JISS
Jurnal Indonesia Sosial Sains

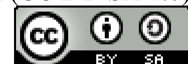
Vol. 7, No. 2, February 2026
E-ISSN:2723 – 6692
P-ISSN:2723– 6595
http://jiss.publikasiindonesia.id/

Analysis of Changes in Investment Placement Strategies of Life Insurance Companies on Indonesia from January 2020 to December 2023

Mariam Benazir, Lenny Suardi
Universitas Indonesia
Email: benazirmaryam@gmail.com*, lennys@ui.ac.id

KEYWORDS
Life Insurance; Investment Strategy; Asset Liability Management; Insurance Risk.

ABSTRACT
The life insurance sector is still striving to expand in Indonesia, while a number of macroeconomic and regulatory changes are also taking place. These developments compel the sector to adjust its strategies to remain profitable and continue expanding while complying with laws and regulations. In the midst of shifting industry conditions between early 2020 and late 2023, the author observes a notable shift in investment patterns among Indonesian life insurance companies and examines these circumstances as well as their causes. This journal employs qualitative methodologies by analyzing data consisting of investment asset portfolio information and investment returns for Indonesian life insurance companies. Observations and in-depth interviews were conducted with key investment personnel in several life insurance firms to identify the variables impacting investment strategy adjustments made by Indonesian life insurance companies during the aforementioned period. The study also evaluates the effect that these strategic shifts have on total investment income and the commensurability between the companies' assets and liabilities. According to the analysis and observations, several factors—such as modifications to tax laws governing bond investments, adjustments to regulations applicable to life insurance companies, and a decline in unit-linked product sales—have driven these changes. In light of these conditions, there is a pressing need for more detailed regulations governing investment strategy mechanisms and pricing provisions related to investments.

Attribution-ShareAlike 4.0 International (CC BY-SA 4.0)


INTRODUCTION

The financial services industry is a critical pillar supporting the Indonesian economy. As defined under Law No. 4 of 2023, financial services institutions encompass banking (Syah, 2025), capital markets, insurance, pension funds, and other entities operating under sector-specific regulations. In recent years, the government and regulators have paid particular attention to strengthening the insurance industry through various policies and regulations issued by the Financial Services Authority (OJK) (Boulhol et al., 2023). This focus aims to enhance the industry's maturity, bringing it closer to the established robustness seen in the banking sector in terms of product diversity, technology adoption, and regulatory frameworks. A crucial aspect of this strengthening process lies in the management of financial risks, where investment strategy plays a paramount role (B. Indonesia, 2022).

Risk management is fundamental to the insurance business, not only for policyholders but also for the companies themselves. For insurance companies (Bintoro, 2012), effective risk management ensures the ability to meet future claim liabilities and other financial obligations.

Key financial risk mitigation strategies include reinsurance and investment management (Jones, 2002). The latter is essential for growing shareholder equity and, more critically, for generating returns that support the company's capacity to honor future claims. This is especially vital for life insurance products, which typically span long coverage periods (Chan et al., 2019).

Insurance products, especially Life Insurance, generally have extended coverage periods. Therefore, investment placement serves as one of the benchmarks for company performance, as mentioned in POJK No. 5 of 2023 concerning the second amendment to POJK 71/POJK.05/2016 on the financial soundness of Insurance and Reinsurance Companies (Law Number 40 of 2014 Concerning Insurance, 2014). Article 2 of the regulation states that one of the indicators of financial soundness is the adequacy of investment (Authority, 2015; Mufidah & Setiawan, 2017). For example, a key reference factor forming the basis for premium pricing is the assumed investment return, wherein the company must determine the yield assumption in line with the investment duration and characteristics of the insurance product. Particularly for life insurance products that include an investment element, it is crucial to formulate and implement an appropriate investment strategy to generate optimal investment returns for both company assets (shareholder funds) and policyholder funds.

Given the importance of investment for Insurance Companies—which is one of their key performance factors—regulations concerning insurance companies contain numerous provisions governing investment management. These include the Financial Services Authority Regulation No. 73/POJK.05/2016 on governance, which requires insurance companies to establish and evaluate their investment strategies annually. Furthermore, more detailed provisions relating to investment allocation limits are set out in Financial Services Authority Regulation No. 5 of 2023, concerning the second amendment to Financial Services Authority Regulation No. 71/POJK.05/2016, along with several other related regulations.

In addition to the inflation and interest rates in Indonesia, several government and regulatory policies also serve as the basis for determining the investment strategies of life insurance companies. These include SEOJK 05/SEOJK.05/2022 concerning Investment-Linked Insurance Products, enacted in April 2022 (Association, 2022), and Government Regulation No. 91 of 2021 concerning Income Tax on Interest Income from Bonds Received or Earned by Domestic Taxpayers and Permanent Establishments, enacted in August 2021. These conditions pose challenges for insurance companies, which must meet their coverage obligations while allocating investment funds maturing during that period.

Preliminary observations of statistical data on life insurance investment portfolios from the OJK website reveal a discernible strategic shift between January 2020 and December 2023, marked by a movement toward lower-risk investment instruments (Priyatno, 2008). This significant change warrants deeper investigation, particularly regarding its relationship to investment returns (Fikri, 2011). Previous research, such as that by Ali Fikri (2011) on asset-liability matching and Natasha Gena Patriani (2012) on investment management in life insurance, emphasized the importance of balance and regulatory compliance. However, these studies do not specifically address the dynamic interplay of recent regulatory and market factors driving strategic shifts within a defined and turbulent period. This study aims to fill that gap by analyzing the causes and consequences of investment strategy changes in Indonesian life insurance companies from January 2020 to December 2023.

This significant change in investment strategy is particularly interesting to examine further and to connect with previous research. In the earlier study conducted by Ali Fikri (2011)—a university research analyzing the equivalence between investment assets and the obligations of conventional life insurance products (case study: PT Asuransi Jiwa KLM)—the focus was on assessing the quality of investment asset matching with company obligations. Meanwhile, research conducted by Natasha Gena Patriani (2012), entitled Analysis of the

Management and Investment of Sharia and Conventional Life Insurance (Muhammad, 2015; Planning, 2018), examined how investment results are managed and concluded that life insurance companies must maintain a balance between their obligations and managed assets. This balance is critical to avoid investment decision-making errors that could result in the company's inability to fulfill obligations to policyholders, participants, and beneficiaries. In addition, companies must comply with regulatory limits designed to protect public funds and ensure the company's ability to meet future obligations. On the other hand, companies must also optimize their investment portfolios to achieve the expected returns.

This research holds significant relevance, both academically and practically. From an academic perspective, it fills a gap in the literature by exploring the interaction between regulatory changes, market dynamics, and strategic responses of life insurance companies in the post-2020 Indonesian context—a period marked by economic turbulence and major regulatory reforms. The findings are expected to enrich theories of asset-liability management and strategic asset allocation through empirical evidence from a unique business environment. From a practical standpoint, the study addresses the urgent need for life insurance managers to understand the operational and financial consequences of rapid regulatory changes (Wiedyasari, 2023). The analysis can serve as a consideration for developing more resilient, optimal, and compliant investment strategies. For regulators such as the Financial Services Authority (OJK), this research provides empirical input regarding the effectiveness and indirect consequences of implemented policies, thereby offering a foundation for future regulatory improvements that support systemic stability and consumer protection in the life insurance industry (Markowitz, 1990).

Based on the background outlined above, this research aims to answer several fundamental questions concerning the dynamics of investment strategies among life insurance companies in Indonesia during the study period. First, it investigates the phenomenon of shifting investment patterns between January 2020 and December 2023 (Law Number 4 of 2023 Concerning the Development and Strengthening of the Financial Sector, 2023). Second, it identifies the determinants driving these shifts in asset allocation strategies, including regulatory updates, fiscal policies, and market dynamics. Third, it analyzes the impact of these investment strategy changes on two critical aspects: overall investment income and the alignment between company assets and liabilities. Therefore, the problem formulation in this research is designed not only to uncover surface-level trends but also to explore their root causes and financial implications for life insurance companies.

Overall, this study aims to analyze the changes in investment placement strategies within Indonesian life insurance companies between January 2020 and December 2023. The specific objectives of the study are as follows: first, to map and describe the patterns of shifts in investment strategies; second, to investigate and analyze key factors—such as changes in tax regulations (e.g., Government Regulation No. 91/2021), amendments to insurance industry regulations (such as SEOJK No. 05/2022 and POJK No. 5/2023), and the decline in unit-linked product sales—that drive these strategic changes; third, to evaluate the impact of these investment strategy changes on company investment income performance, taking into account the components recorded in the income statement and other comprehensive income (OCI); and fourth, to assess the implications of these strategic shifts on long-term asset-liability matching and associated risks, such as duration and reinvestment risk. By achieving these objectives, this study is expected to present a comprehensive and analytical overview that will benefit both industry practitioners and regulators.

METHOD

This research is a descriptive study conducted using a qualitative approach aimed at understanding the factors influencing changes in investment strategies implemented by life insurance companies in Indonesia during the aforementioned period, as well as the impact of these strategic changes on overall investment income, including the equity of liability assets within the companies. The data used in this study consist of statistical data available on the OJK website (Authority, 2023b), which are then analyzed alongside various information sources from life insurance industry practitioners in Indonesia, including managers from the Indonesian Life Insurance Association (AAJI). Each narasumber (respondent) selected for the study has a specific background expected to represent the actual conditions of investment management in the life insurance industry. Observation and analysis were conducted through semi-structured, in-depth interviews with respondents or resource persons who possess expertise in the field of investment within the life insurance sector (Authority, 2023b, 2023a; Bagong & Sutinah, 2006). The semi-structured interview method was chosen to enable the researcher to explore the views, opinions, and suggestions of the participants on the issues under study. According to Arikunto (2010), a semi-structured interview is an interview technique in which structured questions are asked initially, followed by further probing to obtain more comprehensive insights related to the problems being examined in the context of life insurance.

RESULTS AND DISCUSSIONS

Life Insurance Company Investment Strategy Policy

The investment strategy policy in life insurance companies is known as SAA (Strategic Asset Allocation). For insurance companies, SAA serves as a guideline for allocating assets in alignment with the company’s liability profile. Efficient liability representation is essential for insurers to establish a robust Strategic Asset Allocation (SAA) strategy. However, to achieve harmony between assets and liabilities, insurance companies must simulate various market conditions due to the complexity of several insurance products.

The factors that affect SAA are as follows:

1) Risk tolerance;
2) External conditions (market);
3) Assumptions used at the time of product development; and
4) Internal factors of the company.

Regulations Related to Investment Provisions in Life Insurance Companies

In the period from January 2020 to December 2023, there were several changes in new regulations and regulations related to investment.

1) Tax Regulations

   Government Regulation of the Republic of Indonesia No. 91 of 2021 concerning Income Tax on Income in the Form of Interest on Bonds Received or Obtained by Domestic Taxpayers and Permanent Establishments

   With the enactment of this regulation, the bond tax rate from the original 15% to 10% so that the tax rate for bonds and mutual funds becomes the same, which is 10%.

2) Insurance company POJK regulations
   a. POJK 73/POJK.05/2016 Concerning Good Governance for Insurance Companies.
   b. POJK 71/POJK.05/2016 concerning the financial health of insurance companies and reinsurance companies

c. POJK 69/POJK.05/2016 concerning Business Implementation of Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Sharia Reinsurance Companies.
d. SEOJK 05/SEOJK.05/2022 on Insurance Products Linked to Investment
e. POJK No. 5 of 2023 concerning the second amendment to the amendment to POJK 71/POJK.05/2016 concerning the financial health of insurance companies and Reinsurance Companies

Factors of Change in Life Insurance Company's Investment Strategy in January 2020-December 2023

1. Tax Regulations

Prior to the tax rate changes introduced in 2021, the previous government, through Government Regulation No. 16 of 2009, imposed a tax on bond interest income of 15%, while interest income from mutual funds was taxed at 0% for the period 2009–2010. The rate then gradually increased to 5% for 2011–2014 and 15% from 2014 onward. During this period, the tax incentives provided an advantage for investors, including insurance companies, to allocate their investments to mutual fund assets.

Due to the tax differences between direct bond placements and mutual fund investments, life insurance companies (perusahaan asuransi jiwa) preferred to invest in fixed-income mutual funds, where the majority of portfolios also consisted of government securities (SBN), through Investment Management Companies (MI) rather than purchasing SBN directly. This strategy aimed to take advantage of the tax incentives available through mutual fund placements. By doing so, the company could optimize its bond interest income, even though it had to pay management fees to MI companies—averaging around 2.5%. Nevertheless, the allocated assets remained in low-risk instruments.

However, following the bond tax rate adjustment in 2021—where bond interest income became taxed at 10%, aligning it with the SBN interest income rate—insurance companies faced a potential loss of approximately 2.5% due to management fees paid to MI companies if they continued managing assets through mutual funds. Consequently, many insurance companies shifted their asset allocations from fixed-income mutual funds to direct SBN purchases.

2. Changes in Insurance Regulations

Amid widespread complaints and cases involving several insurance companies that continue to damage the reputation of the insurance industry, the SEOJK Regulation No. 5/SEOJK.05/2022 concerning Insurance Products Linked to Investment was issued in 2022. This regulation sets restrictions on the placement of unit link funds in mutual funds, requiring that a minimum of 50% of mutual fund allocations be invested in SBN or directly in stock portfolios. This provision directly prompted a shift in investment strategies among insurance companies offering PAYDI products, encouraging them to reallocate their investment funds from mutual funds or stocks toward direct investment in SBN portfolios.

Another regulatory change introduced through POJK No. 5/POJK.05/2023, which repealed POJK 71/POJK.05/2016, notably amended the rules regarding investment placements in affiliated companies. Many life insurance companies have affiliates in the form of Investment Management Companies (MI), typically established to facilitate the management of investment assets through Fund Management Contracts

(KPD). However, under the new regulation, the permissible limit for investment placements (including direct participation) in affiliated parties was significantly reduced—from 25% of the total invested assets under POJK 71/POJK.05/2016 to a maximum of 10% of the life insurance company's total equity. Consequently, life insurance companies exceeding this new threshold are required to transfer a portion of the Assets Under Management (AUM) from affiliated MI companies to non-affiliated firms to comply with the regulation.

3. Decline in sales of Unitlink / PAYDI products

From the data obtained by the OJK until December 2022, the proportion of sales of conventional insurance products is still dominated by sales of PAYDI products, which is approximately 45% of the total sales of insurance products, where 80% of unitlink insurance policyholders choose to invest in high risk portfolios (equity/stock strategies). With the existence of new regulations that also regulate the composition of commission compensation for the sale of unit-linked products, this product is increasingly reluctant to be sold by marketers who were originally aggressively offering this investment product by offering possible profits on unitlink product investment. Not only do they no longer offer PAYDI, some marketers also direct customers to divert policy holders funds that were initially placed in unitlink products to traditional products that offer greater commissions for marketers.

The decline in PAYDI sales certainly caused the cancellation of PAYDI policies, so that the stock portfolio became more and more decreasing and by switching to traditional products, the SBN portfolio was getting higher.

4. The Impact of Changes in Investment Strategies on Equity of Liability Assets

Changes in investment strategies can have a significant impact on the equity of assets and liabilities in life insurance companies. Asset and liability equity is a key concept in insurance company risk management, particularly in life insurance. It reflects the extent to which a company's assets are sufficient to cover its obligations (liabilities) to policyholders.

In managing the liability assets of life insurance companies, several risks related to changes in investment strategies must be carefully considered, including investment risk, duration and return mismatches, regulatory compliance, policyholder trust, and overall financial performance. When implementing changes in investment strategy, life insurers need to assess their potential effects on asset and liability equity to ensure that such adjustments do not compromise long-term financial stability.

Asset and liability equivalence is crucial for life insurance companies. Based on interviews conducted with relevant sources, the changes in investment strategy generally tend to reduce the potential for mismatches in both amount and duration. Currently, most bonds available in the market have maturities of less than five years, with the longest reaching up to 30 years. Meanwhile, the liabilities associated with guaranteed life insurance products can extend beyond 30 years, depending on the duration of coverage—and in some cases, up to 80 years. However, a reinvestment risk remains: if product mixes are not properly aligned with liabilities of shorter durations, this shifting trend could pose risks to the ability of insurance companies to meet their obligations.

5. The Impact of Changes in Investment Strategy on Investment Income

    Investment strategy is highly important for life insurance companies, considering that investment serves as a primary source of income apart from premiums. In facing changing market conditions, flexibility and adaptability in investment strategies are essential to achieving optimal results. Based on the results of research conducted through observations and interviews with narasumber (respondents), it was found that the impact of changes in investment strategies is not fully reflected in the financial statements—particularly in the component of investment income. In life insurance companies, investment results are generally divided into two components: (1) interest, coupon, and dividend income, which are recorded as investment income; and (2) gains or losses resulting from changes in the value of the investment portfolio, which are recorded as Other Comprehensive Income (OCI) depending on the classification of asset types in each insurance company. For example, changes in bond prices are recorded under the available-for-sale (AFS) classification, while stock investments derived from PAYDI/unit link product funds are classified as held for trading.

    From another perspective, the shift in investment strategy—from a higher proportion of mutual funds and stocks to a larger share of SBN—has had a positive effect on improving corporate investment risk calculations. Because SBN instruments are assigned a risk value of 100%, the company's solvency ratio improves as its credit risk decreases. Furthermore, the increase in SBN investment instruments within life insurance companies enhances liquidity and provides additional benefits in terms of risk reduction, improved flexibility, and stable returns. However, companies must also take into consideration internal policies, prevailing interest rates, and regulatory provisions when formulating their investment strategies.

CONCLUSION

Based on the results of testing and analysis conducted using both quantitative and qualitative approaches, it can be concluded that several factors influenced the determination of investment strategies among life insurance companies in Indonesia during the period from January 2020 to December 2023. These factors include tax regulations related to adjustments in bond and mutual fund tax rates, regulatory changes concerning insurance products linked to investments, and the decline in sales of unit link/PAYDI products following regulatory revisions. Changes in investment strategies implemented by life insurance companies have had a positive impact on aligning company liabilities with allocated assets, particularly since the maturity of SBN instruments—up to 30 years—is consistent with the long-term nature of life insurance products. Although a duration gap still exists, as some traditional insurance products have coverage periods exceeding 70 years, a combination of medium-term products can serve as a mitigating solution. Furthermore, findings from interviews indicate that the financial statements of life insurance companies do not fully capture realized income, as some profits and losses are recorded in Other Comprehensive Income (OCI) depending on the classification of each company's asset category.

Based on these findings, several recommendations can be proposed for both the life insurance industry and academic researchers. Life insurance companies should conduct more in-depth evaluations and analyses of investment strategy decisions to optimize profitability while ensuring compliance with prevailing regulations and maintaining long-term sustainability. Moreover, the availability of SBN instruments with longer maturities is expected to help minimize investment risks associated with traditional insurance products. For academics, it is recommended to incorporate interest rate change variables into future research

on investment strategy decisions and their implications for business competitiveness in life insurance companies.

REFERENCES

Association, I. L. I. (2022). *Indonesian Life Insurance Roadmap*. Indonesian Life Insurance Association.

Authority, F. S. (2015). *Regulation No. 73/POJK.05/2015 concerning Good Corporate Governance for Insurance Companies*.

Authority, F. S. (2023a). *National Survey on Financial Literacy and Inclusion in 2022*.

Authority, F. S. (2023b). *Statistics of IKNB Indonesia 2022*.

Bagong, S., & Sutinah. (2006). *Social Research Methods: Various Alternative Approaches*. Prenada Media Group.

Bintoro, R. (2012). *Analysis of Insurance Fund Investment as an Alternative to Infrastructure Financing through Government-Private Partnership*.

Boulhol, H., Lis, M., & Queisser, M. (2023). Trends in pension reforms in OECD Countries 1. In *The Routledge handbook of the economics of ageing* (pp. 262–284). Routledge.

Chan, C., Chang, Y., Chen, C., & Wang, Y. (2019). Directors' liability insurance and investment-cash flow sensitivity. *Journal of Economics and Finance*, *43*(1), 27–43. https://doi.org/10.1007/s12197-017-9425-7

Fikri, A. (2011). *Analysis of the Matching of Investment Assets to the Obligations of Conventional Life Insurance Products*. University of Indonesia.

Indonesia, B. (2022). *Indonesian Economic and Financial Statistics*. Bank Indonesia.

Law Number 40 of 2014 concerning Insurance, (2014).

Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector, (2023).

Jones, C. P. (2002). *Investment: Analysis and Management*. John Wiley & Sons.

Markowitz, H. M. (1990). Foundations of portfolio theory. *Harry Markowitz: Selected Works, S*, 481–490.

Mufidah, & Setiawan, A. N. K. (2017). *Analysis of Investment Portfolio Strategies in General Insurance Companies Using the Markowitz Method*. Gadjah Mada University.

Muhammad. (2015). *Sharia Bank Fund Management*. PT RajaGrafindo Persada.

Planning, M. of N. D. (2018). *Indonesian Sharia Economic Masterplan 2019-2024*.

Priyatno, D. (2008). *Understand Data Statistical Analysis with SPSS*. Mediakom.

Syah, A. R. (2025). An In-depth Overview and Analysis of the Indonesian Banking Sector. *Open Access Cases*, *2*(1).

Wiedyasari, A. B. (2023). *OJK Consumer Complaint Data 2022*.