PEFINDO
CREDIT RATING AGENCY

Rating Rationale

PT ASABRI (Persero)

Credit Rating(s)
Financial Strength $_{id}$A+/Stable

Rating Period
May 7, 2025 – May 1, 2026

Published Rating History
-

PEFINDO has assigned its $_{id}$A+ financial strength rating with a stable outlook to PT ASABRI (Persero). The rating reflects ASABRI's strong likelihood of government support, strong position as the compulsory insurance provider for the Indonesian armed forces, and adequate liquidity position. However, its weak capitalization and reserve and weak operating performance have constrained the rating.

The rating may be raised if PEFINDO views ASABRI's importance to the government to strengthen, resulting in a greater likelihood of support. The view must be aligned with improvements in ASABRI's financial profiles. Conversely, the rating may be lowered if the opposite occurs; ASABRI's importance to the government weakens due to a declining role, which may be derived from a transfer of ASABRI's government-related programs to another institution. In addition, the downward rating pressure might also come from a significant deterioration of the Company financial profile without signal of immediate government support, exacerbating its insolvency issue and pressuring its going concern.

ASABRI is the compulsory provider of retirement insurance (Tabungan Hari Tua, THT), pension program and death protection (Jaminan Kematian, JKM) as well as working accident protection (Jaminan Kecelakaan Kerja, JKK) for Indonesian armed forces, covering both active and retired armed forces. The Company operates through its head office, 33 branches, 1,960 ASABRI Link (ASABRI's service offices) and 14 other institutions as payment points. ASABRI is supported by 503 employees at the end of December 2024 (FY2024). As of end of March 2025, ASABRI is fully controlled by the Government of Indonesia, which held one Dwiwarna Series A share while 199,999 Series B shares were owned by PT Biro Klasifikasi Indonesia (Persero) as the operating holding of BP Danantara.

Rating Definition

An obligor rated $_{id}$A has a strong capacity to meet its long-term financial commitments relative to those of other Indonesian obligors. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors. The plus (+) sign indicates that the rating is relatively strong within its category.

Financial Highlights

As of/for the year ended	Dec-2024 (Audited)	Dec-2023* (Audited)	Dec-2022* (Audited)	Dec-2021 (Audited)
Total Assets [in IDR Bn]				
Total Equity [in IDR Bn]				
Total Investment without Cash [in IDR Bn]				
Net Premium Written [in IDR Bn]				
Net Claims [in IDR Bn]				
Underwriting Result [in IDR Bn]				
Net Income After Tax [in IDR Bn]				
Total Comprehensive Income [in IDR Bn]				
ROAA [%]				
Loss Ratio [%]				
Net Premium Written / Equity [x]				
Retention Ratio [%]				
Equity/Total Assets [%]				
Investment Adequacy Ratio [%]				
Exchange Rate [USD/IDR]				

*ASABRI recognized and received UPSL from the government which affects significantly to its figures during those periods.

The above ratios have been computed based on information from the company and published accounts. Where applicable, some items have been reclassified according to PEFINDO's definitions.

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PEFINDO

CREDIT RATING AGENCY

Rating Rationale

Key Strength(s)

Strong likelihood of support from the government

As the mandatory social insurance provider for the Indonesian Armed Forces, PEFINDO views ASABRI as having a strong likelihood of support from the Government of Indonesia. This is underpinned by the government's ongoing commitment to strengthen ASABRI's financial profile, particularly through the establishment of Ministry of Finance's PMK No. 66 of 2021, which regulates the actuarial interest rates used by ASABRI. This regulation also marked the initial recognition of Unfunded Past-Service Liabilities (UPSL) of disbursed by the government in 2022 and 2023. These payments have not only supported ASABRI's liquidity but also enhanced its investment returns, as the funds were allocated to government bonds. In 2023, ASABRI recorded another UPSL payment of which is expected to be settled in the near to medium term. Furthermore, ASABRI is expected to receive a capital injection from the government to strengthen its capitalization profile. The presence of government-appointed representatives on ASABRI's board of management further reinforces the likelihood of strong government support.

Strong position as the compulsory insurance provider for the Indonesian armed forces

PEFINDO views ASABRI as a public service institution with a strong regulatory framework, as stipulated under Government Regulation (PP) No. 45 of 1971, serving as the sole social insurance provider for the Indonesian Armed Forces. ASABRI currently serves approximately 1.5 million participants, comprising 988,763 active personnel and 490,944 beneficiaries. The institution administers the government-funded pension disbursement program, which is financed through the state budget (APBN) and executed upon the official retirement of civil servants. In addition to pension disbursement, ASABRI provides mandatory retirement savings (Tabungan Hari Tua, THT), death benefits (Jaminan Kematian, JKM), and occupational accident coverage (Jaminan Kecelakaan Kerja, JKK), with premium rates regulated under PP No. 68 of 1991 and PP No. 102 of 2015. ASABRI's exclusive role in providing mandatory insurance coverage to military personnel insulates it from competition within the general and life insurance industry. Furthermore, premium tariffs are determined by regulation, supporting consistent premium income even amid adverse economic conditions. In FY2024, ASABRI recorded gross written premiums of up from IDR1.64 trillion in FY2023 and in FY2022.

Adequate liquidity profile

ASABRI is expected to maintain adequate liquidity to meet its annual claim obligations. As of FY2024, the institution held a sizeable investment portfolio totalling including approximately in liquid assets in the form of cash and cash equivalent, which was sufficient to cover claims and other expenses amounting to This liquidity position was supported by the government's fulfilment of its commitment to accelerate the payment of Unfunded Past-Service Liabilities (UPSL), with disbursed in FY2022. The UPSL payment provided ASABRI with significant additional cash inflows to support claim settlements. In FY2023, ASABRI recognized an additional UPSL of based on the actuarial interest rate determined by the Ministry of Finance under PMK No. 86 of 2023. The payment for this recognized UPSL is anticipated in the near to medium term. In addition, ASABRI has maintained a conservative investment strategy, allocating over 70% of its portfolio to time deposits and government bonds, which supports liquidity and stable income generation.

Key Weakness(es)

Weak capitalization and reserve

PEFINDO is of the view that ASABRI's capitalization profile will remain weak, burdened by its past investment fraudulent cases that resulted in massive losses. Given the unrealized loss of marketable securities of IDR3.4 trillion, ASABRI still reported negative equity of IDR906.7 billion as of FY2024. Before 2018, more than 50% of ASABRI's investments were in questionable other instruments, which contributed to significant investment losses since ASABRI could not recoup the investment value to its initial price. The losses caused ASABRI's investment adequacy ratio (Rasio Kecukupan Investasi, RKI) to fall below 100%, which was as low as 38.3% in FY2020. After the Minister of Finance regulation was renewed (PMK No. 66 Year 2021) to include unfunded past service liability to RKI calculation, its ratio improved to 93.6% in FY2024 and 92.7% in FY2023. Since ASABRI's request for capital injection from the government is still being processed, we expect that the RKI will remain below 100% in the near to medium term.

Weak operating performance

PEFINDO expects ASABRI's operating performance to remain weak due to continued underwriting losses in its THT program, with a loss ratio of 111.4% in FY2024 and a five-year average of 120%. While Law No. 3/2025 of Indonesian Armed Forces had adjusted the pension age of armed forces which may temporarily reduce claims, the effect is expected to be short-lived, with loss ratios likely returning above 100% by the third year. Despite UPSL payments supporting performance in recent years, ASABRI's combined ratio and loss ratios rose to 104.8% and 92.8% in FY2024, indicating underlying structural weakness. Efforts to boost fee-based income from pension administration and partnership with banks and other payment partners are not expected to improve performance significantly. The adjustment of the THT premium rate, which remains under discussion, is therefore critical to restoring the sustainability of ASABRI's operating performance.

Environmental, Social and Governance (ESG) Factors in the Rating Assessment

ESG factors are a neutral consideration in ASABRI's credit rating assessment. ASABRI engages in life insurance business and pension payment, which has less exposure to ESG issues. The environmental impact is neutral and tends to be irrelevant to the current operational activities. ASABRI has improved its governance through the establishment of new standard procedures and stricter monitoring from Ministry of Finance, especially after the fraudulent cases in 2012-2019. Currently, the Company places its investments mostly in government bonds and time deposits, maintaining minimal exposure to stocks and equity mutual funds.

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