# Proposed changes to investment-linked product (ILP) regulations in Indonesia

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## Introduction

In March 2022, the Financial Services Authority (OJK) issued OJK Circular Letter No. 5/SEOJK.05/2022 (SEOJK 05/2022) on investment-linked products (ILPs). Since then, industry-wide new business ILP sales have declined, driven by several factors, including negative consumer sentiment towards ILPs.

To support the future sustainability of ILPs in the Indonesian market, on 24 August 2026, the Insurance, Guarantee and Pension Fund Supervision (PPDP) arm of the OJK issued a Draft OJK Regulation (RPOJK) on ILPs, outlining proposed changes for industry feedback. Other than the provisions that are explicitly proposed to be amended or revoked by the RPOJK, the provisions of SEOJK 05/2022 would remain effective. In addition to these regulations, ILP sales processes and materials must also comply with the general regulations on financial products and services issued under OJK's consumer protection framework, specifically OJK Regulation No. 22/2023 (POJK 22/2023) and Regulation of the Member of the Board of Commissioners (PADK) No. 37/PADK.08/2025, both of which were issued after SEOJK 05/2022 and cover financial products and services more generally, including but not limited to ILPs.

Below is a summary of the key changes (non-exhaustive) proposed in the RPOJK, with comparisons against existing regulations where relevant.

## Minimum core capital requirements

OJK Regulation No. 23/2023 (POJK 23/2023), which governs minimum equity requirements for insurance companies, became effective in December 2023. It stipulates that insurers are categorised into Equity-based Insurance Company Groups (KPPEs) 1 and 2, where the minimum equity requirements for KPPE 1 companies are lower than for KPPE 2 companies, and they are only permitted to distribute simple insurance products.

Although the RPOJK does not explicitly refer to POJK 23/2023, it includes a new provision on minimum core capital requirements for insurers selling ILPs, which is the same as the minimum equity requirements for KPPE 2 insurers after the transition period (i.e., beyond 31 December 2028). Core capital is defined as the sum of Tier 1 unlimited capital and Tier 1 limited capital. The minimum core capital requirements are outlined in Figure 1.

**FIGURE 1: MINIMUM CORE CAPITAL REQUIREMENTS FOR COMPANIES SELLING ILPS (IDR BILLION)**

| | Conventional | Syariah |
|---|---|---|
| **Up to 31 December 2028** | 500 | 200 |
| **After 31 December 2028** | 1,000 | 500 |

SEOJK 05/2022 mandated minimum capital requirements of IDR 250 billion and IDR 150 billion for conventional and Syariah insurers, respectively, but these requirements were only applicable to insurers selling ILPs for the first time. In contrast, the RPOJK proposes the minimum core capital requirements to be applicable to all insurers marketing ILPs, including existing ILP insurers. Existing ILP insurers who do not meet the minimum core capital requirements may only be allowed to continue selling ILPs until 31 December 2028.

## Sustainability testing

One of the sustainability requirements mandated in SEOJK 05/2022 is that insurers must evaluate the sufficiency of premiums/contributions and the cash value to cover all future charges up to the end of the coverage term of the investment-linked policy 'periodically.'

The RPOJK has now proposed to clarify that the periodic evaluation of premium/contribution sufficiency must be carried out annually.

## Sales process

SEOJK 05/2022 mandated that the sales process of an ILP policy must be documented using video and/or audio recordings.

The RPOJK proposes to formally revoke these marketing requirements. Instead, ILP sales and marketing processes, including the confirmation of policyholder understanding through welcoming calls, will be subject to POJK 22/2023 issued under OJK's consumer protection framework. Under POJK 22/2023, recording requirements have been relaxed such that recordings are no longer necessary for face-to-face meetings, although they remain mandatory for sales processes conducted when policyholders use personal communication devices (e.g., phones and video conferencing tools). Similarly, although the confirmation of policyholder understanding remains mandatory for ILP sales, it may now be obtained through a face-to-face meeting with written confirmation as documentation instead of a mandatory recorded welcoming phone/video call.

## Sub-fund investments

Figure 2 shows the amendments to sub-fund investment strategies that have been proposed.

**FIGURE 2: SUMMARY OF PROPOSED REGULATORY CHANGES ON SUB-FUND INVESTMENT STRATEGIES**

| ASPECT | SEOJK 05/2022 | RPOJK PROPOSAL |
|---|---|---|
| **Mutual fund investments** | Fixed income sub-funds may only invest in fixed-income mutual funds whose underlying assets consist entirely of securities issued by the Government of the Republic of Indonesia and/or securities issued by Bank Indonesia.<br><br>Not permitted for all other sub-fund types. | Fixed income sub-fund investments are no longer restricted to fixed income mutual funds with underlying assets consisting entirely of government and/or Bank Indonesia securities.<br><br>Permitted for all sub-fund types. |
| **Exchange-traded fund (ETF) investments** | Silent | Explicitly permitted for all sub-fund types |
| **Sub-fund investment strategy of ETFs for gold and/or other commodities** | Silent | Explicitly permitted |

In addition, the existing prohibition on transferring assets and liabilities between sub-funds is proposed to be relaxed, allowing transfers for portfolio adjustment purposes on the condition that they do not disadvantage policyholders or insureds.

## Other clarifications

Although no changes on the minimum sum assured requirements have been proposed, the RPOJK provides an additional illustrative example of accelerated death benefits, which are excluded from the minimum sum assured calculation. The example in the RPOJK shows a policy with an initial sum assured of IDR 1 billion, from which IDR 500 million will be accelerated upon diagnosis of a terminal illness, leaving the remaining IDR 500 million to be paid out upon death. In such case, compliance with the minimum sum assured requirement would be determined based on the remaining IDR 500 million rather than the initial IDR 1 billion.

The RPOJK also proposes to introduce explicit administrative sanctions for non-compliance with specified ILP regulatory requirements. These sanctions may include a written warning, a prohibition on marketing ILPs and/or a downgrade to the insurer's health rating.

## Milliman insights

The RPOJK appears to align the sales process requirements in SEOJK 05/2022 with the broader consumer protection framework (POJK 22/2023). This is expected to reduce some of the current operational friction and encourage the growth of ILP sales, particularly for face-to-face sales, as one key current challenge is the requirement for audio/video recordings and the mandatory welcome calls.

On the other hand, the proposed explicit requirement for annual sustainability testings will remove the current ambiguity and thus create a more level playing field for all ILP players. However, it will also increase the operational requirements for insurers in managing ILPs.

The proposed minimum core capital requirements will also limit the number of insurers who will be able to continue offering ILPs over the longer term, potentially rendering ILPs even more niche in the market.

Overall, the RPOJK appears to retain much of the existing product and investment governance frameworks. Notably, the RPOJK does not propose any changes to the minimum sum assured, premium holiday restrictions and minimum allocation rates, which have had the most impact on product design, new business strain and distributor compensation since SEOJK 05/2022 became effective. In addition to the proposed changes in RPOJK, ILP new business strain and profitability profiles are also likely to evolve further as and when the upcoming new risk-based capital (RBC) framework is officially released by the OJK.

In view of these upcoming regulatory changes, insurers will need to navigate their ILP product strategy, which is expected to impact their sales and operational processes, capital requirements and new business margins. Milliman consultants can help insurers to formulate their product strategies, ILP product design and in-force management (including the design of processes to annually test the requirement for sustainability). For more details, please contact the authors of this e-Alert or your usual Milliman consultants.

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