





CONFERENCE SUMMARY

Reinsurance Sustainability in Dealing with Macroeconomic and Political Year Volatility

IIC 2023

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About IIC 2023

The insurance and reinsurance industries have a very critical function in maintaining economic stability and ensuring the sustainable livelihood of humankind. Along with the evolution of civilization, the level of complexity of the problems faced by society at large is also escalating. On one hand, this increased complexity is a significant factor in the growing need for insurance. Furthermore, these complex issues also drive the insurance and reinsurance industry to strengthen its resilience against uncertainty and ensure sustainable health. Sustainability has become a top priority that is implemented in companies' strategies.

Building a sustainability-oriented system starts not only with defining and understanding the various types of challenges and opportunities ahead but also involves long-term engagement with the future. It is essential for insurance and reinsurance industry players to enhance their sensitivity in capturing signals of challenges and opportunities that have not yet materialized. Analysis and evaluation of these challenge and opportunities form the foundation for developing strategies and transforming business processes to achieve a resilient and sustainable insurance industry.

Risks, with a wide range of variability from individual to corporate, national, and regional scales, largely flow into and converge in the insurance and reinsurance industry. As a result, the external factors influencing the health of the insurance industry are diverse. Taking a broader perspective, these diverse external factors are rooted in a highly dynamic macro economy influenced by other factors such as geopolitics, political year, and natural disasters.

About IIC 2023 (cont.)

The identification process then moves on to more specific issues. The rapid development of information technology has also stimulated the increase in cyber and fraud risks that threaten the sustainability of the insurance industry. The existence of both factors drives the strengthening of risk management and IT security. Business process transformation involves not only preventive actions and mitigation of undesirable events but also efforts to enhance profitability and accountability. The implementation of Data Science in underwriting processes can strengthen the insurance business portfolio. The implementation of IFRS 17, which becomes mandatory in 2025, is expected to improve the accountability of insurance and reinsurance companies.

PT Reasuransi Indonesia Utama (Persero) (also known as "Indonesia Re"), who successfully held Indonesia Re International Conference in the prior year, takes the initiative to create a forum for conversation about the development of sustainability in the insurance and reinsurance industry through our second annual international event, called Indonesia Re International Conference (IIC) 2023 with the theme 'Reinsurance Sustainability in Dealing with Macroeconomic and Political Year Volatility'.

This event is a great catalyst for improving cross-ecosystem cooperation, which includes but is not limited to local/global insurance and reinsurance industry players, banking, government, and scientists. Indonesia Re is constantly committed to expand its position as a center of knowledge for the insurance industry in Indonesia.



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, in particular Aon Re, Gallagher Re, Guy Carpenter, Munich Re; 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 upon us so that we all could be here in good health attending the Second Indonesia Re International Conference (IIC) under the theme "(Re)Insurance Sustainability in Dealing with Macroeconomic and Political Year Volatility".

Reinsurance as an economy backbone, offers a significant contribution in maintaining economic stabilities by providing risk protections and a solid foundation for insurance companies. It also indirectly protects communities by mitigating financial risks and ensuring sustainable livelihood of humankind. However, with numerous global phenomena and uncertainties affecting economic conditions, the reinsurance industry, as the economy backbone, must strengthen its position to meet future challenges.

(cont.

In the First IIC held last year, we discussed economic uncertainties affected by the global macroeconomic conditions and repeated challenges. In 2022, Covid-19 pandemic restrained mobility, Ukraine-Russia War affected political policies driving up global inflation rates and subsequently affected Indonesia's economic condition, while climate change increased the risks of natural disaster.

Last year, Indonesia Re invited stakeholders to explore the best ways to deal with the risks arising from global crisis, market hardening, and possibility of a current account deficit. At this present time, the insurance sector is still recovering from the effects of last year's global macroeconomic conditions. Thus far, the reinsurance industry has performed well, posting a premium growth of 4.6% year-on-year in 2022 (AAUI, 2023).

However, as the world evolves, the level of external complexity faced by the industry also increases. With the growing public's needs for insurance, the insurance and reinsurance industries must strengthen their resilience towards uncertainties to ensure a healthy and sustainable financial position in mitigating those risks.

When seen in a broader context, many external influences are rooted in a highly dynamic macroeconomic environment that is influenced by factors such as geopolitics, natural disasters, and the fact that 2024 is a political year for Indonesia. While the political year will bring an economic stimulus prior to the election, the event will also raise uncertainties on the direction of policies of the new government and uncertainties over political environment, affecting sentiments of domestic and foreign investors towards Indonesia, which eventually will impact Indonesia's economy.

(cont.

Investors could exercise cautions while making investments in Indonesia, due to the possibility of populist policies and shifting laws and regulations. These may restrict Indonesia's capital inflows and investment opportunities, resulting in an adverse effect on the rupiah exchange rate, interest and inflation rates, hence affecting people's purchasing power. A weakening purchasing power causes an economic slowdown, increase in non-performing loans and other risks. Being the backbone of economic activities, insurance and reinsurance industries must absorb such risks.

Following the COVID-19 outbreak, several countries are experiencing inflationary environments, leading to a cost-of-living crisis, increasing the possibility of financial crimes such as fraud, money laundering, and cyberfraud. The number of attacks on Internet of Things (IoT) devices increased by 87% to 112.3 million in 2022 from 60.1 million in 2021 (Sonicwall).

These ongoing adverse environments have strongly motivated the insurance industry to improve its risk management, business transformation, IT security, and accountability through the adoption of IFRS 17, which will become mandatory for the industry in 2025.

Distinguished Ladies and Gentlemen,

Despite the negative impacts of political uncertainties and external factors towards Indonesia's economy, the country's positive economic environments and a large demographic profile provide ample opportunities for the insurance industry to grow. One example is the huge growth opportunity on Islamic insurance in Indonesia. In addition to being the largest Muslim population in the world, the Islamic economic ecosystem has also been put in place in Indonesia.

(cont.

Climate policies, which are actively promoted to manage the rapid climate change, have opened up new opportunities for the insurance industry. Developments on renewable and green energy, as well as increased awareness of ESG implementation, open and broader up opportunities for the industry to explore new products.

Reinsurance support has a key role to create sustainability, hence optimizing reinsurance support is crucial as it plays a major role in shaping responses to the challenges of sustainability and climate change. This will boost the contribution from the insurance industry to Indonesia's target on the Sustainable Development Goals (SDGs), in which 193 countries have adopted as a framework for development policies through 2030. The SDGs aim to achieve a sustainable development and economic growth with considerations for environment and social fairness, for now and in the future.

The reinsurance industry, unquestionably, has a strategic position in economic growth, since it supports general welfares by mitigating risks faced by the society. Stakeholders need to define and understand forthcoming challenges and opportunities in order to achieve a resilient and sustainable (re)insurance industry.

In this Second Indonesia Re International Conference, we encourage all stakeholders to discuss and raise awareness of the (re)insurance industry's role, foster awareness over upcoming macroeconomic challenges on the global and national level, and explore alternative strategies for overcoming current and future business challenges, ultimately creating a sustainability framework for the (re)insurance industry.

(cont.

In this opportunity, I would like to thank our honorable Keynote Speakers, Panelists, Moderators and participants who have kindly participated in this conference.

Welcome all to the conference and I hope this event can be useful to all of us.

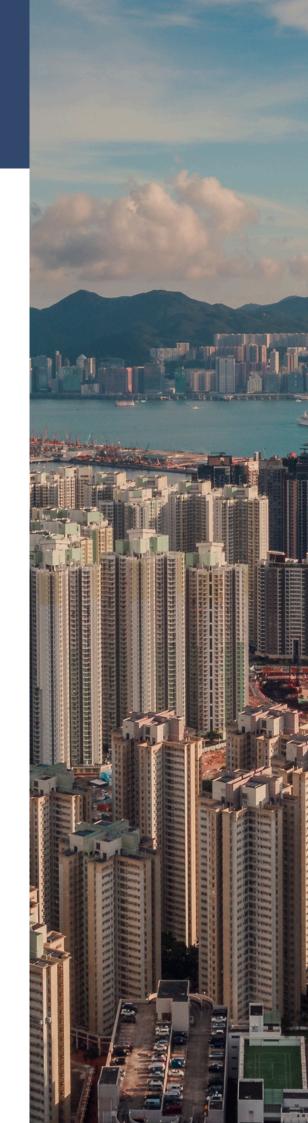
Thank you and Wassalamualaikum Warrahmatullahi Wabarakatuh.

First Panel Discussion

Visualizing the Rise of Global Economic Uncertainty

Content:

- Visualizing the Rise of Global Economic Uncertainty
- Indonesia Economic Projection towards the Political Years
- Macroeconomic Consequences of Natural Disaster
- Global Economic Uncertainty (Re)Insurance Outlook)



A Glimpse from Moderator



KANIA SUTISNAWINATA
(News Anchor, CEO of Medcom)

On the Post-Covid Era, our world is still facing some challenges. Some of them are economic challenges, range from global slowdown, interest rate, to persistent core inflation. We also have future projection of geopolitical events that heavily affects macroeconomic, such as changes in international trade policies, wars, and political instability.

Take a deeper look on Indonesia, 2024 is considered as Indonesian political year as legislative and executive elections at all administration level will be held at once. It is a challenge, yet, we might as well capitalize the momentum on the economic and investment side.

Indonesia also is the country within the ring of fire with high frequency of natural disaster, such as flood, earthquake, landslide, etc. There is a direct negative and significant effect of natural disaster, especially in developing nations that are are more vulnerable to natural disasters because of poor institutions and governance, poor financial system, weak economic growth, high income inequality, and low level of human capital accumulation. At last, risk is increasing in a global basis, with the threat of recession adding to the difficult operating environment.

Visualizing the Rise of Global Economic Uncertainty



JOHN ZHU
(Chief Economist APAC, Swiss Re)

Executive Summary:

EM Asia economies have avoided financial contagion and sharp policy tightening. Emerging market fund outflows were significant during the initial days of the banking stress episode, but they have stabilized quickly. Asian currencies also have only moved marginally YTD compared to last year, as the Federal Reserve nears its peak policy rate. Lower inflation enabled slower interest rate rises in emerging Asia, while faster growth adds to the region's shock-absorbing capacity.

There is a fundamental distinction between the reward for taking a known risk and that for assuming a risk whose value itself is not known. It is so fundamental, indeed, that, as we shall see, a known risk will not lead to any reward or special payment at all.

Visualising the Rise of Global Economic Uncertainty

John Zhu

Chief Economist APAC





Economic outlook: global slowdown, mild US recession, and persistent core inflation

- Growth outlook is slowing down sharply over next quarters:
 Mild US recession expected in latter H2 this year, but lingering resilience could delay downturn into 2024
- Inflation falling but sticky core: Still the key risk, even if a drop in headline inflation below core in many economies soon creates an illusion of having conquered it.
- Interest rates: Significant central bank policy divergence going forward, though the bar for rate cuts is high
- Balance of risks to the downside: More monetary tightening for longer, possibly creating conflicts between financial and price stability

	Swiss Re	Institute	Cons	ensus
	2023	2024	2023	2024
Real GDP (% change)				
US	0.9	8.0	1.1	0.8
Eurozone	0.4	0.3	0.6	1.0
China	5.4	4.9	5.5	4.9
EM Asia (excl. China)	5.4	6.2		
AM Asia	1.5	1.6		
CPI (% change)				
US	4.0	2.8	4.1	2.6
Eurozone	5.8	2.6	5.5	2.5
China	1.5	2.4	1.5	2.3
EM Asia (excl. China)	4.8	4.0		
AM Asia	3.6	2.1		
10y Gov. Bond Yield (%)				
US	3.4	3.0	3.4	3.2
Eurozone	2.5	2.3	2.2	2.0
China	2.8	3	3	3.1
Central bank rate (%)				
US	5.1	3.6	5.2	3.6
Eurozone	4.5	3.5	4.3	3.3
China	1.8	1.9	2.5	n/a

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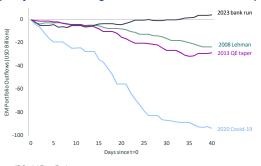
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EM Asia economies have avoided financial contagion and sharp policy tightening

- · Emerging market fund outflows were significant during the initial days of the banking stress episode but have stabilised quickly
- · Asian currencies have only moved marginally YTD compared to last year, as the Federal Reserve nears its peak policy rate
- Lower inflation enabled slower interest rate rises in emerging Asia, while faster growth adds to the region's shock-absorbing

Cumulative EM portfolio flows (USD billions) stabilized quickly after the banking sector turmoil in the US and Europe



Source: IIF Capital Flows Tracker
Note: EM sample includes Indonesia, India, Korea, Thailand, Philippines, Vietnam, Taiwan, China, Malaysia, Sri
Lanka, Pakistan, South Africa, Brazil, Turkey, Qatar, Saudi Arabia, Hungary, Mexico, Poland, Ukraine, Colombia

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Most Asia currencies has stayed rather stable against USD since the beginning of 2023



Source: Macrobond, data as of June 16th

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Volatility, Risk and Uncertainty are all different things

"There is a fundamental distinction between the reward for taking a known risk and that for assuming a risk whose value itself is not known. It is so fundamental, indeed, that, as we shall see, a known risk will not lead to any reward or special payment at all."

The VIX (expected volatility) index is currently very low...

- Frank Knight, Risk, Uncertainty, and Profit (1921) ...and risk assets generally react positively

Source: CBOE, SRI

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Source: CBOE, SRI

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Global economic and geopolitical uncertainty elevated

- · Geopolitical threats (as well as actions) have normalised based on media citations
- Or is it our attention that has normalised and "moved on"?
- Financial market participants are not necessarily complacent but it is generally difficult to price in geopolitical risk

Geopolitical and trade uncertainty has fallen back

...but investors are paying for downside protection (SKEW)

Source: Caldara et al (2022), SRI

Source: CBOE, SRI

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Economic and policy uncertainty

- Elevated US economic and policy uncertainty: not yet reverted to the mean
- Interestingly, uncertainty actually tends to lag the start of US recessions indeed, it peaks just as the recovery starts
- Uncertainty is not elevated everywhere significant improvements in Japan for example (except on BoJ policy in its long goodbye to QE)

US policy uncertainty indices

Japan policy uncertainty indices

Source: policyuncertainty.com, SR.

Source: policyuncertainty.com, SRI

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Institute

Bond yields are more volatile in a higher-for-longer environment

- The FOMC's own uncertainty is finally falling, which means they could be acting with greater conviction (against the Brainard principle)
- · When uncertainty is around the persistence of inflation, central banks will do whatever it takes to avoid a repeat of the 70s
- A higher yield environment is also a more volatile yield environment balance management for insurers becomes more
 The FOMC members' own uncertainty is finally declining
 A positive relationship between level and volatility of yields

Source: Federal Reserve Board (US), SRI

Source: Federal Reserve Board (US), SRI

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Implications for insurance: price hardening cycle is set to continue

- Most of the current step-up in prices can be attributed to uncertainty around claims and reserve adequacy, high inflation and lack of capacity in property cat market lines
- Other economic drivers, like models uncertainties, provide additional fuel to the hard market. The duration of the hard market will depend on the continued presence of these factors

	Factors	Current trend	Current impact on pricing power	Medium-term trend	Future impact or pricing power	¹ Comment
	Underwriting profitability of new business	improving		high		peak in 24-25?
= 00	Claims uncertainty	elevated: inflation surge & model uncertainties		disinflation, u/w uncertainties continue		structurally higher
	Investment yields	up for new business, re- pricing of yield curve		re-set at higher level, positive term premium	1	multi-year transition of average yields
S	Cat losses	recalibration to higher trend		continued real exposure growth a 5-7% CAGR	t	structurally higher
	Overall balance of trend factors					turning point in 24-25?

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Indonesia Economic Projection towards the Political Years



ANDRY ASMORO
(Chief Economist of Bank Mandiri)

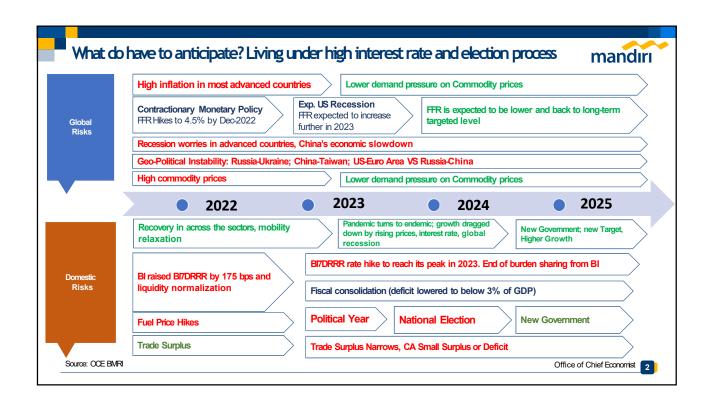
Executive Summary:

Take a deeper look on Indonesia, 2024 is considered as Indonesian political year as legislative and executive elections at all administration level will be held at once.

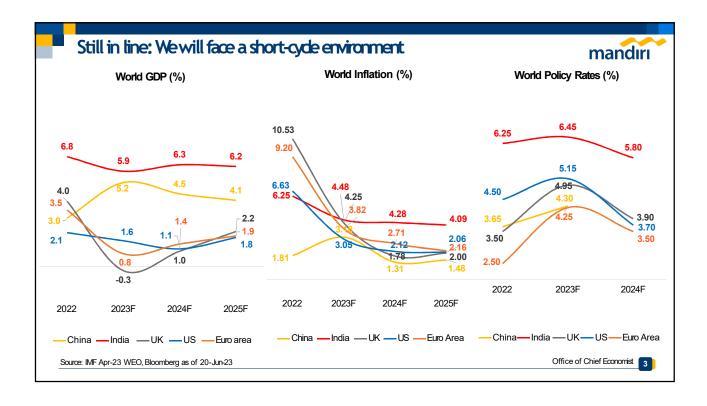
On the global side, we still see high inflation in most advanced countries and lower demand pressure on commodity prices. Recession also still worrisome in advanced countries, including China's economic slowdown. More over, we still also see some geo-political instability in Russia-Ukraine, China-Taiwan, and US-Euro vs Russia-China.

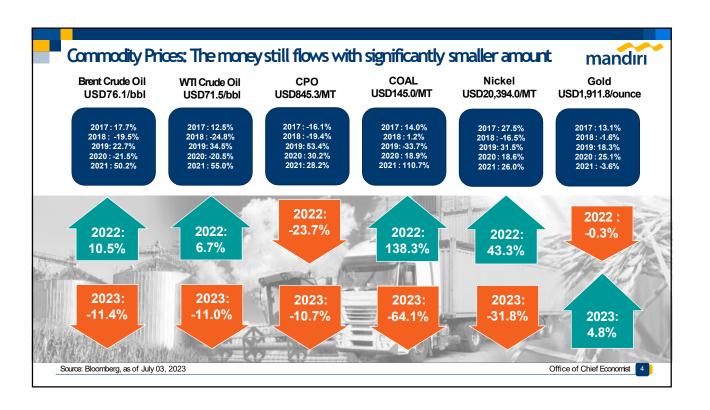
They are all big challenges, yet, we might as well capitalize the momentum on the economic and investment side.

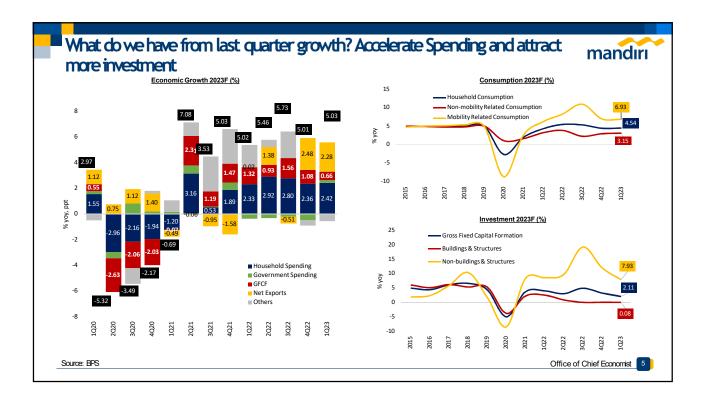




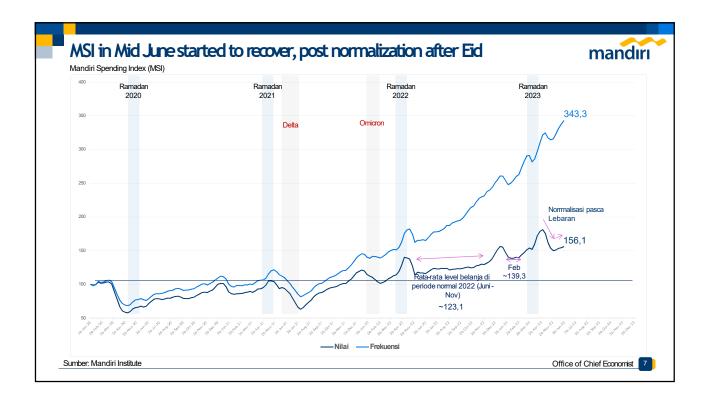
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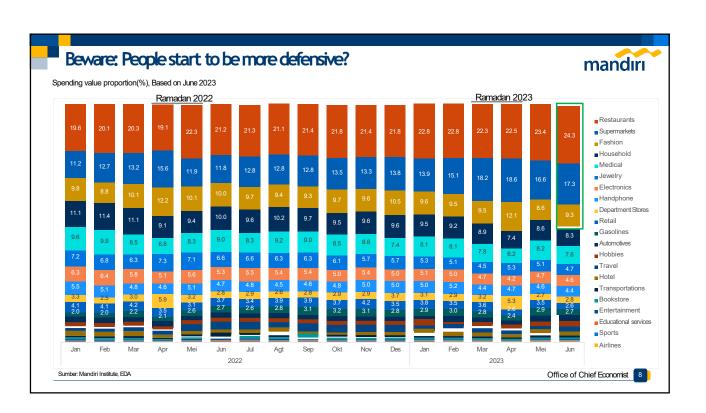


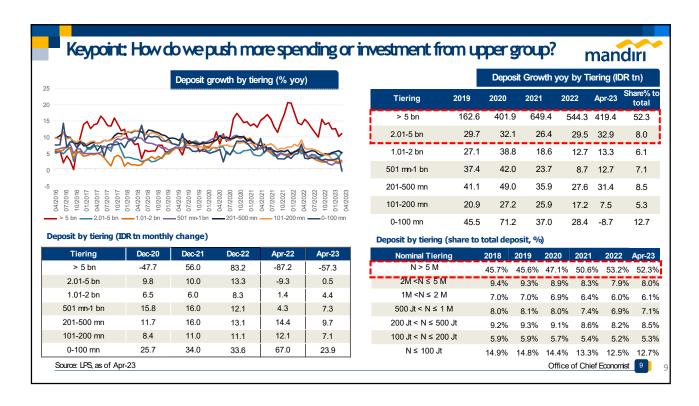


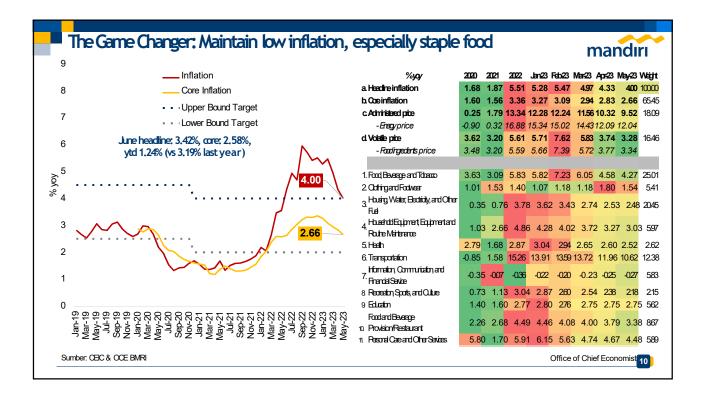


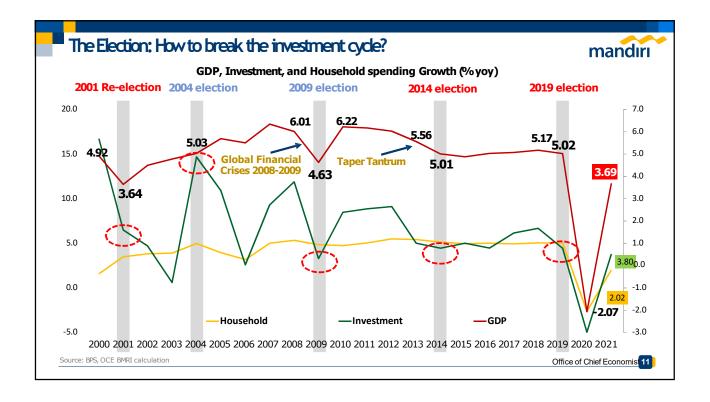
Indonesia Macro condition mostly better compared to other countries with similar ratings									
Country	S&P Rating	GDP % yoy	Current Account Balance (% of GDP)	Fiscal Balance (% of GDP)	Gross Public Debt (% of GDP)	External Debt (% of GDP)	Inflation % yoy		
Thailand	BBB+	2.70	3.06	-3.46	53.79	39.89	0.53		
Philippines	BBB+	6.44	0.50	-6.91	61.05	27.52	6.10		
Uruguay	BBB+	1.20	-5.61	-3.17	51.79	77.88	7.10		
Croatia	BBB+	2.83	-9.25	0.40	68.38	74.53	7.90		
Average rating BBB+		3.29	-2.83	-3.29	58.75	54.96	5.40		
Indonesia	BBB	5.03	0.89	1.12	39.10	30.08	4.00		
Italy	BBB	1.90	0.58	-8.00	144.41	128.96	7.60		
Bulgaria	BBB	2.30	-2.11	-2.80	23.15	52.54	10.10		
Peru	BBB	-0.43	-1.70	-2.06	32.86	41.80	2.77		
Mexico	BBB	3.70	1.21	-3.75	51.66	41.61	5.84		
Average rating BBB		2.50	-0.23	-3.10	58.24	59.00	6.58		
India	BBB-	6.10	-2.16	-6.85	55.11	20.02	4.25		
Hungary	BBB-	-0.90	-9.96	-6.08	70.26	152.09	21.50		
Romania	BBB-	2.30	-6.88	-6.20	47.33	50.57	10.64		
Average rating BBB-		2.50	-6.33	-6.38	57.57	74.23	12.13		

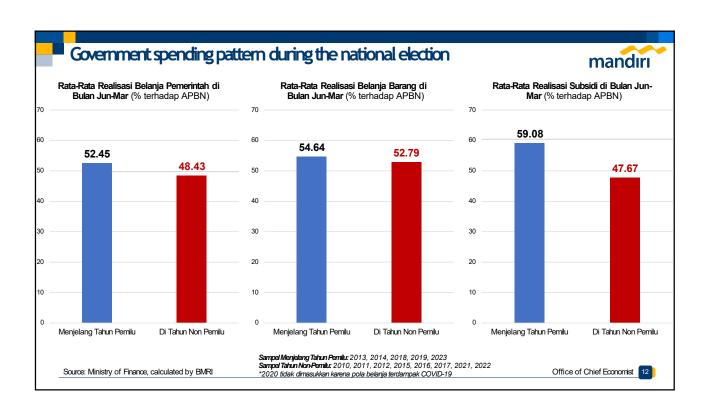








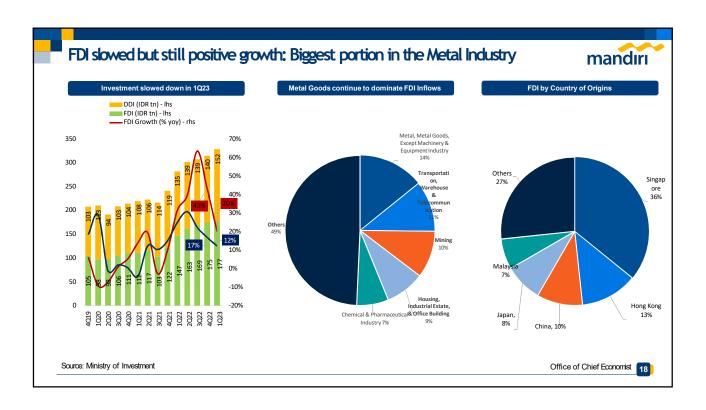




Dalik/WailUli15/WaU	ank Mandiri's Macroeconomic Forecast										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023F
National Account											
Real GDP (% yoy)	5.56	5.01	4.88	5.03	5.07	5.17	5.02	-2.07	3.70	5.31	5.04
IDR/USD (average)	10,439	11,875	13,394	13,305	13,384	14,247	14,141	14,543	14,321	14,874	15,031
IDR/USD (year end)	12,170	12,385	13,788	13,473	13,568	14,390	13,866	14,050	14,253	15,568	14,864
Other											
Bl rate (% year end)	7.50	7.75	7.50								
Bl 7D reverse repo rate (%, year end)				4.75	4.25	6.00	5.00	3.75	3.50	5.50	5.75
Headline Inflation (% yoy, average)	6.40	6.40	6.40	3.50	3.81	3.20	3.03	2.04	1.56	4.21	4.62
Headline Inflation (% yoy, year end)	8.08	8.36	3.35	3.00	3.61	3.13	2.72	1.68	1.87	5.51	3.60
S&P's Rating - FCY	BB+	BB+	BB+	BB+	BBB-	BBB-	BBB	BBB	BBB	BBB	BBB
S&P's Rating - LCY	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB	BBB	BBB	BBB	BBB



Most economic sectors ha	ve recovered			ma	ndiri
	<u>Rasio</u> nilai PD	B ADHK ku	uartal-l 2023 terhadap 2019		
Pemulihan Cepat (dia	tas 100%) Rasio 2022	Davis 1022	Pemulihan Cepat (diatas	100%) Rasio 2022	Rasio 1Q23
PDB Lapangan Usaha	thd 2019 (%)	Rasio 1Q23 thd 1Q19 (%)	PDB Lapangan Usaha	thd 2019 (%)	thd 1Q19 (%
Pertambangan bijih logam	174		Jasa pendidikan	103	
Angkutan sungai	147		Angkutan laut	103	,
Industri logam dasar	135	,5 139,6	Pertambangan lainnya	103	,1 108
Infokom	127	,3 137,1	Industri furniture	102	,4 95
Jasa kesehatan	126	,6 124,9	Tanaman pangan	102	,2 9
Pergudangan	121	,6 144,7	Adm pemerintahan	102	,2 10:
Industri kimia	120	,7 120,9	Perdagangan kendaraan bermotor	102	,0 10
Air	113	,7 117,9	Konstruksi	101	,5 10
Listrik	112	,0 116,8	Jasa keuangan lainnya	101	,4 10
Industri mesin	111	,5 103,9	Industri kertas	101	,0 10
Perantara keuangan	109	,4 118,9	Pemulihan Sedang (90%-	100%)	
Industri makanan dan minuman	109	,3 116,4		Rasio 2022	Rasio 1Q23
Perikanan	109	,2 101,5	PDB Lapangan Usaha	thd 2019 (%)	thd 1Q19 (%
Tanaman hortikultura	109		industri elektronik	99	,2 11:
Pertambangan batubara	109	,0 113,2	Kehutanan	98	,8 102
Jasa penunjang keuangan	107		Industri pengilangan migas dan batubara	97	,2 9
Angkutan darat	107		Industri TPT	95	,6 96
Industri kulit	107		Gas	95	,3 110
Perdagangan bukan kendaraan bermotor	107		Industri kayu	94	,8 95
Jasa lainnya	107		Angkutan rel	94	,6 110
Real estate	107		Industri karet	91	,5 9:
Tanaman perkebunan	106		Industri tembakau	90	,8 8
Peternakan	106		5 11 1 1 1 1	200/)	
Jasa pertanian	105		Pemulihan Lambat (< 9	90%) Rasio 2022	Rasio 1Q23 the
Akomodasi	104	. ,	PDB Lapangan Usaha	thd 2019 (%)	
Industri alat angkut	104	,,-	Industri galian nonlogam	tna 2019 (%)	
Restoran	104		Pertambangan migas dan panas bumi	89,8 85.5	
Asuransi	103	, 100,1	Angkutan udara	85,5 72.1	
Jasa bisnis Industri lainnya	103 103	,,-	Sumber: BPS.	Office of Chief Eco	







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Office of Chief Economist

Macroeconomic Consequences of Natural Disaster



PROF. DIDIK J. RACHBINI (Macroeconomist)

Executive Summary:

Indonesia also is the country within the ring of fire with high frequency of natural disaster, such as flood, earthquake, landslide, etc. There is a direct negative and significant effect of natural disaster, especially in developing nations that are are more vulnerable to natural disasters because of poor institutions and governance, poor financial system, weak economic growth, high income inequality, and low level of human capital accumulation. Ring of fire in the globe covering many countries around Pacific Ocean, such as Indonesia, the Philippines, North America, Middle America, Peru, Chile, etc.

There is direct negative and significant effect of natural disaster especially in developing nations that are are more vulnerable to natural disasters because of poor institutions and governance, poor financial system, weak economic growth, high income inequality, and low level of human capital accumulation.

It is recommended for Indonesia to learn from Japan in mitigating natural disaster. Also, both technology and public private partnerships have played a vital role in the country's innovative approach.

Natural Disaster and Macroeconomic Didik J Rachbini 30 Juni 2023

INTRODUCTION

- Indonesia is the country within the ring of fire with high frequency of natural disaster: flood, earthquake, landslide, etc
- Ring of fire in the globe covering many countries around Pacific Ocean, such as: Indonesia, The Philppines, North America, Middle America, Peru, Chile, etc

Author (year)	Finding	
W. J. Wouter Botzen, Olivier Deschenes,and Mark Sanders (2019)	There is direct negative and significant effect of natural disaster especially in developing nations that are are more vulnerable to natural disasters because of poor institutions and governance, poor financial system, weak economic growth, high income inequality, and low level of human capital accumulation	Negative
Alessandro Cantelmo, Giovanni Melina and Chris Papageorgiou (2019)	Vurnerable countries have 1,54 point percentage of GDP highjer than countries that are not vulnerable. The first will loss in prosperity and 1.y6 percent drop in consumption	Negative
Noy, Ilan (2007)	Developing nations and small economies decrease in larger portion of output as compared to other developed and large economies.	Negative
Albala-Bertrand (1993)	A cross-sectional study, examined the impact of natural disasters on economic growth in 26 developing countries between 1960 and 1979, and the results indicated that economic growth increases in most cases after the natural disaster.	-
Noy (2009)	A panel data study in 109 countries for the period of 19702003, natural disaster retards economic growth , but with similar magnitude, developing countries experienced significant macroeconomic shocks relative to the developed countries	Negatif

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MANY EMPIRICAL STUDIES..

Penjelasan
PDB dan pertumbuhan PDB dapat turun karena turunnya produksi dan pendapatn sektor-sektor yang terkena dampak bencana. Namun bencana juga dapat memiliki dampak positif pada PDB jika ada peningkatan ekonomi untuk rekonstruksi. Proyeksi membutuhkan estimasi tentang bagaimana sektor-sektor dalam PDB beraktivitas tanpa bencana. Jika angka PDB sektoral tersedia, dapat juga digunakan untuk menilai dampak bencana terhadap pertumbuhan sektor yang berbeda. Pengukuran yang dilakukan pada tingkat riil pada harga konstan
Bencana menimbulkan pengaruh negatif bagi investasi bruto , yaitu menyebabkan turunnya harga saham, dan pembatalan proyek-proyek pembangunan yang sedang berlangsung. Bencana juga dapat meningkatkan investasi bruto sebagai restorasi terhadap aset dan dimulainya upaya rekonstruksi. Sehingga diperlukan estimasi baik dampak negatif dan positif bencana pada investasi bruto
Bencana dapat mempengaruhi sejumlah variabel yang merupakan bagian dari neraca pembayaran. Bencana dapat menyebabkan penurunan ekspor atau kegiatan wisata. Peningkatan impor pada bahan bakar, makanan, bahan bangunan atau peralatan yang digunakan dalam rekonstruksi. Mungkin juga ada arus masuk dana asing melalui bantuan, penghapusan utang luar negeri dan reasuransiu pembayaran. Dampak bencana pasti akan merubah struktur neraca pembayaran dan ukurannya tidak dapat ditentuka sebelum bencana
Keseimbangan pengeluaran sektor publik kemungkinan berubah pasca bencana, dan biasanya akan memperluas defisit fiskal. Pengeluaran sektor publik pada umumnya meningkat setelah bencana sebagai akibat dari pengeluaran untuk tahap darurat, pemulihan, rehabilitasi dan rekonstruksi. Pendapatan fiskal biasanya akan jatuh setelah bencana karena penurunan penerimaan pajak. Sebagian gangguan pada anggaran pemerintah terjadi karena adanya distribusi untuk memenuhi biaya rehabilitasi yang memaksa pemerintah untuk memotong angaran program pembangunan, menangguhkan sampai mengakhiri proyek-proyek penting
Peningkatan harga secara umum dapat terjadi karena kerusakan tanaman , barang yang diproduksi dan kerusakan sarana transportasi. Harga juga mungkin meningkat jika ada permintaan baru untuk barang dan layanan untuk rekonstruksi. Sehingga idealnya pengaruh bencana terhadap perubahan harga secara relatif maupun umum harus diperhatikan.
Bencana dapat menyebabkan perubahan pada struktur lapangan kerja, karena kerusakan dan kehancuran kapasitas produksi, infrastruktur sosial dan perubahan kondisi selama proses rekonstruksi dan rehabilitasi. Jika memungkinkan tidak hanya perubahan dalam pekerjaan, tetapi juga dampak yang dihasilkan pada pendapatan masyarakat.

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RING OF FIRE



Sumber: National Geographic, 2023, https://education.nationalgeographic.org/resource/plate-tectonics-ring-fire/.

Cincin Api adalah serangkaian gunung berapi dan situs aktivitas seismik, atau gempa bumi, di sekitar tepi Samudra Pasifik. Sekitar 90 persen dari semua gempa bumi terjadi di sepanjang Cincin Api, dan cincin itu dipenuhi dengan 75 persen dari semua gunung berapi aktif di Bumi.

[National Geographic, 2023,

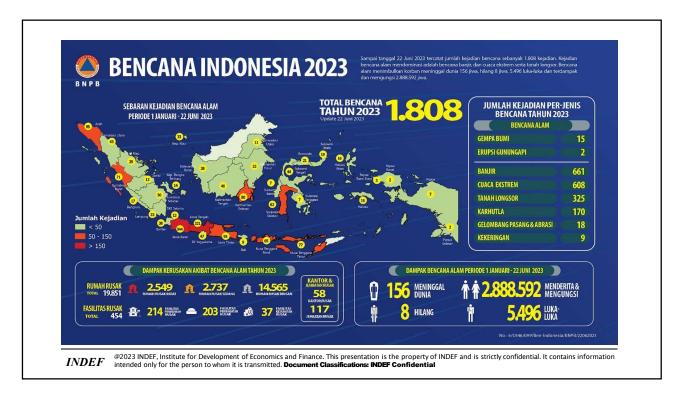
https://education.nationalgeographic.org/resource/plate-tectonics-ring-fire/]

Secara geografis Indonesia merupakan negara kepulauan yang terletak pada pertemuan empat lempeng tektonik yaitu lempeng Benua Asia, Benua Australia, lempeng Samudera Hindia dan Samudera Pasifik. Pada bagian selatan dan timur Indonesia terdapat sabuk vulkanik (volcanic arc) yang memanjang dari Pulau Sumatera, Jawa, Nusa Tenggara, Sulawesi, yang sisinya berupa pegunungan vulkanik tua dan dataran rendah yang sebagian didominasi oleh rawa-rawa. Kondisi tersebut sangat berpotensi sekaligus rawan bencana seperti letusan gunung berapi, gempa bumi, tsunami, banjir dan tanah longsor. Data menunjukkan bahwa Indonesia merupakan salah satu negara yang memiliki tingkat kegempaan yang tinggi di dunia, lebih dari 10 kali lipat tingkat kegempaan di Amerika Serikat (*Arnold*, 1986).

[Badan Nasional Penanggulangan Bencana, 2023, https://bnpb.go.id/potensi-ancaman-bencana]

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World Risk Index (WRI) 2022



The WorldRiskIndex indicates the disaster risk from extreme natural events and negative climate change impacts for 193 countries in the world. It is calculated per country as the geometric mean of exposure and vulnerability.

10 COUNTRIES WITH HIGHEST RISK

Risk Country 1 Philippines 46.82 India 42.31 Indonesia 41.46 Colombia 38.37 37.55 Mexico Myanmar 35.49 Mozambique 34.37 28.70 9 Bangladesh 27.90 10 Pakistan 26.75

Source: Bündnis Entwicklung Hilft, 2022

10 COUNTRIES WITH

HIGHEST EXPOSURE							
WRI Rank	Country	Exposure					
8	China	64.59					
5	Mexico	50.08					
28	Japan	43.67					
1	Philippines	39.99					
3	Indonesia	39.89					
18	USA	39.59					
2	India	35.99					
4	Colombia	31.54					
22	Australia	31.21					
11	Russia	28.35					

From the data above, Japan has a very high disaster exposure levels (Rank 3), but has a lower level of risk (Rank 28). This indicate that Japan noticeably reduce their disaster risks through their mitigation to low vulnerabilities.

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Indonesia vs Japan

- Natural Disaster Exposure of Japan (Earthquakes, tsunamis, coastal flooding, etc) higher than Indonesia (43.6 vs 39.8)
- But World Risk Index (WRI) of Japan (number 28) lower than Indonesia (number 3 risk)
- Five highest WRI: Philippines (1), India (2), Indonesia (3), Columbia (4), and Mexico (5)

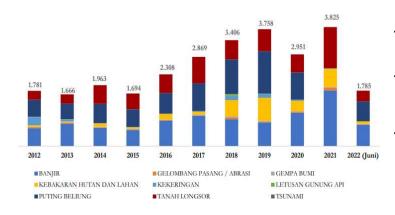
Economy Japan vs Indonesia

Indonesia						Japan •
		Gou	verne	ement		
Annual GDP [+]	2022	\$1,318,807M	14	\$4,233,538M	2022	Annual GDP [+]
GDP per capita [+]	2022	\$4,798	12	\$33,731	2022	GDP per capita [+]
Debt (\$M) [+]	2022	526,649	<u>//</u>	12,783,842	2021	Debt (\$M) [+]
Debt (%GDP) [+]	2022	39.93%	W	255.39%	2021	Debt (%GDP) [+]
Debt Per Capita [+]	2022	\$1,916	12	\$101,858	2021	Debt Per Capita [+]
Deficit (\$M) [+]	2022	-30,873	W	-308,248	2021	Deficit (\$M) [+]
Deficit (%GDP) [+]	2022	-2.34%	1/	-6.16%	2021	Deficit (%GDP) [+]
Expenditure (\$M) [+]	2022	231,321.5	<u>~</u>	2,140,230.1	2021	Expenditure (\$M) [+]
Education Expenditure (\$M) [+]	2019	31,813.1	1/	159,426.2	2016	Education Expenditure (\$M) [+]
Education Expenditure (%Bud.) [+]	2020	17.26%	<u>//</u>	8.38%	2016	Education Expenditure (%Bud.) [+]
Gov. Health Exp.(\$M) [+]	2017	14,680.1	<u>//</u>	213,704.0	1998	Gov. Health Exp.(\$M) [+]

EFFORT & BUDGET OF APBN

BENCANA ALAM DALAM APBN 2023

KEJADIAN BENCANA ALAM DI INDONESIA, 2012 - JUNI 2022



- Selama kurang lebih 15 tahun terakhir, ratarata kerugian per tahun akibat bencana alam mencapai Rp22.850,0 miliar.
- Hal ini belum termasuk sumbangan/ penggalangan yang diberikan dari sejumlah organisasi kemanusiaan baik luar dan dalam, serta sumbangan penduduk Indonesia.
- Bencana penyumbang kerugian secara finansial terbesar adalah gempa bumi, tsunami, letusan gunung api, kebakaran, dan banjir.

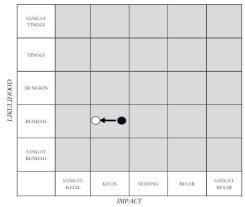
Sumber: BPPB dalam Nota Keuangan APBN 2023, Kementerian Keuangan

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BENCANA ALAM DALAM APBN 2023

PETA RISIKO KERUGIAN AKIBAT BENCANA



Sumber: Nota Keuangan APBN 2023, Kementerian Keuangan

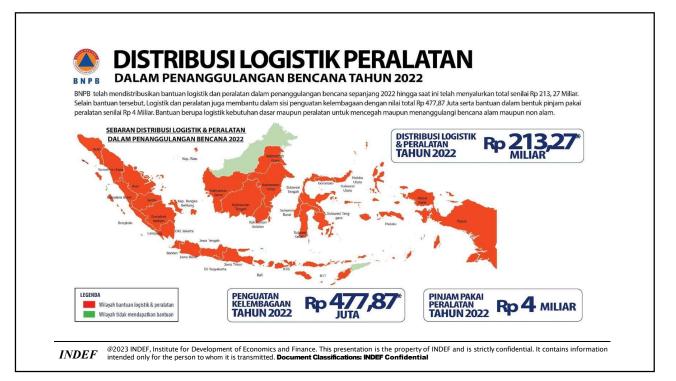
PERKEMBANGAN DANA CADANGAN PENANGGULANGAN BENCANA ALAM, 2018 - 2023 (triliun rupiah)



Sumber: Nota Keuangan APBN 2023, Kementerian Keuangan

Pada Nota Keuanga APBN 2023, risiko ketidakcukupan alokasi dana cadangan bencana alam dikategorikan kecil dengan likelihood yang rendah. Namun demikian, dampak non-finansial seperti pemberhentian sementara kegiatan belajar mengajar, aktivitas ekonomi terhambat, dan dampak lainnya belum terukur pada daerah yang merupakan lokasi bencana.

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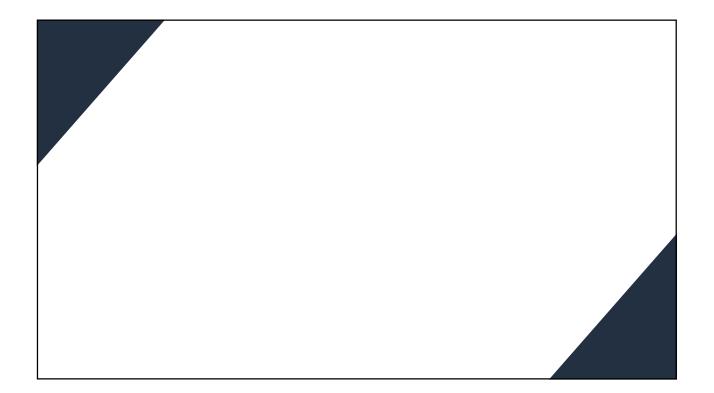
RECOMENDATION: JUST FOLLOW/LEARNING FROM JAPAN TO MITIGATE NATURAL DISASTER

- · Move population centers away from coastal areas one of its priorities, where possible.
- · Provide as much advanced warning as possible in order to facilitate timely evacuation.
- Strengthen public information campaign that informs as many citizens as possible of an oncoming tsunami.
- International warning systems have been developed and deployed to attempt to detect tsunami-triggering events to try to help out too. Such systems, whether domestic or international, are also usually coupled or supplemented with radio and television broadcasts and loudspeaker networks to warn the public.
- Build physical barriers -- like Japan's Fudai Seawall.
- One of the most interesting strategies Japan has employed to help stave off the worst a
 tsunami has to offer is through something called "earthquake engineering". Through the
 development and installation of enormous building shock absorbers, sliding walls, and Teflon
 foundation pads, these structures are able to help Japanese buildings withstand the immense
 stresses and strains imposed on them during violent events like earthquakes.

RECOMENDATION...

- Engineering solutions and the construction of massive sea walls -- sometimes up to around 40 feet (12 meters) tall. Such enormous structures are designed to help protect highly populated areas.
- Other engineering solutions include the design and construction of monstrous floodgates that
 are intended to channel, tamper, or redirect incoming tsunami waves away from critical
 infrastructure and population centers. These can be absolutely huge, up to 51 feet (15.5
 meters) tall.
- Other engineering solutions include the design and construction of monstrous floodgates that
 are intended to channel, tamper, or redirect incoming tsunami waves away from critical
 infrastructure and population centers. These can be absolutely huge, up to 51 feet (15.5
 meters) tall.
- · Japan, in particular, has invested in world-leading ways of mitigating natural disasters.
- Both technology and public-private partnerships have played a vital role in the country's innovative approach.

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Visualizing the Rise of Global Economic Uncertainty ((Re)Insurance Outlook)



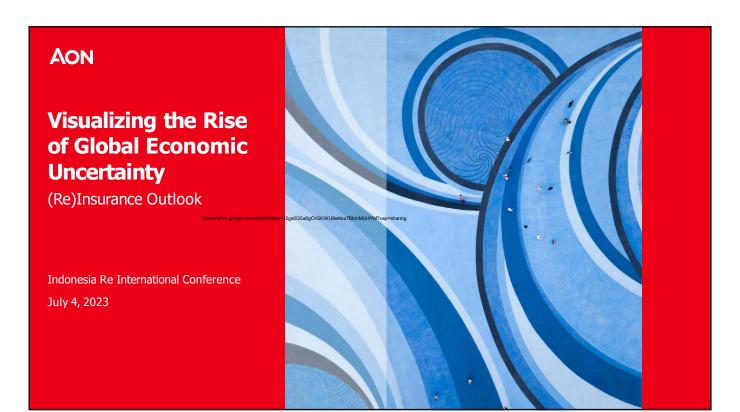
RICHARD JONES
(CEO Asia, AON Reinsurance Solution)

Executive Summary:

COVID-19 has changed both on supply and demand. Supply of goods has decreased due to production decisions, supply chain problems and COVID-19 restrictions. Meanwhile, demand has increased for goods and online shopping while decreasing for services. Increased demand and decreased supply has led to levels of inflation not seen for many years.

Those factors have caused impact on (re)insurance industry, which we could see from the increasing costs in high inflation rate environment, catastrophe capacity deployment, pressure on reinsurer earnings, and limited new capital.

At last, risk is increasing in a global basis, with the threat of recession adding to the difficult operating environment. Changing loss trends and macroeconomic volatility will continue to impact demand / supply dynamics. Mid year renewals will be challenging, as retro dislocation continues to impact availability of reinsurance capacity. Rebalancing of cat risk and higher interest rates are expected to drive much better reinsurer results.



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COVID has changed both supply and demand















Supply of goods has decreased due to production decisions, supply chain problems and COVID restrictions.

Demand has increased for goods and online shopping while decreasing for services.

Increased demand and decreased supply has led to levels of inflation not seen for many years.

Supply Changes

- Producers to halt or **reduce production** of a wide variety of goods
- Lockdowns and COVID precautions also limited production
- Slow process to restart plants once they are shut down

General expectation was for a decrease in demand across most sectors

Demand Changes

Initially there was a decrease in demand for a few months. Then demand skyrocketed.

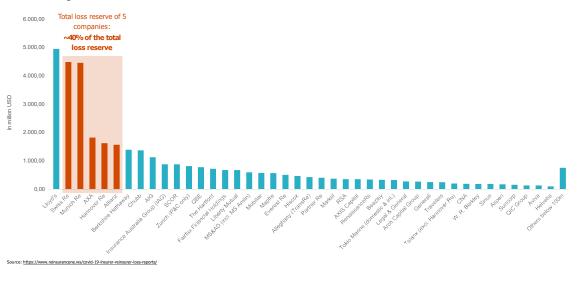
Demand has changed overnight for:

- Building materials for new homes, additions, and home office rehabs as people stayed home
- Used cars as comfort with mass transit disappeared

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COVID-19 insurer and reinsurer loss reports

As of June 2021, the running total of estimates of actual losses caused by the COVID-19 coronavirus pandemic including the loss reserve setting is: **USD 37.381 billion**



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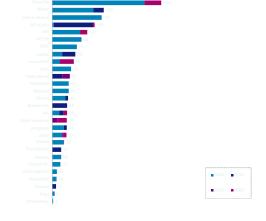
Update on Ukraine

Key takeaways

- Tracked provisions sum to more than USD 3bn(1);
- Consensus suggests the potential for ultimate industry losses is in the range of USD 10-20bn. The main area of uncertainty remains aviation.
- The figures relate only to provisions for underwriting losses established in FY22.
- Other types of loss may be experienced:
 - Investment write-downs on assets in the affected region
 - Capital market volatility
 - Costs associated with discontinuing operations in Russia.
- The situation is still developing and where provisions have been established, they are subject to change.



Net provision by (re)insurer (USDm)(1)



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Source: An Reinsurance Market Dynamics, Demand and Supply in Deliciace Balance, April 4, 2023

https://one.aou.net/sp:/sl/htranet-Reins[EmcSS1669CP95sec7288CPMON 660SS166UALeng'se-FRZego

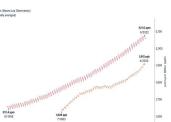
Notes: 1. The provisions reported in currencies other than USD Weet branslated into USD based on the seringe FX for the period. 2. There is partial overlapping between the total reported by Lloyd's and the one of the companies tracked, as the figures provided by the le

2022 Climate Review

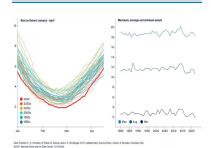
Global Land and Ocean Temperature Anomalies: 1880-2022 (°C)



Monthly Carbon Dioxide and Methane Concentrations



Antarctica Sea Ice Extent in Million Square Kilometers: 1980-2022



2022 Marks the Sixth-Warmest Year on Record Dating to 1880

2022 marked the continuation of the overall long-term 2022 marked the continuation of the overall long-term warming trend of the planet. Preliminary official data from the National Centers for Environmental Information (NCEI), noted that 2022 was 0.86°C (1.55°F) above average global land and sea surface temperatures. This marked the sixth-warmest year on record dating to 1880.

Greenhouse Gas Concentrations Continue to Increase with Accelerated Pace

Data from the NOAA Earth System Research Laboratory (ESRL) showed carbon dioxide (CO2) concentrations increased for another consecutive year and averaged 417

parts per million (ppm).

NOAA noted that current CO2 levels are at the highest in 4 million years.

Sea Ice: Antarctica Records New Low

The sea ice extent in this region set a new record minimum in 2022. A recent study suggested that
Thwaites Glacier Shelf could collapse within the next
three to five years. Should the glacier fully collapse into the ocean, scientists fear that it could raise levels by 65 centimeters (25.6 inches). It already accounts for four percent of global sea level rise.

Source: Aon 2023 Weather, Climate and Catastrophe Insight 2023 Weather, Climate and Catastrophe Insight | Aon

Significant 2022 Event Losses



Date	Event	Location	Economic Loss (USD billion)	Insured Loss (USD billion)
09/27 - 10/01	Hurricane Ian	US, Cuba	95.5	52.5
Annual	European Drought	Southern, Western and Central Europe	22.0	3.0
Annual	US Drought	US	16.0	8.0
06/14 - 10/30	Pakistan Seasonal Floods	Pakistan	15.0	0.1
06/01 - 09/30	China Seasonal Floods	China	15.0	0.4
03/16	Fukushima Earthquake	Japan	9.1	2.9
02/23 - 03/31	QLD & NSW Floods	Australia	8.0	4.0
Annual	China Drought	China	7.6	0.2
All other events			124.3	60.9
Total			313 billion	132 billion

Economic Loss USD 313 billion

4% above the 21st century average Insured Loss **USD 132** billion

57% above the 21st century average

58% Global Protection Gap

5th costliest year on record

Asia Pacific

Economic Loss Insured Loss **USD 80 USD 10.8** billion billion

86% Protection Gap



2

Impact to (Re)Insurance Industry



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Impact to (Re)Insurance Industry



Increasing costs in High Inflation Rate Environment

Inflation is expected to moderate over the next 1 to 2 years to levels that are higher than pre-COVID years



The state of the s



Catastrophe Capacity

Deployment

There is ample capacity, but

reinsurers are being more discerning in how they deploy it



Pressure on Reinsurer Earnings

The hardening market is being driven by the need to improve earnings





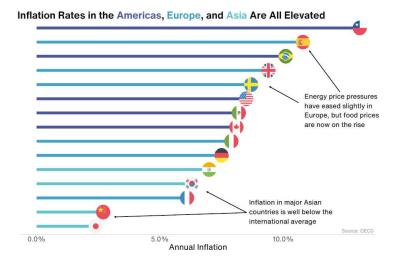
Limited New Capital

There is little sign of new capital entering the market for 2023



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High inflation rate is a global issue



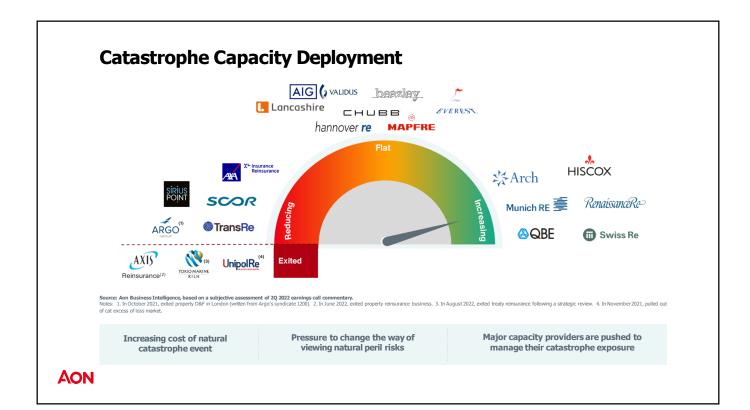
Supply chain issues and energy prices are a global issue

Shipping backlogs and supply bottlenecks impact almost all nations in one way or another, but countries that are net importers are more susceptible to supply disruptions.

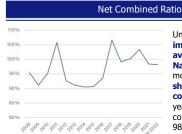
Energy and food prices in Europe, where nations are heavily reliant on natural gas, other energy products, and wheat from Russia, have increased since the start of the conflict in Ukraine

Source: https://www.aon.com/reinsurance/getmedia/9a2941b8-d48b-4728-9584-f320b5726e14/20220815-inflationary-trends.pdf)

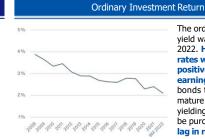
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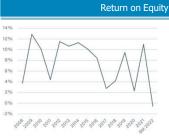
Reinsurer Earnings Have Been Pressured Since 2017



Underwriting was again impacted by above-average insured NatCat losses, but most benefits from the shift in pricing and coverage seen in recent years; the ARA net combined ratio was 98.2%.



The ordinary investment yield was down again in 2022. Higher interest rates will be very positive for future earnings, but existing bonds typically need to mature before higher yielding instruments can be purchased, creating a lag in reported results.



Total investment returns were heavily impacted by market volatility and, as a result, the aggregate return on equity was -0.6 percent for the ARA companies.



Valuation metrics have improved post-Hurricane Ian, as investors have reassessed the sector's future earnings prospects.



Sources: Company financial statements / Aon's Reinsurance Solutions https://www.aon.com/getmedia/008f688f-73d3-4387-b24f-7c2d23fd8bf2/reinsurance-market-dynamics-january-2023.pdf

Global Reinsurer Capital

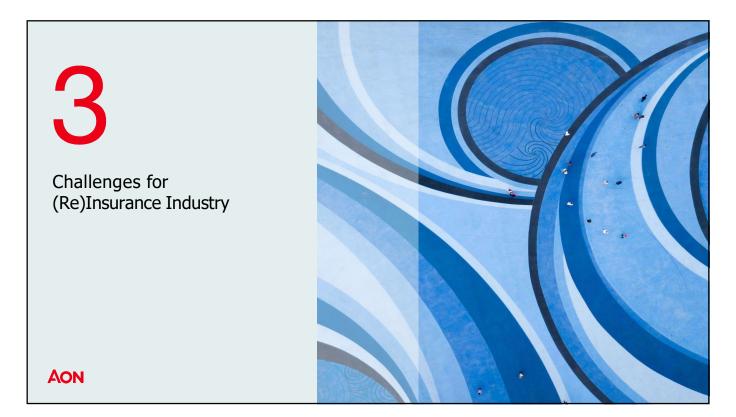
Reduced asset prices erode reported book values

- Aon estimates that global reinsurer capital declined by 15%, or \$100bn, to \$575bn over the 12 months to December 31, 2022.
- Traditional equity fell by 17% to \$482bn, principally driven by substantial unrealized losses on investment portfolios.
- Alternative capital was down by 3% to \$93bn; deployable capacity was somewhat lower, impacting the retro market in particular.



Sources: Company financial statements / Aon's Reinsurance Solutions / Aon Securities Inc.





Challenges for (Re)Insurance

Supply









Capacity Crunch

Despite a limited new capital entering the market, capacity remained sufficient across most products and risk types

Notable exceptions (very limited capacity):

- Property with heavy Nat Cat
- exposure Property risks with high hazard exposures



- Increased exposure due to
- inflation Supply chain challenges impacted Business Interruption modelling

Limits were pressured upward

Pricing Elements to be Considered:
• Ongoing inflation

- Surging capital cost

Served to pressure **pricing upward** in general. **Capacity** is **abundant with a price**.

Appetite and View of Risk

- Less appetite for proportional placement and Nat Cat
- Concern on **profitability**: More challenging or hazardous occupancy classes and accounts with losses will be under greater pressure

 Valuation remains a concern as well as secondary perils

Coverages

- Property terms and conditions faced ongoing pressure
- New Natural Catastrophe related restrictions were imposed for certain events.
- Insurers remained focused on limiting their Cyber exposure and continued to clarify Cyber-related coverage language.

 Exclusions related to the events in Eastern Europe remained.

AON

4

(Re)Insurance Market Outlook



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(Re)Insurance Market Outlook



Risk is increasing on a global basis, with the threat of recession adding to the difficult operating environment.

Cost of capital will remain high, but equity erosion linked to rising interest rates should start to reverse. Changing loss trends and macroeconomic volatility will continue to impact demand / supply dynamics.

Delivery of the hard market and stronger reinsurer results should generate increasing inflows of new capital. Mid-year renewals will be challenging, as retro dislocation continues to impact availability of reinsurance capacity.

Loss reserve adequacy will be a key topic: **inflation**, **Ukraine and COVID-19** are all sources of uncertainty. Rebalancing of cat risk and higher interest rates are expected to drive much better reinsurer results.

Loss activity and the extent of new capital entry will be major drivers of market conditions in 2024.

AON

Thank you



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Second Panel Discussion

Biggest Challenges Facing the Insurance Industry and How to Overcome Them?

Content:

- Potential Impact of Cyber Threat and How Aware is Insurance Industry in Facing It
- IFRS 17: Forcing the Pace to Adapt and Lead Digital Age
- Impact and Challenges of UU P2SK Implementation
- Increase Insurance's Awareness to Combat Fraud



A Glimpse from Moderator



FIFI ALEYDA YAHYA (News Anchor)

Nowadays, insurance industry are currently facing several challenges, range from cyber threat, IFRS 17, the implementation of new regulations, and fraud. Cyber security challenges in financial industry which caused by the growing use of technology such as mobile devices and cloud computing. To mitigate the risk, Insurance Industry should invest more resources on cybersecurity such as employee education, building cybersecurity infrastructure, and conduct regular follow up on those mitigation action.

Aside from cyber security challenges, our (Re)Insurance Industry also have some other challenges that still relate to digital era, such as the obligation to forcing our pace in implementing IFRS 17, potential challenges in UU P2SK implementation, and of course, our old issue: fraud combat, which potentially could increase in this digital era. One of the most important tool in spotting fraud is human insight.

Potential Impact of Cyber Threat and How Aware is Insurance Industry in Facing It



SLAMET AJI PAMUNGKAS

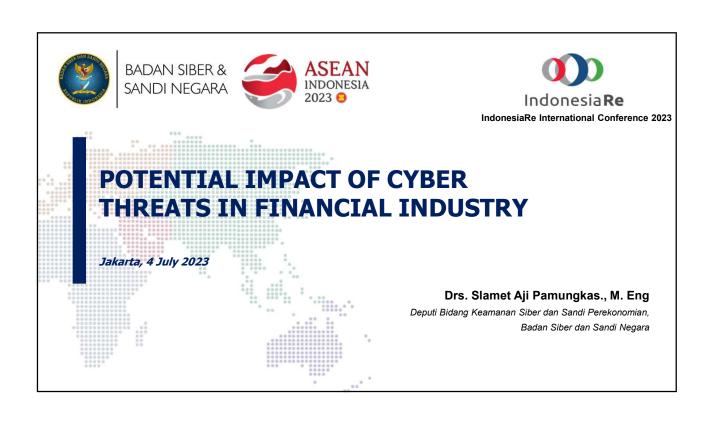
(Deputy of Cybersecurity and Cryptography for Economy, National Cyber and Crypto Agency)

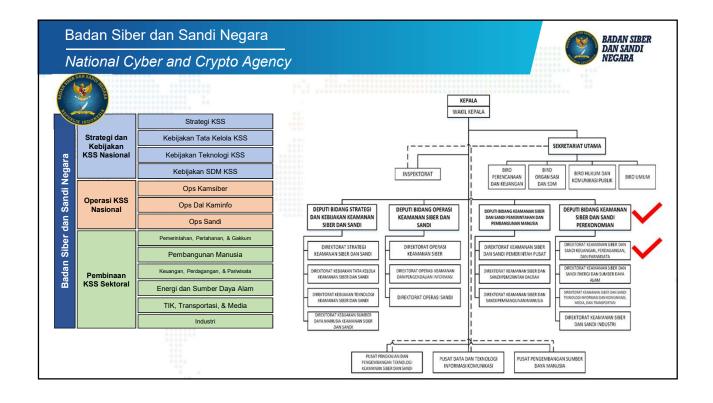
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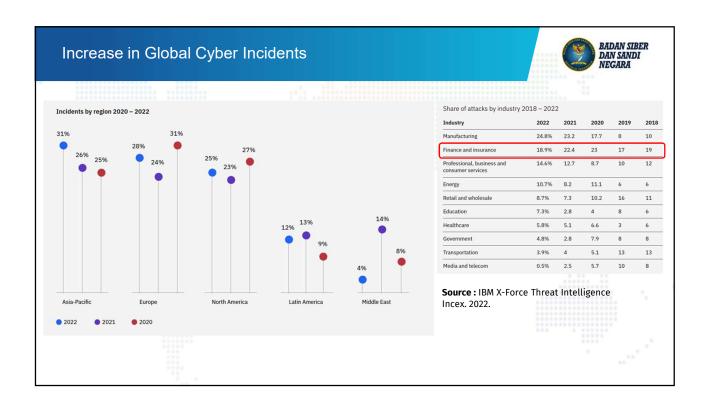
According to NIST, Cyber Threat is defined as any circumstance or event with the potential to adversely impact organizational operations (including mission, functions, image, or reputation), organizational assets, individuals, other organizations, or the Nation through a system via unauthorized access, destruction, disclosure, modification of information, and/or denial of service.

Cyber threats are any attempt to gain unauthorized access to a computer system or network. This can be done through a variety of methods, such as hacking, phishing, malware attacks, etc. There are some potential cyber security challenges in financial industry, such as the increasing sophistication of cyber threats, the growing use of cloud computing, the increasing use of mobile devices, and the shortage of cyber security skill.

Cyber threats also could potentially give negative impact, such as financial losses from direct financial losses, increased operational costs, and loss of revenue; reputational damage from damage on brand reputation and increased regulatory security; and business disruption.









What are cyber threats?



- According to NIST, Cyber Threat is defined as "Any circumstance or event with the potential to adversely impact organizational operations (including mission, functions, image, or reputation), organizational assets, individuals, other organizations, or the Nation through a system via unauthorized access, destruction, disclosure, modification of information, and/or denial of service."
- Cyber threats are any attempt to gain unauthorized access to a computer system or network.
- This can be done through a variety of methods, such as hacking, phishing, malware attacks, etc.

Most Common Cyber Threats





RANSOMWARE

Ransomware is a type of malware that encrypts a victim's data and demands a ransom payment in order to decrypt it.



APTs are often used to steal sensitive information or to gain access to corporate networks. The trend of APT activity has increased significantly in 2022, namely there are 4,421,992 APT activities in Indonesia.





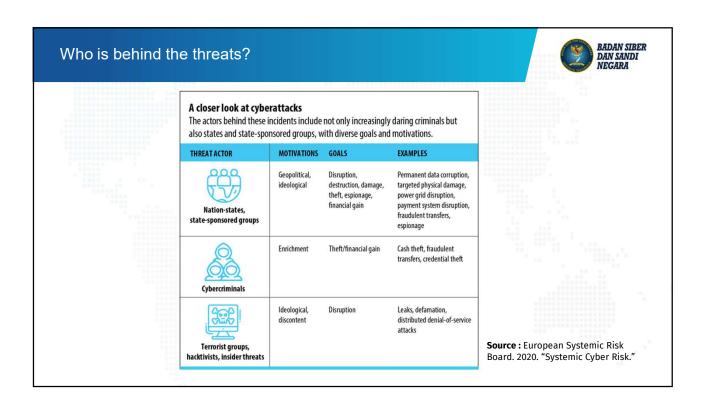
DATA BREACHES

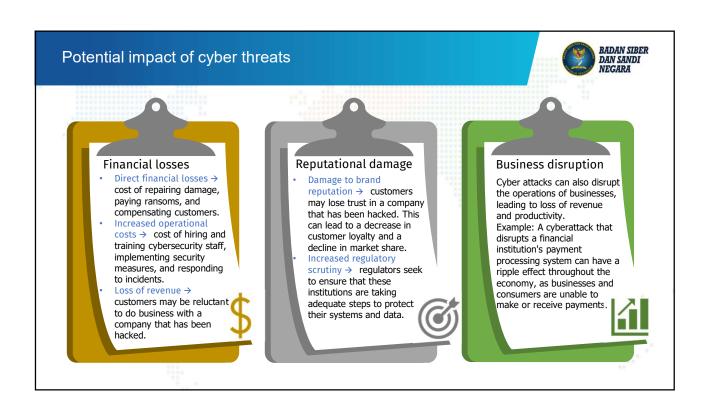
Data breaches occur when sensitive data is stolen from a company's computer systems. The most common vulnerability of data breaches in Indonesia are Web Application Vulnerability dan Phishing.



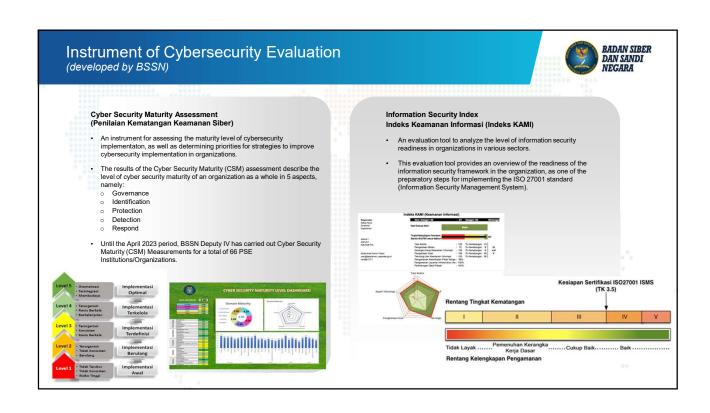
PHISHING

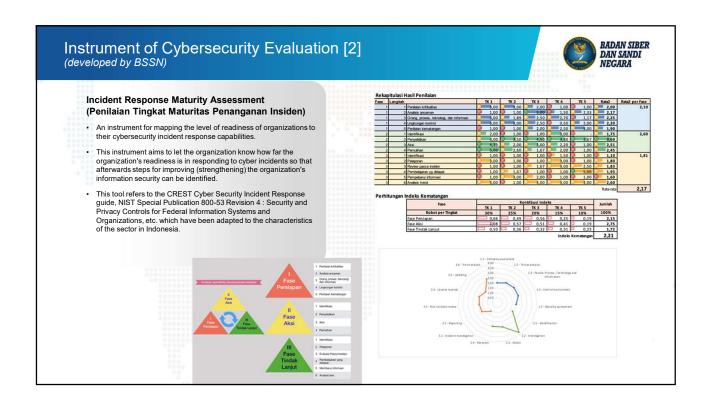
Phishing is a type of social engineering attack that involves sending emails or text messages that appear to be from a legitimate source in order to trick the recipient into clicking on a malicious link or providing sensitive information.













IFRS 17: Forcing the Pace to Adapt and Lead Digital Age



PHILIP DOYLE
(Vice President, Strategic Advisory Asia-Pacific,
Guy Carpenter)

Executive Summary:

IFRS 17 can be a transformative process for a (re)insurer, and the industry. The adoption of such a data and technology intensive accounting standard can be the catalyst for further development and modernization.

There are some roles of IFRS 17 in (re)insurance industry. On the operational side, IFRS 17 could help in connecting the dots, modernizing insurance, resourcing capabilities, and data enhancement. On the financial side, IFRS 17 could help in financial comparability, transparency of results, business strategies, and performance measurement.

The adoption process of IFRS 17 itself will happen on at least three phases. The first one is discovery phase, the second one is design phase, and the last one is solution design.

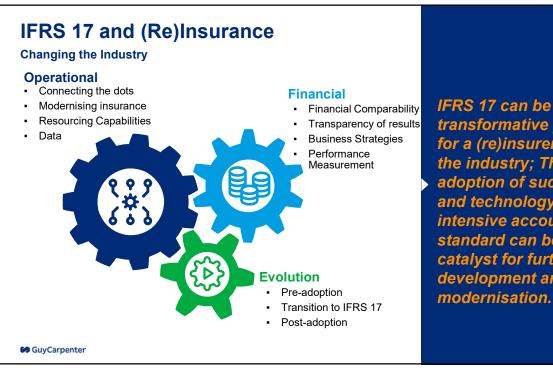


INDONESIA RE

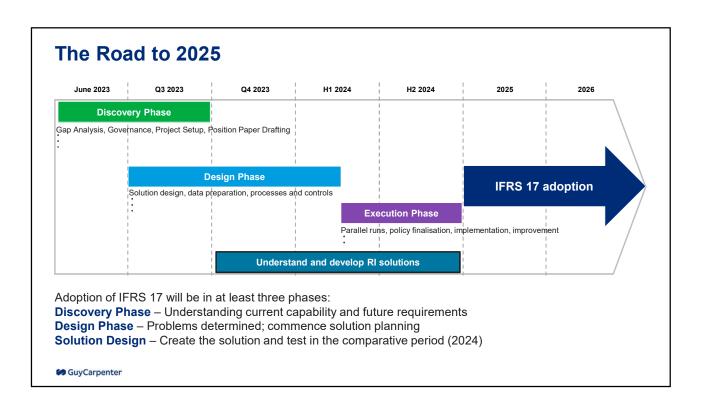
Guy Carpenter IFRS 17 Slides

Indonesia Re International Conference 4th July 2023 Presenter: Philip Doyle, VP Global Strategic Advisory Jakarta, Indonesia

A business of Marsh McLennan



IFRS 17 can be a transformative process for a (re)insurer, and the industry; The adoption of such a data and technology intensive accounting standard can be the catalyst for further development and





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Impact and Challenges of UU P2SK Implementation



RUDY KAMDANI(Chief of Indonesian Insurance Council (DAI))

Executive Summary:

Under the Insurance and Policy Guarantees section of Law 4/2023, we highlighted several core changes as follows:

- Expansion of scope of business on general and sharia insurance to include the provision of benefits
- Innovation in technology, such as the use of electronic documents in conducting insurance business
- Enforcement of Good Corporate Governance (GCG)
- The Controllers' responsibility, which are obligated to compensate the indemnification of the insurance companies, sharia insurance, reinsurance companies, and sharia insurance companies arising from any losses caused by the Controllers
- Classification of Assets and Liabilities
- Strengthening the Market Conduct



CORE CHANGES IN THE LAW 4/2023 RELATED TO THE

INSURANCE INDUSTRY

Under the Insurance and Policy Guarantees section of Law 4/2023, we highlighted several core changes as follows:

(Article 5) Innovation in Technology (Article 5A) Innovation in Technology (Article 5A) Enforcement of Good Corporate Governance t (Article 11) The Controllers' responsibility (Article 15) The Controllers are obligated to companies and sharia insurance companies arising from any losses caused by the controllers. Classification of Assets and Liabilities Insurance Companies are required to implement the principles of good corporate governance (GCG) including investment governance, risk management, and internal control. In addition, the Companies, in managing Premium and Policyholders, must be able to calculate the risks and benefits that will be received by Policy Holders and ensure that there is no failure in fulfilling obligations to Policyholders, insured or Participants. The Controllers' responsibility (Article 15) The Controllers are obligated to compensate the indemnification of the insurance companies, sharia insurance reinsurance companies and sharia insurance companies arising from any losses caused by the controllers. Classification of Assets and Liabilities		order the insulance and i oney	Oddranicos scolor or Edw 4/2020, we highlighted several core didinges as follows.	
(Article 5) Innovation in Technology (Article 5A) Insurance Companies are required to implement the principles of good corporate governance (GCG) including investment of Good Corporate (Article 11) Insurance Companies are required to implement the principles of good corporate governance (GCG) including investment of Good Corporate governance (GCG) including investment of Good Corporate governance (GCG) including and Policyholders, must be able to calculate the risks and benefits that will be received by Policy Holders and ensure that there is no failure in fulfilling obligations to Policyholders, insured or Participants. The Controllers' responsibility (Article 15) The Controllers are obligated to compensate the indemnification of the insurance companies, sharia insurance reinsurance companies and sharia insurance companies arising from any losses caused by the controllers. Classification of Assets and Liabilities (Article 21A) Insurance Companies and Sharia Insurance Companies that sell insurance products which provide benefits source from the fund management's proceeds, must classify the assets and liabilities of the Policyholder, the Insured, or Participants based on the investment strategy of each group of assets and liabilities. The insurance companies are responsible for any act of their agents. The Agents shall disclose correct, complete and non-misleading information in selling the insurance products.		TOPIC	IMPLEMENTATION OF LAW 4/2023	
(Article 5A) Enforcement of Good Corporate Governance t (Article 11) Insurance Companies are required to implement the principles of good corporate governance (GCG) includin investment governance, risk management, and internal control. In addition, the Companies, in managing Premium and Policyholders, must be able to calculate the risks and benefits that will be received by Policy Holders an ensure that there is no failure in fulfilling obligations to Policyholders, insured or Participants. The Controllers' responsibility (Article 15) The Controllers are obligated to compensate the indemnification of the insurance companies, sharia insurance companies arising from any losses caused by the controllers. Classification of Assets and Liabilities (Article 21A) Insurance Companies and Sharia insurance Companies that sell insurance products which provide benefits source from the fund management's proceeds, must classify the assets and liabilities of the Policyholder, the Insured, or Participants based on the investment strategy of each group of assets and liabilities. Strengthening the Market Conduct (Article 27-31) The Agents shall disclose correct, complete and non-misleading information in setting the insurance products	1		Expanding the scope of general insurance and sharia insurance businesses to include the provision of benefits related to credit/financing activities between creditors and debtors; and suretyship.	
Governance t (Article 11) Governance t (Article 11) The Controllers' responsibility (Article 15) The Controllers' responsibility (Article 15) Classification of Assets and Liabilities (Article 21A) Insurance Companies and Sharia insurance companies that sell insurance products which provide benefits source from the fund management's proceeds, must classify the assets and liabilities of the Policyholder, the Insurance products which provide benefits source from the fund management's proceeds, must classify the assets and liabilities. Strengthening the Market Conduct (Article 27-31) The Agents shall disclose correct, complete and non-misleading information in setling the insurance products	2		The use of electronic documents in conducting insurance businesses	
4 (Article 15) reinsurance companies and sharia insurance companies arising from any losses caused by the controllers. Classification of Assets and Liabilities (Article 21A) Insurance Companies and Sharia Insurance Companies that sell insurance products which provide benefits source from the fund managements proceeds, must classify the assets and liabilities of the Policyholder, the Insured, or Participants based on the investment strategy of each group of assets and liabilities. Strengthening the Market Conduct (Article 27-31) The insurance companies are responsible for any act of their agents. The Agents shall disclose correct, complete and non-misleading information in selling the insurance products.	3	Governance t	investment governance, risk management, and internal control. In addition, the Companies, in managing Premiun and Policyholders, must be able to calculate the risks and benefits that will be received by Policy Holders are	
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6 (Article 27-31) The Agents shall disclose correct, complete and non-misleading information in selling the insurance products	5		Insurance Companies and Sharia Insurance Companies that sell insurance products which provide benefits sourced from the fund management's proceeds, must classify the assets and liabilities of the Policyholder, the Insured, or Participants based on the investment strategy of each group of assets and liabilities.	
Internal	6			
			Internal	

ISL	JRANCE INDUSTRY	Cont
	TOPIC	IMPLEMENTATION OF LAW 4/2023
7	Enforcement of responsibilities for insurance companies in having partnership with other parties in order to acquire business (Article 28)	Regulates detailed provision in relation to the payment mechanisms for Premiums Contributions between the insurance Company and the other parties, in the event that the Insurance Company having a partnership with other parties in order to obtain business.
8	Compulsory Insurance Program (Article 39A)	The government can establish a compulsory insurance program according to the public needs
9	Bankruptcy or suspension of debt repayment obligation (Penundaan Kewajiban Pembayaran Utang or PKPU) (Article 50-52)	Adding Suspension of Debt Repayment Obligation (Penundaan Kewajiban Pembayaran Uta or PKPU) as an expansion of the legal procedural which can be submitted by the OJK Commercial Court.
0	Policy Guarantee Program by LPS (Article 53)	Policy Guarantee Program only covers the protection element of insurance products for certa business lines. The policy guarantee program shall be managed by the Deposit Insurar Agency (Lembaga Penjamin Simpanan or LPS).
1	Statutory Manager (Article 62A and Article 64)	Regulates the provision of OJK authority to determine and appoint the Statutory Managard its responsibilities.
2	Sharia Units Spin-Off (Article 87)	After meeting certain requirements as determined by OJK, Sharia unit shall be spinned off. addition, in connection with consolidation, OJK is authorized to instruct Sharia unit to spinned off. There will be a sanction if it does not spin off which will be further regulated.

CORE CHANGES IN THE LAW 4/2023 RELATED TO THE CONT' INSURANCE INDUSTRY CI IMPLEMENTATION OF LAW 4/2023 Criminal and Administrative Sanctions (Article(s) 73A onwards) Criminal sanctions are imposed to all of the parties related (salesforces, agents, Main Parties and employees of the Companies, as well as the Company Itself) who violates the provisions of the law herein.

POLICY GUARANTEE PROGRAM (PPP)

1 THE

MANAGER Manage the PPP

- Insurance company is obligated to deliver data, information and docs, and responsible the correctness and completeness of those
- LPS is authorized to ask for data, information and or documents from third party
- 2 SCOPE OF COVERAGE
 - It only covers protection element
 - Mandatory insurance and social insurance are excluded
- 3 CRITERIA OF
- PARTICIPATION
 Insurance companies are obligated to participate in
 PPP
- Insurance company must meet certain level of financial health to participate

CONTRIBUTI

- PPP contribution consists of initial contribution & regular contribution
- Regular contribution paid in advance in 2 terms
- The amount of contribution will be further governed
- 5 FORM OF GUARANTEE MECHANISME
- · Apply only on in force policy
- Tranfer of portfolio, claim payment, and refund of policyholder rights.
- · Limit of guarantee will be further determined
- 1 TROUBLED COMPANY HANDLING
 - Done by OJK and LPS
- Sanction includes Revocation of license and Liquidation

POLICY GUARANTEE PROGRAM (PPP)

ASSET AND LIABILITIES

MANAGEMENT

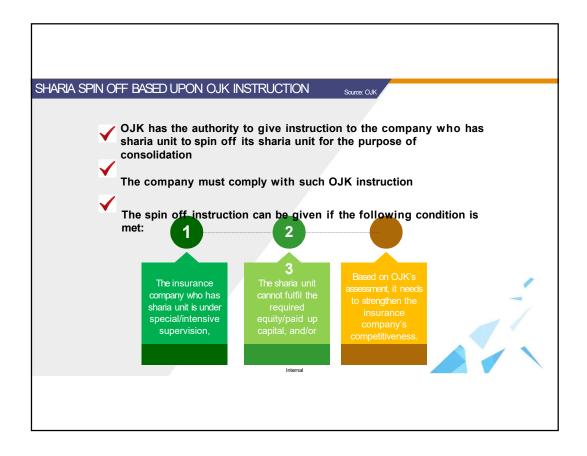
- LPS is to manage assets and liabilities of PPP
- Separate Record of assets and liabilities from saving guarantee program
- 3 ADMINISTRATIVE/CRIMINAL SANCTION
- SANCTION
 IPS can impose administrative and criminal sanction on those who breach provisions of PPP
- LPS will submits to OJK information of those who breach provisions of PPP
- OTHE
- RS
 PPP will be effective 5 years after Law No. 4/2023 is enacted
- Implementing regulation will be governed through Government Regulation or LPS Regulation

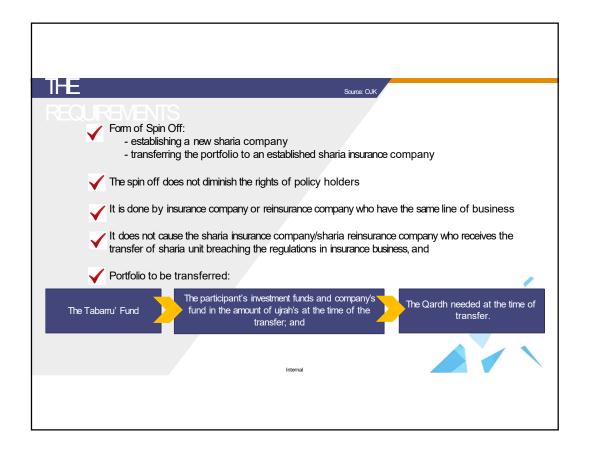


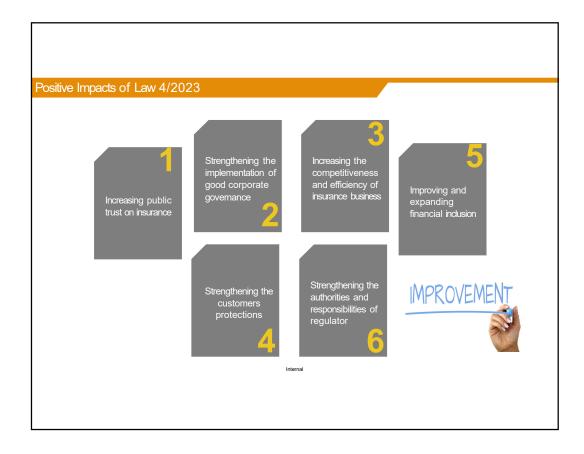
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THE SHARIA SPIN OFF Spin off is required to be done: ✓ If the Sharia Unit already meets certain criteria as determined by OJK. ✓ Bassed on the company's own request ✓ Basse upon OJK's instruction Implementing regulation will be issued by OJK within 6 months since the enactment of Law No. 4 Year 2023









Challenges in the insurance industry due to the implementation of Law 4/2023



- Insurance Companies are required to implement the principles of good corporate governance (GCG) including investment governance, risk management, and internal control. But The
- insurance companies do not have the same level of Good Corporate Government. May need to have third party to do the assessment?
- PPP contributions may incur additional cost to the insurance companies which at the end will be charged back to the customers. What is the formula of LPS Contribution?
- On Sharia spin off, once it becomes a full pledged company, can the parent insurance company have "sharing resources" including system and human resources
- Law no. 4/2023 strengthens customer protection, but no protection for insurance companies from bad customers.

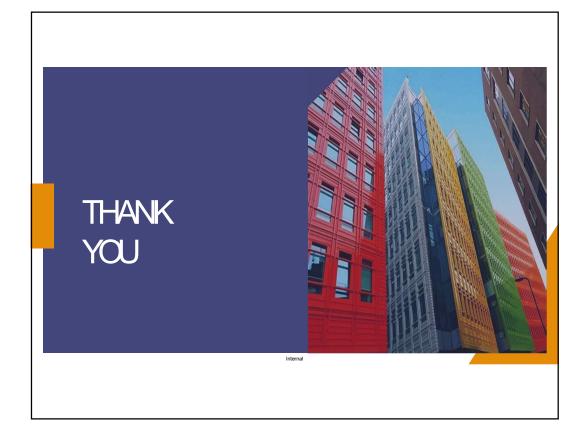
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w 4/2023

- Strengthening the good corporate governance (including investment management, risk management and internal control) to improve the company value, company performance and contribution, as well as maintain long-term corporate sustainability
- ✓ Investing in IT infrastructure to enable the use of the electronic documents to provide a better service to the policyholders, insured, and/or participants
- ✓ Having standardized level of Good Corporate Governance
- ✓ Having standardized financial report to avoid window dressing

Interna



Increase Insurance's Awareness to Combat Fraud



HEMANT NAGPAL(Regional Director, Head of Catastrophe Analytics Asia Pacific, Gallagher Re)

Executive Summary:

Fraud is simply theft by trick or deception. Insurance Fraud can be as simple as an exaggerated insurance claim where a claim is made for something that either didn't exist or it is given a greater value than it would normally have. Insurance Fraud is also when a policy holder claims for an event that never existed or was deliberately staged (ICA).

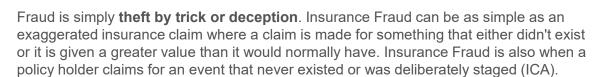
Fraud checking used to be a manual process and considering each case against a Fraud Identification Checklist. Nowadays most insurers have automated 'red flag' systems where the claim system is looking for matching criteria of known past indicators of fraud.

Whilst this technology is available now, it is still not commonplace in the insurance claims department so making this step alone has the power to transform the insurers' fight against fraud. Improvements can me made around insured data details as well.

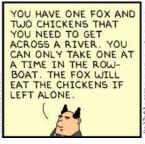


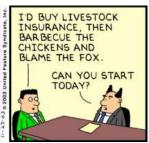
Insurance Fraud

What is it?









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Insurance Fraud

A widespread issue?

How Relevant?

- ► Four key lines that are most susceptible to fraud
 - Personal injury
 - Automobile
 - Workers' compensation
 - First-party property
- ► Insurance fraud is a widespread issue, where claimants seek benefits, they are not entitled to

What are the costs?

- ▶ The Insurance Council of Australia (ICA) has asserted that approximately 10-12% of all general insurance claims contain some element of fraud and cost the industry approximately A\$2.2 billion each year, working out at A\$75 for every insurance policy in Australia.
- ▶ According to Gallagher Bassett, for North America, almost one-third of carriers believing up to 20% of their entire claims volume is from fraudulent cases, and industry's estimated cost is in excess of \$40 billion.

Some Types of Frauds

- ▶ Opportunistic fraud is the most common form of insurance fraud and is usually the exaggeration of personal claims.
- ▶ Premediated insurance fraud or planned frauds are usually committed by the professional fraudster and often by organised criminal gangs.

Bringing down this huge estimated cost is in the interests of all industry stakeholders and may result in better financial results and improved reserving accuracy.

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The continuing battle against fraud



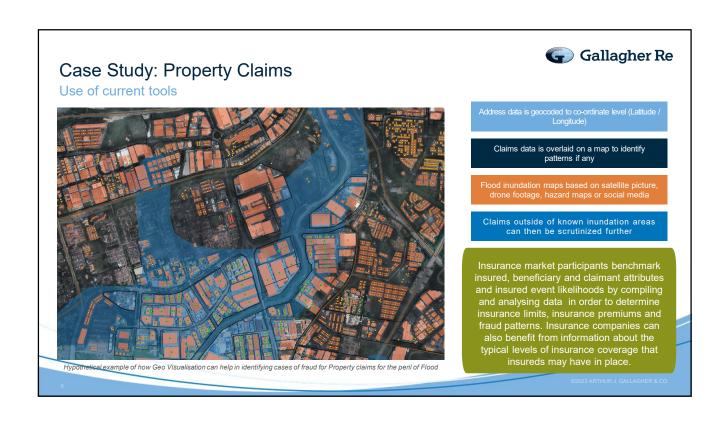
Fraud checking used to be a manual process and considering each case against a Fraud Identification Checklist. Nowadays most insurers have automated 'red flag' systems where the claim system is looking for matching criteria of known past indicators of fraud. But has the process improved?

Improved fraud detection:

- Combatting insurance fraud starts with training your team to be able to recognize some fairly basic red flags. This can include a claimant submitting incomplete information about their legal name, phone number, email address, vehicle identification number, or a permanent residential address.
- ▶ One of the most important tool in spotting fraud is human insight. We can train our claims staff to recognize patterns, identify suspicious behavior and explore further when something doesn't feel right. Social media posts, closed-circuit television, body-worn personal health devices, and even cameras on home doorbells, ATMs, or gasoline pumps are just a few of the many tools available in combatting fraud and exaggeration of claims. In-vehicle cameras can act as 'witnesses' in case of disputes in motor accident claims.
- Artificial Intelligence (AI) and machine learning is in its infancy for most claims departments but as it matures it opens up so many possibilities. The current red flag systems may be built on the structured data of past known fraud cases. We could use systems (running text analytics, modern predictive modelling software and machine learning) to potentially identify new flags. Modern predictive analytics and big data, including social media, could be the long-awaited step change for insurers in managing their fraud risk. Big data means all types of data, not just text.
- lnsurance Fraud Tip-off schemes which rewards individuals for reporting insurance fraud cases that lead to successful prosecution and conviction of offenders.

Whilst this technology is available now, it is still not commonplace in the insurance claims department so making this step alone has the power to transform the insurers' fight against fraud. Improvements can me made around insured data details as well.

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Third Panel Discussion

Future Insurance Business: Transforming Business Process in the Digital Era

Content:

- Transforming Enterprise Risk Management for Preparing Insurance Industry in Digital Era
- Advanced Data Science Implementation for Transforming Business Process: Benchmarking
- Advanced Data Science Implementation for Transforming Business Process: How Reinsurance Companies have Benefited
- The Role of (Re)Insurance Industry in Providing Cyber Protection and Securing (Re)Insurance Business



A Glimpse from Moderator



ROBBI YANUAR WALID (Director of Risk Management, Compliance, Legal, and Corporate Secretary of Indonesia Re)

Talking about transformation, one of the most vital transformation in (Re)Insurance Industry is business process transformation, which could be initiate by advance data science implementation. On this point, we have to remember that data, people, and technology are important for advanced data science implementation to aim for business process transformation.

To build a data ecosystem, our data should be available, reliable, and observable. Only through that way, we could shorten the distance between insight and decision makers. We should start with goals and their problem statements. Take some baby-steps and do not try to build the whole thing at once, instead, you can be ambitious with the end state.

Last but not least, while transforming our business process in the digital era, we have to keep on addressing our potential systemic risk by developing clear terms and conditions (T&C) that will endure possible future cyber catastrophe event, delivering clarity and predictability to clients, and defining catastrophic cyber risk as the key to attracting capital.

Transforming Enterprise Risk Management for Preparing Insurance Industry in Digital Era



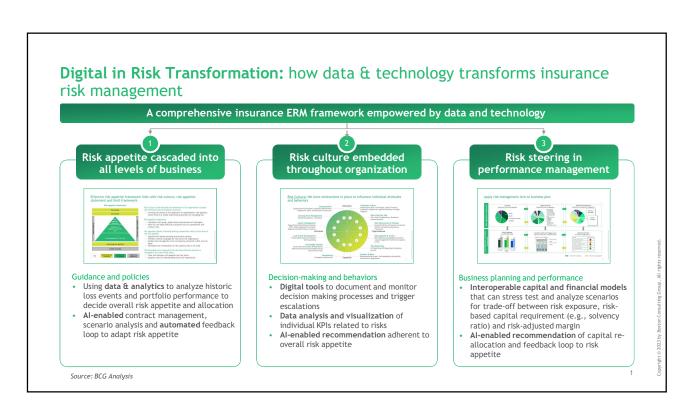
YAMIN GROENINGER
(Managing Director & Partner,
Boston Consulting Group)

Executive Summary:

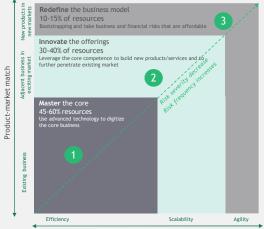
The world is constantly evolving, and on the risk transformation aspect, we could see how digitalization is giving significant impacts. Nowadays, we have a comprehensive insurance ERM framework which empowered by data and technology. Risk appetite currently cascading into all levels of business. Risk culture currently embedding throughout organization. Amongst all, we could see that risk steering in performance management including in business planning and business performance.

What should be our concern for now is how risk management enables business digital transformation in the three transformational dimensions and resources accordingly.





Three dimensions in digital transformation



Operational Excellence measurement

Source: Lecture at University of St. Gallen (Author: Y. Gröninger et al.)

Risk management lens in the 3 transformational dimensions (and resources accordingly)

- 1 Adapted framework for risk taking and transferring in the transforming core business (e.g., risk appetite for cyber insurance) and enhanced qualitative risk framework (generally zero tolerance) towards emerging operational standards i.e., ESG, own cyber risk
- 2 Adjacent business (i.e., risk consulting business of reinsurers or risk engineering of commercial insurers) normally don't impact the quantitative risk appetite or risk capital but requires new capabilities of understanding the operational and other qualitative risks
- 3 New business model launch such as B2B2C or D2C vehicles which are centered around PaaS or SaaS solutions (i.e., "insurance in a box") needs separate ERM designed for corporate start-up for a very different risk appetite in both quantitative and qualitative aspects

2



Advanced Data Science Implementation for Transforming Business Process:

Benchmarking



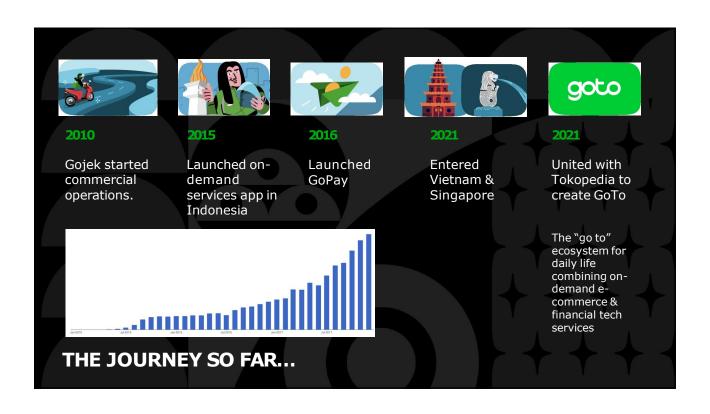
SYAFRI BAHAR
(Vice President of Data Science, Gojek Indonesia)

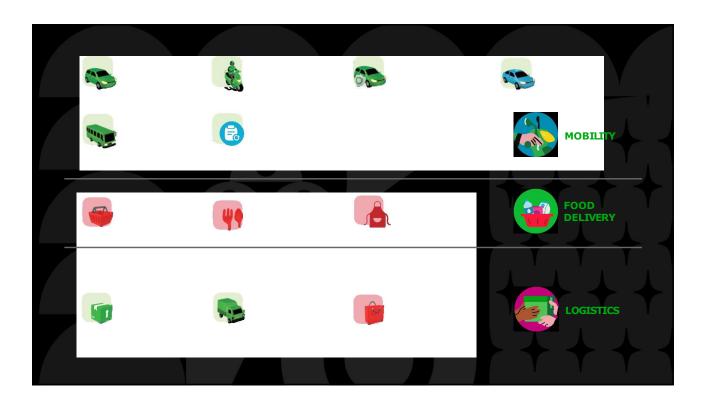
Executive Summary:

To build a data ecosystem, our data should be available, reliable, and observable. Only through that way, we could shorten the distance between insight and decision makers. We should start with goals and their problem statements. Take some baby-steps and do not try to build the whole thing at once, instead, you can be ambitious with the end state.

In the term of data, add things and course-correct as you go based on what you learn from it. Also, make sure that you can track your key-metrics and don't be afraid to 'hyper-experiment'.





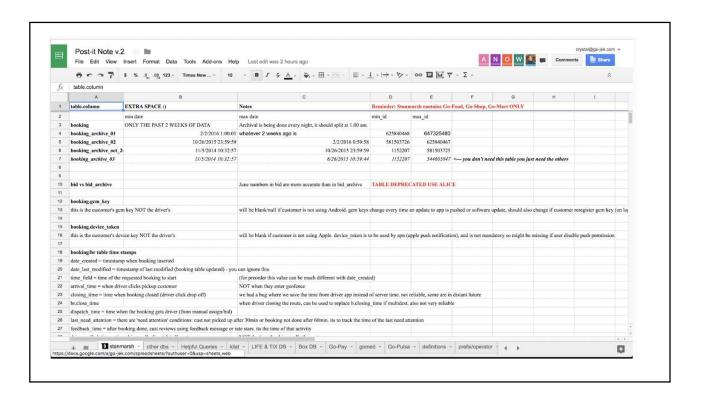


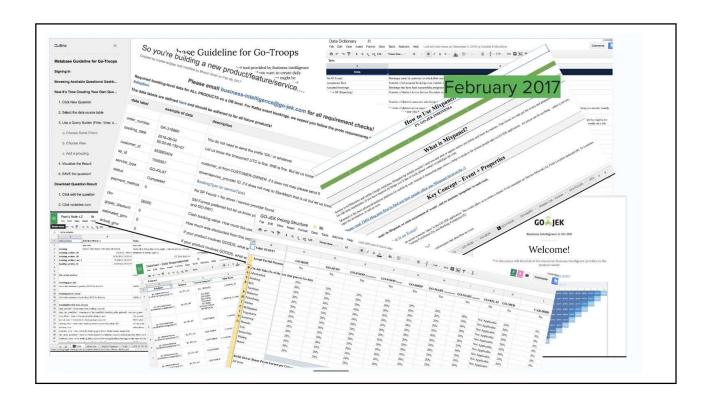


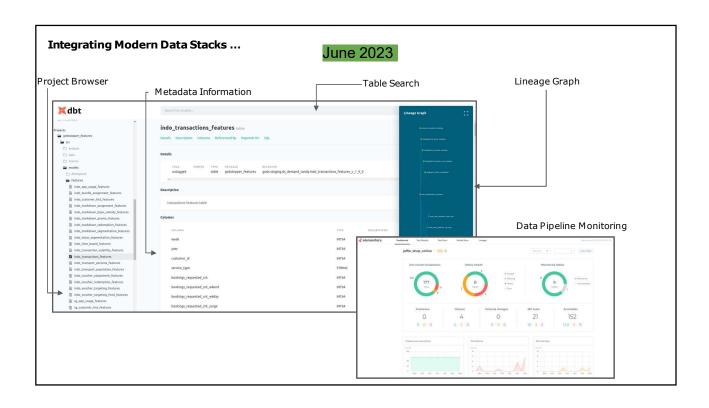
July 2015

"Do you guys have a data dictionary?"









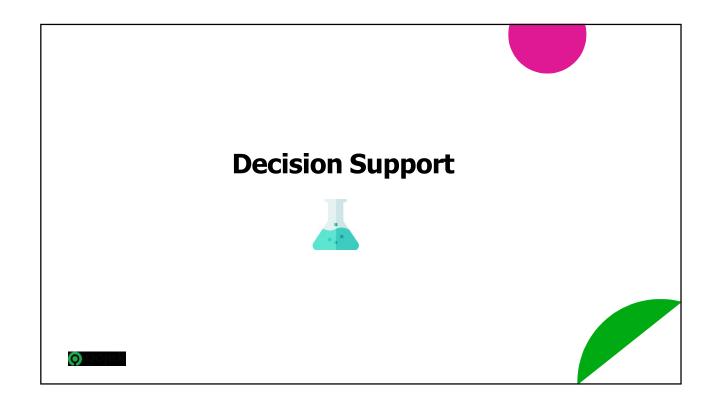


MISSION STATEMENT

"Our daĞa should be **Available**, **Reliable**, and **Observable**"

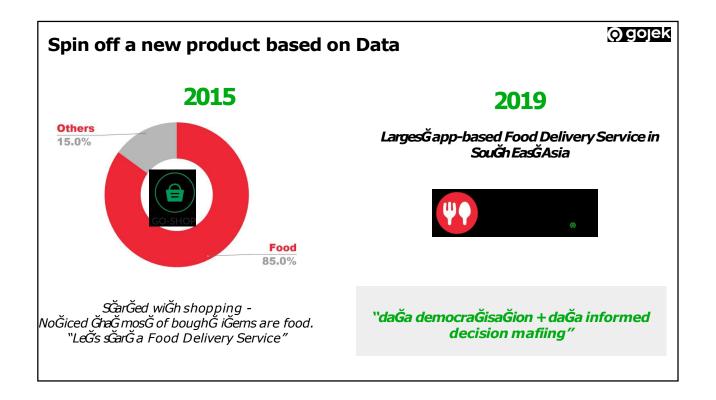


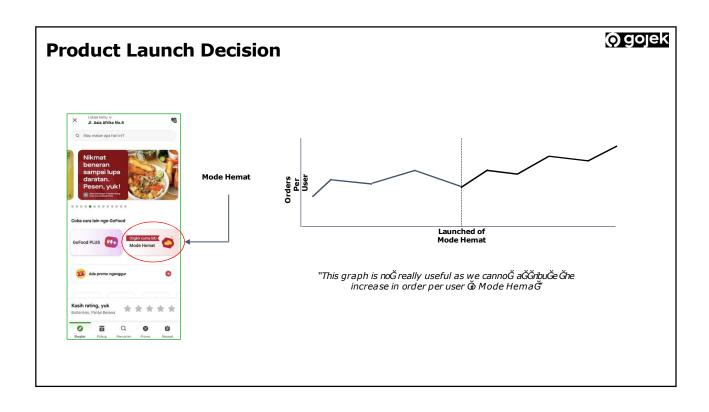


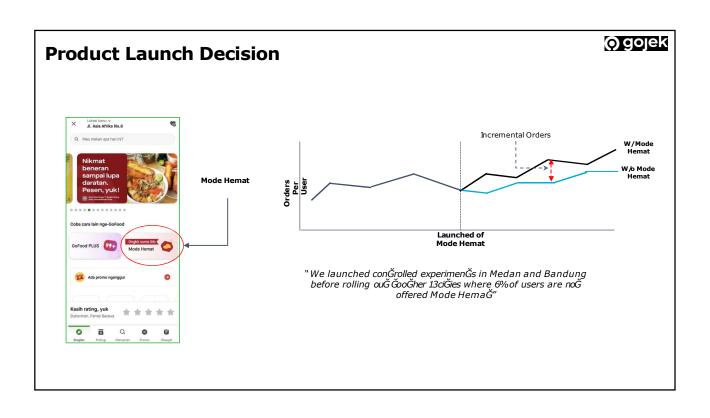


"Our obsession is ĞoshorĞen Ğhe disĞance beĞween insighĞ and decision makers"

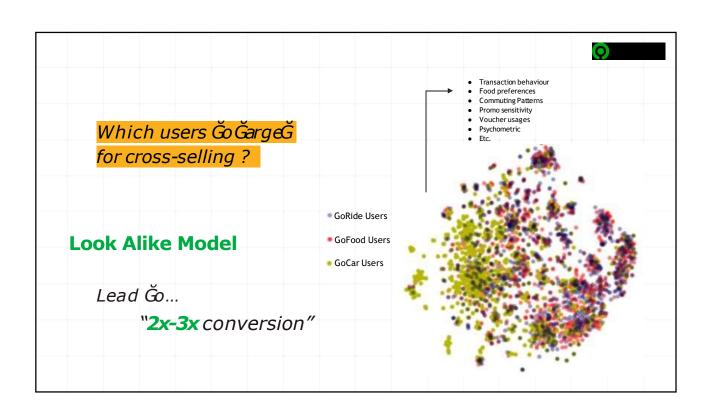


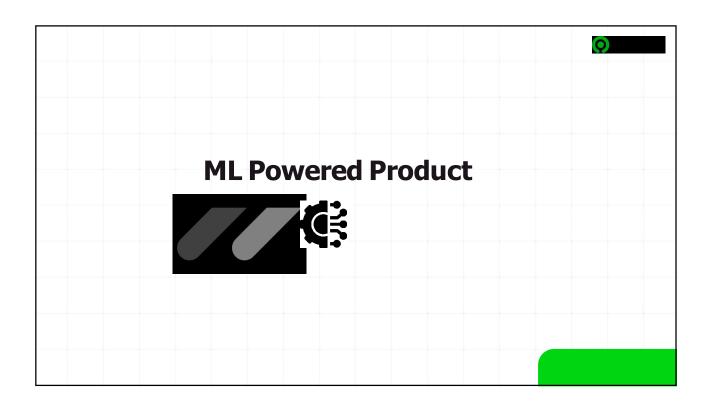


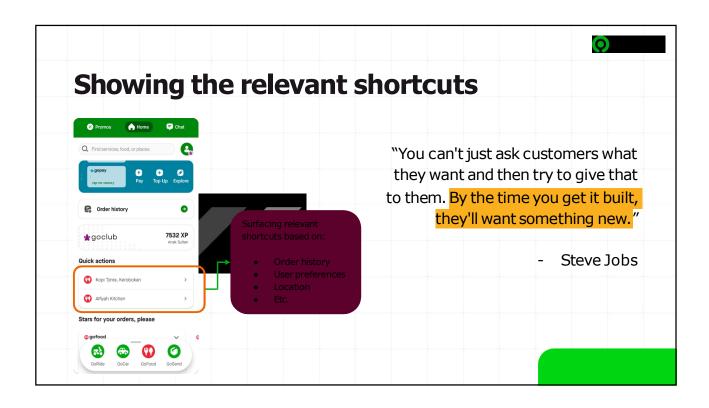


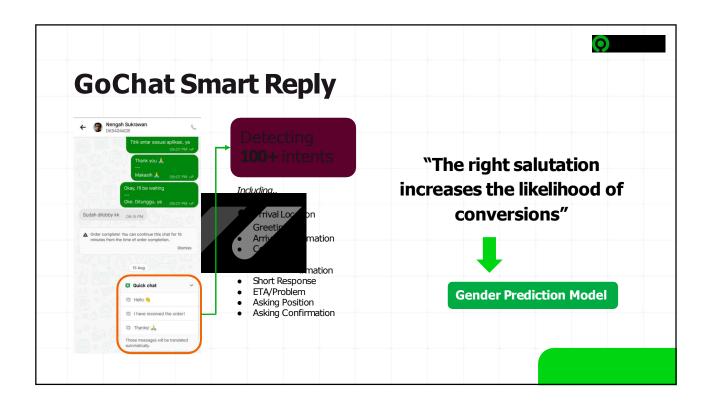


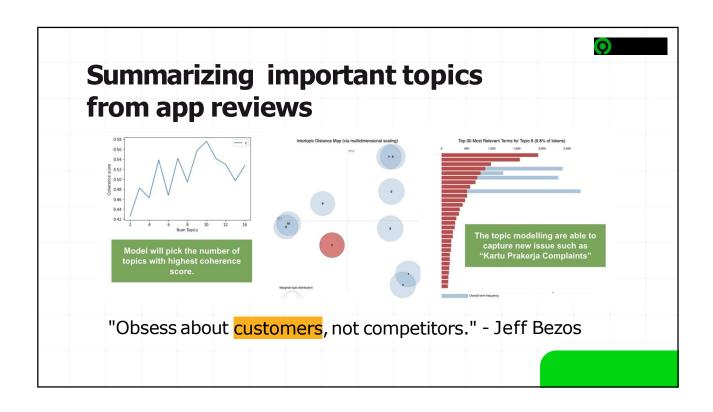


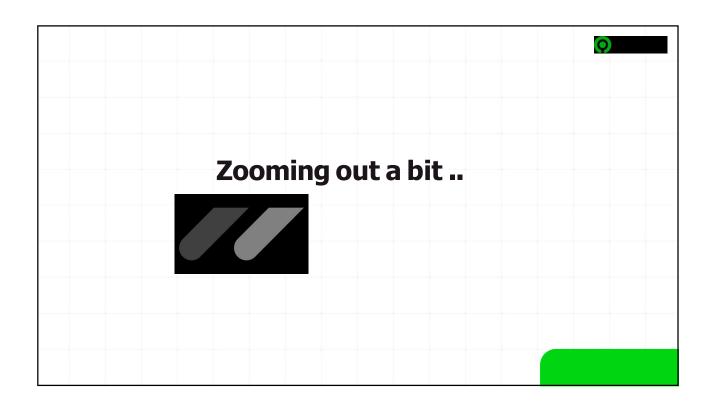














THE TAKEAWAY



- Start with goals and their problem statements
- Always start small you can be ambitious with the end state, but do not try to build the whole thing at once
- Add things and Course-correct as you go based on what you learn from the data
- Make sure you can **track your key metrics** and don't be afraid to hyper-experiment
- Don't be afraid to fail but try to fail fast!



End of Presentation



Advanced Data Science Implementation for Transforming Business Process:

How Reinsurance Companies have Benefited

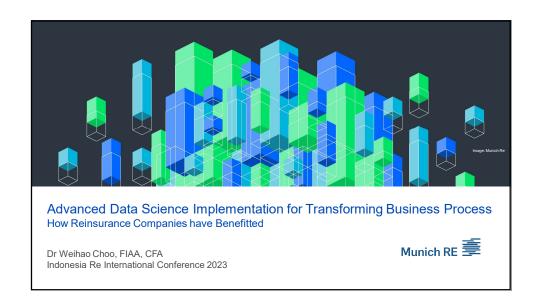


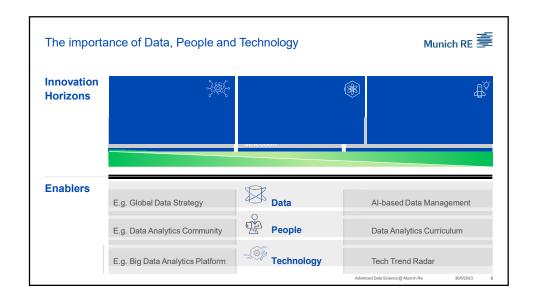
WEIHAO CHOO(Head of Global Consulting, Munich Re, Singapore)

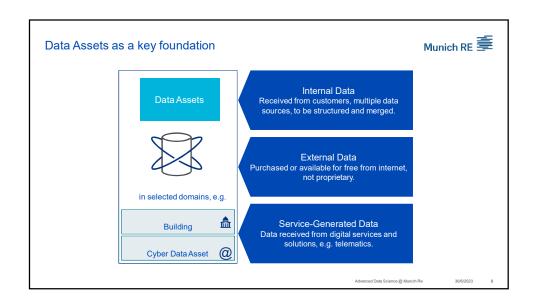
Executive Summary:

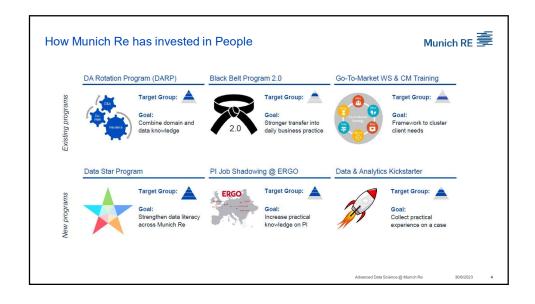
Talking about data science and its implementation in business process transformation, we should remember the importance of data, people, and technology. On the innovation horizons, we could see that we have core innovation, adjacent innovation, and disruptive innovation, which all of them need data, people, and technology as the innovation enablers.

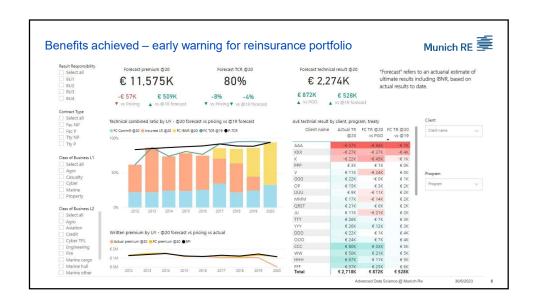
Data itself is the key foundation of innovation. From internal data, external data, to service-generated data, they all have important roles in generating ground-breaking innovation, such as early warning system for reinsurance portfolio, risk modelling, and automated underwriting.

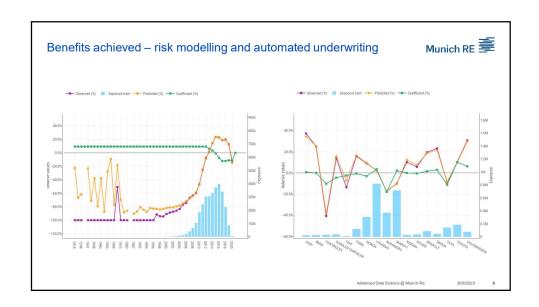


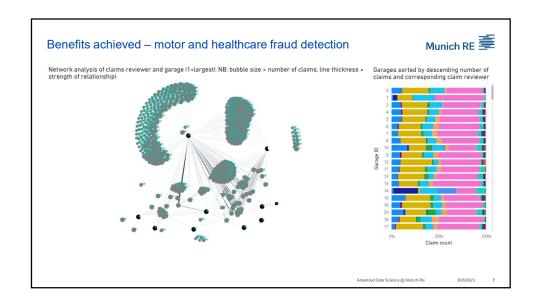














The Role of (Re)Insurance Industry in Providing Cyber Protection and Securing (Re)Insurance Business



TECK SIONG NG(Cyber & Technology Underwriting Lead for Asia Pacific, Beazley)

Executive Summary:

Globally, phishing is on our radar again. Though this social engineering trend is not new, the heightened frequency is notable –and speaks to the need for greater diligence on the part of organization and individuals alike. Claims data also shows that incidents that start with an exposed software vulnerability are rising in frequency in the US. As new critical vulnerabilities are exposed on hundreds of thousands of servers, there is growing likelihood that a hacker may gain access to an organization's system.

To be able to address systemic risk properly, we shall do:

- New wordings to reflect the digital age and threat landscape
- Clear terms and conditions that will endure in the face of cyber catastrophe event
- Delivering clarity and predictability to our clients
- Defining catastrophic cyber risk as the key to attracting capital





After a relatively quiet end to 2022, cyber incident frequency has skyrocketed in Q1 2023, with notable month-to-month increases in incidents.

Globally, **phishing** is on our radar again. Though this **social engineering trend** is not new, the **heightened frequency** is notable – and speaks to the need for **greater diligence** on the part of organisations and individuals alike.

Claims data also shows that incidents that start with an **exposed software vulnerability** are rising in frequency in the US. As new **critical vulnerabilities are exposed** on hundreds of thousands of servers, there is growing likelihood that a hacker may **gain access** to an organisation's systems.

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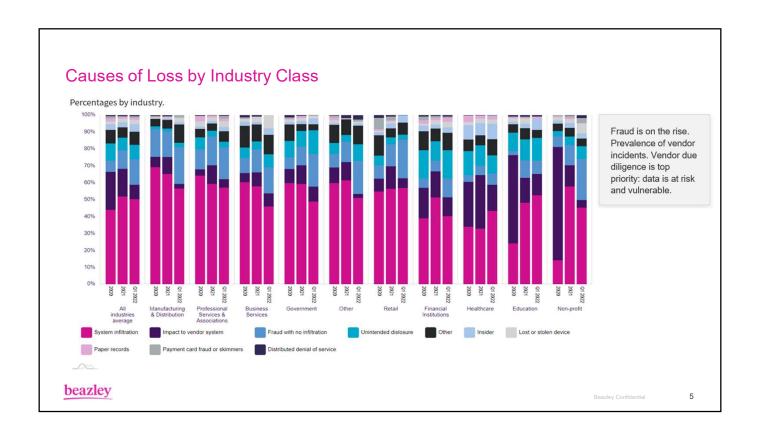
Hackers are now specifically targeting managed service providers (MSPs) and cloud hosting providers, knowing that one successful compromise can give access to thousands of organisations' networks.

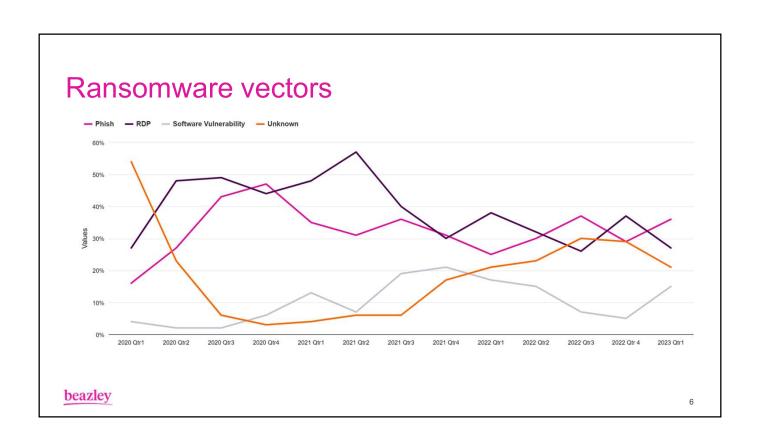
The exploitation of previously unknown vulnerabilities (known as zero-day vulnerabilities) is a key tactic that hackers are using to gain entry into systems and networks. When these tactics are successful, others quickly jump to imitate, leaving millions of unpatched systems at risk.

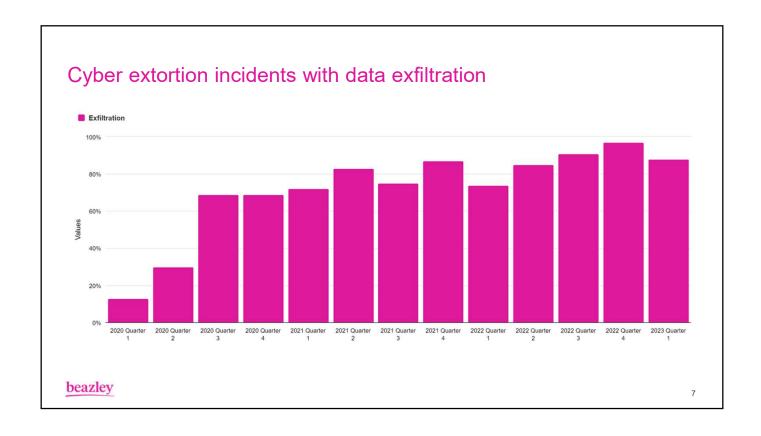
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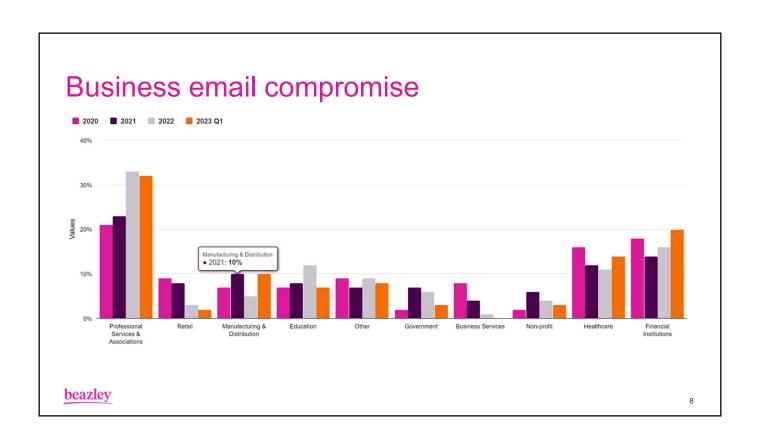
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4











Addressing Systemic Risk: why we are acting now

New wordings to reflect the digital age & threat landscape

Clear T&C's that will endure in the face of cyber cat event

Delivering clarity and predictability to clients

Defining catastrophic cyber risk is key to attracting capital

beazley

Defining a catastrophic cyber event

- Sublimit applies to two triggering events:
 - (1) Cloud Service Provider Event, and
 - (2) Computer Operating System Event
- These two events are based on Beazley's modelling
- None of these scenarios has happened yet

Catastrophic cyber:

The losses from which would exceed what the private markets are capable of withstanding.

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War exclusion - key developments

Historic War exclusion needs to be updated to encompass Cyber War

Cyber War definition addresses state on state attacks that reach a threshold of major detrimental impact to a state's essential services.

War is more clearly defined as the use of physical force

Carve-out for impacts on computer systems not physically located in a state which has suffered major detrimental impact to essential services

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12

11

Updating infrastructure for the digital world

Failure, interruption, or malfunction of Financial Marketing Infrastructure, power, water, oil, gas, electrical, sewage, other utilities, or mechanical infrastructure or services that are not under the Insured Organization's direct operational control



Financial market infrastructure

- Clearing, settlement, and recording of financial transactions
- E.g. securities exchanges, central counterparty clearing houses, and central securities depositories

Failure, interruption, or malfunction of Digital and Internet Infrastructure that are not under the Insured Organization's direct operational control



Digital and internet infrastructure

- Internet Exchange Point providers
- Domain Name System (DNS) service providers
- Trust service providers/certificate authorities
- Content Delivery Network (CDN) providers
- Timing servers (including stratum-1 and 2)
- Electronic Communications Provider

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Fourth Panel Discussion

Future Insurance Business: Optimizing the Role and Portfolio of Sharia Insurance

Content:

- Sharia Insurance (Takaful): Where are we?
- Developing Breakthrough Strategy to Revive the Momentum of Sharia Insurance
- Synergizing Microtakaful with Islamic Social Finance
- The Future of Sukuk as the Opportunity of Sharia Insurance



A Glimpse from Moderator



SUTAN EMIR HIDAYAT (Director of Islamic Economy Supporting Ecosystem, KNEKS)

Globally, we could see some continued growth in key Takaful markets, especially in Indonesia and Malaysia. However, Takaful insurance still have some potential focus and huge room for improvement since Takaful remains a niche 'product' with market share below 10% in most countries, including Indonesia.

It's quite ironic since among 275 million population in Indonesia, 86% of them are Moslem population. This massive Moslem population should be able to continue to drive demand side for sharia compliant products. Moreover, Government support in developing sharia economy in Indonesia has generated many growth across sectors inside the sharia ecosystem.

Also, by synergizing Microtakaful with ISF, we can create a socially responsible Takaful system that addresses the needs of underserved communities and promotes financial inclusions.

Sharia Insurance (Takaful): Where are we?



MARCEL OMAR PAPP (Head of Swiss Re Retakaful)

Executive Summary:

Globally, we could see some continued growth in key Takaful markets, especially in Indonesia and Malaysia. We also could see some emerging Takaful markets such as in Algeria, Morocco, Thailand, Tunisia, and Turkey. However, we should also admit that we still have some key challenges in Takaful Industry, such as the lack of awareness about Takaful insurance and insurance and general, lack of committed Takaful companies, and missing differentiation from conventional insurance.

However, Takaful insurance still have some potential focus and huge room for improvement, such as embedding Takaful into social protection schemes, developing Takaful solution for ageing population, nat-cat protection schemes in Takaful insurance, developing various solutions for health and mortality protection gap, and usage of Islamic Social Finance levers.



Has Takaful reached its full potential? What are key challenges?

m Swiss Re

Marcel Omar Papp - Swiss Re Retakaful | Indonesia Re International Conference | Sharia Insurance

Some key achievements of Re/Takaful industry globally

- Continued growth in key Takaful markets: Malaysia: Family Takaful: +18% (2022)/General Takaful: +21% (2022); Indonesia: +16% (2022)
- 02 Emerging Takaful markets: Algeria; Morocco; Thailand; Tunisia; Turkey; etc.
- 03 Strengthening Takaful regulation: Morocco; Somalia; etc.
- 04 New local Islamic insurance models: Morocco; Turkey; Saudi Arabia.
- 05 Ongoing interest in Takaful in Western world: France; Germany; Australia; UK; USA.

Swiss Re

Some key challenges of Re/Takaful industry globally

- Lack of awareness about insurance and especially Takaful: Indonesia: 61% of Muslims have no life cover. Out of remaining 38% only 12% prefer Takaful (2020 survey).
- Takaful remains a niche 'product' with market share below 10% in most countries: Indonesia: 9% (2022).
- **Re/Takaful companies are struggling to achieve positive results:** several Retakaful companies had to close operation in past 10 years.
- 104 Lack of committed Re/Takaful companies: many (window) operations with small footprint.
- Missing differentiation from conventional insurance: Takaful as 'insurance in green'.

Swiss Re

How can Takaful address these challenges?

Swiss Re

Marcel Omar Papp - Swiss Re Retakaful | Indonesia Re International Conference | Sharia Insurance

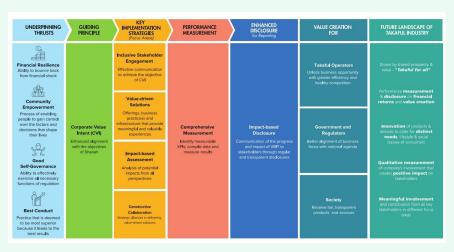


Twiss Re

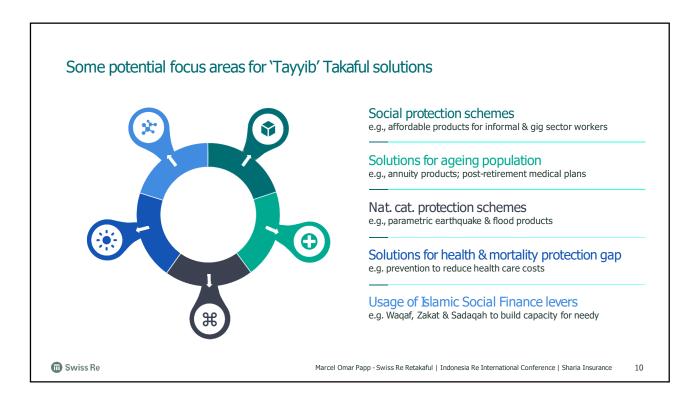
Marcel Omar Papp - Swiss Re Retakaful | Indonesia Re International Conference | Sharia Insurance

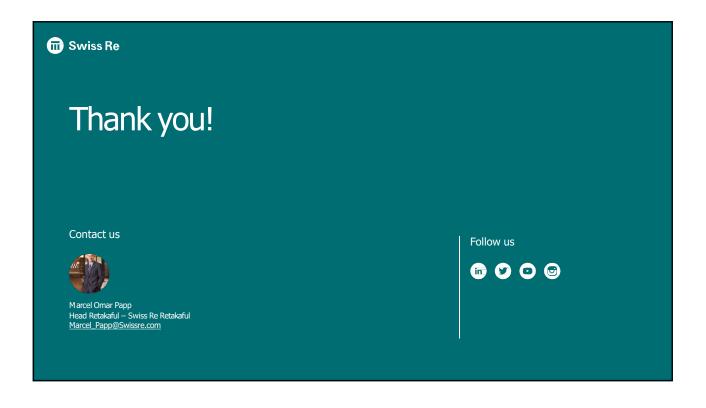
7

Value Based intermediation for Takaful (VBiT) Framework by Malaysian Takaful Association (MTA) - launched in 2022



Swiss Re







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 ${\sf Marcel\ Omar\ Papp\ -Swiss\ Re\ Retakaful\ |\ Indonesia\ Re\ International\ Conference\ |\ Sharia\ Insurance}$

Developing Breakthrough Strategy to Revive the Momentum of Sharia Insurance



MOHAMAD HIDAYAT
(National Sharia Council (MUI))

Executive Summary:

Among 275 million population in Indonesia, 86% of them are Moslem population. This massive Moslem population will be able to continue to drive demand side for sharia compliant products. Moreover, Government support in developing sharia economy in Indonesia has generated many growth across sectors inside the sharia ecosystem.

Dewan Syariah Nasional (DSN) is formed by the Majelis Ulama Indonesia (MUI) to ensure conformity between products, services, and business activities with sharia principles. Its roles and responsibilities are to encourage sharia principles implementation in economic activities, conduct research and create fatwa for product developed by sharia financial institutions and sharia business activities, and ensure that sharia products are comply with Islamic principles.

In terms of insurance, DSN, AASI, OJK, and sharia industry stakeholders jointly hold sharia insurance or sharia economy literacy to educate Indonesian population.

Regulator Commitment & Collaboration with Insurance Company to Accelerate Sharia Insurance Development in Indonesia



Presented by:

Mohamad Hidayat

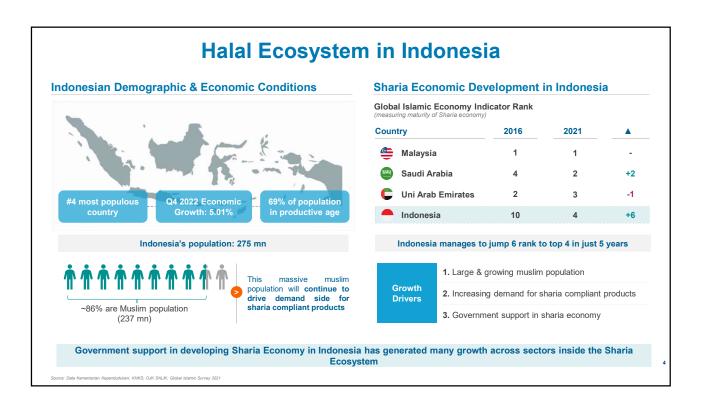


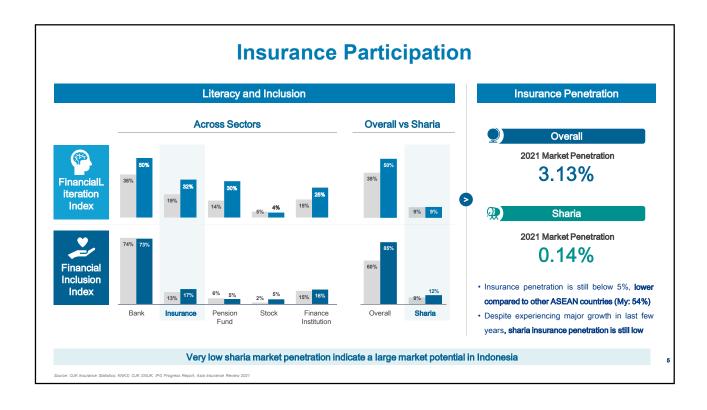
MAIN TOPICS

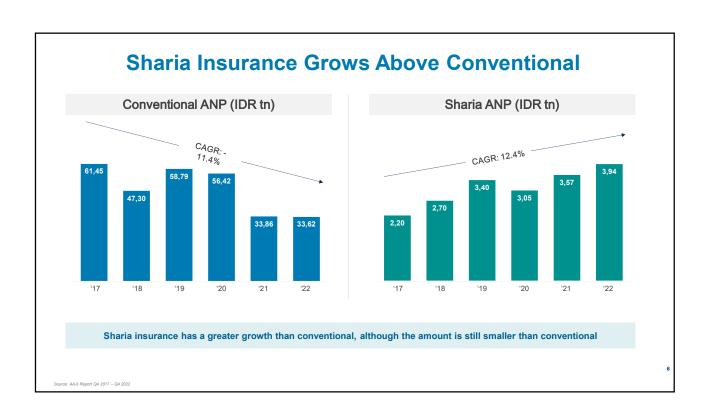
- Indonesia economic & Sharia Insurance Landscape
- Role of Sharia regulators in Sharia Insurance Supervision
- Collaboration of Regulators & Sharia Insurance Companies

TOPIC 1 Indonesia Economic & Sharia Insurance Landscape









Sharia Insurance Market Condition in Q3 2021

Market Update

RANK Q1'23 (APE)		Annual Premium Equivalent (APE)	Market Share APE MS Q1'23	
	Company	Q1'23 (IDR bn)		
1	ALLIANZ LIFE INDONESIA	275	22.3%	
2	BNI LIFE INSURANCE	217	17.5%	
3	CAPITAL LIFE SYARIAH	180	14.5%	
4	PRUDENTIAL LIFE ASSURANCE*	162	13.1%	
5	BRI LIFE	70	5.7%	
6	SIMAS JIWA (D/H MEGA LIFE)	70	5.7%	
7	SUN LIFE FINANCIAL INDONESIA	46	3.7%	
8	TAKAFUL KELUARGA	42	3.4%	
9	SYARIAH JASA MITRA ABADI	33	2.6%	
10	SYARIAH AL AMIN	26	2.1%	
	Top 10	1,121	90.6%	
	Others	116	9.4%	
	Grand Total	1,237		

Source: AAJI data (3M23)

APE = APE (Annualized Premium Equivalent = 100% Annualized Regular Premium (incl. Group YRT) + 10% Single Premium
* Prudential: figures from prudential include Pru Sharia

TOPIC 2
Role of Regulators in
Sharia Insurance
Supervision



Interna

Dewan Syariah Nasional (DSN) - MUI



DSN is formed by the MUI to ensure conformity between products, services, and business activities with Sharia Principles

Roles & Responsibility





Research and create *fatwa* for product developed by sharia financial institutions and sharia business activities



Ensure that sharia products developed by sharia financial institutions, comply with Islamic principles.



In this case, supervised institutions are **Islamic banking**, **insurance**, **mutual funds**, **venture capital**, etc.

9

NI MIII Demulations for Charie I

DSN-MUI Regulations for Sharia Insurance & Reinsurance

• Fatwa No 21 – General Guidelines for Sharia Insurance

2001

• Fatwa No 58 – Hawalah bil Ujrah









 Keputusan DSN-MUI – Guidelines for Waqf Implementation based on Insurance Benefits & Investment Benefits in Sharia Life Insurance Fatwa



• Fatwa No 81 – Refund Tabarru' before the policy expires

2011 🥟



 Fatwa No 113 – Wakalah bi Al-Ujrah Grant
 Fatwa No 114 – Syirkah

Grant
• Fatwa No 115 –

Mudharabah Grant

2021

2020







Fatwa No 51 -Mudharabah Musyarakah Grant

- Fatwa No 52 Wakalah bil Ujrah Grant
- Fatwa No 53 Tabarru'

2006



Fatwa No 99 – Sharia Annuity

2015

• Fatwa No 126 –Wakalah Bi Al-Istitsmar Grant

Fatwa No 128 – Insurance & Reinsurance Brokerage Business based on Sharia principles

2019

• Fatwa No 148 – Sharia Reinsurance

- Fatwa No 149 Job & Layoff Insurance Product
- Fatwa No 150 Health Insurance Products
- Fatwa No 151 Samsarah Grant
- Fatwa No 152 Fundraising with Wakalah Bi Al-Istitsmar Agreement

2022



TOPIC 3 Collaboration of Regulators & Sharia Insurance & Reinsurance Companies



Interna

Regulator, Insurance, & Reinsurance Company Collaboration

Rule Making



- DSN will always coordinate with sharia industry stakeholders in preparing rules/regulations
- Sharia industry stakeholders can submit requests to discuss with DSN or suggestions if there are rules that need to be developed

Insurance & Reinsurance Literacy and Education



DSN, AASI, OJK, and sharia industry stakeholders jointly hold sharia insurance/sharia economy literacy, education to Indonesian population

Sharia Principles Supervision



DSN and DPS supervise sharia principles implementation in sharia insurance and reinsurance business

Interna

The Challenges of Sharia Insurance Escalation

- ► The Scale/Total of Asset
- ▶ Professionality of Sharia HD
- ► Sharia Provision Standard
- ▶ Good Corporate Governance Development Framework
- ► People Awareness
- ▶ Limited of Re insurance
- ► Competition with conventioanal insurance that *well* established

Interna

The Role of Ulama in Insurance Sharia Growth

- ▶ Literation, Education, Motivation of Ummah
- ► Sharia opinion (produk, contract, transaction, marketing etc)
- ► Sharia Aspect Suvervision
- ► Issuing Fatwa, base on :

Sharia Principles

Maqashid Sharia

Qawa'id Fiqhiyyah

▶ Giving Sharia Opinion / Ethic Value to Regulator / Government



Synergizing Microtakaful with Islamic Social Finance



MOHAMMAD NIZAM YAHYA
(Senior Vice President & Head of Retakaful Division,
Malaysian Re)

Executive Summary:

Takaful activities overlap with more established Islamic Social Finance (ISF) activities. With development of technology, public crowdfunding has the potential take over Takaful role and its operations.

Here's some methods that we can do to enhance Takaful role in ISF:

- Risk pooling and mutual assistance
- Waqf (endowment) and Sadaqah (charitable giving) funds
- Zakat utilization
- Technology and financial inclusion
- Education and awareness
- Regulatory support

By synergizing Microtakaful with ISF, we can create a socially responsible Takaful system that addresses the needs of underserved communities and promotes financial inclusions.



Indonesia Re **INTERNATIONAL CONFERENCE (IIC) 2023**

"Future Insurance Business: Optimising the Role and Portfolio of Sharia Insurance"

Synergising Microtakaful with **Islamic Social Finance**

Presented by:

Nizam Yahya Head of Retakaful Malaysian Reinsurance Berhad 05 July 2023

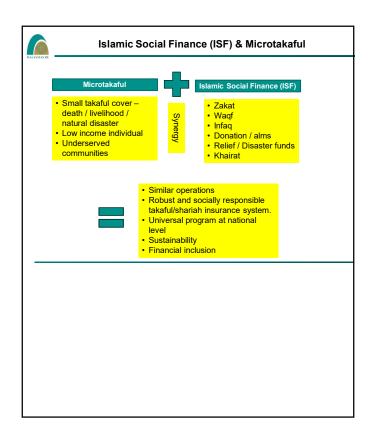
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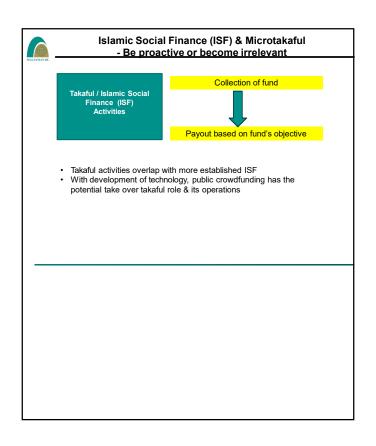
www.malaysian-re.com.my



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- 1. Islamic Social Finance & Microtakaful
- 2. Microtakaful initiatives in Malaysia
- 3. Microtakaful proposition Indonesian potential
- 4. Enhancing Takaful role in Islamic Social Finance





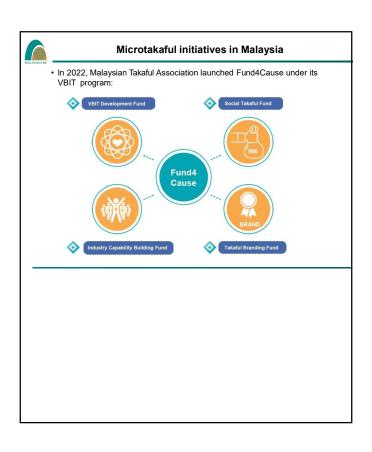


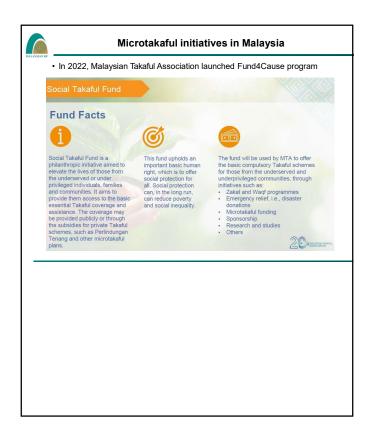
Microtakaful initiatives in Malaysia

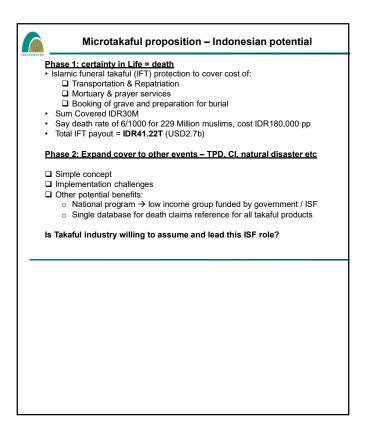
- Since 2016, BNM promoted microtakaful / microinsurance in line with its Financial Sector Blueprint 2011-2020.
 In 2019, BNM launched *Perlindungan Tenang* (Peaceful cover).
 Government introduced premium subsidy in 2021 & 2022. (Extended to increment on well).
- insurance as well)

Table 1: Perlindungan Tenang Performance (2018-2022)

Term	Participated Products via Online				Participated Products Over the Counter					
	2018	2019	2020	2021	As of Dec 2022	2018	2019	2020	2021	As of Dec 2022
Number of certificates issued	71	38	541	290,869	954,549	8,443	6,330	8,910	3,077	29,889
Total Collected Contribution (RM million)	0.008	0.003	0.015	17.305	56.586	0.545	0.554	0.704	0.268	2.480
Total Annualized Contribution (RM million)	0.008	0.004	0.059	17.846	89.580	0.545	0.554	0.704	0.314	2.480
Total Sum Covered (RM million)	2.995	1.245	14.265	2,598.851	46,650.372	129.491	131.036	184.256	140.924	352.196
Percentage of overall certificate issued under direct channel (Online vs OTC)	0.8%	1.0%	6.0%	99.0%	97.0%	99.2%	99.0%	94.0%	1.0%	3.0%









Enhancing Takaful role in Islamic Social Finance

Microtakaful Models: Develop models specifically tailored to low-income individuals as well as to benefit entire communities. Affordable and easily accessible to cover health, livelihood, and natural disaster events.

Risk Pooling and Mutual Assistance: Create risk pools among participants. Foster sense of community and solidarity to integrate ISF principles into the microtakaful framework.

Waqf (endowment) and Sadaqah (charitable giving) Funds: Encourage participants and the wider community to contribute sadaqah towards microtakaful initiatives to enhance social support.

Zakat Utilization: Explore using zakat (mandatory alms-giving) to strengthen microtakaful programs.

Technology and Financial Inclusion: Leverage technology and digital platforms to enhance reach and accessibility of microtakaful services. Utilize mobile banking, digital wallets, and other fintech solutions to enable easy enrolment and payments.



Enhancing Takaful role in Islamic Social Finance

- Education and Awareness: Conduct comprehensive awareness campaigns and educational programs to promote understanding and acceptance of microtakaful and Islamic social finance principles. Work closely and build trust with community leaders, religious scholars, service providers and NGOs.
- Regulatory Support: Collaborate with regulatory authorities to establish a favorable regulatory environment for microtakaful. This includes developing specific regulations, guidelines, and frameworks that facilitate its growth and sustainability while safeguarding the interests of all stakeholders.

By synergizing microtakaful with ISF, we can create a socially responsible takaful system that addresses the needs of underserved communities and promotes financial inclusion. This approach can foster a sense of shared responsibility, community support, and ethical practices, leading to a more sustainable and inclusive future takaful business.

Thank You



About Malaysian Re Retakaful



Malaysian Reinsurance Berhad (MRE) 12th Floor, Bangunan Malaysian Re

No. 17, Lorong Dungun

Damansara Heights 50490 Kuala Lumpur

As of 2022, MRE Financial Ratings are as follows:

•Financial Strength Rating of 'A' Strong (Stable Outlook) by Fitch Ratings

Financial Strength Rating of 'A-' Excellent (Stable Outlook) by A.M. Best

Malaysian Reinsurance Berhad operates the retakaful business via its Malaysian Re Retakaful Division (MRRD) since year 2016, under a leveraged model and thus is able to harness upon Malaysian Re's financial strength and underwriting best practices which encompass, amongst others, sound pricing disciplines, accessibility to readily available actuarial assessments and appropriate pricing tools. Malaysian Re is a wholly owned subsidiary of MNRB Holdings Berhad, an investment holding company listed on the main board of Bursa Malaysia.



About me



Email: nizam.yahya@malaysian-re.com.my

Mobile No.: +60192368843 Malaysian Reinsurance Berhad 12th Floor, Bangunan Malaysian Re

No. 17, Lorong Dungun Damansara Heights 50490 Kuala Lumpur

Mr. Mohammad Nizam Yahya joined Malaysian Reinsurance Berhad (MRE) in November 2018 as Senior Vice President and Head of Malaysian Re Retakaful Division (MRRD) primarily to start its family retakaful line of business and lead the ongoing general retakaful. Nizam brought with him over 30 years of experience in family takaful and life insurance business, having spent his entire career in retakaful / takaful / insurance companies covering areas of actuarial services, product development and pricing as well as marketing management. He received his Bachelor of Science degree in Actuarial Science from University of Kent at Canterbury, UK. Nizam is a member of Malaysian Takaful Association (MTA) Board of Directors. Nizam currently chairs the ASEAN [Re]Takaful Working Committee (ARTWC) which is an official ASEAN channel and forum to support the ASEAN [Re]Takaful integration and harmonization under the auspices of the ASEAN Insurance Council.

The Future of Sukuk as the Opportunity of Sharia Insurance



DWI IRIANTI HADININGDYAH

(Directorate of Islamic Financing, Directorate General of Budget Financing & Risk Management; Ministry of Finance)

Executive Summary:

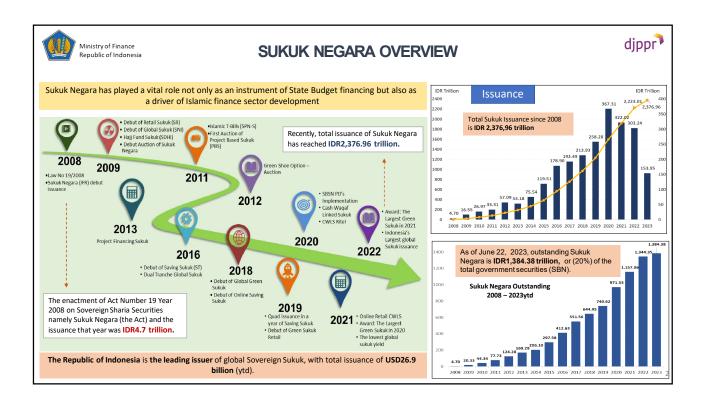
Sukuk Negara has played a vital role, not only as an instrument of State Budget financing, but also as a driver of Islamic finance sector development. Sharia Insurance hold 2% of the total of global Islamic asset. In Indonesia, Sharia insurance is part of Sharia IKNB (Non Bank Financial Industry), which comprises only IDR 120.81 trillion USD8.12 billion) or 5,9% of the total Islamic Finance Asset in Indonesia by 2021.

We also have seen many innovation of Sukuk Negara, such as Project Financing Sukuk (2013), Online Retail Sukuk (2018), Green Sukuk (2018), E-Monev of Project Financing Sukuk (2019), and Cash Waqf Linked Sukuk (2020).

Insurance companies may participate and invest in Sukuk Negara through these following transaction method:

- Auction through PDs
- Private placement
- Global Sukuk









CONTRIBUTION OF SUKUK NEGARA





LRT Sumatera Selatan



Construction of Tomia Port



Pulau Balang Bridge Construction



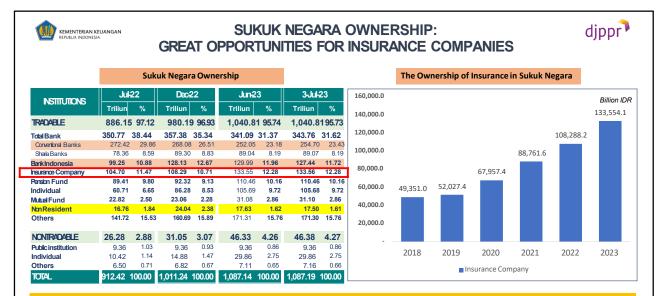
Solo-Ngawi Toll road



Double Track Cirebon-Kroya Solo-Madiun-Jombang



Integrated National Tropical and Environmental Biodiversity Genomic Facility



The ownership of Insurance in Sukuk Negara grows **22**% on average during period of 2018 – 2023. As of July 3, 2023, the ownership proportion of Insurance in Sukuk Negara is **12,28**%, which is higher than Pension Fund.

djppr KEMENTERIAN KEUANGAN POSITION OF SHARIA INSURANCE: MORE ROOM TO GROW Distribution of Global Islamic Finance Asset 2020 Distribution of Indonesia Islamic Finance Asset 2021 Total Assets USD3.37 trillion Total Assets IDR2,050.44 T (USD143.7 billion) Total Aset Porsi terhadap total aset keuangan syariah global Jumlah Aset Pasar Modal Syariah Aset IKNB Syariah (Miliar Dolar AS) institusi Aset Perbankan Syariah Total Keuangan Syariah 2.349 70% 527 2500 Sukuk 631 19% 3.805 2000 1.235,83 1500 178 5% 1.698 1000 154 5% 745 500 120,81 2% 323 62 0 2017 2018 2019 2020 2021 Source: LPKSI 2021, OJK

Sharia Insurance hold 2% of the total of global Islamic asset. In Indonesia, Sharia insurance is part of Sharia IKNB (Non-Bank Financial Industry), which comprises only **IDR 120.81 trillion** (**USD8.12 billion**) or **5,9%** of the total Islamic Finance Asset in Indonesia by 2021.



Fifth Panel Discussion

The Importance of Robust Insurance Industry in Supporting Global Sustainability

Content:

- The Importance of (Re)Insurance in Achieving SDGs
- Net-zero Carbon Emissions: Capturing The Climate Opportunity in (Re)Insurance Industry
- ASEAN Green Energy Facility



A Glimpse from Moderator



(Director of Technical and Operation at Indonesia Re)

The COP27 Presidency recognizes the critical role that insurance sector capabilities must play in accelerating and scaling climate risk reduction and adaptation, and welcomes the industry's interest to work with the High Level Champions and other institutional actors to advance a rapid escalation of industry engagement. Enhanced data, spatial planning, and social protection systems will lessen climate impacts. Further enhancements to early-warning systems will help mitigate disaster impacts.

There are some examples of insurance products/schemes to support SDGs, such as agriculture insurance; microinsurance for life, health, personal accidents, or property risks; credit insurance schemes for microfinance, cooperatives, and farmer association; universal healthcare insurance; cyber, political, and terrorism insurance; forest and other natural capital risks; and green transitions and renewable energy.

The Importance of (Re)Insurance in Achieving SDGs



KIPKORIR KOSKEI
(Director, Strategic Partnership & Policy, Insurance Development Forum)

Executive Summary:

SDG 13 calls for urgent action to combat climate change and its impacts. Scientists and policymakers have set a goal of limiting global warming to 1.5°C above pre industrial levels. Today, the planet is only 0.4°C from that mark. Hence, strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries lays in our top priority.

The COP27 Presidency recognizes the critical role that insurance sector capabilities must play in accelerating and scaling climate risk reduction and adaptation, and welcomes the industry's interest to work with the High Level Champions and other institutional actors to advance a rapid escalation of industry engagement. Enhanced data, spatial planning, and social protection systems will lessen climate impacts. Further enhancements to early-warning systems will help mitigate disaster impacts.

Global property and casualty insurance sector has an industry capabilities framework, actively supports project implementation, and institutionalizes a longer term industry approach to climate adaptation. Addressing loss and damage is the crucial third pillar of climate action (after mitigation and adaptation): helping people after they have experienced climate-related impacts.

Insurance for Adaptation and Resilience

Indonesia Re International Conference (IIC) 2023

5th July 2023



Insurance and the SDGs







































- ✓ SDG 13calls for urgent action to combat climate change and its impacts. Scientists and policymakers have set a goal of limiting global warming to 1.5°Cabove pre-industrial levels. Today, the planet is only 0.4°C from that mark.
- \checkmark 13.1Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Insurance Related Outcomes – COP27



COP27 Presidency Communique

"The COP27 Presidency recognizes the critical role that insurance sector capabilities must play in accelerating and scaling climate risk reduction and adaptation, and welcomes the industry's interest to work with the High-Level Champions and other institutional actors to advance a rapid escalation of industry engagement "

Global Shield against Climate Risks

Providing vulnerable countries with a means to protect themselves from increasingly extreme weather, with Germany providing €170 million (\$179 million) in grants

Sharm-El-Sheikh Adaptation Agenda

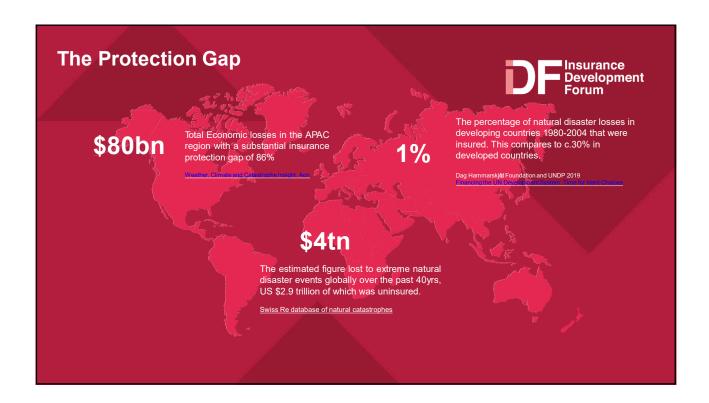
"Global property and casualty insurance sector has an industry capabilities framework, actively supports project implementation, and institutionalises a longer-term industry approach to climate adaptation."

Loss and Damage

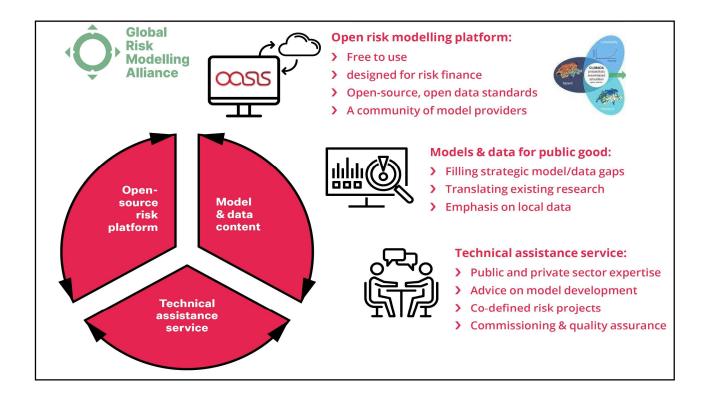
"Addressing" loss and damage is the crucial third pillar of climate action (after mitigation and adaptation): helping people after they have experienced climate-related impacts. (Climate-induced losses and damages are deemed beyond adaptation. That is, unavoided or unavoidable impacts beyond adaptation potential)

Early Warning For All

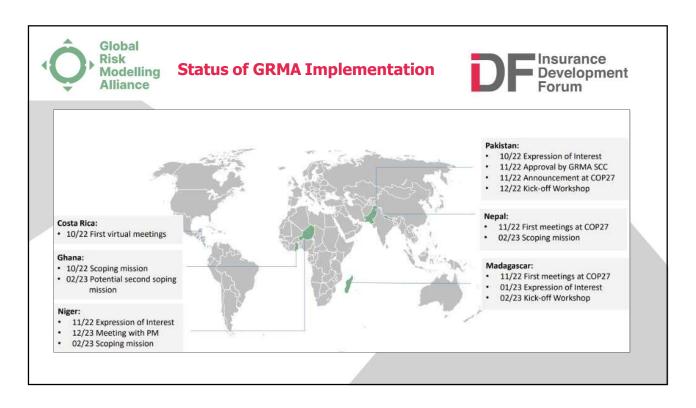
The UN also unveiled a \$3.1 billion plan to ensure everyone on the planet is covered by early-warning systems in the next five years to bolster countries' ability to prepare for hazardous weather.



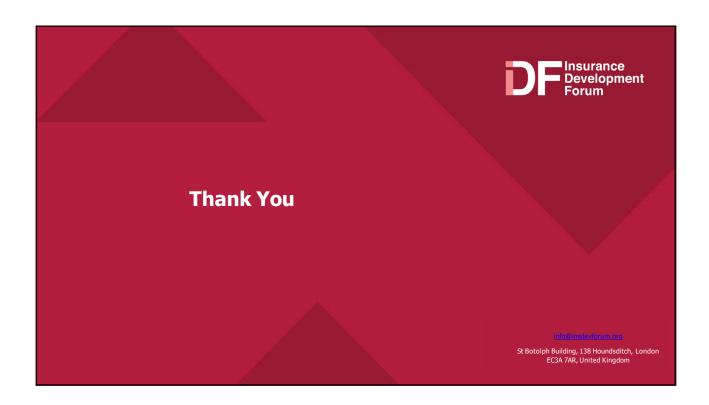
An Existing Opportunity... Insurance Development **Enhanced data, spatial Forum** planning, and social protection systems Leverage Expertise will lessen climate 1) Draw on the combined experience of practitioners in impacts. Further Expertise 2) Identify the most suitable, state-of-the-art risk solution, which has a high likelihood to be accepted by the international re/insurance or capital markets enhancements to earlywarning systems will help mitigate disaster impacts. Access Capital Capacity 1) Local (re)insurers often lack the capital to carry Vulnerability will also be natural catastrophe risks on their books 2) Bring capital to the problem – global (re)insurer leaders pooling their capital together reduced through remapping of flood-prone zones with climate-Understand the risk sensitive hydrological Catastrophe models are often scarce for areas of the world that are most impacted by the protection gap predictions and strong 2) Modelling companies do not focus on developing markets due to market size or lack of demand implementation of Modelling spatial plans. 3) The IDF provides support on modelling questions and provides access to the world's leading experts World Bank April 2023, Indonesia CCDR



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Net-zero Carbon Emissions:

Capturing The Climate Opportunity in (Re)Insurance Industry



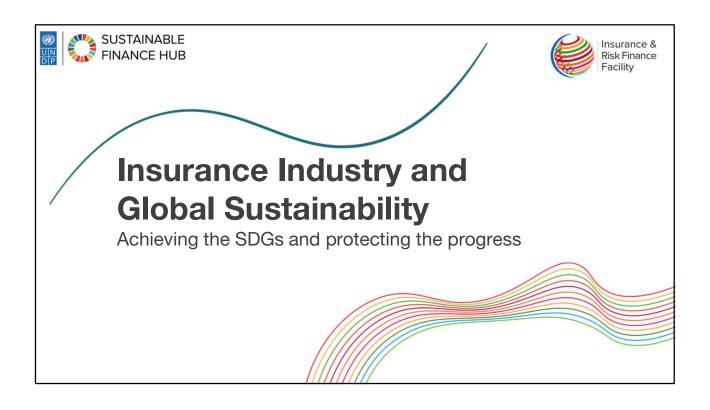
FARAZ U AMJAD
(Natural Capital Risk & Resilience Lead, UNDP)

Executive Summary:

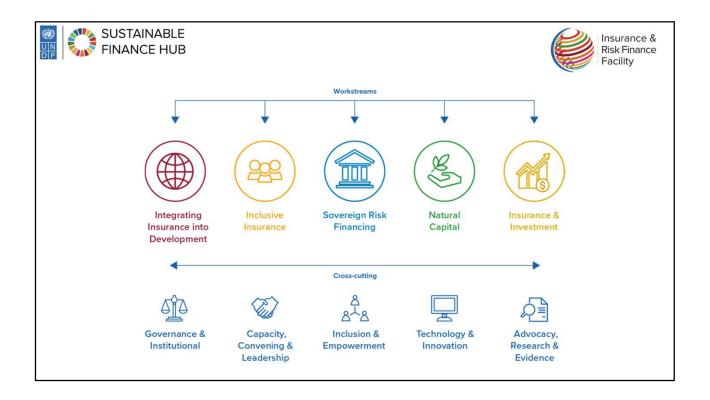
Climate change has affected economic sectors in Indonesia, such as water resources, sea and fisheries, agriculture, health, urban and rural livelihood, forestry, as well as endangered the biodiversity assets.

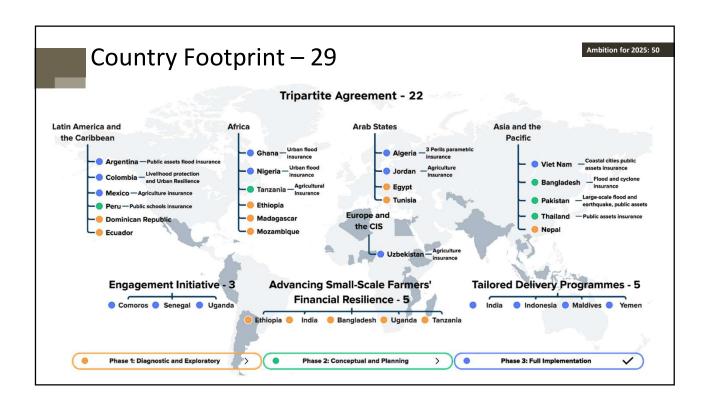
We should all remember that risk finance is the key building block towards resilience. We can retain the risks and use products or mechanism, such as contingency funds, reserve funds, and contingent credit lines. Or else, we could do risk transfer through insurance products and catastrophe bonds. Finally, through insurance and risk financing, we could creating resilience, enabling growth, and advancing the delivery of SDGs.

There are some examples of insurance products/schemes to support SDGs, such as agriculture insurance; microinsurance for life, health, personal accidents, or property risks; credit insurance schemes for microfinance, cooperatives, and farmer association; universal healthcare insurance; cyber, political, and terrorism insurance; forest and other natural capital risks; and green transitions and renewable energy.













Key Data

Rationale to Scale Up Insurance and Risk Finance



\$275 Billion

global economic losses from hundreds of disasters in 2022



of people in developing countries lack insurance coverage



\$1.4 Trillion

global health, mortality and disaster protection gap in 2022



of world's economic losses are now caused due to climate risks



| \$51.5 Billion

worth of humanitarian appeals just in 2023



23.7 Million

people displaced due to disasters in 2022



\$40 Billion

annual global cost of flooding and storms, projected to reach \$1 trillion by 2050



\$6 Trillion

global economic value provided by nature which is facing climate risks



6 out of 7 people

in the world feeling insecur**e**

Indonesia's Vulnerability on **Climate Change**





Climate change has affected economic sectors in Indonesia such as water resources, sea and fisheries, agriculture, health, urban and rural livelihood, forestry, as well as endangered the biodiversity assets.

- ☐ Indonesia is the world's largest archipelago comprising over 17,508 Islands. Covering an area of about 790 million hectares with a total coastline length of 95,181 KM and a land territory of about 200 million hectares.
- ☐ Floods, droughts, typhoons, and landslides dominate 4 major disasters in Indonesia, and affect several economic sectors.
- ☐ In 2005-2015, Indonesia experienced around 15,458 natural disasters, which around 75.35% are hydro-meteorological disasters (flood, drought, sea level rise, extreme sea waves, typhoon, extreme weather, forest and land fires) and 24.65% are geological disasters (volcano eruption, land slide, tsunami).
- ☐ Therefore, Indonesia is highly vulnerable to the adverse impacts of climate change.



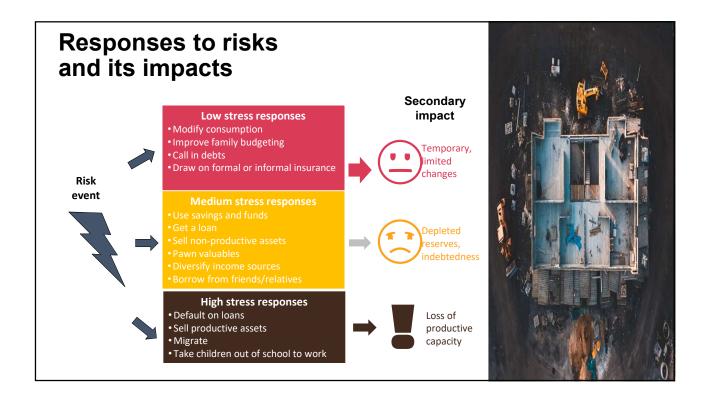
Climate change has triggered the increase natural disasters in Indonesia. Almost 80% natural disasters are classified as hydro meteorological disasters (Source: NDC Indonesia, 2016).



Flood in January 2014 affected 17.4% of area in Jakarta which led evacuation for 65,000 population. (Source: Asian Development Bank Institute, 2016).



More than 3.9 million of population in 105 regents/cities in Java and Southeast Nusa Tenggara Islands faced drought in 2017. (Source: BNPB, 2017)



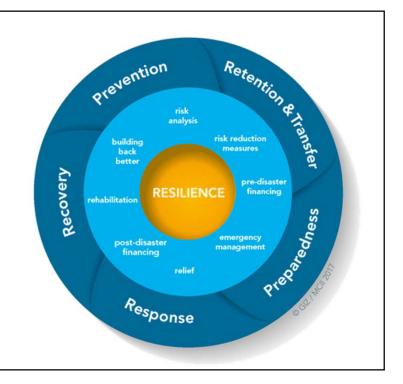
Risk finance as a key building block towards resilience

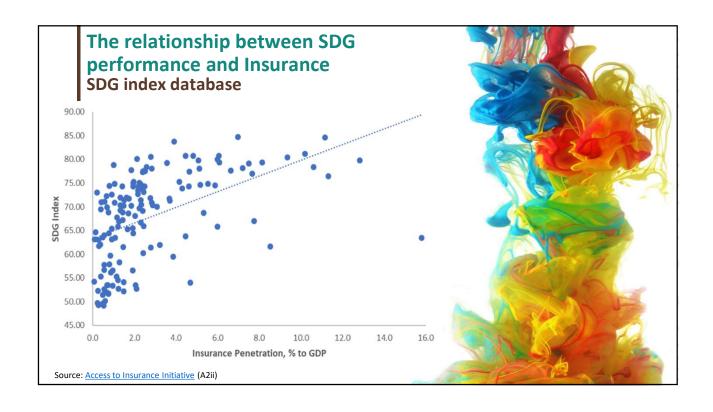
You can retain the risks and use products or mechanisms such as:

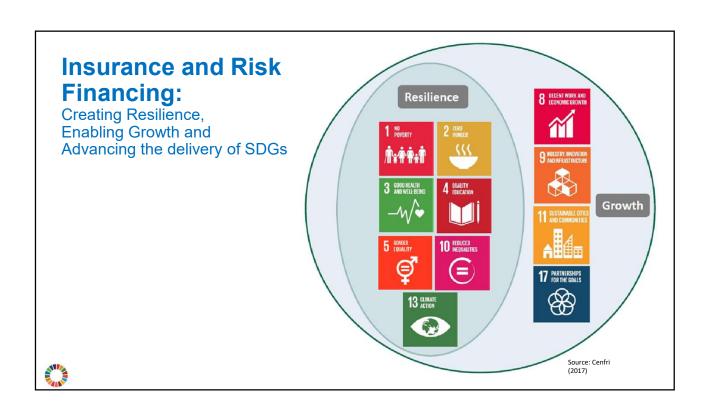
- · Contingency funds
- · Reserve funds
- · Contingent credit lines

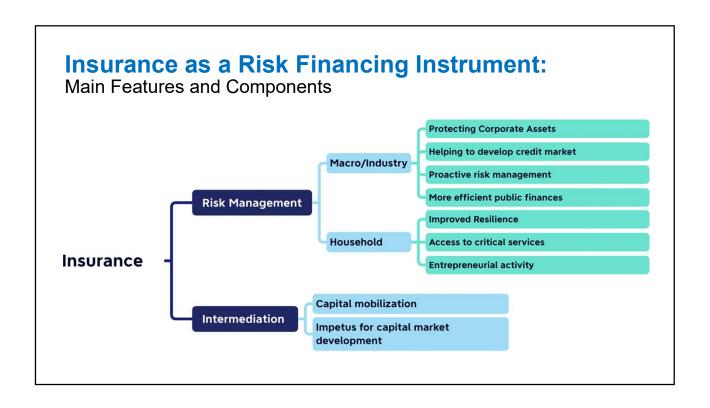
Or you can transfer risks through:

- Insurance products
- Catastrophe bonds











Overview

- · Coral reefs are essential for hundreds of millions of the poorest and most vulnerable people who depend on them for food, income, and protection from storms and floods
- · Reefs support fisheries, tourism sectors, and provide coastal protection
- Potential of coral reef and their protection in Indonesia



Reef Insurance potential: Protective services

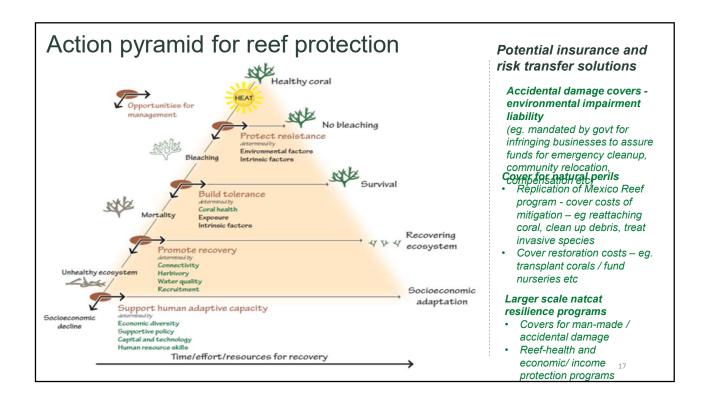
Protection for 1.8 million people, annual averted loss of USD 639 million, protecting USD 36 billion in built-up capital, and an area of approximately 2,837 sq. kms

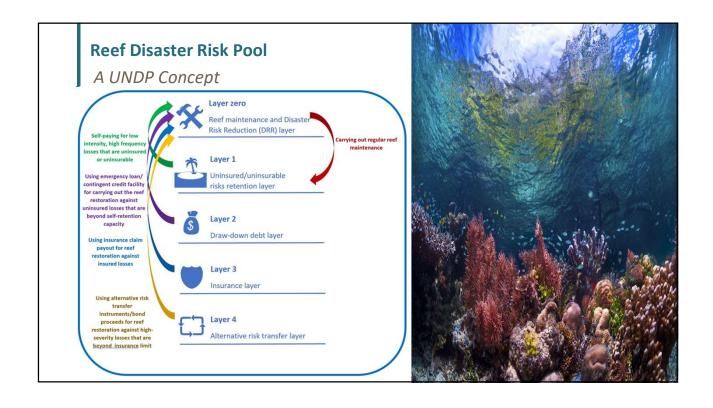
Spalding, M. D., R. D. Brumbaugh, and E. Landis., 2016, 'Atlas of Ocean Wealth', The Nature Col

How insurance and risk financing can help?

- Reef restoration response activities carried out within 60 days of a disaster event can increase the chances of survival for the corals
- · Availability of funds can help in:
 - Clearing the debris, such as sand, loose stones, or broken corals, to avoid further damage
 - · Reattaching the loose colonies and broken fragments
 - Consolidating the broken pieces by transporting them to nurseries for future transplantation







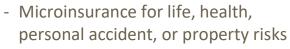


Examples of insurance products/scheme to support SDGs











 Credit insurance schemes for microfinance, cooperatives, farmers associations, etc.











Green transitions and renewable energy





ASEAN Green Energy Facility



AHMAD NOOR AZHARI ABDUL MANAF
(President Director of Malaysian Re)

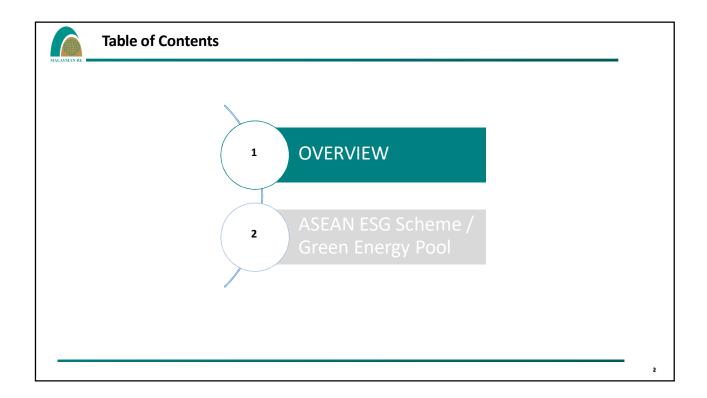
Executive Summary:

The 6th ASEAN Insurance Pulse, the Company's flagship annual publication, was officially launched in Dec 2022. The report examines the de carbonization of ASEAN economies and its implications for the insurance industry. All ASEAN countries have committed to the 2015 UN Paris Agreement to reduce their greenhouse gas emissions by 2050. Most ASEAN insurers have taken strategic steps to integrate the Paris accord or ESG into their operations.

ESG (environmental, social and corporate governance) provides an umbrella framework to consider a company's impact and dependencies on the environment and society, as well as the quality of its corporate governance. Many re/insurers have pledged to be carbon neutral by 2050 and are looking at ways to invest in renewable resources.

Renewable Energy has become the world's primary source of new power capacity, outpacing all other forms of new generation combined for the last seven years. This growth and mainstreaming has made clean technology options more economical and a viable option.



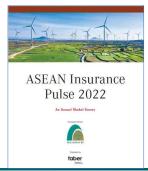




ASEAN Insurance Pulse 2022

- The 6th ASEAN Insurance Pulse, the Company's flagship annual publication, was officially launched in Dec 2022 by Mr. Christian Wanandi, Secretary General of the ASEAN Insurance Council during 25th AIRM & 48th AIC Meeting in Bangkok, Thailand.
- The report examines the de-carbonization of ASEAN economies and its implications for the insurance industry
- All ASEAN countries have committed to the 2015 UN Paris Agreement to reduce their greenhouse gas emissions by 2050
- Most ASEAN insurers have taken strategic steps to integrate the Paris accord or ESG into their operations
- ASEAN regulators are a key driver in promoting the integration of ESG or decarbonization objectives



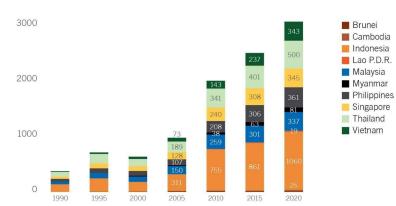


11



Rapid growth of the ASEAN economy

GDP current prices, ASEAN member countries, 1990 - 2020, USD billion



- Over the last 30 years, ASEAN has developed into one of the most dynamic emerging market regions
- GDP has grown at an CAGR of 7.2 % from approx. USD 380 billion (1990) to USD 3.1 trillion (2020)
- The region's steep economic growth has been coupled with increasing demand for energy

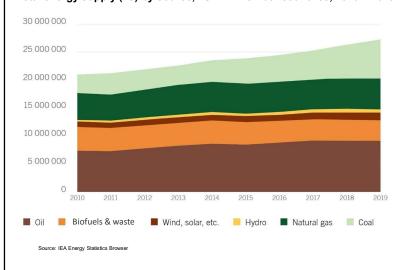
Source: IMF World Economic Outlook Database, April 2022

11



Oil accounts for >33% of total installed power capacity

Total energy supply (TJ) by source, ASEAN member countries, 2010 - 2019



- Renewables have been very slow to gain ground over fossil fuels in the region
- Fossil fuels are likely to remain an important component of the ASEAN energy mix
- Decarbonization efforts should focus on increasing the share of renewable energies and in technologies to reduce CO2 emissions

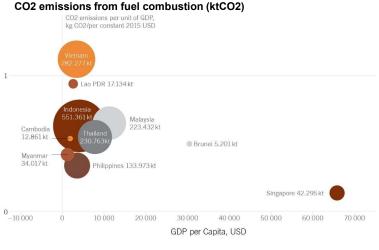
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Source: IEA Energy Statistics Data Browser

Carbon footprint of ASEAN countries

2019 GDP per capita (USD), CO2 emissions per unit of GDP (kg) and total CO2 emissions from fuel combustion (ktCO2)



- CO2 emission accounts for around 80% of all GHG emissions
- Total CO2 emissions per ASEAN country are related to the size of the economy
- With the exception of Singapore, the largest ASEAN economies, Indonesia, Thailand, Malaysia, and the Philippines, are also the largest emitters of CO2 in the region

11



ESG measure how advanced companies have adopted sustainability

What is ESG?

ESG (environmental, social and corporate governance) provides an umbrella framework to consider a company's impact and dependencies on the environment and society, as well as the quality of its corporate governance.

How will it impact the re/insurance sector?

Many re/insurers have pledged to be carbonneutral by 2050 and are looking at ways to invest in renewable resources.





ASEAN Renewable Energy Strategy



The goal of ASEAN Plan of Action for Energy Cooperation (APAEC) is to increase the component of renewable energy to

23% by 2025





ASEAN ESG Scheme

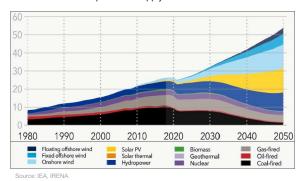
Renewable Energy Market Global

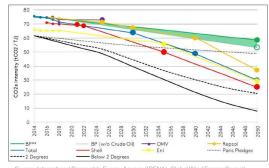
Renewable Energy has become the world's primary source of new power capacity, outpacing all other forms of new generation combined for the last

This growth and mainstreaming has made clean technology options more economical and a viable option.

The forecasted global investment and transition of power mix through to 2050 is significant per chart below:

- US\$ 5.3 trillion in wind power generation assets
- US\$ 4.2 trillion in solar power generation assets
- Wind and solar is expected to supply almost 50% of the world's electricity by 2050







ASEAN is rich in variable renewable energy - Solar

- Vietnam, Thailand, Philippines and Malaysia has 98% solar capacity in the region.
- Vietnam has become the world's eighth largest solar market at the end of 2020 based on installation capacity.
- Malaysia solar market is expected to grow significantly in the next 5 years with government's efforts.
- Indonesia, Singapore, and Malaysia are also looking at floating solar panels considering flooding risk.
- Newly commissioned projects are dominant by larger scale.





ASEAN is rich in variable renewable energy - Wind

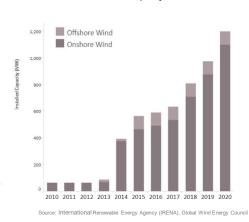
1 Vietnam - 612MW

Thailand - 1538MW
Philippines - 427MW

 Vietnam, Thailand, Philippines have the largest wind power capacity in the region. Indonesia is catching up.

Current Wind Power Capacity

 After Vietnam, Philippines starts to explore floating offshore wind options.



ASEAN Wind Installed Capacity Trends



Potential Risks and Challenges

Green protection gap

ASEAN governments are enthusiastic for offshore wind and solar energy, increasing claims are creating a more conservative underwriting environment, impacting project economics and potentially growth.

Insurance issues:

- The claims experience
- The scale of individual projects
- The value of the new technology being deployed
- The exposure to natural catastrophe-driven perils of many optimal locations

The outcome is that projects have a higher value, are more technically complex and are exposed to an uncertain operating environment.



Potential Risks and Challenges

Insurance cover phases



Section I: Construction and Erection All Risks Insurance



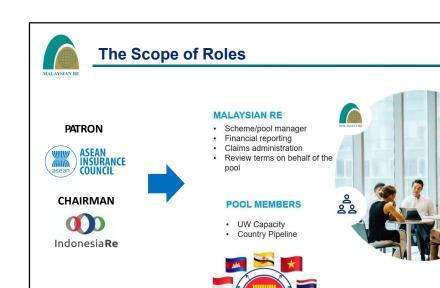
Section II: Delay in Start-Up Insurance



Section III: Operational All Risks Insurance



Section IV: Business Interruption Insurance



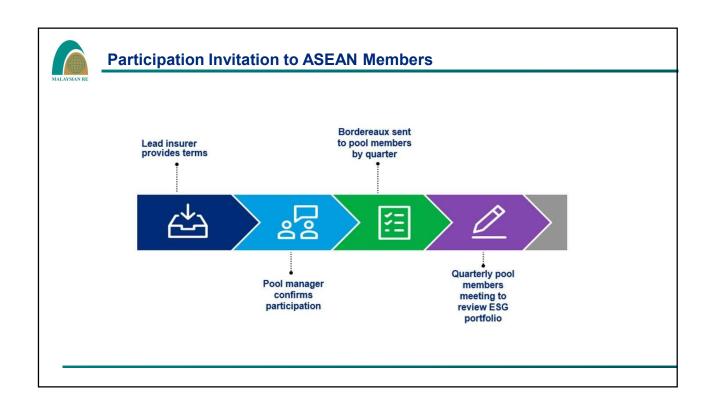
INTERNATIONAL LEAD

- Use a multinational lead with expertise in the region
- Share underwriting processes and their understanding of the
- Offer USD10m-15m per risk

GUY CARPENTER

- Manage pipeline, work with Marsh and pool members
- Manage bordereaux and monitor aggregates

- Documentation
 Marketing of scheme
 Retro cover for CAT after year one





Summary - Strengths of the ASEAN ESG Scheme



Support ASEAN government's ESG aims - public private partnership



Education of ASEAN member underwriters



Strength of ASEAN members joining together



Geographical Spread



Reputable lead to provide comfort in initial underwriting



Assist in developing ASEAN capacity to support future ESG initiatives



THANK YOU

Final Summary

The insurance industry has a very critical function in keeping the wheels turning economy and quality of life of people in a country. As time progresses, levels of complexity of the problems facing the world is increasing. Improvement of this complexity is one of the main factors in the increasing need for insurance. On the other hand, these increasingly complex problems are also encouraging the insurance industry to strengthening its resilience to uncertainty and ensuring sustainable health.

Sustainability is a top priority in managing insurance and reinsurance companies. Economic improvement initiatives in Post–COVID–19 Era is disrupted by the geopolitical conflict between Russia and Ukraine. This condition is a factor of the global recession faced by European and Asian countries. Macroeconomic factors also cause stagnation in the financial aspects of society. Apart from that, 2024 will be a political year for Indonesia, hence, there will be a change in power which will indirectly affect the rate of investment in Indonesia. In facing these challenges, the insurance industry needs to strengthen its foundations business processes so that they continue to provide protection for the community.

On our first panel discussion in Indonesia Re International Conference (IIC) 2023 named 'Visualizing the Rise of Global Economic Uncertainty', we already discuss about how global macroeconomic, future economic projection in our upcoming political years, and natural disaster could together shape our future Re(Insurance) Outlook. In 2022, we have some events that lead to big losses such as COVID-19 Pandemic, Ukraine-Russia War, and climate changes. Those events and big losses already cost huge impact to (Re)Insurance Industry, which lead to increasing cost in high inflation rate environment, catastrophe capacity deployment, pressure on reinsurer earnings, and limited new capital. Those huge impacts should be addressed carefully in order to build more profitable and sustainable ecosystem in 2023 and next upcoming years.

On our second panel discussion named 'Biggest Challenges Facing the Insurance Industry and How to Overcome Theme?', we already talked about the cybersecurity challenges in financial industry which caused by the growing use of technology such as mobile devices and cloud computing. To mitigate the risk, Insurance Industry should invest more resources on cybersecurity such as employee education, building cybersecurity infrastructure, and conduct regular follow up on those mitigation action.

Of course, aside from cyber security challenges, our (Re)Insurance Industry also have some other challenges that still relate to digital era, such as the obligation to forcing our pace in implementing IFRS 17, potential challenges in UU P2SK implementation, and of course, our old issue: fraud combat, which potentially could increase in this digital era. One of the most important tool in spotting fraud is human insight.

On our last panel discussion on the first day of IIC 2023 named 'Future Insurance Business: Transforming Business Process in the Digital Era', we talked about how we should be transforming Enterprise Risk Management (ERM) in preparing ourselves to enter the digital era. Talking about transformation, one of the most vital transformation in (Re)Insurance Industry is business process transformation, which could be initiate by advance data science implementation. On this point, we have to remember that data, people, and technology are important for advanced data science implementation to aim for business process transformation.

While transforming our business process in the digital era, we have to keep on addressing our potential systemic risk by developing clear terms and conditions (T&C) that will endure possible future cyber catastrophe event, delivering clarity and predictability to clients, and defining catastrophic cyber risk as the key to attracting capital.

On the second day of IIC 2023, we have two panel discussions. On the first panel discussion on the second day or the fourth panel discussion of IIC 2023 named 'Future Insurance Business: Optimizing The Role and Portfolio of Sharia Insurance', we have discussed about Takaful market. Globally, we could see some continued growth in key Takaful markets, especially in Indonesia and Malaysia. However, Takaful insurance still have some potential focus and huge room for improvement since Takaful remains a niche 'product' with market share below 10% in most countries, including Indonesia.

It's quite ironic since among 275 million population in Indonesia, 86% of them are Moslem population. This massive Moslem population should be able to continue to drive demand side for sharia compliant products. Moreover, Government support in developing sharia economy in Indonesia has generated many growth across sectors inside the sharia ecosystem.

On the fifth and last panel discussion of IIC 2023 named 'The Importance of Robust Insurance Industry in Supporting Global Sustainability', we should take an important note that risk finance is the key building block towards resilience. We can retain the risks and use products or mechanism, such as contingency funds, reserve funds, and contingent credit lines. Or else, we could do risk transfer through insurance products and catastrophe bonds. Finally, through insurance and risk financing, we could creating resilience, enabling growth, and advancing the delivery of SDGs.

ESG (environmental, social and corporate governance) provides an umbrella framework to consider a company's impact and dependencies on the environment and society, as well as the quality of its corporate governance. Many re/insurers have pledged to be carbon neutral by 2050 and are looking at ways to invest in renewable resources.

Through all panel discussions, the Indonesia Re International Conference (IIC) 2023 concluded some important points to be highlighted as the basis for the transformation of the Indonesian Insurance Industry, namely:

- The world macroeconomy will still experience pressure until the first quarter of 2024. Geopolitical condition also increases economic uncertainty for large segments of society. Insurance Industry will face big challenges from the hardening market so that there will be a shortage and insufficient capacity due to suboptimal premium absorption
- Indonesia's macro conditions are still better than other countries.
 Investment will experience decline during the election period so it is
 necessary to take steps to anticipate this. Insurance Industry needs to
 increase awareness of the occurrence of unusual claims that potentially
 will emerge during the 2024 political year
- The Insurance Industry needs to be aware of cyber threats that will impact losses financial and corporate reputation. Cyber security investments require large costs and long time. The Insurance Industry must always carry out cyber security evaluations through the principles of Cyber Security Maturity Assessment and Incident Response Maturity Assessment
- Implementation of IFRS 17 and Law No. 4 of 2023 will strengthen the governance of Insurance Industry. Insurance Industry needs to evaluate the business processes carried out, hence, large investments are required to carry out business transformation
- Digital business transformation is needed to increase industry knowledge of risks. Technology helps industry to utilize the data it has by the company, but still, Insurance Industry still needs human resources who has data scientist skills

- Increasing digital channel distribution and optimizing education to customers regarding the uniqueness of sharia products could be done in order to increase the portfolio of Sharia Insurance. Sharia Insurance and the government need to work together to increase awareness of sharia products through comprehensive education to the community
- The Insurance Industry needs to increase expertise in analyzing climate change risks. Risk disasters due to climate change are predicted to increase in the future
- Through its data capabilities, Insurance Industry can play a big role in achieving targets of sustainable development. Through a collaborative product from ASEAN countries, namely the Green Energy Pool, the Insurance Industry is trying to encourage an increase in renewable energy



THANK YOU

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