

POJK 8/2024 concerning Insurance Products and Marketing Channels for Insurance Products Comes Into Effect in October: Is Your Company Ready?

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According to Financial Services Authority Regulation Number 8 of 2024 concerning Insurance Products and Marketing Channels for Insurance Products ("**POJK 8/2024**"), which was issued on 25 April 2024, 23 October 2024 is the deadline when the obligations in POJK 8/2024 become binding and apply to Insurance Companies and Sharia Insurance Companies because Article 84 POJK 8/2024 provides that the POJK comes into effect 6 (six) months from the date of its enactment.

POJK 8/2024 is a POJK which is the implementation of Law Number 4 of 2023 concerning Development and Strengthening of the Financial Sector, in that POJK 8/2024, Financial Services Authority Regulation Number 23/POJK.05/2015 concerning Insurance Products and Product Marketing Insurance ("**POJK 23/2015**") and Article 50 of Financial Services Authority Regulation Number 73/POJK.05/2016 concerning Good Corporate Governance for Insurance Companies (State Gazette of the Republic of Indonesia of 2016 Number 306, Supplement to the State Gazette of the Republic of Indonesia Number 5996) are repealed and declared no longer valid.

There are several important points that need to be considered, especially by Insurance Companies and Sharia Insurance Companies in connection with the coming into effect of POJK 8/2024, as follows:

1. Simplification of the Insurance Product Approval Process

Before the coming into effect of POJK 8/2024, marketing a new insurance product needed to go through a fairly long process. However, since the enactment of POJK 8/2024, it has been regulated that there are products that can be marketed after first obtaining approval from the OJK and there are products that can be marketed without prior approval from the OJK,

that is, they only need to be reported. Insurance Companies and Sharia Insurance Companies are required to submit reports on the operation of Insurance Products which are included in products without OJK approval no later than 5 (five) working days after the Insurance Products in question are marketed by the Insurance Company or Sharia Insurance Company.

2. More Detailed Regulation of Digital Policies

Apart from reiterating the provisions regarding the conditions that must be regulated in an insurance policy, POJK 8/2024 also regulates in more detail insurance policies distributed electronically or what are usually called digital policies. Insurance Companies and Sharia Insurance Companies that administer digital policies are required to have a registration certificate for electronic system operators issued by the authorized agency. Insurance Companies or Sharia Insurance Companies that provide digital Insurance Products are required to ensure that the Insurance Products marketed meet the following criteria:

- they are individual policies; and
- they have a simple risk selection process.

3. Evaluation and Monitoring Obligation for Companies

Insurance Companies and Sharia Insurance Companies are required to have and implement guidelines for the development and monitoring of Insurance Products which contain at least:

- a. governance of Insurance Product administration;
 - b. risk management;
 - c. internal controls in the development and evaluation of Insurance Products; and
 - d. responsibilities of each work unit or function in the management of Insurance Companies and Sharia Insurance Companies in developing and monitoring Insurance Products.
4. Obligation to Form an Insurance Product Development Committee

Apart from the obligation for Insurance Companies and Sharia Insurance Companies to carry out development, planning, and review and testing of a product, Companies are also required to form an Insurance Product Development Committee. The Product development committee must consist of at least:

- a. the director in charge of the Insurance Product development function as the main person responsible;
- b. officers responsible for operational functions;
- c. officer responsible for the risk management function;
- d. officer responsible for marketing functions; and
- e. Company Actuary.

The Insurance Product Development Committee is responsible for reviewing and providing recommendations on:

- a. development of Insurance Products based on the results of studies or tests;
- b. classifying Insurance Products as Insurance Products that:
 - a) have obtained approval from the Financial Services Authority; or

- b) have been reported to the Financial Services Authority; and
- c) Marketing Insurance Products, in the form of:
 - 1) continuing marketing Insurance Products;
 - 2) changing Insurance Products; and/or
 - 3) stopping marketing insurance products.

- (2) The Committee must provide recommendations for changes to Insurance Products based on the results of evaluations of the performance of each Insurance Product carried out by the Company Actuary and/or members of other Insurance Product development committees.

5. Regulation of Additional Marketing Channels

POJK 23/2005 provided that companies can only market Insurance Products through the following marketing channels:

- a. directly (direct marketing);
- b. insurance agents;
- c. Bancassurance; and/or
- d. business entities other than banks.

However, POJK 8/2024 also provides that marketing can be carried out through special marketers for Micro Insurance Products.

Considering the new provisions in POJK 8/2024 which will have an impact on the business activities of Insurance Companies and Sharia Insurance Companies, it is hoped that related business actors can continue to prepare internal institutional aspects such as adjustments to SOPs and policies as well as the formation of the Insurance Product Development Committees mandated in the POJK and also examine external aspects, especially binding agreements with other parties as well as agreements that bind insurance product customers.

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The article above was prepared by Dentons HPRP's lawyers

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