural peril risks as it allows them to pool uncorrelated risks from around the world. The nature of pandemic risk limits the ability to diversify the risk and will likely lead to a higher reinsurance costs compared to other perils that are not correlated across countries. After all, we all have big hope that the risk can be modelled so the cost also can be estimated.





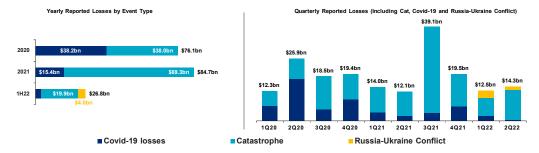




#### Impact of Losses on (Re)Insurance Industry

Reported Losses<sup>1</sup> arising from Catastrophes and COVID-19

#### \$53.7 billion in Covid-19 Losses



Represents the consolidated CV-19 losses in the earnings reports of 92 companies. Current losses for 44 out of 92 companies, representing 47.8% of the reported losses including an IBNR component of their Covid-19 loss estimate. In aggregate the 44 companies reported IBNR of \$18.7mm, representing 52% of their total reported losses. The 48 remaining companies did not include IBNR. Adding in the same ratio of IBNR for the 48 companies results in an \$84 billion loss. Loss estimates include both P&C and L&H.

GuyCarpenter

Source: Company Earnings releases: Data updated as September 23, 2022; Note: 1. Reported Cat and COVID-19 losses, pre-tax net of reinsurance and reinstalement, arising from a cohort of -92 Companies, 2. Weighted average as per period ending P&C NPE & Equity, respectively, 3. Reported average losses for the past 10 quarters since 10,20 till 2022.

#### **Non-Life Insurance Coverage**

	Type of Insurance Policy	Typical Benefits Paid	Possible Exclusions	
4	Travel	Trip cancellation and medical expenses when abroad	May exclude known pandemics or an additional premium for coverage.	
命	Property (Fire)	Business interruption	May required physical damage to the property	
	Credit	Defaults on loans because of death or disability	Policies typically do not look at the underlying cause of the non-payment or default	
24 42	Surety	Payment for a contractor's non-performance	Policies typically do not look at the underlyi cause of the non-payment or default	
04 90	Trade Credit	Insured are covered for the non-payment of accounts receivables that are not expressly excluded.	Policies do not name covered perils but list exclusions	
×	Event Cancellation	Extreme weather (tornadoes, wildfires), terrorism events or labor strikes	Typically excluded pandemics but the exclusion can be removed for an additional premium	

**GuyCarpenter**

#### What is need to be an Insurable Risk?

- Systemic risk in a financial context, denotes the risk of a cascading failure in the financial sector, caused by linkages
  within the financial system, resulting in a severe economic downturn. Source: CFA Institute
- · Examples of systemic risks include
  - \_ Terrorism
  - Cyber
  - Pandemics
  - Some natural perils
- · To be insurable,
  - The risk can't be so catastrophic that the insurer would never be able to pay for the loss.
  - The risk is well-defined and has a measurable value
  - The risk is random and not within the policyholder's control
  - There must be a sufficient number of insureds subject to the same risk, so that all policyholders' combined premiums
    can share in the cost of any losses but it should be unlikely that all policyholders will suffer a loss at the same
    time.
- · Models exist for terrorism, cyber, pandemics and natural perils

**⋘** GuyCarpenter

#### September 11th Terrorism Attack Losses

Pandemic insurance is likely to similar to terrorism coverage



- Unable to accurately price the risk, reinsurers withdrew from the market for terrorism coverage. Primary insurers were then compelled to exclude terrorism which most state insurance regulators approved.
- Businesses were then unable to purchase insurance protection against future terrorist attacks which was a serious threat to industries where lenders
  and investors required terrorism protection for their investments.
- The government responded by enacting the Terrorism Risk Insurance Act/Program (TRIA/TRIP) in November 2002 that provides a government reinsurance backstop in case of large-scale terrorist attacks, and required insurers offer terrorism coverage to businesses.

**⇔** GuyCarpenter

#### **Challenges and Opportunities for Pandemic Coverage**

#### Challenges

- Reinsurers are willing to provide coverage for natural peril risks as it allows them to pool uncorrelated risks from around the world.
- The nature of pandemic risk limits the ability to diversify the risk and will likely lead to a higher reinsurance costs compared other perils that are not correlated across countries.
- The capital markets cover a large portion of catastrophe risks. Investors are will to purchase cat bonds and other ILS products as they are uncorrelated with financial markets. However, pandemics are likely to be correlated with financial market downturns.

#### **Opportunities**

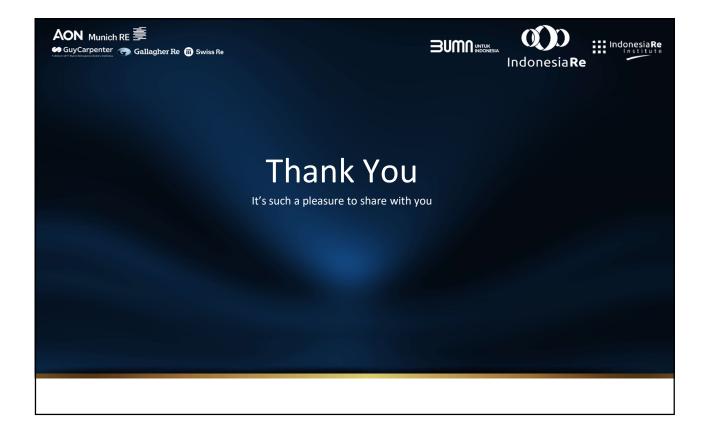
- The risk can be modelled so the cost can be estimated.
- The Belgium, France, Germany and South Africa are all exploring pooling pandemic losses.
- France have indicated that they would be willing to provide EUR 2 billion in (first-loss) coverage capacity for business interruption with access to reinsurance through CCR (public reinsurer)
- EIOPA, Gernany, Italy and the UK are all exploring providing Non-Damage Business Interruption (NDBI) coverage with governmental support.
- In the US, the Pandemic Risk Insurance Act (PRIA) would provide coverage similar way as the TRIP by providing a federal backstop for business interruption and event cancellation losses.

GuyCarpenter

**Pandemic Proposal** 

EIOPA (Europe)  CATEX (France)  GDV (Germany)	Insurance sector (bundled with other coverage) Insurance sector (attached to	Non-damage business interruption  Business interruption	Pandemic	SMEs (potentially)	Not specified	National government (third risk layer)
		District of the second of the				Europe (fourth risk layer)
GDV (Germany)	commercial property)	business interruption	Extraordinary events (cyber, terror, pand)	No restriction	Health emergency declaration and closure order	Reinsurance provided by public reinsurer (CCR)
	Insurance sector (levy or policy extension)	Business interruption	Pandemic (or epidemic)	No restriction	WHO/German authority declaration	Government retrocession/guarantee (highest layer)
ReStart (Lloyd's)	Insurance sector	Business interruption	COVID-19	Small companies (potentially all SMEs)	Evidence of health emergency and revenue decline	No requirement for government backstop
Recover Re (Lloyd's)	Insurance sector (stand- alone, multi- year policy)	Non-damage business interruption	Pandemic and other perils	No restriction	Evidence of health emergency and revenue decline	Government guarantee against default o future premium payments
Black Swan Re (Lloyd's)	Insurance sector	Non-damage business interruption (systemic event)	Systemic risk perils	No restriction	Not specified	Government backstop for reinsurance pool
Pandemic Risk Insurance Act (United States)	Insurance sector	Business interruption and event cancellation	Pandemic	No restriction	Certification by Secretary of Health and Human Services	5% industry retention and 5% industry or insurance above retention
Business Continuity Protection Program APCIA, NAMIC, Big I – United States))	Insurance sector (stand- alone policy)	Business interruption	Pandemic	No restriction (although coverage amounts are smaller for larger companies)	Health emergency declaration and closure order	Government would pay all claims
Pandemic Business Interruption Program Chubb – United States)	Insurance sector	Business interruption	Pandemic	SME program and larger company program	Pandemic declaration and closure order	6% retention up to USD 15 billion (SME programme) 5% retention up to USD 15 billion (larger companies) Industry share to increase over time
Oraft concept for facilitating nandemic protection Zurich North America – United States)	Insurance sector	Business interruption	Pandemic	No restriction	Health emergency declaration and closure order	Governemnt reinsurance pools that would assume 90%, 95% or 100% of rist (cedant chooses cession level)
Business Continuity Coalition (United States)	Insurance sector	Business interruption and event cancellation	Pandemic	No restriction	Health emergency declaration and closure order	Government reinsurance for 95% of losses (first event) and 90% of losses (second event)





# The Importance of Life Insurance Industry in Economic Development



**DR. DIAN BUDIANI**(Director and Chief Operations & Health Officer of Prudential, concurrently, Fraud Handling Department Head of AAJI)

#### Executive Summary:

COVID-19 has led to negative impact on global economy, on which 70 - 80 million people in developing Asian countries are pushed to extreme poverty. Unemployment increase, especially in tourism and hospitality industries. However, we see that there is a demand to shift towards technology and mobile applications. Also, In 2021, Indonesia's life insurance industry managed to record revenue of IDR 241.2 trillion, and record total premium income of IDR 202.9 trillion. This number grows by 11.4% compared to total premium in 2020. This positive performance is contributed by the increase of all components in premium income, especially on bancassurance distribution channel, traditional products, and unit linked products.

Life Insurance Industry has a significant role in enhancing national economy performance through encouraging the development of capital market; generating finance for long-term national development program; supporting National Health Insurance Program (JKN); strengthening household financial resilience program; and providing employment opportunities. However, we still see many challenges on the development of Life Insurance Industry, such as low density, low penetration, and low financial literacy, and these challenges need to be addressed so Life Insurance Industry could contribute bigger to the growth of national economy.





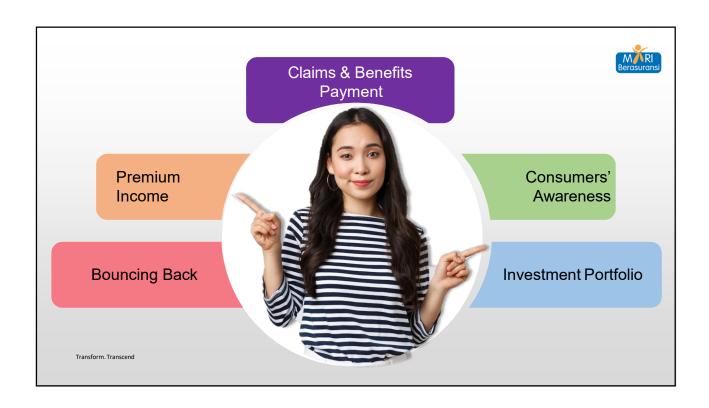
**Indonesia RE International Conference** 

### The Importance of Life Insurance Industry in Economic Development

#### By Dian Budiani, dr., MBA

Indonesia Life Insurance Association (AAJI) Jakarta, September 29th, 2022

Transform. Transcer



#### **The Impact of Covid-19 Pandemic to Economy**





70 – 80 million people in developing Asia countries are pushed to extreme poverty (earning less than \$ 3.20 daily).

Unemployment increases, especially in tourism and hospitality industries, causing average 8% of working hours lost.

In 2020, 6 ASEAN countries GDP did not grow or even minus compared to previous year.

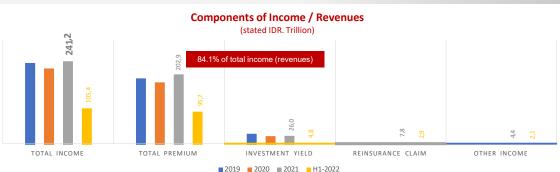
There is a demand to shift towards technology and mobile apps.

#### **Income: Bounce Back after Covid-19 Storm**



Source: Indonesia Life Insurance Association 2022 I \*unaudited data

- In 2021, Indonesia's life insurance industry managed to record revenues of IDR 241.2 trillion\*.
- The figure shows a positive trend, where total revenues for the same period in 2020 experienced a slowdown by 9.9% or IDR 212.3 trillion.
- Premium income is still the largest earning contributor (84.1%) in Indonesia life insurance industry\*.



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#### **Solid Performance in Premium Income**



#### Source: Indonesia Life Insurance Association 2022 I \*unaudited data

- In 2021, Indonesia life insurance industry recorded a total premium income of IDR 202.9 trillion\*.
   This number grows by 11.4%\* compared to total premium income in 2020.
- This positive premium income performance is contributed by the increase of all components in premium income.
   Please see the table below.



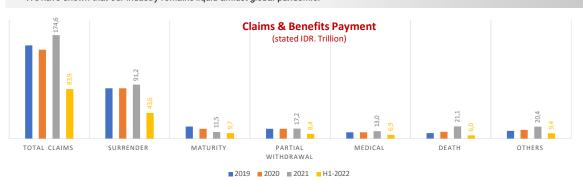
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#### **Claim & Benefits Payment: Liquid Industry**



#### Source: Indonesia Life Insurance Association 2022 I \*unaudited data

- Throughout 2021, Indonesia life insurance industry pays claims and benefits to policy holders, insureds and beneficiaries worth IDR 174.6 trillion\*.
- Indonesia life insurance industry shows a strong commitment in protecting what matters.
   We have shown that our industry remains liquid amidst global pandemic.



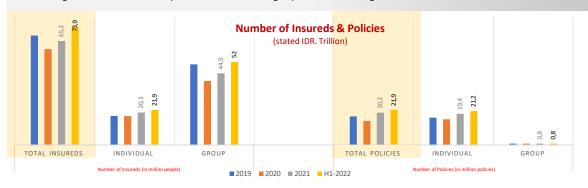
Transform. Transcend

#### **Covid-19 & The Rise of Consumers' Awareness**



Source: Indonesia Life Insurance Association 2022 I \*unaudited data

- Covid-19 pandemic may have awakened the public's need for life and health insurance products.
- Indonesia life insurance industry has protected as many as 73.9 millions Indonesians\* in H1-2022, consisting of 21.9 million individual policies and 59 million in group insurance coverage.



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#### **Investment Portfolio**



Source: Indonesia Life Insurance Association 2022 I \*unaudited data

- In H1-2022, total asset of Indonesia life insurance industry has reached IDR 617.8 trillion\*.
   Almost 86% of the total asset is investment assets (IDR 536.7 trillion)\*.
- Stocks, Mutual Funds, and Government's debt securities are three main investment instruments for Indonesia life insurance industry.



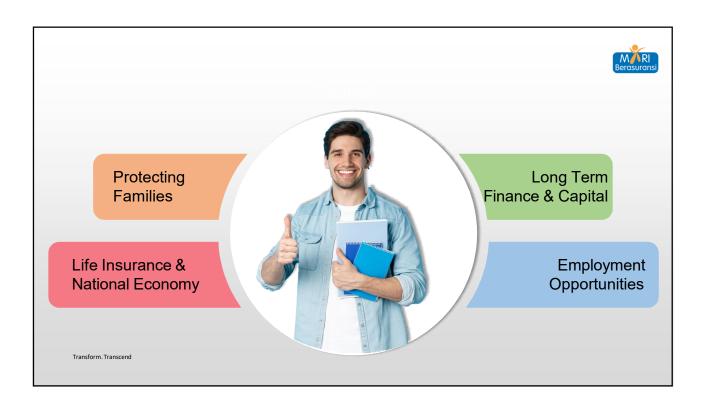


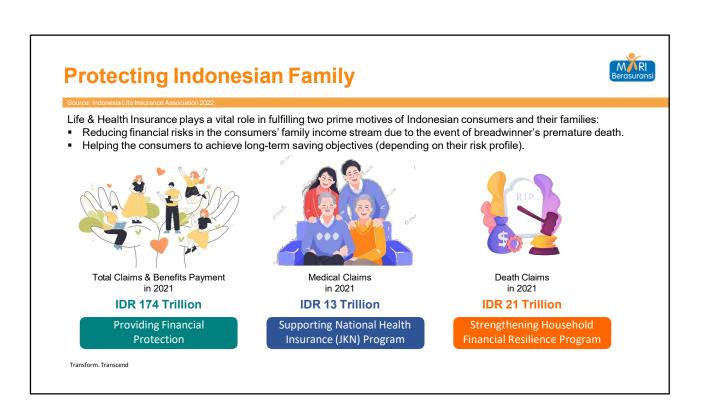


Section-2

### The Roles of Life Insurance in Economic Development & Resilient Society







#### **Key Source of Long Term Finance & Capital Market**



Source: Indonesia Life Insurance Association 2022

- Life Insurers have become key source of long-term finance by leveraging life insurance industry role as financial intermediaries. This encourages the development of capital markets.
- Life insurance products encourage long-term saving and reinvestment of substantial sums in public and private sector projects.







**IDR 122 Trillion** 

Investment funds (H1-2022) are placed in the government's debt securities

Supporting long-term National Development Program

#### **Providing Employment Opportunities**





As of H1-2022, Indonesia Life Insurance Industry

provides employment opportunities to 586K people!

Section-3

**Challenges & Prospects** 

#### M RI Berasuransi

#### **CHALLENGES**



Low density, low penetration, low financial literacy.



Centralized market. More than 50% is still in DKI Jakarta.



Require distribution channel and marketer. Innovation may be needed to increase marketing &



Face-to-Face scheme is still dominant in marketing and sales process.

#### **PROSPECTS**



Low penetration rate indicates a large potential market for life insurance products.



Investments in Indonesia and IDX composite is rising up during and after pandemic.



Demands for life insurance products continue.



Implementation of financial sector in Omnibus Law (RUU P25K)





# Credit Exposure Projection and Sustainable Path Toward Economic Recovery



#### **Greeting from Moderator**



SABAM HUTAJULU
(Independent Commissionaire of IFG)

End of COVID-19 Pandemic 'in sight'. The slowing down of COVID-19 cases which has led to the easing of community activities has had a positive impact on the recovery of business and economic activities. However, the global economic still face certain challenges especially on its growth. The consensus is now for global economic growth to average only 3.3% this year, down from 4.1% that was expected in January (before the war).

On the insurance industry's perspective, credit insurance remains one of our biggest challenge. There are some lessons learned from the negative underwriting result of Consumptive Credit Insurance, namely the long term contract with single premium, term and conditions which are too generous, General Insurance Companies to cover life risk (which is not their expertise), lack of Actuaries, no reliable data for analysis and monitoring, not standardized and too many ambiguities on treaty documents, and non-reporting basis on mostly Statement of Account (SOA).

We should all beware of those threats and be vigilant of the global economic/financial conditions because we are not immune to the global economic volatility and risk. Policy uncertainties and risks will likely rise on the back of current economic headwinds, while at the same time, the end of global quantitative easing is taking place.

#### Potential Exposure to Credit Risk



**REZA YAMORA SIREGAR** (Head of the IFG Progress)

#### Executive Summary:

The consensus is now for global economic growth to average only 3.3% this year, down from 4.1% that was expected in January (before the war). Global inflation is forecast at 6.2%, 2.25% points higher that January's forecast. As in reinsurance performance, total gross premium for the Insurance Sector in 2021 was around IDR 250 trillion, while total gross premium for the Reinsurance Sector in 2021 was around IDR 19 trillion.

We note those challenges and we need to navigate the exit from regulatory support, such as leveraging Law No. 2/2020 on relaxation of the budget deficit rule; POJK No. 11/2020 on relaxation of debt service and POJK No. 48/2020 on relaxation of debt quality assessment; and 'Burden-Sharing': Monetary Policy Support for Fiscal Financing in order to ease the cost of financing.

At last, we should all be vigilant of the global economic/financial conditions because we are not immune to the global economic volatility and risk. Policy uncertainties and risks will likely rise on the back of current economic headwinds, while at the same time, the end of global quantitative easing is taking place.

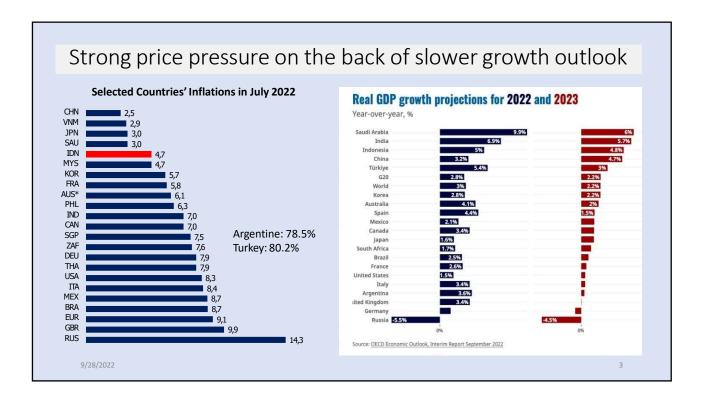


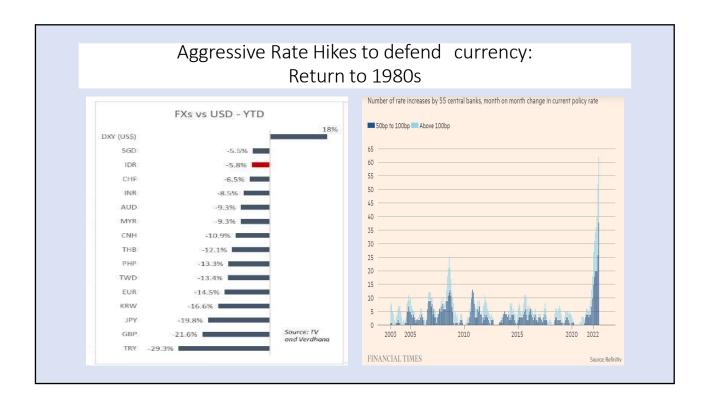
## Potential Exposures to Credit Risk

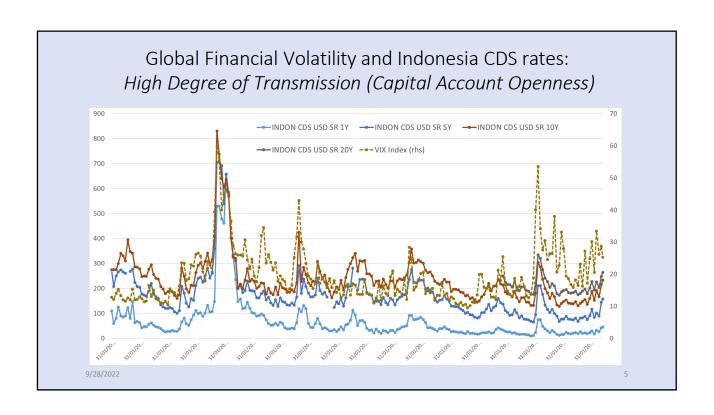
Reza Y. Siregar

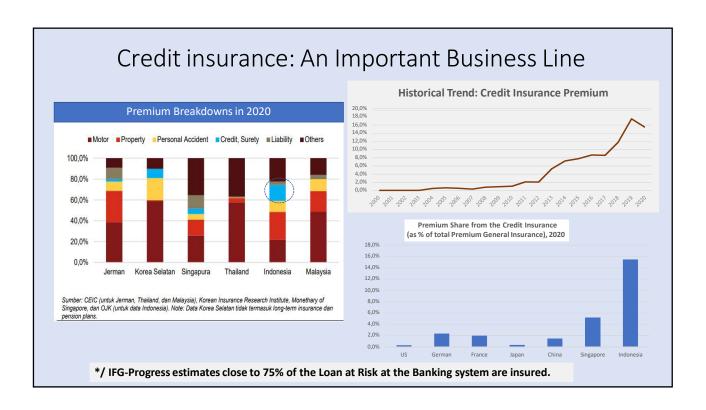
IndonesiaRe Coordinating Ministry for Economic Affairs IFG-Progress

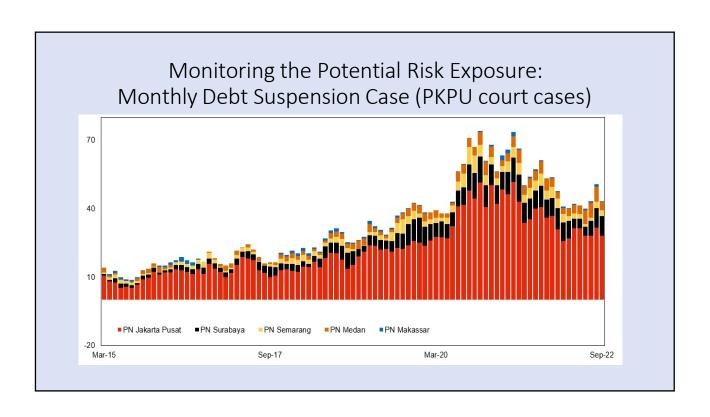
29 September 2022

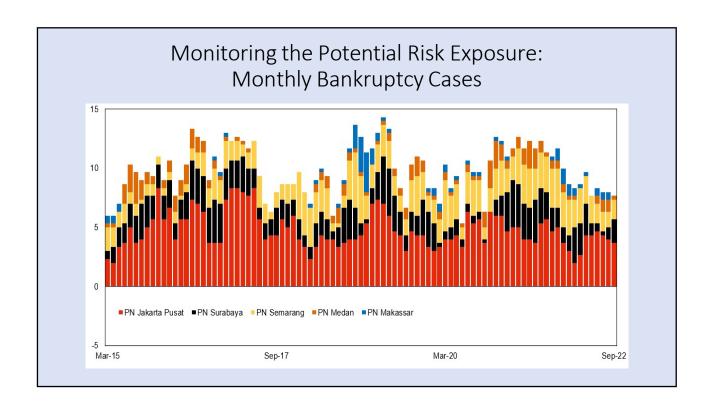












#### Rising Risks and Potential Claims

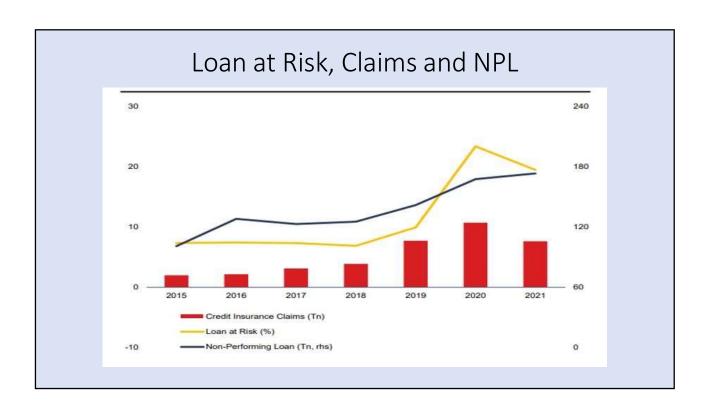
#### Loan at Risk Nominal (Rp trillion) Share of total loans (%) December December December 2019 2020 2019 2020 Collectability 1 (performing) 5,070 92.4 92.5 Non-restructured 5,059 4,200 90.1 76.6 Restructured 2.3 15.9 Collectability 2 (special mention) 285 244 5.1 4.5 Non-performing loans (NPLs) 3.1 Loans at risk (collectability 1 (restructured), collectability 2 and NPLs) 9.9 23.4 Total loans (collectability 1, collectability 2 and NPLs) 5,482 100.0 5,617 100.0 Source: OJK.

Loan at Risk:

Dec 2021: 23.29%Mar 2022: 18.79%

■ NPL (% of Gross Total Loans):

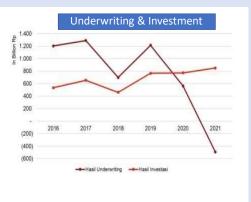
Dec 2021: 3.00%Mar 2022: 2.99%



	JUUI	II LII	ie: c	Credit Ins	uran	ice c	Idill	15
	- 1	TAREL K	OMPHAS	I ASURANSI UMU	M DER II	MILISAH	۸	
							A	
		III	wulan 2 (	Jan – Jun) TAHUN	2021 &	2022	Dolam ##	lyar Rupiat
	BOCH	DIC ATAT				20 4144	DIBAYAR	уш кирии
Q2-2021	Q2-2022	SELISIH	GROWTH (%)	LINI USAHA	Q2-2021	Q2-2022	SELISIH	GROWTH
10,967	14,959	3,992	36.4%	PROPERTY	2,812	3,994	1,181	42.0%
7,404	8,759	1,355	18.3%	MOTOR VEHICLE	2,878	2,935	58	2.0%
1,818	2,133	316	17.4%	MARINE CARGO	489	505	17	3.4%
1,141	1,128	(13)	-1.1%	MARINE HULL	404	480	77	19.0%
367	429	62	17.0%	AVIATION	366	191	(175)	-47.8%
22	446	424	1928.1%	SATELITE	1			0.0%
93	147	54	58.7%	ENERGY ON SHORE	96	45	(51)	-53.3%
889	928	39	4.4%	ENERGY OFF SHORE	315	750	435	138.1%
1,469	1,665	196	13.3%	ENGINEERING	621	683	62	9.9%
1,601	1,829	228	14.2%	LIABILITY	84	89	5	6.2%
1,547	1,090	(458)	-29.6%	PERSONAL ACCIDENT	650	382	(268)	-41.2%
2,670	3,420	750	28.1%	HEALTH INSURANCE	1,449	2,397	947	65.4%
5,872	6,396	524	8.9%	CREDIT INSURANCE*	2,477	4,671	2,193	88.6%
856	626	(230)	-26.9%	SURETY SHIP	221	221	(0)	-0.1%
1,659	2,083	424	25.5%	MISCELLANEOUS	245	446	201	82.2%
38.374	46.038	7.664	20.0%	TOTAL	13,107	17.789	4.683	35.7%

#### Reinsurance Performance





Sumber: Data OJK. IFGP Research Analysis.

Sumber: Data OJK. IFGP Research Analysis

- Total gross premium for the Insurance Sector in 2021 was around 250 trillion IDR
- Total gross premium for the re-insurance Sector in 2021 was around 19 trillion IDR
- The total bank loan being insured is estimated close to 75% of the total Loan at Risks at the Banking sector.

#### Navigating the Exit from the Regulatory Supports

- Law no. 2/2020:
  - ✓ Relaxation of the Budget Deficit Rule of not more than 3% of GDP.
  - ✓ Annual Budget for PC-PEN in average of more than IDR600T (or more than USD400 billion)
- POJK (Financial Supervisory Authority Regulation):
  - ✓ POJK no. 11/2020: Relaxation of Debt Service (Loan and Interest Payments)
  - ✓ POJK no. 48/2020: Relaxation of Debt Quality Assessment
- 'Burden-Sharing': Monetary Policy Support for Fiscal Financing
  - ✓ Ease the cost of financing

#### In Closing...

- Be vigilant of the global economic/financial conditions: 'We are not immune to the global economic volatility and risk'
- · Policy uncertainties and risks will likely rise on the back of current economic headwinds
  - At the same time, the end of global quantitative easing is taking place
- Reassess commitments, especially those short-run commitments
  - Close monitoring the lines of businesses: Property, Health and Credit Insurance Sectors
  - Know Your Clients
  - Adopt Defensive Strategy in assessing Treaty and other commitments
  - · Adjust the insurance premia if necessary
- Safeguarding Investment Performance
  - Underwriting is not doing well. Hence investment return becomes even more critical
  - · Liability driven Investment
  - · Frequent adjustments of the portfolio allocations maybe warranted
- Beef-up Capital and Liquidity



#### **Banking Credit Risk Exposure**



**EDUARD GUNTORO PURBA**(EVP Risk Management at BCA)

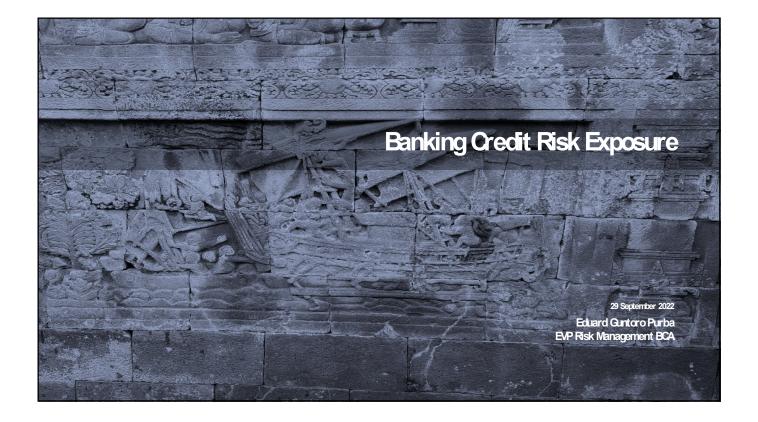
#### Executive Summary:

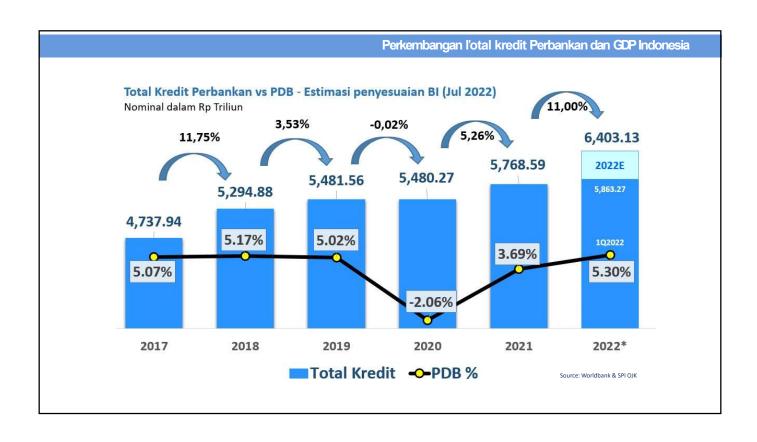
End of COVID-19 Pandemic 'in sight', however, WHO also releases six short policy briefs that all government must take to reach the end of the COVID-19 Pandemic, namely: 100% vaccination of the most at-risk groups; continued testing and sequencing for SARS-CoV-2; develop integrated health system; preparing for (an)other case spike; prevention and control plan; and clear communication with communities about any COVID-19 policy changes.

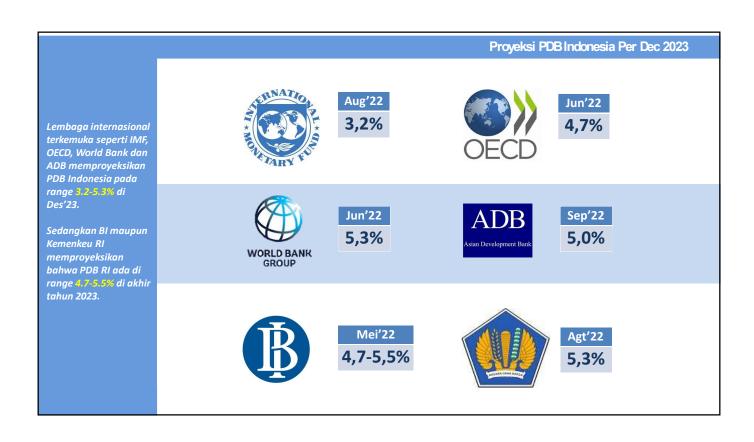
In the last six years, Indonesia's trade balance has experienced an increasing trend, especially in 2022 (nearly post pandemic). This trend is likely also supported by the POJK stimulus which provides space for the financial industry to further optimize its performance.

The slowing down of COVID-19 cases which has led to the easing of community activities has had a positive impact on the recovery of business and economic activities. Nevertheless, Indonesia still has to be aware of global uncertainty that can be caused by geopolitical conflicts, soaring energy costs, China's Zero-Covid policy, high US inflation, and so on.









#### WHO: Berakhirnya Pandemi

Menurut WHO, era post-pandemi telah hampir berakhir. Namun, terdapat beberapa hal yang wajib dipenuhi untuk mewujudkan hal tersebut.

#### End of Covid pandemic 'in sight', says World Health Organization

16 September 2022 23:00 WIB

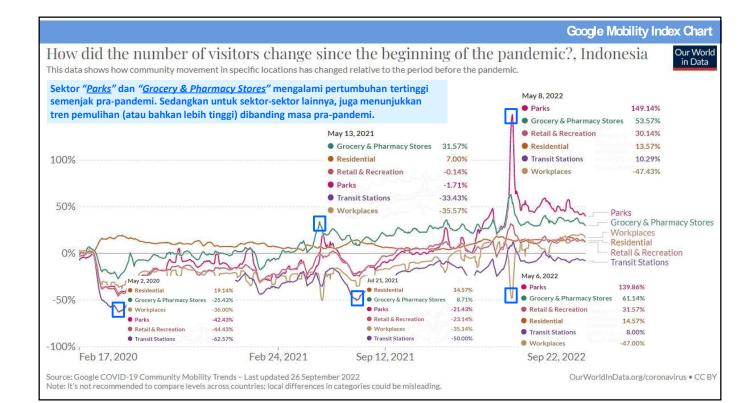
#### Global weekly deaths down to 11,118 on 5 September - the lowest level since March 2020

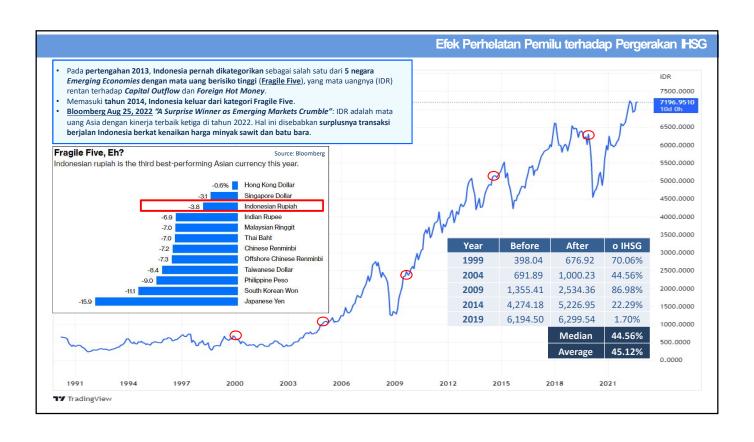
WHO also releases six short policy briefs that all governments must take to reach the end of the COVID-19 pandemic.

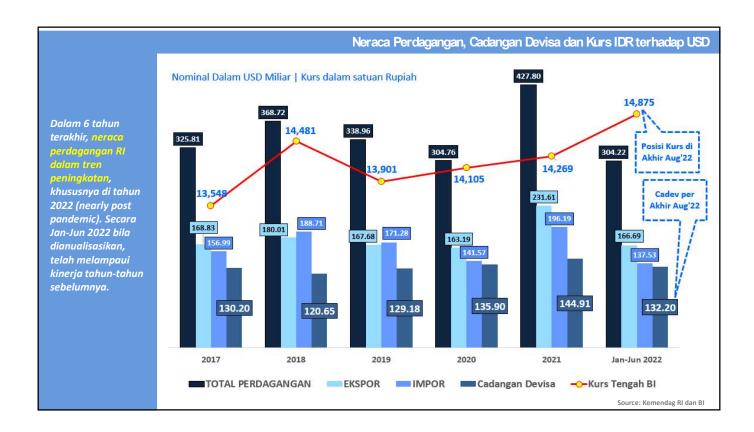
The policies are as follows:

- 100 percent vaccination of the most at-risk groups. The vaccination coverage of the highest priority groups including health workers and older people must be at least 70 percent
- Continued testing and sequencing. Keep testing and sequencing for SARS-CoV-2, and integrate surveillance and testing services with those for other respiratory diseases, including influenza
- · Health system. Make sure to have a healthcare system and integrate COVID-19 care into primary healthcare systems
- Prepare for case spike. Plan for surges of cases, and make sure to have the supplies, equipment, and health workers needed
- Prevention and control. Maintain infection prevention and control precautions to protect health workers and non-COVID patients in health facilities
- Clear communication. Communicate clearly with communities about any COVID-19 policy changes and the reasons, as well as train health workers to identify and address misinformation, and develop high-quality health information in digital formats.

Source: The Guardian







#### POJK Stimulus Kredit l'erdampak Covid-19

#### 11/POJK.03/2020 (Maret 2020)

Memberi ruang bagi debitur-debitur yang berkinerja bagus, namun menurun kinerjanya karena terdampak Covid-19 untuk dibantu perbankan melalui kebijakan relaksasi (restrukturisasi kredit) sampai 31 Maret 2021

#### 48/POJK.03/2020 (November 2020)

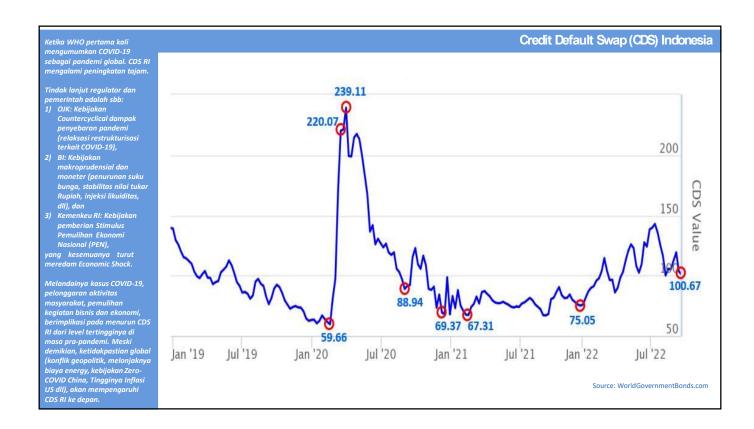
Langkah antisipatif
debitur-debitur yang
kinerjanya menurun dan
memerlukan waktu lebih
panjang untuk kembali
normal dikarenakan
bertambahnya kasus
Covid-19, untuk tetap
dibantu perbankan melalui
restrukturisasi kredit
hingga 31 Maret 2022

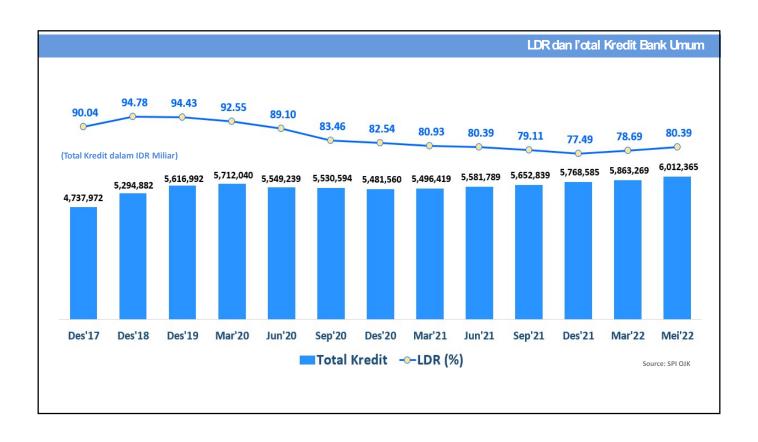
#### 17/POJK.03/2021 (September 2021)

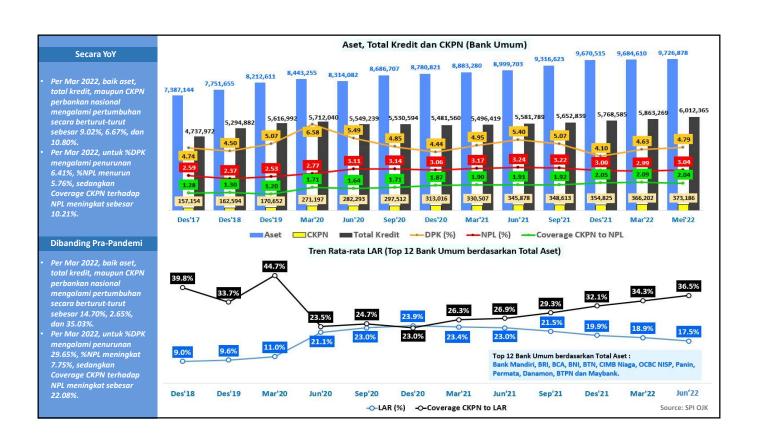
Mempersiapkan debitur dan sektor perbankan untuk normalisasi secara perlahan-lahan (gradual) tanpa menimbulkan gejolak apabila kebijakan relaksasi dicabut pada 31 Maret 2023

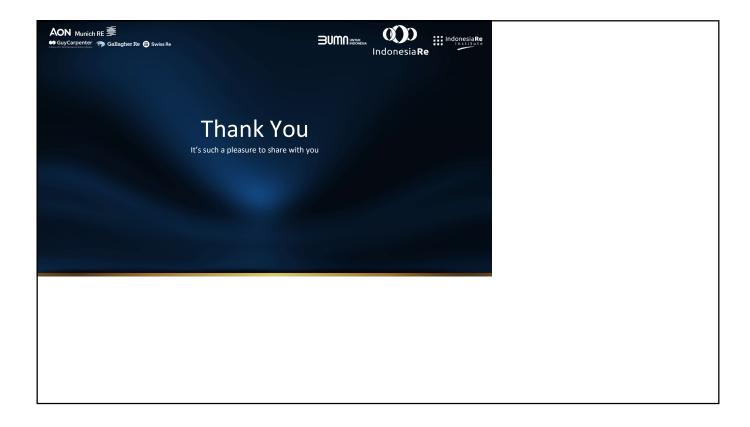
Tujuan:

Menghindari potensi kenaikan NPL & CKPN yang berdampak pada modal dan solvabilitas bank









#### Credit Insurance 2020 - 2022:

#### A Portfolio Analysis



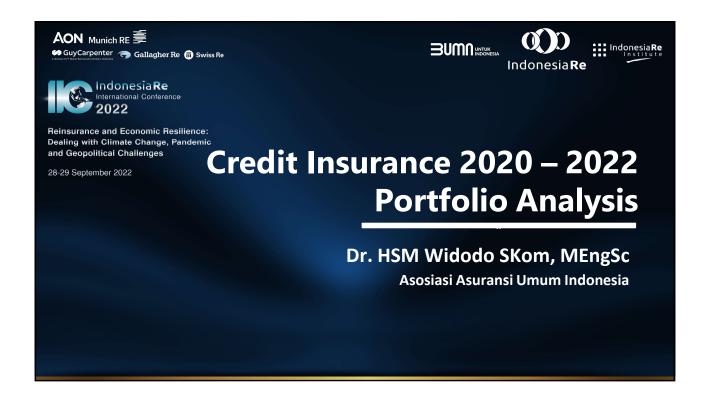
HASTANTO SM WIDODO (Chairman of AAUI)

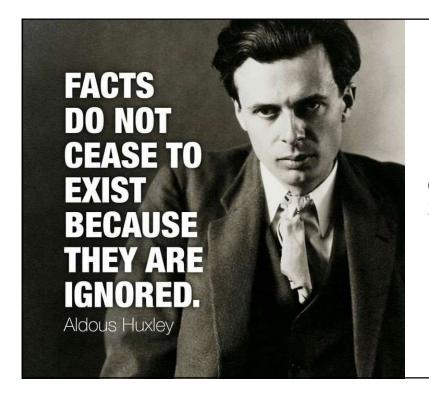
#### Executive Summary:

A study of 62% credit insurance portfolio population in 2020 – 2022 using standard chain-ladder and ELR approach derived from existing ceding reserving data, as a subsequent strategic effort since case escalation in November 2020. Study paper submitted to OJK with a set of recommendations and distributed to all insurance company for information and immediate improvement action.

On the reinsurance side, treaty reported to reinsurance as aggregated Statement of Account (SOA) diluting crucial liability term information: risk of reserve asset-to-liability miss-match. Discrete and slotted credit term distribution renders term average generalization in premium reserve calculation can not be use, because of the risk of asset and liability miss-match over time.

There are several solutions that we could leverage to address this challenge. First, we should embracing intermediaries like direct and reinsurance brokers. Then, we could develop comprehensive recovery plan approach by also recognizing non-onerous/profitable part of credit insurance portfolio. We also could increase risk acceptance transparency by allowing insurance company access to SLIK (credit scoring) and extending credit relaxation program in March 2023 to allow ample time for insurance/reinsurance reserve improvement.

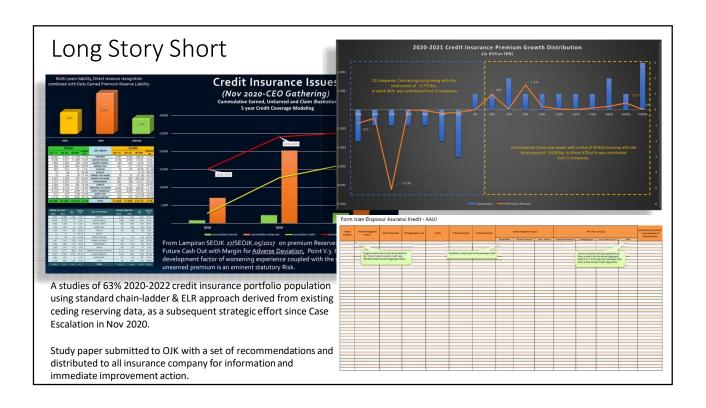






Credit Insurance 2020 - 2022 Portfolio Analysis

Dr HSM Widodo SKom, MEngSc AAUI, Sept 2022

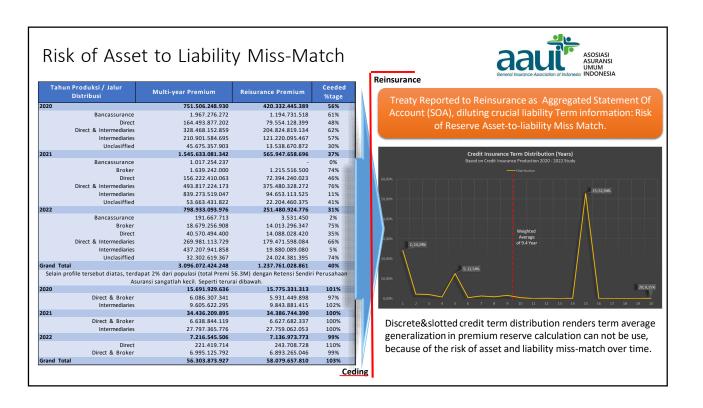


#### Clearer Picture of Previously Distorted Figures



Earned Claim Ratio of SPV & Non-SPV

Tahun Produksi / Jalur	Premi(MultiYear)		Klaim Rasio			
Distribusi	Dibukukan	Earned Premium	Klaim dalam Proses	Klaim dibayar	(Earned)	
Produk Askred Standard - N	on SPV					
2020	766.157.367.456	276.397.379.477	101.213.017.861	487.614.249.779	213%	
Bancassurance	926.465.162	441.131.451		46.580.736	11%	
Direct	164.493.877.202	100.905.085.252	609.571.762	52.438.020.534	53%	
Direct & Broker	6.086.307.341	6.086.307.341	7.594.439.483	1.298.739.539	146%	
Direct & Intermediaries	328.468.152.859	79.836.430.572	90.840.791.303	329.427.674.000	526%	
Intermediaries	220.507.206.990	59.356.470.761	2.168.215.313	96.201.692.418	166%	
Unclasiffied	45.675.357.903	29.771.954.101		8.201.542.553	28%	
2021	1.580.069.291.236	802.790.791.198	195.899.028.270	949.460.282.713	143%	
Bancassurance	1.017.254.237	575.463.197		425.293.233	74%	
Broker	1.639.242.000	1.306.919.053	-		0%	
Direct	156.222.410.063	76.997.345.123	108.052.616	16.851.864.636	22%	
Direct & Broker	6.638.844.119	6.354.654.051	666.574.731	434.400.644	17%	
Direct & Intermediaries	493.817.224.173	113.212.644.835	144.971.226.929	344.113.527.776	432%	
Intermediaries	867.070.884.822	560.152.968.213	50.153.173.994	572.001.801.634	111%	
Unclasiffied	53.663.431.822	44.190.796.727		15.633.394.790	35%	
2022	806.149.639.482	371.835.221.027	131.464.674.390	296.292.691.707	115%	
Bancassurance	191.667.713	127.652.662			0%	
Broker	18.679.256.908	14.718.202.061			0%	
Direct	40.791.914.113	9.270.281.379	211.340.000		2%	
Direct & Broker	6.995.125.792	3.166.300.825	911.886.590	42.411.257	30%	
Direct & Intermediaries	269.981.113.729	60.549.108.097	127.297.124.705	157.592.721.471	471%	
Intermediaries	437.207.941.858	253.275.625.347	2.370.225.579	136.798.036.194	55%	
Unclasiffied	32.302.619.367	30.728.050.656	674.097.516	1.859.522.785	8%	
Grand Total - Standard	3.152.376.298.174	1.451.023.391.702	428.576.720.521	1.733.367.224.199	148,99%	
Produk Askred Terindikasi s	ebagai CKPN - SPV					
2020	1.705.033.539.912	1.684.491.226.400	1.262.000.000	1.594.167.558.183	95%	
2021	712.079.786.918	702.258.401.486	7.675.654.113	714.683.576.275	103%	
Grand Total - CKPN-SPV	2.417.113.326.830	2.386.749.627.886	8.937.654.113	2.308.851.134.457	97.11%	



#### Ceteris Paribus: Future Exposure



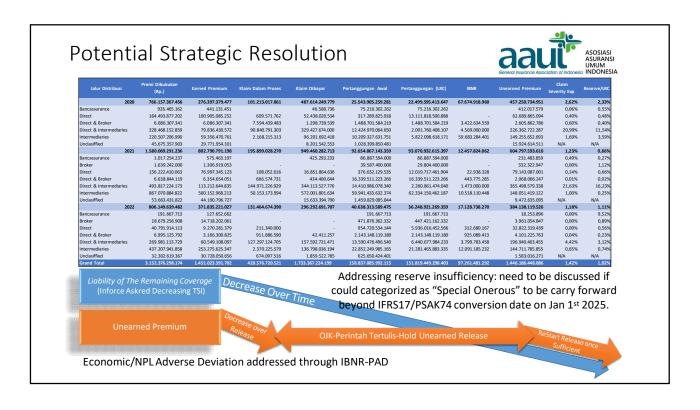
Projected Future Claim, IBNR Reserved & Reserve Shortage non-SPV

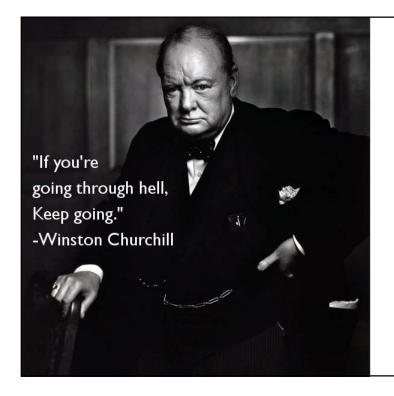
Production Years / Distribution Channel	Unearned Premium Reserve	Prod. Year-Dist. Channel Claim Experience	Projected Future Claim From Experience	IBNR-Adverse Deviation Reserved	Reserve Shortage/Surplus
2020	457.250.734.951	14,85%	1.480.152.936.677	67.674.918.960	- 955.227.282.766
Bancassurance	412.017.579	10,56%	43.506.492		368.511.086
Direct	62.689.865.094	52,57%	32.957.173.529	-	29.732.691.565
Direct & Broker	2.605.862.786	146,12%	3.807.629.645	3.422.634.559	2.220.867.700
Direct & Intermediaries	226.362.722.287	526,41%	1.191.600.290.946	4.569.000.000	- 960.668.568.659
Intermediaries	149.255.652.693	165,73%	247.357.442.174	59.683.284.401	- 38.418.505.079
Unclasiffied	15.924.614.511	27,55%	4.386.893.890		11.537.720.621
2021	604.797.593.610	69,70%	1.764.725.599.645	12.457.824.062	- 1.147.470.181.973
Bancassurance	231.483.859	73,90%	171.077.003		60.406.857
Broker	332.322.947	0,00%		-	332.322.947
Direct	79.143.087.001	22,03%	17.432.551.791	22.938.328	61.733.473.539
Direct & Broker	2.068.066.247	17,33%	358.302.748	443.775.285	2.153.538.784
Direct & Intermediaries	365.498.579.338	432,01%	1.578.973.649.824	1.473.000.000	- 1.212.002.070.486
Intermediaries	148.051.419.122	111,07%	164.438.880.596	10.518.110.448	- 5.869.351.026
Unclasiffied	9.472.635.095	35,38%	3.351.137.683		6.121.497.412
2022	384.138.119.526	7,19%	1.008.255.519.832	17.128.738.270	- 606.988.662.037
Bancassurance	18.253.896	0,00%	-		18.253.896
Broker	3.961.054.847	0,00%		-	3.961.054.847
Direct	32.822.319.439	2,28%	748.269.519	312.680.167	32.386.730.087
Direct & Broker	4.101.225.763	30,14%	1.236.076.776	925.089.413	3.790.238.400
Direct & Intermediaries	196.940.463.455	470,51%	926.625.347.644	3.799.783.458	- 725.885.100.731
Intermediaries	144.711.785.855	54,95%	79.515.301.434	12.091.185.232	77.287.669.652
Unclasiffied	1.583.016.271	8,25%	130.524.458		1.452.491.813
Grand Total	1.446.186.448.086	40,35%	4.253.134.056.154	97.261.481.292	- 2.709.686.126.776

#### Recommendation & Follow Up



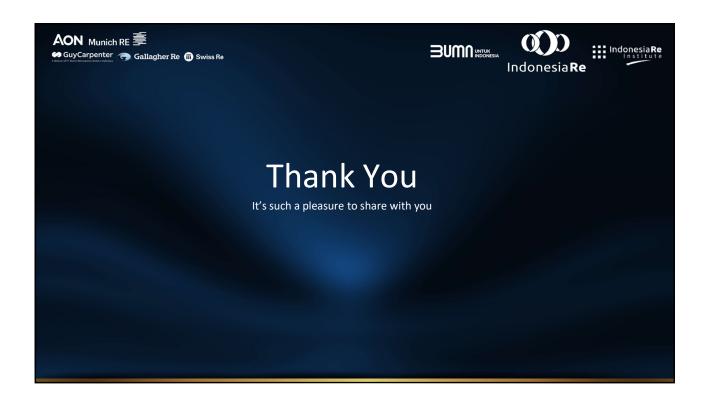
- Similar credit insurance whole portfolio Formal Analysis by OJK: Progressing – initiated by Credit Insurance Exposure Analysis FGD venue – Aug 29<sup>th</sup> 2022.
- 2. Tax Fiscal Waiver Facilitation with Tax Office on IBNR/Provision of Adverse Deviation in Premium Reserving.
- 3. Embracing Intermediaries (Direct & Reinsurance Broker) as part of the Solution.
- 4. Comprehensive recovery plan approach by also recognizing non-Onerous/Profitable part of credit insurance
- 5. Increase Risk Acceptance Transparency by allowing Insurance Company access to SLIK Credit Scoring.
- 6. Non-Aggregated/bordoreaux/Detailed credit insurance reinsurance reporting by all ceding company.
- 7. Extending credit relaxation program in March 2023, to allow ample time for Insurance/Reinsurance Reserve improvement.







Thank you
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## Credit Exposure Projection and Sustainable Path Toward Economy Recovery

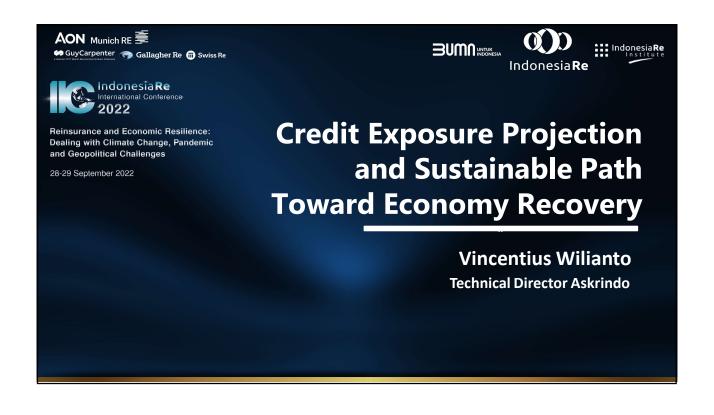


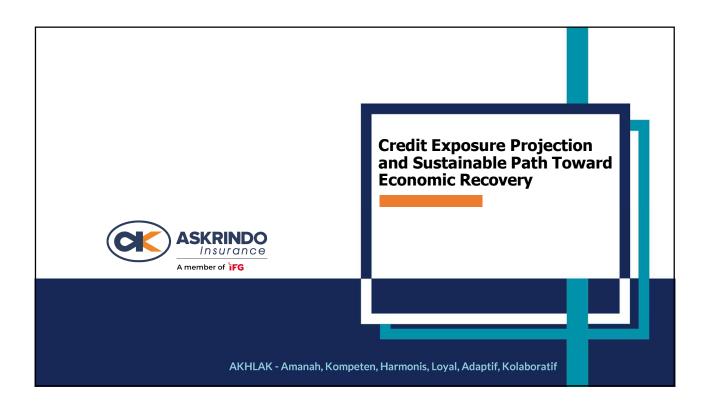
VINCENTIUS WILIANTO
(Technical Director Askrindo)

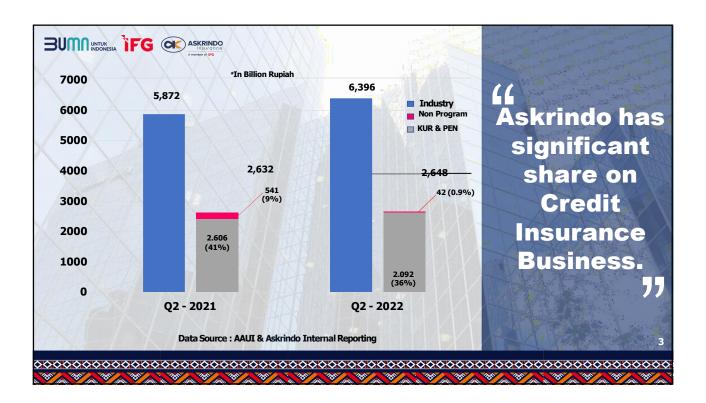
#### Executive Summary:

There are some lessons learned from the negative underwriting result of Consumptive Credit Insurance, namely the long term contract with single premium, term and conditions which are too generous, General Insurance Companies to cover life risk (which is not their expertise), lack of Actuaries, no reliable data for analysis and monitoring, not standardized and too many ambiguities on treaty documents, and non-reporting basis on mostly Statement of Account (SOA).

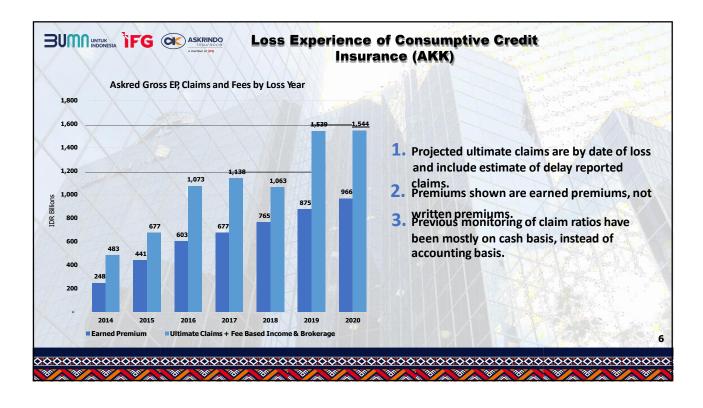
Hence, we should do some possible improvements by restructuring program and developing new business to going forward. On the existing program, we could do termination and premium refund; apply stop loss for existing (and maybe new) business; do risk sharing scheme between bank and Insurance Companies; mandatory data requirements for reserve and monitoring analysis; agreement re-evaluation option clause; monthly inforced data submission from the bank or host to host business process from acceptation to claim submission; and reinsurance treaty on reporting basis for proper reserving.











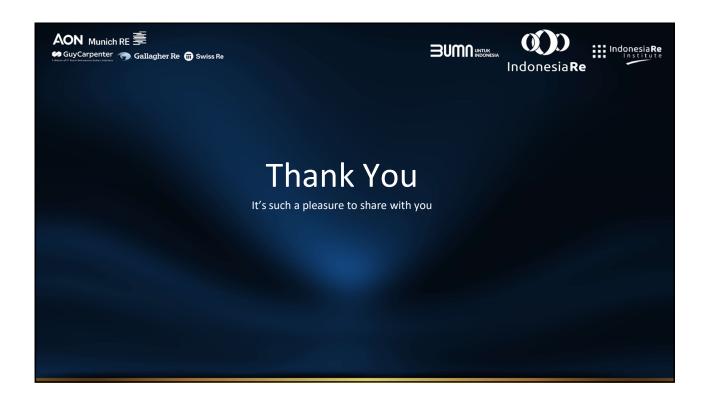


- Term & Conditions are too generous
- General Insurance Companies cover life risk, which is not their expertise
- Lack of Actuaries resulted Improper Pricing and Valuation of liabilities
- Doesn't have reliable data required for further analysis & monitoring

#### **Reinsurance Companies**

- Treaty documents are not standardized and too many ambiguities
- Limited involvement of actuaries in treaty T&C and reinsurance premium rates
- · Mostly Statement of Account (SOA) from ceding companies are on non-reporting basis, no individual policy data
- · Improper Reserving Methodology (likely short-term unearned premiums) similar with other General Insurance Products





#### **Final Summary**

The COVID-19 pandemic has had a significant impact on the world economy, including Indonesia. World economic conditions have not only been pressured by the COVID-19 pandemic, but have also been made worse by the war between Ukraine and Russia. The war between the two countries involved many other countries stepping in so that the resulting restrictive policies had a big impact. Inflation that arises due to limited energy and food commodities is also felt by developed countries. Indirectly, this inflation will make things difficult for companies.

On our first panel discussion on **Indonesia Re International Conference (IIC) 2022** namely **'Global Economic Overview'**, we noted that the world economics' condition is still challenging. The global economic has been slowing down, followed by the risk of stagflation in several countries, to make things worse, even recession has threatened developed countries. Global trade and manufacturing indices has been slowing down. Global economic growth has been projected lower than usual.

However, Russia-Ukraine conflict so far has taught us that Russia's economic resilience shows that financial and any sanctions will not be a barrier for Russia. War is an exceptional risk for insurers who have definitely acquired a certain know-how in covering acts of piracy and other political risks such as terrorism. But, insurers still do not have solutions for dealing with war situations.

The global risk would keep rising, then becoming the global business threat. This would create some national interest accumulate together, becoming international interest. This interest would create an international pressures to the US and alliances strategy to end the global tension.

To address the challenge, Government need to assess the impact of longevity risk on Government funding and fiscal policy, and also conduct education about longevity and financial consequences. On the risk management perspective, it is recommended to leverage insurance, reinsurance, and capital market instruments. Hence, towards these challenges, (re)insurance industry play a very critical role in providing risk transfer solutions.

On our second panel discussion namely 'Reinsurance Industry and Economic Growth', we noted that global economy is uncertain and projected to experience a slowdown in the near future. Indonesia is successful to manage the inflation rate to date, but is not expected to maintain it in the long term. Another challenge that we need to address is disasters which are the source of fiscal risk because they cause unplanned expenditure.

Fiscal management of disaster risk should be in line with overall disaster risk management, such as preparedness, mitigation and risk reduction. Indonesia's DRFI strategy aims to protect state and community finances through a sustainable and efficient risk funding mechanism that responds to needs with disaster spending that is planned, timely and targeted, and accountable.

As the National Reinsurance Company, Indonesia Re needs to improving balance of payments and improving the international rating. Also, it is expected that Indonesia Re will have to enhance its internal capabilities and competence; its portfolio management; and its international exposure and reputation.

On our third panel discussion namely 'New Landscape of Catastrophe Risks: Climate Change', we are all being reminded that It is unequivocal that human influence has warmed the global climate system since pre-industrial times. Already now, man-made climate change is affecting many extreme weather events around the world.

Climate change is hurting the insurance industry and only 8% of insurers are preparing adequately for its impact. Losses from natural catastrophes have increased 250% in the last 30 years, with perils such as wildfires and storms, seen as particularly impacted by climate change, causing an even faster rise in insured losses.

Reflection of these changing risks in Nat-Cat Models is necessary. For the next decades, many impacts will be unavoidable, hence, adaptation and risk transfer are crucial. CAT Models capture global warming and natural variability with certain limitations. CAT Models are built based on the historical extreme events observed up to the present: natural variability and warming to date. Therefore, the extreme events in the CAT Models contain elements of both. It is recommended to quantifies physical climate risk by investigating the impact on the perils, and developing model adjustments, scenarios, and hazard layers.

Reinsurance has the important role to the management of catastrophe risks and disaster risk financing management. Catastrophe reinsurance markets can contribute to risk management by enhancing the capacity of primary insurance markets to provide insurance coverage and supporting the management of catastrophe risks.

On the second day of IIC 2022, we had our fourth panel discussion namely 'New Landscape of Catastrophe Risks: Pandemic' on which we discussed a lot about COVID-19 Pandemic which provides an important lesson for us regarding the importance of a country having a strategy for handling a pandemic, starting from detection, therapeutics, vaccination, to health protocols – including the implementation of PPKM and the use of digital technology. COVID-19 pandemic has tested and taught lessons about the resilience of public health service systems throughout the world, including Indonesia. The pandemic has also taught us again about the importance of a country's ability to be able to respond to a health outbreak/disaster quickly and appropriately.

Insurance Industry capture several things about current and future-possible things related to COVID-19. The first one is consumers are adjusting to new normal, however, they are becoming more health-conscious and proactively managing their physical and mental health. The second one, Insurers need to leverage this opportunity by providing guidance and support to help consumers to understand and improve their health.

As in Pandemic Coverage, reinsurers are willing to provide coverage for natural peril risks as it allows them to pool uncorrelated risks from around the world. The nature of pandemic risk limits the ability to diversify the risk and will likely lead to a higher reinsurance costs compared to other perils that are not correlated across countries. After all, we all have big hope that the risk can be modelled so the cost also can be estimated.

On the fifth and last panel discussion on IIC 2022 namely 'Credit Exposure Projection and Sustainable Path Toward Economic Recovery', we noted that the end of COVID-19 Pandemic 'in sight'. The slowing down of COVID-19 cases which has led to the easing of community activities has had a positive impact on the recovery of business and economic activities. However, the global economic still face certain challenges especially on its growth. The consensus is now for global economic growth to average only 3.3% this year, down from 4.1% that was expected in January (before the war).

On the insurance industry's perspective, credit insurance remains one of our biggest challenge. There are some lessons learned from the negative underwriting result of Consumptive Credit Insurance, namely the long term contract with single premium, term and conditions which are too generous, General Insurance Companies to cover life risk (which is not their expertise), lack of Actuaries, no reliable data for analysis and monitoring, not standardized and too many ambiguities on treaty documents, and non-reporting basis on mostly Statement of Account (SOA).

We should all beware of those threats and be vigilant of the global economic/financial conditions because we are not immune to the global economic volatility and risk. Policy uncertainties and risks will likely rise on the back of current economic headwinds, while at the same time, the end of global quantitative easing is taking place.

While the world began transitioning out of the acute phase of the COVID-19 pandemic in 2022, the aftershocks were still felt. Supply chain disruptions continued, particularly in China, where the government's "zero-COVID" policy led to stringent lockdowns, further impacting global trade and manufacturing. The pandemic also left behind severe economic challenges, including increased government debt due to stimulus packages and healthcare spending, ongoing labor shortages, and shifts in work patterns, such as the rise of remote work.

The most significant geopolitical event of 2022 was Russia's invasion of Ukraine in February, which had wide-reaching global implications. The war caused severe humanitarian crises, displaced millions of people, and created supply chain disruptions in energy and food markets. Ukraine is a major exporter of wheat, corn, and sunflower oil, while Russia is one of the world's largest energy suppliers. As a result, the conflict exacerbated the food and energy shortages worldwide.

2022 saw the highest levels of inflation in decades across many economies. The war in Ukraine, along with supply chain disruptions from the COVID-19 pandemic, pushed the prices of energy, food, and essential commodities to historic highs. Central banks worldwide, including the U.S. Federal Reserve and the European Central Bank, raised interest rates in response, leading to concerns about potential recessions.

The war in Ukraine triggered an energy crisis, especially in Europe, which had long relied on Russian gas supplies. European countries scrambled to find alternative sources of energy, driving up prices globally. High energy prices also impacted industries like transportation and manufacturing, and placed further strain on households due to higher heating and electricity costs. While renewable energy gained traction, the 2022 energy crisis exposed the challenges of transitioning away from fossil fuels too quickly without adequate infrastructure in place.

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The combination of inflation, rising interest rates, and energy shortages led to fears of a global economic slowdown. Many major economies, including the U.S., Europe, and China, faced declining growth rates. The aggressive interest rate hikes aimed at controlling inflation sparked concerns of a potential global recession.

2022 saw numerous climate-related disasters, highlighting the accelerating impact of climate change. Extreme weather events like droughts, floods, and wildfires affected millions of people worldwide, exacerbating humanitarian crises and economic challenges.

COVID-19, war, and the other crisis that our world has facing will leave a lasting imprint on the world economy, causing permanent changes and teaching important lessons. These crises collectively worsened economic conditions globally, triggering humanitarian challenges and forcing governments to navigate multiple threats simultaneously. These crises has accelerated the pace of digital transformation, with further expansion in ecommerce and increases in the pace of adoption of telemedicine, videoconferencing, online teaching, and fintech. Governments will be bigger after playing the role of insurer and investor of last resort during the crisis. Public debt will balloon, creating financial challenges around the world.

The most important lesson from crisis is the importance of working together on problems that affect the entire human race. We are much stronger united than divided.



# **THANK YOU**

Stay connect with us!



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