AN INTEGRATED RECOVERY FRAMEWORK FOR PKU EXIT: A CASE STUDY OF AN INDONESIAN SHARIA LIFE INSURER

THESIS

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We hereby declare that this Thesis is from student's own work, has been read and presented to Institut IPMI Board of Examiners, and has been accepted as part of the requirements needed to obtain a Master of Business Administration Degree and has been found to be satisfactory.

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NON-PLAGIARISM DECLARATION FORM

This thesis presents my original research work. Wherever the contributions of others are involved, every effort is made to indicate this clearly, with due reference to the literature, and acknowledgement of collaborative research and discussions.

Also, this work is being submitted in partial fulfillment of the requirements for the Master of Business Administration degree and has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

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LIST OF ABBREVIATIONS

Abbreviation	Full Form
AASI	Asosiasi Asuransi Syariah Indonesia (Indonesian Sharia Insurance Association)
AJMIS	PT Asuransi Jiwa Manulife Indonesia Syariah
ALM	Asset-Liability Matching
ASYKI	PT Asuransi Syariah Keluarga Indonesia
AYD	Admissible Assets
BPJS	Badan Penyelenggara Jaminan Sosial (Social Security Administering Body)
BPR	Bank Perekonomian Rakyat (Rural Bank)
BPRS	Bank Perekonomian Rakyat Syariah (Islamic Rural Bank)
BPS	Badan Pusat Statistik (Statistics Indonesia)
BTS	Batas Tingkat Solvabilitas (Solvency Margin Requirement)
BUS	Bank Umum Syariah (Full-Service Islamic Bank)
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DPS	Dewan Pengawas Syariah (Sharia Supervisory Board)
DSN-MUI	Dewan Syariah Nasional – Majelis Ulama Indonesia (National Sharia Council – Indonesian Ulema Council)
DTMBR	Dana Tabarru' dan Tanahud Minimum Berbasis Risiko (Tabarru' and Tanahud Fund Minimum Risk-Based Capital)
EIOPA	European Insurance and Occupational Pensions Authority
ERM	Enterprise Risk Management
FGD	Focus Group Discussion
FPT	Fit and Proper Test (Penilaian Kemampuan dan Kepatutan)
FVOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GCG	Good Corporate Governance (Tata Kelola Perusahaan yang Baik)
GDP	Gross Domestic Product
IAIS	International Association of Insurance Supervisors
IAS	International Accounting Standards
ICP	Insurance Core Principles
IDR	Indonesian Rupiah
IDX	Indonesia Stock Exchange (Bursa Efek Indonesia)
IFRS	International Financial Reporting Standards

IPO	Input–Process–Output (Conceptual Framework Model)
IRF	Integrated Recovery Framework
ISO	International Organization for Standardization
JMAS	PT Asuransi Jiwa Syariah Jasa Mitra Abadi Tbk
KPPAS	Kantor Pemasaran dan Pelayanan Asuransi Syariah (Sharia Insurance Marketing and Service Office)
KPPE	Kelompok Perusahaan Perasuransian berdasarkan Ekuitas (Equity-Based Insurance Company Grouping)
KPR	Komite Pemantau Risiko (Risk Monitoring Committee)
KPS	Kantor Pemasaran Syariah (Sharia Marketing Office)
KUPA	Kelompok Usaha Perusahaan Asuransi (Insurance Business Group)
KYD	Kekayaan yang Diperkenankan (Eligible Assets)
LPDT	Laporan Surplus Defisit Underwriting Tabarru' Fund (Tabarru' Fund Underwriting Surplus/Deficit Report)
MMBR	Modal Minimum Berbasis Risiko (Minimum Risk-Based Capital)
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development
OJK	Otoritas Jasa Keuangan (Indonesian Financial Services Authority)
P2SK	Undang-Undang Pengembangan dan Penguatan Sektor Keuangan (Financial Sector Development and Strengthening Law)
PE	Private Equity
PESTEL	Political, Economic, Social, Technological, Environmental, Legal
PKU	Pembatasan Kegiatan Usaha (Business Activity Restriction)
PNW	Prudential Net Worth
POJK	Peraturan Otoritas Jasa Keuangan (Financial Services Authority Regulation)
PSAK	Pernyataan Standar Akuntansi Keuangan (Indonesian Financial Accounting Standards)
PSP	Pemegang Saham Pengendali (Controlling Shareholder)
PT	Perseroan Terbatas (Limited Liability Company)
RBC	Risk-Based Capital
RDKB	Rapat Dewan Komisioner Bulanan (OJK Monthly Board of Commissioners Meeting)
RPK	Rencana Penyehatan Keuangan (Financial Recovery Plan)

RUPS	Rapat Umum Pemegang Saham (General Meeting of Shareholders)
SAP	Strategic Action Plan
SAP-E	Strategic Action Plan: Equity Recovery
SAP-G	Strategic Action Plan: Corporate Governance Reconstitution
SAP-S	Strategic Action Plan: Solvency and Revenue Recovery
SEOJK	Surat Edaran Otoritas Jasa Keuangan (Financial Services Authority Circular Letter)
SKAI	Satuan Kerja Audit Internal (Internal Audit Unit)
SWOT	Strengths, Weaknesses, Opportunities, Threats
UU	Undang-Undang (Law / Legislation)
YoY	Year-on-Year

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Wachjono

ABSTRACT

PT Asuransi Jiwa Syariah XYZ is a standalone Islamic life insurance company in Indonesia that has been subject to the Business Activity Restriction (Pembatasan Kegiatan Usaha/PKU) imposed by the Financial Services Authority (Otoritas Jasa Keuangan/OJK) since November 2021. These restrictions on business activities relate to three areas: equity deficiency, solvency constraints and requirements for fulfilling the composition of the Board of Directors and Actuary. This thesis was prepared to provide input on resolving the issues by proposing a development of integrated recovery framework. This research uses a qualitative single embedded case study which is theory driven by four theoretical perspectives; Institutional Theory, Financial Distress Theory, Agency Theory and Stewardship Theory. The analysis is based on the Company audited financial statements since 2024, OJK regulations and documents, records of internal governance mechanisms and a written semi-structured expert questionnaire filled out by five senior institutional informants from the Controlling Shareholder, Board of Commissioners and Executive Management. Analysis used a deductive thematic approach (with minimal inductive refinement) and triangulated evidence across financialisation, regulation, governance and survey sources. The findings suggest that the prolonged PKU of XYZ is likely to be associated with three interrelated conditions: persistently negative equity, challenges in demonstrating the regulatory solvency of the Company Fund, and incomplete governance functions required to implement effective financial and regulatory recovery. This study specifically shows that the Company Fund and Tabarru' Fund are distinct so regulatory issues must be managed holistically rather than a piecemeal approach. Based on these findings, we outline an Integrated Recovery Framework (IRF) which may enhance coordinated pathways for PKU exit through restoration of governance and equity along with solvency & financial health & regulatory compliance. This framework shall be characterised by an overriding governance function, the restoration of shareholder equity, correction into an actuarially sustainable financial-health position and the execution of OJK's regulatory normalcy requirements. The IRF described here, which has not yet been evaluated externally (let alone implemented), is a proposed recovery design for XYZ and a possible case-based guide for other insurers in a similar situation; we make no claims about its effectiveness.

Keywords: Sharia Life Insurance; Business Activity Restrictions; Administrative Recovery.

CHAPTER 1
INTRODUCTION

1.1 Industry Background

1.1.1 Global Insurance Industry Performance (2026)

As per Swiss Re Institute (2025), the global insurance market is expected to continue on its growth path despite geopolitical uncertainty, higher inflation and a slowdown in economic activity worldwide. It is expected to grow 2.3% in real terms globally in 2026, buoyed by better investment yields together with prudent underwriting and continuously strong demand for life and non-life insurance services. Likewise, the OECD (2025) states that underwriting profitability has stabilised, investment performance has improved and insurance penetration has gradually recovered after favorable financial market conditions.

These international situations suggest that keeping some level of capital, solvency regulatory and corporate governance practices has also turn into a global strategic goal for insurance coverage companies at the world. Thus, financially distressed insurance companies are increasingly being pushed towards stronger recovery plans in order to regain financial resilience whilst remaining long-term compliant with regulations.

1.1.2 Regional Islamic Insurance (Takaful) Performance

The Middle East and Southeast Asia remain the two dominant regions in the global Takaful industry. Saudi Arabia has also somehow become synonymous with the largest national Takaful market globally, bolstered by mandatory Sharia compliant coverage requirements with robust government support.

Malaysia is also one of the more mature Takaful markets and this can be attributed to a comprehensive regulatory framework from Bank Negara Malaysia and an advanced bancatakaful distribution system.

With the largest global Muslim population estimated at 249.8 million people, Indonesia appears to offer significant long-term domestic growth potential for the Islamic insurance industry [9]. As part of industry development, the

Indonesian Financial Services Authority (Otoritas Jasa Keuangan/OJK) has mandated that conventional insurers with parallel Sharia business units be spun-off into stand-alone Sharia insurance companies to meet applicable regulation by no later than the end of 2026. We believe the policy will enhance the corporate governance, capital adequacy, operational independence and long-term competitiveness of Indonesia's Islamic insurance industry.

1.1.3 National Islamic Insurance Industry Performance of Indonesia, 2025.

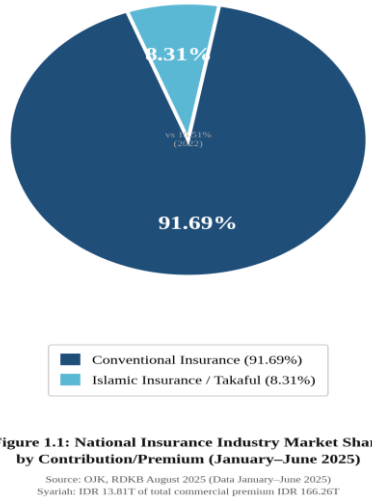


Figure 1.1 National Insurance Industry Market Share by Contribution/Premium January-June 2025

Source: OJK, RDKB August 2025 (Data Januari-Juni 2025) Syariah: IDR 13.81T of total Commercial premium IDR 166.26T

Figure 1.1 illustrates the market share disparity between conventional and Islamic insurance. This gap represents the industry's most compelling growth opportunity and underscores the criticality of institutional soundness and regulatory compliance for Islamic insurance operators such as PT Asuransi Jiwa Syariah XYZ. According to Ministry of Home Affairs of the Republic of Indonesia and Directorate General of Population and Civil Registration (June 2025), Indonesia's total population reached 286.69 million of whom 87.13% (approximately 249.8 million) are Muslim and 69.51% (approximately 199.3 million) are of productive age (15–64 years). (Kemendagri/Dukcapil, 2025).

Figure 1.2 illustrates this demographic segmentation:

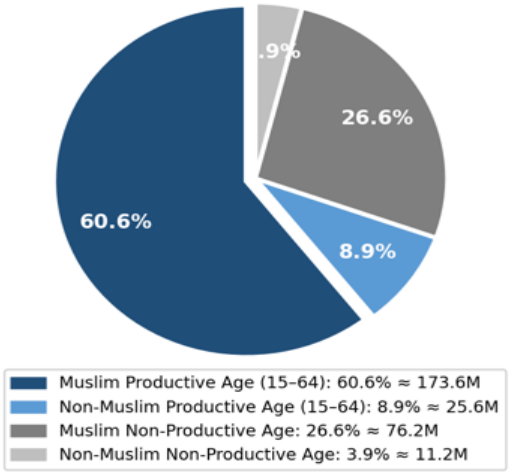


Figure 1.2 Indonesian Population Segmentation

Muslim Productive Age vs. Total Population (2025)

Source: Kemendagri/Dukcapil (June 2025): Total Population 286.7M; Muslim 87.13% (≈249.8M); Productive Age (15–64) 69.51% (≈199.3M). Muslim Productive Age ≈173.6M (60.6% of total).

Figure 1.2 confirms that Muslim Indonesians of productive age, market for Islamic life insurance products, constitute the largest demographic cohort at 60.6% of total population (approximately 173.6 million people). The contrast between this immense addressable market of the Islamic insurance sector's 8.31% market share.

Table 1.1 presents the key financial performance indicators of Indonesia's Islamic insurance industry as reported by Indonesian Sharia Insurance Association (AASI) (2025a):

Table 1.1 National Islamic Insurance Industry

Key Performance Indicators, 2024 to April 2025

Financial Indicator	2024 (IDR Trillion)	Apr 2025 (IDR Trillion)	YoY Growth (%)
Total Industry Assets	45.07	47.03	4.35%
– Islamic Life Insurance	33.09	34.52	4.30%
– Islamic General Insurance	9.15	9.64	5.29%
– Islamic Reinsurance	2.82	2.87	1.88%

Financial Indicator	2024 (IDR Trillion)	Apr 2025 (IDR Trillion)	YoY Growth (%)
Total Gross Contribution	8.57	9.42	9.84%
– Islamic Life Insurance	7.13	8.20	14.90%
– Islamic General Insurance	1.14	0.87	-23.28%
– Islamic Reinsurance	0.29	0.34	15.71%
Total Gross Claims	1.96	2.01	2.40%
Total Investment	35.27	36.80	4.35%

Source: Asosiasi Asuransi Syariah Indonesia (AASI), Kinerja dan Analisis Industri Asuransi Syariah YoY, April 2025.

POJK No. 23 of 2023 establishes phased minimum-equity requirements for insurance companies, including a Stage-1 minimum of IDR 100 billion for Islamic insurance companies by 31 December 2026. The applicable Stage-2 requirement is to be assessed under the regulatory classification applicable to the Company. As of September 2024, OJK reported that 101 of 146 licensed insurance and reinsurance companies had met Stage-1 equity thresholds, implying approximately 30% including certain Islamic insurance companies, continue to face significant compliance challenges (OJK, 2024).

To contextualise PT Asuransi Jiwa Syariah XYZ's financial position within the national Islamic life insurance industry, Table 1.2 presents key financial indicators for all ten fully fledged standalone Islamic life insurance companies currently operating in Indonesia, drawn from each company's published audited financial statements (Audited Financial Statements) for the financial year ended 31 December 2024, as required to be publicly disclosed under POJK No. 23 of 2023 on Insurance Business Licensing and Institutional Requirements and POJK No. 72/POJK.05/2016 on Financial Health of Islamic Insurance Companies. The data are sourced directly from individual company official websites, Indonesia Stock Exchange disclosures (for listed companies), and Bisnis.com financial reporting (Bisnis.com, 16 May 2025):

Table 1.2 Top 10 Fully Fledged Islamic Life Insurers in Indonesia

Key Financial Indicators, 2024

No.	Company	Total Assets (IDR Billion)	Equity (IDR Billion)	Net Profit/(Loss) (IDR Billion)	Solvency Ratio Tabarru' Fund (%)	Regulatory Status
1	PT Prudential Sharia Life Assurance (Prudential Syariah)	6,600	1,650	264.00	245%	Compliant
2	PT Asuransi Allianz Life Syariah Indonesia (Allianz Syariah)	3,300	968	58.58	832%	Compliant
3	PT Asuransi Jiwa Syariah Al Amin	2,990	350	43.30	n/a	Compliant
4	PT Asuransi Takaful Keluarga	1,720	1,100	28.12	249%	Compliant
5	PT Capital Life Syariah	500	n/a	38.39	n/a	Compliant
6	PT Asuransi Jiwa Manulife Indonesia Syariah (AJMIS)	1,273	339	n/a (new)	1,588%	Compliant
7	PT Asuransi Jiwa Syariah Jasa Mitra Abadi Tbk (JMAS)	306	123	2.83	205%	Compliant
8	PT Asuransi Jiwa Syariah Kita Bisa	n/a	n/a	4.17	n/a	Compliant
9	PT Asuransi Syariah Keluarga Indonesia (ASYKI)	n/a	n/a	n/a	n/a	Compliant
10	PT Asuransi Jiwa Syariah XYZ	351	(44)	(5.79)	1,277.19%	PKU (since Nov 2021)

Source: Author's compilation from insurers' 2024 annual reports and audited financial statements, IDX disclosures, and publicly available industry data (2025).

1.2 Company Background

The study case is a real Indonesian Sharia life insurance company. This thesis refers to the company using the pseudonym PT Asuransi Jiwa Syariah XYZ (herein after "XYZ") in order to protect the competitive advantage of the organisation. The pseudonym used does not compromise the credibility and trustworthiness of the financial, regulatory and documentary evidence reviewed in this study.

1.2.1 Establishment and Corporate History

XYZ is a single independent Islamic life insurer which newly established in Indonesia from separation of the Sharia Business Unit of renowned Indonesian national life insurer, and has followed the regulation that created by Government of Indonesia to develop an Islamic insurance industry (Otoritas Jasa Keuangan/OJK, 2016a, 2016b). The Company started its business in which it was licensed as an Islamic life insurance company by the Indonesian Financial Services Authority (Otoritas Jasa Keuangan/OJK) (OJK, 2016a, 2016b). XYZ was incorporated to market and sell Sharia-compliant life insurance products through its nationwide distribution network (PT Asuransi Jiwa Syariah XYZ, 2025).

1.2.2 Shareholder Structure

The controlling shareholder of XYZ is its founding parent institution which owns the majority of equity, whilst the rest is owned by a minority shareholder. This ownership structure allows the parent institution to exercise effective control over strategic direction and governance and major corporate decisions of the Company, subject to applicable Indonesian corporate governance and regulatory provisions. Due to the sensitive nature of corporate confidentiality, the full breakdown of shareholders is not included here. The ownership information in the presentation has been anonymised, but it does not impact any of the analysis nor conclusions made from this research.

1.2.3 Corporate Vision, Mission and Values

XYZ's vision is to be the best qualified company engaged in Islamic life insurance Industry in Indonesia. In this regard, the Company is fully committed in providing Sharia-compliant life insurance solutions that fulfil customer requirements with excellent services delivered through continuous enhancement of operational excellence, human capital as well as organisational performance.

The Company's corporate values emphasise integrity, professionalism and competency as the foundation for sustainable business growth and responsible corporate governance (PT Asuransi Jiwa Syariah XYZ, 2025).

Table 1.3 XYZ's Summary of Key Financial Indicators

Financial Indicator	2016	2017	2018	2019	2020	2021	2022	2023	2024	Notes
A. BALANCE SHEET (IDR Billion)										
Total Assets	97	956	891	783	662	561	471	388	351	Peak 2017 post spin-off
Investments in Securities	93	901	788	683	551	470	330	299	297	Dominant asset class
Cash and Cash Equivalents	3	20	18	12	32	16	68	17	5	2024: critically low
Total Liabilities	49	129	121	129	124	158	177	198	66	
Claims Payable	0	22	17	27	26	50	74	89	18	2023 peak; 80%↓ in 2024
Tabarru' Fund Balance	14	28	22	27	35	29	30	40	73	Steady growth since 2020
Investment Fund (Participants' Investment Fund)	0	725	706	623	523	409	321	250	243	Declining; PKU impact
B. SHAREHOLDERS' EQUITY (IDR Billion)										
Paid-Up Capital	100	100	100	100	100	100	100	100	100	No new injection
OCI – Securities Revaluation	0	(11)	(37)	(47)	(55)	(60)	(75)	(100)	(74)	FVOCI mark-to-market loss
Accumulated Deficit (Retained Earnings (Deficit))	(4)	(13)	(20)	(49)	(65)	(76)	(81)	(64)	(70)	9 consecutive loss years
Total Shareholders' Equity	–	–	–	–	(20)	(36)	(56)	(64)	(44)	Negative: OJK min. IDR 50Bn
C. INCOME STATEMENT (IDR Billion)										
Gross Contribution (Tabarru' Fund)	357	35	31	23	15	11	10	7	6	73% decline 2019–2024
Total Revenues Company Fund	–	19	28	16	15	15	12	10	9	PKU-driven revenue decline
Total Operating Expenses	6	63	60	49	38	27	19	21	15	44% cost reduction since 2021

Net Profit / (Loss) Company Fund	(4)	(9)	(7)	(28)	(19)	(11)	22	(11)	(6)	†2022: IDR 27,929M non-recurring item
Total Comprehensive Income / (Loss)	(4)	(9)	(7)	(28)	(19)	(11)	(6)	(11)	(6)	
D. TABARRU' FUND UNDERWRITING PERFORMANCE (IDR Billion)										
Surplus / (Deficit) Tabarru' Fund	14	(9)	(6)	5	8	(5)	0	10	13	Positive since 2019 (exc. 2021)
Gross Claims Expense	12	9	11	8	8	9	9	4	1	Claims normalising post-PKU
Net Contribution to Tabarru'	357	11	10	10	7	3	5	4	3	
E. SOLVENCY AND KEY RATIOS										
Solvency Ratio Tabarru' Fund (%)	986 %	129 %	160 %	225 %	236%	223 %	223 %	518 %	1,277.19 %	Internal target 120%↓
Solvency Ratio Company Fund (%)	130 %	130 %	118 %	N/C	(416 %)	N/C	N/C	N/C	N/C	N/C: solvency ratio reported as "#DIV/0!"; no Company Actuary certification available
Liquidity Ratio Tabarru' Fund (%)	233 %	148 %	160 %	135 %	149%	137 %	137 %	158 %	236%	Ratio of current assets/liabilities

Source: Author's compilation from XYZ Audited Financial Statements (2016–2024) and Annual Reports (2017–2025).

Notes: N/C = not calculable for purposes of the study's longitudinal analysis. Note if any historical Company Fund solvency related disclosures reflected in the published audited financial statements (including reported figures for some years). Nonetheless, the available documentary evidence does not constitute a sufficiently uniform basis to consider the reported 2021–2024 values as definitive and comparable regulatory solvency ratios. Thus, as per the analytics-based discussion in Section 4.4.2, the solvency position for 2021–2024 is N/C with respect to the Company Fund such classification neither provides evidence of soundness nor sufficiency of funds since the Company Fund continued to display sustained negative shareholders' equity and any final assessment regarding its regulatory solvency position would necessitate actuarially verified calculations and scrutiny by regulators. To illustrate, Company Fund solvency in the Company's own audited financial statements is reported as (361%) for 2021, (965%) for 2023 and 2,230%

for 2024; these publication-year figures are not designed to portray statutorily critically funded status and would not be regarded as authoritative regulatory solvency ratios for regulatory purposes based on the reasons noted above but will be included here solely for transparency.

August 2026 update: The current quarter's earnings report (July) and the Company's audited financial statements for FY2025, both of which were released after this study's analytical baseline in July 2024, indicate a materially improved equity position. Company Fund shareholders' equity swung from IDR (43,858) million as at 31 December 2024 to IDR 58,612 million as at 31 December 2025 (2025 audited), and was IDR52,963million as at 31 July 2026 (unaudited management accounts). Most of this improvement stemmed from a reversal in their OCI securities-revaluation position (from IDR (73,879) to IDR 3,117 million or hardening to IDR 275 million by Jul-26), combined with a less-underwriter equity deficit, not through an injected paid-up capital infusion, which has remained stable at IDR 100.00 mn all the same for many years now. However, the OCI element captures unrealised, mark-to-market movements in the securities portfolio and is therefore prone to reversal, and is not a permanent capital cushion. Using the updated basis, the residual equity gap to Stage -1 IDR 100 billion remains open but narrows to approximately IDR 41,388 million (2025 audited) and IDR 47,037 million (July 2026 unaudited) compare to claim from audit of baseline year 2024 of IDR 143858 million as no actual capital injection since

This study retains the 2024 audited baseline for its core empirical analysis in Chapters 1 and 4 for methodological consistency and comparability with the PKU observation window (2021–2024); this subsequent development is reported here for transparency and is carried forward into the capital-requirement discussion in Chapter 5.

XYZ has a record of sustained financial deterioration since its standalone Islamic life insurer inception, as shown in steadily decreasing total assets and recurring operating losses leading to continued shareholder's equity negative territory. The total asset is reported to be 782.74 billion IDR in 2019 and declined to 350.72 billion IDR or around 55.2% between the period of six years that calculated a cumulative basis from year zero which means there at least expected to be indirectly related with the environment (2024). While reported net profit was recorded in 2022, it included a one-off non-operating gain while the underlying operating performance of the Company was still loss generating. By 2024 losses were smaller but the Company was still reporting a loss >15% of its financial services market (PT Asuransi Jiwa Syariah XYZ, 2022–2025).

The financial position of the Company has also been characterised by ongoing negative equity due to a continual history of operating losses and substantial unrealised valuation losses through Other Comprehensive Income (OCI). The Company thereby witnessed progressive deterioration of its capital base and weakening of its regulatory capital position. Consequently, XYZ has not been able to meet the statutory minimum capital requirements as per OJK's requirement. Long-term capital impairment serves to establish the core financial context for an integrated recovery framework that aims at rebuilding equity and improving financial resilience in order to comply with regulatory conditions for PKU exit.

1.2.4 Business Performance, Distribution Network and Market Position

OverviewXYZ provides life insurance and other family savings for protection and corporate customers for families. Historical catalog segmentation has been on protection, savings and investment-linked segments; this is NOT a product-level analysis or positional state of play with the regulation of particular products. This stage never reach product scope smaller than the level that for regulatory description under PKU, and comes under unlimited OJK supervisory communication.

Company later distributed the products to Indonesia through branch office and agency channels. Subsequent to the shutdown of business active by the regulator, the Company consolidated its operational network and agent force to reduce only his major marketing capacity (AASI, 2025a).

Despite these operational challenges, it operates as an independent Islamic life insurance company that aims at maintaining its customer services and proposals that allow the recovery of the financial and regulatory capital sustainability leading to sustainable growth.

1.3 Problem Background

These challenges encompass two principal regulatory issues: (1) the Company's inability to meet the minimum equity and solvency requirements stipulated under POJK No. 72/POJK.05/2016; and (2) the incomplete composition

of mandatory corporate governance organs required under POJK No. 73/POJK.05/2016.

1.3.1 Regulatory Framework on Financial Health, Supervision and Business Activity Restriction (PKU)

For the historical observation period, the Company's financial health was governed principally by POJK No. 72/POJK.05/2016 as amended by POJK No. 6 of 2023. From 24 November 2025, asset and liability management for Islamic insurers is governed by POJK No. 27 of 2025; from 1 January 2026, risk management is governed by POJK No. 28 of 2025. The minimum-equity provisions carried forward from the POJK 72/2016 framework remain applicable through 31 December 2026 under POJK No. 23 of 2023.

Based on the Company's reviewed financial statements, there were a negative equity of shareholders and intense solvency pressure at the Company during the observation period up until September 30, 2023. The recovery framework builds this latter empirical basis in mind. The analysis of past regulatory non-compliance uses the rules that applied in each relevant period, while decisions regarding ongoing recovery actions are made based on the framework effective from 2026 onwards.

OJK also reintroduced their Business Activity Restriction (PKU) in November 2021, beleaguered by narrow financial conditions. The Company is also prohibited from writing any new business or selling certain insurance products with a savings or investment component at least until the underlying financial and regulatory issues giving rise to them are resolved. OJK also requested the Company and its controlling shareholder to draw up a comprehensive financial adjustment scheme that at least includes capital strengthening measures, as required by applicable law (OJK, 2021a).

As at 31 December 2024, XYZ had negative equity of IDR 43,858 million based on the Company’s audited financial statements Scenario assuming continued operations at minimum Stage-1 prudential net worth (PNW) of IDR 100 billion: an

indicative capital injection of IDR 143.858 billion would be required to restore equity back to the PNW level by 31 December 2026 This amount is an indicative need to restore equity based on the as at 2024 audited position and should not be construed as a capital requirement to restore full financial health or solvency (which is subject to actuarial assessment, subsequent performance, OCI movements and OJK deliberation).

The PKU is a result of the prolonged financial difficulties the Company has been facing, and in particular its failure to meet minimum equity and solvency requirements. Although the PKU restricts certain business activities, within the limits of what OJK allows, the Company is still able to continue its business. This regulatory backdrop emphasises the need for an integrated recovery framework with a focus on restoring financial soundness and achieving full compliance with the regulations.

1.3.2 Regulatory Framework on Good Corporate Governance - POJK No. 73/POJK.05/2016 and Organ Incompleteness

POJK No. 73/POJK.05/2016 on Good Corporate Governance for Insurance Companies, as amended by POJK No. 43/POJK.05/2019, establishes the minimum governance requirements for insurance companies in Indonesia. The regulation requires insurance companies to maintain a complete governance structure, including an adequate composition of the Board of Directors covering the mandatory functions of insurance operations, finance, marketing and compliance, as well as other required governance organs and key control functions (OJK, 2016b; OJK, 2019).

Based on the Company's regulatory records and supporting documents, the company experienced periods during which its Board of Directors structure was not fully complete with several mandatory functional positions remaining vacant. Consequently, the Company's governance structure had not fully met the governance requirements prescribed under POJK No. 73/POJK.05/2016. These governance deficiencies, together with the Company's financial challenges,

increased the complexity of achieving full regulatory compliance and institutional recovery.

Accordingly, this study recognises that a sustainable recovery strategy should address not only capital adequacy and solvency restoration but also the strengthening of corporate governance through the fulfilment of mandatory governance functions in accordance with the applicable regulatory framework.

1.4 Problem Statement

XYZ is facing prolonged financial and governance challenges that have affected its ability to fulfil the regulatory requirements governing Islamic insurance companies in Indonesia. The Company continues to experience negative shareholders' equity, financial pressure and governance gaps, resulting in regulatory supervisory actions by the Indonesian Financial Services Authority (Otoritas Jasa Keuangan/OJK). These challenges demonstrate that financial recovery alone is insufficient to achieve sustainable regulatory compliance.

While previous studies have extensively examined financial distress, capital adequacy, solvency and corporate governance as separate issues, limited research has addressed how these dimensions can be integrated into a practical recovery framework for a financially distressed Islamic life insurance company operating under regulatory supervisory measures.

Accordingly, the central research question addressed in this study is How can the company develop an integrated recovery framework to address deficiencies in equity, solvency and corporate governance in order to fulfil the regulatory requirements for the revocation of the Business Activity Restriction (PKU) and achieve sustainable organisational recovery?

1.5 Research Gap

Existing studies on Islamic insurance have primarily focused on market development, consumer behaviour, financial performance, investment management and Sharia governance (Archer et al., 1998; Wahab et al., 2007; Htay & Salman, 2013; Billah, 2019; Alam et al., 2020). Certain studies have discussed capital

adequacy, solvency or corporate governance among Islamic financial institutions as separate area of research.

Few studies examine the relationship between both financial deficiencies (equity and solvency) along with corporate governance deficiencies simultaneously, within a financially distressed Islamic life insurer that is subjected to regulatory supervision, and an integrated recovery framework which brings together such factors in solving the related challenges. Below are some of the more detailed gaps that this study, integrating literature from the past three years, seeks to address.

1.5.1 Research Gaps Identified in the Last Three Years, 2022–2025

Various grave research gaps exist in the area of Islamic insurance recovery and regulations compliance, as confirmed by a review of studies published 2022–2025.

Firstly, the available peer-reviewed literature addresses financial distress, capital adequacy, solvency and corporate governance of insurers or takaful; but very little evidence at firm-level on how all these dimensions coordinate during recovery under an active supervisory restriction. This gap is thus cuper & sively defined in this thesis as a narrow integration and implementation gap, not because previous recovery research has been claimed to never exist but rather that no existing research was identified within the literature review performed for this thesis.

Second, prior research not only investigates the accounting or financial aspects of corporate governance and corporate performance separately, but also scant analysis has been conducted on the moderating effects of the relationship between two underlying variables (i.e. corporate governance deficiencies and financial distress) on a different sample among single Islamic insurance company. As a consequence, few practical recommendations have emerged to address reconciling financial health and effective governance for these insurers that have been under financial pressure over an extended period.

In addition, other challenges for the financially troubled Islamic insurers include increasing capital requirements and stricter governance standards stemming

from recent regulatory changes in Indonesia. Yet, only scant academic literature has considered how firms might be able to satisfy these competing regulatory requirements in a joint and unified manner through holistic recovery.

Thus, this research aims to bridge these streams of literature by proposing an evidenceinformed Integrated Recovery Framework consolidating equity restoration, solvency improvement and governance strengthening under a single qualitative case study. This proposed framework aims to facilitate regulatory supervisory exit, while providing implications for Islamic insurance companies, regulators and future researchers.

Table 1.4 Identified Research Gaps in the Last Three Years, 2022–2025

Research Gap	Period	Peer-Reviewed Literature Supporting the Gap	Contribution of This Study
Limited research on recovery frameworks for Islamic insurers under regulatory supervisory measures	2022–2025	Koijen & Yogo (2022); Cheng et al. (2023); Bensaid (2023)	Develops a case-based, context-specific Integrated Recovery Framework for the XYZ case
Limited integration of financial health and corporate governance recovery	2021–2023	Bensaid (2023); Sallemi et al. (2021); Haddad & Souissi (2022)	Integrates equity restoration, solvency improvement, and governance strengthening within a single recovery framework

Source: Author's compilation (2025).

1.6 Research Novelty

The contribution of this study lies in developing a case-based and context-specific Integrated Recovery Framework (IRF) from the empirical analysis of one Indonesian Sharia life insurer under regulatory supervisory restriction. This case captures the IRF offering where equity restoration, solvency assessment, governance reinforcement, and regulatory recovery integrates. It is offered as an analytically-derived approach to XYZ and a potentially helpful benchmark for similar cases. The IRF is considered to be a proposed and non externally validated IRF throughout this thesis: it has not been reviewed or validated by independent experts external to the Company, it has not yet been implemented, and its efficacy at achieving PKU exit is unclaimed

The principal contributions of this study are:

1. Development of a proposed and externally unvalidated Integrated Recovery Framework (IRF) that combines equity restoration, solvency improvement and governance strengthening within a single recovery model.
2. Integration of financial and governance recovery to address the regulatory requirements prescribed under POJK No. 72/POJK.05/2016 and POJK No. 73/POJK.05/2016 in a coordinated manner.
3. Development of a practical implementation roadmap to support management, shareholders, and regulators in achieving sustainable organisational recovery and regulatory supervisory exit.

Table 1.5 Alignment of Research Questions, Analytical Focus, Data Sources, Theoretical Foundations and Expected IRF Component

RQ	Research Question	Analytical Focus	Primary Data Source	Theoretical Foundation	Expected IRF Component
RQ1	What are the underlying factors contributing to the Company's financial distress and regulatory deficiencies?	Financial distress, Equity and Solvency	Documentary analysis Expert Questionnaire Thematic Analysis	Financial Distress Theory	Financial Diagnosis
RQ2	How do financial health deficiencies and corporate governance deficiencies affect the Company's ability to fulfil regulatory requirements?	Governance, Regulatory compliance	Documentary analysis Expert Questionnaire Thematic Analysis	Agency Theory Institutional Theory	Governance Reinforcement
RQ3	What integrated recovery strategies are required to restore financial health, strengthen corporate governance and fulfil the regulatory requirements for PKU revocation?	Recovery strategy	Documentary analysis Expert Questionnaire Thematic Analysis	Agency Theory Stewardship Theory Institutional Theory	Recovery Strategies
RQ4	How can an Integrated Recovery Framework (IRF) be designed to support regulatory supervisory exit and sustainable organisational recovery?	Integrated Recovery Framework	Documentary analysis Expert Questionnaire Thematic Analysis	Institutional Theory	Integrated Recovery Framework (IRF)

Source: Author's research design

1.7 Research Objectives

Based on the research problems and research questions presented in the previous section, this study pursues the following objectives.

1. To examine the financial, governance and regulatory factors contributing to XYZ's financial distress and prolonged supervisory restrictions.
2. To assess the adequacy of XYZ's governance structure and regulatory compliance in supporting organisational sustainability.
3. To evaluate strategic alternatives for restoring capital adequacy, solvency, and regulatory compliance.
4. To develop an integrated recovery framework that strengthens governance, restores financial resilience and supports the company's exit from supervisory restrictions.

1.8 Scope of the Study

This study is confined to the financial, governance and regulatory dimensions directly associated with the Company's recovery from supervisory restrictions imposed by the Financial Services Authority (Otoritas Jasa Keuangan/OJK), as set out in Table 1.6

Table 1.6 Scope and Delimitations of the Study

Dimension	Scope and Delimitations
Research Object	This study focuses exclusively on XYZ as the focal case organisation. References to the Company's controlling shareholder are included only to the extent necessary to examine ownership-related governance responsibilities, shareholder commitment and potential contributions to the Company's capital recovery strategy.
Research Focus	The study examines the interrelationship between financial distress, equity, solvency, corporate governance and regulatory compliance as key determinants of the company's recovery from OJK supervisory restrictions (PKU).
Financial Scope	The analysis covers equity position, solvency level, capital adequacy, profitability, liquidity, underwriting performance, investment performance and other financial indicators relevant to the company's financial sustainability.
Governance Scope	The study evaluates the adequacy of the governance structure, including the Board of Directors, Board of Commissioners, Sharia Supervisory Board, governance committees, and governance practices required under applicable OJK regulations.

Dimension	Scope and Delimitations
Regulatory Scope	The regulatory analysis is limited to the Indonesian insurance regulatory framework, particularly POJK No. 72/POJK.05/2016 and its amendments, POJK No. 73/POJK.05/2016 (as amended), POJK No. 23 of 2023, relevant SEOJK provisions, and OJK supervisory policies concerning PKU.
Strategic Scope	The study evaluates feasible recovery alternatives, including capital strengthening, governance enhancement, solvency restoration, and strategic initiatives intended to support the company's exit from PKU. The study does not assess merger valuation, acquisition due diligence, or detailed business valuation.
Time Horizon	Historical financial and governance analysis covers the period from 2016 to 2024. The study's primary research target and strategic recommendations are scoped to the Stage-1 minimum equity requirement of IDR 100 billion by 31 December 2026 under POJK No. 23 of 2023. The subsequent Stage-2 requirement by 31 December 2028 is acknowledged as a subsequent regulatory context but falls outside the primary scope of this study.
Geographical Scope	The study is conducted within the Indonesian Islamic life insurance industry. International takaful practices are referenced only to provide conceptual benchmarking where relevant.
Methodological Scope	This research adopts a qualitative single-case study approach supported by documentary analysis and a written semi-structured expert questionnaire. Financial statement analysis is used to strengthen the qualitative findings rather than to perform econometric or statistical hypothesis testing.
Research Delimitations	The study does not evaluate the overall financial performance of XYZ, customer satisfaction, marketing effectiveness, operational efficiency, human resource management, information technology, actuarial valuation or macroeconomic forecasting, except where these factors have a direct impact on financial recovery, governance effectiveness or regulatory compliance.

Source: Author's research design, 2026

1.9 Organisation of the Thesis

This thesis is organised into five chapters;

Chapter 1 introduces the research by presenting the global and Indonesian Islamic life insurance industry context, the company background, problem background, problem statement (including the central research questions), research gap, research novelty, research objectives, and the scope and delimitations of the study.

Chapter 2 reviews the relevant literature and develops the theoretical and conceptual foundation of the study. It discusses the principal theories underpinning the research: Financial Distress Theory, Agency Theory, Institutional Theory and Stewardship Theory. The chapter also reviews recent empirical studies on insurance recovery, solvency management, corporate governance and regulatory intervention,

identifies the research gap and develops the conceptual framework that guides the study.

Chapter 3 explains the research methodology. It describes the qualitative single embedded case study design, research setting, data sources, documentary analysis, expert questionnaire protocol, thematic analysis procedures, trustworthiness criteria, ethical considerations and the overall analytical framework used to answer the research questions.

Chapter 4 presents the findings and discussion. The Company's financial distress, equity deterioration, solvency deficiencies, governance weaknesses and regulatory challenges are analysed using documentary evidence and thematic analysis of the expert questionnaire responses. The findings are synthesised into the proposed Integrated Recovery Framework (IRF) and interpreted using the theoretical perspectives developed in Chapter 2.

Chapter 5 concludes the study by presenting the proposed Integrated Recovery Framework (IRF) for regulatory supervisory exit, strategic recovery roadmap, managerial implications, policy implications, theoretical contributions, study limitations and recommendations for future research.

CHAPTER 2
LITERATURE REVIEW AND THEORETICAL FRAMEWORK

This chapter establishes the theoretical and conceptual foundation for analysing the Company's financial distress, equity deterioration, solvency challenges and governance issues. It reviews relevant literature, defines the key concepts, presents the theoretical framework underpinning the study and develops the conceptual framework that guides the analysis and supports the proposed Integrated Recovery Framework (IRF).

2.1 Evidence Review and Prior Studies

This section reviews the principal streams of literature relevant to the study, including corporate governance in Islamic insurance, equity and solvency, financial distress and regulatory recovery. The review critically evaluates existing empirical evidence to identify the research gaps that provide the foundation for this study and the development of the proposed Integrated Recovery Framework (IRF).

2.1.1 Takaful Governance Literature

Governance in takaful operators is different than governance in conventional insurers because it must consist of corporate governance responsibilities plus fiduciary duties to manage participants funds according to Sharia principles. This mechanism creates further accountability with the Board of Directors, Board of Commissioners, Shariah Supervisory Board (Dewan Pengawas Syariah/DPS), and actuarial functions

One of the unique characteristics of takaful is the segregation of funds according to the economic purpose which The Tabarru' Fund is the participants' risk fund which primarily meets claims or other risk-related commitments, while the Tanahud Fund is a separate participants' account for maintaining an appropriate level of security under the respective takaful arrangements. Dana Perusahaan (Company Fund) describes fund which is owned by operator to conduct operational and corporate liabilities. These funds keep separate assets, liabilities and solvency positions which are separately evaluated based on the Indonesian Islamic insurance regulatory framework. Consequently, a financially sound Tabarru' Fund does not necessarily indicate a financially sound Company Fund.

The separation of the funds gives rise to additional governance isssues in respect of fund management, Shariah compliance and protection of the interests of participants. Previous studies have proven that the independent and qualified Sharia Supervisory Board leads to an improvement in institutional accountability, financial performance, regulatory compliance (Hasan, 2011; Grassa, 2013; Almulhim, 2019). Governance is particularly important in a financial distress scenario, where there may be a weak Company Fund, but the participants' funds are comparatively more solvent.

Conversely, previous research is largely oriented toward governance as a determinant of performance and compliance but not in the context of an integrated recovery solution for financially distressed takaful operators. One less explored dimension is the interaction of governance reinforcement, capital restoration (e.g., deposits), and financial conditions of the participants funds with the Company Fund, to facilitate regulatory recovery. This gap is crucial for establishing the present study and the proposed development of an Integrated Recovery Framework (IRF).

Equity Deterioration and Financial Distress

The first stream of literature explains financial distress as a cumulative process in which weakening capital, declining solvency and deteriorating business performance reinforce one another. Cummins and Danzon (1997) demonstrate that capital deficiency can reduce market confidence and business volumes, further weakening insurers' financial positions. Koijen and Yogo (2022) similarly show how capital constraints can affect product supply and premium generation. Together, these studies suggest that insurer financial distress develops through interactions between capital adequacy and operating performance rather than through isolated financial shocks.

Solvency, Regulatory Constraints and Recovery Challenges

At the regulatory level, IAIS (2024) notes that stressed market conditions can constrain insurers' ability to raise high-quality capital and that forward-looking capital management can help mitigate procyclicality in risk-based solvency requirements. These findings reinforce the importance of timely capital restoration and financial resilience during recovery.

Governance and Financial Resilience in Takaful Institutions

The third stream focuses specifically on governance and financial resilience in takaful institutions. Sallemi et al. (2021), Haddad and Souissi (2022), and Bensaid (2023) demonstrate that governance structures, including the effectiveness of the Sharia Supervisory Board, influence financial stability and institutional performance. Evidence from Indonesia further indicates that risk-based capital, investment performance and prudent asset management contribute to the profitability and sustainability of Islamic life insurers (Andari & Sunarsih, 2024). Collectively, these studies position governance as an important component of financial resilience rather than merely a regulatory compliance requirement.

Research Gap

The literature provides substantial evidence on financial distress, solvency and governance in insurance institutions. However, these dimensions are predominantly examined separately, with limited integration of equity restoration, solvency recovery, governance reinforcement and regulatory supervisory exit within a unified recovery framework for financially distressed Islamic life insurers.

Empirical evidence is particularly limited for Islamic life insurers operating under Indonesia’s Business Activity Restriction (PKU) regime, where financial distress interacts with regulatory restrictions that may constrain business recovery. This study addresses this gap by proposing an Integrated Recovery Framework (IRF) that integrates financial, governance and regulatory dimensions to support sustainable recovery and regulatory supervisory exit.

2.1.2 Summary of Prior Studies and Research Gaps

The preceding literature review indicates that prior studies have examined various dimensions relevant to this research, including corporate governance, financial distress, capital adequacy, solvency and regulatory supervision. To consolidate these findings and identify the areas that remain insufficiently addressed in the existing literature, Table 2.1 summarises the key prior studies and their corresponding research gaps. This synthesis provides the basis for establishing the specific research gap addressed in this study.

Table 2.1 Summary of Prior Studies and Identified Research Gaps

Authors	Research Gap yang Direkomendasikan
Hasan (2011)	Governance effectiveness examined independently; no linkage to financial recovery or regulatory supervisory exit.
Grassa (2013)	Explains governance challenges but does not propose an integrated recovery framework.
Almulhim (2019)	Focuses on performance determinants rather than recovery strategies for financially distressed insurers.
Cummins & Danzon (1997)	Explains financial distress dynamics but not governance or regulatory recovery in takaful institutions.
Koijen & Yogo (2022)	Examines capital-solvency dynamics without considering Islamic insurance governance or regulatory supervisory exit.
Cheng et al. (2023)	Focuses on structural financial distress drivers without addressing organisational recovery.
EIOPA (2023)	Documents solvency feedback effects but does not examine recovery strategies under Islamic insurance regulation.
Bensaid (2023); Sallemi et al. (2021)	Focus on governance quality without integrating equity restoration, solvency recovery and regulatory exit.
IAIS (2024)	Highlights regulatory challenges but provides no institution-level recovery model for Islamic insurers.

Source: Author's compilation (2025).

Collectively, the reviewed studies demonstrate that previous research has substantially advanced understanding of governance, financial distress, capital adequacy and solvency in insurance institutions. However, the literature remains fragmented and provides limited guidance on how these dimensions should be integrated into a comprehensive recovery framework for financially distressed Islamic life insurers operating under Indonesia's regulatory supervisory regime.

2.1.3 Concept of Equity in Insurance Companies

Equity is a fundamental indicator of an insurance company's financial strength and long-term sustainability. Equity acts as the first line of monetary defence for policyholders in the insurance market, helps support solvency and aids insurers in fulfilling regulatory minimum capital requirements. However, the proposition of equity is more complicated for companies where Islamic insurance companies (takaful operators) have a two funds structure which divided shareholders' funds (Company Fund) and participants' Tabarru' Fund. Therefore, it can be said that the assessment of equity should not only refer to accounting basis but also be recognised according to the regulatory framework for Islamic insurance.

Equity is defined and viewed from different accounting, regulatory and theorical perspectives in this review. This paper provide explanation regarding the components and functions of shareholder equity, explains applicable regulations over Islamic insurance company in Indonesia, examines key factors affecting the reduction of equity, and delineates the relationship between solvency and equity. These principles provide both the theoretical and analytical framework for evaluating financial distress of the Company and grounds for establishing this studies Integrated Recovery Framework (IRF).

Definitions of Equity in Insurance Companies

Equity is the net worth of shareholders (IAS 1 (2016); PSAK 1, par. 10), i.e., residual interest in assets after deducting all liabilities. In Islamic insurance companies, equity belongs solely to the Company Fund (*Dana Perusahaan*), and legally separate from the participants' Tabarru' Funds. This distinction is what serves as context for the Indonesian regulatory framework around Islamic insurance.

From a regulatory perspective, POJK No. 72/POJK.05/2016 requires Islamic insurance companies to maintain minimum equity as a continuous licensing requirement. Equity consists of: paid-in capital, retained earnings (or accumulated

deficit), other comprehensive income and reserves eligible for regulatory capital adequacy assessment.

The treatment of equity and inequality in the academic literature is viewed through three complementary lenses. Words you can look at to fulfill all these goals are mentioned in the name of equity, which works firstly as a capital buffer that equally absorbs unexpected losses and make sure about protection of policyholders (Harrington & Niehaus, 2003). Second, equity is an informative indicator of distressful financial situation: persistent losses deteriorate the profit and affect solvability (Altman, 1968; Wruck, 1990; Koijen & Yogo, 2022). Third, where equity serves as a measure of financial capacity, it is a symbolic statement certifying institutional trustworthiness to regulators, policyholders, investors or other stakeholders (Grace, Harrington & Klein, 1998).

Accounting Components of Equity in Islamic Insurance

Equity in an Islamic insurance company mainly consists of paid-in capital, retained earnings (or accumulated deficit), other comprehensive income (OCI), and reserves. These all component determine the company's financial resilience, compliance and capacity to restore equity during periods of financial distress.

Table 2.2 Main Components of Shareholders' Equity in Islamic Insurance

Equity Component	Description	POJK / Accounting Reference
Paid-in Capital (Modal Disetor) Statutory minimum	Initial and additional capital subscribed and paid by shareholders. Statutory minimum amounts are established under POJK No. 72/POJK.05/2016 and subsequently increased by POJK No. 6 of 2023 and POJK No. 23 of 2023.	POJK No. 72/POJK.05/2016 Art. 37 POJK No. 6 of 2023 POJK No. 23 of 2023
Retained Earnings / Accumulated Deficit	Cumulative net profits retained in the business, net of cumulative losses. Persistent operating losses accumulate as a deficit that directly erodes total equity; when the deficit exceeds paid-in capital, total equity turns negative.	PSAK 1 POJK No. 72/POJK.05/2016
Other Comprehensive Income (OCI)	Unrealised fair-value changes on FVOCI investment securities (sukuk, Sharia equity mutual funds) recorded directly in equity under PSAK 71/IFRS 9. These changes bypass the income statement entirely, creating silent equity erosion or appreciation not visible in the profit/loss account.	PSAK 71 (IFRS 9)

Equity Component	Description	POJK / Accounting Reference
Other Equity Reserves (if applicable)	Other reserves recognised as equity in accordance with applicable accounting standards.	PSAK 1

Source: POJK No. 72/POJK.05/2016, POJK No. 6 of 2023, POJK No. 23 of 2023, PSAK 1, PSAK 71 (IFRS 9), PSAK 108.

Collectively, these components determine the company's shareholders' equity, which serves as the basis for assessing financial strength, regulatory compliance and capital adequacy. Persistent operating losses, adverse investment valuation changes or insufficient capital injection reduce total equity and may result in non-compliance with OJK's minimum equity requirements.

Regulatory Framework: Equity Requirements under POJK

The equity requirements applicable to Islamic insurance companies in Indonesia are embedded within a multi-layered regulatory architecture.

Table 2.3 Regulatory Minimum Equity Requirements for Islamic Insurance Companies

Regulatory Instrument	Applicable Entity	Minimum Equity	Compliance Deadline	Consequence of Violation
POJK No. 72/POJK.05/2016 Art. 37(1)(a)	Fully Fledged Islamic life insurance	IDR 50 billion at all times	Upon enactment (2016)	Supervisory action, as applicable
POJK No. 23 of 2023 Stage 1 Business Licensing & Institutional Requirements	Islamic insurance companies	IDR 100 billion by 2026	31 December 2026	Applicable supervisory sanctions
POJK No. 23 of 2023 Stage 2	Islamic insurance companies	IDR 200 billion;	31 December 2028	Applicable supervisory action depends on compliance status and OJK assessment

Source: POJK No. 72/POJK.05/2016 (historical financial-health framework), POJK No. 23 of 2023, and applicable OJK supervisory regulations.

Regulatory Capital, Solvency and Financial Recovery Requirements

POJK No. 72/POJK.05/2016 establishes the core prudential requirements governing the financial soundness of Islamic insurance companies. Article 37(1)(a)

requires every standalone Islamic life insurer to maintain minimum shareholders' equity of IDR 50 billion, creating a continuous regulatory obligation rather than a year-end reporting requirement. The equity requirement applies exclusively to the Company Fund (*Dana Perusahaan*); the Participant Fund (Tabarru' Fund) cannot be used to satisfy this capital requirement. Non-compliance is subject to OJK's graduated supervisory enforcement, progressing from written warnings to Business Activity Restriction (PKU), under which the company is prohibited from marketing and accepting new business for products containing savings or investment elements.

In addition to the equity requirement, Article 10(1)(b) of the historical framework required the Company Fund to maintain an MMBR solvency ratio of at least 100%. Because shareholders' equity forms an important component of the eligible-assets position used in the MMBR calculation, the negative-equity condition materially constrained the reliability of a longitudinal Company Fund solvency assessment. The published financial statements also reported an undefined "#DIV/0!" figure for the Company Fund ratio in the relevant periods. This study therefore treats the definitive regulatory solvency ratio as not reliably determinable from the available evidence and distinguishes it from the separately assessed Tabarru' and Tanahud Fund measures.

Article 51 of POJK No. 72/POJK.05/2016 (as amended, including by POJK No. 6 of 2023) requires the submission of a financial recovery plan, with detailed supervisory follow-up subsequently governed by OJK's status-and-follow-up framework. For the current recovery pathway, POJK No. 37 of 2025 governs supervisory status and required action plans.

POJK No. 23 of 2023 strengthened the capital framework by establishing phased minimum-equity requirements and institutional requirements, including the Stage-1 IDR 100 billion threshold for Islamic insurance companies by 31 December 2026. The applicable Stage-2 requirement should be aligned with the Company's regulatory classification. Consequently, for companies under prolonged regulatory restriction, restoring equity merely to the previous IDR 50 billion threshold is no longer sufficient. Sustainable regulatory compliance and supervisory normalisation

now require capital restoration to at least the IDR 100 billion Stage-1 requirement, making this the practical minimum target for an effective recovery strategy.

Table 2.4 Functions of Equity in Islamic Insurance Companies

Function	Explanation	POJK / Theoretical Reference
Loss Absorption Buffer First line of defence	Equity is the first line of defence against unexpected losses from underwriting deficits, investment write-downs, and catastrophic claims. It absorbs losses before policyholder obligations are impaired.	Implicit in POJK No. 72/POJK.05/2016 minimum equity; IAIS Insurance Core Principles (ICP 17)
MMBR Solvency Calculation Base Solvency numerator	The Company Fund solvency ratio (recognised assets less liabilities, over the MMBR risk-based denominator) is reported as "#DIV/0!" in the audited financial statements; the specific cause cannot be determined from the available source workbooks. Negative shareholders' equity is consistent with a weakened Dana Perusahaan position and may constrain solvency and PKU exit, subject to the underlying assets, liabilities and MMBR calculation.	POJK No. 72/POJK.05/2016 Art. 10 (MMBR framework); Art. 37 (minimum equity)
Signal of Financial Strength Institutional legitimacy	Equity level signals the company's capacity to honour long-term policy obligations. Persistent negative equity erodes policyholder trust, reinsurer acceptance, and investor confidence — all three dimensions of institutional legitimacy.	Institutional Theory (Suchman, 1995); Grace, Harrington & Klein (1998)
Continuous Regulatory Licensing Condition Continuous obligation	Minimum equity is a continuous licensing requirement, not a periodic snapshot. Failure to maintain the minimum at any moment constitutes a regulatory violation independent of other financial metrics, triggering OJK's graduated enforcement mechanism.	POJK No. 72/POJK.05/2016 Art. 37(1)(a): (at all times maintain)
Capital Planning Basis Forward-looking	Equity provides the quantitative base for forward-looking capital planning. The deficit between current equity and the POJK No. 23 of 2023 Stage-1 or Stage-2 target directly defines the minimum capital injection quantum required for regulatory normalisation.	POJK No. 23 of 2023; IAIS, 2024)

Sources: POJK No. 72/POJK.05/2016; POJK No. 23 of 2023; IAIS ICP 17; Suchman (1995); Grace, Harrington & Klein (1998); Modigliani & Miller (1958); IAIS (2024).

These five functions are interdependent. Equity absorbs losses, underpins the MMBR solvency framework, signals financial strength to policyholders and investors, serves as a continuous regulatory licensing requirement and provides the foundation for capital planning under the progressively higher equity thresholds introduced by POJK No. 23/2023.

Company Fund and Tabarru' Fund: Relevance to the Recovery Framework

The financial position of a sharia life insurer is managed through two distinct funds: the Company Fund and the Tabarru' Fund. The Company Fund reflects the insurer's own capital resources and, thus, is critical in determining equity attributable to shareholders as well as the amount of regulatory capital required. Conversely, Tabarru' Fund operates with participants funds owned by the insurer in the case to manage on behalf of its members. In this respect, the position of Tabarru' Fund shall not replace the equity requirement of the Company's Fund. This distinction is especially important in relation to XYZ as their Fund's assets had an equity deficit but given the financial independence of Tabarru' Funds:

The main financial connection of the two funds is done via the qard mechanism whereby, if there is deficit in Tabarru' Fund, as per provisions of the relevant regulation, interest-free loan can be provided by Company Fund to bridge this gap. As a result, the financial strength of the Company continues to be crucial from both an equity base perspective and supporting its ongoing takaful operation. Strengthening the Company's Fund equity is thus a basic condition to recover financial resilience and an orderly exit from PKU.

Drivers of Equity Deterioration in Islamic Insurance Companies

Equity deterioration in Islamic insurance companies results from interrelated operational, financial, governance and structural factors that progressively weaken the Company Fund. Rather than operating independently, these drivers reinforce one another, accelerating capital erosion and increasing the risk of regulatory non-compliance. Table 2.5 summarises the principal drivers, their mechanisms of equity deterioration, and the relevant theoretical perspectives.

Table 2.5 Key Drivers of Equity Deterioration in Islamic Insurance

Key Drivers	Mechanism of Equity Erosion	Theoretical Lens
Persistent Operating Losses	When annual net losses exceed investment income, the accumulated deficit grows and progressively erodes paid-in capital. If cumulative losses exceed paid-in capital, total equity turns negative, the direct cause of POJK No. 72/POJK.05/2016 Art. 37 non-compliance.	Financial Distress Theory (Altman, 1968; Wruck, 1990; Koijen & Yogo, 2022)
OCI / FVOCI Investment Losses	Unrealised mark-to-market losses on FVOCI sukuk and Islamic equity fund portfolios reduce equity directly through Other Comprehensive Income under PSAK 71/IFRS 9. Although fully disclosed in the statement of changes in equity, this channel can be underemphasised in management monitoring when attention is concentrated on the income statement, and the resulting erosion may equal or exceed paid-in capital.	PSAK 71 / IFRS 9; Agency Theory (Jensen & Meckling, 1976)
Absence of Shareholder Capital Injection	When shareholders fail to inject additional capital despite persistent losses, equity deteriorates without replenishment. In the takaful context, this constitutes an Agency Theory failure: the controlling shareholder (principal) does not fulfil its capital stewardship obligation to the operator institution.	Agency Theory: shareholder–management incentive and capital support alignment (Jensen & Meckling, 1976)
Inadequate Initial Capitalisation at Spin-off	Islamic insurance companies spun off from conventional insurers may commence with the regulatory minimum equity but without an adequate buffer to absorb the operating losses inherent in the portfolio-building phase, creating near-immediate structural vulnerability.	POJK No. 23 of 2023 (escalating thresholds address this systemically)
PKU Revenue Compression Self-Reinforcing Loop	Once PKU is imposed, it restricts new savings and investment business, reducing ujrah income flowing into the Company Fund, worsening operating losses, deepening the equity deficit, sustaining the PKU and further restricting revenue, a self-reinforcing capital-solvency spiral.	Financial Distress Theory: self-reinforcing financial distress mechanism (Koijen & Yogo, 2022); Institutional Theory: legitimacy pressure (Suchman, 1995)

Source: Developed by the author based on Altman (1968), Jensen and Meckling (1976), Wruck (1990), Suchman (1995), Koijen and Yogo (2022), PSAK 71/IFRS 9, POJK No. 72/POJK.05/2016, and POJK No. 23 of 2023.

Once equity falls below the regulatory minimum, PKU restricts new business generation, reducing fee-based income and further accelerating equity deterioration. This creates a capital–solvency spiral in which declining capital weakens solvency while reduced business capacity limits the company's ability to rebuild capital.

Relationship Between Equity and Solvency

Equity represents the Company's net assets available to absorb losses whereas solvency measures the Company's ability to meet its long-term obligations under the regulatory Minimum Risk-Based Capital (MMBR) framework. Because shareholders' equity forms the primary component of *Kekayaan yang Diperkenankan* (KYD), equity deterioration directly weakens solvency. Table 2.6 summarises the key distinctions between the two concepts.

Table 2.6 Comparative Analysis: Equity versus Solvency in Islamic Insurance

Analytical Dimension	Equity (Ekuitas)	Solvency / BTS (Solvabilitas)
What it measures	Residual interest of shareholders in total assets after all liabilities; net worth of the Company Fund	Capacity of each fund (Company Fund and Tabarru' Fund) to meet long-term obligations to policyholders
Formula	Total Assets – Total Liabilities = Shareholders' Equity	Admitted Assets – Liabilities = Solvency Margin; Solvency Achievement Ratio = Solvency Margin / Minimum Required Solvency Margin × 100% ≥ 120%.
Regulatory minimum	Historical: IDR 50 Bn under POJK 72/2016; Stage 1: IDR 100 Bn by 31 Dec 2026 under POJK 23/2023; The applicable Stage-2 classification is not assumed in this study.	BTS Achievement Ratio >= 120% of Minimum BTS; internal solvency target, not an OJK-mandated minimum.
Fund scope	Company Fund (Dana Perusahaan) only Tabarru' Fund balance is NOT equity of the company	Measured independently: Dana Perusahaan (MMBR framework) AND Tabarru' Fund (RBC framework)
When negative / undefined	Accumulated losses exceed paid-in capital; direct POJK No. 72/POJK.05/2016 Art. 37 violation; PKU sanction triggered	With equity in a negative position, the Company Fund's MMBR ratio is reported as "#DIV/0!" in the audited financial statements; the precise cause is undetermined from available sources. PKU exit remains constrained pending Company Actuary appointment and a certified financial-health assessment
Primary restoration instrument	Capital injection (shareholder, strategic investor, merger/KUPA); sustained operating profitability over time	Equity restoration (numerator); portfolio optimisation (denominator risk charges); Company Actuary appointment (enables MMBR calculation)

The relationship between equity and solvency is direct and fundamental. Under the OJK Minimum Risk-Based Capital (MMBR) framework, shareholders' equity is a key component of the Company's eligible capital used in determining its solvency position. Consequently, operating losses, investment write-downs and other factors that reduce shareholders' equity weaken the Company's solvency position, whereas capital injections strengthen both capital adequacy and solvency.

Comprehensive POJK Provisions Summary

Table 2.7 summarises the principal POJK and legislative provisions governing equity and solvency in Islamic insurance. Together, these regulations provide the regulatory foundation for the empirical analysis presented in Chapter 4 and the Integrated Recovery Framework developed in Chapter 5.

Table 2.7 Regulatory Framework on Equity Requirements for Islamic Insurance Companies in Indonesia

POJK / Legal Instrument	Article	Equity-Related Requirement	Consequence of Violation
POJK No. 72/POJK.05/2016 Financial Health of Islamic Insurance Companies	Art. 37(1)(a)	At all times maintain minimum equity of no less than IDR 50 billion. Equity is the residual interest of the Company Fund after all liabilities.	Potential supervisory measures under the applicable OJK framework; outcomes depend on OJK assessment and legal requirements
POJK No. 72/POJK.05/2016	Art. 10(1)(b)	Company Fund solvency ratio must be maintained at minimum 100% of MMBR. Equity is economically related to, but is not itself the numerator of, the Company Fund solvency ratio, which under POJK No. 72 of 2016 is calculated as recognised assets less liabilities.	Supervisory follow-up and applicable recovery/action-plan requirements
POJK No. 72/POJK.05/2016	Art. 51	Following POJK No. 6 of 2023, a company that does not meet the applicable internal solvency targets must submit a financial recovery plan, which forms part of the action plan and/or capital-improvement action plan under the applicable supervisory framework.	Supervisory action; possible PKU
POJK No. 23 of 2023 POJK No. 73/POJK.05/2016,	Art. 56(2)(a)(3) as amended by POJK	Minimum equity of IDR 100 billion for Islamic insurance companies, to be fulfilled by 31 December 2026 (Stage 1). Applicable GCG requirements | Establishes governance requirements and supporting	Escalated regulatory sanctions Independent POJK 73

POJK / Legal Instrument	Article	Equity-Related Requirement	Consequence of Violation
as amended by POJK No. 43/POJK.05/2019 (GCG for Insurance Companies)	No. 43/POJK.05 /2019	organs/functions under the GCG framework. Specific Company Actuary requirements are addressed under POJK No. 23 of 2023.	violations; compound regulatory exposure
POJK No. 23 of 2023	Art. 56(2)(b)	By 31 December 2028, Islamic insurance companies must meet minimum equity according to KPPE classification: IDR 200 billion for KPPE 1 or IDR 500 billion for KPPE 2.	Applicable supervisory action is subject to OJK assessment; this thesis does not assume automatic sanctions or a predetermined classification.
POJK No. 37 of 2025	Current supervisory framework	OJK determines normal, intensive or special supervision and evaluates required action plans; the regulation is effective from 22 June 2026.	Supervisory measures and follow-up are determined by OJK based on the applicable status, action plan and assessment.

Source: Compiled by the author from POJK No. 72/2016; POJK No. 23/2023 (including its FAQ); POJK No. 6/2023; POJK No. 73/2016; Law No. 40/2014 on Insurance; and Law No. 4/2023 (P2SK).

POJK No. 72/2016 establishes the minimum equity requirement and the MMBR solvency framework, while POJK No. 73/2016 provides the governance structure necessary to oversee capital adequacy and regulatory compliance. POJK No. 23 of 2023 progressively increases minimum equity thresholds, whereas Law No. 40 of 2014 and Law No. 4 of 2023 (P2SK) provide the statutory basis for OJK's supervisory and enforcement powers. Collectively, these regulations form an integrated risk-based regulatory framework underpinning the analysis and recovery strategy developed in this study.

Unified Regulatory Crosswalk: Historical and Current Regime

Table 2.7 above and Chapters 4-5 draw on both the historical financial-health regime (POJK No. 72/POJK.05/2016 and its amendments) and the regulatory regime introduced from November 2025 onward. A material development post-dates most of this thesis's drafting: POJK No. 27 of 2025 on Asset and Liability Management for Sharia Insurance and Sharia Reinsurance Companies, enacted 10

November 2025 and promulgated 24 November 2025, revokes POJK No. 72/POJK.05/2016, POJK No. 28/POJK.05/2018 and POJK No. 6 of 2023 in full. Separately, POJK No. 28 of 2025 on Risk Management for Insurance, Guarantee and Pension Fund Companies revokes POJK No. 44/POJK.05/2020 insofar as it applied to insurance companies. Table 2.8 consolidates the applicable instruments, historical and current, into a single crosswalk showing the relevant article, effective date, revocation or amendment status, the Company's obligation, the evidence expected to demonstrate compliance, and the extent of OJK's supervisory discretion.

Table 2.8 Unified Regulatory Crosswalk: Historical and Current Sharia Insurance Prudential Regime

Regulation	Relevant Article(s)	Effective Date	Revoked / Amended By	Company Obligation	Evidence of Compliance	OJK Discretion
POJK No. 72/POJK.05/2016 (Financial Health of Sharia Insurance Companies)	Art. 10(1)(b); Art. 37(1)(a); Art. 51	2016 (enactment)	Revoked and declared no longer in force by POJK No. 27 of 2025, effective from its enactment on 24 November 2025 (together with POJK No. 28/POJK.05/2018 and POJK No. 6 of 2023)	Maintain minimum equity of IDR 50 billion and MMBR solvency ≥100%; submit a financial recovery plan if targets are not met	Audited financial statements; MMBR calculation; RPK submission	Graduated supervisory action, from written warning to PKU, depending on OJK assessment
POJK No. 28/POJK.05/2018 (first amendment to POJK 72/2016)	Amends POJK 72/2016	2018	Revoked together with POJK 72/2016 by POJK No. 27 of 2025 (24 November 2025)	Adjusts POJK 72/2016 provisions (historical)	Superseded — no longer an independent compliance basis	N/A (superseded)
POJK No. 6 of 2023 (second amendment to POJK 72/2016)	Amends Art. 51 and related provisions of POJK 72/2016	2023	Revoked together with POJK 72/2016 by POJK No. 27 of 2025 (24 November 2025)	Refines the financial recovery plan (RPK) mechanism referenced throughout	RPK documentation prepared under the historical framework	OJK determines follow-up under the applicable status-and-action-plan framework

Regulation	Relevant Article(s)	Effective Date	Revoked / Amended By	Company Obligation	Evidence of Compliance	OJK Discretion
				Chapters 4-5 of this thesis		
POJK No. 73/POJK.05/2016, as amended by POJK No. 43/POJK.05/2019 (Good Corporate Governance for Insurance Companies)	GCG requirements; supporting organs/functions	2016, amended 2019	Not identified as revoked by POJK No. 27 or 28 of 2025; remains in force as the governance basis used in this thesis	Complete Board of Directors, Board of Commissioners, DPS, Komite Audit, Komite Pemantau Risiko, and internal control/risk functions	OJK fit-and-proper filings; Board appointment letters; committee charters	Independent violations of POJK 73/2016 create compound regulatory exposure alongside equity/solvency findings
POJK No. 23 of 2023 (Business Licensing and Institutional Requirements for Insurance, Sharia Insurance, Reinsurance and Sharia Reinsurance Companies)	Art. 56(2)(a)(3); Art. 56(2)(b)	Enacted 22 December 2023	Not revoked; strengthens and operates alongside the capital-tiering regime; interacts with POJK 27/2025 for asset/liability management	Minimum equity of IDR 100 billion by 31 December 2026 (Stage 1); IDR 200 billion (KPPE 1) or IDR 500 billion (KPPE 2) by 31 December 2028 (Stage 2)	Capital commitment letter; equity roadmap; KPPE classification filing	Escalated supervisory sanctions for non-compliance; Stage-2 classification (KPPE 1 vs 2) subject to OJK assessment
POJK No. 27 of 2025 (Asset and Liability Management for Sharia Insurance and Sharia Reinsurance Companies)	Replaces the financial-health/MMBR mechanics formerly in POJK 72/2016 (article-level mapping against the gazetted text requires further verification)	Enacted 10 November 2025; promulgated 24 November 2025	Revokes POJK No. 72/POJK.05/2016, POJK No. 28/POJK.05/2018 and POJK No. 6 of 2023 in full	Strengthened investment governance and asset-liability management; the Company Fund solvency mechanic that this thesis analyses under the historical MMBR framework should be re-checked against this regulation	To be assembled: post-transition asset-liability and solvency reporting under the new framework	OJK's discretion under the new framework has not yet been analysed in this thesis and is flagged as an open item
POJK No. 28 of 2025 (Risk Management	Whole regulation (replaces	Enacted 10 November 2025;	Revokes POJK No. 44/POJK.05/2020 in full,	Board and Sharia Supervisory Board (DPS)	ERM framework document; DPS risk-oversight	OJK sets the annual risk-profile assessment

Regulation	Relevant Article(s)	Effective Date	Revoked / Amended By	Company Obligation	Evidence of Compliance	OJK Discretion
for Insurance, Guarantee and Pension Fund Companies)	POJK No. 44/POJK.05/2020 for non-bank financial institutions)	promulgated 24 November 2025	insofar as it applied to insurance companies	directly accountable for risk appetite, risk limits and risk exposure; integrates Sharia-compliance risk into enterprise risk management	minutes; annual risk-profile self-assessment (first cycle due 15 February 2027 for certain entity types)	cycle and may escalate based on the self-assessment outcome
POJK No. 37 of 2025 (Supervisory Status and Action Plans)	Current supervisory framework provisions	Effective 22 June 2026	Not identified as revoked; governs the current PKU/action-plan supervisory process referenced throughout Chapter 5	Respond to OJK's determination of normal, intensive or special supervision status and submit the required action plan	RPK/action-plan submission; OJK correspondence trail	OJK determines supervisory status, required action plan content, and follow-up measures
Law No. 40 of 2014 on Insurance; Law No. 4 of 2023 (P2SK)	General statutory basis for OJK's regulatory and supervisory authority over insurance	2014; 2023	Not revoked; provides the statutory basis under which the POJK instruments above are issued	General compliance with the insurance statutory framework	N/A — statutory basis, not a company-level compliance filing	Statutory basis for the full range of OJK supervisory powers described in this table

Source: Compiled by the author from POJK No. 72/POJK.05/2016, POJK No. 28/POJK.05/2018, POJK No. 6 of 2023, POJK No. 73/POJK.05/2016 (as amended by POJK No. 43/POJK.05/2019), POJK No. 23 of 2023, POJK No. 27 of 2025, POJK No. 28 of 2025, POJK No. 37 of 2025, Law No. 40 of 2014 and Law No. 4 of 2023 (P2SK), retrieved from ojk.go.id and cross-checked against peraturan.bpk.go.id.

Because POJK No. 27 of 2025 revokes the historical MMBR/equity mechanic that Chapters 1, 4 and 5 rely upon for the Company's financial-health analysis, this thesis explicitly retains the historical framework for analytical continuity with the 2016-2024 observation window and the Stage-1/Stage-2 thresholds under POJK No. 23 of 2023, which are not themselves revoked. However, the author has not yet re-verified every article-level citation in Table 2.7 and Chapter 5 against the full gazetted text of POJK No. 27 of 2025 and POJK No. 28 of 2025; this cross-check remains outstanding, and any article-level citation to

the historical POJK No. 72/POJK.05/2016 elsewhere in this thesis should be read as describing the framework in force during the 2016-2025 observation period rather than the framework currently in effect.

Equity deterioration in Islamic insurance companies is primarily driven by accumulated underwriting losses, investment losses, inadequate initial capitalisation, the absence of timely shareholder capital injections, and excessive operating expenses. These interrelated factors progressively erode shareholders' equity, weaken solvency, and increase the risk of regulatory intervention. Their underlying mechanisms are examined through the theoretical perspectives presented in Section 2.2.

2.1.4 Concept of Solvency in Islamic Insurance

Solvency refers to an insurance company's ability to meet its long-term financial obligations to policyholders and other creditors. Unlike liquidity, which focuses on short-term cash availability, solvency reflects an insurer's long-term financial capacity to meet its obligations and therefore represents a primary objective of insurance regulation. (IAIS, 2024).

During the study's historical observation period, the solvency of Islamic insurance companies was assessed under the Minimum Risk-Based Capital (Modal Minimum Berbasis Risiko/MMBR) framework established by POJK No. 72/POJK.05/2016. The MMBR framework requires both the Company Fund (Dana Perusahaan) and the Tabarru' Fund to maintain sufficient eligible assets relative to their respective risk exposures. Compliance with the minimum solvency requirement demonstrates the insurer's ability to absorb losses and fulfil future obligations to policyholders.

Solvency deterioration generally results from declining shareholders' equity, increasing insurance liabilities, deterioration in investment asset quality, or a combination of these factors. Persistent capital erosion weakens the solvency position, reduces financial resilience, and may trigger regulatory intervention. Consistent with Financial Distress Theory, declining capital and solvency can create a self-reinforcing deterioration cycle that ultimately threatens the insurer's long-term viability (Cummins & Danzon, 1997; Koijen & Yogo, 2022).

Conceptual Distinction between Solvency and Liquidity

Solvency and liquidity are related but fundamentally different concepts. Solvency refers to an insurer's long-term financial capacity to meet all obligations, reflecting the adequacy of its capital and overall balance sheet position. Liquidity, by contrast, refers to the ability to generate sufficient cash to meet obligations as they fall due. Consequently, a company may be solvent but illiquid if its assets cannot be readily converted into cash, or liquid but insolvent if its liabilities exceed its assets.

In Islamic insurance, both concepts are important but serve different regulatory objectives. For the historical observation period, solvency was assessed through the Minimum Risk-Based Capital (MMBR) framework under POJK No. 72/POJK.05/2016, whereas liquidity supports the company's day-to-day ability to settle claims and operational obligations. Because this study focuses on regulatory capital restoration and PKU exit, the primary analytical emphasis is placed on solvency rather than liquidity.

The Dual-Fund Structure and Its Solvency Implications

The dual-fund structure is a defining feature of takaful, distinguishing it from conventional insurance. Under DSN-MUI Fatwa No. 21/DSN-MUI/X/2001, the takaful operator acts as a manager (wakil or mudharib) rather than the ultimate risk bearer. Consequently, the Participant Fund (Tabarru' Fund) and the Company Fund (Dana Perusahaan) are legally and financially segregated, and each is subject to separate financial management and regulatory oversight.

The Tabarru' Fund consists of participants' contributions dedicated to mutual risk-sharing (ta'awun), whereas the Company Fund comprises shareholders' capital, ujrah (management fees), investment income, and other operating revenues. Under POJK No. 72/POJK.05/2016, the solvency of each fund must be assessed independently, reflecting their distinct ownership, objectives and financial responsibilities.

This segregation has important solvency implications. A surplus in one fund cannot be used to offset a deficit in the other. The only permitted mechanism linking the two funds is qard (an interest-free loan), through which the Company Fund temporarily supports the Tabarru' Fund when the latter experiences a deficit. Consequently, the Company's capital and solvency are critical not only for regulatory compliance but also for maintaining the financial capacity to support the Participant Fund and safeguard policyholder interests during periods of financial stress.

The Regulatory Framework: *Batas Tingkat Solvabilitas* (BTS)

The solvency of Islamic insurance companies in Indonesia is assessed under the Batas Tingkat Solvabilitas (BTS) framework established by POJK No. 72/POJK.05/2016. BTS adopts a risk-based capital approach in which the Solvency Margin is calculated as the difference between Eligible Assets and Liabilities while the BTS Achievement Ratio measures the extent to which the available solvency margin satisfies the minimum regulatory capital requirement.

Unlike a fixed capital threshold, the Minimum BTS is determined according to the insurer's risk profile, incorporating insurance, market, credit, liquidity and operational risks. Consistent with international risk-based solvency standards, only assets qualifying as KYD under POJK No. 72/POJK.05/2016 are recognised in the solvency calculation.

The BTS framework also provides the basis for OJK's supervisory actions. Companies that fail to meet the minimum solvency requirement are required to implement corrective measures, including the submission of a Financial Recovery Plan (Rencana Penyehatan Keuangan/RPK). Where solvency deficiencies are accompanied by negative shareholders' equity, regulatory intervention may escalate to Business Activity Restriction (PKU) and, where applicable under the prevailing legal and supervisory framework, further measures that may include licence-related action under Law No. 4 of 2023 (P2SK).

The Solvency Paradox in Takaful: Bifurcated Financial Distress

The dual-fund structure of takaful gives rise to a distinctive solvency tension, in which the Tabarru' Fund may retain strong reported solvency indicators while the Company Fund (*Dana Perusahaan*) experiences severe capital deficiency. This is beta condition of XYZ which indicates that two funds in financial trouble are not equal. Clearly, Wruck (1990) can be drawn on to separate financial from economic distress and put the analysis in context without claiming that Company-wide economic distress can safely be discounted.

Paradox such as this usually appeared when premiums a drop in volume from ujrah income to the Company Fund are slowing down, losses operational reduces shareholders equity and capital does not refilled with share holder injected his or her wealth. The Tabarru' Fund can still generate underwriting surpluses but it is becoming increasingly difficult for the company fund to do so too hence regulatory pressure and weakness in sustaining new business. Consequently, the finances of both funds may not reflect on each other even if they share the same legal framework.

This distinction carries important analytical implications. First point that using solvency of Tabarru' Fund for financial strength assessment is simply misguided, The Participant Fund and Company Fund must be considered separately, with a specific comparative focus on shareholder equity given the MMBR solvency positioning of the Company Fund. This theoretical distinction forms a crucial foundation to the Integrated Recovery Framework discussed in this study.

Determinants of Solvency in Islamic Insurance

The solvency of Islamic insurance companies is influenced by both internal and external factors that jointly determine the insurer's financial resilience and regulatory compliance.

Internal factors include capital adequacy, underwriting performance, operational efficiency, investment management and the adequacy of technical reserves. Together, these factors determine the Company's ability to absorb losses,

generate sustainable earnings and maintain the minimum solvency requirement under the MMBR framework.

External factors comprise macroeconomic conditions, financial market movements and regulatory developments. Changes in investment valuations, particularly under PSAK 71/IFRS 9, may reduce shareholders' equity through Other Comprehensive Income (OCI), while evolving regulatory requirements, including the progressive capital thresholds introduced by POJK No. 23 of 2023, increase the capital required to maintain regulatory compliance.

The interaction of these internal and external factors ultimately determines an insurer's solvency position and its capacity to sustain operations, withstand financial stress and comply with OJK's prudential requirements.

2.1.5 Concept of Corporate Governance in Islamic Insurance

Corporate governance refers to the system by which a company is directed, controlled, and monitored to achieve its objectives while ensuring accountability, transparency, and effective oversight (Cadbury Committee, 1992; OECD, 2015). In the insurance industry, strong governance is essential to mitigate information asymmetry, protect policyholders' interests, and maintain public confidence.

In Islamic insurance, corporate governance comprises two complementary dimensions. Good Corporate Governance (GCG), regulated under POJK No. 73/POJK.05/2016, establishes the governance structure required for effective oversight, including the Board of Directors, Board of Commissioners, supervisory committees, and the Company Actuary. The role of this framework is supplemented by the Islamic Governance manifested in the Sharia Supervisory Board (Dewan Pengawas Syariah/DPS) that governs and guarantee such all business activities are conformed to Sharia compliance (Hasan, 2011; Kasim et al., 2013).

It also strengthens strategic decision-making, risk management, actuarial oversight and regulatory compliance pointing to financial soundness built on effective governance. On the negative side, governance weaknesses can lead to capital erosion, solvency degradation and regulatory action. Governance, therefore,

is a fundamental building block of financial resilience and a key element in the Integrated Recovery Framework established for this study.

2.2 Theoretical Framework

This study puts four theoretical perspectives: Institutional Theory, Financial Distress Theory, Agency Theory and Stewardship Theory.

Theoretical hierarchy and analytical roles.

We adopt Institutional Theory as our main theoretical lens, since the focus of this paper is on recovery under regulatory and institutional pressure and subsequent restoration of organisational legitimacy.

At the financial-condition level, deterioration in equity, insolvency and recovery constraints is explained by Financial Distress Theory. While Agency Theory enjoys a decidedly broader application, with particular emphasis on ownership, monitoring, accountability and incentive-alignment problems; Stewardship Theory is more narrowly applied to interpret circumstances through which management, Boards and Shareholders may share a collective action that leads to institutional recovery.

Hence, Agency and Stewardship Theory are regarded as complementary behavioural perspectives rather than concurrent assumptions about all actors. Whereas the propositions leverage these distinct functions and chief findings are embedded to the level of analysis relevant for their theory building.

2.2.1 Institutional Theory

Institutional Theory, originally developed by Paul J. DiMaggio and Walter W. Powell (1983) and further developed by W. Richard Scott (1995), explains how organisations respond to formal regulations, professional norms and societal expectations in order to attain and maintain organisational legitimacy. The theory distinguishes institutional pressures into coercive, normative and mimetic mechanisms, while Mark C. Suchman (1995) conceptualises legitimacy as comprising pragmatic, moral and cognitive dimensions.

Relevance to This Study

Institutional Theory provides the principal analytical lens for examining how regulatory requirements, governance structures and organisational legitimacy influence the financial condition of Islamic insurance companies. In this study, the theory is used to analyse the institutional factors contributing to regulatory distress, including compliance with OJK governance requirements, organisational responses to supervisory intervention, and the role of legitimacy in shaping recovery outcomes. The concepts of coercive, normative and cognitive legitimacy also provide a framework for assessing how governance reinforcement supports sustainable regulatory recovery and the proposed Integrated Recovery Framework.

2.2.2 Financial Distress Theory

The Financial Distress Theory refers to the beacon or research approaches that explain the deterioration in a corporation's financial condition, its causes and how it can be turned around. One is an argument presented by Wruck (1990) who distinguishes between economic distress, where a firm's business is not fundamentally viable, and financial distress, in which the business itself might remain fundamentally viable but appears constrained by insufficient capital given its underlying characteristics or poor structure. This differentiation is particularly important for regulated financial firms, which may be unable to sustain capital despite still being operationally viable.

Altman (1968) developed early bankruptcy prediction models that formed the theoretical base for financial distress and those, in turn, were extended to the insurance sector. More recent work by Koijen and Yogo (2022) show that a loss of capital and solvency can give rise to a self- reinforcing spiral in which weakening capital reduces business activity, this accelerates deterioration of the financial condition, triggering regulatory intervention. Empirical evidence from the insurance industry has supported this mechanism (Cummins & Danzon, 1997; Cheng et al., 2023; EIOPA, 2023). Within the Indonesian capital market context, Budhidharma, Sembel, Hulu and Ugut (2023) develop an early-warning model combining random forest and logit estimation to identify financial distress signals among Indonesia Stock Exchange-listed firms, while Jaunanda, Sembel, Hulu and

Ugut (2022) show that financial distress indicators are significantly associated with stock return volatility, reinforcing the relevance of financial distress indicators as leading signals of institutional deterioration in the Indonesian setting.

Relevance to This Study

The theory of financial distress is the analytical framework that distinguishes structural business failure from capital-related financial deterioration. The underlying literature and theory is used to investigate causes of equity erosion, solvency decline, and regulatory intervention in this study as well as determine if the Company's situation is indicative of economic or financial distress. This classification is the key to recognition of a correct recovery plan and supports, therefore, the creation of the Integrated Recovery Framework proposed in future research. It aligns with practitioner-specific guidelines for how to deal with finance and investment choices in environments of uncertainty, which stress on building up a sufficient buffer and maintaining strict capital discipline as precursors to institutional endurance during times of financial distress (Sembel et al., 2022). In addition to intellectual property rights, which is the other testable area of interest in financial distress that empirically correlates with sustainable development, as do factors such as market pricing accrual, ownership structure and leverage (Malau & Murwaningsari 2018).

2.2.3 Agency Theory

Agency Theory, introduced by Michael C. Jensen and William H. Meckling (1976), explains the governance challenges arising from the separation of ownership and control. The theory argues that conflicts of interest, information asymmetry, and misaligned incentives may prevent agents (management) from acting in the best interests of principals (shareholders), thereby creating agency costs.

Subsequent developments emphasise the importance of effective governance mechanisms, particularly independent boards, oversight, and accountability, in mitigating agency problems (Eisenhardt, 1989; Hermalin & Weisbach, 2017). In the insurance industry, agency issues are especially significant

because of the long-term nature of policyholder obligations, substantial information asymmetry, and the industry's fiduciary responsibility to policyholders (Mayers & Smith, 1988; IAIS, 2019). Indonesian empirical evidence corroborates this governance mechanism: Hastori, Siregar, Sembel and Maulana (2015) find that the effectiveness of the board of directors and board of commissioners significantly affects agency costs among Indonesian listed firms, while SeTin, Sembel, Sudibyo and Purwanti (2022) show that procedural fairness and accountability mechanisms mediate the relationship between performance evaluation systems and opportunistic managerial behaviour, underscoring the role of governance oversight in constraining agency problems.

Relevance to This Study

Agency Theory provides the analytical framework for examining how governance structures, accountability mechanisms and principal agent relationships influence the financial resilience of Islamic insurance companies. In this study, the theory is used to analyse how governance deficiencies, ineffective oversight and misaligned responsibilities among shareholders, the Board of Directors, the Board of Commissioners, management and the Sharia Supervisory Board may contribute to equity deterioration, solvency decline and regulatory non-compliance. The theory also supports the assessment of governance reinforcement as an essential component of sustainable institutional recovery within the proposed Integrated Recovery Framework.

2.2.4 Stewardship Theory

Stewardship Theory, developed by James H. Davis, F. David Schoorman, and Lex Donaldson (1997), suggests a managerial theory where managers serve as responsible stewards whose interests align with the organization and stakeholders. Stewardship Theory, on the other hand, is long time at odds with Agency Theory and argues that holistic dimensions to organizational performance can be enhanced when managers are trusted and empowered so that their primary motivation comes from collective rather than just individual self interest.

Contemporary research indicates an additional group of benefits from steward-paced governance, mainly by enhancing organisational resilience and social accountability and long-term value creation in all kinds of organisations, especially those whose reason for being is primarily mission-driven (e.g. This view is more significant for Islamic finance, as governance in such areas depend on trust (amanah), accountability and stakeholders interests protection (Farook & Farooq, 2011; Zainuldin & Lui, 2020).

Relevance to This Study

Stewardship Theory complements Agency Theory by providing a behavioural perspective on governance and leadership in Islamic insurance companies. In this study, the theory is used to examine how ethical leadership, organisational commitment and stakeholder-oriented governance can strengthen regulatory compliance, support capital restoration and reinforce institutional legitimacy during the recovery process.

Table 2.9 Synthesis of Theoretical Frameworks: Application to Equity Decline, Solvency Deterioration, Governance Failure in XYZ

Theory	Principal Scholars	Core Proposition	Application to Equity & Solvency Decline	Governance Implications for Recovery
Agency Theory	Jensen & Meckling (1976)	Separation of ownership and control generates agency costs; monitoring reduces agent opportunism	Incomplete Board, absent actuary, and marginalised DPS create monitoring vacuum enabling equity erosion through unchecked operational losses	Complete Board of Directors; appoint OJK-registered actuary; empower DPS; activate mandatory committees
Stewardship Theory	Davis, Schoorman & Donaldson (1997)	Values-aligned managers act as stewards; empowerment produces better outcomes than pure monitoring	Absence of stewardship culture allows passive response to equity deterioration rather than proactive capital preservation	Values-aligned leadership selection; DPS empowerment; stewardship culture embedded in board charter
Financial Distress Theory	Altman (1968); Wruck (1990); Gilson (1990);	Financial distress requires a dependency-gated recovery: governance reconstitution and capital restoration	Negative equity, MMBR solvency shortfall, and continuous losses are mutually reinforcing failure dynamics; governance	Governance reconstitution (Workstream A) and capital restoration (Workstream B) pursued in parallel; operational

Theory	Principal Scholars	Core Proposition	Application to Equity & Solvency Decline	Governance Implications for Recovery
	Bibeault (1982)	are pursued in parallel, with revenue growth following regulatory exit	reconstitution is the leading recovery indicator	restructuring (Workstream E) follows regulatory exit
Institutional Theory	DiMaggio & Powell (1983); Scott (1995); Suchman (1995)	Organisations must achieve regulatory, normative, and cognitive legitimacy; coercive sanctions signal legitimacy collapse	Equity deficiency and solvency shortfall trigger OJK sanctions (regulative); governance incompleteness creates normative legitimacy gap; prolonged distress erodes policyholder confidence (cognitive)	Simultaneous restoration of regulatory, normative, and cognitive legitimacy through compliance, governance organ completion, and proactive stakeholder communication

Source: Author's theoretical synthesis, 2024–2026.

2.3 Conceptual Framework

The conceptual framework integrates the regulatory, governance, financial and institutional dimensions of the study into a coherent Input–Process–Output (IPO) model. It illustrates how antecedent conditions and contextual factors influence governance and financial recovery processes, leading to sustainable institutional recovery. Informed by the four complementary theoretical frameworks discussed in Section 2.2, the framework provides the analytical structure for examining XYZ's regulatory distress.

The IPO conceptual framework serves as the analytical foundation for interpreting the empirical findings in Chapter 4 and for developing the Integrated Recovery Framework (IRF) presented in Chapter 5.

2.3.1 Input Layer: Antecedent Conditions and Causal Factors

The input layer identifies the antecedent conditions and causal factors that shape XYZ's regulatory distress and provide the starting point for the proposed recovery process. These inputs are organised into four interrelated dimensions.

First, the institutional context defines the regulatory and operating environment within which XYZ operates. It encompasses the evolving prudential requirements established under POJK No. 72/POJK.05/2016, POJK No. 73/POJK.05/2016, and POJK No. 23/2023, together with the broader development

of Indonesia's Islamic insurance industry. In line with Institutional Theory, these regulatory and market conditions set the external pressures and legitimacy expectations that influence organisational behaviour and recovery priorities.

Second, governance is a major organisational weakness that undermines regulatory compliance. Weaknesses include inadequate governance frameworks, inadequate regulatory functions and oversight mechanism which is poorly staffed. These factors, framed through the lens of Agency Theory and Stewardship Theory, inhibit accountability, hamper robust strategic oversight and reduce organisational responsiveness to economic pressures of an evolving financial landscape.

Prong Three: Negative Financial Health Deficiency (pessimistic Company value on financial grounds, characterized by stagnant equity decay, poor solvency profile with low capital adequacy to trigger an avoidance of regulatory remediation) The second condition is analyzed through prism of Financial Distress Theory; namely persistent erosion in capital ultimately negatively affects financial health and therefore increases the likelihood of regulatory action.

Fourth, operational and institutional stressors are external and internal pressures from being bound by enduring regulations, reduced business capacity or decreased legitimacy of institutions. Weaving through it all, the Company is compelled by circumstances to make it an uphill task for itself to recover financially as well as being able to recover.

2.3.2 Process Layer: Governance and Financial Recovery Processes

The process layer describes how the identified governance, financial, and institutional deficiencies are addressed to achieve sustainable recovery. It divides recovery activity into five parallel workstreams, all governed by explicit dependency gates, to triangulate the reinforcement of governance with restoration of capital and business recovery as coherent forms of institutional transformation.

Workstream A & B – Governance & Actuarial Capability, and Capital Mobilisation & Investor Process jointly begin with the goals of restoring effective governance, strengthening oversight and re-establising regulatory compliance (in Workstream A), and mobilising capital via the controlling shareholder/s thought process as well as prospective investors (in workstream B). In alignment with Agency Theory and Stewardship Theory, appropriate governance offers the

necessary organisational framework which promotes sound decision making, accountability and stakeholder confidence; likewise Financial Distress Theory similarly identifies capital adequacy as a prerequisite for recovery. There is no dependency between starting either workstream, because organisational stabilisation and capital mobilisation tackle different gaps with independent approaches operating in parallel.

Workstream C - Financial-Health Assessment and Recovery/Action Plan: Workstream C leans heavily on the Company Actuary appointed as part of workstream A to certify the Company's MMBR and prepares the recovery/action plan based on the existing OJK supervisory framework, with full consideration of capital commitments secured in Workstream B, addressing the fundamental drivers of financial distress through a regulatory-ready evidentiary package that upholds progress towards governance and capital compliance against an OJK risk-based capital framework.

Once the Workstreams A, B and C are completed, this evidentiary package is filed together with the PKU termination application to OJK by Workstream D – Regulatory Engagement. Workstream E – Business Recovery and Regulatory Exit will only begin after OJK has reviewed the evidence and formally ends the PKU regime, with an emphasis on returning to sustainable business operations, restoring institutional legitimacy and achieving normal regulatory status. In line with Institutional Theory, this work stream highlights that restoring regulatory, organizational and stakeholder legitimacy is a prerequisite for sustainable institutional recovery.

The five workstreams are concurrent and reinforcing, not sequential, with dependency gates: Workstreams A and B both start immediately, Workstream C depends on an early delivery of Workstream A, and Workstreams D and E are gated on the joint completion of A, B and C, as well as against OJK's later review. Together, these processes constitute the operational backbone of the Integrated Recovery Framework presented in this thesis.

2.3.3 Output Layer: Institutional Recovery Outcomes

The output layer defines the expected institutional recovery outcomes resulting from the governance and financial recovery processes. These findings

represent the priori institutional-level primary, secondary and tertiary outcomes anticipated from the proposed recovery framework and also specify outcome benchmarks for potential evaluation of future implementation with respect to real-world performance and external validity but do not establish a definitive test of efficacy.

Pro forma for the transaction, the anticipated regulatory results are (i) restoration of capital adequacy and compliance with OJK governance and solvency requirements, (ii) removal of regulatory constraints on operations so that the Company may continue its normal course of business.

Financial Outcomes: Positive shareholders equity regained, solvency and sustainability of profitability and financial resiliency to sustain business continuity longer term.

Organisational legitimacy, stakeholder confidence and governance effectiveness are defined here as institutional outcomes. As per the Institutional Theory, sustainable recovery is beyond mere regulatory compliance but also rebuilding ofregulatory, organisational and market legitimacy. Overall these results are a reflection of the anticipated impacts from the Integrated Recovery Framework Proposal and align with the company's ambition for long term sustainability.

2.4 Chapter Summary

In this chapter we have built some of the theoretical, conceptual and normative basis of the rationale for this research. Conceptually it explained literature covering Islamic insurance, equity, solvency, corporate governance and the Indonesian regulatory context in more depth, hence conceptualized institutional, financial and governance challenges faced by an distressed Islamic insurance companies.

Additionally, four theoretical models (Institutional Theory, Financial Distress Theory, Agency Theory and Stewardship Theory) further support the framework of analysis that seeks to clarify why regulatory distress happens and how institutions are revitalized. These theoricals present the interaction between regulatory pressure, governance quality and financial decline with organisational behaviour to shape recovery outcomes.

In a theoretical context, the chapter developed an Input–Process–Output (IPO) framework to showcase relationships between antecedent conditions of governance and re-financing processes and institutional recovery outcomes. An analytical framework for interpreting the empirical results described in Chapter 4 and building the Integrated Recovery Framework presented in Chapter 5.

The current chapter elaborates on how the research was designed, including data collection procedures and methods used to conduct the analysis in this study.

CHAPTER 3
RESEARCH METHODOLOGY

This chapter presents the research methodology adopted to address the research objectives and develop the proposed Integrated Recovery Framework (IRF) for regulatory supervisory exit in a financially distressed Sharia life insurer. It is organised into seven sections: (3.1) Research Design and Philosophical Foundation; (3.2) Research Planning and Implementation Timeline; (3.3) Researcher Positionality and Insider Access; (3.4) Data Sources and Collection Method; (3.5) Research Instrument: Expert Questionnaire Protocol; (3.6) Data Analysis Method, including research rigour, ethical provisions and expected contributions; and (3.7) Chapter Summary. The methodological approach combines documentary analysis with a written semi-structured expert questionnaire within a qualitative single embedded case study design. This approach is intended to ensure methodological rigor, contextual depth and practical relevance in examining the Company's financial distress, governance challenges, regulatory constraints and recovery strategy.

3.1 Research Design and Philosophical Foundation

3.1.1 Research Philosophy: Interpretivism

The study takes an interpretivist epistemological perspective. By contrast, interpretivism suggests that social without (here institutional governance failures, regulatory enforcement dynamics and organisational resilience mechanisms) refer fundamentally to the meanings actors ascribe their own experiences; it prioritises depth of context over statistical generalised breadth (Creswell & Poth, 2018; Saunders et al., 2016). A qualitative single embedded case study design was selected to capture relevant qualifying contextual processes occurring during recovery related to organisational, regulatory and governance. The right position is indeed that the Company's financial distress and controls over prudent management including it recovery path way are institutional judgements, governance cultures patterns of market jostling and regulatory relationships that cannot be (analytically) reduced to numbers.

This study is ontologically moderate constructivist in approach. Objective organisational phenomena, such as equity deficits, solvability ratios and regulatory sanctions by OJK exist independently from the researcher, but their generic causes, implications for organisations and systemic recovery pathways can only be understood as social constructions through institutional interactions, governance practices and managerial decision-making. Therefore, qualitative inquiry is needed to illuminate how those realities are understood and responded to by organisational actors.

3.1.2 Qualitative Research Approach

This study employs a qualitative research approach to address the primary research question concerning how the Company can develop a proposed comprehensive recovery strategy to resolve its dual regulatory deficiencies and achieve a sustainable exit from regulatory supervisory restrictions (PKU). Qualitative research is particularly appropriate for addressing "how" and "why" questions that require contextual, process-oriented understanding rather than statistical measurement (Yin, 2018; Bryman, 2016).

The Company's recovery challenges encompass multiple interrelated dimensions, including equity deficiency, governance weaknesses, regulatory compliance obligations and organisational restructuring. These complex institutional and organisational processes cannot be adequately understood through quantitative analysis alone. Accordingly, a qualitative approach enables an in-depth exploration of organisational experiences, stakeholder perspectives, and documentary evidence, thereby providing a robust empirical foundation for the development of the proposed Integrated Recovery Framework (IRF).

3.1.3 Single Embedded Case Study Design

Embedded units of analysis. XYZ is the single case, while four analytically embedded units are examined within it: (1) the Company Fund, for equity, profitability, liquidity, and Company Fund solvency; (2) the Tabarru' Fund, for underwriting performance and participant-fund solvency; (3) governance organs and control functions, for Board composition, actuarial capability, risk

management, internal control, and compliance; and (4) the controlling-shareholder interface, for capital support, governance accountability, and strategic commitment.

Cadence in your data is up to October 2023, nothing else. You are units of (embedded) not distinct. They grant cross-case windows with outputs that we use to synthesize the Corporation's net re-regulatory recovery position.

XYZ is illustrative of a unique type of institutional configuration never previously studied within the academic literature, each representing an institutional comparison and informational rich nest containing (Yin, 2018) the case study (CS) of a single Sharia Life Insurer constrained by regulatory supervision liberation restrictions or PKU.

Second, this does not occur with an external researcher, the researcher is embedded in an institutional role at XYZ, so they have a level of initial access (to documents, processes and key actors) that would be difficult to replicate externally. This insider role also requires careful management of researcher bias through reflexivity, documentary triangulation and regulated analytical procedures (section 3.7).

Third and finally, the central research question is quite clearly located in the case itself. This study develops a recovery framework for the focal organisation in hospitality, rather than achieving statistical generalisability.

This embedded design provies for analysis at different sublevels of the single case, which align to the analytical dimensions that subsequently inform the development of the proposed Integrated Recovery Framework (IRF).

Table 3.1 Justification for the Single Embedded Case Study Design Based on Yin (2018)

Design Criterion	Yin (2018) Guidance	Application to This Study
How and why research question	How and why questions favour case study research over surveys or experiments.	The primary research question examines how the Company can develop a proposed comprehensive recovery strategy to resolve its regulatory deficiencies and achieve a sustainable exit from PKU, requiring an in-depth contextual investigation rather than statistical analysis.

Design Criterion	Yin (2018) Guidance	Application to This Study
No researcher control over events	Case study is appropriate when events are beyond the researcher's experimental control.	The Company's financial distress, regulatory sanctions, governance deficiencies, and equity deterioration are existing institutional conditions that are observed and analysed rather than manipulated.
Contemporaneity	Case study investigates contemporary phenomena within their real-life context.	The Company remains under PKU, making the recovery process an ongoing institutional phenomenon requiring real-time analysis.
Revelatory case	A single case is justified when it provides access to a rare or previously under-examined phenomenon.	XYZ represents a rare and information-rich case of a standalone Sharia life insurer undergoing regulatory recovery under PKU, providing exceptional access to organisational and regulatory processes.
Embedded sub-units	Embedded case studies permit multiple analytical sub-units within a single case.	The embedded sub-units correspond to the analytical dimensions examined throughout the study—including governance, equity, solvency, operations, and stakeholder legitimacy—which collectively inform the development of the proposed Integrated Recovery Framework (IRF).

Source: Author's elaboration, adapted from Yin (2018).

3.1.4 Research Proposition and Empirical Context

This qualitative case study is designed to develop a proposed and externally unvalidated governance-led recovery framework describing how a financially distressed standalone Sharia life insurer could pursue a sustainable exit from OJK's Business Activity Restriction (PKU); it does not test the effectiveness of that framework. The study does not statistically test causal relations; rather, it explores specific dimensions of governance strengthening, regulatory compliance, institutional coordination and financial restructuring through shared experiences by five organisations to achieve organisational recovery despite the challenges of a unique regulatory environment.

The case then defines the empirical context of the Company in terms of its audited financial position as at 31 December 2024. Based on the audited financial statements, the Company recorded negative equity of IDR 43,858 million due to sustained losses and negative othert comprehensive income. Restoring equity to the IDR 100 billion Stage-1 minimum is a

notably indicative equity-restoration gap of IDR 143.858 billion on that audited baseline. That figure is consistently utilized as an equity-gap minimum benchmark; it is not a definite regulatory capital setting requirement to restore full financial-health or solvency, which remains subject to subsequent losses, OCI movements, recovery costs, actuarial assessment and OJK evaluation (considering applicable solvency requirements).

The main company-wide financial data used for the empirical analysis is censored at 31 December 2024 based on audited financial statements through FY2024. Data through 2025-26 are used only for industry context, potential future regulatory changes, June to July 2026 questionnaire evidence and tentative recovery suggestions. All such post-2024 data is not considered audited historical financial proof of XYZ unless otherwise specifically labeled.

Accordingly, the study investigates whether governance reform, strengthened regulatory compliance, enhanced shareholder commitment and institutional coordination can collectively facilitate the mobilisation of the required capital while simultaneously addressing the governance and organisational deficiencies that contributed to the Company's regulatory intervention. The findings are subsequently synthesised into the proposed Integrated Recovery Framework (IRF), which is offered as a proposed and externally unvalidated recovery design for distressed Islamic insurance institutions operating under comparable regulatory circumstances.

3.2 Research Planning and Implementation Timeline

The research was successfully conducted in accordance with the planned schedule, facilitated by the researcher's institutional access to primary organisational documents, established professional relationships with the selected expert questionnaire respondents and extensive contextual knowledge gained through professional responsibilities within the Company.

Table 3.2 Individual Project Implementation Timeline

Wk	Phase	Key Activities	Deliverable
1	Research Preparation	• Finalize conceptual and theoretical framework • Compile XYZ audited financial statements FY2016–2024 • Collect OJK regulatory documents • Compile AASI and industry data • Finalize questionnaire protocol	• Complete secondary and tertiary document corpus • Finalised questionnaire instrument
2	Documentary Analysis	• Systematic financial analysis: equity, solvency ratios, contribution income FY2016–2024 • Regulatory compliance mapping against the historical and current OJK framework, including POJK 72, 73, 23, 27, 28 and 37 • Assessment of governance structure completeness	• Financial analysis matrices • Regulatory compliance scorecard • Governance gap assessment
3	Primary Data Collection	• Distribute and collect completed written semi-structured expert questionnaires from the selected expert informants, including members of the Board of Directors, the Board of Commissioners and shareholder representatives. • Review responses for completeness and consistency • Organise questionnaire data for coding	• Completed questionnaire responses • Initial analytical memos
4	Data Coding and Thematic Analysis	• Review and consolidate all completed questionnaire responses • Consolidate all written questionnaire responses • Commence coding and thematic analysis • Pattern matching across the analytical dimensions identified in the conceptual framework	• Completed questionnaire responses • Coded data set • Preliminary thematic map
5	Findings and Interpretation	• Present and analyse documentary and questionnaire findings across the analytical dimensions • Interpret empirical findings using Agency Theory, Stewardship Theory, Financial Distress Theory and Institutional Theory • Interpret findings in relation to the conceptual framework and theoretical foundations.	• Complete Chapter 4 draft
6	Framework Development	• Construct Integrated Recovery Framework from Chapter 4 findings • Specify the integrated recovery workstreams and dependency gates • Develop strategic recovery initiatives, including capital restoration scenarios	• Complete Chapter 5 draft • Proposed Integrated Recovery Framework (IRF)

Wk	Phase	Key Activities	Deliverable
		• Formulate OJK RPK roadmap • Write conclusions and recommendations	
7	Thesis Integration and Validation	• Integrate all chapters • Ensure alignment between research questions, methodology, findings, discussion, conclusions, and the proposed IRF • Supervisor review, feedback, and revision • Finalize abstract and executive summary	• Complete thesis draft submitted to supervisor
8	Finalisation and Defence Preparation	• Incorporate supervisor feedback • Final formatting checks against IPMI guidelines • Submit thesis • Prepare and rehearse the Thesis Defence presentation covering the research problem, methodology, findings, the proposed IRF, theoretical contributions, managerial implications, limitations, and recommendations	• Final thesis submitted • Thesis Defence slides completed

3.3 Researcher Positionality and Insider Access

3.3.1 The Researcher as Practitioner-Scholar

At the time of the study, the researcher served as a Senior Executive of XYZ, the focal organisation examined in this research. This is what Brannick and Coghlan (2007) would describe as the "insider researcher" – a researcher who undertakes research within an organisation in which they are currently employed or have ongoing professional links. The insider researcher position represents an acceptable and academic case as qualitative study stance (Coghlan & Brannick, 2014; Saunders et al., 2016), especially across professional doctorate and MBA research traditions where the practitioner-scholar merges academic skills with professional competence.

Having the insider position offers this study with four methodological advantages. First, domisiiled by privileged access to institutional documents including internal OJK correspondence, Board resolution records and non-market based internal governance assessments. Second was where those selected as expert informants (Directors, Commissioners and shareholder representatives) had established professional relationships with the researcher, to ensure speed of access and a well-considered written response. Third, because a deep contextual

understanding of the regulatory framework and the PKU mechanism and a history of XYZ's operations allow for more interpretive analysis of both documentary and questionnaire evidence. Fourth, the ability to assess practical implementability of surefire recovery strategies and tactics from an operational compliance standpoint, a mutually exclusive advantage that external analyses by academia cannot usually replicate.

While the insider position provides significant methodological advantages, it also requires careful management of researcher bias through reflexive practice, documentary triangulation and transparent analytical procedures.

3.3.2 Managing Insider Bias: Reflexivity and Transparency

The insider researcher position also presents methodological risks, principally the risk of confirmation bias, interpreting evidence to confirm pre-existing professional positions, and the risk of over-identification with the organisation, which may compromise analytical detachment (Brannick & Coghlan, 2007).

In this study, three separate provisions in terms of explicit intent target these risks directly.

First, reflexive practice, the process of collecting qualitative data is often subjective and calls for researchers to account for their potential bias. These were included as part of the study audit trail.

Secondly, theory-based analysis: All the results you will interpret using theoretical models developed in a literature (Chapter 2) throughout Institutional Theory, Financial Distress Theory, Agency Theory and Stewardship Theory serve as conceptual limitations for an external benchmarking system to create solidifications against subjective readings of the narrative approach assuring that conclusions are argument since now only experience-driven.

Third, negative case analysis: during the thematic analysis process the researcher searched for any documentary or questionnaire evidence that would disconfirm Chatham's evolving interpretations and preliminary analytic conclusions. The

analysis was guided by contradicted evidence along with confirming evidence in order to support credibility for the findings.

3.4 Data Sources and Collection Method

3.4.1 Data Triangulation Strategy

The principal approach for enhancing validity in this study is the use of source triangulation, which is described as intentional recommendation of various independent data categories to support extant findings or challenge when necessary. We are using three types of data sources: primary (written semi-structured expert questionnaire), secondary (institutional and regulatory documents) and tertiary (industry reports and academic literature). Furthermore, triangulation is also theory-based according to the four hypothesized theoretical frameworks from Chapter 2 that are applied in an uncoordinated manner on the same empirical structure for checking convergence.

3.4.2 Primary Data Sources: Written Semi-Structured Expert Questionnaire

MethodsPrimary data were collected through a semi-structured expert questionnaire undertaken by selected senior organisational actors with direct experience of the Company governance and regulatory compliance & financial rehabilitation processes. In line with the interpretivist lens of this research, we applied a questionnaire to experts so as to obtain knowledge that could not stem from documents alone (Saunders et al., 2016; Yin, 2018).

Instead of conducting tape-recorded interviews face-to-face, this study followed a written semi-structured expert questionnaire protocol. A total of five framed questions (referred to as Expert Questionnaire Record Sheets which the informants filled out under identical conditions, with responses dates recorded). A common written protocol allowed for comparison across informants.

Owing to the seniority of the sample respondents whose schedules would preclude lengthy face-to-face interviews, written semi-structured expert questionnaire were considered particularly appropriate. Written responses also reduced transcription errors, allowed participants to review their answers prior to submission and left a permanent record which could be subsequently coded for thematic analysis.

It is more appropriately referred to as a written semi-structured expert questionnaire instead of an interview since no synchronous, two-way exchange occurred.

Accordingly, “written semi-structured expert questionnaire” (abbreviated as “expert questionnaire”) is used as the single, formal label for the primary data-collection method throughout this thesis, including the abstract, the research instrument (Appendix A), the Expert Questionnaire Record Sheets (Appendices B–F) and all findings sections; the related terms “questionnaire responses”, “questionnaire findings” and “expert informants” refer to the same instrument and data. No synchronous face-to-face or audio-recorded interview with any informant occurred; all primary data were obtained via the questionnaire instrument previously described.

Specifically, these primary informants consisted of board members (selected) from the Board of Directors, the Board of Commissioners, Shareholder Representatives and Chief Operation Officer. The sampling method used in this study was purposive sampling, which is why these participants were selected from among those who are directly involved with governance oversight (PKU), regulatory compliance, capital recovery initiatives (PKU) and strategic decision-makers related to the Company's efforts to achieve a sustainable exit from PKU restrictions. The range of their perspectives together supported the documentation and enhanced reliability via source triangulation.

3.4.3 Secondary Data Sources: Documentary Analysis

This study employs documentary analysis as its primary method for secondary data collection. Due to the prolonged financial problems of the Company, regulatory supervisory restrictions (PKU) and challenges related to governance, a large amount of documentation with an institutional, financial, regulatory and legal nature has been accumulated that allows for systematic qualitative analysis. In line with Bowen's (2009) documentary analysis method, documents were assembled to present the Company's asset position nationally and internationally as well as being useful indicators of regulatory compliance status, governing arrangements and information to support recovery initiatives.

This documentary evidence has two complementary roles played on the ground. It offers a proof of evidence for the evaluation of equity position, solvent condition, governance structure and regulatory. Third, it strengthens the results obtained from the written semi-structured expert questionnaire, adding credence through source triangulation (Yin, 2018).

The documentary sources analysed in this study comprise five categories;

1. Audited Financial Statements of XYZ, 2016–2024.

These annual financial statements, audited by independent public accountants, constitute the source of financial evidence. They provide information on equity, solvency indicators (Company Fund Minimum Required Solvency Margin/MMBR and Tabarru' Fund Risk-Based Capital/RBC), contribution income, profitability, total assets, liabilities and other financial performance indicators.

2. Regulatory Documents Issued by OJK.

These include the regulatory correspondence concerning the Company's PKU status, relevant Financial Services Authority regulations (POJK), official industry statistics, and the Indonesian Insurance Roadmap. These documents establish the regulatory framework governing the Company's financial health, governance requirements, licensing obligations, capital adequacy, and supervisory expectations.

3. Internal Corporate Governance Documents.

Internal documents include organisational governance records, internal management coordination meeting reports and correspondence relating to regulatory remediation. These documents provide evidence regarding governance arrangements, institutional decision-making and the Company's ongoing efforts to address regulatory deficiencies.

4. National Laws and Regulatory Framework.

Relevant legislation, including Law No. 40 of 2014 concerning Insurance and Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector (P2SK Law), provides the statutory basis for insurance regulation,

corporate governance, capital adequacy requirements, and OJK's supervisory authority.

5. Industry Reports and Academic Literature.

Industry reports published by the Indonesian Sharia Insurance Association (AASI), OJK and other authoritative institutions, together with peer-reviewed academic literature, were used to provide industry context, benchmarking and theoretical support. These sources were employed primarily for contextualisation rather than as direct empirical evidence.

Collectively, these documentary sources provide a comprehensive and independently verifiable evidence base that complements the primary questionnaire data and supports the development of the proposed Integrated Recovery Framework (IRF).

3.4.4 Tertiary Data Sources

Tertiary data were incorporated to provide industry context, benchmarking and supporting reference material that helped interpret the primary and secondary data. In contrast to primary empirical evidence, which is obtained directly from the Company and regulatory authorities, tertiary sources were not perceived as actual evidence but are used to contextualise Indonesia's Sharia life insurance sector and aid in comparisons with broader industrydevelopments.

The tertiary sources are publications, such as those issued by the Indonesian Sharia Insurance Association (AASI), the Financial Services Authority (OJK) and other institutions. In addition, where appropriate, reliable financial and industry reports were utilized to provide contextual information on regulatory changes, market developments and operating environment of Indonesian insurance sector.

These tertiary sources were known for three main things. There were two stages involved, firstly they provided industry level benchmarks for interpreting the Company, in terms of financial performance, governance practices and regulatory position. The second, they provided more wider context on the developments in

Indonesian Sharia insurance industry, regulatory reforms and market environment. These comments supplemented the documentary evidence and primary questionnaire data, as their purpose was to support our interpretation of findings related to study objectives and to promote discussion

Consequently, tertiary data contributed to a more comprehensive understanding of the research context while strengthening the overall analytical depth of the study.

Table 3.3 Documentary Sources, Examples and Analytical Purpose

Documentary Source	Examples	Analytical Purpose
Audited Financial Statements	2016–2024	Financial performance, equity, solvency
OJK Regulatory Documents	POJK, PKU letters, Roadmap	Regulatory compliance
Internal Governance Documents	Board records, Compliance Reports	Governance assessment
National Legislation	Law No. 40/2014, Law No. 4/2023	Legal framework
Industry Reports & Academic Literature	AASI, OJK, peer-reviewed journals	Contextualisation and benchmarking

Source: Author's elaboration.

3.4.5 Data Collection

The primary data for this study were collected in the organisation (XYZ) by employing a common written semi-structured expert questionnaire protocol with purposively recruited senior organisational informants. Only one written protocol consisted of ten identical questions that were answered by all five informants (CSR-01, PC-01, IC-01, PD-01 and COO-01). The study recruited participants using purposive sampling to select individuals readily identifiable as being knowledgeable about the key matters under consideration as well having decision making authority over the Company related financial recovery, governance enhancement, regulatory compliance and PKU remediation efforts. The common protocol consisted of 10 main questions that corresponded to the broader research objectives and analytic dimensions described in Chapter 2. Survey data were collected during June 25 to July 3, 2026. Response dates in the corresponding Expert Questionnaire Record Sheets were: 25 June 2026 (IC-01), 29 June 2026

(COO-01), 30 June 2026 (PC-01), 2 July 2026 (PD-01) and 3 July 2026 (CSR-01). The written responses that were completed served as the primary qualitative dataset for coding, thematic analysis and triangulation with documented evidence.

In order to increase the validity and feasibility of the findings, questionnaire responses were triangulated against documentary evidence (for example, actual audited financial statements, OJK regulatory documents, internal corporate governance documentation and relevant legislation) interpreted using theoretical frameworks as outlined in Chapter 2. The methods of source and theoretical triangulation allowed for the confirmation of results among independent sources and Qo3ntributed to increasing the analytical strength of the investigation. Details of the questionnaire protocols and completed questionnaires can be viewed in the Appendices.

3.5 Research Instrument: Expert Questionnaire Protocol

The primary data collection instrument employed in this study was a written semi-structured expert questionnaire protocol specifically developed to address the research objectives and research questions. The protocol offered some standardisation across all informants but afforded flexibility to allow informants to give in-depth, experience-based responses to open-ended questions. Such a method guaranteed that responses can be compared whilst permitting the required depth of insight sought in qualitative case study research.

The questionnaire protocol included a total of ten open-ended questions was centered around the main analytical dimensions of this study, namely: (1) financial distress; (2) equity restoration; (3) solvency rehabilitation;(4) governance reinforcement;(5); regulatory compliance;(6); PKU remediation;(7); investor attractiveness and(8); strategic recovery initiatives. Every question was closely linked to the research objectives, and additionally, the conceptual and theoretical frameworks outlined in Chapter 2 ensured that data were collected relevantly.

In order to increase consistency across responses, all five informants received the same ten core questions in writing and completed them. The written

responses, which were all given anonymously and retained by the researcher for data protection reasons, formed the main qualitative dataset upon which coding, thematic analysis and triangulation with documentary evidence took place. Protocol: The full protocol and informant records are presented in the Appendices.

Table 3.4 Summary of the Expert Questionnaire Design

Component	Description
Data Collection Method	Written semi-structured expert questionnaire
Sampling Strategy	Purposive sampling
Participants	Representative of the Controlling Shareholder, President Commissioner, Independent Commissioner, President Director, Chief Operating Officer
Data Collection Period	25 June – 3 July 2026 (see individual Expert Questionnaire Record Sheets in Appendices B–F)
Research Instrument	Expert Questionnaire Protocol
Questionnaire Records	Completed written questionnaire response forms
Validation	Source triangulation and theoretical triangulation

Source: Author's elaboration.

Regulatory Anchoring of the Questionnaire Protocol and Interpretation of Response Convergence

The common regulatory anchoring is important when interpreting the relatively high degree of convergence observed across the written questionnaire responses. The degree of similarity among the core responses should not be confused as an artefact of introducing bias by a researcher or due to any effort on part of the researchers or informants to converge their responses. Arranged from another institutional role, the (Controlling Shareholder Representative, President Commissioner, Independent Commissioner, President Director and Chief Operating Officer) five informants were able to fulfill in detail with the same ten questions written protocol separately, no harmonisation of answers had been requested and each informant replied originating from his/her own professional and institutional location.

The better interpretation here is of regulatory and professional convergence. Five informants are reviewing the same Company, which was like PKU condition and

similar underlying regulatory reality shown by OJK supervisory letter and current POJK requirement. The regulatory facts that were being evaluated did not change by fiduciary. Instead, each informant had been in a different actor's position regarding the facts. This is quite easily interpretable as confluence on the central diagnosis, especially needed equity and financial health restoration power, complete governance and actuarial capability were complied OJK requirements that corroborates a credible runway PKU resolution process, sufficiently treatable instead; i.e. framed responses are common sense regulatory or professional reasoning rather than a suggestion that the responses themselves were manufactured by the researcher to begin with.

This does not imply that this study is able to exclude qualitative bias in total. You will be nanded to write up your methodological risks (for example, in any insider case study context confirmation bias, social desirability and regulatory framing). These risks were met with independent written answers, reflexive practice, negative-case analysis and above all triangulation against audited financial statements, OJK regulations and supervisory documents as well as records of the internal governance procedures and other documentary evidence. However, documentary and financial records carried higher evidentiary weight in instances where questionnaire answers merely reiterated regulatory views previously reported in the documentary evidence. We ensured that differences in emphasis, prioritisation, responsibility, sequencing and potential mechanisms of change remained discrete within the thematic analysis rather than amalgamated as noise.

Scarcity for Individual Case Arguments An analytical implication in analyzing any case via the epistemic theory is that response convergence counts as constitutive evidence of a shared diagnosis transcending outcomes within the case, not five statistically-independent observations. Although proposing a solution is beyond the scope of qualitative data alone, these data establish and illustrate the recovery problem. The research then progresses to the solution by way of synthesis of convergent empirical diagnosis, documentary and financial evidence, relevant OJK requirements, applied theory and case based managerial judgement. This distinction is essential to the logic of the thesis and connects findings from Chapter 4 on with the Integrated Recovery Framework (IRF) proposed in Chapter 5.

Interpretive Position on Response Convergence

The five responses were coded for similarity, which this study interprets as suggesting substantive convergence around a shared regulatory problem – not evidence that the researcher prompted identical answers. As the informants were established institutional actors with distinct roles, the written protocol was filled out separately.

This is, therefore, analytically informative as they all fall broadly into a similar rectified assessment but which are derived from different positions within the same somewhat- regulated case. By its nature, however, this study does not test that convergence as an independent replication: the congruent regulatory object and especially common hypotheses pull us into a single contractual space. In that sense, the correct claim is evidence for case-level consistency and expert convergence — using triangulation, not proof of universal accord.

This distinction is particularly important because agreement that equity, solvency and governance are relevant regulatory issues does not imply agreement on causes, relative importance, sequencing or solutions. As a result, the analytical goal was not to verify whether respondents »agree (with) each other« but rather how different institutional actors interpret and frame these same regulatory ›limits‹ with respect to concrete regulatory aspects for XYZ.

This is why the questionnaire evidence should be considered as contributing to a wider triangulated case-study research (though it still does matter). Instead of establishing the convergence of responses as a flag of credibility, key conclusions and analytical propositions were evaluated on the aggregated weight of documentary, financial, regulatory, governance and survey evidence.

Data Analysis Method

3.5.1 Thematic Analysis: A Primarily Deductive Approach

This study employs thematic analysis as the primary data analysis method, following the six-phase framework proposed by Braun and Clarke (2006). The reason for selecting thematic analysis is because it is well aligned with the interpretivist epistemological position taken in this research, provides theoretical

flexibility, can be used to combine deductive and inductive analytical thinking, and supports a systematic analysis of several qualitative information sources from written questionnaire responses to audited financial statements of regulatory documents and internal governance records (Nowell et al., 2017).

The analytical process consisted largely of deductive work, with minimal inductive refinement. The deduced part was depending on the analytical dimensions supported by the conceptual framework and carried with four theoretical perspectives as reviewed in chapter 2, Agency Theory, Stewardship Theory, Financial Distress Theory and Institutional Theory.

These theories served as initial theoretical frameworks through which to interpret the empirical data. A partial inductive refinement was kept to clarify contextual meanings, fusing overlapping codes and pinpointing case-specific relations among the predefined analytic dimensions.

Table 3.5 Application of Braun and Clarke's Six-Phase Thematic Analysis

Phase	Core Activity	Application
Phase 1 Familiarisation	Immersion in the complete dataset through repeated reading and initial annotation.	Review written questionnaire responses alongside audited financial statements, OJK regulatory documents, governance records, and other documentary evidence; prepare initial analytical memos and identify preliminary patterns.
Phase 2 Initial Coding	Systematic coding of qualitative data relevant to the research objectives.	Apply deductive codes based on the analytical dimensions and theoretical frameworks, while allowing inductive codes to emerge from written questionnaire responses and documentary evidence. Coding was conducted manually due to the focused scope of the dataset.
Phase 3 Searching for Themes	Organise related codes into broader analytical themes.	Group coded data into candidate themes reflecting both the analytical dimensions and inductively emerging patterns; develop thematic maps illustrating relationships among codes and themes.
Phase 4 Reviewing Themes	Evaluate candidate themes against the complete dataset.	Review themes across documentary evidence and written questionnaire responses; conduct negative case analysis by actively examining contradictory evidence; refine, merge, or remove themes where appropriate.
Phase 5 Defining and Naming Themes	Develop clear analytical definitions for each confirmed theme.	Define and refine each confirmed theme in relation to the relevant analytical dimension, research objectives, and theoretical perspectives while ensuring that theme names accurately reflect the empirical evidence

Phase	Core Activity	Application
Phase 6 Writing the Findings	Integrate empirical evidence with theoretical interpretation.	Develop the analytical narrative presented in Chapter 4 by integrating documentary evidence, anonymised questionnaire-response quotations, and theoretical interpretation. The resulting synthesis subsequently informs the development of the proposed Integrated Recovery Framework (IRF) in Chapter 5.

Source: Author's elaboration, adapted from Braun and Clarke (2006) and Nowell et al. (2017).

3.5.2 Pattern Matching and Explanation Building

Pattern matching was employed to compare the empirical findings with the theoretical perspectives presented in Chapter 2, namely Agency Theory, Stewardship Theory, Financial Distress Theory and Institutional Theory (Yin, 2018). This process enabled the researcher to assess the extent to which the observed governance, finansial and regulatory conditions of XYZ were consistent with the theoretical patterns predicted by these frameworks.

Explanation building was subsequently applied to develop a coherent and theoretically grounded account of how the Company's financial distress, governance deficiencies and regulatory supervisory restrictions (PKU) evolved, and how these conditions informed the proposed recovery strategy. The process was iterative, involving continual refinement of emerging explanations through thematic analysis, pattern matching, and the examination of documentary evidence and written questionnaire responses. The resulting analytical synthesis provided the foundation for the development of the proposed Integrated Recovery Framework (IRF) presented in Chapter 5.

Table 3.6 Trustworthiness Criteria and Strategies Applied in This Study

Criterion	Definition	Strategies Applied in This Study
Credibility	Findings accurately represent the phenomenon under investigation.	Source triangulation (written semi-structured expert questionnaire, audited financial statements, OJK regulatory documents, internal governance records, and relevant legislation); prolonged institutional engagement; negative case analysis; and iterative thematic analysis.
Transferability	Findings provide insights that may be applicable to comparable organisational contexts.	Thick description of the Company's institutional, regulatory, and historical context, enabling readers to assess the applicability of the findings to similar cases.

Criterion	Definition	Strategies Applied in This Study
Dependability	The research process is transparent, systematic, and capable of being audited.	Comprehensive methodological documentation; standardised written questionnaire protocol; and an audit trail comprising documentary analysis records, coding framework, and analytical decision notes.
Confirmability	Findings are grounded in the evidence rather than researcher bias.	Reflexive practice throughout the analytical process; transparent presentation of documentary evidence and anonymised questionnaire-response quotations; consideration of contradictory evidence; and interpretation guided by the four theoretical perspectives presented in Chapter 2.

Source: Author's elaboration, adapted from Lincoln and Guba (1985).

3.5.3 Ethical Provisions

This study was conducted in accordance with established ethical principles for qualitative research. Prior to data collection, all informants were informed of the academic purpose of the study, the questionnaire procedure, and the intended use of the information provided. Participation was voluntary: the researcher first obtained each informant's verbal agreement to participate, then distributed the written questionnaire.

For CSR-01, this consisted of an initial verbal request for consent, followed by a reminder sent via WhatsApp together with the written questionnaire form; the informant returned the completed written responses via WhatsApp several days later, on the date recorded in Appendix B. This initial verbal agreement is recorded as the first stage of consent in the questionnaire identification tables in Appendices B–F. Because verbal agreement alone does not constitute a documented consent record, the adequacy of the consent mechanism as a whole was subsequently submitted to the IPMI Graduate Program, which approved it in writing by Letter No. 215/IPMI-KEL/IX/2026 dated 24 September 2026, as described below and in Appendix I. To protect confidentiality, all questionnaire responses were anonymised using respondent codes (e.g., CSR-01, PC-01, IC-01, PD-01 and COO-01) and no personally identifiable information is disclosed in this thesis. Given the researcher's insider position within the Company, particular attention was paid to maintaining professional integrity, analytical independence and objectivity throughout the research process. The findings and recommendations are presented

solely as academic conclusions based on the available evidence and should not be interpreted as regulatory, legal or professional advice.

Consent mechanism for senior, identifiable informants. The author acknowledges that verbal consent, as initially obtained, is not by itself a sufficient consent record for senior informants whose institutional roles (Controlling Shareholder Representative, President Commissioner, Independent Commissioner, President Director, Chief Operating Officer) make them readily identifiable within the Company regardless of the CSR-01/PC-01/IC-01/PD-01/COO-01 coding convention; coding by role provides pseudonymisation rather than true anonymity. The author further acknowledges that neither the voluntary return of a completed questionnaire nor the Company's institutional Research Approval Letter (No. 101/[XYZ]/DIR/V/2026, 6 May 2026; described in Appendix H) can substitute for the individual consent of each informant. The Research Approval Letter grants institutional permission to use the Company as the research object and to reference internal Company documents and information, subject to confidentiality of internal company information; it does not constitute the personal consent of each informant. Accordingly, following supervisory review, the author requested the IPMI Graduate Program to assess in writing whether the consent mechanism applied in this study is acceptable for an MBA thesis. That mechanism comprises: (i) each informant's prior verbal agreement to participate, obtained after being informed of the academic purpose of the study and the intended use of the responses; (ii) the voluntary completion and return of the written questionnaire, whose preamble restates that academic purpose (Appendix A); (iii) the Company's institutional Research Approval Letter (Appendix H); (iv) pseudonymisation through role-based respondent codes, with no personal identifiers reported; and (v) the withholding of full verbatim transcripts from the thesis appendices. By Letter No. 215/IPMI-KEL/IX/2026 dated 24 September 2026, signed by the Head of Graduate Program, IPMI Institute, Dr. Liza Agustina Maureen Nelloh, SE., MM., CDM, and copied to the thesis supervisor and co-supervisor, the Graduate Program stated in writing that, having reviewed these five elements, the mechanism is acceptable for the preparation and examination of this MBA thesis; the letter is reproduced in full in Appendix I. This written approval addresses the absence of individual written

consent at the level of the consent mechanism as a whole; it does not retrospectively convert each informant's verbal agreement into an individual written consent. Accordingly, the consent status of each informant is recorded transparently in Appendices B–F as prior verbal agreement followed by voluntary written completion of the questionnaire, under a mechanism approved in writing by the Graduate Program. The complete written responses are retained in the researcher's records and are available to the supervisors and the examination committee on request. As an additional safeguard for anonymity, the full verbatim question-and-answer transcripts have been removed from Appendices B–F and replaced with the de-identified Key Findings, Preliminary Coding and Researcher's Observation derived from each informant's responses, so that no single passage of distinctively-worded verbatim text remains attributable to a specific, identifiable role-holder. The complete written responses are not reproduced in the version of the thesis intended for wider or public circulation.

Analytical audit trail and peer challenge. Coding was conducted manually using a documented coding framework, source-to-theme mapping, analytical memos, and negative-case review. Because a formal independent inter-coder reliability exercise was not undertaken, the study does not claim inter-coder agreement. Instead, transparency of coding decisions, source triangulation, reflexive documentation, and supervisory/peer challenge are used as safeguards against insider interpretation bias.

Confidentiality and re-identification risk. The researcher recognises that pseudonymisation cannot guarantee complete organisational anonymity because the combination of spin-off history, financial figures, ownership characteristics, distribution profile, and PKU chronology may permit knowledgeable readers to infer the organisation's identity. The thesis therefore treats the company pseudonym as a risk-reduction measure rather than an assurance of absolute anonymity. Only information considered necessary for the academic analysis is reported, personal identifiers are excluded, and the use of internal materials is limited to the scope made available for this research. The evidentiary and confidentiality boundaries of internal documents should be interpreted in accordance with the permissions under which access was granted.

3.5.4 Expected Contributions

This study contributes to the academic literature by proposing an evidence-informed Integrated Recovery Framework (IRF) for a Sharia life insurer operating under regulatory supervisory restrictions (PKU). It also demonstrates the application of Agency Theory, Stewardship Theory, Financial Distress Theory and Institutional Theory within the context of organisational recovery in the Indonesian Islamic insurance industry, while illustrating the value of an insider qualitative case study approach in applied management research.

From a practical perspective, the study provides a structured recovery framework that may support the Company's management and Board in strengthening governance, restoring equity and solvency, preparing the required recovery/action-plan package under the applicable OJK framework, and supporting a sustainable exit from PKU. The proposed framework is intended to serve as a strategic decision-support tool rather than a prescriptive operational manual.

From a regulatory perspective, the findings offer empirical insights into the governance, financial, and institutional factors influencing recovery under regulatory supervision. These insights may contribute to future policy discussions concerning supervisory recovery frameworks and the implementation of capital adequacy requirements for standalone Sharia life insurers in Indonesia.

3.6 Chapter Summary

The research methodology presented in this chapter provides a systematic foundation for addressing the study's research objectives. The qualitative single embedded case study design reflects an interpretivist research philosophy and the case study's focus on real-life institutional governance, financial and regulatory recovery. As an insider, the researcher was able to access documentary evidence and expert informants claiming responsibility directly; methodological rigour was assured by triangulating sources both within and without government circles, reflexive practice, and transparent analytical procedures.

Data were generated from a written semi-structured expert questionnaire by purposively sampled governance and executive informants and documentary analysis of audited financial statements, regulatory documents, internal governance

records as well as relevant legislation and industry reports. Data were analysed through Braun and Clarke's (2006) six-phase thematic analysis that was primarily deductive in nature, with limited inductive refinement, interpreted using Yin's (2018) pattern matching and explanation building techniques. Trustworthiness was achieved by using criteria suggested by Lincoln and Guba (1985) and appropriate ethical safeguards, which enhanced the credibility and dependability of the study.

CHAPTER 4

FINDINGS, ANALYSIS AND DISCUSSION

All financial figures are extracted directly from XYZ's audited financial statements for 2016–2024 and publicly reported 2024 data, stated in IDR million (Rp Juta) unless otherwise specified.

4.1 Company Overview

4.1.1 Institutional Profile

PT Asuransi Jiwa Syariah XYZ is a standalone Sharia life insurance company operating in Indonesia under the supervision of the Indonesian Financial Services Authority (Otoritas Jasa Keuangan/OJK). The Company provides a range of Sharia-compliant life insurance products and related financial protection services to individual and corporate customers in accordance with the applicable regulatory framework.

4.1.2 Shareholder Structure

Table 4.1 Shareholder Structure of XYZ

Shareholder	Ownership (%)	Paid-Up Capital (IDR)
Controlling Shareholder	99.97%	99,950,000,000
Minority Shareholder	0.03%	50,000,000
Total	100%	IDR 100,000,000,000

Source: Company's audited financial statements (2020); Company records.

This near-total concentration of ownership has direct implications for the Company's governance structure and capital-raising capacity: strategic decisions, including any equity injection required to address the solvency deficit, are effectively determined by a single controlling party, which both simplifies decision-making and concentrates capital-adequacy risk.

4.1.3 Business Model

XYZ is a modern Islamic life insurer that operates by a risk-sharing business model under which hydroplaning occurs in all host countries from this comparatively to the risk transfer model favored by conventional insurance

companies. By tradition, in traditional insurances the policyholder pays premium and transferrs his risks to an insurance company. In contrast, Islamic insurance is based on the principles of ta'awun (mutual assistance) and tabarru' (voluntary donation), where participants voluntarily agree to contribute to a common pool of risk, helping each other in the event they need assistance with an event covered by insurance. Expand Our take is the insurer acts purely as a fund officer in a wakalah-only role and does not actually hold ownership of the risk itself. Takaful is structured along these cooperative lines and as such, distinguishes Islamic insurance from conventional commercial-type insurance.

The model for an Islamic life insurer also set requirement for all contractual arrangements be made in accordance with the Sharia (i.e. no maysir, gharar and riba allowed). As a result, the contributions of all participants cannot be seen as an ordinary insurance premium but rather as tabarru' (donation) aimed at helping one another in case of any loss happening to each participant. Hence, claims are paid for from the participant pool fund (the Tabarru' Fund), the principle being that all participants mutually share each other's risk by way of the pooling of an overall large number of contributors which correlates with measurable actuarial principles collectively known in broader terms as what is referred to in general as The Law of Large Numbers.

In alignment with this operating model, XYZ has a dual-fund structure with a segregated financial architecture. The Tabarru' Fund acts as the risk pool owned by participating members from which claims are borne, whilst the Company fund provides funds for executive functions to be paid to the manager of this plan through wakalah management fees received in return for administration of managing the tabarru' fund and investments. This delineation creates an active legal and operational separation between the participant funds and shareholder funds, ensuring both transparence and Sharia compliance.

They are also the provider for XYZ who offer Sharia-compliant life insurance and protection services. The study is not aimed at examining individual products or product strategy; data related to products are only included because they

need to be described in order to set the regulatory context, and account for PKU-related impact on business activity.

The Business Activity Restriction (PKU) restricted the marketing of new business containing savings or investment features. Consequently, the Company's permitted business activities during the PKU period were materially narrower than its pre-PKU business scope. This restriction reduced new business generation, economies of scale and management fee income, contributing to the Company's declining revenue trajectory throughout 2021–2024.

4.2 Industry and Regulatory Environment

4.2.1 Industry Overview

Indonesia is also the largest Muslim population in the world with approximately 249.8 million people (87.13% of Indonesia's total population), suitable demographic are fundamental for Islamic financial service growth including Islamic life insurance. Even with this great possibility, Islamic insurance is still way underdeveloped, accounting only for 15.51% of total national insurance contributions over the last year (2022) vs 84.49% for conventional insurance (OJK, 2023b). Such a discrepancy exposes structural weaknesses amongst industry participants whilst unlocking long-term growth potential by exposing the gap between demographic opportunity and market penetration.

Despite this, the industry continues to show strong growth. As of October 2023, total Islamic insurance assets reached IDR 45.07 trillion and experienced annual growth rates of 4.35% in gross contributions reaching IDR 47.03 trillion by April 2025 (Q1/2023), with growth progression slowing to an average of only +9.84%. Despite conventional insurance principles being prohibited in Islam, Islamic life insurance accounts for over 73% of overall* Islamic insurance assets to reaffirm its lead (AASI, 2025a).

Against this generally positive industry backdrop, XYZ presents an exceptional case. While the majority of fully fledged Islamic life insurers remained profitable, XYZ was the only company reporting a net loss in 2024, reflecting severe financial and governance challenges arising from prolonged regulatory

restrictions. Consequently, the Company's recovery represents not merely an operational turnaround but also a regulatory restoration process.

4.2.2 Regulatory Framework

Indonesia's Islamic insurance industry operates under an integrated regulatory framework administered by OJK, with financial soundness, governance, capital adequacy, and consumer protection forming its principal supervisory objectives.

The primary regulations governing XYZ include:

- POJK No. 72/POJK.05/2016, as amended by POJK No. 6 of 2023, provides the historical financial-health framework applicable to the observation period.
- POJK No. 73/POJK.05/2016 on Good Corporate Governance, as amended, establishes governance requirements for insurance companies, including the Board and supporting governance organs and control functions. Specific Company Actuary requirements for the current framework are addressed under POJK No. 23 of 2023.
- POJK No. 23 of 2023 establishes phased minimum-equity requirements, including the Stage-1 IDR 100 billion threshold for Islamic insurance companies by 31 December 2026.
- POJK No. 37 of 2025 governs supervisory status and required action plans; POJK No. 27 of 2025 governs asset and liability management for Islamic insurers; and POJK No. 28 of 2025 governs risk management for insurance companies, guarantee institutions and pension funds (OJK, 2025a).

Collectively, these regulations establish the prudential framework within which Islamic insurers must operate and form the basis for supervisory intervention when financial health or governance standards are not maintained.

4.2.3 Business Activity Restriction (*Pembatasan Kegiatan Usaha*/PKU)

Following persistent non-compliance with minimum financial health requirements under POJK No. 72/POJK.05/2016, OJK imposed a Business Activity Restriction (PKU) on XYZ through OJK Letter No. S-[…]/NB.2/2021 dated 9

November 2021 and OJK Announcement No. Peng-[…]/NB.2/2021 dated 24 November 2021.

The PKU restricted specified categories of new business, reducing new business generation, contribution inflows and management fee income. OJK Letter No. S-[…]/NB.2/2021, point 3, defines the scope of the restriction precisely: "*Ruang lingkup pembatasan sebagian kegiatan usaha adalah terhadap pemasaran dan penerimaan kontribusi atas produk asuransi baru yang mengandung unsur tabungan dan investasi*" ("the scope of the partial business activity restriction covers the marketing of, and contribution receipt for, new insurance products containing savings or investment elements"). Table 4.2 sets out, for each of the Company's three affected products (Products A, B and C), the specific savings or investment element present, its marketing status since November 2021, the precise basis in the OJK letter and the condition for reactivation; this table is the authoritative reference for product-level PKU status throughout this thesis, superseding any general or informant-recollected characterisation elsewhere. The restriction is analysed here as a regulatory and financial constraint, not as a product-level strategy assessment.

Table 4.2 PKU Product Status Matrix

(Basis: OJK Letter No. S-[…]/NB.2/2021)

Product (Pseudonym)	Product Type / Description	Savings/Investment Element	Marketing Status Since Nov 2021	OJK Letter Basis S347/NB.2/2021	Reactivation Condition
Product A	Education Endowment Takaful	Savings *(tabungan pendidikan)*, combined with tabarru' (mutual-assistance) protection	Not marketed (PKU)	Point 3: falls within "*produk asuransi baru yang mengandung unsur tabungan dan investasi*"	May only be re-marketed after OJK formally revokes the PKU sanction (Point 5), i.e., once XYZ has exited PKU, following remediation of the underlying equity and

					solvency deficiencies (Points 1–2).
Product B	Hajj/Umrah Savings Takaful	Savings (*tabungan haji/umrah*), combined with tabarru' protection	Not marketed (PKU)	Point 3: falls within "*produk asuransi baru yang mengandung unsur tabungan dan investasi*"	Same as Product A: reactivation requires XYZ to have formally exited PKU first.
Product C	Unit-Linked Investment Takaful	Investment (unit-linked; policyholder directs the underlying investment allocation)	Not marketed (PKU)	Point 3: falls within "*produk asuransi baru yang mengandung unsur tabungan dan investasi*"	Same as Products A and B: reactivation requires XYZ to have formally exited PKU first.
(Comparator, unrestricted)	Pure-protection products (e.g. family takaful protection plans, group personal-accident and term life products)	None, pure tabarru' protection, no savings or investment component	Continued to be marketed throughout the PKU period	Outside the scope defined in Point 3, since these products contain neither a savings nor an investment element	Not applicable, no reactivation required

Source: Author's analysis of OJK Letter No. S-[…]/NB.2/2021 (9 November 2021) and the Company's internal product master list distinguishing marketable and non-marketable products under PKU.

Unlike temporary supervisory actions intended solely to address operational deficiencies, XYZ's PKU reflects a multidimensional regulatory intervention encompassing capital adequacy, solvency, governance and institutional sustainability. Accordingly, the Company's recovery requires not only financial

restructuring but also comprehensive governance strengthening and full regulatory compliance before OJK may consider lifting the PKU.

4.3 Financial Performance Analysis

This financial performance analysis focuses exclusively on the Company Fund as the Company's PKU status is primarily associated with deficiencies in equity, solvency and governance.

4.3.1 Financial Performance During the PKU Period, 2021–2024

This section analyses XYZ's financial performance during the PKU period (2021–2024), which constitutes the primary observation window of this case study. The period begins with the imposition of OJK's Business Activity Restriction (PKU) in November 2021 and encompasses the Company's subsequent financial position, operating performance and capital condition. Focusing on this period enables the study to evaluate the financial consequences of prolonged regulatory intervention and provides the empirical basis for developing the proposed recovery framework.

Table 4.3 XYZ's Summary of Key Financial Indicators

2021 to 2024 (IDR Million)

Financial Indicator	2021	2022	2023	2024
Statement of Financial Position (IDR million)				
Total assets	561,341	471,233	370,109	350,723
Cash and equivalents	15,647	67,947	17,254	5,013
Investment in securities	470,365	329,972	298,098	296,883
Total liabilities	158,457	176,770	161,601	77,872
Participant Fund (total)	438,522	350,839	272,370	316,708
Equity components (IDR million)				
Paid-up capital	100,000	100,000	100,000	100,000
OCI – securities valuation loss	(60,020)	(75,164)	(99,692)	(73,879)
Accumulated deficit	(75,618)	(81,212)	(64,170)	(69,979)

Financial Indicator	2021	2022	2023	2024
Total shareholders' equity	(35,638)	(56,376)	(63,863)	(43,858)
Statement of Profit or Loss – Company Operations (IDR million)				
Total revenue	16,330	12,403	9,697	9,211
Total expenses	27,533	18,598	20,739	15,346
Operating profit / (loss)	(11,204)	(6,195)	(11,043)	(6,135)
Net profit / (loss)	(10,585)	21,734	(10,282)	(5,792)

Source: Author's compilation and calculations based on XYZ's published audited financial statements, 2021–2024.

2022 figures reflect the restated position first disclosed in the 2023 audited financial statements (accumulated deficit and total shareholders' equity as originally reported in the 2022 statements were IDR 53,885 million and IDR (29,049) million respectively; see Table 1.3 note for detail). Similarly, the 2023 figures in this table are drawn from the 2024 audited statements' restated "2023*" comparative column (total assets IDR 370,109 million; accumulated deficit IDR 64,170 million); the 2023 audited statements themselves originally reported total assets of IDR 387,763 million and an accumulated deficit of IDR 92,566 million for that year, see the Limitations section (Section 5.2.1, seventh limitation) for the unreconciled roll-forward variance this restatement leaves open.) The Net Profit/(Loss) figure for 2022 above reflects the result as originally reported, since the restatement is not separately itemised as a distinct line in the Company's income statement.

Note: this table is confined to the 2021–2024 PKU observation window for consistency with the study's analytical scope. See the Update note under Table 1.3 for the Company's subsequent FY2025 audited and July 2026 unaudited equity position, which shows a materially narrower equity gap than the FY2024 figures presented here.

4.3.2 Profitability Analysis

XYZ's profitability indicators demonstrate persistent operating weakness throughout the observation period. Operating expenses exceeded operating revenue in each year from 2021 to 2024, resulting in recurring operating losses and negative

operating margins. Although the magnitude of the losses fluctuated across the period, the Company did not achieve operational break-even, indicating that its underlying revenue-generating capacity remained insufficient relative to its operating cost structure.

Table 4.4 Key profitability ratios, 2021–2024

Profitability Indicator	2021	2022	2023	2024
Operating loss / total revenue	(68.6%)	(50.0%)	(113.9%)	(66.6%)
Expense-to-revenue ratio	168.6%	150.0%	213.9%	166.6%
Net profit margin (on reported P/L)	(64.8%)	(45.1%)	(106.0%)	(62.9%)
Net operating margin	(68.6%)	(50.0%)	(113.9%)	(66.6%)
Return On Assets (net loss / avg. assets)	(1.7%)	(1.1%)	(2.4%)	(1.6%)
Revenue growth YoY	-	(24.1%)	(21.8%)	(5.0%)

Source: Author's calculations based on XYZ's published audited financial statements, 2021–2024.

Note: Net profit margin is calculated as reported net profit/(loss) divided by total operating revenue. Total operating revenue represents the aggregate of operating revenue components reported in the respective audited financial statements.

The profitability analysis reveals three structural characteristics. **First**, operating expenses consistently exceeded operating revenue throughout the observation period, with expense-to-revenue ratios ranging from approximately 150% to 214%. This indicates that the Company was unable to achieve operational break-even during the period.

Second, operating revenue declined continuously from IDR 16,330 million in 2021 to IDR 9,211 million in 2024, representing a cumulative contraction of approximately 43.6%. The decline occurred during the PKU period, when regulatory restrictions constrained the Company's ability to generate new business, thereby limiting its capacity to restore operating profitability.

Third, although the operating loss narrowed in 2024, the improvement was primarily associated with lower operating expenses rather than revenue recovery. Revenue continued to decline, indicating that the Company's underlying earnings capacity had not yet been restored.

Overall, the profitability analysis indicates that XYZ's financial distress reflected a combination of declining revenue and an operating cost structure that remained unsustainable relative to its reduced income-generating capacity. Persistent operating losses consequently contributed to the deterioration of the Company's capital position, providing an important link between the profitability analysis and the subsequent examination of equity and solvency.

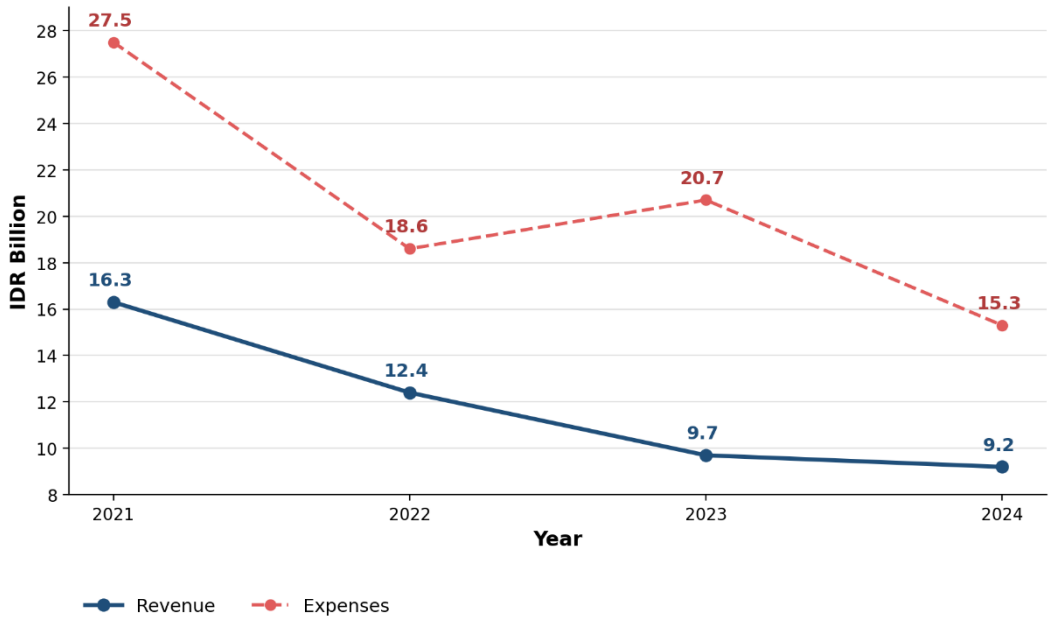


Figure 4.1 Revenue and Operating Expenses, 2021–2024

Although operating expenses declined from IDR 27.5 billion in 2021 to IDR 15.3 billion in 2024, operating revenue simultaneously contracted from IDR 16.3 billion to IDR 9.2 billion. The narrowing gap in 2024 therefore primarily reflects expense reduction.

4.3.3 Liquidity Position

Although liquidity is not a primary focus of this study, it provides complementary evidence of the Company's financial condition during the

observation period. To assess immediate liquidity capacity consistently across the four-year period, this study examines cash and cash equivalents relative to reported claim payables. The resulting cash-to-claim-payables ratio is used as an analytical liquidity indicator rather than as the regulatory liquidity ratio prescribed by OJK.

Table 4.5 Cash and Claims Liquidity Indicators, 2021–2024

Liquidity Indicator	2021	2022	2023	2024
Cash & Cash Equivalents (IDR Mn)	15,647	67,947	17,254	5,013
Claim Payables (IDR Mn)	49,977	73,675	88,634	17,669
Cash to Claim Payables Ratio	0.31×	0.92×	0.19×	0.28×

Source: Author's calculations based on XYZ's published audited financial statements, 2021–2024.

Note: The cash-to-claim-payables ratio is calculated as cash and cash equivalents divided by reported claim payables and is used as an analytical liquidity indicator rather than an OJK regulatory liquidity ratio. × = times.

Table 4.5 shows substantial fluctuations in the Company's immediate cash coverage during the observation period. The cash-to-claim-payables ratio improved from 0.31× in 2021 to 0.92× in 2022, before declining sharply to 0.19× in 2023 and recovering modestly to 0.28× in 2024. Despite the reduction in claim payables in 2024, available cash remained relatively limited compared with outstanding claims. These findings provide supporting evidence of liquidity pressure but are not interpreted as a separate regulatory solvency measure. Rather, they complement the profitability, equity and solvency analyses by illustrating the Company's constrained immediate cash capacity during the period of financial distress.

4.3.4 Operating Efficiency Analysis

Operational efficiency was assessed to examine the Company's ability to generate revenue relative to its operating expenses and asset base during the observation period. Table 4.6 presents the key operational efficiency indicators for 2021–2024.

Table 4.6 Operational Efficiency Indicators, 2021–2024

Efficiency Indicator	2021	2022	2023	2024
Expense Ratio (Total Exp. / Total Rev.)	168.6%	150.0%	213.9%	166.6%
Asset Utilisation (Revenue / Total Assets)	2.9%	2.7%	2.6%	2.6%

YoY Change in Total Expenses	-	(32.5%)	11.5%	(26.0%)

Source: Author's calculations based on XYZ's published audited financial statements, 2021–2024.

Table 4.6 indicates that operational efficiency remained weak throughout the observation period. The expense ratio consistently exceeded 100%, ranging from 150.0% to 213.9%, indicating that operating revenue was insufficient to cover the Company's operating expenses. Asset utilisation also remained low at approximately 2.6–2.9%, reflecting limited revenue generation relative to the Company's asset base.

Although total expenses declined by approximately 44.3% from 2021 to 2024, the adjustment was not continuous, as expenses increased by 11.5% in 2023 before declining by 26.0% in 2024. Moreover, the overall reduction in expenses was accompanied by a 43.6% contraction in revenue over the same period. Consequently, cost reduction alone did not restore operating profitability.

These findings reinforce the profitability analysis in the preceding section and indicate that operational efficiency improvements were insufficient to reverse the Company's financial deterioration. The following section therefore examines the equity position and its relationship with the Company's broader financial and regulatory condition.

4.3.5 Financial Distress Synthesis

The preceding analyses demonstrate that the Company's financial performance deteriorated progressively throughout the observation period, as reflected in persistent operating losses, declining profitability, weakened operational efficiency and increasing financial pressure. Although management implemented various cost rationalisation initiatives, these measures were insufficient to offset the substantial decline in revenue following the imposition of Business Activity Restriction (PKU). Consequently, the Company was unable to restore sustainable financial performance through operational improvements alone.

These documentary findings are consistent with the perspectives expressed by the five expert questionnaire respondents. Across all respondents, there was broad agreement that the Company's financial deterioration was not attributable to a single event but rather resulted from the cumulative effects of prolonged operating

losses, constrained business growth under PKU, weakening capital and governance limitations that delayed timely strategic responses. The participants consistently emphasised that sustainable recovery requires an integrated approach combining stronger governance, adequate capital reinforcement and business revitalisation, rather than relying solely on operational cost reductions or efficiency improvements.

Overall, the financial performance analysis indicates that the Company's financial distress evolved as a reinforcing cycle in which declining business performance reduced the Company's capacity to generate sustainable earnings, while regulatory restrictions further constrained business expansion and recovery efforts. This interaction created persistent financial pressure that could not be resolved through operational measures alone.

Persistent operating losses ultimately translated into sustained equity erosion, weakening regulatory solvency and institutional resilience.

4.4 Equity and Solvency Analysis

4.4.1 Equity Decomposition - Three-Component Analysis

For analytical purposes, the Company's shareholders' equity is decomposed into three principal components: (A) Paid-Up Capital, (B) Other Comprehensive Income (OCI) representing unrealised fair value movements of investment securities and (C) Accumulated Deficit (Retained Earnings).

Table 4.7 Equity Decomposition and Regulatory Equity Shortfall, 2021–2024 (IDR Million)

Equity Component	2021	2022	2023	2024
(A) Paid-Up Capital	100,000	100,000	100,000	100,000
(B) OCI - Securities Valuation Loss	(60,020)	(75,164)	(99,692)	(73,879)
(C) Accumulated Deficit (Retained Earnings)	(75,618)	(81,212)	(64,170)	(69,979)
TOTAL EQUITY [(A)+(B)+(C)]	(35,638)	(56,376)	(63,863)	(43,858)
Regulatory Minimum Equity (POJK 72 Art. 37(1)(a))	50,000	50,000	50,000	50,000
Equity Shortfall vs. Regulatory Minimum	(85,638)	(106,376)	(113,863)	(93,858)
YoY Change in Total Equity	-	(20,738)	(7,487)	+20,005
POJK No. 23 of 2023 Target (IDR 100B by Dec 2026)	100,000	100,000	100,000	100,000

Additional Capital Needed for Compliance	135,638	156,376	163,863	143,858

Source: Author's compilation and calculations based on XYZ's published audited financial statements, 2021–2024. 2022 figures reflect the restated position first disclosed in the 2023 audited financial statements; see Table 1.3 note for detail on the originally-reported (pre-restatement) figures. The 2024 "Additional Capital Needed" figure above pre-dates the Company's 2025 audited and July 2026 unaudited equity data; see the Table 1.3 "Update (August 2026)" note and Section 5.4.2.1 for the reconciled, materially smaller residual gap.

Table 4.7 reveals three principal sources of the Company's equity weakness.

First, reported paid-up capital remained unchanged at IDR 100 billion throughout 2021–2024, while total shareholders' equity remained negative in every year. Consequently, the existing capital base was insufficient to absorb the combined effects of accumulated losses and adverse OCI movements.

Second, negative OCI arising primarily from securities valuation movements represented a material source of equity erosion, reaching approximately IDR 99.7 billion in 2023, almost equivalent to the Company's paid-up capital. Although these unrealised valuation movements were recognised outside reported profit or loss, they directly reduced total shareholders' equity.

Third, the accumulated deficit remained substantial throughout the observation period, reflecting the cumulative effect of historical losses. Together, accumulated deficits and negative OCI more than offset the Company's IDR 100 billion paid-up capital, resulting in persistent negative shareholders' equity.

Overall, the equity decomposition demonstrates that the Company's negative equity did not arise from a single isolated factor but from the cumulative interaction of stagnant paid-up capital, substantial OCI valuation losses, and persistent accumulated deficits. These findings indicate that restoring positive equity cannot be achieved solely through operational improvements but requires coordinated capital reinforcement, governance restoration, and business recovery. This analysis provides the empirical basis for the subsequent examination of the Company's regulatory solvency position.

4.4.2 Solvency Analysis – Tabarru' Fund and Company Fund

The solvency analysis of the Tabarru' Fund and Company Fund examines the extent to which admissible assets were sufficient to cover liabilities and the applicable minimum risk-based capital requirement during the observation period.

Table 4.8 Solvency Indicators of the Tabarru' Fund and Tanahud Funds and the Company Fund, 2021–2024

Solvency Indicator	2021	2022	2023	2024
A. Tabarru' Fund and Tanahud Fund				
Tabarru' Fund RBC Ratio	222.91%	222.91%	518.37%	1,277.19%
Admissible Assets (AYD) — IDR Mn	99,674.75	99,674.75	94,089.52	121,817.57
Liabilities excl. Qardh — IDR Mn	72,978.60	72,978.60	59,659.62	51,735.17
DTMBR (Minimum Risk-Based Capital) — IDR Mn	11,976.13	11,976.13	6,641.92	5,487.22
Internal Solvency Target	120.00%	120.00%	120.00%	120.00%
Regulatory Minimum (DTMBR/MMBR)	120.00%	120.00%	100.00%	120.00%
B. Company Fund				
Company Fund Solvency Ratio	N/C	N/C	N/C	N/C
Equity	(35,638)	(56,376)	(63,863)	(43,858)
Regulatory Interpretation	Not demonstrably compliant	Not demonstrably compliant	Not demonstrably compliant	Not demonstrably compliant

Source: Author's compilation based on XYZ's published audited financial statements, 2021–2024.

Note: N/C = not calculable. The published financial statements report the Company Fund solvency calculation as undefined ("#DIV/0!") during the observation period. Accordingly, this study does not present independently derived percentages as the Company's official regulatory solvency ratios. Shareholders' equity is presented separately because accounting equity and regulatory solvency are related but conceptually distinct measures of financial condition. Determination of the Company's definitive regulatory solvency position requires actuarially validated calculations and regulatory assessment.

The results demonstrate a marked divergence between the financial-health positions of the Tabarru' Fund and the Company Fund during the observation period. The Tabarru' Fund maintained measurable solvency ratios above the applicable regulatory threshold, recording 222.91% in 2021 and 2022, 518.37% in 2023, and 1,277.19% in 2024. These results indicate that the Tabarru' Fund maintained substantial regulatory solvency capacity throughout the observation period.

The published financial statements contain historical solvency-related disclosures for the Company Fund; however, the available documentary evidence does not provide a sufficiently consistent basis for treating these figures as definitive and comparable regulatory solvency ratios across the 2021–2024 observation period. Accordingly, this study adopts a conservative analytical treatment and classifies the Company Fund regulatory solvency position as not calculable (N/C) for purposes of the longitudinal analysis. This classification should not be interpreted as evidence of financial soundness. Rather, the persistent negative shareholders' equity indicates continuing capital impairment, while determination of the definitive regulatory solvency position requires actuarially validated calculations and regulatory assessment.

Importantly, accounting equity and regulatory solvency are treated as related but conceptually distinct dimensions of financial condition. Shareholders' equity measures the residual accounting interest after liabilities, whereas regulatory solvency assesses the adequacy of eligible assets relative to the applicable risk-based capital requirement. The absence of a calculable and actuarially validated Company Fund solvency ratio therefore represents a regulatory measurement constraint and should not be interpreted as a substitute measure for accounting equity. This distinction is maintained throughout the study to avoid conflating accounting capital impairment with the determination of regulatory solvency.

Taken together, the documentary evidence demonstrates a clear financial bifurcation within XYZ. The Tabarru' Fund remained above the applicable prudential solvency threshold, while the Company Fund continued to experience capital impairment and could not demonstrate a calculable and actuarially validated

regulatory solvency ratio during 2021–2024. This distinction provides an important empirical basis for the subsequent analysis of the underlying causes of financial distress and for the development of the Integrated Recovery Framework (IRF).

4.4.3 Tabarru' Fund Underwriting Performance

Table 4.9 presents the underwriting performance of the Tabarru' Fund (Participant Fund) for the period 2021–2024, compiled from the Company's audited financial statements and the corresponding Laporan Surplus Defisit Underwriting Tabarru' Fund (LPDT).

Table 4.9 Tabarru' Fund Underwriting Performance

2021–2024 (IDR Million)

Tabarru' Fund Item	2021	2022	2023	2024
CONTRIBUTIONS & INCOME				
Gross Contribution	10.911	9.678	7.450	6.158
Less: Management Fee	(5.584)	(4.668)	(3.548)	(2.666)
Less:Reinsurers' Share of Contributions	(463)	(303)	(264)	(234)
Total Tabarru' Fund Income	4.864	4.707	3.638	3.258
CLAIMS & INSURANCE EXPENSES				
Gross Claims	8.967	8.709	3.623	1.438
Less: Reinsurers' Share of Claims	(1.977)	(608)	(490)	(275)
Change in Technical Provisions (Net)*	5.798	(5.800)	(7.188)	(7.809)
Total Insurance Expenses (Net)	12.787	2.301	(4.054)	(6.646)
INVESTMENT INCOME & SURPLUS				
Net Investment Income	2.518	(1.996)	2.395	3.400
SURPLUS / (DEFISIT) TABARRU' FUND	(5.405)	410	10.087	13.305
BALANCE				
Opening Balance Tabarru' Fund	34.518	29.113	29.522	60.029
Closing Balance	29.113	29.522	39.609	73.334

Source: Compiled by the author from XYZ Audited Financial Statements, 2021–2024, Laporan Surplus Defisit Underwriting Tabarru' Fund (LPDT).

Note: The 2024 opening balance reflects the balance reported in 2024 audited financial statements and therefore differs from the closing balance reported in the 2023 audited financial statements.

Overall, the evidence presented in Table 4.9 demonstrates a clear financial bifurcation between the Tabarru' Fund and the Company Fund. Despite declining gross contributions, the Tabarru' Fund generated substantial surpluses in 2023 and 2024 and maintained a strong regulatory solvency position, indicating that the Participant Fund remained financially resilient throughout the period of regulatory distress. These findings suggest that the Company's prolonged regulatory difficulties were not primarily attributable to weaknesses in the underlying takaful risk-pooling mechanism but were concentrated within the Company Fund, particularly in relation to accumulated losses, capital adequacy, and governance capacity. This distinction provides an important basis for the subsequent analysis of the Company's equity and solvency position and the structural factors underlying its continuing regulatory non-compliance.

The documentary evidence reveals a marked improvement in the underwriting performance of the Tabarru' Fund over the observation period. The Fund recorded an underwriting deficit of IDR 5,405 million in 2021, followed by a modest surplus of IDR 410 million in 2022. Its financial performance subsequently strengthened substantially, generating surpluses of IDR 10,087 million in 2023 and IDR 13,305 million in 2024. This improvement occurred despite a continuous decline in gross contributions, which decreased from IDR 10,911 million in 2021 to IDR 6,158 million in 2024. The contrasting trends between declining contributions and improving underwriting results indicate that the Fund's financial performance was increasingly influenced by changes in claims, technical provisions, and investment returns rather than contribution growth alone.

The 2021 deficit should therefore be interpreted within the broader composition of the Fund's insurance expenses. In that year, gross claims amounted to IDR 8,967 million, while the net change in technical provisions contributed IDR 5,798 million to insurance expenses, resulting in total net insurance expenses of IDR 12,787 million. Consequently, the 2021 deficit cannot be attributed solely to deterioration in claims experience or weakness in the underlying takaful business

model. From 2022 onward, the pattern changed materially. Net insurance expenses declined to IDR 2,301 million in 2022 and subsequently became negative at IDR 4,054 million in 2023 and IDR 6,646 million in 2024, reflecting substantial releases or reductions in technical provisions. This development was a major contributor to the strong underwriting surpluses recorded in 2023 and 2024.

Investment performance also contributed to the Fund's financial results, although with considerable year-to-year variation. Net investment income amounted to IDR 2,518 million in 2021, declined to a loss of IDR 1,996 million in 2022, and subsequently recovered to positive income of IDR 2,395 million in 2023 and IDR 3,400 million in 2024. The combination of lower net insurance expenses and recovering investment income strengthened the Fund's capacity to generate surpluses during the latter part of the observation period.

The cumulative effect of these results is reflected in the strengthening balance of the Tabarru' Fund. The closing balance increased from IDR 29,113 million in 2021 to IDR 29,522 million in 2022 and IDR 39,609 million in 2023, before reaching IDR 73,334 million in 2024. This strengthening financial position was accompanied by strong regulatory solvency indicators. The Tabarru' Fund's Risk-Based Capital (RBC) ratio remained substantially above the applicable regulatory minimum, reaching 222.91% during 2021–2022, 518.37% in 2023 and approximately 1,277.19% in 2024, as reported in the respective audited financial statements.

These findings provide an important distinction in assessing the nature of XYZ's financial distress. Consistent with the Financial Distress Theory discussed in Chapter 2, organisational financial distress does not necessarily imply uniform deterioration across all financial components of an institution. In the case of XYZ, the documentary evidence demonstrates a clear financial bifurcation: regulatory distress was concentrated primarily within the Company Fund, where persistent operating losses, accumulated deficits, capital impairment, and weakened regulatory solvency constrained the Company's financial position, while the Tabarru' Fund maintained a comparatively strong solvency position and generated substantial surpluses in 2023 and 2024.

This distinction has important implications for the diagnosis of the Company's prolonged regulatory difficulties. The structural weakness was concentrated within the Company Fund, particularly in relation to shareholder capital adequacy, accumulated financial losses and governance capacity. The strong solvency position of the Tabarru' Fund therefore reinforces the broader finding that recovery from regulatory restriction requires intervention primarily at the corporate capital and governance levels rather than a fundamental restructuring of the Participant Fund.

While the Participant Fund demonstrated substantial financial resilience, persistent weaknesses within the Company Fund continued to erode institutional capital and regulatory solvency. The following section therefore examines the composition and deterioration of the Company's equity and the manner in which these financial pressures contributed to continuing regulatory non-compliance.

4.5 Root Cause Analysis

4.5.1 Primary Root Cause Diagnostic

Table 4.10 Root Cause Analysis - Equity Decline and Solvency Deterioration

#	Root Cause	Evidence & Mechanism	Financial Impact	Theoretical Lens
1	Complete Absence of Shareholder Capital Injection	• Paid-up capital static at IDR 100 Billions throughout 2016–2024. • Shareholder has injected no capital despite 4+ PKU years. • OJK explicitly requested capital support in its PKU announcement.	• Closing the FY2024 historical gap would have restored equity to the Stage-1 threshold. • The prolonged absence of shareholder capital support was a major contributor to the observed equity deficiency.	Agency Theory (Jensen & Meckling, 1976) principal failure of capital stewardship.
2	Persistent Operating Losses Since Spin-Off, 2016	• 9 consecutive net loss years since 2016. • Expense/Revenue ratio: 150%–214% (2021–2024). • Revenue collapsed 73.3%: IDR 23,059 Mn (2019) → IDR 6,158 Mn (2024). • Business model structurally loss-making under PKU constraints.	• Accumulated Deficit: IDR (48,051) Mn (2019) → IDR (69,979) Mn (2024). • Each loss year deepens deficit directly, with zero capital replenishment.	Financial Distress Theory (Koijen & Yogo, 2022; EIOPA, 2023).

#	Root Cause	Evidence & Mechanism	Financial Impact	Theoretical Lens
3	Governance Organ Incompleteness	• Board of Directors incomplete vs. the functional responsibilities required under POJK No. 73/POJK.05/2016, as amended by POJK No. 43/POJK.05/2019. • Absence/lapse of OJK-registered Company Actuary at key periods. • DPS marginalised under financial stress — monitoring vacuum created.	• Governance gaps weakened formal oversight and actuarial capability. • The absence of a Company Actuary limited the ability to produce actuarially validated solvency evidence; the available evidence does not establish that governance gaps directly caused the financial losses.	Stewardship Theory (Davis, Schoorman & Donaldson, 1997). Agency Theory — incomplete monitoring enables residual agency costs. Gilson (1990) turnaround sequencing.
4	Revenue Compression Under PKU	• PKU (Nov 2021) eliminated savings-linked & investment-linked product marketing. • Gross contributions fell 43.6%: 2021 → 2024. • Self-reinforcing spiral: lower revenue → larger losses → deeper deficit → sustained PKU → lower revenue.	• Wakalah fee income declining, worsening operating losses. • Dana Peserta run-off accelerates, further reducing management fee income.	Financial Distress Theory capital-solvency spiral (Koijen & Yogo, 2022; Wruck, 1990). Institutional Theory (Suchman, 1995) legitimacy erosion.
5	Investment Concentration Risk & Portfolio Mismanagement	• Excessive concentration in syariah securities: mark-to-market FVOCI; Sharia universe limits; equity market volatility. • Syariah mutual fund portfolio: IDR 397 Bn (2022) → IDR 137 Bn (2023) in Dana Peserta.	• OCI losses are consistent with the observed investment concentration and market valuation movements. • The available evidence does not establish that alternative accounting classification or earlier governance intervention would have prevented the losses.	Agency Theory (Jensen & Meckling, 1976) concentrated investment strategy reflects inadequate risk oversight by management on behalf of shareholders. Institutional Theory (Suchman, 1995) Sharia investment universe constraints reflect regulatory and religious-compliance limits on

#	Root Cause	Evidence & Mechanism	Financial Impact	Theoretical Lens
				permissible asset allocation.

Source: Author's synthesis from XYZ Audited Financial Statements, 2021–2024, OJK regulations and relevant theoretical frameworks. 2022 figures reflect restated balances. FVOCI = Fair Value Through Other Comprehensive Income; MMBR = Modal Minimum Berbasis Risiko; PKU = Pembatasan Kegiatan Usaha.

Table 4.10 synthesises the documentary evidence and expert questionnaire findings to identify the primary drivers of XYZ's dual regulatory non-compliance, namely negative equity and regulatory solvency impairment under POJK No. 72/POJK.05/2016, together with governance deficiencies under POJK No. 73/POJK.05/2016. Rather than arising from a single event, the evidence demonstrates that the Company's regulatory distress resulted from the cumulative interaction of capital, operational, governance and regulatory factors that reinforced one another over time.

Among the identified factors, the prolonged absence of shareholder capital injection represents the most immediate financial constraint on the Company's ability to restore shareholders' equity. However, the triangulated evidence indicates that the prolonged regulatory condition reflects the cumulative interaction of capital weakness, recurring operating losses, governance incompleteness, investment-risk exposure and PKU-related business constraints rather than a single isolated cause.

The analysis further indicates that governance deficiencies, revenue compression and investment concentration risk functioned primarily as reinforcing mechanisms rather than initiating causes. Incomplete governance structures weakened strategic decision-making and regulatory oversight.

Collectively, the documentary evidence and expert questionnaire findings indicate that XYZ's regulatory distress originated principally from the failure to restore the financial capacity of the Company Fund rather than from weaknesses in the underlying takaful business model. This integrated diagnosis provides the analytical basis for the subsequent SWOT and PESTEL analyses and, ultimately, for the development of the proposed Integrated Recovery Framework (IRF).

4.5.2 SWOT Analysis

Following the root cause analysis, a SWOT analysis was conducted to assess XYZ's strategic position in the context of its regulatory and financial recovery. The analysis synthesises the internal strengths and weaknesses identified from the Company's financial and governance conditions with external opportunities and threats arising from the industry and regulatory environment. This assessment provides a structured basis for evaluating the factors that may support or constrain XYZ's pathway towards regulatory recovery and eventual exit from PKU, as summarised in Table 4.11.

Table 4.11 SWOT Analysis

STRENGTHS	WEAKNESSES
● Tabarru' Fund reported RBC remained above the regulatory threshold, subject to the contraction of the underlying business and risk base: 222.91% RBC in 2021–2022, 518.37% in 2023 and 1,277.19% in 2024; balance growing from IDR 29 Bn (2021) to IDR 73 Bn (2024). ● National recognition in Islamic life insurance. ● Distribution infrastructure: 19 active KPPAS branches (from 50 at inception); established agency network, scalable for full reactivation post-PKU. ● Established Sharia-compliant product and distribution capabilities that may support post-PKU recovery, subject to regulatory approval. ● OCI losses partially recovering: +IDR 25,813 Mn improvement in 2024 vs. 2023 peak.	● Persistently negative shareholders' equity: IDR (43,858) Mn (FY2024); nine years without capital injection. ● Company Fund regulatory solvency ratio not meaningfully measurable and not actuarially certified during the observation period, constraining demonstration of full financial-health compliance. ● PKU sanction active since Nov 2021, prohibiting new savings and investment-linked product marketing. ● Governance organ incompleteness (POJK 73 violations): Board, Actuary, and committee gaps. ● Revenue collapsed 73.3% (2019–2024); critically low cash of IDR 5,013 Mn by FY2024.
OPPORTUNITIES	**THREATS**
● World's largest Muslim population (249.8 M; 87.1% of Indonesia) - massive untapped takaful market with only 15.5% penetration vs. 84.5% conventional. ● Industry contribution growth 9.84% YoY (2025); market recovering and expanding post-pandemic. ● KUPA (Kelompok Usaha Perusahaan Asuransi) framework under POJK No. 23 of 2023 potential group capital sharing or merger mechanism. ● Third-party strategic investor interest in a distressed but viable Islamic insurance franchise with national brand and distribution network.	● Stage-1 minimum equity requirement of IDR 100 billion under POJK No. 23 of 2023, creating significant recapitalisation pressure before the regulatory deadline. ● PKU escalation risk: continued non-compliance may lead to further supervisory action, potentially including licence-related measures where applicable under the prevailing legal and supervisory framework. ● Shareholder's own financial constraints — controlling shareholder capital injection capacity remains uncertain. ● Continued Dana Peserta portfolio run-off eroding wakalah fee base; participant confidence further weakened by prolonged PKU status.

Source: Author's SWOT analysis based on XYZ Audited Financial Statements, 2021–2024 and OJK regulations. RBC = Risk-Based Capital; KUPA = Kelompok Usaha Perusahaan Asuransi; PKU = Pembatasan Kegiatan Usaha.

The analysis indicates that, despite its regulatory distress, XYZ retains several strategic assets that may support recovery, including the comparatively strong reported solvency position of the Tabarru' Fund, long-established brand recognition and nationwide distribution infrastructure. These strengths should not be interpreted as evidence that the Company as a whole is economically sound, because they remain constrained by persistent negative shareholders' equity, prolonged PKU restrictions, governance deficiencies, weakened profitability and reduced financial capacity within the Company Fund.

Externally, favourable demographic trends, continued expansion of Indonesia's Islamic insurance industry and the implementation of the KUPA framework under POJK No. 23 of 2023 create significant strategic opportunities for recovery through recapitalisation, strategic partnerships or corporate restructuring. At the same time, tightening regulatory capital requirements, continuing PKU supervision and uncertainty regarding shareholder funding capacity represent material threats that could delay or prevent regulatory recovery if not addressed promptly.

Collectively, the SWOT analysis indicates that XYZ's recovery challenge is multidimensional, combining capital impairment, governance weaknesses, regulatory compliance constraints and business-performance pressures. These findings provide a strategic bridge between the root-cause diagnosis and the subsequent PESTEL analysis and support an Integrated Recovery Framework (IRF) that combines recapitalisation, governance strengthening, financial-health restoration and appropriately validated business revitalisation measures.

4.5.3 PESTEL Analysis

Table 4.12 PESTEL Analysis - External Environment for Recovery 2025

Factor	Key Elements	Impact on XYZ Recovery
P Political	OJK's escalating capital requirements under POJK No. 23 of 2023 establish non-negotiable recovery deadlines while continued government support for Islamic finance provides a	OJK Stage-1 (Dec 2026) is a defined minimum-equity deadline; Stage-2 by Dec 2028 depends on the applicable KPPE classification (IDR 200 billion for KPPE 1 or IDR 500 billion for KPPE 2). The study does not assume a universal Stage-2 threshold. Government promotion of Islamic finance creates supportiveness for

Factor	Key Elements	Impact on XYZ Recovery
	favourable policy environment for viable insurers.	viable Sharia insurers, but does not protect non-compliant entities from enforcement action.
E Economic	Indonesia GDP growth 5.0–5.2% (2024–2025). Rising middle-income Muslim consumer base. High inflation impacting claims costs. Interest rate environment affecting Islamic bond valuations and OCI trajectory.	Growing economy supports post-PKU revenue recovery. However, elevated Islamic bond yields may sustain FVOCI valuation losses. Inflation increases claims expense, pressuring Tabarru' Fund underwriting results.
S Social	249.8 M Muslims (87.1% of Indonesia); halal economy mainstreaming; growing Islamic financial literacy. PKU public announcement has eroded participant confidence and brand trust.	Massive addressable market if PKU resolved and brand restored. Stakeholder trust pressure associated with the prolonged PKU period requires active DPS-led communication. The Tabarru' fund's RBC solvency (222.91% in 2021–2022, 518.37% in 2023 and 1,277.19% in 2024) is the most powerful trust-restoration narrative available to XYZ.
T Technological	Digital insurance distribution (insurtech); PSAK 74/IFRS 17 implementation requiring advanced actuarial systems; OJK digital reporting mandates; automated claims processing.	PSAK 74 (IFRS 17) implementation creates additional compliance requirements for insurance contract measurement, requiring investment in actuarial capability. This reinforces the urgency of an OJK-registered Company Actuary appointment as an immediate governance priority.
E Environmental	ESG/green investment criteria impacting syariah investment universe. OJK sustainable finance roadmap. Natural catastrophe risk in archipelagic Indonesia.	Sharia investment constraints already produce a de facto ESG-aligned portfolio. Green sukuk and sustainable sukuk instruments offer additional investment diversification opportunities that could reduce OCI concentration risk going forward.
L Legal	POJK No. 72/POJK.05/2016 (solvency/equity), POJK No. 73/POJK.05/2016 (governance), POJK No. 23 of 2023 (escalating equity thresholds), UU 4/2023 P2SK. KUPA group structure framework. OJK licence revocation powers.	Three simultaneous legal compliance imperatives: (1) resolve existing POJK 72 violations (PKU exit); (2) complete POJK 73 governance organs; (3) achieve POJK No. 23 of 2023 Stage-1 minimum equity (IDR 100 Bn) by Dec 2026. All three carry enforceable consequences including licence revocation.

Source: Author's PESTEL analysis based on OJK regulations, BPS and World Bank data, 2025 and AASI industry data, 2025. FVOCI = Fair Value Through Other Comprehensive Income; KUPA = Kelompok Usaha Perusahaan Asuransi; PKU = Pembatasan Kegiatan Usaha; P2SK = Law No. 4/2023 on Financial Sector Development and Strengthening.

The PESTEL analysis indicates that the external environment is generally favourable to the Company's recovery, supported by favourable demographic trends, continued government commitment to Islamic finance, and expanding market opportunities. However, the regulatory environment has become considerably more stringent following the introduction of POJK No. 23 of 2023,

which imposes progressively higher minimum equity requirements and mandatory compliance deadlines.

From an Institutional Theory perspective, the political and legal dimensions represent the strongest external institutional pressures shaping the Company's recovery. The implementation of POJK No. 23 of 2023 has intensified coercive institutional pressure through progressively higher minimum equity requirements and mandatory compliance deadlines. Consequently, successful recovery depends not only on improving financial performance but also on restoring institutional legitimacy through compliance with regulatory expectations relating to equity, solvency, and corporate governance.

Accordingly, the Company's principal recovery challenge lies within its internal financial and governance conditions rather than the external business environment. Although Indonesia's Islamic insurance market continues to offer attractive growth opportunities, the Company's ability to benefit from these opportunities depends on restoring capital adequacy, governance compliance, and regulatory confidence.

This interpretation is consistent with the questionnaire findings, in which all five participants emphasised that the Company's principal recovery constraints arise from internal organisational weaknesses rather than adverse external market conditions. Respondents consistently highlighted insufficient shareholder capital support, accumulated operating losses, incomplete governance structures, and delayed regulatory compliance as the key barriers to recovery. Together, these findings reinforce the documentary evidence through methodological triangulation and confirm that the external environment offers significant recovery opportunities once the Company's internal constraints are effectively addressed.

This conclusion provides the basis for developing the Integrated Recovery Framework presented in the following section, which integrates financial restructuring, governance reinforcement and regulatory compliance into a comprehensive recovery strategy.

4.6 Governance Analysis

Although financial distress represents the immediate manifestation of the Company's difficulties, sustainable regulatory recovery also depends upon governance structures capable of supporting prudent decision-making and regulatory compliance.

4.6.1 Governance Organ Compliance Assessment under POJK No. 73/POJK.05/2016

The governance compliance assessment indicates that, although most governance organs had been established, significant deficiencies remained in the Board of Directors' composition and the absence of an OJK-registered Company Actuary. These deficiencies represented clear governance non-compliance and were associated with weaker governance effectiveness and supervisory credibility, constraining the Company's recovery capacity.

Table 4.13 Governance Organ Compliance XYZ vs. POJK No. 73/POJK.05/2016

Governance Organ	POJK 73 Requirement	XYZ Status	Compliance	Urgency
Board of Directors	Board of Directors meeting the minimum composition and functional responsibilities prescribed under POJK No. 73/POJK.05/2016, including the compliance function, with directors approved through OJK Fit and Proper Test and domiciled in Indonesia.	Board composition incomplete. Several mandatory functional responsibilities were not continuously covered by OJK-approved directors, reducing governance effectiveness and delaying regulatory recovery initiatives.	NON-COMPLIANT	CRITICAL Blocks PKU exit
Board of Commissioners	Min. 3 members; ≥50% Independent Commissioners; must establish Komite Audit and Komite Pemantau Risiko.	Board of Commissioners established. Independence ratio (≥50%) and committee functionality require periodic verification and strengthening.	PARTIAL	MEDIUM
Dewan Pengawas Syariah (DPS)	Mandatory for fully fledged Islamic insurer; ≥1 member recommended by DSN-	DPS established and functionally active. Critical asset for institutional legitimacy	COMPLIANT	LOW Maintain

Governance Organ	POJK 73 Requirement	XYZ Status	Compliance	Urgency
	MUI and approved by OJK; appointed via RUPS.	restoration and participant communication.		
Company Actuary (Aktuaris Perusahaan)	Company Actuary required under the applicable OJK framework: POJK 67/2016 historically and POJK 23/2023 from 22 December 2023; provides actuarial assessment/certification relevant to technical reserves, solvency and regulatory reporting.	The Company did not maintain an OJK-registered Company Actuary during the observed period. Consequently, actuarial certification of technical reserves and MMBR calculations could not be completed, limiting the Company's ability to produce certified solvency assessments and submit actuarially supported recovery plans to OJK	NON-COMPLIANT	MOST CRITICAL Immediate
Internal Audit Unit (SKAI)	Internal Audit Unit established in accordance with OJK governance requirements.	Internal audit function exists; operational capacity constrained under current financial stress conditions.	COMPLIANT	MEDIUM
Risk Management Function	Risk management function established in accordance with OJK governance requirements.	Risk management function operational; Board-level Risk Monitoring Committee (Komite Pemantau Risiko) requires strengthening.	COMPLIANT	MEDIUM

Source: POJK No.73/POJK.05/2016; POJK No.67/POJK.05/2016; OJK supervisory correspondence; Company Annual Reports; Questionnaire findings; Author's analysis

The governance compliance assessment indicates that, although most governance organs had been established, significant deficiencies remained in the Board of Directors' composition and the absence of an OJK-registered Company Actuary. These deficiencies represented the governance constraints because they directly affected the Company's regulatory compliance, supervisory credibility, and recovery capacity.

From an Institutional Theory perspective, these governance deficiencies weakened the Company's institutional legitimacy by limiting its ability to demonstrate compliance with OJK governance requirements. Regulatory

legitimacy depends not only on financial soundness but also on governance structures capable of supporting prudent decision-making, effective oversight and regulatory accountability.

Without actuarial certification, the Company could not independently validate technical reserves, Minimum Required Capital (MMBR) calculations, or financial projections supporting recovery/action-plan preparation. Consequently, supervisory evaluation of the Company's solvency position and recovery plan became considerably more challenging, reducing regulatory confidence in the reliability of recovery projections.

The questionnaire findings support this assessment. Questionnaire respondents consistently emphasised that strengthening governance was an essential foundation for regulatory recovery, to be pursued in parallel with capital restoration rather than as a strict precondition for it, particularly through completing the governance organs required under POJK No. 73/POJK.05/2016 and reinforcing organisational capability to execute the recovery programme effectively. These findings corroborate the documentary evidence and further strengthen the governance analysis through methodological triangulation.

Overall, the findings demonstrate that governance weaknesses extended beyond formal organisational incompleteness and materially constrained the Company's ability to restore regulatory compliance. Accordingly, governance reinforcement should be regarded as a strategic recovery priority alongside equity restoration and solvency improvement, forming a critical foundation for the Integrated Recovery Framework developed in the following section.

4.6.2 Dual Regulatory Non-Compliance and Institutional Risk Amplification

The findings indicate that simultaneous non-compliance with POJK No. 72/POJK.05/2016 (financial health) and POJK No. 73/POJK.05/2016 (corporate governance) creates compounded institutional risk that is greater than the isolated impact of either deficiency. Rather than representing independent compliance failures, the interaction between financial weakness and governance deficiencies

amplifies organisational vulnerability, weakens regulatory legitimacy and constrains the Company's recovery capacity.

From an Institutional Theory perspective, financial health and governance compliance are mutually reinforcing institutional requirements. Restoring financial soundness without governance reconstruction, or vice versa, would only achieve partial regulatory compliance because organisational legitimacy depends upon simultaneous adherence to both regulatory frameworks.

This interpretation is consistent with Indonesia's insurance regulatory framework. Under POJK No.72/POJK.05/2016, failure to satisfy minimum financial health requirements may result in supervisory actions, including Business Activity Restriction (PKU). Separately, POJK No.73/POJK.05/2016 requires insurers to maintain governance organs that support prudent management and effective regulatory oversight. Accordingly, sustainable regulatory recovery requires the concurrent restoration of financial resilience and governance effectiveness.

Although governance deficiencies were not identified as the primary cause of financial distress, they significantly reinforced and prolonged its consequences. In particular, the absence of an OJK-registered Company Actuary constrained the preparation of recovery documentation requiring actuarial support and validation by an OJK-registered Company Actuary, thereby reducing the credibility of the Company's recovery programme. Prolonged PKU further constrained business expansion and premium generation, resulting in continued operating losses that eroded equity and delayed solvency restoration. At the same time, persistent financial weakness constrained the Company's ability to attract qualified governance professionals and strategic investors, thereby reinforcing governance deficiencies.

Overall, these findings demonstrate that financial recovery and governance reform are mutually dependent institutional processes rather than independent regulatory obligations. Breaking this institutional reinforcing cycle therefore requires coordinated implementation of capital strengthening, governance reconstruction, restoration of actuarial capability, and proactive regulatory

engagement. Together, these integrated actions establish the institutional foundation for sustainable recovery and eventual exit from PKU.

4.7 Introduction to Thematic Analysis

This section presents the findings of the thematic analysis of the primary qualitative evidence collected through the semi-structured expert questionnaire protocol. Five expert informants participated: the President Commissioner (PC-01), Independent Commissioner (IC-01), President Director (PD-01), Chief Operating Officer (COO-01) and Controlling Shareholder Representative (CSR-01). All five informants completed the same written protocol; CSR-01 completed the protocol via WhatsApp, receiving the written questionnaire as a reminder after an initial verbal consent request and returning the completed written responses via WhatsApp several days later.

Following Braun and Clarke's (2006) six-phase thematic analysis, the questionnaire data were systematically coded, categorised and synthesised into five recurring themes that explain the Company's recovery strategy for achieving regulatory supervisory exit. The analytical process involved iterative coding, comparison across respondents, category development, and refinement of themes until conceptual coherence was achieved. A summary of the coding structure and the resulting thematic map is presented prior to the thematic findings to provide a transparent audit trail of the analytical process.

Rather than presenting each questionnaire response separately, this section integrates the perspectives of all informants to identify common patterns, complementary insights, and areas of divergence across the dataset. Representative verbatim quotations are included throughout the analysis to illustrate each theme, while complete questionnaire records are provided in the Appendices. In addition to reporting convergent findings, the analysis also highlights disconfirming evidence where alternative or contrasting perspectives emerged. Incorporating these negative cases strengthens the credibility and trustworthiness of the thematic interpretation by demonstrating that the findings were derived through analytical comparison rather than selective confirmation.

Finally, the questionnaire findings are triangulated with documentary evidence, financial statement analysis and regulatory review presented in the preceding sections. This triangulation enhances the credibility of the findings and provides the empirical foundation for developing the Integrated Recovery Framework proposed in Chapter 5.

To reduce the risk of confirmation bias, response convergence was therefore tested against documentary and financial evidence rather than accepted at face value. Where the questionnaire evidence was largely confirmatory of an existing regulatory requirement, it was treated as supporting contextual evidence. Stronger causal or strategic conclusions were retained only where they could also be supported by documentary evidence, financial analysis, governance records, or other independently observable case evidence.

Consequently, thematic similarity across respondents is not treated as evidence of five completely independent confirmations. Some convergence was structurally expected because the participants were assessing the same company, the same PKU condition, and substantially the same regulatory obligations. The analytical significance therefore lies less in the mere recurrence of terms such as equity, solvency, and governance, and more in how individual informants differed in their interpretation of causal factors, institutional responsibility, sequencing of recovery actions, and the relative priority assigned to each recovery mechanism.

An important interpretive qualification concerns the relatively high level of convergence among the five informants. The recurring references to equity restoration, solvency, governance reinforcement, regulatory compliance and shareholder commitment should be interpreted in the context of the common question set and the shared regulatory framework. All five informants responded in writing to the same ten questions. The convergence therefore supports internal consistency within the case but is not treated as five independent confirmations of the same diagnosis.

Interpretive Caution Regarding Response Convergence

The relatively high convergence across the five informants should be understood in light of the substantive nature of the case. The informants were not ordinary respondents being asked to form an opinion on an unfamiliar issue; they were senior actors with direct knowledge of the Company and its regulatory circumstances. Each assessed the same PKU condition and the same OJK regulatory requirements from a distinct institutional position. The recurrence of the same core diagnosis is therefore consistent with expert convergence around a shared regulatory reality. It should not, without further evidence, be characterised as researcher-induced bias or as evidence that the researcher instructed the informants to reach the same conclusion.

The common written protocol also served a methodological purpose that should be distinguished from response bias. Using the same ten questions made the five expert perspectives comparable, while the independent completion of the protocol preserved each informant's own judgement. The convergence is consequently interpreted at two levels: first, convergence on the existence and broad nature of the regulatory and financial constraints; and second, variation in emphasis concerning causes, priorities, ownership, sequencing and possible recovery mechanisms. The latter variation is particularly important because it demonstrates that the thematic analysis did not depend on mechanically counting identical answers.

Most importantly, the questionnaire findings identify the problem to be solved rather than predetermine the solution. The five experts broadly converge because they are observing the same regulatory problem, whereas the Integrated Recovery Framework is the researcher's subsequent analytical synthesis of how that problem can be addressed. The IRF therefore should be read as a proposed, evidence-informed recovery design derived from the Chapter 4 diagnosis, documentary and financial evidence, regulatory requirements and theoretical interpretation—not as a solution that the informants collectively prescribed or validated.

4.7.1 Coding Framework

The thematic analysis followed the six-phase analytical procedure proposed by Braun and Clarke (2006). Following data familiarisation, each informant's written questionnaire response was reviewed repeatedly to identify meaningful statements related to the Company's financial condition, recovery priorities, governance, regulatory challenges, and long-term sustainability. Initial codes were generated inductively from the questionnaire data while remaining aligned with the study's conceptual framework on equity, solvency, governance and regulatory supervisory exit.

Subsequently, conceptually related codes were grouped into broader analytical categories through constant comparison across the five expert informants. This iterative process enabled recurring patterns to be identified and facilitated the refinement of higher-order themes representing shared interpretations rather than individual opinions. Throughout the coding process, similarities and differences among informants were continuously compared to ensure analytical consistency while preserving the unique perspectives contributed by each participant.

Table 4.14 summarises the progression from initial codes to analytical categories and ultimately to the five overarching themes that underpin the proposed Integrated Recovery Framework. This coding framework provides a transparent audit trail demonstrating how the qualitative findings were systematically derived from the questionnaire data rather than being based solely on researcher interpretation.

Table 4.14 Coding Framework

Initial Codes	Analytical Categories	Final Themes
Financial distress	Financial deterioration	Theme 1 – Capital Restoration and Equity Recovery
Accumulated losses	Capital erosion	
Negative equity	Capital deficiency	
Capital injection	Capital strengthening	
Shareholder commitment	Capital support	

Initial Codes	Analytical Categories	Final Themes
Investor participation	Capital reinforcement	
Weak solvency	Financial resilience	Theme 2 – Solvency Restoration and Financial Resilience
Solvency recovery	Financial recovery	
Risk absorption capacity	Financial resilience	
Governance weakness	Governance effectiveness	Theme 3 – Governance Reinforcement and Risk Management
Incomplete Board structure	Governance compliance	
Absence of Appointed Actuary	Governance capability	
Risk management	Internal control	
Transparency	Governance quality	
OJK compliance	Regulatory compliance	Theme 4 – Regulatory Compliance toward PKU Exit
Minimum capital requirement	Regulatory readiness	
PKU Exit Strategy	Supervisory exit	
Recovery roadmap	Regulatory implementation	
Business model transformation	Business sustainability	Theme 5 – Sustainable Business Recovery through Stakeholder Commitment
Premium growth	Core business recovery	
Operational efficiency	Sustainable profitability	
Stakeholder commitment	Long-term sustainability	

Source: Developed by the researcher based on thematic analysis of the expert questionnaire responses, 2026.

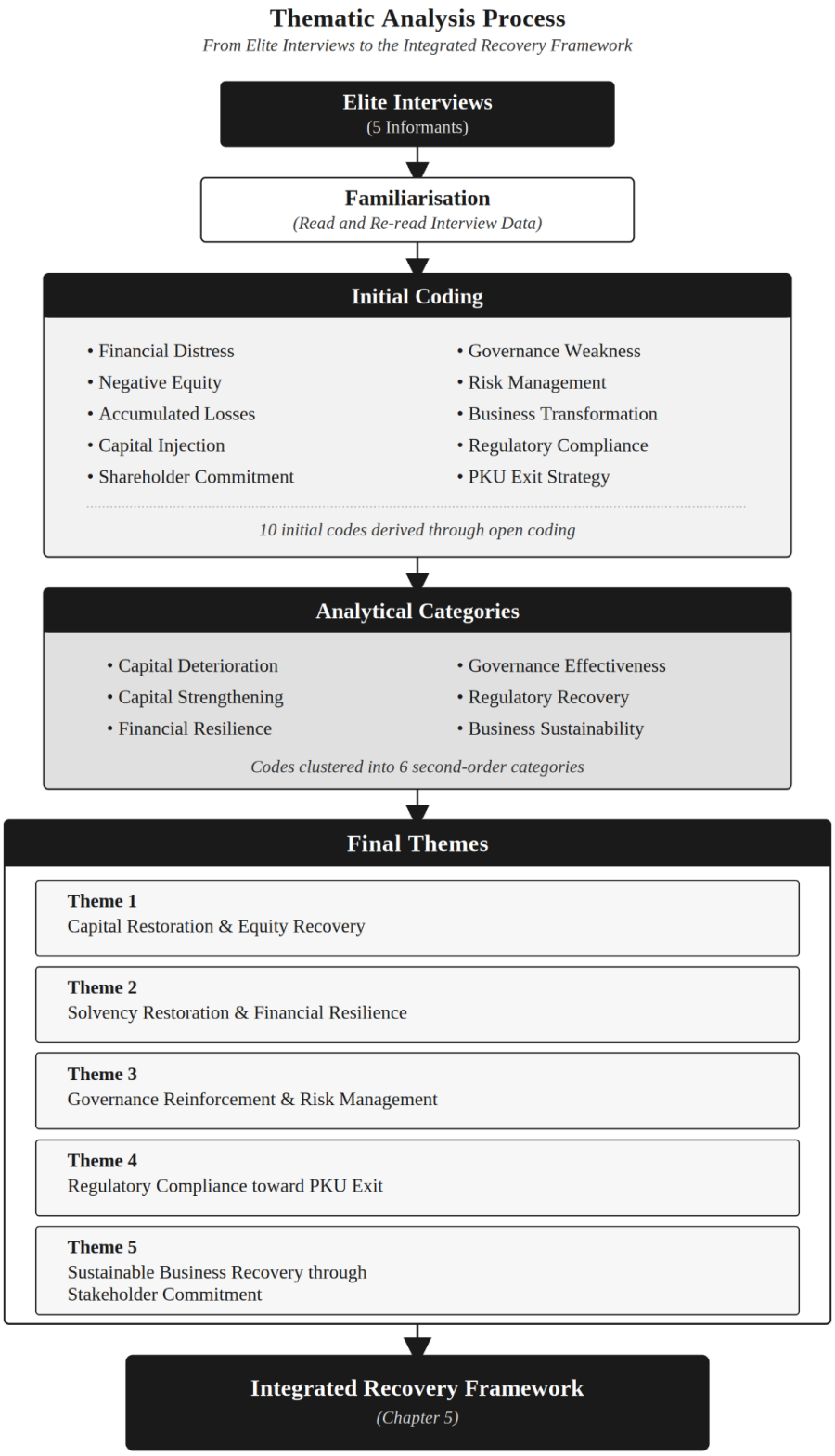


Figure 4.2 Coding Process

Source: Developed by the researcher based on Braun and Clarke (2006).

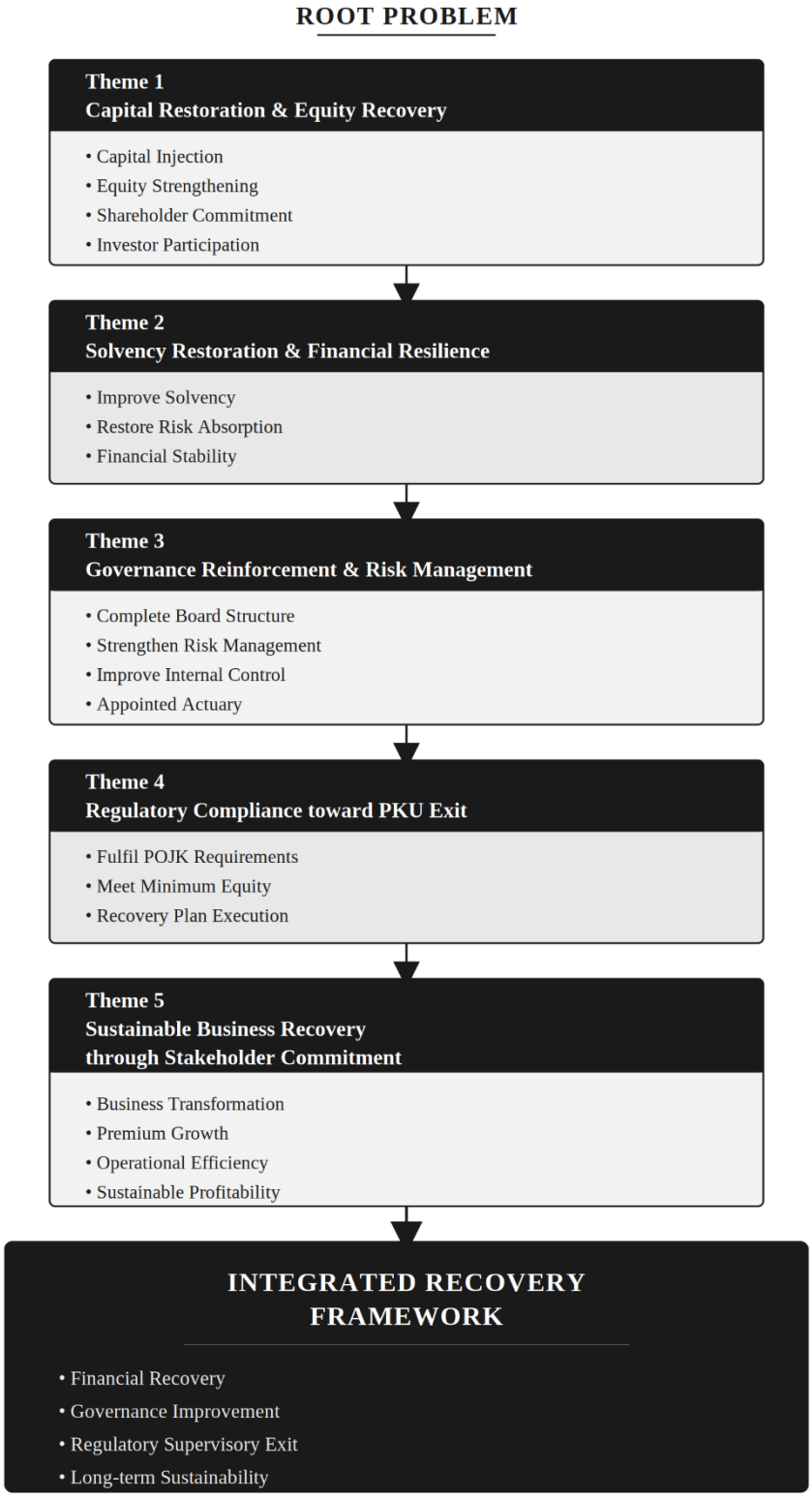


Figure 4.3 Integrated Recovery Framework for Regulatory Supervisory Exit

The thematic map illustrates an integrated recovery logic rather than a rigid sequential prescription. Capital restoration, solvency improvement, governance reinforcement and regulatory compliance are interdependent themes. The analysis indicates that capital strengthening can improve the Company's capacity to absorb risk, while governance and actuarial capability strengthen the reliability of financial-health assessment and regulatory engagement. These dimensions interact and collectively support progress toward regulatory supervisory exit and sustainable business recovery.

Strengthening capital and equity can improve financial resilience and the Company's capacity to satisfy applicable requirements. This financial strengthening, however, needs to operate together with Governance Reinforcement and Risk Management, including Board effectiveness, internal control, risk management practices and the required actuarial capability. The themes therefore describe mutually reinforcing recovery conditions rather than a mandatory one-way sequence.

Once the relevant financial, governance and actuarial evidence has been assembled, the Company is better positioned to demonstrate regulatory readiness and engage OJK regarding PKU resolution. The timing of formal regulatory submission remains dependent on satisfaction of applicable requirements and OJK evaluation. Sustainable business recovery is treated as a subsequent operating objective that follows regulatory normalisation and is not presented as an empirical finding already achieved.

Collectively, these five interconnected themes form the empirical foundation of the Integrated Recovery Framework proposed in Chapter 5. The thematic relationships indicate that successful regulatory supervisory exit cannot be achieved through isolated financial interventions alone but requires a coordinated strategy integrating capital restoration, solvency improvement, governance reinforcement, regulatory compliance, and sustainable business transformation.

4.7.2 Thematic Map

Following the coding process, the analytical categories were synthesised into five higher-order themes that collectively explain the Company's recovery pathway toward regulatory supervisory exit. In accordance with Braun and Clarke (2006), the thematic map illustrates not only the themes that emerged from the questionnaire data but also the conceptual relationships among them.

The thematic analysis indicates that the five themes are not independent findings but mutually reinforcing dimensions of an integrated recovery process. Although capital restoration emerged from the questionnaire responses as the most urgent financial requirement for restoring organisational viability, the empirical and regulatory analysis demonstrates that governance reinforcement constitutes the principal implementation enabler of the recovery process. In particular, completion of mandatory governance functions and actuarial capability is required to support credible financial assessment, recovery-plan preparation, capital mobilisation and regulatory engagement. Accordingly, the recovery pathway should not be interpreted as a strictly linear sequence beginning exclusively with either governance or capital.

In addition to illustrating the interconnection among the themes, the thematic map demonstrates two overarching influences that emerged consistently throughout the questionnaire responses. First, stakeholder commitment, including shareholders, the Board of Commissioners, the Board of Directors and senior management, acts as an internal enabling factor across the recovery architecture. Second, regulatory oversight by OJK represents the external institutional driver shaping organisational responses throughout the recovery process. These contextual factors reinforce the Institutional Theory perspective by demonstrating that organisational recovery results from the interaction between internal organisational capabilities and external regulatory pressures.

Consequently, the five interconnected themes constitute the empirical foundation of the Integrated Recovery Framework developed in Chapter 5.

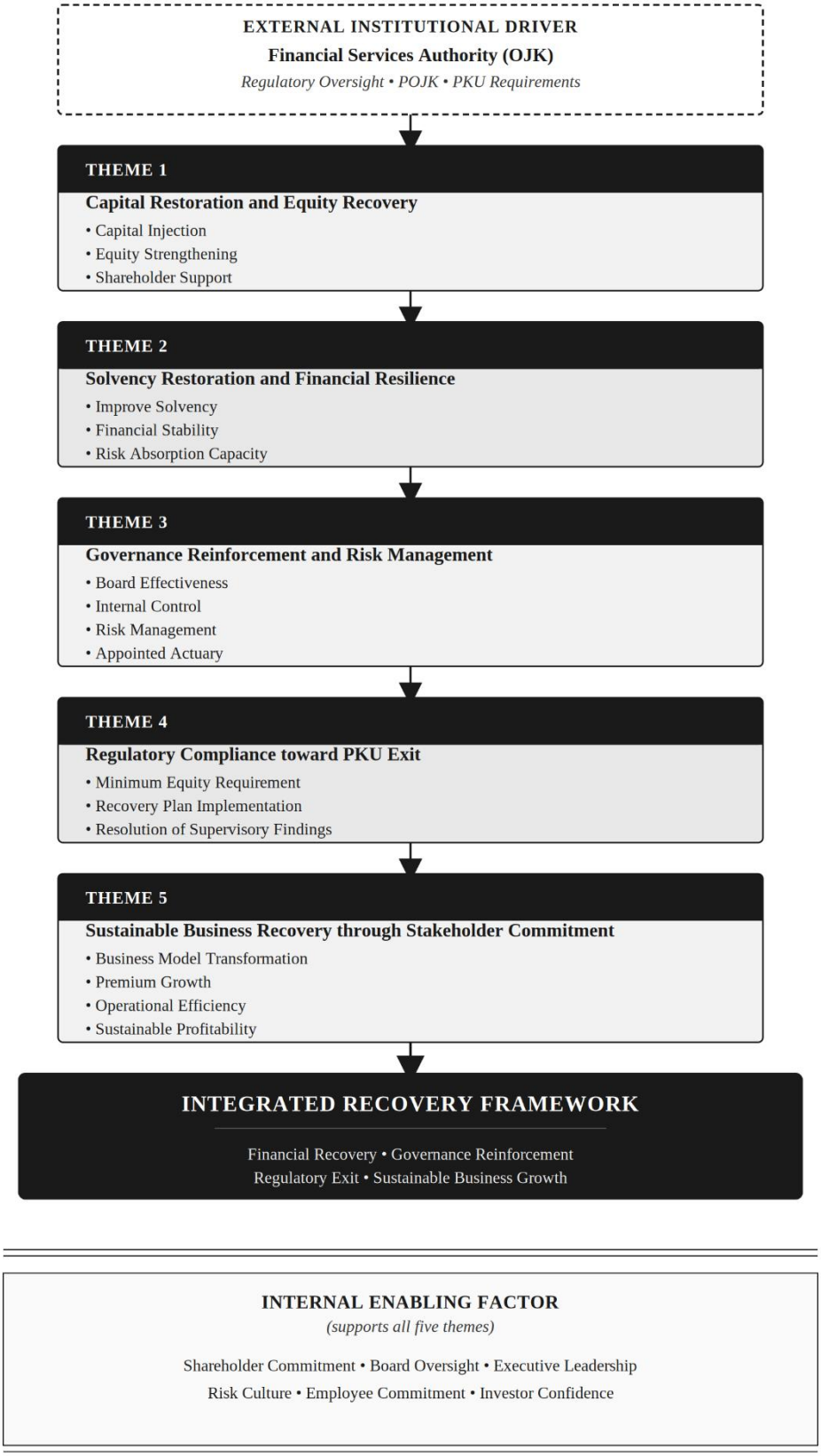


Figure 4.4 Thematic Map of the Integrated Recovery Framework for Regulatory Recovery

Figure 4.4 demonstrates that organisational recovery is a dynamic and interconnected process rather than a collection of independent strategic initiatives. Capital restoration was consistently identified by the expert informants as the most urgent financial requirement, whereas governance reinforcement emerged from the broader documentary, regulatory and theoretical analysis as the critical institutional enabler of recovery implementation. The thematic map should therefore be interpreted as illustrating mutually reinforcing recovery dimensions rather than a rigid chronological sequence. Governance reconstitution and capital mobilisation should commence in parallel: strengthened governance and actuarial capability enable credible financial assessment and regulatory engagement, while capital restoration provides the financial capacity required to restore resilience and satisfy regulatory requirements. Together, these dimensions establish the foundation for regulatory normalisation and subsequent sustainable business recovery.

The analysis further indicates that governance improvement serves as the bridge between financial recovery and regulatory compliance. Only after strengthening governance can the Company consistently implement its recovery plan, satisfy regulatory requirements, and demonstrate readiness to exit the Special Supervisory Status (PKU). The final stage of the recovery process focuses on sustainable business recovery, emphasising long-term profitability, business model transformation, operational efficiency, and stakeholder confidence.

Across all stages, the thematic map highlights two cross-cutting dimensions. Internally, stakeholder commitment emerged as the principal enabling factor sustaining implementation throughout the recovery process. Externally, regulatory oversight by OJK provides the institutional pressure that shapes organisational priorities and recovery milestones. Together, these internal and external dimensions explain how the Company can progress from financial distress toward sustainable recovery and regulatory supervisory exit.

4.7.3 Overview of Themes

Following the coding process and thematic mapping, five higher-order themes were identified from the questionnaire data. These themes represent the shared perspectives of the five expert informants regarding the Company's recovery

strategy for achieving regulatory supervisory exit. Although each theme addresses a distinct aspect of organisational recovery, they should not be interpreted as independent findings. Instead, they collectively describe an integrated recovery pathway in which financial restructuring, governance reinforcement, regulatory compliance, and business transformation interact to support the Company's long-term sustainability.

The themes were developed through an iterative process of coding, categorisation, and cross-informant comparison across all questionnaire respondents. Representative quotations from each informant are presented within the subsequent thematic analysis to demonstrate how the themes are supported by the empirical data. Because the questionnaire protocol was itself structured around the study's regulatory and diagnostic framework (see Section 3.5), analysis is best characterised as primarily deductive, with limited inductive refinement, rather than themes emerging inductively from unstructured data. Documentary evidence, financial statement analysis, and regulatory findings are then used to triangulate and strengthen the credibility of each theme.

Table 4.15 provides an overview of the five themes together with their analytical focus and principal empirical evidence.

Table 4.15 Overview of Themes

Theme	Analytical Focus	Representative Empirical Evidence
Theme 1 – Capital Restoration and Equity Recovery	Restoring positive equity through capital injection, shareholder commitment, and strengthening the Company's capital structure.	All informants identified capital strengthening as the primary prerequisite for organisational recovery. Documentary evidence also indicates persistent negative equity and accumulated losses.
Theme 2 – Solvency Restoration and Financial Resilience	Improving the Company's financial resilience through stronger solvency, liquidity, and risk-bearing capacity.	Informants emphasised that restoring solvency is essential for rebuilding financial stability and sustaining insurance operations. Financial analysis demonstrates continued pressure on liquidity and capital adequacy.
Theme 3 – Governance	Strengthening governance effectiveness through Board completeness, internal control,	Questionnaire responses consistently highlighted governance improvement, appointment of key officers, and

Theme	Analytical Focus	Representative Empirical Evidence
Reinforcement and Risk Management	risk management, and regulatory governance compliance.	enhanced risk oversight as critical recovery initiatives.
Theme 4 – Regulatory Compliance toward PKU Exit	Achieving compliance with OJK requirements, implementing the Recovery Plan, and satisfying supervisory expectations to exit PKU status.	Informants viewed regulatory compliance as the immediate organisational objective, supported by documentary evidence relating to the Company's PKU status and recovery roadmap.
Theme 5 – Sustainable Business Recovery through Stakeholder Commitment	Ensuring long-term organisational sustainability through business transformation, operational improvement, premium growth, and continued stakeholder commitment.	Informants acknowledged that capital restoration alone would be insufficient without sustainable business growth, organisational transformation, and long-term shareholder support.

Source: Developed by the researcher based on thematic analysis of the expert questionnaire responses (2026).

The five themes presented in Table 4.15 constitute the principal dimensions of the Company's recovery strategy as perceived by the expert informants. Although each theme reflects a distinct aspect of organisational recovery, the findings indicate that they are closely interconnected and collectively contribute to the Company's objective of achieving regulatory supervisory exit. The themes should therefore be interpreted as complementary components of an integrated recovery process rather than as isolated organisational initiatives.

The following sections present a detailed analysis of each theme by integrating evidence obtained from all five expert informants. Representative verbatim quotations are presented to illustrate key findings, while documentary evidence, financial statement analysis, and regulatory documents are used to triangulate and corroborate the questionnaire data. Where divergent perspectives emerged, disconfirming evidence is explicitly discussed to provide a balanced interpretation of the findings and enhance the credibility and trustworthiness of the qualitative analysis.

4.7.4 Theme 1 – Capital Restoration and Equity Recovery

4.7.4.1 Theme Overview

The first theme emerging from the thematic analysis is Capital Restoration and Equity Recovery, which informants most frequently identified as one of the two foundational elements, alongside governance reinforcement, of the Company's recovery from financial distress and its eventual exit from Regulatory Special Supervision (PKU). This theme was consistently identified by all five expert informants through different perspectives, including financial sustainability, regulatory compliance, governance effectiveness, and shareholder commitment.

The coding process demonstrates that various initial codes, including Capital Injection, Accumulated Losses, Financial Distress, Recovery Strategy, Shareholder Commitment, and Capital & Regulatory Recovery, converged into a broader analytical category describing the necessity of restoring the Company's capital structure. These codes subsequently formed the higher-order theme of Capital Restoration and Equity Recovery, as illustrated in the Coding Framework and Thematic Map presented in the previous sections.

The findings indicate that the informants did not perceive capital restoration merely as an accounting exercise to eliminate negative equity. Instead, recapitalisation was regarded as the strategic foundation for restoring financial resilience, rebuilding stakeholder confidence, improving regulatory compliance, and enabling the implementation of subsequent organisational recovery initiatives. Consequently, this theme occupies the first stage within the Integrated Recovery Framework because it establishes the financial capacity required to support improvements in solvency, governance, and long-term business sustainability.

4.7.4.2 Evidence from the Expert Questionnaire

Evidence supporting this theme emerged consistently across all five expert questionnaire responses. The President Commissioner emphasised that recapitalisation should become the Company's immediate strategic priority by stating:

"*Fokus utama tindakan strategis bertumpu pada rekapitalisasi ekuitas melalui injeksi modal disetor baru guna memenuhi ambang batas permodalan minimum yang diamanatkan oleh otoritas pengawas*."

Similarly, the Independent Commissioner considered capital restoration as the most realistic solution to satisfy regulatory requirements, explaining that:

"*Penambahan modal disetor minimal untuk menutup persyaratan modal minimum (POJK 23 Tahun 2023)... Dengan mempertimbangkan kondisi keuangan pemegang saham saat ini maka penambahan modal diharapkan dari investor baru*."

The President Director also identified capital strengthening as the Company's highest strategic priority by emphasising that the immediate objective is to fulfil the minimum equity requirement through capital injection while simultaneously improving governance.

"*Tindakan strategis yang menjadi prioritas adalah penguatan permodalan untuk memenuhi ketentuan ekuitas minimum sebesar Rp100 miliar per Desember 2026 dan perbaikan tata kelola perusahaan*."

From an operational perspective, the Chief Operating Officer similarly argued that restoring capital represents the foundation of organisational recovery.

"*Penguatan permodalan untuk memperbaiki ekuitas dan solvabilitas, disertai tata kelola, penguatan manajemen risiko, peningkatan pendapatan bisnis, serta efisiensi operasional*."

Meanwhile, the representative of the Controlling Shareholder emphasised that shareholder commitment extends beyond providing additional capital. According to the respondent, sustainable recovery also requires effective execution by management.

"*Komitmen pemegang saham merupakan faktor yang sangat penting... Namun demikian, komitmen pemegang saham harus diimbangi dengan komitmen manajemen untuk memperbaiki kinerja operasional sehingga pemulihan perusahaan dapat berjalan secara berkelanjutan*."

Collectively, these questionnaire findings demonstrate strong convergence across all respondents that capital restoration constitutes a primary and foundational element of organisational recovery.

Although each respondent approached the issue from different organisational responsibilities, all identified recapitalisation as critical to enabling broader financial and operational improvements. As discussed in Chapter 5, this finding is not interpreted as establishing that capital mobilisation must strictly precede governance reinforcement; the proposed IRF treats the two as parallel, mutually reinforcing workstreams, since a credible PKU exit requires OJK to observe progress on both dimensions concurrently.

4.7.4.3 Cross-Informant Interpretation

Cross-informant comparison demonstrates a high degree of convergence among the five expert informants regarding the strategic importance of capital restoration. Across governance, executive management, operational management, and shareholder perspectives, recapitalisation was consistently perceived as the foundation upon which subsequent recovery initiatives depend. This convergence strengthens the credibility of the theme because similar conclusions emerged despite differences in organisational roles and responsibilities.

Nevertheless, the emphasis of each informant differed. Members of the Board of Commissioners primarily associated capital restoration with regulatory compliance and corporate governance responsibilities. In contrast, executive management viewed recapitalisation as a mechanism for restoring financial capacity and implementing operational recovery. The representative of the Controlling Shareholder broadened the discussion by linking shareholder support with management accountability and long-term business sustainability. These complementary perspectives indicate that capital restoration is not solely a financial intervention but also a governance and strategic management issue.

4.7.4.4 Triangulation with Documentary Evidence and Negative Case Analysis

The questionnaire findings are consistent with documentary evidence presented earlier in this study. Financial statement analysis demonstrates that the Company experienced persistent accumulated losses, resulting in negative equity

and failure to satisfy the minimum equity requirement stipulated under POJK No. 23 of 2023. Documentary analysis therefore corroborates the questionnaire evidence that recapitalisation is required to restore regulatory compliance and financial sustainability.

Although the overall findings strongly support the importance of capital restoration, one important negative case emerged during the analysis of the questionnaire responses. While most respondents described the Company as experiencing severe financial distress, the President Director offered a more differentiated assessment by explaining that the Company's Risk-Based Capital (RBC) ratio and statutory guarantee fund remained compliant with regulatory requirements, whereas the principal weakness concerned the minimum equity requirement.

This divergent perspective does not contradict the dominant finding but instead refines its interpretation. Rather than suggesting that every aspect of the Company's financial condition had deteriorated equally, the President Director distinguished between operational solvency indicators and capital adequacy. This distinction reduces the risk of confirmation bias by demonstrating that the qualitative analysis incorporates alternative interpretations emerging from the questionnaire data. It also suggests that the Company's recovery strategy should prioritise equity restoration while preserving the financial strengths that remain intact.

4.7.4.5 Theme Conclusion

The thematic analysis identifies Capital Restoration and Equity Recovery as the foundational component of the Company's recovery strategy. Evidence from all five expert informants consistently indicates that restoring positive equity through recapitalisation, supported by shareholder commitment and strengthened governance, represents the essential first step toward achieving financial resilience and regulatory supervisory exit. Although one informant highlighted that selected solvency indicators remained compliant, this alternative perspective strengthens rather than weakens the analysis by demonstrating that the Company's primary challenge lies in capital adequacy rather than in every dimension of financial

performance. Consequently, capital restoration forms the starting point of the Integrated Recovery Framework developed in this study.

4.7.5 Theme 2 – Solvency Restoration and Financial Resilience

4.7.5.1 Theme Overview

The second theme emerging from the thematic analysis is Solvency Restoration and Financial Resilience. While Theme 1 identified capital restoration as a foundational element of organisational recovery, pursued in parallel with governance reinforcement, Theme 2 explains how restoring capital contributes to improving the Company's solvency position and strengthening its long-term financial resilience. The findings indicate that the expert informants consistently perceived solvency restoration as extending beyond regulatory compliance; rather, it represents the Company's ability to fulfil policyholder obligations, absorb financial risks, maintain stakeholder confidence, and sustain business continuity.

The coding process identified several initial codes, including Financial Distress, Negative Equity, Solvency Restoration, Risk Absorption, Capital & Regulatory Recovery, and Financial Stability. These codes were subsequently synthesised into the broader analytical category of financial resilience, which ultimately formed the second higher-order theme within the Integrated Recovery Framework.

The thematic analysis further demonstrates that solvency restoration is viewed as a direct consequence of successful capital restoration. Without strengthening the Company's equity position, respondents considered improvements in solvency to be difficult to achieve. Consequently, this theme represents the second stage of the recovery pathway, linking financial restructuring with sustainable operational performance and regulatory confidence.

4.7.5.2 Evidence from the Expert Questionnaire

The President Commissioner explained that deteriorating equity had fundamentally weakened the Company's solvency because liabilities had exceeded the Company's capacity to absorb risk.

"*Struktur ekuitas yang negatif mendisrupsi fundamental neraca keuangan… nilai aset tidak lagi memadai untuk memitigasi profil risiko kewajiban, yang secara langsung menekan rasio solvabilitas*."

Similarly, the Independent Commissioner emphasised that negative equity directly resulted in insolvency because the Company's assets were insufficient to cover its obligations.

"*Karena ekuitas negatif maka aset terpaksa didanai dengan kewajiban… jumlah aset tidak cukup untuk menutupi jumlah kewajiban sehingga solvabilitas menjadi di bawah ketentuan*."

The President Director likewise recognised that restoring solvency requires strengthening both capital and business performance.

"*Ekuitas negatif berdampak langsung terhadap solvabilitas… sehingga diperlukan langkah perbaikan seperti penambahan modal, restrukturisasi kewajiban, serta peningkatan kinerja bisnis*."

From the operational perspective, the Chief Operating Officer stressed that weakened solvency reduces the Company's ability to absorb risk and fulfil its obligations.

"*Ekuitas negatif berdampak langsung pada penurunan tingkat solvabilitas karena kemampuan perusahaan untuk menyerap risiko dan memenuhi kewajiban semakin terbatas*."

The representative of the Controlling Shareholder broadened the discussion by emphasising that deteriorating solvency also undermines confidence among policyholders, investors, and regulators.

"*Dampaknya tidak hanya pada rasio solvabilitas, tetapi juga terhadap tingkat kepercayaan pemegang polis, mitra usaha, investor, dan regulator*."

Collectively, these findings indicate strong agreement that restoring solvency is essential not only for meeting regulatory requirements but also for rebuilding organisational credibility and ensuring long-term financial sustainability.

4.7.5.3 Cross-Informant Interpretation

Cross-informant comparison demonstrates substantial convergence among the five informants regarding the relationship between equity restoration and solvency improvement. All respondents agreed that prolonged accumulated losses weakened the Company's financial position by reducing its capacity to absorb risk and fulfil policyholder obligations. This consensus reinforces the proposition that solvency restoration cannot be achieved independently from capital strengthening.

Nevertheless, the respondents emphasised different dimensions of solvency. The President Commissioner and Independent Commissioner viewed solvency primarily from the perspective of balance-sheet integrity and regulatory compliance. The President Director and Chief Operating Officer focused on the Company's operational capacity to sustain business performance and meet future obligations. Meanwhile, the Controlling Shareholder Representative highlighted the reputational consequences of weak solvency, particularly its impact on investor confidence and stakeholder trust.

These complementary viewpoints suggest that solvency restoration encompasses regulatory, operational, financial, and strategic dimensions rather than a single financial ratio.

4.7.5.4 Triangulation with Documentary Evidence and Negative Case Analysis

The questionnaire findings are consistent with the documentary analysis presented earlier in Chapter 4. Financial statement analysis demonstrates that accumulated losses significantly reduced the Company's equity, thereby limiting its financial flexibility and weakening its resilience. These findings support the respondents' shared view that capital restoration is necessary to improve solvency and strengthen the Company's ability to sustain long-term operations.

However, a noteworthy negative case emerged from the President Director's questionnaire response. Unlike the other respondents, who generally described the Company's solvency as severely constrained by negative equity, the President Director clarified that the Company's Risk-Based Capital (RBC) ratio and statutory guarantee fund remained compliant with prevailing regulatory requirements despite the Company's equity deficiency.

This alternative perspective provides a more nuanced understanding of the Company's financial condition. Rather than contradicting the dominant theme, it distinguishes between regulatory solvency indicators and capital adequacy. The evidence suggests that the Company retained certain operational strengths while simultaneously experiencing structural weaknesses in its capital position. Incorporating this divergent perspective enhances the trustworthiness of the qualitative analysis by demonstrating that the researcher considered evidence that refined, rather than merely confirmed, the dominant interpretation.

4.7.5.5 Theme Conclusion

The thematic analysis identifies Solvency Restoration and Financial Resilience as the second critical component of the Company's recovery pathway. The questionnaire findings consistently demonstrate that restoring solvency depends upon successful capital restoration and contributes directly to rebuilding financial stability, regulatory confidence, and stakeholder trust. Although one respondent highlighted that selected regulatory solvency indicators remained satisfactory, this alternative perspective reinforces the conclusion that the Company's principal challenge lies in restoring capital adequacy while preserving its existing operational resilience. Accordingly, solvency restoration represents the essential bridge between financial restructuring and governance reinforcement within the Integrated Recovery Framework proposed by this study.

4.7.6 Theme 3 – Governance Reinforcement and Risk Management

4.7.6.1 Theme Overview

The third theme emerging from the thematic analysis is Governance Reinforcement and Risk Management. Following capital restoration and solvency improvement, the questionnaire findings indicate that strengthening corporate governance constitutes the next critical stage in the Company's recovery process. The respondents consistently viewed governance reinforcement not merely as compliance with regulatory requirements but as a strategic mechanism for improving organisational effectiveness, strengthening risk management, enhancing decision-making quality, and supporting long-term business sustainability.

The coding process identified several initial codes, including Governance Weakness, Governance Improvement, Risk Management, Board Effectiveness, Actuary Requirement, and Regulatory Compliance. These codes were subsequently consolidated into the analytical category of governance capability, which formed the third higher-order theme within the Integrated Recovery Framework.

The findings further suggest that governance deficiencies contributed significantly to the Company's prolonged financial distress. Consequently, respondents regarded governance reform as an organisational capability that enables effective implementation of financial recovery strategies rather than merely satisfying statutory obligations.

4.7.6.2 Evidence from the Expert Questionnaire

The President Commissioner emphasised that governance weaknesses primarily originated from incomplete governance structures, particularly the absence of key governing bodies required under OJK regulations.

"*Tata kelola tersebut belum optimal akibat ketidaklengkapan struktur pada organ-organ strategis perusahaan... ketiadaan figur aktuaris perusahaan turut menciptakan kelemahan tata kelola risiko*."

The Independent Commissioner expressed a similar concern by explaining that although Good Corporate Governance principles had generally been implemented, governance effectiveness remained constrained because the composition of the Board of Directors, Board of Commissioners, and Company Actuary did not yet comply with regulatory requirements.

"*Prinsip tata kelola perusahaan yang baik telah diterapkan. Hanya saja sebagian organ perusahaan belum sesuai dengan ketentuan... Aktuaris Perusahaan juga belum terpenuhi*."

The President Director also recognised governance deficiencies as one of the principal contributors to the Company's current condition.

"*Organ perusahaan belum memenuhi ketentuan POJK... komisaris independen, direksi, dan aktuaris perusahaan belum terpenuhi. Belum efektifnya penerapan manajemen risiko juga memperburuk kondisi perusahaan*."

Similarly, the Chief Operating Officer highlighted weaknesses in management oversight, risk management practices, investment decision-making, and organisational transparency.

"*Masalah tata kelola yang berkontribusi terhadap kondisi perusahaan antara lain pengawasan manajemen, pengelolaan risiko, pengambilan keputusan investasi, serta kurangnya prinsip transparansi*."

From the Shareholder's perspective, governance reform should extend beyond organisational structure to include strategic business management.

"*Permasalahan tidak semata-mata berada pada aspek operasional, melainkan pada tata kelola strategis dalam menjalankan model bisnis perusahaan*."

Taken together, these findings demonstrate that governance reinforcement was consistently perceived as an essential organisational capability supporting financial recovery, risk management, and long-term corporate sustainability.

4.7.6.3 Cross-Informant Interpretation

Cross-informant comparison demonstrates substantial agreement among all five expert informants that governance deficiencies significantly contributed to the Company's financial challenges. However, the respondents approached governance from different organisational perspectives.

The President Commissioner, Independent Commissioner, and President Director primarily focused on governance structures, emphasising compliance with regulatory requirements concerning board composition, corporate oversight, and the appointment of a Company Actuary. In contrast, the Chief Operating Officer highlighted governance implementation, particularly improvements in risk management, transparency, and operational decision-making. Meanwhile, the representative of the Controlling Shareholder adopted a broader strategic

perspective by arguing that governance reform should also encompass transformation of the Company's business model.

These complementary perspectives indicate that governance reinforcement should be interpreted as a multidimensional organisational capability integrating structural governance, operational control, strategic leadership, and enterprise risk management. Collectively, these dimensions strengthen the Company's institutional capacity to execute financial recovery initiatives effectively.

4.7.6.4 Triangulation with Documentary Evidence and Negative Case Analysis

The questionnaire findings are consistent with documentary evidence presented earlier in this study. The Company's governance assessment indicates that several governance requirements prescribed by OJK had not yet been fully satisfied, including the minimum composition of the Board of Directors, Board of Commissioners, and the appointment of a Company Actuary. These governance deficiencies reduced the effectiveness of oversight, strategic decision-making, and enterprise risk management, thereby reinforcing the respondents' assessment that governance strengthening is indispensable for organisational recovery.

Nevertheless, an important negative case emerged from the Independent Commissioner. Unlike the other respondents, who tended to portray governance as a significant organisational weakness, the Independent Commissioner argued that the principles of Good Corporate Governance had generally been implemented, while the principal shortcomings related to the incompleteness of organisational structures rather than the absence of governance practices themselves.

This divergent perspective enriches the interpretation of the findings. Instead of suggesting a complete governance failure, it indicates that the Company possessed an existing governance framework that was not yet fully effective because essential governance organs had not been completely established. Consequently, the findings suggest that organisational recovery requires strengthening governance capacity rather than replacing the existing governance system altogether.

This alternative interpretation also enhances the credibility of the qualitative analysis by demonstrating that differing viewpoints among expert informants were incorporated into the interpretation rather than excluded from the analysis.

4.7.6.5 Theme Conclusion

The thematic analysis identifies Governance Reinforcement and Risk Management as the third critical component of the Integrated Recovery Framework. Evidence obtained from the five expert informants consistently indicates that governance strengthening extends beyond regulatory compliance and functions as an organisational capability supporting effective risk management, strategic decision-making, and sustainable business recovery. While one respondent emphasised that Good Corporate Governance principles had already been established, the broader evidence demonstrates that strengthening governance structures, completing key governance organs, and enhancing risk management effectiveness remain essential foundations for achieving regulatory supervisory exit, to be pursued in parallel with capital restoration under the IRF's dependency-gated design (Chapter 5) rather than as a strict sequential precondition, and for sustaining long-term organisational resilience.

The findings are consistent with Institutional Theory, which suggests that organisations respond to coercive institutional pressures by adapting their governance structures and organisational practices to achieve legitimacy (DiMaggio & Powell, 1983; Scott, 2014). In this study, governance reinforcement emerged not merely as a compliance exercise but as an institutional response to regulatory expectations imposed by OJK. Completing the governance structure, strengthening enterprise risk management, and improving board effectiveness therefore represent mechanisms through which the Company seeks to regain regulatory legitimacy and facilitate its exit from Special Regulatory Supervision (PKU).

4.7.7 Theme 4 – Regulatory Compliance toward PKU Exit

4.7.7.1 Theme Overview

The fourth theme emerging from the thematic analysis is Regulatory Compliance toward PKU Exit. While governance reinforcement strengthens the Company's internal capability, the questionnaire findings indicate that sustainable organisational recovery ultimately depends upon restoring regulatory compliance and achieving release from Special Regulatory Supervision (Pengawasan Khusus/PKU). The respondents consistently perceived regulatory compliance not merely as fulfilling statutory obligations but as a strategic pathway for restoring institutional legitimacy, rebuilding stakeholder confidence, and ensuring the Company's long-term business continuity.

The coding process identified several initial codes, including Regulatory Compliance, PKU Exit Strategy, Recovery Strategy, Capital & Regulatory Recovery, and Going Concern. These codes converged into the broader analytical category of regulatory recovery, which subsequently formed the fourth higher-order theme within the Integrated Recovery Framework.

The findings demonstrate that compliance with OJK requirements extends beyond satisfying minimum regulatory standards. Rather, regulatory recovery requires integrated improvements in capital adequacy, solvency, governance, and organisational capability before the Company can successfully exit PKU and resume sustainable business operations.

4.7.7.2 Evidence from the Expert Questionnaire

The President Commissioner emphasised that regulatory recovery requires comprehensive preparation to meet progressively increasing capital requirements established by OJK.

"*Tantangan restrukturisasi ke depan sangat dipengaruhi oleh dinamika regulasi OJK mengenai eskalasi pengelompokan modal... pemegang saham atau calon investor harus mempersiapkan pencadangan modal tambahan guna mempertahankan kelangsungan izin usaha*."

Similarly, the Independent Commissioner regarded capital fulfilment and investor participation as the most realistic strategy for achieving regulatory recovery.

"*Penambahan modal diharapkan dari investor baru... Upaya perbaikan modal secara organik ternyata belum bisa menjadi solusi karena OJK masih meragukan tindakan tersebut*."

The President Director highlighted that PKU exit requires implementation of several integrated recovery initiatives rather than relying solely on capital injection.

"*Strategi realistis keluar PKU adalah memenuhi ketentuan ekuitas minimum, memperbaiki tata kelola perusahaan sesuai POJK, membangun kemandirian perusahaan, serta menyusun peta jalan keberlangsungan usaha (going concern)*."

The Chief Operating Officer similarly argued that regulatory recovery depends upon simultaneous improvements across financial and governance dimensions.

"*Memperkuat permodalan melalui dukungan pemegang saham atau investor, peningkatan pendapatan dan efisiensi operasional, memperbaiki tingkat solvabilitas, memperkuat manajemen risiko, serta tata kelola perusahaan*."

The Representative of the Controlling Shareholder also viewed regulatory compliance as requiring consistent implementation of the recovery programme rather than fulfilling administrative requirements alone.

"*Tantangan utama adalah memenuhi seluruh ketentuan regulator terkait pemenuhan ekuitas minimum, solvabilitas, tata kelola perusahaan yang baik, serta implementasi rencana penyehatan perusahaan secara konsisten*."

Collectively, these questionnaire findings demonstrate broad agreement that successful PKU exit requires integrated compliance with financial, governance, and strategic regulatory expectations.

4.7.7.3 Cross-Informant Interpretation

Cross-informant comparison demonstrates a high level of convergence among the five expert informants regarding the role of regulatory compliance in the Company's recovery process. Rather than viewing compliance as an isolated legal obligation, all respondents considered regulatory compliance to be the measurable outcome of successful financial restructuring and governance improvement.

Nevertheless, differences emerged regarding the primary emphasis of regulatory recovery. The President Commissioner and President Director focused on fulfilling prudential regulatory requirements, including minimum capital, governance, and going-concern planning. The Independent Commissioner emphasised the importance of obtaining credible external investors because shareholder resources alone may not be sufficient to satisfy regulatory expectations. Meanwhile, the Chief Operating Officer and the Controlling Shareholder Representative expanded the discussion by arguing that regulatory compliance must also be supported by operational improvements, business growth, and effective implementation of the recovery plan.

These complementary perspectives indicate that regulatory recovery should be understood as an integrated organisational transformation rather than a simple compliance exercise. The findings therefore support an integrated relationship among capital, solvency and governance improvements, while the precise sequencing of actions remains subject to regulatory, actuarial and organisational dependencies.

4.7.7.4 Triangulation with Documentary Evidence and Negative Case Analysis

The questionnaire findings are strongly supported by documentary evidence analysed in this study. The Company remains under Special Regulatory Supervision (PKU) because it has not yet fulfilled minimum equity requirements and several governance obligations prescribed by OJK. Documentary analysis further indicates that the Company's Recovery Plan emphasises capital strengthening, governance enhancement, business recovery, and compliance with prudential regulations as the principal milestones toward PKU exit.

A noteworthy negative case emerged from the Independent Commissioner, who expressed scepticism regarding the feasibility of relying on internally generated improvements to satisfy regulatory expectations. The respondent stated that although management had attempted an organic approach to strengthening equity through accounting treatment of outstanding ujrah, OJK had not yet accepted this approach as an adequate solution. Consequently, attracting a new strategic investor was viewed as the more realistic alternative.

This alternative perspective provides an important refinement to the dominant findings. While most respondents emphasised capital restoration as the primary solution, the Independent Commissioner highlighted that the source and credibility of capital are equally important from the regulator's perspective. Accordingly, the findings suggest that successful regulatory recovery depends not only on achieving quantitative financial targets but also on gaining regulatory confidence regarding the quality and sustainability of the recovery strategy. Incorporating this divergent view strengthens the trustworthiness of the qualitative analysis by demonstrating that different interpretations of regulatory recovery were critically examined rather than overlooked.

4.7.7.5 Theme Conclusion

The thematic analysis identifies Regulatory Compliance toward PKU Exit as the fourth component of the Integrated Recovery Framework. Evidence obtained from all five expert informants consistently indicates that regulatory recovery requires integrated improvements in capital adequacy, solvency, governance, operational performance, and strategic execution. Although respondents differed regarding the most feasible pathway for achieving compliance, all agreed that sustainable exit from PKU depends upon demonstrating organisational capability, financial resilience, and regulatory credibility rather than merely satisfying minimum statutory requirements. Consequently, regulatory compliance functions as the bridge connecting internal organisational recovery with the Company's return to normal business operations.

The findings strongly support Institutional Theory, particularly the concept of coercive isomorphism (DiMaggio & Powell, 1983), whereby organisations adapt

their structures, governance mechanisms, and strategic priorities in response to regulatory pressure imposed by external authorities. In the present study, the Company's recovery initiatives, including capital strengthening, governance enhancement, and implementation of the Recovery Plan, represent institutional responses aimed at restoring regulatory legitimacy and achieving exit from Special Regulatory Supervision (PKU).

4.7.8 Theme 5 – Sustainable Business Recovery through Stakeholder Commitment

4.7.8.1 Theme Overview

The fifth and final theme emerging from the thematic analysis is Sustainable Business Recovery through Stakeholder Commitment. While the preceding themes emphasised capital restoration, solvency improvement, governance reinforcement, and regulatory compliance, the findings indicate that the long-term success of the Company's recovery ultimately depends upon the commitment and collaboration of its key stakeholders. The respondents consistently emphasised that financial restructuring alone would be insufficient unless accompanied by sustained support from shareholders, management, regulators, employees, business partners, and policyholders.

The coding process identified several initial codes, including Shareholder Commitment, Business Model Transformation, Management Commitment, Business Sustainability, Going Concern, and Stakeholder Confidence. These codes converged into the broader analytical category of sustainable organisational recovery, forming the fifth and final higher-order theme within the Integrated Recovery Framework.

The findings suggest that organisational recovery should not be viewed as a short-term effort to satisfy regulatory requirements. Instead, sustainable recovery requires continuous organisational commitment to improving financial performance, strengthening governance, rebuilding market confidence, and creating long-term value for all stakeholders.

4.7.8.2 Evidence from the Expert Questionnaire

The President Commissioner emphasised that sustainable recovery requires alignment between shareholders, management, and regulators to ensure the Company's long-term viability.

"*Pemulihan perusahaan tidak dapat dicapai hanya melalui penambahan modal, tetapi memerlukan komitmen seluruh pemangku kepentingan untuk menjaga keberlangsungan usaha secara berkesinambungan*."

The Independent Commissioner similarly stressed that shareholder commitment should be translated into concrete actions capable of restoring business performance.

"*Investor strategis diharapkan tidak hanya menyediakan tambahan modal, tetapi juga mampu meningkatkan kapasitas bisnis dan memperkuat daya saing perusahaan*."

The President Director highlighted that business sustainability depends upon balancing financial recovery with operational transformation.

"*Target akhirnya bukan sekadar keluar dari PKU, tetapi membangun perusahaan yang sehat, mandiri, dan mampu tumbuh secara berkelanjutan*."

From the operational perspective, the Chief Operating Officer explained that management commitment is reflected through continuous improvements in operational efficiency, innovation, and customer service.

"*Keberhasilan pemulihan sangat bergantung pada kemampuan manajemen menjalankan transformasi bisnis, meningkatkan produktivitas, dan menjaga kepercayaan peserta*."

The representative of the Controlling Shareholder placed particular emphasis on the importance of collaboration between shareholders and management.

"*Komitmen pemegang saham harus berjalan seiring dengan komitmen manajemen. Penambahan modal tanpa perbaikan model bisnis dan peningkatan profitabilitas tidak akan menghasilkan pemulihan yang berkelanjutan*."

Collectively, these findings indicate that sustainable business recovery is a shared responsibility requiring coordinated actions among all organisational stakeholders.

4.7.8.3 Cross-Informant Interpretation

Cross-informant comparison reveals strong convergence among the five expert informants regarding the importance of stakeholder commitment in sustaining organisational recovery. All respondents agreed that capital restoration, governance improvement, and regulatory compliance constitute necessary conditions for recovery. However, these initiatives would not produce lasting outcomes without consistent commitment from both internal and external stakeholders.

Nevertheless, the respondents differed in their primary emphasis. The President Commissioner and Independent Commissioner focused on shareholder commitment and strategic leadership. The President Director emphasised organisational transformation and long-term competitiveness. The Chief Operating Officer highlighted management execution and operational excellence, whereas the representative of the Controlling Shareholder stressed the importance of integrating capital support with business model transformation and sustainable profitability.

These complementary perspectives demonstrate that sustainable recovery is a multidimensional process requiring financial discipline, strategic leadership, operational excellence, and stakeholder collaboration. The convergence of these viewpoints reinforces the conclusion that organisational resilience depends upon collective commitment rather than isolated managerial actions.

4.7.8.4 Triangulation with Documentary Evidence and Negative Case Analysis

The questionnaire findings are consistent with documentary evidence presented throughout this study. The Company's Recovery Plan identifies capital strengthening, governance enhancement, business expansion, operational efficiency, and continuous regulatory compliance as the principal pillars supporting long-term organisational sustainability. Similarly, the Company's strategic roadmap emphasises the importance of restoring stakeholder confidence while achieving sustainable profitability beyond the immediate objective of exiting PKU.

An important negative case emerged from the representative of the Controlling Shareholder, who cautioned that capital injection alone would not guarantee sustainable recovery. The respondent argued that unless management simultaneously improves operational performance, underwriting quality, business productivity, and profitability, additional capital may only provide temporary financial relief without resolving the Company's underlying structural weaknesses.

This alternative perspective strengthens the interpretation of the findings by demonstrating that sustainable recovery requires both financial support and organisational transformation. Rather than contradicting the dominant findings, this divergent view broadens the recovery framework by integrating financial restructuring with business model renewal and long-term value creation. Consequently, the qualitative analysis avoids confirmation bias by recognising that stakeholder commitment extends beyond financial investment to encompass strategic and operational accountability.

4.7.8.5 Theme Conclusion

The thematic analysis identifies Sustainable Business Recovery through Stakeholder Commitment as the final component of the Integrated Recovery Framework. Evidence from all five expert informants consistently demonstrates that long-term organisational resilience depends upon coordinated commitment among shareholders, management, regulators, employees and other key stakeholders. Although respondents differed in the specific mechanisms required to sustain recovery, all agreed that financial restructuring alone is insufficient without continuous improvements in governance, operational performance, business competitiveness and stakeholder confidence.

4.7.9 Negative Case Analysis

The negative case analysis did not identify fundamental disagreement among the five informants regarding the existence of the Company's principal regulatory constraints. This result should be interpreted cautiously. Because the questionnaire protocol was anchored in common regulatory requirements and all informants were institutionally connected to the same case, convergence regarding the existence of equity, solvency, and governance issues was not unexpected.

The more analytically relevant differences occurred in emphasis and prioritisation rather than outright disagreement. Accordingly, negative case analysis in this study was extended beyond respondent-to-respondent contradiction to include tensions between questionnaire-based perceptions and documentary or financial evidence. For example, a questionnaire-based perception that a particular governance action would materially facilitate recovery was distinguished from documentary evidence demonstrating that such action, although necessary, would not independently resolve negative equity or guarantee regulatory normalisation. Similarly, the strong Tabarru' Fund solvency ratio was considered alongside the contraction of the underlying risk and business base, preventing the ratio from being interpreted as unqualified evidence of overall economic health.

These negative and qualifying observations modified the interpretation of the findings by reducing the strength of several causal claims. Rather than concluding that individual recovery measures are sufficient conditions for PKU exit, the evidence supports a more cautious interpretation in which capital restoration, financial-health improvement, governance reinforcement, actuarial capability, and regulatory compliance operate as interdependent enabling conditions subject to OJK's supervisory assessment.

Although the thematic analysis demonstrates a high degree of convergence across the five expert informants, several divergent perspectives emerged during data analysis. Rather than undermining the consistency of the findings, these divergent perspectives strengthened analytical credibility by demonstrating that alternative explanations were systematically considered during theme development.

Table 4.16 Negative Case Analysis

Dominant Finding	Negative Case	Interpretation
Capital injection is the primary recovery strategy	CSR-01 argued that capital alone is insufficient without business transformation	Sustainable recovery requires both financial restructuring and operational transformation.
Negative equity reflects severe financial distress	PD-01 explained that RBC and statutory guarantee fund remained compliant	Financial distress primarily relates to capital adequacy

Dominant Finding	Negative Case	Interpretation
		rather than overall operational solvency.
Governance weakness caused organisational problems	IC-01 stated that GCG principles had generally been implemented although governance organs were incomplete	The issue lies more in governance capacity than governance absence.

Source: Author's analysis (2026).

These divergent perspectives were retained throughout the thematic analysis rather than excluded. Their inclusion enhanced analytical rigour by demonstrating that alternative interpretations were critically examined before final themes were developed. Consequently, the findings reflect a balanced interpretation of the empirical evidence and reduce the potential for confirmation bias.

Rather than weakening the findings, these contrasting views enrich the interpretation and strengthen the credibility of the qualitative inquiry by reducing confirmation bias.

4.8 Synthesis of Thematic Findings

The thematic analysis demonstrates a strong convergence among the five expert informants regarding both the diagnosis of the Company's financial distress and the strategic priorities required for recovery. This convergence is further corroborated by documentary evidence presented in Sections 4.2–4.7, thereby strengthening the trustworthiness of the findings through methodological triangulation. Rather than representing isolated operational problems, prolonged operating losses, negative equity, governance deficiencies and regulatory restrictions emerged as mutually reinforcing institutional conditions that collectively intensified the Company's financial and organisational distress.

From the perspective of Financial Distress Theory, the findings indicate that financial deterioration developed as a cumulative process rather than as the consequence of a single adverse event. Persistent operating losses progressively eroded shareholders' equity, weakened regulatory solvency and reduced organisational resilience. This supports the proposition that unresolved financial

distress gradually constrains managerial flexibility, limits strategic investment capacity and ultimately threatens organisational survival. In the present case, regulatory intervention through PKU represents the institutional manifestation of prolonged financial distress, contextualising the application of Financial Distress Theory from corporate financial decline to regulatory recovery within the Islamic insurance sector.

The findings also reinforce Agency Theory, which argues that effective governance mechanisms are essential for mitigating organisational risk and ensuring managerial accountability. The absence of a registered Company Actuary together with the incomplete Board of Directors substantially weakened strategic oversight, delayed regulatory compliance and reduced the Company's ability to formulate timely recovery initiatives. These findings suggest that governance deficiencies should be viewed not merely as compliance failures but as structural constraints that accelerate financial deterioration during periods of organisational distress.

From the perspective of Stewardship Theory, the questionnaire evidence reveals that organisational recovery depends not only on formal governance structures but also on the stewardship commitment demonstrated by both management and the controlling shareholder. Informants consistently emphasised that successful recovery requires long-term organisational commitment, collaborative decision-making and shared responsibility for restoring the Company's financial sustainability. This finding supports the stewardship assumption that organisational actors pursue collective organisational objectives when institutional trust, leadership commitment and strategic alignment are maintained throughout the recovery process.

The findings further provide strong support for Institutional Theory, which explains that organisational survival depends upon maintaining institutional legitimacy alongside financial viability. The evidence indicates that restoring regulatory legitimacy requires coordinated improvements in capital adequacy, governance quality and regulatory compliance rather than financial restructuring alone. Strong shareholder commitment, supported where appropriate by strategic

investor participation, therefore emerged as the principal mechanism through which institutional confidence can be restored, enabling the Company to regain regulatory credibility and achieve sustainable recovery.

Taken together, the empirical findings suggest that recovery from PKU requires an integrated governance-led recovery strategy rather than a series of isolated corrective actions. Financial restructuring, governance reinforcement, stewardship commitment, shareholder support and regulatory compliance operate as complementary dimensions of a single institutional recovery process. Consequently, this study suggests a refinement to existing theoretical understanding, illustrating in this case that regulatory recovery in distressed Sharia life insurers is fundamentally a governance-driven institutional transformation rather than merely a financial turnaround. These findings provide the empirical foundation for the Integrated Recovery Framework (IRF) developed in Chapter 5 and constitute the principal theoretical contribution of this research.

4.9 Recovery Strategy Scenario Analysis

4.9.1 Comparative Evaluation of Capital Injection Scenarios

Resolving the Company's negative equity requires a capital injection that is sufficient to restore the Company's regulatory equity position and achieve the minimum equity requirements prescribed by the Financial Services Authority (OJK) under POJK No. 23 of 2023. For this study, the immediate regulatory benchmark is the Stage-1 minimum equity requirement of IDR 100 billion by 31 December 2026; the applicable Stage-2 requirement is treated as a subsequent regulatory parameter.

Because this study adopts the Company's 2024 audited financial statements as the analytical baseline, the Stage-1 equity-restoration gap is calculated using the Company's audited equity position as of 31 December 2024. Based on the audited financial statements, the Company's equity amounted to negative IDR 43,858 million. The indicative amount required solely to restore equity to the Stage-1 minimum equity threshold is calculated as follows:

Historical FY2024 Stage-1 benchmark: IDR 100 billion regulatory minimum − FY2024 equity of IDR (43,858) million = IDR 143.858 billion. This figure is retained for historical diagnosis only. The current capital decision baseline is the latest available residual equity gap (approximately IDR 47.037 billion at July 2026, unaudited) plus an appropriate buffer, subject to actuarial assessment and OJK evaluation.

Beyond the immediate Stage-1 threshold, the recapitalisation strategy should incorporate an appropriate margin of safety. The subsequent Stage-2 equity requirement by 31 December 2028 is acknowledged as a subsequent regulatory context but falls outside the primary scope of this study. The current capital acquisition pathways should therefore be sized from the latest residual equity gap and an appropriate buffer, while the IDR 143.858 billion figure derived from the FY2024 audited position is retained as a historical benchmark only. The ultimate capital requirement may be higher after allowing for subsequent losses, OCI movements, recovery costs, solvency needs and an appropriate buffer, and remains subject to actuarial assessment and OJK evaluation.

Table 4.17 Comparative Evaluation of Capital Injection Scenarios

Scenario	Mechanism	Required Quantum	Feasibility & Conditions	Timeline
Controlling Shareholder Direct Capital Injection S1	Controlling shareholder (99.97%) provides additional paid-up capital through a resolution of the parent company's members' representative body in accordance with the parent company's governance framework	Current residual gap plus an appropriate capital buffer; FY2024 IDR 143.858 billion is a historical benchmark only.	Constrained The Controlling Shareholder is itself under OJK supervision due to its own financial condition. Consequently, approval by the parent company's members' representative body and capital availability remain uncertain. Although this represents the most legally straightforward pathway, implementation remains operationally complex.	Q3–Q4 2026 for Stage-1 equity compliance; subsequent buffer-building may extend into 2027

Scenario	Mechanism	Required Quantum	Feasibility & Conditions	Timeline
Third-Party Strategic Investor S2	New strategic investor acquires minority or majority stake via private placement of newly issued shares (RUPS approval). Potential investors: (a) domestic financial institution; (b) regional Takaful group; (c) private equity firms with expertise in Islamic Financial Services.	Current residual gap plus an appropriate capital buffer, subject to the agreed ownership dilution; FY2024 IDR 143.858 billion is historical only.	Conditionally Feasible Requires: (i) complete governance reconstitution (Actuary, Board) for investor due diligence; (ii) credible recovery/action plan with a credible path to financial sustainability; (iii) Controlling Shareholder consent to dilution. Despite the Company's negative shareholders' equity, the Tabarru' Fund Risk-Based Capital ratio — 222.91% in 2021 and 2022, 518.37% in 2023, and 1,277.19% in 2024 — remained above the regulatory threshold and may support the Company's investment proposition, though this should be read alongside the concurrent contraction in the underlying business and risk base rather than as a standalone indicator of Company-wide financial health.	Investor engagement may start in parallel; Stage-1 equity compliance by 31 Dec 2026; transaction completion may extend into 2027
KUPA Formation / Group Capital Sharing S3	Formation of Kelompok Usaha Perusahaan Asuransi (KUPA) under POJK No. 23 of 2023 framework, consolidating the Company with a well-capitalised Islamic insurer group, enabling	KUPA parent provides capital; quantum determined by group consolidation structure.	Low to Medium Feasibility Requires: identification of suitable KUPA anchor group, OJK approval of group structure, and complex restructuring. Although requiring substantial regulatory	Medium-term structural option; requires an interim Stage-1 capital solution by 31 Dec 2026

Scenario	Mechanism	Required Quantum	Feasibility & Conditions	Timeline
	group-level capital support and consolidated regulatory treatment.		coordination and organisational restructuring, this option represents the most sustainable long-term structural solution if successfully implemented.	
RECOMMENDED S-1 Primary + S-2 Parallel (+ S-3 Medium-Term)	Pursue Controlling Shareholder injection as primary pathway while simultaneously engaging potential strategic investors in parallel. KUPA as medium-term structural solution pursued alongside Workstream B.	Target: close the latest residual equity gap and provide an appropriate buffer, subject to actuarial and regulatory assessment; FY2024 IDR 143.858 billion is historical only.	RECOMMENDED This integrated strategy maximises the probability of achieving the Stage-1 minimum regulatory equity requirement by December 2026 through the simultaneous pursuit of two complementary recapitalisation pathways. Governance reconstitution and investor engagement should commence in parallel; completion of key governance and actuarial requirements should serve as a due-diligence and regulatory readiness gate. to enhance investment readiness and facilitate comprehensive due diligence. By combining controlling shareholder capital injection with parallel strategic investor engagement, the proposed approach reduces execution risk, avoids dependence on a single recapitalisation pathway and maintains sufficient flexibility to respond to evolving	Stage-1 minimum equity achieved by 31 Dec 2026; broader recapitalisation and buffer-building may continue into 2027

Scenario	Mechanism	Required Quantum	Feasibility & Conditions	Timeline
			regulatory expectations.	

Source: Author's scenario analysis based on XYZ Audited Financial Statements (2024), documentary and questionnaire findings, and capital requirements under POJK No. 23 of 2023. The IDR 143.858 billion figure shown in the historical benchmark below is not the current operational capital target; the current decision baseline is the latest residual equity gap plus an appropriate buffer, subject to actuarial and regulatory assessment.

A regulatory-deadline caveat applies to Table 4.17. The Stage-1 minimum equity requirement under POJK No. 23 of 2023 must be achieved by 31 December 2026. The scenario timelines represent indicative execution estimates rather than permission to defer Stage-1 compliance. Any recapitalisation pathway must therefore deliver sufficient equity to meet the Stage-1 requirement by the regulatory deadline, while transaction execution, additional buffer-building and longer-term investor or consolidation processes may continue thereafter subject to OJK assessment. This distinction is reflected in the Integrated Recovery Framework, which treats the December 2026 Stage-1 requirement as a hard decision gate while recognising that broader recovery implementation may extend into 2027 and beyond.

Emergency Action Plan, September–December 2026.

As of this writing (September 2026), approximately three and a half months remain before the Stage-1 deadline. Meeting Stage-1 within this window requires the following actions to proceed on a compressed, near-simultaneous basis rather than sequentially: (i) September 2026 – the Board of Commissioners appoints an OJK-registered Company Actuary and completes the remaining Board of Directors and *Komite Audit* / *Komite Pemantau Risiko* seats (responsible: Board of Commissioners and Controlling Shareholder; evidence: appointment letters and OJK fit-and-proper filings; dependency: none, can commence immediately; deadline: 30 September 2026); (ii) September–October 2026, the Controlling Shareholder executes a binding capital commitment letter sufficient to close the residual equity gap (responsible: Controlling Shareholder/PSP; evidence: signed commitment letter and funds-availability confirmation; dependency: none, runs in

parallel with (i); deadline: 31 October 2026); (iii) October–November 2026 – the newly appointed Company Actuary certifies the Company Fund's MMBR position and the recovery/action plan is drafted incorporating the capital commitment (responsible: Company Actuary and Corporate Secretary; evidence: actuarial certification and draft RPK; dependency: completion of (i) and (ii); deadline: 30 November 2026); (iv) November 2026, the recovery/action plan and supporting evidence are submitted to OJK (responsible: Board of Directors; evidence: submission letter and RPK package; dependency: completion of (iii); deadline: 15 December 2026); and (v) December 2026, OJK reviews the submission and either confirms Stage-1 compliance or issues remediation requirements (responsible: OJK; dependency: completion of (iv), subject to OJK's own processing time, which is outside the Company's control).

Contingency

Because step (v) depends on OJK's own evaluation timeline, formal PKU termination by 31 December 2026 cannot be guaranteed even if steps (i) through (iv) are completed on schedule. If OJK has not concluded its evaluation, or if the Company has not closed the residual equity gap, by 31 December 2026, the realistic outcome is that the Company remains under PKU into 2027, submits interim evidence of the actions completed under (i) through (iv) to demonstrate good-faith progress, and continues to pursue the same evidentiary package until OJK's determination is obtained. This contingency should not be read as an extension of the regulatory deadline itself: the Stage-1 equity requirement under Pasal 56 of POJK No. 23 of 2023 remains due on 31 December 2026 regardless of the Company's implementation timeline, and continued or escalated supervisory measures, rather than an automatic grace period, are the expected consequence of a missed deadline. The mid-term recovery activities described elsewhere in this chapter for 2027–2029 represent the Company's continuing recovery trajectory after this decision point, not a substitute for meeting the Stage-1 deadline itself.

Three-Phase Recovery Structure: Separating the PKU-Exit Requirement from Post-Normalisation Growth Options

The 36-month integrated milestone timeline in Table 5.6 should not be read as a single undifferentiated roadmap for PKU exit. To make explicit which actions are required for regulatory exit and which are subsequent management options, the recovery programme is separated into three phases. **Phase 1, the Emergency Phase (Days 0-100, September-December 2026),** comprises exactly the five compressed actions set out in the Emergency Action Plan above: Board/Company Actuary appointment, the Controlling Shareholder's binding capital commitment letter, actuarial MMBR certification, RPK submission, and OJK's review, these are the only actions this study treats as prerequisites for meeting the Stage-1 regulatory deadline of 31 December 2026. **Phase 2, the Stabilisation Phase (Months 6-12),** corresponds to the M 7-12 column of Table 5.6: completing full Board and committee operation, obtaining OJK's determination on PKU termination, and resuming only the business activities OJK permits, without yet pursuing new growth initiatives. **Phase 3, the Growth Phase (Months 12-36),** is where the indicative strategic options described in Section 5.4.3 GeoFocus geographic expansion, corporate rebranding, digital marketing, and the Farmer and Hunter sales-force redesign - belong. Consistent with the Evidence-to-Recommendation Boundary already stated in Section 5.4.2, none of these Phase 3 options are treated as conditions for PKU exit; they are post-normalisation management options to be pursued, if at all, only after Phase 1 and Phase 2 are complete, and each remains subject to its own feasibility study, funding approval and, where applicable, regulatory review. This three-phase separation is intended to prevent Table 5.6's 36-month span from being read, or presented to OJK, as if long-horizon growth initiatives were part of the Stage-1 compliance requirement.

Overall, the comparative evaluation indicates that no single recapitalisation pathway is sufficient to address the Company's financial, governance and regulatory challenges in isolation. Instead, a phased and integrated recovery strategy combining shareholder commitment, strategic investor participation, governance reinforcement, and regulatory compliance appears, on the available case evidence, to be the most appropriate pathway for addressing long-term financial sustainability, the Company's regulatory equity gap and the requirements for exit from the Special Regulatory Supervision (PKU) regime. These findings inform the

development of the proposed and externally unvalidated Integrated Recovery Framework presented in Chapter 5.

4.9.2 Business Recovery and Financial Sustainability Strategy

The comparative evaluation presented in Section 4.9.1 demonstrates that capital restoration alone is insufficient to achieve sustainable recovery and long-term regulatory compliance. Although capital injection is necessary to restore the Company's minimum regulatory equity position, it does not by itself resolve the underlying causes of recurring financial losses. Consistent with the documentary evidence, financial performance analysis and thematic findings from the five expert informants, long-term recovery requires the simultaneous restoration of business growth, operating profitability and organisational resilience. Accordingly, the findings suggest that restoring revenue-generating capacity is necessary to support the sustainability of the Company's financial recovery. Improved revenue and operating profitability may generate internally retained earnings which can help preserve and progressively strengthen shareholders' equity after recapitalisation.

Unlike short-term recapitalisation measures, business recovery aims to generate internally sustainable earnings capable of strengthening shareholders' equity through retained profits while simultaneously improving liquidity, solvency and organisational competitiveness. The proposed strategy therefore complements the capital restoration programme by addressing the Company's structural revenue constraints and operational inefficiencies identified throughout this research.

Initiative 1. Business Continuity During the PKU Period

The immediate operational priority is to maximise business opportunities within the activities permitted under the Company's Business Activity Restriction (PKU), subject to the operative OJK correspondence and any subsequent supervisory instructions. Management should therefore prioritise compliant distribution channels, institutional collaboration and digital marketing within the activities that remain permissible during the PKU period.

Permitted business activities during the PKU period should be managed to preserve customer relationships, distribution capability and positive operating cash flow

without assuming that any particular product is authorised beyond the scope established by the operative OJK correspondence.

Initiative 2. Post-PKU Business Expansion

Following restoration of minimum regulatory equity and formal regulatory normalisation, the strategic focus should shift toward rebuilding sustainable revenue through the phased reintroduction of business segments that are permitted by OJK. Any savings- or investment-linked business should be considered only after governance reconstitution, actuarial readiness and satisfaction of all applicable regulatory requirements.

Savings- and investment-linked business should subsequently be reintroduced only after the Company has completed governance reconstitution, including the appointment of an OJK-registered Company Actuary, full Board composition, strengthened risk governance and compliance with all applicable regulatory requirements, and only to the extent permitted by OJK. This approach aligns commercial growth with governance readiness and regulatory approval.

Initiative 3. Operational Excellence and Cost Optimisation

Business recovery should also be supported through continuous operational efficiency improvements. Documentary analysis indicates that the Company has already reduced operating expenses from IDR 27,533 million in 2021 to IDR 15,346 million in 2024, representing a cumulative reduction of approximately 44.3 percent. While this achievement reflects management's commitment to cost discipline, further efficiency improvements remain necessary to support long-term financial sustainability.

Future initiatives should include optimisation of the branch network based on commercial viability, continued digitalisation of operational processes, automation of administrative activities and strengthening of enterprise-wide cost management practices. These initiatives are expected to improve operational productivity while preserving strategically important distribution capabilities required to support future business expansion.

Collectively, these initiatives seek to improve the Company's operating margin, generate sustainable profitability and strengthen internally generated capital, thereby reducing long-term dependence on external recapitalisation.

Discussion

The proposed Business Recovery and Financial Sustainability Strategy complements the capital restoration programme by addressing the structural drivers of long-term organisational performance. Whereas capital injection immediately restores regulatory equity, sustainable business recovery enables the Company to generate recurring earnings that progressively strengthen shareholders' equity through retained profits. Consequently, financial sustainability becomes the mechanism through which regulatory compliance can be maintained beyond the initial recapitalisation phase.

From the perspective of Financial Distress Theory, successful organisational recovery cannot rely solely upon external capital support. Sustainable recovery requires the restoration of operating profitability so that internally generated earnings gradually replace dependence on shareholder capital injections. The findings therefore suggest that business recovery represents the long-term solution to recurring financial distress rather than merely a consequence of recapitalisation.

The findings also reinforce Agency Theory, which highlights the importance of governance quality in supporting sustainable business performance. The phased expansion of business activities following governance reconstitution demonstrates that commercial growth and regulatory compliance should progress simultaneously. Effective governance therefore functions not only as a regulatory obligation but also as an important mechanism for improving managerial accountability, strengthening investor confidence and supporting sustainable organisational performance.

From the perspective of Stewardship Theory, the proposed recovery strategy reflects the collective commitment of management and the Controlling Shareholder to prioritise the Company's long-term sustainability over short-term

financial objectives. The emphasis on prudent business expansion, operational discipline and continuous organisational improvement demonstrates stewardship behaviour directed toward preserving the Company's long-term viability and protecting policyholder interests.

Finally, Institutional Theory provides the overarching explanation for the proposed strategy. The findings indicate that regulatory legitimacy cannot be restored solely through compliance with minimum equity requirements. Sustainable institutional legitimacy depends upon the Company's ability to demonstrate continuing financial viability, effective governance and responsible business management over time. Consequently, the proposed Business Recovery and Financial Sustainability Strategy is proposed as an essential component of the proposed and externally unvalidated Integrated Recovery Framework because it is intended to support equity restoration with sustainable earnings, stronger solvency and long-term organisational resilience.

Overall, the findings suggest that sustainable recovery from PKU requires the integration of capital restoration, governance reinforcement and business recovery within a single strategic framework. Capital injection provides the foundation for regulatory compliance, whereas sustainable business performance preserves that compliance through internally generated profitability. This integrated relationship forms the basis of the Integrated Recovery Framework (IRF) developed in this study and supports the Company's long-term exit from regulatory supervision.

4.10 Discussion of Findings in Relation to the Theoretical Framework

This section critically discusses the empirical findings presented in Sections 4.3–4.9 in relation to the four theoretical frameworks established in Chapter 2. Rather than merely examining whether the findings support the existing literature, the discussion evaluates the extent to which the empirical evidence confirms, contextualises, or qualifies the theoretical explanations of financial recovery, corporate governance and institutional legitimacy within the context of an Islamic life insurance company operating under Special Regulatory Supervision (PKU).

The discussion further integrates the documentary analysis, financial performance evaluation and thematic findings derived from the five expert informants to explain how governance reinforcement, capital restoration and business recovery interact in supporting sustainable regulatory recovery. Through this analytical process, the study demonstrates how the empirical findings contribute to a deeper understanding of organisational recovery beyond conventional financial restructuring.

Finally, the five analytical propositions (P1–P5), derived from the four theoretical lenses synthesised in Table 2.9, are evaluated against the empirical evidence to determine the extent to which they are supported, refined or further contextualised. Collectively, this discussion provides the theoretical foundation for the Integrated Recovery Framework proposed in the subsequent section and highlights the study's contribution to the development of Agency Theory, Financial Distress Theory, Stewardship Theory and Institutional Theory within the context of Islamic insurance.

4.10.1 Governance Failure, Regulatory Accountability and Agency Theory

Agency Theory posits that organisational performance deteriorates when governance and monitoring mechanisms fail to align the actions of managers (agents) with the interests of shareholders and other stakeholders (principals) (Jensen & Meckling, 1976). In regulated financial institutions, this agency relationship extends beyond the conventional principal–agent framework because management is simultaneously accountable to regulators, policyholders and shareholders. Consequently, ineffective governance not only increases agency costs but also exposes the organisation to regulatory sanctions and institutional legitimacy risks.

The empirical findings strongly support this theoretical perspective. Documentary analysis and thematic questionnaire evidence demonstrate that the prolonged absence of an OJK-registered Company Actuary, the key governance function responsible for actuarial valuation and solvency assessment, significantly weakened the Company's ability to measure insurance liabilities accurately and monitor compliance with the Minimum Solvency Margin (MMBR). This

governance deficiency reduced the quality of managerial decision-making and limited the Board's capacity to respond proactively to the Company's deteriorating financial condition. Simultaneously, the Company's paid-up capital remained unchanged at IDR 100,000 million despite nine consecutive years of negative shareholders' equity, indicating that the Controlling Shareholder failed to provide timely capital support or strategic intervention to preserve the Company's financial resilience.

The takaful governance structure provides additional empirical insight into the operation of Agency Theory within Islamic insurance. Throughout the financial distress period, the Dewan Pengawas Syariah (DPS) remained structurally complete and continued to perform its Sharia supervisory responsibilities. In contrast, other critical governance functions, particularly the Company Actuary and the complete Board composition, remained incomplete. This contrast suggests that governance mechanisms supported by explicit regulatory oversight and strong institutional accountability demonstrate greater organisational resilience during periods of financial distress than highly specialised technical governance functions. Accordingly, Proposition P1, which proposes that incomplete governance organs contributed significantly to the Company's equity deterioration, is strongly supported by the empirical evidence.

Beyond confirming the theoretical proposition, the findings suggest a possible refinement to Agency Theory, illustrating in this case that governance deficiencies in a regulated Islamic financial institution create dual-regulatory exposure. First, the absence of actuarial oversight impaired the Company's capacity to evaluate insurance liabilities, investment risk and regulatory solvency accurately, thereby increasing the probability of suboptimal managerial decisions. Second, non-compliance with governance requirements under POJK No. 73/POJK.05/2016 simultaneously reinforced financial non-compliance with the minimum capital and solvency provisions prescribed under POJK No. 72/POJK.05/2016. Rather than representing independent governance failures, these two forms of regulatory non-compliance interacted to amplify organisational vulnerability and accelerate financial deterioration.

These findings suggest that Agency Theory should be interpreted more broadly within highly regulated financial institutions. In the context of Islamic life insurance, governance failures generate not only conventional agency costs arising from ineffective monitoring but also significant regulatory consequences that directly affect organisational sustainability. The study therefore proposes that regulatory governance constitutes an additional dimension of agency relationships, whereby management is accountable not only to shareholders but also to regulatory authorities responsible for protecting policyholders and maintaining financial system stability. This case-based interpretation provides a contextual theoretical contribution of the present study and provides additional conceptual support for the Integrated Recovery Framework proposed in Chapter 4.

4.10.2 Financial Distress Theory (Wruck, 1990; Koijen & Yogo, 2022; EIOPA, 2023)

Financial Distress Theory provides the principal analytical lens for explaining the Company's financial deterioration and offers the strongest theoretical foundation for the recovery strategy proposed in this study. Wruck's (1990) distinction between economic distress and financial distress closely corresponds with the empirical evidence observed in XYZ. While the Company's Tabarru' Fund demonstrated financial resilience, with its RBC ratio increasing from 222.91% in 2021–2022 to 518.37% in 2023 and 1,277.19% in 2024, its closing balance increased from IDR 29,113 million in 2021 to IDR 39,609 million in 2023 and IDR 73,334 million in 2024. These contrasting financial conditions indicate that the Company's crisis originated primarily from capital inadequacy rather than from deficiencies in the underlying takaful business model or underwriting performance.

This distinction is particularly significant because it demonstrates that financial distress within an Islamic insurance institution may arise despite operationally sound insurance activities. Unlike conventional insurers, Islamic insurers maintain separate financial structures for shareholders' funds and participant funds. Consequently, deterioration in the Company's financial position did not reflect operational failure of the takaful business itself but rather an erosion of shareholders' capital that impaired the Company's regulatory solvency and

financial flexibility. The empirical findings therefore support the conclusion that financial restructuring through capital strengthening represents a more appropriate recovery strategy than fundamental business model transformation.

The findings further confirm the capital–solvency feedback mechanism described by Koijen and Yogo (2022) and subsequently recognised by EIOPA (2023). In XYZ's case, persistent negative equity weakened regulatory solvency and ultimately resulted in the Company's placement under Special Regulatory Supervision (PKU) by OJK. The resulting regulatory restrictions constrained new business generation, reduced fee-based income, weakened operating profitability and further eroded shareholders' equity. This sequence created a self-reinforcing financial distress spiral in which declining capital reduced business capacity, while reduced business capacity further accelerated capital deterioration. Under these circumstances, internally generated earnings alone were insufficient to reverse the downward trajectory, making external capital injection an essential prerequisite for financial recovery. Accordingly, Proposition P2, which proposes that persistent equity deterioration leads to financial distress requiring capital strengthening, is strongly supported by the empirical findings.

The empirical evidence supports the importance of coordinated governance reconstitution, capital strengthening and operational restructuring identified in the corporate turnaround literature. However, the case evidence does not establish a universal sequential rule that governance must always precede recapitalisation. Instead, the proposed IRF treats governance reinforcement and capital mobilisation as parallel workstreams, while using dependency gates to determine when actuarial assessment, regulatory submission and subsequent business recovery activities may proceed. This interpretation is consistent with the study's case-specific evidence and avoids treating a proposed sequence as a proven causal law.

Beyond confirming the existing literature, this study proposes, for further testing, three possible refinements to Financial Distress Theory. First, it illustrates in this case that financial distress within Islamic life insurance can coexist with financially healthy participant funds because the Company Fund and Tabarru' Fund operate under separate financial structures. Second, the findings identify regulatory

intervention, particularly the imposition of PKU, as an important transmission mechanism that transforms capital inadequacy into prolonged organisational distress by restricting business activities and reducing future earnings capacity. Third, the study shows that sustainable recovery requires the integration of governance reinforcement, capital restoration and business recovery rather than capital injection alone. Accordingly, the findings suggest that Financial Distress Theory within highly regulated Islamic financial institutions should be interpreted not only as a theory of financial decline but also as a framework for understanding the interaction between regulatory intervention, governance quality and sustainable organisational recovery.

Collectively, these findings provide the principal theoretical foundation for the Integrated Recovery Framework proposed in this study. They demonstrate that financial recovery in Islamic life insurance extends beyond restoring minimum regulatory capital and instead requires a coordinated strategy that simultaneously rebuilds governance capacity, strengthens shareholders' equity, restores business performance and re-establishes long-term institutional sustainability.

4.10.3 Stewardship Theory (Davis, Schoorman & Donaldson, 1997)

Stewardship Theory provides an important complement to Agency Theory by emphasising that sustainable organisational performance depends not only upon formal governance mechanisms but also upon leaders' intrinsic commitment to protecting the long-term interests of the organisation and its stakeholders (Davis, Schoorman & Donaldson, 1997). Unlike Agency Theory, which assumes that managerial behaviour requires continuous monitoring and control, Stewardship Theory argues that organisational leaders act as responsible stewards who prioritise collective organisational success, professional integrity and long-term institutional sustainability. Within highly regulated financial institutions, stewardship therefore extends beyond regulatory compliance to encompass proactive leadership, prudent decision-making and the preservation of stakeholder trust.

The empirical findings indicate that the Company's prolonged financial deterioration cannot be explained solely by governance incompleteness but also by the absence of proactive stewardship capable of anticipating financial distress and

mobilising timely corrective action. Documentary evidence demonstrates that the Company experienced nine consecutive years of negative shareholders' equity without comprehensive recapitalisation or strategic governance intervention. Such prolonged inaction is inconsistent with the stewardship principles proposed by Davis, Schoorman and Donaldson (1997), under which organisational leaders are expected to recognise emerging institutional risks, coordinate organisational resources and initiate corrective actions before financial deterioration becomes irreversible. The findings therefore suggest that stewardship responsibilities were insufficiently exercised in preserving the Company's capital adequacy, financial resilience and long-term organisational sustainability.

An important insight emerging from the empirical evidence concerns the distinctive characteristics of stewardship within Islamic corporate governance. Throughout the financial distress period, the Dewan Pengawas Syariah (DPS) remained structurally complete and continued to discharge its Sharia supervisory responsibilities despite the Company's financial constraints. This resilience reflects the Islamic governance principles of amanah (trustworthiness), mas'uliyyah (accountability) and ethical responsibility that underpin stewardship in Islamic financial institutions. Unlike governance mechanisms that depend primarily upon organisational resources or regulatory enforcement, stewardship grounded in ethical commitment remained operational throughout the Company's financial crisis, thereby preserving confidence in the integrity of the takaful system.

The findings further indicate that sustainable recovery requires stewardship to be institutionalised within the Company's governance structure rather than relying solely upon individual leadership. Accordingly, the appointment of an OJK-registered Company Actuary, the completion of the Board of Directors and the strengthening of enterprise-wide governance should be viewed not merely as regulatory compliance measures but as stewardship mechanisms that enhance organisational accountability, improve strategic decision-making and reinforce long-term financial sustainability. Consequently, Proposition P4, which proposes that governance reconstitution constitutes a prerequisite for sustainable corporate recovery, is strongly supported by the empirical evidence.

Beyond confirming the existing literature, this study proposes, for further testing, three possible refinements to Stewardship Theory. First, it illustrates in this case that stewardship within Islamic life insurance encompasses not only managerial commitment but also collective institutional responsibility involving management, the Controlling Shareholder, the Board of Directors and the Dewan Pengawas Syariah. Second, the findings indicate that ethical stewardship based on Sharia principles remains comparatively resilient during periods of organisational distress, thereby supporting governance continuity when other governance mechanisms become incomplete. Third, the case suggests that stewardship might be understood not merely as an organisational behaviour but as a strategic capability that enables governance reinforcement, facilitates capital restoration and supports sustainable business recovery. Collectively, these findings suggest that stewardship represents an essential organisational capability underpinning the Integrated Recovery Framework proposed in this study.

4.10.4 Institutional Theory (DiMaggio & Powell, 1983; Suchman, 1995)

Institutional Theory explains organisational survival through the acquisition, maintenance and restoration of institutional legitimacy. Consistent with the work of DiMaggio and Powell (1983) and Suchman (1995), organisations experiencing prolonged regulatory non-compliance gradually lose legitimacy across multiple institutional dimensions, thereby weakening stakeholder confidence, organisational credibility and long-term sustainability. Within highly regulated financial industries, institutional legitimacy is determined not only by financial performance but also by an organisation's ability to demonstrate continuing compliance with regulatory expectations, sound governance and prudent risk management. The empirical findings from XYZ strongly support this theoretical perspective.

The Company's prolonged placement under Special Regulatory Supervision (PKU) represents a clear manifestation of declining institutional legitimacy arising from persistent non-compliance with minimum regulatory equity, solvency and governance requirements prescribed by OJK. Rather than functioning solely as a supervisory intervention, the PKU framework also serves as an institutional

mechanism through which regulatory authorities encourage organisational transformation and the progressive restoration of legitimacy. Consequently, the Company's recovery should be understood not merely as a financial restructuring exercise but as a broader institutional recovery process directed towards rebuilding regulatory confidence.

The empirical evidence further demonstrates that legitimacy erosion extended beyond regulatory compliance into the broader market environment. During the PKU period, Dana Peserta declined from IDR 438,522 million in 2021 to IDR 272,370 million in 2023, representing a reduction of approximately 37.9 percent. This contraction reflects a decline in pragmatic legitimacy, whereby policyholders responded rationally to heightened perceptions of institutional risk by reducing their engagement with the Company. Simultaneously, XYZ's position as the only fully fledged Islamic life insurer reporting continuous financial losses in 2024 indicates deterioration in cognitive legitimacy, as the organisation was no longer widely perceived as a financially credible market participant. Together, these findings demonstrate that institutional legitimacy influences not only regulatory standing but also market behaviour and stakeholder confidence.

The findings indicate that sustainable institutional recovery requires substantially more than satisfying minimum regulatory capital requirements. Restoration of regulatory equity and formal exit from the PKU regime represent important milestones in rebuilding regulative legitimacy, but long-term recovery also depends upon strengthening normative legitimacy through governance excellence and rebuilding cognitive legitimacy through sustained financial performance, prudent risk management and consistent organisational credibility. Institutional legitimacy should therefore be viewed as a dynamic process requiring continuous reinforcement rather than as a condition achieved solely through regulatory compliance.

An important institutional mechanism supporting legitimacy restoration is the Dewan Pengawas Syariah (DPS). As the governance body responsible for assuring Sharia compliance, the DPS performs a dual institutional role. Internally, it strengthens governance credibility by ensuring adherence to Islamic principles.

Externally, it enhances stakeholder confidence by communicating the continuing financial strength of the Tabarru' Fund, including its Risk-Based Capital (RBC) ratio of 222.91% in 2021 and 2022, and 518.37% in 2023, despite the Company's financial difficulties. This communication function contributes simultaneously to strengthening normative legitimacy through ethical governance and cognitive legitimacy by reinforcing public confidence in the Company's underlying takaful operations.

Accordingly, Proposition P5, which proposes that institutional legitimacy restoration constitutes an integral component of sustainable corporate recovery, is strongly supported by the empirical findings. Beyond confirming the existing literature, this study proposes, for further testing, three possible refinements to Institutional Theory. First, it illustrates in this case that regulatory intervention through PKU functions not only as a supervisory sanction but also as an institutional mechanism encouraging organisational transformation and legitimacy restoration. Second, the findings show that financial recovery and legitimacy restoration are mutually reinforcing processes, whereby improvements in governance, capital adequacy and business performance collectively rebuild stakeholder confidence. Third, the study proposes that sustainable recovery within Islamic life insurance requires the simultaneous restoration of regulative legitimacy, normative legitimacy and cognitive legitimacy, rather than focusing exclusively on regulatory capital compliance.

Collectively, these findings position institutional legitimacy as the ultimate outcome of the Company's recovery process. While governance reinforcement, capital restoration and business recovery constitute the principal strategic interventions proposed in this study, their long-term success is ultimately reflected in the restoration of stakeholder trust, regulatory confidence and organisational credibility. These interconnected dimensions form the institutional foundation of the proposed and externally unvalidated Integrated Recovery Framework (IRF) and indicate how sustainable exit from the Special Regulatory Supervision (PKU) regime might be pursued.

4.10.5 Synthesis of Theoretical Discussion

The preceding discussion demonstrates that the empirical findings consistently support the four theoretical perspectives adopted in this study. Rather than explaining the Company's condition from a single perspective, the findings reveal that governance deficiencies, financial distress, stewardship capability and institutional legitimacy represent complementary dimensions of the same recovery process. To examine whether these theoretical relationships are consistently reflected in the empirical evidence, the five analytical propositions developed in Chapter 2 are systematically evaluated against documentary analysis, financial performance analysis and thematic findings from the five expert questionnaire responses. The results of this evaluation are presented in Table 4.18.

Table 4.18 Evaluation of Analytical Propositions Based on Empirical Evidence

P#	Proposition Statement	XYZ Evidence	Verdict	Theoretical Implication	Ref.
P1	Governance organ incompleteness contributes to institutional vulnerability by weakening monitoring, risk oversight and the organisational capability required to respond effectively to financial distress and regulatory deficiencies.	The prolonged absence of a Company Actuary weakened actuarial oversight and the institutional capability required to support credible financial-health assessment, while incomplete Board composition reduced strategic monitoring and constrained the Company's capacity to implement an integrated recovery response.	SUPPORTED WITH QUALIFICATION	Extends Agency Theory by demonstrating how governance deficiencies may weaken monitoring effectiveness and increase institutional vulnerability during financial and regulatory distress.	Sec. 4.6.1; 4.4.2; RC-4
P2	Persistent equity deficiency and weakened Company Fund financial-health capacity operate as mutually reinforcing dimensions of financial distress, while prolonged	The Company experienced persistent negative shareholders' equity alongside continuing financial-health constraints during the observation period. These conditions coincided with prolonged PKU restrictions, revenue compression and	STRONGLY SUPPORTED	Confirms Financial Distress Theory through the capital–solvency distress spiral.	Sec. 4.4.1–4.4.2; RC-5

P#	Proposition Statement	XYZ Evidence	Verdict	Theoretical Implication	Ref.
	regulatory restrictions may further constrain revenue generation and the Company's capacity to rebuild equity organically.	recurring operating losses, indicating a mutually reinforcing financial-distress cycle rather than a single-direction causal relationship.			
P3	Inadequate risk oversight across investment, underwriting and actuarial functions may contribute to financial vulnerability and equity deterioration by weakening the Company's capacity to identify, monitor and mitigate material risk exposures.	The Company's significant FVOCI exposure coincided with substantial OCI valuation losses, which peaked at IDR 99,692 million in 2023 and materially contributed to the erosion of shareholders' equity. The absence of a Company Actuary further weakened actuarial risk oversight, indicating a broader limitation in the Company's risk-monitoring capability.	SUPPORTED WITH QUALIFICATION	Extends Agency Theory by illustrating how weaknesses in risk oversight and monitoring may contribute to financial vulnerability and constrain timely institutional responses to equity deterioration.	Sec. 4.3.4; RC-2; RC-6
P4	Governance reconstitution, including restoration of the required actuarial capability, constitutes a critical institutional enabler for credible financial-health assessment, recovery-plan implementation and regulatory engagement toward PKU exit.	The prolonged absence of an OJK-registered Company Actuary, together with incomplete mandatory governance functions, constrained the Company's actuarial oversight and institutional capacity to support credible solvency assessment, recovery-plan preparation and regulatory engagement. The triangulated evidence therefore identifies restoration of actuarial and governance capability as a critical enabling condition for effective regulatory recovery.	SUPPORTED WITH QUALIFICATION	Extends Stewardship Theory by positioning governance reconstitution as a strategic capability for regulatory recovery.	Sec. 4.6.1; 4.7.1; 4.9
P5	Sustainable recovery requires simultaneous	Participant portfolio run-off is consistent with erosion of	SUPPORTED WITH QUALIFICATION	Extends Institutional Theory by demonstrating	Sec. 4.8.5; 4.9

P#	Proposition Statement	XYZ Evidence	Verdict	Theoretical Implication	Ref.
	restoration of regulative, normative, and cognitive legitimacy.	pragmatic legitimacy, while continuing losses and prolonged supervisory restriction indicate pressure on broader institutional legitimacy. Communication regarding the Tabarru' Fund RBC position may contribute to stakeholder reassurance, but the high ratio must be interpreted alongside contraction in the underlying risk and business base. PKU termination, if and when determined by OJK, would address regulatory status but would not by itself establish restoration of normative and cognitive legitimacy.		that sustainable recovery requires restoration of regulative, normative and cognitive legitimacy.	

Source: Author's synthesis based on documentary analysis of XYZ's audited financial statements (2021–2024), regulatory documents, thematic findings from five expert questionnaire responses, and theoretical framework developed in Chapter 2.

Table 4.18 indicates varying degrees of empirical support for the five analytical propositions. While the overall evidence is broadly consistent with the proposed relationships, the strength of support is not uniform across propositions. Some propositions receive stronger documentary and financial corroboration, whereas others - particularly those involving governance sequencing, actuarial capability, stakeholder behaviour, and prospective recovery outcomes - are supported with qualification. Accordingly, the propositions are interpreted as analytical explanations within this single-case context rather than as universally validated causal relationships.

The questionnaire evidence was particularly useful in explaining how senior institutional actors perceived and prioritised the Company's recovery constraints. However, where questionnaire responses closely reflected concepts already embedded in the regulatory framework or questionnaire items, such

responses were not treated as independent proof of the propositions. The evidentiary weight of each proposition was determined by the combined strength of questionnaire, documentary, financial, governance, and regulatory evidence.

The evaluation also reveals that the five propositions are not independent but represent interconnected dimensions of a coherent recovery process. Governance reinforcement strengthens the institutional capability required for effective oversight and recovery implementation; capital restoration strengthens the Company's financial capacity and supports solvency recovery; enterprise risk management enhances financial resilience; business recovery contributes to sustainable earnings; and institutional legitimacy supports the rebuilding of stakeholder confidence and regulatory credibility. Together, these dimensions form an integrated pathway toward sustainable recovery and fulfilment of the regulatory requirements associated with eventual PKU exit.

Among the propositions, P4 receives particularly strong empirical support because governance reconstitution, including the restoration of an OJK-registered Company Actuary function, represents a critical institutional enabler for strengthening actuarial oversight, supporting credible financial-health assessment, preparing the required recovery/action-plan package, and facilitating regulatory engagement toward PKU exit. This finding highlights governance not merely as a compliance requirement, but as an organisational capability that supports the effective implementation and monitoring of the broader recovery programme.

Overall, the evaluation confirms that sustainable recovery in an Islamic life insurance company requires the simultaneous integration of governance reinforcement, capital restoration, enterprise risk management, business recovery and institutional legitimacy restoration. These mutually reinforcing elements constitute the empirical and theoretical basis for the Integrated Recovery Framework (IRF) presented in the following section.

4.10.6 Theoretical Contribution of the Study

The empirical findings of this study indicate that sustainable recovery from regulatory distress in a standalone Islamic life insurer cannot be adequately explained through a single theoretical perspective. Rather, the evidence

demonstrates that organisational recovery is a multidimensional institutional process requiring the simultaneous reinforcement of corporate governance, restoration of shareholders' equity, recovery of operational performance and rebuilding of institutional legitimacy. The findings further suggest that these dimensions interact dynamically and should therefore be addressed through an integrated recovery approach rather than through isolated financial or governance interventions.

This study contributes to the existing body of knowledge in four principal respects.

First, the study proposes a possible refinement to Financial Distress Theory, illustrating in this case that financial distress within an Islamic insurance company may be fund-specific rather than institution-wide. Unlike conventional insurers that operate under a single pool of financial resources, Islamic life insurers maintain a clear legal and financial separation between the Company Fund and the Tabarru' Fund (Participants' Risk Fund). Consequently, regulatory distress arising from negative shareholders' equity and governance deficiencies may coexist with a Tabarru' Fund whose reported RBC ratio remains above the regulatory threshold and continues to maintain regulatory solvency and policyholder protection, subject to the contraction of its underlying business and risk base noted elsewhere in this study. This finding suggests that recovery strategies should primarily focus on restoring the financial health of the Company Fund while preserving the operational resilience and financial integrity of the participants' fund. This provides a case-based illustration of how Financial Distress Theory may apply to institutions operating under bifurcated fund structures within the takaful industry, subject to validation in other cases.

Second, the study suggests a possible refinement to Agency Theory through the concept of dual regulatory exposure, illustrating in this case how governance deficiencies simultaneously weaken regulatory compliance and financial performance. The empirical evidence demonstrates that incomplete governance organs not only increase conventional agency costs arising from ineffective oversight and decision-making, but also expose the organisation to multiple regulatory consequences, including prolonged Business Activity

Restriction (PKU), deterioration of business capacity, declining revenues and increasing institutional vulnerability. These findings suggest that governance incompleteness generates broader organisational consequences than those traditionally recognised within Agency Theory, particularly in highly regulated financial institutions.

Third, the study proposes a possible refinement to Institutional Theory, illustrating in this case that successful recovery from regulatory intervention requires the progressive restoration of multiple dimensions of institutional legitimacy. The findings indicate that achieving minimum regulatory capital alone is insufficient to secure sustainable recovery. Instead, organisations must sequentially restore regulatory legitimacy through compliance with supervisory requirements, governance legitimacy through the completion of mandatory governance structures, financial legitimacy through capital strengthening and solvency restoration, and market legitimacy through the recovery of stakeholder confidence and business performance. This multidimensional legitimacy restoration process provides a broader institutional explanation of regulatory recovery beyond conventional compliance-based perspectives.

Finally, the study contributes theoretically through the development of the Integrated Recovery Framework (IRF), anchored primarily in Institutional Theory and supported by the complementary insights of Financial Distress Theory, Agency Theory and Stewardship Theory. The IRF integrates these theoretical perspectives to explain and structure the interdependent processes of governance reinforcement, equity restoration, solvency recovery and regulatory supervisory exit.

Rather than treating governance reform, capital restoration and operational recovery as independent initiatives, the proposed framework conceptualises these elements as mutually reinforcing institutional mechanisms that collectively support sustainable regulatory recovery and supervisory exit. The proposed and externally unvalidated Integrated Recovery Framework therefore offers a theoretically grounded, evidence-informed framework for understanding how financially distressed standalone Islamic life insurers may restore organisational resilience while fulfilling regulatory expectations; its effectiveness is not claimed and has not been externally validated.

Although these theoretical insights are derived from a single embedded case study, the findings are intended to provide analytical generalisation rather than statistical generalisation. The conceptual relationships identified in this study may therefore serve as a reference for future research on regulatory recovery, governance reform and financial restructuring within Islamic insurance institutions operating under comparable supervisory environments.

4.11 Integrated Recovery Framework (IRF)

Drawing upon the empirical findings presented throughout Sections 4.3 to 4.10, including the financial performance analysis, root cause diagnosis, governance assessment, thematic findings derived from the five expert informants, recovery strategy evaluation and theoretical synthesis, this study proposes the Integrated Recovery Framework (IRF) as its principal conceptual and managerial contribution. Rather than representing a standalone managerial recommendation, the IRF constitutes a proposed, evidence-informed case-based analytical framework developed through the integration of documentary evidence, qualitative questionnaire findings and theoretical interpretation. Accordingly, the framework translates the empirical findings into a case-based decision-support framework specifically designed for standalone Islamic life insurers experiencing prolonged financial distress, governance deficiencies and regulatory intervention.

The proposed framework directly addresses the central research question by articulating how a financially distressed Islamic life insurer may restore organisational sustainability through an integrated sequence of governance reinforcement, financial restructuring and institutional recovery. The framework recognises that regulatory recovery cannot be achieved solely through capital injection or operational improvement. Instead, sustainable exit from the Business Activity Restriction (PKU) regime requires the simultaneous resolution of three interdependent dimensions: financial resilience, governance effectiveness and institutional legitimacy. These dimensions reinforce one another and therefore must be implemented as a coordinated recovery strategy rather than as isolated corrective initiatives.

Consistent with the empirical findings, the Integrated Recovery Framework treats governance reinforcement and capital mobilisation as parallel, mutually reinforcing workstreams rather than a strict sequence. Completion of mandatory governance organs strengthens regulatory confidence and decision-making effectiveness, while capital mobilisation activities, such as engagement with the controlling shareholder and prospective investors, can and should proceed at the same time, since neither depends on the other to begin. What the framework does treat as strictly sequential is the point of regulatory submission: formal application for PKU termination requires evidence that governance, capital, actuarial and financial-health workstreams have all been completed and are ready for OJK evaluation. This dependency-gated design allows the organisation to progress on multiple fronts simultaneously while preserving the discipline that regulatory engagement should only proceed once the underlying evidence is genuinely complete.

Accordingly, the Integrated Recovery Framework is organised into five parallel workstreams, each specifying its strategic objectives, principal initiatives, implementation priorities, expected outputs, indicative implementation timeline and measurable performance indicators, together with the dependency gates that govern when regulatory submission and subsequent business recovery activities may proceed. Collectively, these workstreams provide an integrated roadmap that aligns governance reform, financial recovery and strategic business transformation within a single implementation architecture. The framework therefore offers not only a proposed and externally unvalidated, evidence-informed case-based decision-support framework for the company but also a potentially adaptable reference for comparable cases, subject to contextual validation for other standalone Islamic life insurers operating under comparable regulatory environments.

4.11.1 Integrated Recovery Framework (IRF): Five Parallel Workstreams with Dependency Gates

The Integrated Recovery Framework (IRF) proposed in this study adopts a five-workstream implementation approach, governed by explicit dependency gates, that reflects the parallel organisational recovery process identified through the

empirical findings. The framework is derived from the integration of documentary analysis, financial performance evaluation, governance assessment, thematic findings from the five expert informants, proposition evaluation and the relevant Indonesian regulatory framework governing Islamic insurance companies. Rather than presenting independent corrective actions or a rigid sequence of phases, the IRF allows workstreams that do not depend on one another to proceed concurrently, while defining the specific evidentiary gates that must be satisfied before regulatory submission and, subsequently, business recovery activities can proceed.

The design of the framework is informed by the study's central finding that the regulatory distress experienced by XYZ is fundamentally governance-driven rather than market-driven. This finding shapes what counts as sufficient evidence for PKU exit, not the order in which recovery activity may begin. Governance reinforcement (Workstream A) and capital mobilisation (Workstream B) can and should commence simultaneously from the outset of the recovery programme, since shareholder and investor engagement does not require completed governance organs to begin. What the governance-driven diagnosis does require is that formal application for PKU termination (Workstream D) may only proceed once the Company's governance structure, comprising the Board of Commissioners, Board of Directors, Dewan Pengawas Syariah (DPS) and Company Actuary, is complete and OJK-compliant (the Internal Auditor function is already in place and is not a gap requiring completion), and once the capital, actuarial and Financial Recovery Plan (RPK) evidence required under Workstreams B and C has likewise been finalised. Business recovery activity that is restricted under PKU (Workstream E) can then proceed once OJK has evaluated this evidence and formally terminated the PKU regime.

Accordingly, the proposed Integrated Recovery Framework consists of five parallel workstreams governed by dependency gates. Workstream A, Governance and Actuarial Capability, establishes the mandatory governance structure, comprising the Board of Commissioners, Board of Directors and DPS, together with the Company Actuary and actuarial capability (the Internal Auditor function is already in place); it commences at Month 0 and runs concurrently with Workstream B. Workstream B, Capital Mobilisation and Investor Process, pursues capital

restoration through controlling-shareholder funding, strategic-investor engagement and complementary capital mechanisms; it likewise commences at Month 0. Workstream C, Financial-Health Assessment and Recovery/Action Plan, depends on the Company Actuary appointed under Workstream A to certify the Company's MMBR and prepare the recovery/action plan under the current OJK supervisory framework, incorporating the capital commitments secured under Workstream B. Workstream D, Regulatory Engagement, submits the actuarially-supported RPK and the formal PKU termination application to OJK; this submission is gated on the completion of Workstreams A, B and C, and proceeds only once that evidence has been assembled and is ready for OJK's evaluation. Workstream E, Business Recovery, commences only after OJK has evaluated the submission under Workstream D and formally terminated the PKU regime, at which point the Company may resume the full scope of business activity and pursue sustainable growth. The dependency gates, rather than a fixed calendar sequence, determine when each subsequent workstream may proceed.

Table 4.19 presents the complete Integrated Recovery Framework across its five parallel workstreams, including the strategic objectives, principal recovery initiatives, measurable success indicators, dependency gates and corresponding regulatory foundations supporting each workstream**.**

Table 4.19 Integrated Recovery Framework (IRF) - Five-Workstream Roadmap with Dependency Gates

Workstream	Strategic Objective	Key Recovery Initiatives	Success Indicators	Regulatory Base
WORKSTREAM A Governance and Actuarial Capability	MONTH 0-3 Runs concurrently with Workstream B HIGHEST PRIORITY	1. Appoint OJK-registered Company Actuary (Gate 1 input to Workstream C). 2. Complete Board of Directors: all four mandatory functional roles (Technical Insurance, Finance, Marketing, Compliance). 3. Establish and activate Komite Audit and Komite Pemantau Risiko. 4. Formalise DPS authority and stakeholder communication.	□ Company Actuary appointed and OJK-approved □ Complete 4-role Board of Directors in place □ Komite Audit and KPR activated □ DPS communication programme launched	POJK No. 73/POJK.05/2016, as amended by POJK No. 43/POJK.05/2019 (Board) POJK No. 23 of 2023 (current Actuary requirement; POJK 67/2016 historical basis)

Workstream	Strategic Objective	Key Recovery Initiatives	Success Indicators	Regulatory Base
		(Internal Auditor function is already in place.)		
WORKSTREAM B Capital Mobilisation and Investor Process	MONTH 0-3 Runs concurrently with Workstream A HIGHEST PRIORITY	1. Execute multi-pathway capital strategy (SAP-E: S-1–S-5). 2. Secure controlling-shareholder funding commitment. 3. Engage prospective strategic investors; negotiate KUPA formation as complementary pathway.	□ Capital commitment(s) secured □ Capital commitment sufficient to close the current residual equity gap and an appropriate buffer, subject to actuarial and regulatory assessment	POJK No. 72/POJK.05/2016 Art. 10 POJK No. 23 of 2023
WORKSTREAM C Financial-Health Assessment and Recovery/Action Plan	MONTH 3-3 Gate 1: depends on Company Actuary appointed under Workstream A	1. Complete the actuarially supported financial-health assessment and relevant risk-based capital calculations under the applicable OJK framework. 2. Prepare the recovery/action plan under the current OJK supervisory framework, incorporating Workstream B capital commitments.	□ MMBR calculated and certified □ Recovery/action plan finalised and ready for OJK engagement	POJK 37/2025 (current supervisory framework)
WORKSTREAM D Regulatory Engagement	MONTH 0-3 / Gate 2: gated on completion of Workstreams A, B and C / Target: Dec 2026 Stage-1	1. Submit the required recovery/action plan and PKU termination application to OJK. 2. Respond to OJK evaluation and remediation requirements.	□ Recovery/action plan accepted or no-objection obtained as applicable / □ Shareholders' equity reaches the Stage-1 IDR 100 billion requirement by 31 December 2026 / □ Company Fund financial-health requirements addressed / □ PKU formally terminated by OJK	POJK No. 23 of 2023 (Stage 1); POJK No. 37 of 2025
WORKSTREAM E Business Recovery	**Post-PKU Exit: Ongoing** Commences after formal PKU lifting by OJK and continues thereafter — outside	1. Restore sustainable revenue generation after regulatory normalisation. 2. Strengthen distribution productivity and participant retention. 3. Maintain governance, risk-management and investment discipline. 4. Diversify the revenue base and improve operating efficiency.	□ Sustainable revenue growth / □ Operating breakeven within the recovery horizon / □ OCI risk reduced through portfolio diversification / □ Financial-health and governance	Applicable OJK supervisory, financial-health and institutional requirements; POJK 23 of 2023; POJK 37 of 2025

Workstream	Strategic Objective	Key Recovery Initiatives	Success Indicators	Regulatory Base
	primary scope.		requirements maintained (Stage-2 equity requirement by December 2028 noted as regulatory context, outside primary scope)	

Source: Author's proposed and externally unvalidated Integrated Recovery Framework (IRF), synthesised from financial, governance, documentary and questionnaire findings and the relevant Indonesian regulatory framework.

The Integrated Recovery Framework proposes that sustainable regulatory recovery represents a cumulative institutional transformation achieved through parallel, dependency-gated workstreams rather than either a rigid phase sequence or a set of isolated corrective actions. The framework emphasises that governance completeness and capital adequacy are equally necessary conditions, pursued concurrently, for a credible PKU exit application; neither substitutes for the other, and OJK's evaluation of the recovery/action plan and any termination request depends on both being satisfied together. This dependency-gated recovery pathway reflects the empirical findings of the study and provides an integrated mechanism through which XYZ can restore financial resilience, achieve regulatory normalisation and strengthen its long-term organisational sustainability.

4.11.2 Priority Recovery Actions for the First 90 Days (Workstream A)

The Month figures in Table 4.19 describe each workstream's full intended scope and do not by themselves demonstrate compliance with the 31 December 2026 Stage-1 deadline. The compressed, date-specific critical path actually required to meet Stage-1 within the remaining September–December 2026 window, together with the associated contingency if it is not met, is set out in the Emergency Action Plan in Section 4.9.1.

The successful implementation of Workstream A of the Integrated Recovery Framework (IRF) depends on the timely execution of a limited number of critical recovery actions during the first ninety days following the commencement of the recovery programme. These actions represent the

operationalisation of the governance and actuarial capability workstream and are sequenced according to their implementation dependencies rather than their individual importance. Because Workstream B (capital mobilisation) proceeds concurrently from Month 0, these ninety-day priorities concern governance readiness specifically, not a precondition for capital-related activity to begin.

Consistent with the empirical findings presented in this study, the appointment of an OJK-registered Company Actuary constitutes a critical early-stage activity within Workstream A. Restoring the actuarial function would strengthen the Company's capability to validate technical reserves, support credible MMBR assessment, provide actuarial input to the Rencana Penyehatan Keuangan (RPK), and enhance the evidentiary basis for regulatory engagement under Workstream D. Accordingly, this action is positioned as a high implementation priority because it is a direct enabling condition for Workstream C (Financial-Health Assessment and RPK), which cannot be finalised without a certified Actuary in place.

Alongside the appointment of the Company Actuary, the recovery programme completes the mandatory governance structure, comprising the Board of Commissioners, Board of Directors (through OJK-approved directors for all four functional roles) and DPS (the Internal Auditor function is already in place), while Workstream B proceeds in parallel through securing shareholder commitment for capital restoration and initiating engagement with potential strategic investors. Collectively, these actions establish the governance capacity, financial preparedness and regulatory credibility required for the Company's formal recovery process.

Table 4.20 translates Workstream A of the Integrated Recovery Framework into a structured implementation matrix by identifying the priority recovery actions, strategic rationale, expected outputs, organisational responsibilities and implementation timelines required during the first ninety days. The matrix therefore provides a practical implementation roadmap that aligns governance reform and regulatory preparedness within a coherent execution framework, running concurrently with Workstream B.

Table 4.20 Priority Recovery Action Matrix, First 90 Days (Workstream A Implementation Priorities)

Pri.	Strategic Recovery Action	Strategic Rationale	Expected Output / Success Indicator	Primary Responsibility	Target Timeline
P1	Appoint an OJK-Registered Company Actuary	The appointment of an OJK-registered Company Actuary represents the most critical prerequisite for regulatory recovery. The Company Actuary is responsible for certifying technical reserves, validating the Minimum Required Solvency Margin (MMBR), and supporting the preparation of the actuarially certified Rencana Penyehatan Keuangan (RPK). Completion of this action enables the subsequent implementation of the remaining Workstream A recovery initiatives, and is a direct precondition for Workstream C (the RPK's actuarially-informed preparation).	• OJK-approved Company Actuary appointed. • Technical reserve certification initiated. • MMBR calculation completed. • Actuarial work supporting RPK preparation commenced.	President Director / Board of Directors	Day 1–30
P2	Complete the Board of Directors through OJK Fit and Proper Test	Completing the Board of Directors restores compliance with POJK No. 73/POJK.05/2016, strengthens governance capacity, and enables collective accountability for implementing the recovery programme. A complete Board also enhances organisational credibility during strategic investor engagement.	• All mandatory functional Director positions filled. • OJK Fit and Proper Test initiated/completed. • Governance compliance significantly improved.	President Director / Human Capital	Day 1–45
P3	Prepare and Finalise the Rencana Penyehatan	The RPK constitutes the principal recovery document required by OJK to evaluate the Company's readiness for	• Actuarially-supported RPK completed. • Board approval obtained.	Company Actuary / Finance Director	Day 31–60

Pri.	Strategic Recovery Action	Strategic Rationale	Expected Output / Success Indicator	Primary Responsibility	Target Timeline
	Keuangan (RPK)	PKU Exit. Supported by actuarial input, the RPK demonstrates a credible pathway toward restoring equity, solvency, governance and long-term business sustainability.	• RPK ready for submission to OJK.		
P4	Secure Controlling Shareholder Commitment for Capital Injection	Formal shareholder commitment provides certainty regarding the availability of capital required to restore the Company's equity position and demonstrates financial commitment to OJK. Early confirmation also enables management to determine whether parallel strategic investor engagement should be accelerated.	• Formal Letter of Commitment obtained. • Capital injection mechanism agreed. • Initial recapitalisation timetable established.	President Director / Controlling Shareholder	Day 30–60
P5	Initiate Strategic Investor Engagement (Parallel Track)	Early engagement with potential strategic investors diversifies recapitalisation alternatives and reduces dependence on a single funding source. Demonstrating a financially sound Tabarru' Fund, strengthened governance and a credible recovery roadmap enhances investor confidence and supports long-term corporate sustainability.	• Investor Information Memorandum completed. • Initial investor meetings conducted. • Investment pipeline established. • Financial adviser/M&A adviser appointed (if required).	President Director / Finance Director	Day 45–90

Source: Developed by the author based on the Integrated Recovery Framework (Table 4.19), empirical findings, XYZ Audited Financial Statements (2021–2024), and relevant OJK regulations.

Table 4.20 operationalises Workstream A of the Integrated Recovery Framework by translating the proposed recovery strategy into a structured implementation programme designed to restore organisational readiness for regulatory recovery. This Priority Recovery Action Matrix focuses on execution by

specifying the immediate activities, responsible parties, expected deliverables and implementation milestones required during the initial ninety-day period.

The sequencing of the five priority actions within Workstream A reflects their internal implementation dependencies rather than equivalent strategic importance, and is independent of Workstream B, which proceeds on its own timeline from Month 0. In particular, the appointment of an OJK-registered Company Actuary represents the critical-path activity within Workstream A because it enables the actuarial certification of technical reserves, calculation of the Company's MMBR, preparation of the recovery/action-plan package under Workstream C and subsequent engagement with OJK under Workstream D. Completion of these governance and regulatory actions does not need to precede capital mobilisation; rather, it must be complete, alongside Workstream B's capital evidence, before the formal PKU termination application is submitted.

Collectively, the Priority Recovery Action Matrix establishes the governance, financial and regulatory foundations that, together with the concurrently-pursued capital mobilisation workstream, are necessary to support the Company's formal recovery programme and the eventual PKU termination application. More importantly, it demonstrates that sustainable regulatory recovery is achieved not through isolated corrective measures, nor through a rigid sequence, but through parallel, dependency-gated governance, financial and institutional actions, consistent with the empirical findings of this study.

4.12 Chapter Summary

This chapter presented a comprehensive analysis of XYZ's financial condition, governance arrangements, regulatory challenges and organisational recovery strategy by integrating documentary evidence, financial performance analysis, governance assessment, thematic findings from the five expert informants and relevant theoretical perspectives. Rather than examining these dimensions independently, the study adopted an integrated analytical approach to identify the underlying causes of the Company's prolonged regulatory distress and to develop an evidence-informed recovery strategy proposal capable of supporting sustainable

regulatory recovery, noting that the strategy has not yet been implemented or independently validated.

The findings were synthesised through the Integrated Diagnostic and Recovery Matrix (Table 4.21) which consolidates the documentary evidence, qualitative questionnaire findings, theoretical interpretations, diagnostic conclusions and corresponding recovery recommendations into a single analytical framework. By integrating multiple sources of evidence, the matrix demonstrates how financial deterioration, governance deficiencies, shareholder commitment and regulatory compliance collectively shape the Company's recovery trajectory.

Table 4.21 Integrated Diagnostic and Recovery Matrix

Business Issue	Documentary Evidence	Expert Questionnaire Insight	Relevant Theory	Diagnostic Interpretation	Recovery Recommendation (IRF)	Expected Contribution toward PKU Exit
Financial Distress	Negative profitability, declining assets, operating losses	President Commissioner and COO agreed that continuous losses weakened financial capacity.	Financial Distress Theory	Financial deterioration originated from prolonged operating losses and weak capital formation.	Capital Restructuring and Business Recovery Programme.	Restore financial stability.
Negative Equity	Equity below regulatory minimum	PD and IC identified accumulated losses as the main cause of negative equity.	Financial Distress Theory	Equity deterioration constrained solvency restoration.	Capital Injection Programme.	Achieve minimum equity requirement.
Governance Weakness	POJK findings; incomplete board; absence of actuary	Multiple respondents emphasised incomplete governance organs.	Agency Theory	Governance weakness reduced strategic oversight and risk management effectiveness.	Governance Reinforcement Programme.	Restore governance compliance.
Shareholder Commitment	Capital Recovery Plan	Shareholders viewed capital	Stewardship Theory	Recovery depends upon	Shareholder Engagement Strategy.	Accelerate capital recovery.

Business Issue	Documentary Evidence	Expert Questionnaire Insight	Relevant Theory	Diagnostic Interpretation	Recovery Recommendation (IRF)	Expected Contribution toward PKU Exit
		support as indispensable, while management stressed execution discipline.		aligned commitment between owners and management.		
Regulatory Pressure	PKU, POJK No. 23 of 2023, POJK No. 72/POJK.05/2016, POJK No. 73/POJK.05/2016	All informants agreed that compliance is the primary condition for PKU exit.	Institutional Theory	Institutional legitimacy must be restored before supervisory restrictions can be lifted.	Integrated Recovery Framework (IRF).	Exit from PKU.
Institutional Legitimacy Recovery	PKU monitoring records, governance compliance documentation, stakeholder confidence indicators	All expert informants emphasised the importance of restoring OJK confidence and public trust.	Institutional Theory	Sustainable recovery requires restoration of regulatory, governance, financial, and market legitimacy.	Integrated Recovery Framework (IRF).	Sustainable PKU Exit and long-term organisational resilience.

Table 4.21 summarises the integrated diagnostic process undertaken in this study by consolidating documentary evidence, financial analysis, expert questionnaire findings, relevant theoretical perspectives, diagnostic interpretations and corresponding recovery recommendations. Rather than presenting isolated organisational issues, the matrix demonstrates that financial distress, negative equity, governance weaknesses, shareholder commitment and regulatory compliance constitute mutually reinforcing institutional challenges requiring an integrated recovery response.

Evidence and Confidence Matrix for Principal Conclusions

In response to the concern that a single-institution, internally-sourced informant pool creates confirmation risk, Table 4.22 makes the evidentiary basis for each principal conclusion explicit, distinguishing the primary document relied upon, the

corresponding informant statement, the theoretical basis, any contradicting or disconfirming evidence identified, and an explicit confidence level. A conclusion is rated High only where documentary and questionnaire evidence converge without contradiction; Moderate where the conclusion rests substantially on informant perception without independent corroboration; and Low where the underlying regulatory figure (the Company Fund solvency ratio) cannot itself be certified without an appointed Company Actuary.

Table 4.22 Evidence and Confidence Matrix for Principal Conclusions

Principal Conclusion	Primary Document	Informant Statement	Theoretical Basis	Contradicting / Disconfirming Evidence	Confidence Level
Persistent negative shareholders' equity since spin-off (Company Fund)	Audited financial statements FY2016-2024; Table 1.3/4.2	PD-01 and IC-01 identified accumulated losses as the principal cause of negative equity	Financial Distress Theory	None identified; convergent across documentary and questionnaire sources	High
Company Fund regulatory solvency (MMBR) position not reliably determinable from available evidence	Published financial statements reporting an undefined "#DIV/0!" MMBR figure	No informant could confirm a certified MMBR ratio in the absence of a Company Actuary	Financial Distress Theory; Agency Theory (information asymmetry)	Tabarru' Fund RBC ratio is high (1,277.19% in 2024), which could be misread as implying overall solvency — explicitly treated in this study as a separate, non-substitutable measure	Low (pending actuarial certification)
Governance organs incomplete (Board composition, Company Actuary, risk committees)	OJK correspondence; internal governance records; PKU letter	COO-01, PC-01 and CSR-01 all emphasised incomplete governance organs as a PKU precondition	Agency Theory	None identified across the five informants; single-institution concentration noted separately as a limitation	High

Principal Conclusion	Primary Document	Informant Statement	Theoretical Basis	Contradicting / Disconfirming Evidence	Confidence Level
Controlling Shareholder commitment is necessary but not yet evidenced by an actual capital injection	Capital Recovery Plan; audited statements showing paid-up capital flat at IDR 100,000 million 2016-2024	CSR-01 and PD-01 described capital support as indispensable; no informant reported a concrete injection timeline	Stewardship Theory	Positive FY2025/Jul-2026 equity movement is driven by OCI reversal, not a shareholder injection — does not contradict the conclusion but could be misread as such if not cross-referenced	Moderate
Institutional legitimacy and PKU exit are conditional on regulatory compliance, not solely on financial recovery	PKU imposition letter; POJK No. 23 of 2023; OJK supervisory correspondence	All five informants agreed regulatory compliance is the primary condition for PKU exit	Institutional Theory	None identified; this is the most convergent finding across all sources	High
The Tabarru' Fund and Company Fund exhibit a differentiated financial condition and must not be treated as a single solvency position	Audited Dana Tabarru' RBC disclosures 2021-2024; Company Fund equity/solvency disclosures	President Commissioner distinguished Tabarru' Fund strength from Company Fund weakness	Financial Distress Theory; Institutional Theory	None identified from the five informants, all internal; not yet corroborated by an external actuary	High for the documentary contrast; Moderate for informant corroboration

Source: Author's synthesis, cross-referenced against Table 4.21 and the Limitations discussion in Section 5.2. Confidence levels are the author's own qualitative assessment based on triangulation strength and have not been independently audited; they are provided to help the reader weigh each conclusion rather than to imply statistical certainty.

The matrix further illustrates how each empirical finding contributes directly to the design of the Integrated Recovery Framework (IRF). Consequently, the proposed framework is not presented as a standalone managerial recommendation but as the logical outcome of the empirical investigation and theoretical synthesis undertaken throughout this chapter. In this respect, the

Integrated Diagnostic and Recovery Matrix provides the analytical linkage between the empirical evidence and the governance-led recovery strategy proposed by this study.

Building upon this integrated analysis, the following six principal findings summarise the key empirical contributions of the research and provide the foundation for the conclusions and recommendations presented in Chapter 5.

Principal Finding 1: XYZ Exhibits a Differentiated Financial-Distress Condition Across Its Fund Structure

The evidence does not support characterising XYZ as free from economic distress. Rather, the case presents a differentiated financial condition. The Tabarru' Fund remained comparatively resilient on the reported solvency measure, with an RBC ratio of 222.91% during 2021-2022, 518.37% in 2023 and 1,277.19% in 2024, while the Company Fund remained affected by negative equity, recurring losses, liquidity pressure, prolonged PKU restrictions and governance deficiencies. The high Tabarru' Fund RBC ratio should also be interpreted cautiously because it coincided with contraction in the underlying business and risk base. Wruck's (1990) distinction between financial and economic distress is therefore used as an analytical lens rather than as a basis for concluding that the Company's core business is economically viable. Recovery priorities should address capital, governance, financial-health and business sustainability together.

Principal Finding 2: OCI Securities Valuation Loss as a Major Source of Equity Erosion

The analysis identifies the unrealised OCI securities valuation loss as the single largest contributor to the Company's negative equity position. Under PSAK 71/IFRS 9 FVOCI accounting, unrealised investment losses are recognised directly within Other Comprehensive Income rather than through the income statement, resulting in a gradual but significant deterioration of shareholders' equity. The findings indicate that gaps in actuarial capability and Board-level investment oversight may have limited the timely identification and mitigation of this concentration risk. This inference is not corroborated by documentary evidence

such as Investment Committee minutes, limit-breach escalation reports, or asset-liability matching (ALM) analysis, nor by temporal records linking specific oversight gaps to the loss, and is therefore presented as a plausible contributing factor rather than an established cause. Consequently, investment governance strengthening and portfolio diversification constitute essential components of the proposed recovery strategy.

Principal Finding 3: Appointment of a Company Actuary as a Critical Governance Enabler for Regulatory Recovery

The study identifies the appointment and effective functioning of an OJK-registered Company Actuary as a critical governance enabler for regulatory recovery. Actuarial capability is necessary for credible assessment of technical reserves, solvency and financial projections and for producing reliable evidence for the recovery/action-plan process and regulatory engagement.

Principal Finding 4: Historical FY2024 Equity-Restoration Benchmark and Current Residual Gap

The 2024 audited position provides an historical benchmark of IDR 143.858 billion to restore equity from IDR (43,858) million to the Stage-1 minimum equity requirement of IDR 100 billion prescribed under POJK No. 23 of 2023. This benchmark is retained for historical analysis and comparability. The latest FY2025 audited and July 2026 unaudited positions, however, show materially smaller residual gaps of approximately IDR 41.388 billion and IDR 47.037 billion, respectively. Accordingly, capital restoration remains a principal recovery requirement, but the current capital mobilisation amount should be recalculated from the latest position and supplemented by an appropriate buffer, actuarial assessment and regulatory evaluation.

The IDR 143.858 billion figure is therefore treated as the FY2024 historical baseline rather than the current capital recommendation. The subsequent improvement in equity occurred through OCI reversal and reduced losses rather than new capital injection, and the residual gap remains open.

Principal Finding 5: Sustainable Regulatory Recovery Requires Integrated Governance, Capital and Institutional Legitimacy Restoration

The empirical findings consistently demonstrate that the Company's prolonged regulatory distress cannot be attributed to a single organisational weakness. Documentary evidence and expert questionnaire findings indicate that governance deficiencies, capital inadequacy, investment risk management and institutional legitimacy interact as mutually reinforcing organisational challenges. Consequently, sustainable recovery requires an integrated strategy that simultaneously strengthens governance, restores financial resilience and rebuilds institutional legitimacy rather than implementing isolated corrective actions.

Principal Finding 6: The Integrated Recovery Framework (IRF) Synthesises the Empirical Findings into a Proposed, Evidence-Informed Analytical Framework

Building upon the empirical findings and theoretical synthesis, this study develops the Integrated Recovery Framework (IRF) as a proposed, evidence-informed case-based analytical framework for standalone Islamic life insurers experiencing prolonged financial distress and regulatory intervention. Organised around three recovery horizons, the framework integrates governance reinforcement, capital restoration, regulatory compliance and operational recovery through parallel workstreams and explicit dependency gates. Accordingly, the IRF represents the principal conceptual and managerial contribution of this study.

CHAPTER 5
CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

This chapter presents the conclusions, managerial implications and recommendations derived from the empirical findings and analyses presented in Chapters 1 to 4. Building upon the documentary analysis, expert questionnaire findings and theoretical interpretations, the study develops a proposed and externally unvalidated Integrated Recovery Framework (IRF) as an evidence-informed strategy to support the company to exit from OJK's Business Activity Restriction (PKU). Grounded in Institutional Theory, Financial Distress Theory, Agency Theory and Stewardship Theory, the IRF integrates three Strategic Action Plans covering equity recovery, solvency and business recovery and corporate governance reconstitution. The chapter concludes by discussing the study's theoretical contributions, practical implications, limitations and directions for future research.

5.1.1 Governance-Driven Regulatory Distress

The findings indicate that the Company's prolonged regulatory distress is primarily associated with interconnected internal governance, capital and institutional constraints rather than being explained principally by deterioration in the underlying takaful business model or broader market conditions. The principal factors identified include inadequate capitalisation following the spin-off, incomplete mandatory governance functions, prolonged operational and revenue constraints under PKU and declining institutional legitimacy affecting stakeholder and investor confidence. These factors interacted cumulatively, limiting the Company's capacity to restore regulatory compliance and financial resilience. Accordingly, sustainable recovery requires governance reinforcement and capital restoration to be implemented as mutually reinforcing priorities. This finding is consistent with Agency Theory and Institutional Theory which respectively emphasise the importance of effective governance and organisational responsiveness to regulatory and institutional pressures.

5.1.2 Interconnected Equity, Solvency and Governance Challenges

The findings demonstrate that XYZ's regulatory recovery challenge is best understood through three interconnected dimensions: equity adequacy, sustainable solvency and governance completeness. These dimensions should not be interpreted independently, as weaknesses in one area may constrain progress in the others and collectively affect the Company's ability to restore sustainable regulatory compliance.

The expert questionnaire findings provide the primary interpretive evidence for understanding these interconnected challenges. Across the five institutional informants, the findings consistently emphasised capital restoration, governance reconstitution, actuarial capability, regulatory compliance and the restoration of institutional credibility as critical requirements for recovery. These findings indicate that XYZ's condition cannot be adequately explained by reference to a single financial indicator; rather, the recovery challenge reflects a combination of financial, governance and institutional constraints that require an integrated response.

The documentary and financial analysis presented in Chapter 4 provides corroborating evidence for this interpretation. In particular, the persistent negative shareholders' equity in the Company Fund supports the identified need for capital restoration, while the comparatively strong solvency position of the Tabarru' Fund, with RBC ratios of 222.91% in 2021 and 2022, 518.37% in 2023 and 1,277.19% in 2024, demonstrates that the financial condition is not uniform across the Company's bifurcated fund structure. These financial indicators are therefore interpreted as supporting evidence within the broader institutional assessment rather than as standalone determinants of XYZ's overall recovery status.

Accordingly, the principal implication is not merely the restoration of individual financial ratios, but the simultaneous resolution of the structural conditions underlying XYZ's prolonged regulatory restriction. Equity restoration, sustainable solvency and governance reconstitution must therefore be addressed as mutually reinforcing recovery priorities. This integrated interpretation provides the foundation for the recovery solutions developed in Sections 5.4.2 to 5.4.4 through

the Strategic Action Plan for Equity Recovery (SAP-E), Strategic Action Plan for Solvency and Revenue Recovery (SAP-S), and Strategic Action Plan for Corporate Governance Reconstitution (SAP-G).

5.1.3 OCI Securities Valuation Loss as a Major Source of Equity Erosion

The analysis identifies unrealised securities valuation losses recognised through Other Comprehensive Income (OCI) as a major structural source of shareholders' equity erosion. The OCI loss reached IDR 99,692 million in 2023, an amount approximately equivalent to the Company's paid-up capital of IDR 100,000 million, demonstrating the material impact of investment valuation movements on the Company's capital position. Because FVOCI valuation movements are recognised directly in equity rather than through reported net profit or loss, their cumulative impact may be less visible when financial performance is assessed primarily through the income statement. The finding highlights the importance of strengthened investment-risk oversight, Board-level monitoring and portfolio diversification within the Company's recovery strategy.

5.1.4 Company Actuary Appointment as a Critical Governance Enabler for Regulatory Recovery

The findings identify the appointment and effective functioning of an OJK-registered Company Actuary as a critical governance enabler, rather than the sole or definitive condition, for regulatory recovery. The documentary evidence indicates that actuarial capability is important for credible assessment of technical reserves, solvency calculations, financial projections, and the preparation of an actuarially supported recovery plan. Questionnaire respondents also consistently recognised the importance of completing the Company's governance functions.

However, this study does not establish that the appointment of a Company Actuary alone would be sufficient to secure PKU exit. Regulatory normalisation remains dependent on the Company's broader fulfilment of applicable OJK requirements, including equity restoration, financial-health improvement, governance compliance, implementation of an acceptable recovery plan, and ultimately OJK's supervisory assessment. The actuarial function is therefore

interpreted as one important enabling component within an interdependent recovery architecture rather than as a singular determinant of PKU exit.

The significance of the Company Actuary extends beyond the calculation or interpretation of individual solvency indicators. The role provides essential actuarial oversight for the assessment of technical reserves, solvency adequacy, risk exposures, and other actuarial inputs relevant to the Company's financial-health assessment and recovery planning. Strengthening this capability would therefore improve the reliability and credibility of the evidence available to management, the Board, and the regulator.

This qualified interpretation reinforces the Integrated Recovery Framework (IRF), in which governance reconstitution is positioned as an enabling foundation that must operate together with capital restoration, financial-health improvement, and regulatory compliance. The finding is therefore case-based and context-specific and should not be interpreted as establishing a universal or automatic causal pathway to PKU exit.

5.1.5 Capital Restoration as a Primary Regulatory Requirement

The 2024 audited equity position implies an historical Stage-1 equity-restoration benchmark of IDR 143.858 billion to restore equity to the IDR 100 billion threshold. This figure is retained as a historical analytical benchmark rather than the current capital recommendation. The 2025 audited and July 2026 unaudited accounts show equity of IDR 58.612 billion and IDR 52.963 billion, respectively, leaving residual gaps of approximately IDR 41.388 billion and IDR 47.037 billion. The current capital strategy should therefore be sized from the latest available equity position and include an appropriate buffer for operating losses, OCI volatility, recovery costs and actuarially assessed financial-health requirements. The ultimate capital requirement remains subject to actuarial assessment and regulatory evaluation.

5.1.6 Institutional Legitimacy Restoration for Sustainable Recovery

Equity and solvency restoration, while necessary, are insufficient conditions for sustainable institutional recovery. From November 2021 to the thesis cut-off in

August 2026, approximately four years and nine months of PKU status have materially eroded the Company's cognitive legitimacy (Suchman, 1995) through participant portfolio attrition, investor hesitation and diminished distributor confidence. Institutional Theory prescribes active, structured legitimacy signalling to multiple principal constituencies: participants, investors and the regulator. Institutional legitimacy restoration is accordingly embedded as a recurring action across all three recovery horizons of the Integrated Recovery Framework.

5.1.7 Triangulation of Findings and Theoretical Corroboration

The principal conclusions of this study were derived through triangulation across three complementary analytical evidence streams: (i) primary qualitative evidence obtained from a written semi-structured expert questionnaire completed by five institutional informants; (ii) documentary evidence comprising audited financial statements, OJK regulatory documents, governance records and relevant institutional documentation; and (iii) theoretical interpretation using Institutional Theory, Financial Distress Theory, Agency Theory and Stewardship Theory. Within this triangulation structure, the expert questionnaire findings provide the primary interpretive basis for identifying the underlying institutional constraints and recovery priorities, while documentary and financial evidence serves a corroborating and contextualising function in assessing the consistency of those findings with the Company's observed financial and regulatory condition.

Consistent with Lincoln and Guba's (1985) trustworthiness framework and Yin's (2018) case study validity principles, this triangulation strengthens the credibility and confirmability of the findings. Within this triangulation structure, the expert questionnaire findings provide the primary interpretive basis for identifying the underlying institutional constraints and recovery priorities, while documentary and financial evidence provides corroborating and contextual support. The resulting conclusions are therefore interpreted as analytical generalisations derived from a single embedded case study rather than as statistically generalisable findings.

The five analytical propositions (P1-P5) receive varying degrees of support from the triangulated case evidence rather than uniform confirmation. P2 receives the strongest documentary-financial support, while P1, P3, P4 and P5 are supported with qualification because the available evidence does not establish all proposed causal mechanisms or prospective recovery outcomes conclusively. In particular, response convergence was not treated as independent proof where responses largely reflected concepts embedded in the questionnaire items or regulatory framework. The propositions are therefore retained as case-based analytical explanations that inform the proposed IRF, not as universally validated causal relationships or as validation of the framework itself. The IRF remains a case-based, context-specific framework requiring implementation-stage validation.

5.2 Limitation

5.2.1 Limitations of the Study

This study is subject to nine principal limitations. First, the single embedded case study design inherently limits statistical generalisability; the IRF requires adaptation and empirical validation in other institutional contexts. Second, data access constraints limited the depth of the primary questionnaire data, as direct access to OJK supervisors and controlling shareholder's Board members would have enriched the practical implications analysis. Third, financial projections are indicative planning estimates based on 2024 reported data and reasonable assumptions, not actuarially validated forecasts. Fourth, the study does not address controlling shareholder own financial capacity for capital injection, the capital injection recommendation assumes mobilisable resources that would require due diligence verification. Fifth, findings are specific to Indonesia's OJK regulatory framework and may not transfer directly to other takaful jurisdictions.

Sixth, coding was performed by the researcher without a formal independent inter-coder reliability procedure. The study mitigates this limitation through a documented audit trail, source triangulation, negative-case analysis, reflexive practice, and supervisory/peer review, but these procedures do not substitute for independent inter-coder agreement.

Seventh, cross-checking Table 4.3 and Table 1.3 against the Company's 2023 and 2024 audited financial statements confirms that the 2023 figures used throughout this study (total assets IDR 370,109 million; total liabilities IDR 161,601 million; participant fund IDR 272,370 million; accumulated deficit IDR 64,170 million) are drawn consistently from the 2024 audited statements' restated "2023*" comparative column, rather than from the 2023 audited statements' own originally reported 2023 figures (total assets IDR 387,763 million; accumulated deficit IDR 92,566 million). This is a deliberate and internally consistent choice to use the most recent restated series for comparability across the 2021–2024 observation window, not a data error. However, roll-forwarding the 2022 restated accumulated deficit (IDR 81,212 million) by the 2023 reported net loss (IDR 10,282 million) implies a closing 2023 deficit of approximately IDR 91,494 million, some IDR 27,323 million higher than the IDR 64,170 million restated figure actually reported; the 2024 audited statements do not itemise the components of this further restatement, so the source of the difference (e.g., additional prior-period adjustments beyond the reported net loss) cannot be fully decomposed from the published disclosures. The 2021 roll-forward, by contrast, has since been fully reconciled against the 2021 audited financial statements: rolling forward the 2020 closing accumulated deficit (IDR 65,043 million) by the 2021 reported net loss (IDR 10,585 million) gives an expected closing deficit of IDR 75,628 million, against an actual reported closing deficit of IDR 75,618 million, a difference of IDR 10.5 million that is fully explained by the actuarial remeasurement gain on employee benefit liabilities for 2021 (IDR 10.50 million), which the Company recognises directly within retained earnings rather than through profit or loss. No unresolved variance remains for 2021. The 2023 variance of IDR 27,323 million described above therefore remains the sole unreconciled data variance in this study's financial analysis. Given its size relative to the Company's reported equity, its annual net loss, and the IDR 100 billion Stage-1 regulatory threshold, this variance should be treated as an unresolved material data limitation rather than a rounding or presentational difference; it is not used in this study to support precise year-on-year causal claims about the pace of equity deterioration. The ideal resolution of this variance would be a written reconciliation from the Company's

finance function or external auditor. Such a reconciliation has not been obtained for this study. Until it becomes available, every finding, table and recommendation in this thesis that depends on the FY2023 accumulated deficit or the FY2022–2024 equity trajectory — including Table 1.3, Table 4.3, Table 4.7, and the capital-requirement quantification in Section 5.4.2.1 — should be read as subject to this explicit caveat rather than as a fully reconciled financial position, and any conclusion drawn from those figures is correspondingly qualified rather than definitive.

Eighth, all five expert informants (the Controlling Shareholder Representative, President Commissioner, Independent Commissioner, President Director, and Chief Operating Officer) are affiliated with the same institution and are subject to the same regulatory framework and institutional interests; their convergent responses should therefore not be treated as five independent confirmations of the Company's condition, but rather as internal managerial and governance perceptions.

The questionnaire protocol itself incorporated assumptions about governance failure, the need for capital injection, shareholder financial capacity, and the PKU exit pathway, which may have shaped informants toward confirming the researcher's initial diagnosis. This study did not include external, institutionally independent perspectives (such as an external actuary, external auditor, insurance-regulation expert, or turnaround practitioner); findings drawn primarily from questionnaire evidence are accordingly presented as internal managerial perceptions rather than independent verification of the Company's regulatory or financial condition, and readers should weigh the questionnaire-based findings with this concentration in mind alongside the documentary and financial-statement evidence used for triangulation.

Accordingly, the findings should be interpreted as context-specific analytical findings from a single embedded case rather than statistically or universally generalisable conclusions. Future research could strengthen external validation by incorporating interviews with OJK representatives, independent actuaries, external insurance experts, policyholder representatives, or comparable

insurers experiencing regulatory recovery. Given this concentration of informants within a single institution, the Integrated Recovery Framework proposed in Chapter 5 is presented as a proposed and externally unvalidated IRF: no independent external expert review was conducted within this study, and the thesis makes no claim that the framework has been validated or that it is effective. It should be treated as provisional until it has been reviewed by two to three independent subject-matter experts external to the Company — for example, a licensed actuary, an external auditor, and an insurance restructuring or turnaround practitioner — rather than being implemented on the strength of this study's internal evidence alone; such a review is recommended as a precondition for Board adoption, not merely as a direction for future academic research.

The similarity of several responses may also partly reflect the common regulatory frame of reference embedded in the questionnaire protocol, particularly POJK No. 72/POJK.05/2016 and POJK No. 73/POJK.05/2016. This creates potential confirmation, social desirability, and regulatory-framing effects. To mitigate these limitations, questionnaire evidence was triangulated with audited financial statements, regulatory documents, governance records, and other documentary sources, and major conclusions were not based solely on the frequency or convergence of questionnaire responses.

In addition, the primary data were collected through a written semi-structured questionnaire protocol. While this format improved consistency, comparability, documentation, and respondent convenience, it limited the researcher's ability to conduct spontaneous probing and follow-up questioning. The relatively concise and convergent responses should therefore be interpreted within this methodological context.

A further limitation concerns the composition and format of the primary questionnaire evidence. The five expert informants were purposively selected from actors directly involved in, or institutionally connected with, XYZ's governance, management and controlling-shareholder structure. No external regulator, independent industry expert, policyholder representative or external actuarial practitioner was included. Consequently, the questionnaire evidence primarily

represents informed internal institutional perspectives rather than a fully independent external assessment. In addition, the common question set was anchored in the study's diagnostic and regulatory framework, which may have encouraged convergence in responses.

The analysis therefore treats response convergence as contextual evidence rather than independent confirmation and triangulates it with documentary, financial and regulatory evidence.

Ninth, the analysis of the Company's investment-related OCI losses in this study relies on aggregate financial-statement disclosures rather than instrument-level portfolio data. Underlying investment records including instrument type and duration, credit-rating and interest-rate-risk profile, issuer or sector concentration, the split between realised and unrealised movements, Investment Committee minutes, limit-breach escalation reports, and asset-liability matching (ALM) analysis were not sought from the Company. Such records, to the extent not already disclosed in the Company's audited financial statements, constitute confidential, non-public corporate information rather than personal data; their use would be subject to the Company's internal confidentiality obligations, applicable financial-sector confidentiality requirements, and the research-ethics norms governing the use of data obtained for academic purposes.

Consequently, the OCI-related findings in this study are necessarily confined to what can be derived from audited financial-statement disclosures, and the governance-related inferences discussed in Chapters 4 and 5 regarding investment oversight are presented as plausible contributing factors rather than as conclusions substantiated by primary investment-governance documentation.

5.2.2 Future Research Directions

The study opens six productive directions for future research: (i) Comparative case analysis of multiple distressed Islamic insurance operators to strengthen generalisability of the IRF; (ii) Longitudinal tracking of XYZ's actual recovery progress against IRF milestones to provide real-time empirical validation; (iii) Quantitative study of OCI risk governance in Islamic insurance portfolios,

extending Conclusion C3 into a generalisable empirical model; (iv) Regulatory design study examining conditions for graduated PKU relief mechanisms to reduce the Structural Recovery Paradox without creating moral hazard; (v) Research on PSAK 74/IFRS 17 transition impact on takaful recovery planning, examining interactions between IFRS 17's contractual service margin mechanics and OJK's MMBR solvency framework; and (vi) Independent expert-panel or focus-group validation of the IRF — involving, at minimum, actuarial, compliance/regulatory and turnaround/investment specialists — to assess its relevance, feasibility, sequencing, ownership, evidence base and regulatory dependency prior to broader adoption.

5.3 Implication

5.3.1 Theoretical Implications

This study makes five distinct academic contributions to the theoretical and empirical literature on Islamic finance, insurance regulation, corporate governance and financial distress recovery in emerging markets.

5.3.1.1 A Governance-Led Integrated Recovery Framework for Distressed Takaful Operators

The study's primary academic contribution is the development of a governance-led Integrated Recovery Framework (IRF) for distressed takaful operators in emerging markets

5.3.1.2 Contextual Application of Financial Distress Theory to Islamic Insurance Bifurcated Fund Structures

This study provides a contextual application and case-based refinement of Wruck's (1990) distinction between financial distress and economic distress within the bifurcated fund structure of Islamic insurance. The coexistence of persistent financial weakness in the Company Fund with comparatively strong regulatory solvency in the Tabarru' Fund demonstrates the analytical importance of distinguishing between shareholder-funded institutional distress and participant-fund financial soundness. This finding suggests that conventional financial-distress concepts may require additional fund-level interpretation when applied to takaful

institutions, where shareholders' and participants' funds are legally and financially segregated.

5.3.1.3 OCI Valuation Loss as an Institutional Equity Erosion Mechanism

The identification of PSAK 71/IFRS 9 FVOCI accounting as a channel that is fully disclosed in the statement of changes in equity but can be underemphasised in management monitoring when attention is focused on profit or loss, requiring governance organ competence to detect and manage, contributes a novel risk governance insight to the Islamic accounting and corporate governance literature, providing a case-based illustration of Agency Theory's information-asymmetry lens in relation to accounting-driven equity erosion. The case illustrates that Islamic insurance operators with FVOCI-heavy sukuk portfolios may be specifically vulnerable to OCI-driven equity erosion during rising-yield environments, and that governance organ completeness is not merely a compliance issue but a functional risk oversight requirement.

5.3.1.4 The Structural Recovery Paradox in Supervisory Restriction Regimes

This study identifies what may be characterised as a Structural Recovery Paradox within supervisory restriction regimes: prolonged business restrictions intended to protect policyholders and restore financial soundness may simultaneously constrain the revenue-generation capacity required to support organisational recovery. In the XYZ case, this tension reinforces the importance of combining governance reinforcement, external capital mobilisation and regulatory engagement rather than relying exclusively on organic business recovery. This case-based insight provides a potentially useful conceptual perspective for analysing recovery challenges in other regulated financial institutions subject to prolonged supervisory restrictions, and is proposed here as an analytical generalisation requiring validation against other cases rather than as an established empirical finding.

5.3.1.5 Multi-Pathway Capital Strategy for Distressed Takaful Operators

The multi-pathway capital acquisition strategy developed in SAP-E provides a practical case-based contribution to the recovery literature by integrating

several alternative recapitalisation mechanisms within a single implementation framework. Rather than assuming that recovery depends exclusively on capital injection from the controlling shareholder, the framework evaluates shareholder recapitalisation, strategic investor participation, corporate restructuring and strategic partnership alternatives. This approach is particularly relevant where the controlling shareholder's financial capacity may itself be constrained and therefore provides a more flexible capital-restoration architecture for distressed takaful operators.

5.3.2 Practical Implications

5.3.2.1 Implications for XYZ Management and Board

For XYZ's management and Board of Directors, the findings support early completion of the Company Actuary function and other mandatory governance capabilities as important enabling actions, implemented concurrently with capital-restoration efforts. The evidence does not establish that any single governance appointment independently unlocks the recovery pathway. Commercial initiatives discussed in the IRF, including sales-force redesign, digital distribution, bancassurance, geographic focus, and rebranding, should be treated as indicative management options requiring separate feasibility assessment, funding approval, regulatory permissibility, and validation before implementation.

As a further recommendation, prior to formal adoption of the IRF, XYZ's management is encouraged to convene an internal focus group discussion (FGD) or expert-review session, once relevant internal capacity becomes available, involving at minimum actuarial, compliance/regulatory and turnaround/investment expertise, to assess the framework's relevance, feasibility, sequencing, ownership, evidence base and regulatory dependency before committing resources to implementation. Such a review was not conducted within this study. XYZ's compliance and investment functions exist as organisational units; however, the Investment Committee's governance organ remains incomplete pending the appointment of a Company Actuary, which weakens the double-check, control and monitoring capacity that a credible expert-review process would require. This validation step is accordingly proposed as a priority action for the Company going forward, rather

than a completed component of this research; until it is carried out, the IRF remains a proposed and externally unvalidated IRF.

5.3.2.2 Implications for the Controlling Shareholder

For the controlling shareholder, the findings highlight the strategic importance of establishing a credible and executable capital-restoration commitment. The absence of additional shareholder capital during the period of prolonged financial deterioration contributed materially to the persistence of XYZ's negative equity position and constrained its capacity to restore regulatory compliance. Based on the latest available data, the residual gap to the IDR 100 billion Stage-1 threshold was approximately IDR 47.037 billion at July 2026 on an unaudited basis, compared with the FY2024 historical benchmark of IDR 143.858 billion. Given the controlling shareholder's own financial constraints, the recovery strategy should not rely exclusively on direct shareholder funding. The multi-pathway capital strategy proposed in the IRF therefore provides alternative mechanisms for mobilising external capital while preserving the strategic value of XYZ as a standalone Sharia life insurance institution.

5.3.2.3 Implications for Other Distressed Islamic Insurance Operators

For other distressed Islamic insurance operators, the IRF may provide a case-based reference rather than a directly transferable template. Its potentially relevant elements include governance completion, actuarial capability, capital-restoration planning, recovery-plan preparation, and risk-management reinforcement. Commercial initiatives developed for XYZ are context-specific and should not be generalised without independent feasibility analysis and empirical validation in the receiving institution.

5.3.3 Policy Implications

5.3.3.1 Implications for OJK as the Regulatory Principal

For OJK, the study's findings raise several questions for future regulatory research rather than firm policy recommendations, since this study is based on a single embedded case and did not include interviews with OJK, external actuaries, or independent turnaround experts. First, the Structural Recovery Paradox

documented in this study raises the question of whether graduated PKU relief mechanisms, for example, allowing actuarially managed limited product sales under strict capital earmarking conditions for operators demonstrating credible governance reconstitution progress would be a workable supervisory tool; this would require validation against a broader sample of PKU cases before being considered as policy. Second, the case suggests it may be worth examining whether more frequent OCI reporting for Islamic insurance operators holding FVOCI sukuk portfolios would improve supervisory visibility into unrealised equity volatility; this study does not derive or propose a specific concentration threshold, as doing so would require analysis beyond the scope of a single case. Third, the study's proposed recovery/action-plan framework illustrates one possible approach supported by actuarial financial-health assessment, governance completion evidence, and multi-pathway capital strategies that OJK may wish to consider alongside its existing standards for evaluating PKU exit applications; this study does not claim the IRF to be a more rigorous or superior standard than OJK's current framework.

5.4 Recommendation

5.4.1 The Recovery Framework for Regulatory Supervisory Exit

The Integrated Recovery Framework (IRF) for the Company’s exit from OJK Business Activity Restriction is organised into three coordinated recovery horizons, each with defined priorities, milestones and regulatory anchors. These horizons are not rigid sequential phases: governance reinforcement and capital mobilisation proceed in parallel, while dependency gates determine when financial-health assessment, regulatory submission and post-PKU business recovery may proceed. Governance reconstitution provides the institutional capability required for credible assessment, decision-making and regulatory engagement, while capital restoration addresses the most urgent financial constraint. Together, these capabilities support sustainable solvency, business recovery and eventual regulatory supervisory exit.

The recovery framework developed in this study is deliberately solution-oriented. While the documentary and financial analysis presented in Chapter 4

provides important corroborating evidence regarding XYZ's financial and regulatory condition, the framework is not constructed around the interpretation of any single financial ratio or reporting-period movement. Instead, the recovery priorities are derived primarily from the convergent expert diagnosis in the expert questionnaire responses concerning the underlying institutional constraints and practical requirements for recovery, corroborated by documentary and financial evidence and interpreted through the theoretical framework of the study. Accordingly, the IRF focuses on resolving the interconnected challenges of equity adequacy, sustainable solvency and governance completeness as the principal pathway toward regulatory recovery and eventual exit from the PKU regime.

From Convergent Diagnosis to the Proposed Solution

The high degree of convergence in the five expert responses is a substantive feature of the case rather than a reason to regard the questionnaire evidence as biased or artificially harmonised. The informants independently assessed the same PKU condition and the same regulatory requirements, while bringing different governance and institutional responsibilities to the assessment. Their convergence therefore strengthens the interpretation that the central constraints identified in Chapter 4 are shared features of the case. However, convergence on the diagnosis does not mean that the informants collectively designed the IRF.

The IRF represents the researcher's solution-oriented synthesis. Its purpose is precisely to move beyond the diagnosis that the Company remains under PKU and to translate that diagnosis into an integrated recovery design for regulatory supervisory exit. The framework combines the convergent expert assessment with documentary and financial evidence, applicable OJK requirements and the theoretical lenses developed in Chapter 2. In this sense, the title of the study reflects the analytical progression of the research: the evidence establishes the problem and its regulatory constraints, while the thesis contributes a proposed Integrated Recovery Framework to organise the actions, dependencies and decision gates that could support an eventual exit from PKU. The IRF is therefore a proposed and externally unvalidated IRF: evidence-informed, but not claimed to have been implemented, externally validated, effective or proven to cause PKU termination.

The IRF integrates three Strategic Action Plans, SAP-E (Equity Recovery), SAP-S (Solvency and Revenue Recovery) and SAP-G (Governance Reconstitution), into a unified roadmap of five parallel workstreams aligned with OJK's POJK No. 23 of 2023 Stage-1 (December 2026) compliance deadline, this study's primary research target; the subsequent Stage-2 requirement (December 2028) is noted only as regulatory context and falls outside the primary scope of this study. Table 5.1 below organises the roadmap as Workstream A (governance and actuarial capability, corresponding to SAP-G), Workstream B (capital mobilisation and investor process, corresponding to SAP-E), Workstream C (financial-health assessment and recovery/action plan, corresponding to SAP-S), Workstream D (regulatory engagement with OJK) and Workstream E (business recovery once PKU is terminated). Workstreams A and B both begin at Month 0 and proceed concurrently, since neither depends on the other to commence. Workstream C depends on the Company Actuary appointed under Workstream A to certify the Company's MMBR, supporting the actuarially-informed preparation of the RPK. Formal application for PKU termination under Workstream D is contingent on all of the following being complete and ready for OJK's evaluation: the governance structure under Workstream A (Board of Commissioners, Board of Directors, DPS and Company Actuary, each OJK-compliant; the Internal Auditor function is already in place), the capital evidence mobilised under Workstream B, and the actuarially-supported RPK under Workstream C. Only once OJK has evaluated this evidence and formally terminated the PKU regime does Workstream E, business recovery, commence. (These top-level Workstreams A-E are distinct from the similarly-labelled "Workstream A/B/C" business-recovery initiatives in Section 4.9.2, which have accordingly been relabelled "Initiative 1/2/3" to avoid ambiguity.)

Table 5.1 Integrated Recovery Roadmap: Five Parallel Workstreams with Dependency Gates

Workstream	Focus and Timing	Key Activities (SAP Mapping)	Dependency Gate
WORKSTREAM A Governance and Actuarial Capability	Month 0-3; runs concurrently with Workstream B	Complete Board of Commissioners, Board of Directors and DPS, plus Company Actuary (Internal	Foundational – no dependency; commences at Month 0

Workstream	Focus and Timing	Key Activities (SAP Mapping)	Dependency Gate
		Auditor already in place). Corresponds to SAP-G.	
WORKSTREAM B Capital Mobilisation and Investor Process	Month 0-3; runs concurrently with Workstream A	Pursue Controlling Shareholder funding, strategic-investor engagement and complementary capital mechanisms. Corresponds to SAP-E.	Foundational – no dependency; commences at Month 0
WORKSTREAM C Financial-Health Assessment and Recovery/Action Plan	Begins once the Company Actuary is appointed	Certify the Company's MMBR and prepare the recovery/action plan, incorporating Workstream B capital commitments. Corresponds to SAP-S.	Gate 1: depends on Company Actuary appointed under Workstream A
WORKSTREAM D Regulatory Engagement	Upon completion of Workstreams A, B and C	Submit the actuarially-supported RPK and formal PKU termination application to OJK for evaluation.	Gate 2: gated on completion of Workstreams A, B and C
WORKSTREAM E Business Recovery	Post-PKU exit; ongoing	Resume the full scope of business activity and pursue sustainable growth once PKU is lifted.	Gate 3: commences only after OJK formally terminates the PKU regime

Source: Author's synthesis of the Integrated Recovery Framework (IRF), condensed from the detailed five-workstream analysis presented in Table 4.19.

5.4.2 Strategic Action Plan: Equity Recovery (SAP-E)

Evidence-to-Recommendation Boundary. The strategic action plans that follow distinguish empirically grounded recovery requirements from prospective management options. Equity restoration, solvency assessment, governance completion, actuarial capability, and regulatory compliance are directly grounded in the case evidence and applicable regulatory framework. By contrast, external private capital, merger or acquisition, bancassurance, geographic expansion, sales-force redesign, rebranding, and breakeven targets are indicative strategic alternatives. They were not independently validated by the five questionnaire responses and should therefore be subject to feasibility study, due diligence, funding approval, regulatory review where applicable, and Board/shareholder approval

before implementation. For each indicative initiative, the relevant action owner, funding need, regulatory prerequisite, success indicator, principal risk, and validation status should be specified in the implementation-stage business plan rather than treated as an empirical finding of this thesis.

The Strategic Action Plan for Equity Recovery (SAP-E) addresses the company's most immediate and legally consequential compliance challenge: restoring positive shareholders' equity to satisfy OJK minimum equity requirements under POJK No. 72/POJK.05/2016 and POJK No. 23 of 2023. As of 2024, the company's equity stood at IDR (43,858) million, a negative equity position that has persisted since the company's spin-off from its parent company. No capital injection has been made by the controlling shareholder during the entire eight-year period from spin-off to 2024.

5.4.2.1 Capital Requirement Quantification

The 2024 audited position provides a historical Stage-1 equity-restoration benchmark: IDR 100,000 million less 2024 equity of IDR (43,858) million equals IDR 143.858 billion. This benchmark is retained for historical comparability with Chapters 1 and 4 and is not adopted as the current capital requirement. The current decision baseline is the latest available equity position: IDR 58,612 million at 2025 audited and IDR 52,963 million at July 2026 unaudited, implying residual gaps of approximately IDR 41.388 billion and IDR 47.037 billion, respectively. Final capital mobilisation should be sized above the latest residual gap as necessary to cover expected operating losses, OCI volatility, recovery costs and actuarially assessed financial-health requirements. The Stage-2 requirement due by 31 December 2028 is acknowledged as a subsequent regulatory context but falls outside the primary scope of this study, which is scoped to the Stage-1 minimum equity requirement by 31 December 2026. For completeness, the applicable Stage-2 scenario (KPPE 1 or KPPE 2) is noted for reference below, without this thesis assuming a single threshold or treating it as a research target.

Reconciliation with subsequent financial data. The 2025 audited and July 2026 unaudited positions materially narrow the gap to the Stage-1 threshold without any new paid-up capital injection. The improvement is attributable primarily to OCI

securities-revaluation reversal and reduced accumulated losses; because OCI remains subject to mark-to-market volatility, the improvement should not be treated as a permanent substitute for capital strengthening. Accordingly, the study distinguishes the 2024 historical benchmark (IDR 143.858 billion) from the current residual gap (approximately IDR 47.037 billion at July 2026, unaudited). The proposed capital strategy is therefore expressed as a current residual-gap-plus-buffer approach rather than as a fixed IDR 143.858 billion recommendation.

5.4.2.2 Five Capital Acquisition Pathways

As part of the Integrated Recovery Framework (IRF), the Strategic Action Plan for Equity Recovery (SAP-E) translates the Company's equity-restoration objective into five alternative and complementary capital acquisition pathways. For analytical and implementation purposes, these pathways are designated as S-1 to S-5, where each identifier represents a distinct strategic option for strengthening the Company's capital position. S-1 refers to a direct capital injection from the Controlling Shareholder; S-2 involves private investment from strategic third-party investors; S-3 represents a potential merger with a financially stronger Islamic insurance company; S-4 considers acquisition by a financially stronger Islamic insurance entity; and S-5 represents a distribution-based capital partnership, including potential bancassurance arrangements with an Islamic banking partner.

These five pathways are not intended to be implemented as a rigid sequential process. Rather, they provide alternative and, where appropriate, complementary mechanisms for closing the Company's current residual equity gap and establishing an appropriate capital buffer. The 2024 IDR 143.858 billion figure is retained as a historical benchmark; the current capital mobilisation target should be recalculated from the latest available financial position before implementation.

These pathways are developed below and summarised in Table 5.2.

Pathway S-1: Capital Injection from Majority Shareholder

The primary and most direct capital restoration pathway is a direct equity injection from the controlling shareholder, with a 99.97% ownership stake. This pathway is grounded in Stewardship Theory (Davis, Schoorman & Donaldson,

1997; OJK POJK No. 23 of 2023), which establishes that a controlling shareholder acting as steward of the institution carries a fiduciary obligation to provide capital support proportionate to ownership risk. The injection should be structured as a rights issue subscribed fully by controlling shareholder or alternatively as the conversion of a subordinated shareholder loan to equity. Regulatory requirements necessitate approval by the parent company's members' representative body and OJK notification. Financial Distress Theory (Wruck, 1990) identifies recapitalisation by the controlling party as the most effective and institutionally credible distress resolution mechanism, consistent with the Stewardship Theory proposition that the controlling shareholder, in its role as principal steward, must prioritise the preservation of the institution's long-term franchise value (Davis, Schoorman & Donaldson, 1997).

Pathway S-2: Private Investment from Strategic Third-Party Investors

The S-2 pathway represents an indicative private-placement option targeting potential external capital from, among others, financially stronger Islamic insurance institutions and specialist investors with relevant turnaround capability. This option is not validated by the five questionnaire responses and would require independent feasibility assessment, due diligence, shareholder approval and applicable regulatory clearance. Any investor proposition should present the Tabarru' Fund RBC ratio of 222.91% (2021-2022), 518.37% (2023) and 1,277.19% in 2024 together with the contraction in the underlying business and risk base, rather than as a standalone indicator of Company-wide financial health. Other potential value factors, including distribution infrastructure, brand heritage and market opportunity, should likewise be independently validated before use in an investor process. Financial Distress Theory and Institutional Theory provide analytical context for considering external recapitalisation, but do not establish investor appetite or transaction feasibility in this case.

Pathway S-3: Merger with a Financially Stronger Islamic Insurance Company

A horizontal merger between the company and a financially stronger fully fledged Islamic life insurer represents a structural solution that simultaneously

resolves the equity deficiency and accelerates competitive positioning within Indonesia's consolidating takaful sector. Structurally, a merger combines the capital bases of two entities, enabling the merged entity to meet POJK No. 23 of 2023 Stage-1 thresholds from combined resources rather than requiring either party to provide a full standalone injection. The merger pathway is also strategically aligned with OJK's Insurance Industry Roadmap 2023–2027, which explicitly encourages consolidation among smaller Islamic insurance operators as a mechanism for strengthening industry capital adequacy and operational resilience. Institutionally, a merger with a well-capitalised, compliant entity would rapidly restore the company's regulatory legitimacy (DiMaggio & Powell, 1983), accelerating the PKU exit timeline. The merger process requires OJK merger approval pursuant to POJK No. 23/2023, full financial and legal due diligence, and alignment of product portfolios and distribution networks.

Pathway S-4: Acquisition by a Financially Stronger Islamic Insurance Entity

A full acquisition of the company by a well-capitalised Islamic insurer or financial group provides an alternative structural solution in which the acquirer injects capital to restore equity compliance and assumes operational control. From an Agency Theory perspective, acquisition replaces the existing principal-agent governance structure with a new, better-resourced owner whose interests are aligned with rapid PKU resolution and value extraction from XYZ's underutilised takaful franchise. The acquisition pathway transfers the regulatory liability and recapitalisation burden to an entity with demonstrated financial capacity, preserving XYZ's takaful licence, participant fund, and distribution infrastructure. POJK No. 23 of 2023's group capital framework (KUPA, *Kelompok Usaha Perusahaan Asuransi*) provides an additional regulatory mechanism through which an acquirer can consolidate XYZ's capital position within a broader group capital plan, reducing the standalone equity requirement at the individual entity level. Acquisition is consistent with Financial Distress Theory's prediction that changes in ownership are among the most reliable governance-led recovery mechanisms (Gilson, 1990; Wruck, 1990).

Pathway S-5: Bancassurance / Banking Sector Subsidiary Partnership

The bancassurance pathway involves establishing a strategic distribution partnership or subsidiary arrangement with an Islamic banking institution, either a Bank Umum Syariah (BUS) or Bank Perekonomian Rakyat Syariah (BPRS). This pathway serves a dual function: first, as a revenue and solvency recovery mechanism, leveraging the banking sector's branch networks for mass-market takaful distribution, thereby generating incremental gross contribution income and improving wakalah fee recovery; and second, as a potential equity participation mechanism, where the banking partner acquires a minority equity stake as part of the distribution partnership. The bancassurance channel has been empirically established as the most productive distribution mechanism for life insurance in developing markets (Alam, Zameni & Hudaefi, 2020), and its strategic relevance to the company is heightened by the PKU restriction on agent-based savings product marketing, which makes bank branch distribution of permissible products the most available new revenue channel during the transition period. The partnership is structured under OJK's bancassurance regulatory guidelines and POJK No. 23/2023's distribution channel requirements.

Table 5.2 Equity Recovery Strategy - Five Capital Acquisition Pathways (SAP-E)

PATHWAY	MECHANISM & STRUCTURE	STRATEGIC RATIONALE	TIMELINE
S-1: Capital Injection from Majority Shareholder	Direct equity injection from controlling shareholder (99.97%). Structure: rights issue subscribed by Controlling Shareholder or shareholder loan converted to equity. Requires approval by the parent company's members' representative body and OJK notification.	Controlling Shareholder holds a moral and legal obligation as controlling shareholder. Most direct and expedient pathway. Target: latest residual gap plus an appropriate buffer, subject to actuarial and regulatory assessment.	Months 0-3
S-2: Private Investor / Strategic Third-Party (Concurrent Track)	Private placement to: (a) other Islamic insurance companies with strong financial position; (b) Distressed Private Equity Funds / Special Situations Hedge Funds; (c) PE Buyout Funds. Investor receives minority equity stake.	Provides capital optionality and reduces dependency on single shareholder. XYZ brand equity, 19 KPPAS network, and DPS-certified Tabarru' Fund health are core value propositions.	Months 3-15
S-3: Merger with Other Islamic	Horizontal merger between XYZ and a financially stronger fully fledged Islamic life	Combines capital bases to meet POJK No. 23 of 2023 Stage-1 thresholds; achieves	Months 6-18

PATHWAY	MECHANISM & STRUCTURE	STRATEGIC RATIONALE	TIMELINE
Insurance Company	insurer. Requires OJK merger approval, Due Diligence, and shareholders' agreement.	operational efficiencies and scale. Aligned with OJK industry consolidation objectives under Roadmap 2023–2027.	
S-4: Acquisition by Stronger Islamic Insurance Entity	Full acquisition of XYZ by a well-capitalised Islamic insurer or financial group. Acquirer injects capital to restore equity compliance; XYZ continues as subsidiary or absorbs into acquirer's operations.	Transfers PKU liability to a capitalised entity with capacity to resolve it. Preserves the takaful licence and participant fund integrity. Aligned with POJK No. 23 of 2023 consolidation incentives.	Months 6-24
S-5: Bancassurance / Banking Sector Subsidiary Partnership	Strategic partnership or subsidiary arrangement with Islamic bank (Bank Umum Syariah or BPR Syariah). Bank acts as distribution channel and/or equity partner. Bancatakaful structure under OJK bancassurance guidelines.	Leverages bank branch networks for mass-market takaful distribution; provides premium income to stabilise revenue and improve wakalah fee recovery. Reduces dependency on agent-only distribution.	Months 9-24

Source: Author's capital recovery analysis (2026), based on 2024 equity position of IDR (43,858) Mn, POJK No. 23 of 2023 requirements, Financial Distress Theory (Wruck, 1990; Gilson, 1990), Agency Theory (Jensen & Meckling, 1976), and Institutional Theory (DiMaggio & Powell, 1983).

5.4.2.3 Other Comprehensive Income (OCI) Risk Mitigation

Beyond capital injection, SAP-E incorporates a portfolio diversification programme to prevent recurrence of OCI-driven equity erosion. The Risk Monitoring Committee, once established, should be mandated to review Fair Value Through Other Comprehensive Income (FVOCI) investment concentration quarterly and approve a diversification plan that progressively reduces FVOCI instrument holdings in favour of: (i) shorter-duration syariah deposito with more stable valuations; (ii) sukuk classified as Fair Value through Profit or Loss (FVTPL), where mark-to-market changes flow through the income statement and are thus visible and manageable; and (iii) Sharia-compliant money market instruments providing liquidity and capital stability. The target is to reduce OCI losses to below IDR 40 billion by Month 36, from the 2023 peak of IDR 99,692 million.

5.4.3 Strategic Action Plan: Solvency and Revenue Recovery (SAP-S)

The Strategic Action Plan for Solvency and Revenue Recovery (SAP-S) addresses the second dimension of XYZ's regulatory compliance challenge: restoring a validated MMBR solvency ratio of at least 100% in the Dana Perusahaan and rebuilding gross contribution revenue following PKU exit. SAP-S is analytically inseparable from SAP-G: the Company's regulatory solvency position cannot be definitively assessed and validated without an OJK-registered Company Actuary, while sustainable revenue recovery is closely linked to eventual PKU termination, which in turn requires an actuarially supported RPK and satisfactory regulatory assessment. SAP-S is further enriched by four strategic dimensions addressing geographic focus, distribution channel optimisation, business focus and institutional-level strategic initiatives, each theoretically grounded and operationally sequenced.

Rationale for Integrating Revenue Recovery into Solvency Recovery

In the context of XYZ, solvency recovery cannot be viewed solely as a capital restoration exercise. Although recapitalisation is necessary to address the Company's equity deficiency, capital injection alone does not resolve the risk of continued operating losses. Restoring revenue-generating capacity and operating profitability is therefore proposed as a supporting pathway to sustainable financial recovery, as internally generated earnings may help preserve and progressively strengthen shareholders' equity after recapitalisation. The proposed business recovery initiatives are not presented as direct regulatory prerequisites for PKU termination, but as indicative post-regulatory-normalisation measures that require feasibility assessment, regulatory consideration where applicable, and management and Board approval.

5.4.3.1 Sustainable Solvency and Actuarial Validation Pathway

Sustainable solvency constitutes one of the three interconnected dimensions of XYZ’s regulatory recovery. The findings of this study indicate that solvency should not be interpreted solely through the movement of a single reported ratio, but within the broader context of capital adequacy, actuarial capability, risk

management and governance effectiveness. This interpretation is particularly relevant to XYZ because the financial analysis in Chapter 4 demonstrates different conditions across its bifurcated fund structure, including the comparatively strong RBC position of the Tabarru' Fund.

The convergent expert diagnosis from the expert questionnaire responses provides the primary interpretive basis for the proposed solvency recovery pathway. The informants consistently emphasised that sustainable recovery requires not only compliance with quantitative regulatory indicators but also the institutional capability to maintain financial soundness over time. The documentary and financial evidence corroborates this assessment by demonstrating the continuing importance of capital adequacy, investment-risk management, actuarial oversight and governance strengthening.

Accordingly, SAP-S adopts a forward-looking and solution-oriented approach to solvency recovery. The pathway begins with strengthening actuarial capability through the appointment of an OJK-registered Company Actuary and the validation of the Company's solvency position, technical reserves and relevant risk exposures. This should be accompanied by strengthened investment-risk oversight, liquidity management and periodic solvency monitoring to ensure that regulatory compliance is sustainable rather than temporary.

The solvency pathway must also operate in conjunction with SAP-E and SAP-G. Equity restoration under SAP-E strengthens the financial capacity required to absorb risk, while governance reconstitution under SAP-G establishes the institutional oversight necessary to monitor and sustain the Company's financial health. SAP-S therefore does not treat solvency as an isolated numerical target, but as an outcome of adequate capital, sound actuarial oversight, effective risk governance and disciplined financial management.

The resulting actuarial and solvency assessment should subsequently be incorporated into the Rencana Penyehatan Keuangan (RPK) and used as part of the evidentiary basis for the Company's continuing engagement with OJK. In this

manner, sustainable solvency becomes an integral component of the broader Integrated Recovery Framework rather than a standalone financial objective.

Table 5.3 Indicative Solvency Recovery and Actuarial Validation Pathway

PHASE / MILESTONE	KEY ACTION	EFFECT ON MMBR SOLVENCY POSITION	TIMELINE
Baseline (Pre-Recovery, FY2024)	Company Actuary vacant; no actuarial certification of technical reserves or risk-based capital charge.	Equity and solvency challenges remained, requiring further strengthening alongside governance reconstitution to support sustainable regulatory recovery.	Month 0
Phase 1: Actuarial Certification	Appointment of an OJK-registered Company Actuary; first actuarially supported financial-health assessment for the relevant funds and risk-based capital measures, where applicable.	Establishes an actuarially validated solvency baseline to support credible financial-health assessment, recovery planning and regulatory engagement.	Months 1–12
Phase 1–2: Capital Injection (SAP-E)	Capital mobilisation sized from the latest residual equity gap plus an appropriate buffer; IDR 143.858 billion is retained only as the FY2024 historical benchmark.	Strengthens available financial resources and supports progress toward sustainable compliance with the applicable regulatory solvency requirement, subject to the actuarially assessed risk-based capital requirement.	Months 6–12
Phase 2: Risk Charge Optimisation	FVOCI portfolio diversification (Section 5.4.2.3); reserving assumption review; selective retakaful evaluation for underwriting risk exposure.	Seeks to optimise the risk-based capital requirement through portfolio diversification, reserving review and appropriate risk-transfer measures, thereby supporting improvement in the Company's solvency position.	Months 6–18
Phase 2–3: Recovery/Action Plan Validation & OJK Submission	Actuarially supported financial-health and recovery/action-plan package prepared for OJK under the current supervisory framework; historical RPK terminology is retained where applicable.	Provides the evidentiary basis for OJK assessment of the Company's recovery and potential PKU termination, subject to the applicable current supervisory framework.	Months 12–15
Phase 3: Post-PKU Monitoring	Quarterly actuarial review of financial-health and risk-based capital measures by the Company Actuary and the Komite	Supports ongoing monitoring of the applicable solvency and financial-health requirements and prevents recurrence of capital impairment.	Months 15–36

PHASE / MILESTONE	KEY ACTION	EFFECT ON MMBR SOLVENCY POSITION	TIMELINE
	Pemantau Risiko (SAP-G Risk Process).		

Source: Author's indicative solvency recovery pathway (2026), developed from the FY2024 analytical baseline, the subsequent FY2025 audited and July 2026 unaudited equity positions, and the SAP-S actuarial, risk-management and financial-health measures. The pathway is an analytical planning framework rather than an actuarially validated solvency forecast. Definitive Company Fund solvency ratios and capital requirements remain subject to validation by an OJK-registered Company Actuary and subsequent regulatory assessment.

5.4.3.2 Submission of the Recovery/Action Plan (Historical RPK Terminology)

The RPK terminology is retained in this thesis primarily for the Company's historical recovery process. Under the current 2026 supervisory framework, POJK No. 37 of 2025 governs supervisory status and required action plans. The proposed recovery/action plan should therefore be aligned with the current OJK framework and supported by appropriate actuarial analysis. Its content should address, as applicable, equity restoration, financial-health requirements, validated solvency assessment and completion of required governance functions. The timing, sufficiency and acceptance of any plan, and any subsequent consideration of PKU termination, remain subject to OJK's supervisory assessment; the IRF timeline is therefore indicative rather than determinative.

5.4.3.3 GeoFocus: Geographic Distribution Strategy (Indicative Recommendation)

The GeoFocus dimension of SAP-S addresses XYZ's geographic revenue recovery through two parallel strategies grounded in Financial Distress Theory's emphasis on restoring revenue-generating capacity as the primary lever for reversing capital-solvency decline.

5.4.3.3.1 Opening New Distribution Channels in High-Potential Areas

Post-PKU, the company should systematically identify and activate distribution in high-potential geographic markets that are currently underserved by existing Islamic life insurance operators. Market selection should be guided by: (i) Muslim productive-age population density; (ii) financial deepening indicators

including bank account penetration and BPJS participation rates; (iii) existing company agent network concentration; and (iv) KPPAS (Kantor Pemasaran dan Pelayanan Asuransi Syariah) coverage gaps relative to competitive intensity. Consistent with Financial Distress Theory's emphasis on restoring revenue-generating capacity, penetrating underserved segments with existing, proven products generates higher return on distribution investment than attempting to compete in saturated markets with similar product offerings (Ansoff, 1957; Porter, 1980).

5.4.3.3.2 Cooperation with Parent Company National Agencies

The company's most immediately accessible and cost-efficient distribution leverage is the national agency network of its parent company, which operates one of Indonesia's most extensive conventional life insurance distribution networks. Institutional Theory (Suchman, 1995) frames access to the parent's network as a source of borrowed legitimacy and distribution reach that XYZ can mobilise through a formal inter-company distribution cooperation agreement. This cooperation should be formalised as a Perjanjian Kerjasama (cooperation agreement) under which parent company agents who hold or can obtain syariah insurance marketing licences are authorised to offer the company permissible takaful products to their existing client bases. This approach leverages the existing agent-customer relationship, reducing client acquisition costs while expanding the company’s effective distribution footprint beyond its own 19 KPPAS branch network.

5.4.3.4 Distribution Channel Optimisation

5.4.3.4.1 Optimisation of Branches in High-Potential Areas

Under the PKU restriction, XYZ's branch network was rationalised from 50 KPS at inception to 19 active KPPAS. Post-PKU exit, a systematic branch network reassessment should be conducted to determine: (i) branches with the strongest underlying market potential that should be re-activated or upgraded; (ii) branches with chronically low productivity that should remain rationalised; and (iii) new branch locations warranted by the GeoFocus market analysis in Section 5.4.3.

Branch performance should be evaluated against multi-dimensional scorecards encompassing contribution income, agent productivity, claims management efficiency and participant retention, consistent with the balanced scorecard approach to distribution channel management (Kaplan & Norton, 1992). Branches exceeding defined threshold performance metrics in regions with demonstrable market potential should be prioritised for resource allocation in the post-PKU revenue recovery phase.

5.4.3.4.2 Optimisation of Top-Performing Agency Network

Agency theory (Jensen & Meckling, 1976) establishes that agent incentive alignment is the primary determinant of agency force productivity. XYZ should design a differentiated agent recognition and incentive programme that identifies, rewards and retains its highest-performing agents those with demonstrated capacity to generate new contributions and maintain participant retention. A significant proportion of XYZ's current registered agents remain inactive, representing a critical productivity gap. A systematic agent reactivation programme, combined with a performance-based incentive redesign, should target raising the active agent ratio to at least 50% within 12 months post-PKU. Top-performing agents should be identified as the core of the proposed Farmer and Hunter sales structure (Section 5.4.3.6), providing a clear career and income progression pathway that reinforces the stewardship behaviour (Davis, Schoorman & Donaldson, 1997) required for sustainable participant relationship management.

5.4.3.5 Revenue and Market Recovery Strategy

5.4.3.5.1 Permitted Business Development after Regulatory Normalisation

Following regulatory normalisation, XYZ should rebuild revenue through permitted business activities and diversified institutional and retail distribution. Priority segments may include commercial banks, BPRS, corporations, cooperatives and retail customers, subject to the scope of business and activities permitted by OJK at the relevant time. The strategic emphasis is on distribution reach, customer retention, service quality, contribution growth and operating

efficiency rather than on product-level assessment, which remains outside the scope of this study.

5.4.3.5.2 Aggressive Digital Channel Marketing

Digital distribution can support post-PKU revenue recovery by lowering marginal acquisition and servicing costs and strengthening customer engagement. Priorities include digital communication, search visibility, customer servicing through approved digital channels, and selective partnerships with relevant financial-technology or distribution ecosystems, subject to OJK requirements and feasibility assessment. These initiatives are indicative management options rather than empirically validated outcomes.

5.4.3.5.3 Sharia Insurance Literacy, Education and Inclusion

The company may invest in structured Sharia insurance literacy, education and financial-inclusion activities through community outreach, industry events, universities and appropriate digital channels. The objective is to improve customer understanding, trust and retention while supporting responsible market development. The scale and timing of these activities should follow the Company's regulatory status, funding capacity and approved business plan.

5.4.3.5.4 Focus on Existing Participant Relationships

The existing participant base can support organic revenue recovery through referrals, retention initiatives and appropriately approved additional coverage or contribution opportunities. A relationship-based approach can reduce acquisition costs and improve customer lifetime value, but the commercial design should be validated through market research, regulatory review and financial feasibility analysis. This approach is operationalised through the Farmer Department structure described in Section 5.4.3.6.

5.4.3.6 Institutional and Strategic Initiatives

5.4.3.6.1 Regulatory Engagement for PKU Exit

The PKU materially constrained new business generation and revenue recovery. Accordingly, the IRF treats regulatory engagement as a recovery-enabling

action: management should demonstrate restoration of equity, solvency, governance and risk-management capability to OJK and seek formal regulatory normalisation in accordance with the applicable supervisory framework. Product-level assessment is outside the scope of this study.

5.4.3.6.2 Corporate Rebranding: New Identity, Logo and Visual Direction (Indicative Recommendation)

The approximately four-year-and-nine-month PKU period has been associated with material pressure on XYZ's brand and stakeholder confidence. A structured corporate rebranding initiative may be considered as an indicative strategic option, but this recommendation is not independently validated by the five questionnaire responses and would require market research, cost-benefit analysis, funding approval and Board approval before implementation. If pursued, its timing should be coordinated with demonstrable regulatory and financial-health progress so that external communication does not imply regulatory normalisation before OJK has made the relevant supervisory decision.

5.4.3.6.3 Farmer and Hunter Department: Structured Sales Force for Retention and New Acquisition (Indicative Recommendation)

XYZ may establish differentiated Farmer and Hunter sales-force structures as an organisational transformation initiative following regulatory normalisation. The Farmer function would focus on participant retention and relationship management, while the Hunter function would focus on new customer acquisition and institutional partnerships. The structure should be implemented only after feasibility assessment, regulatory review where applicable, funding approval and Board/shareholder approval. Its performance should be monitored through retention, productivity, contribution growth and partnership metrics rather than assumed outcomes.

Table 5.4 Strategic Action Plan; Solvency and Revenue Recovery (SAP-S):

Four-Pillar Framework

PILLAR	STRATEGIC ACTIONS	ACADEMIC FOUNDATION	EXPECTED OUTPUT
2.1 GeoFocus Distribution	Open new distribution channels in high-potential regions (2.1.1). Activate cooperation with AJB XYZ parent national agency network (2.1.2).	Institutional Theory (Suchman, 1995) — leveraging parent affiliation as a source of borrowed legitimacy and distribution reach.	Expanded geographic footprint; incremental gross contribution from underserved markets.
2.2 Distribution Channel Optimisation	Optimise branches in high-potential areas (2.2.1). Revitalise and incentivise XYZ's top-performing agencies (2.2.2).	Agency theory (Jensen & Meckling, 1976): realigning agent incentives to maximise principal benefit; distribution channel management literature (Stern & El-Ansary, 1992).	Improved revenue per branch; higher agent productivity; reduced distribution cost per policy.
2.3 Business Focus	Expand distribution within activities permitted under the PKU to Commercial Banks, Sharia Rural Banks, Corporations, Retail and Cooperatives (2.3.1). Aggressive digital channel marketing (2.3.2). Below-the-line: literacy, education and Sharia insurance inclusion offline and online (2.3.3). Internal segmented target market via referral, cross-sell and top-up (2.3.4).	Market focus strategy (Porter, 1980); digital marketing literature (Chaffey & Ellis-Chadwick, 2019); financial inclusion frameworks (OJK Roadmap 2023–2027; World Bank, 2022); customer lifetime value literature (Gupta et al., 2004).	Increased new policy acquisition; higher gross contribution recovery; deeper participant retention; improved wakalah fee income.
2.4 Institutional & Strategic Initiatives	Engage OJK regarding the conditions for reactivation of any savings- or investment-linked business (2.4.1). Corporate Rebranding: new identity, logo and visual direction (2.4.2). Establish Farmer & Hunter departments for retention (top-up) and new sales acquisition (2.4.3).	Institutional Theory (DiMaggio & Powell, 1983): regulatory legitimacy restoration; Corporate branding literature (Keller, 2013); Sales force management literature (Cravens et al., 1993).	PKU product restriction lifted; renewed stakeholder confidence; structured sales force for retention and growth.

Source: Author's SAP-S framework (2026), grounded in Financial Distress Theory, Agency Theory (Jensen & Meckling, 1976), Institutional Theory (DiMaggio & Powell, 1983; Suchman, 1995), and OJK Roadmap 2023–2027.

5.4.4 Strategic Action Plan: Corporate Governance Reconstitution (SAP-G)

The Strategic Action Plan for Corporate Governance Reconstitution (SAP-G), corresponding to Workstream A of the IRF, runs concurrently with SAP-E

(Workstream B, capital mobilisation) from the outset of recovery implementation; neither is a precondition for the other to begin. SAP-G's distinct role is evidentiary rather than sequential: it directly addresses XYZ's pervasive non-compliance with POJK No. 73/POJK.05/2016 (Insurance Governance) requirements, the root cause of the Structural Recovery Paradox identified in Chapter 4, by establishing a complete, OJK-compliant governance structure within the first six months of recovery implementation. Because formal application for PKU termination (Workstream D) requires evidence of governance completeness alongside the capital and RPK evidence produced under SAP-E and SAP-S, SAP-G's outputs are a necessary component of that joint evidentiary gate, not a prerequisite that capital mobilisation must wait for. Agency Theory (Jensen & Meckling, 1976; Shleifer & Vishny, 1997) prescribes governance organ completeness as a foundational institutional requirement for regulatory credibility, investor confidence and effective risk management. SAP-G comprises four thematic governance priorities, each theoretically grounded and sequenced in alignment with Workstream A of the IRF.

5.4.4.1 Governance Organ Reconstitution: Directors and Actuary per POJK No. 73/POJK.05/2016

POJK No. 73/POJK.05/2016 mandates the applicable governance structure, including the Board of Directors' functional responsibilities and required governance functions, subject to subsequent amendments. The Company Actuary requirement is addressed by POJK No. 67/POJK.05/2016 for the historical period and by POJK No. 23 of 2023 from 22 December 2023. The governance organ incompleteness documented in Chapter 4 therefore represents non-compliance under the applicable framework during the relevant periods. Agency Theory (Jensen & Meckling, 1976) suggests that governance gaps can increase monitoring and information-asymmetry risks; in this case, the available evidence indicates a governance environment that may have limited timely monitoring and escalation of investment and financial risks, without establishing a direct causal chain.

SAP-G proposes that management prioritise the restoration of required actuarial and governance capability early in the recovery programme, including

initiation of the process for appointing an OJK-registered Company Actuary and completing the required Board composition. The precise timetable depends on nomination, fit-and-proper, shareholder and regulatory processes that are not controlled solely by the Company. The rationale is that governance completeness strengthens actuarial oversight, decision-making and recovery-plan credibility; it should not be interpreted as establishing a direct causal relationship between Board completeness and the probability or timing of PKU exit.

5.4.4.2 OJK Fit and Proper Test Candidate Preparation

A critical precondition for the timely completion of Board of Directors reconstitution is the advance preparation of qualified Fit and Proper Test (FPT) candidates across all four mandatory functional directorates. Corporate governance research (Hermalin & Weisbach, 2017) demonstrates that director quality, measured by relevant functional expertise, regulatory familiarity and proven track record is the primary determinant of board effectiveness in insurance companies. SAP-G recommends that a Talent Acquisition and Succession Committee, comprising the Board of Commissioners and an independent governance consultant, be established in Month 1 to: (i) map required competency profiles for each of the four directorate functions against POJK No. 73/POJK.05/2016 and OJK FPT criteria; (ii) identify and assess qualified candidates from the Islamic insurance industry, OJK-regulated financial institutions, and relevant functional domains; and (iii) pre-qualify candidates through internal assessment before initiating the formal OJK FPT submission, minimising the risk of FPT failures that would delay the Board reconstitution timeline. Talent management literature (Cappelli, 2008) establishes that proactive pipeline management reduces the time-to-fill for critical leadership positions, directly relevant to XYZ's compressed Month 0–3 governance reconstitution window.

5.4.4.3 Enterprise Risk Management (ERM) Framework

The absence of a fully functioning risk-governance structure, including an active Komite Pemantau Risiko and Company Actuary during relevant periods, may have limited the organisation's capacity to identify, monitor and escalate investment concentration risk. This assessment is constrained by the absence of

documentary evidence — such as Investment Committee minutes, limit-breach escalation reports, or asset-liability matching (ALM) analysis — that would be needed to establish a temporal or causal link between specific governance gaps and the loss; the IDR 99,692 million OCI loss in FY2023 is therefore treated as a material outcome of investment valuation movements rather than a proven consequence of governance weakness. Accordingly, the Company is recommended to institutionalise such documentary controls — Investment Committee minutes, limit-breach escalation reports, and periodic ALM analysis — as part of its forward risk-governance architecture, both to strengthen oversight and to provide the evidentiary basis for future monitoring. SAP-G mandates the implementation of a comprehensive four-component Enterprise Risk Management (ERM) framework, consistent with the COSO ERM (2017) and ISO 31000 standards — a risk-management framework also applied in the Indonesian Islamic financial sector (Sinaga, Djohanputro & Malau, 2026) — structured as follows:

5.4.4.3.1 Risk Governance

Risk Governance encompasses the structural architecture of risk oversight, including: the formal establishment and activation of the Komite Pemantau Risiko (KPR) as mandated by POJK No. 73/POJK.05/2016; the delineation of risk oversight responsibilities across the Board of Commissioners, Board of Directors, KPR and executive risk management function; and the adoption of a formal Risk Appetite Statement and Risk Tolerance Framework approved at Board level. Institutional Theory prescribes that formal risk governance structures are constitutive of an organisation's normative legitimacy, compliance with governance standards signals institutional competence to regulators, investors and participants (DiMaggio & Powell, 1983).

5.4.4.3.2 Risk Process

The Risk Process component covers the systematic cycle of risk identification, measurement, monitoring, control and reporting. For XYZ, priority risk processes include: (i) quarterly actuarial review of MMBR and Tabarru' Fund RBC by the Company Actuary; (ii) monthly OCI investment valuation monitoring by the KPR, with mandatory escalation triggers at defined OCI loss thresholds; (iii)

liquidity stress testing with monthly cash flow monitoring against claims payable obligations; and (iv) regular underwriting risk reviews ensuring Tabarru' Fund adequacy is maintained above the 150% RBC target. Risk process formalisation operationalises the Stewardship Theory principle that effective fiduciary stewardship requires technical capability and disciplined process adherence (Davis, Schoorman & Donaldson, 1997).

5.4.4.3.3 Risk Culture

Risk Culture refers to the organisation-wide values, attitudes and behaviours toward risk identification, reporting and management. Building a positive risk culture at XYZ requires: (i) a formal 'tone-at-the-top' commitment from the Board of Directors, establishing that risk transparency, including the reporting of adverse developments, is expected and rewarded rather than suppressed; (ii) a structured risk awareness training programme for all staff; (iii) the establishment of clear risk ownership at each management level, ensuring that every significant risk has a designated risk owner accountable for monitoring and escalation; and (iv) a 'no-blame' escalation culture where early identification of emerging risks is explicitly valued. Organisational culture literature (Schein, 1985) and the ERM risk culture literature (COSO, 2017) both establish that risk culture is the most powerful determinant of whether formal ERM processes are operationally effective, well-designed processes fail in the absence of a culture of risk ownership and transparency.

5.4.4.3.4 Risk Infrastructure (Risk Architecture)

Risk Infrastructure encompasses the systems, data, methodologies, policies, procedures and organisational resources that support effective risk management. For XYZ, priority risk infrastructure investments include: (i) an investment risk monitoring system capable of real-time FVOCI portfolio valuation and OCI loss tracking; (ii) an actuarial data management system supporting MMBR and RBC calculations by the Company Actuary; (iii) claims management system upgrades to prevent recurrence of the 2023 claims payable accumulation crisis; (iv) formal risk management policies and procedures aligned with POJK No. 73/POJK.05/2016 and COSO 2017 standards; and (v) Board-level risk reporting templates providing the

KPR and full Board with standardised, comparable risk information at each Board meeting cycle. Risk infrastructure investment is grounded in the risk management literature's recognition that governance intentions cannot be executed without adequate data, systems and methodological capability (IAIS, 2024).

5.4.4.4 People Development: Competency and Productivity Enhancement

Human capital is identified in this study as an enabling resource for all dimensions of XYZ's recovery, governance organ completion requires qualified human capital; ERM implementation requires risk-competent staff; and revenue recovery requires a skilled, motivated and productive sales and service force. SAP-G therefore mandates a structured People Development programme grounded in Stewardship Theory (Davis, Schoorman & Donaldson, 1997), which establishes that building management and staff competence is a fiduciary capability prerequisite for effective stewardship and institutional resilience.

The People Development programme encompasses three dimensions: (i) Technical Competency Enhancement, including structured training for underwriting, actuarial concepts, risk management, OJK regulatory compliance, and Islamic insurance product knowledge across relevant staff functions; (ii) Sales and Distribution Productivity Enhancement, including agent motivation, prospecting skills, Sharia insurance product knowledge, and digital sales tools training for the Farmer and Hunter sales force; and (iii) Leadership and Governance Development, including governance training for Directors and Commissioners, particularly those newly appointed post-reconstitution, in POJK No. 73/POJK.05/2016 obligations, Board committee effectiveness, and recovery governance accountability. Performance management systems should be redesigned to establish clear, measurable productivity metrics at individual, team and organisational levels, with regular performance reviews aligned to IRF recovery milestones.

Table 5.5 Strategic Action Plan - Corporate Governance Reconstitution (SAP-G)

GOVERNANCE ACTION	REGULATORY BASIS	ACADEMIC FOUNDATION	IMPLEMENTATION PRIORITY
3.1 Board Reconstitution and Company Actuary under the Applicable OJK Framework	POJK No. 73/POJK.05/2016, as amended by POJK No. 43/POJK.05/2019 (applicable Board composition and functional-responsibility provisions); POJK No. 23 of 2023 (current Actuary requirement; POJK No. 67/POJK.05/2016 historical basis): Company Actuary requirement.	Agency Theory (Jensen & Meckling, 1976): complete governance organ as prerequisite for principal-agent alignment; Stewardship Theory (Davis et al., 1997): technical competence as fiduciary obligation.	HIGHEST, Months 0–3. Company Actuary: Day 1–30. All 4 Directors: Months 1–3.
3.2 OJK Fit & Proper Test Candidate Preparation	POJK No. 27/POJK.05/2016 Art. 3: All Directors and Commissioners must pass OJK's Penilaian Kemampuan dan Kepatutan.	Corporate governance literature (Hermalin & Weisbach, 2017): director quality as determinant of board effectiveness; talent pipeline management (Cappelli, 2008).	Months 1–4. Pipeline must be pre-qualified before Month 3 Board appointments.
3.3 Enterprise Risk Management (ERM) Framework	POJK No. 73/POJK.05/2016 (historical GCG framework); POJK No. 28 of 2025 (current risk-management framework); COSO ERM (2017) and ISO 31000.	Agency Theory: the four-component ERM structure — Risk Governance, Risk Process, Risk Culture, Risk Infrastructure — is adopted as a practical framework consistent with COSO (2017) and ISO 31000 standards, reducing information asymmetry through formalised risk reporting.	Months 1–6. Risk Governance and Process: Month 2. Risk Culture and Infrastructure: Months 3–6.
3.4 People Development: Competency & Productivity Enhancement	POJK No. 73/POJK.05/2016 general GCG principles: human capital as a pillar of institutional soundness.	Stewardship Theory (Davis, Schoorman & Donaldson, 1997): building management and staff competence as a fiduciary capability prerequisite for effective stewardship and institutional recovery.	Months 1–36. Immediate: skills gap analysis. Months 1–6: core competency training. Months 7–36: continuous development programme.

Source: Author's SAP-G framework (2026), grounded in Agency Theory (Jensen & Meckling, 1976) and Stewardship Theory (Davis et al., 1997), operationalised in line with COSO ERM (2017), ISO 31000, POJK No. 73/POJK.05/2016 and the current risk-management framework under POJK No. 28 of 2025.

5.4.5 Integrated Recovery Milestone Timeline

The three Strategic Action Plans (SAP), SAP-E, SAP-S and SAP-G are integrated into a single, unified milestone timeline spanning 36 months from the commencement of recovery implementation. The timeline is designed to be monitored on a quarterly basis by the Board of Directors and reported to OJK as part of the applicable recovery/action-plan reporting obligations. Table 5.6 presents the integrated milestone schedule, expanded to reflect the full suite of solutions in this study.

Table 5.6 Integrated Recovery Milestone Timeline (Months 1–36), All SAPs

SAP	M 0–3 (Immediate)	M 4–6 (Short-Term 1)	M 7–12 (Short-Term 2)	M 13–18 (Dec 2026)	M 19–36 (Dec 2028, context only)
SAP-G Governance	Appoint Company Actuary (D1–30). Initiate OJK F&P for 4 Directors. Launch ERM framework scoping.	Activate Komite Audit & KPR. Recovery/action-plan draft with actuarial input aligned to the current OJK supervisory framework. ERM Risk Governance & Process operational.	Full 4-role Board operational. First Board Risk Report. DPS public certification issued. Risk Culture programme launched.	Annual governance audit. Corporate governance policy updated. POJK 73 compliance: 100%.	ERM fully embedded. Annual DPS certification recurring. PSAK 74 governance readiness.
SAP-E Equity	Recalculate the Stage-1 equity gap from the latest available financial position; retain IDR 143.858 billion as the FY2024 historical benchmark. Present S-1 case to the parent company's	Controlling Shareholder's commitment letter. Launch S-2 roadshow. Assess S-3/S-4 merger/acquisition feasibility. Explore bancassurance (S-5).	Targeted capital strengthening implemented toward restoration of positive equity and achievement of the applicable regulatory equity requirement; subject to fulfilment of broader financial-	Applicable Stage-2 equity scenario (KPPE 1 or KPPE 2) by 31 December 2028, noted here as regulatory context only and outside this study's primary scope, subject to OJK classification.	Organic equity accumulation via profits and/or additional capital as required. The applicable Stage-2 scenario by Dec 2028 is noted as regulatory context only, outside this study's primary

SAP	M 0–3 (Immediate)	M 4–6 (Short-Term 1)	M 7–12 (Short-Term 2)	M 13–18 (Dec 2026)	M 19–36 (Dec 2028, context only)
	members' representative body. Initiate S-2 investor pre-screening.		health and governance requirements, initiate formal engagement regarding PKU termination.		scope, subject to OJK classification.
SAP-S Solvency & Revenue	Financial-health assessment, recovery/action-plan preparation and permitted revenue-recovery initiatives.	Validate financial-health position; approve OCI diversification plan; map distribution and efficiency priorities.	Subject to OJK approval, target PKU termination and commence permitted business recovery activities after regulatory normalisation.	Sustainable revenue recovery; operating breakeven; OCI risk reduction; financial-health maintenance.	Indicative planning targets: gross contributions >IDR 20 Bn by Year 2 post-PKU; operating breakeven; OCI losses <IDR 40 Bn, subject to post-PKU business conditions and management validation.

Source: Author's integrated timeline synthesis of SAP-E, SAP-S and SAP-G, aligned with POJK No. 23 of 2023 Stage-1 (December 2026) compliance deadline — this study's primary research target — and IRF's five-workstream, dependency-gated structure. The subsequent Stage-2 requirement (December 2028) is shown for regulatory context only and falls outside the primary scope of this study.

Three important sequencing dependencies are identified for implementation planning: (i) restoration of Company Actuary capability is a critical enabling action for actuarial assessment and recovery-plan preparation; (ii) capital strengthening must progress sufficiently to address the applicable equity and broader financial-health requirements; and (iii) product re-launch or other activities restricted under PKU can proceed only to the extent permitted following OJK's supervisory decision. The Month 1-36 milestones in the IRF are therefore indicative management targets rather than non-negotiable determinants of PKU termination. Actual sequencing and timing remain subject to shareholder actions, actuarial validation, applicable regulatory requirements and OJK assessment.

For clarity, the IDR 50 billion and IDR 100 billion equity thresholds referred to in this recovery roadmap serve different regulatory purposes. The IDR 50 billion threshold represents the existing minimum shareholders' equity requirement applicable under the earlier financial-health framework, whereas the IDR 100 billion threshold represents the strengthened Stage-1 minimum equity requirement that must be achieved by 31 December 2026 under the subsequent capital-strengthening framework. Accordingly, the IRF does not treat restoration to IDR 50 billion as the ultimate recovery target. The current capital-restoration objective is to close the latest residual gap to the IDR 100 billion Stage-1 threshold and establish an appropriate buffer, with the FY2024 IDR 143.858 billion figure retained only as a historical analytical benchmark.

5.4.6 Summary of Recommendations

Drawing on the Integrated Recovery Framework set out in Section 5.4.1, this study recommends that PT Asuransi Jiwa Syariah XYZ pursue four priority actions in parallel.

First, under the Equity Recovery track (SAP-E), the Company should pursue the capital acquisition pathway assessed as most feasible given shareholder capacity and prevailing market conditions, prioritising the interim milestones set out in the Emergency Action Plan (Section 4.9.1) so as to meet the Stage-1 regulatory deadline of 31 December 2026.

Second, under the Solvency and Revenue Recovery track (SAP-S), the Company should proceed with actuarial validation of its solvency position, submit its recovery/action plan to OJK, and pursue the revenue and distribution initiatives most consistent with its current PKU-restricted operating status.

Third, under the Corporate Governance Reconstitution track (SAP-G), the Company should complete its Board of Directors and Company Actuary appointments, prepare candidates for OJK's fit-and-proper test, and strengthen its enterprise risk management framework as a precondition for sustainable regulatory exit.

Fourth, the Company's leadership and Controlling Shareholder should treat the integrated milestone timeline (Section 5.4.5) as a binding internal governance tool, with progress reviewed at Board level on a monthly basis until PKU status is resolved.

These recommendations are addressed in further detail to each stakeholder group in the Practical Implications (Section 5.3.2) and Policy Implications (Section 5.3.3) above.

5.4.7 Closing Remarks

From November 2021 to August 2026, approximately four years and nine months under Business Activity Restriction have materially affected the Company's financial position, constrained its commercial operations, diminished its institutional legitimacy, and increased the urgency of meeting applicable regulatory requirements. The evidence indicates that XYZ retains identifiable recovery capacity, but that recovery remains conditional on timely capital strengthening, governance completion, financial-health improvement, and satisfactory regulatory assessment.

The evidence does not support characterising XYZ as free from economic distress. Rather, the case presents a differentiated financial condition: the Tabarru' Fund maintained a reported RBC ratio of 222.91% in 2021-2022, 518.37% in 2023, and 1,277.19% in 2024, while the Company Fund remained affected by negative equity, recurring losses, liquidity pressure, prolonged PKU restrictions, and governance deficiencies. The high Tabarru' Fund RBC ratio should also be interpreted cautiously because it coincided with contraction in the underlying business and risk base. Accordingly, the findings indicate resilience in a specific fund component, not overall economic health of the Company.

The evidence indicates that progress toward PKU exit is constrained by several interdependent financial and governance conditions, including incomplete actuarial and Board capability and the absence of a sufficiently credible capital-restoration solution. These conditions should not be interpreted as an exhaustive or deterministic list of requirements for PKU revocation. The final decision remains

within OJK's supervisory authority and may depend on additional requirements, assessments, and evidence beyond those available in this study. The proposed and externally unvalidated Integrated Recovery Framework therefore represents a proposed pathway for addressing the principal constraints identified in the case; no claim is made regarding its effectiveness, and it is not a guarantee of regulatory normalisation.

The broader significance of XYZ's recovery extends beyond a single company. Indonesia's Islamic insurance industry, in the midst of the POJK No. 23 of 2023-mandated spin-off wave, will produce multiple new standalone takaful operators facing the same governance-capital-solvency challenges that XYZ encountered at its spin-off in 2016. A documented, theoretically grounded recovery framework, developed as an analytical generalization from this single revelatory case rather than a statistically validated model, constitutes a contribution of practical value not only to XYZ, but to the industry, to OJK and to the broader emerging-market Islamic finance regulatory community.

Indonesia's takaful sector cannot afford to repeat the institutional trajectory that brought XYZ to its current condition. This thesis is submitted, in its most fundamental aspiration, as a contribution toward ensuring that it does not.

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APPENDICES

Appendix A: Expert Questionnaire Protocol

WRITTEN SEMI-STRUCTURED EXPERT QUESTIONNAIRE PROTOCOL
PT Asuransi Jiwa Syariah XYZ | MBA Thesis, IPMI International Business School, 2026

Preamble:

"Thank you for taking the time to complete this written questionnaire. As you know, I am conducting this research as part of my MBA thesis at IPMI International Business School. The study examines XYZ's governance-financial challenges and develops a recovery framework for PKU supervisory exit. Your perspective as a [Director / Commissioners / Controlling Shareholder / Chief Operating Officer] is invaluable because of your direct governance experience during this period. This is a written questionnaire, and there is no audio or video recording of any kind; your written responses will be treated as the complete record of your input. I will treat all information with professional discretion and, where appropriate, attribute views collectively rather than individually. Please take the time you need to provide complete responses in writing."

Written Questionnaire Items (as Administered)

Applicable to all five informants (Representative of the Controlling Shareholder, President Commissioner, Independent Commissioner, President Director, Chief Operating Officer). The same ten questions below were administered to and completed in writing by all five informants. To protect the anonymity of these senior, readily-identifiable informants, the complete verbatim responses are not reproduced in Appendices B–F; each appendix instead presents the questionnaire identification record and the de-identified Key Findings, Preliminary Coding and Researcher's Observation derived from that informant's complete written responses, which are retained in the researcher's own records.

Question 1 / Pertanyaan 1

How do you assess the current financial condition of XYZ?

Bagaimana Anda menilai kondisi keuangan XYZ saat ini?

Question 2 / Pertanyaan 2

What are the primary causes of negative equity?

Apa penyebab utama ekuitas negatif?

Question 3 / Pertanyaan 3

How does negative equity affect solvency?

Bagaimana ekuitas negatif memengaruhi solvabilitas?

Question 4 / Pertanyaan 4

What governance issues have contributed to the company's condition?

Masalah tata kelola apa yang berkontribusi terhadap kondisi perusahaan?

Question 5 / Pertanyaan 5

What strategic actions should be prioritized?

Tindakan strategis apa yang harus diprioritaskan?

Question 6 / Pertanyaan 6

How important is shareholder commitment?

Seberapa penting komitmen pemegang saham?

Question 7 / Pertanyaan 7

What is the most realistic PKU Exit Strategy?

Apa strategi keluar PKU yang paling realistis?

Question 8 / Pertanyaan 8

How attractive is XYZ to potential investors?

Seberapa menarik XYZ bagi calon investor?

Question 9 / Pertanyaan 9

What regulatory challenges remain?

Tantangan regulasi apa yang masih tersisa?

Question 10 / Pertanyaan 10

If you were given full authority, what would be your first priority?

Jika Anda diberi kewenangan penuh, apa prioritas utama Anda?

Note: CSR-01 completed the same written semi-structured expert questionnaire protocol as the other informants. The response date and administration details are recorded in the Appendix B Expert Questionnaire Record Sheet.

Appendix B: Completed Expert Questionnaire Record Sheet – Controlling Shareholder Representative

LEMBAR CATATAN KUESIONER AHLI
EXPERT QUESTIONNAIRE RECORD SHEET
Tesis MBA / MBA Thesis

Identitas Kuesioner / Questionnaire Identification

Kode Responden Respondent Code	CSR-01
Posisi Responden Respondent Position	Controlling Shareholder Representative
Organisasi Organisation	PT Asuransi Jiwa Syariah XYZ
Tanggal Pengisian Response Date	3 Juli 2026
Waktu Pengisian Response Time	08.34 WIB
Metode Pengumpulan Data Data Collection Method	Written Semi-Structured Expert Questionnaire (Online)
Lokasi Pengisian Response Location	Head Office PT Asuransi Jiwa Syariah XYZ
Durasi Duration	20 Menit
Peneliti Researcher	Wachjono
Rekaman Recording	Tidak
Persetujuan Consent	Lisan + pengisian kuesioner tertulis secara sukarela; mekanisme disetujui secara tertulis oleh Program Studi MBA IPMI (Surat No. 215/IPMI-KEL/IX/2026, 24 September 2026) – Appendix I Verbal + voluntary written completion of the questionnaire; mechanism approved in writing by the IPMI MBA Graduate Program (Letter No. 215/IPMI-KEL/IX/2026, 24 September 2026) – Appendix I

Topik Penelitian / Research Topic

Kerangka Pemulihan Terintegrasi untuk Keluar dari PKU: Studi Kasus Perusahaan Asuransi Jiwa Syariah di Indonesia

An Integrated Recovery Framework for PKU Exit: A Case Study of an Indonesian Sharia Life Insurer

Tujuan Kuesioner / Questionnaire Objectives

Kuesioner ini bertujuan untuk memperoleh perspektif profesional responden mengenai / This questionnaire aims to obtain the respondent's professional perspectives regarding:

- Tekanan keuangan / Financial distress
- Ekuitas negatif / Negative equity
- Pemulihan solvabilitas / Solvency restoration
- Tata kelola perusahaan / Corporate governance
- Strategi keluar PKU / PKU Exit Strategy
- Pemulihan bisnis / Business recovery
- Rekomendasi strategis / Strategic recommendations

For confidentiality reasons, the full verbatim question-and-answer transcript for informant CSR-01 (Controlling Shareholder Representative) is not reproduced in this appendix, because the respondent-code convention alone does not guarantee anonymity for a uniquely-held senior role. The complete written responses are retained in the researcher's own records and are available to the supervisors and examination committee on request. The de-identified Key Findings, Preliminary Coding, and Researcher's Observation derived from this informant's responses are presented below. The consent basis recorded above is the informant's prior verbal agreement to participate, followed by the voluntary completion and return of the written questionnaire, under an informant consent mechanism approved in writing by the IPMI Graduate Program (Letter No. 215/IPMI-KEL/IX/2026, 24 September 2026; Appendix I).

Temuan Utama / Key Findings

Peneliti merangkum jawaban kuesioner menjadi beberapa temuan utama. / The researcher summarises the questionnaire responses into several key findings.

Temuan 1 / Finding 1

Perusahaan menghadapi tekanan keuangan yang berkelanjutan akibat akumulasi kerugian sejak pendirian, sehingga menyebabkan ekuitas berada di bawah ketentuan minimum regulator.

Temuan 2 / Finding 2

Akar permasalahan perusahaan terletak pada belum berkembangnya bisnis inti asuransi. Pertumbuhan premi yang belum optimal menyebabkan profitabilitas underwriting tidak tercapai dan kemampuan memperkuat modal secara internal menjadi terbatas.

Temuan 3 / Finding 3

Pemulihan perusahaan memerlukan penguatan tata kelola, transformasi model bisnis, serta komitmen yang kuat dari pemegang saham dan manajemen dalam menjalankan rencana pemulihan secara konsisten.

Temuan 4 / Finding 4

Strategi keluar dari PKU harus dilakukan secara bertahap melalui penguatan modal, peningkatan ekuitas dan solvabilitas, pengembangan bisnis inti, serta pemenuhan seluruh persyaratan regulator.

Temuan 5 / Finding 5

Daya tarik perusahaan bagi investor bergantung pada keberhasilan implementasi program pemulihan, kualitas tata kelola, prospek bisnis, dan kemampuan manajemen menciptakan profitabilitas yang berkelanjutan.

Pengkodean Awal / Preliminary Coding

Pernyataan Statement	Kode Awal Initial Code
Akumulasi kerugian, lemahnya profitabilitas underwriting dan pertumbuhan premi yang belum optimal menyebabkan tekanan keuangan serta ekuitas negatif perusahaan.	Financial Distress & Negative Equity
Penguatan modal, pemulihan solvabilitas dan strategi keluar PKU merupakan prioritas utama untuk memenuhi persyaratan regulator.	Capital & Regulatory Recovery
Transformasi model bisnis dan penguatan tata kelola diperlukan untuk membangun profitabilitas yang berkelanjutan.	Business Model & Governance Transformation
Komitmen pemegang saham serta meningkatnya kepercayaan investor menjadi faktor kunci keberhasilan proses pemulihan perusahaan.	Shareholder Commitment & Investor Confidence

Tema Awal / Preliminary Themes

x Ekuitas / Equity	□ Solvabilitas / Solvency	x Tata Kelola / Governance
□ Investor / Investor	□ PKU / PKU	x Strategi / Strategy
□ Regulasi / Regulation	x Model Bisnis / Business Model	□ Lainnya / Others

Observasi Peneliti / Researcher's Observation

- Responden secara konsisten menekankan bahwa transformasi model bisnis merupakan fondasi utama pemulihan perusahaan.
- Responden memandang penguatan ekuitas dan permodalan sebagai prasyarat untuk memulihkan solvabilitas dan memenuhi ketentuan regulator.
- Responden menekankan bahwa komitmen pemegang saham harus diimbangi dengan akuntabilitas manajemen agar proses pemulihan berjalan secara berkelanjutan.
- Responden menunjukkan keyakinan bahwa penguatan tata kelola dan implementasi strategi pemulihan yang konsisten akan meningkatkan kepercayaan regulator maupun calon investor.

Verifikasi Catatan / Record Verification

Kode Responden Respondent Code CSR-01	Tanggal Date 3 Juli 2026	Tanda Tangan Peneliti Researcher's Signature Wachjono

Appendix C: Completed Expert Questionnaire Record Sheet – President Commissioner

LEMBAR CATATAN KUESIONER AHLI
EXPERT QUESTIONNAIRE RECORD SHEET
Tesis MBA / MBA Thesis

Identitas Kuesioner / Questionnaire Identification

Kode Responden Respondent Code	PC-01
Posisi Responden Respondent Position	President Commissioner
Organisasi Organisation	PT Asuransi Jiwa Syariah XYZ
Tanggal Pengisian Response Date	30 Juni 2026
Waktu Pengisian Response Time	14.00 WIB
Metode Pengumpulan Data Data Collection Method	Written Semi-Structured Expert Questionnaire

Lokasi Pengisian Response Location	External Meeting Venue
Durasi Duration	30 Menit
Peneliti Researcher	Wachjono
Rekaman Recording	Tidak
Persetujuan Consent	Lisan + pengisian kuesioner tertulis secara sukarela; mekanisme disetujui secara tertulis oleh Program Studi MBA IPMI (Surat No. 215/IPMI-KEL/IX/2026, 24 September 2026) – Appendix I Verbal + voluntary written completion of the questionnaire; mechanism approved in writing by the IPMI MBA Graduate Program (Letter No. 215/IPMI-KEL/IX/2026, 24 September 2026) – Appendix I

Topik Penelitian / Research Topic

Kerangka Pemulihan Terintegrasi untuk Keluar dari PKU: Studi Kasus Perusahaan Asuransi Jiwa Syariah di Indonesia

An Integrated Recovery Framework for PKU Exit: A Case Study of an Indonesian Sharia Life Insurer

Tujuan Kuesioner / Questionnaire Objectives

Kuesioner ini bertujuan untuk memperoleh perspektif profesional responden mengenai / This questionnaire aims to obtain the respondent's professional perspectives regarding:

- Tekanan keuangan / Financial distress
- Ekuitas negatif / Negative equity
- Pemulihan solvabilitas / Solvency restoration
- Tata kelola perusahaan / Corporate governance
- Strategi keluar PKU / PKU Exit Strategy
- Pemulihan bisnis / Business recovery
- Rekomendasi strategis / Strategic recommendations

For confidentiality reasons, the full verbatim question-and-answer transcript for informant PC-01 (President Commissioner) is not reproduced in this appendix, because the respondent-code convention alone does not guarantee anonymity for a uniquely-held senior role. The complete written responses are retained in the researcher's own records and are available to the supervisors and examination committee on request. The de-identified Key Findings, Preliminary Coding, and Researcher's Observation derived from this informant's responses are presented below. The consent basis recorded above is the informant's prior verbal agreement to participate, followed by the voluntary completion and return of the

written questionnaire, under an informant consent mechanism approved in writing by the IPMI Graduate Program (Letter No. 215/IPMI-KEL/IX/2026, 24 September 2026; Appendix I).

Temuan Utama / Key Findings

Peneliti merangkum jawaban kuesioner menjadi beberapa temuan utama. / The researcher summarises the questionnaire responses into several key findings.

Temuan 1 / Finding 1

Financial distress merupakan akar permasalahan perusahaan yang ditandai oleh penurunan aset, kerugian operasional yang berkelanjutan, serta tergerusnya ekuitas akibat akumulasi rugi.

Temuan 2 / Finding 2

Ekuitas negatif secara langsung memperburuk tingkat solvabilitas perusahaan karena struktur pendanaan menjadi tidak sehat dan kewajiban melebihi kemampuan aset dalam menyerap risiko.

Temuan 3 / Finding 3

Pemulihan perusahaan memerlukan penguatan Good Corporate Governance melalui pemenuhan struktur Dewan Komisaris, Direksi, dan Aktuaris Perusahaan sesuai ketentuan regulator.

Temuan 4 / Finding 4

Injeksi modal, baik dari pemegang saham maupun investor strategis eksternal, merupakan prasyarat utama untuk memulihkan ekuitas, memenuhi ketentuan permodalan serta mendukung keluarnya perusahaan dari PKU.

Temuan 5 / Finding 5

Keberhasilan recovery framework sangat bergantung pada keselarasan antara komitmen pemegang saham, dukungan regulator, penguatan tata kelola dan implementasi strategi bisnis yang berkelanjutan.

Pengkodean Awal / Preliminary Coding

Pernyataan Statement	Kode Awal Initial Code
Financial distress akibat kerugian operasional	Financial Distress
Diperlukan injeksi modal	Capital Injection
Struktur GCG belum lengkap	Governance Weakness

Regulasi OJK menjadi faktor utama keberhasilan recovery	Regulatory Compliance

Tema Awal / Preliminary Themes

x Ekuitas / Equity	x Solvabilitas / Solvency	x Tata Kelola / Governance
x Investor / Investor	□ PKU / PKU	□ Strategi / Strategy
x Regulasi / Regulation	□ Model Bisnis / Business Model	□ Lainnya / Others

Observasi Peneliti / Researcher's Observation

- Responden secara konsisten menekankan bahwa financial distress dan defisit ekuitas merupakan akar permasalahan yang harus diselesaikan sebelum perusahaan dapat melakukan pemulihan secara menyeluruh.
- Responden memandang penguatan tata kelola perusahaan, termasuk kelengkapan organ Dewan Komisaris, Direksi dan Aktuaris Perusahaan, sebagai prasyarat penting untuk mendukung efektivitas proses pemulihan.
- Responden menegaskan bahwa komitmen pemegang saham melalui penguatan permodalan, termasuk kemungkinan masuknya investor strategis, merupakan faktor penentu keberhasilan recovery framework.
- Responden menunjukkan keyakinan bahwa keberhasilan pemulihan perusahaan bergantung pada sinergi antara penguatan modal, kepatuhan terhadap regulasi OJK dan implementasi tata kelola yang efektif.

Verifikasi Catatan / Record Verification

Kode Responden Respondent Code PC-01	Tanggal Date 30 Juni 2026	Tanda Tangan Peneliti Researcher's Signature Wachjono

Appendix D: Completed Expert Questionnaire Record Sheet – Independent Commissioner

LEMBAR CATATAN KUESIONER AHLI
EXPERT QUESTIONNAIRE RECORD SHEET
Tesis MBA / MBA Thesis

Identitas Kuesioner / Questionnaire Identification

Kode Responden Respondent Code	IC-01
Posisi Responden Respondent Position	Independent Commissioner
Organisasi Organisation	PT Asuransi Jiwa Syariah XYZ
Tanggal Pengisian Response Date	25 Juni 2026
Waktu Pengisian Response Time	15.45 – 17.00 WIB
Metode Pengumpulan Data Data Collection Method	Written Semi-Structured Expert Questionnaire
Lokasi Pengisian Response Location	External Meeting Venue
Durasi Duration	75 Menit
Peneliti Researcher	Wachjono
Rekaman Recording	Tidak
Persetujuan Consent	Lisan + pengisian kuesioner tertulis secara sukarela; mekanisme disetujui secara tertulis oleh Program Studi MBA IPMI (Surat No. 215/IPMI-KEL/IX/2026, 24 September 2026) – Appendix I Verbal + voluntary written completion of the questionnaire; mechanism approved in writing by the IPMI MBA Graduate Program (Letter No. 215/IPMI-KEL/IX/2026, 24 September 2026) – Appendix I

Topik Penelitian / Research Topic

Kerangka Pemulihan Terintegrasi untuk Keluar dari PKU: Studi Kasus Perusahaan Asuransi Jiwa Syariah di Indonesia

An Integrated Recovery Framework for PKU Exit: A Case Study of an Indonesian Sharia Life Insurer

Tujuan Kuesioner / Questionnaire Objectives

Kuesioner ini bertujuan untuk memperoleh perspektif profesional responden mengenai / This questionnaire aims to obtain the respondent's professional perspectives regarding:

- Tekanan keuangan / Financial distress
- Ekuitas negatif / Negative equity
- Pemulihan solvabilitas / Solvency restoration

- Tata kelola perusahaan / Corporate governance
- Strategi keluar PKU / PKU Exit Strategy
- Pemulihan bisnis / Business recovery
- Rekomendasi strategis / Strategic recommendations

For confidentiality reasons, the full verbatim question-and-answer transcript for informant IC-01 (Independent Commissioner) is not reproduced in this appendix, because the respondent-code convention alone does not guarantee anonymity for a uniquely-held senior role. The complete written responses are retained in the researcher's own records and are available to the supervisors and examination committee on request. The de-identified Key Findings, Preliminary Coding, and Researcher's Observation derived from this informant's responses are presented below. The consent basis recorded above is the informant's prior verbal agreement to participate, followed by the voluntary completion and return of the written questionnaire, under an informant consent mechanism approved in writing by the IPMI Graduate Program (Letter No. 215/IPMI-KEL/IX/2026, 24 September 2026; Appendix I).

Temuan Utama / Key Findings

Peneliti merangkum jawaban kuesioner menjadi beberapa temuan utama. / The researcher summarises the questionnaire responses into several key findings.

Temuan 1 / Finding 1

Kondisi keuangan perusahaan menunjukkan financial distress yang berkelanjutan, ditandai dengan penurunan aset, akumulasi kerugian, dan melemahnya struktur ekuitas.

Temuan 2 / Finding 2

Akumulasi kerugian merupakan penyebab utama ekuitas negatif yang selanjutnya menurunkan tingkat solvabilitas perusahaan hingga berada di bawah ketentuan regulator.

Temuan 3 / Finding 3

Penerapan Good Corporate Governance telah berjalan, namun efektivitasnya belum optimal karena belum terpenuhinya komposisi Direksi, Dewan Komisaris, serta Aktuaris Perusahaan sesuai ketentuan OJK.

Temuan 4 / Finding 4

Rekapitalisasi melalui penambahan modal, terutama dari investor strategis baru, merupakan strategi paling realistis untuk memenuhi ketentuan modal minimum dan mendukung keluarnya perusahaan dari PKU.

Temuan 5 / Finding 5

Keberhasilan proses pemulihan sangat bergantung pada komitmen pemegang saham, dukungan investor, kepatuhan terhadap regulasi, serta implementasi tata kelola perusahaan yang lebih kuat.

Pengkodean Awal / Preliminary Coding

Pernyataan Statement	Kode Awal Initial Code
Perusahaan mengalami financial distress	Financial Distress
Struktur GCG belum lengkap	Governance Gap
Diperlukan penambahan modal	Capital Injection
Pemenuhan POJK menjadi prioritas	Regulatory Compliance

Tema Awal / Preliminary Themes

x Ekuitas / Equity	x Solvabilitas / Solvency	x Tata Kelola / Governance
x Investor / Investor	□ PKU / PKU	□ Strategi / Strategy
x Regulasi / Regulation	□ Model Bisnis / Business Model	□ Lainnya / Others

Observasi Peneliti / Researcher's Observation

- Responden secara konsisten memandang akumulasi kerugian dan defisit ekuitas sebagai penyebab utama memburuknya kondisi keuangan perusahaan serta menurunnya tingkat solvabilitas.
- Responden menekankan bahwa penguatan tata kelola perusahaan harus dilakukan melalui pemenuhan komposisi Direksi, Dewan Komisaris, dan Aktuaris Perusahaan sesuai ketentuan regulator agar fungsi pengawasan dan pengendalian berjalan efektif.
- Responden berpandangan bahwa penambahan modal melalui dukungan pemegang saham maupun investor baru merupakan solusi paling realistis untuk memenuhi persyaratan modal minimum dan mendukung proses pemulihan perusahaan.
- Responden menunjukkan perspektif yang kuat terhadap pentingnya kepatuhan terhadap regulasi OJK sebagai landasan utama dalam menjaga keberlanjutan perusahaan dan mendukung keberhasilan strategi pemulihan.

Verifikasi Catatan / Record Verification

Kode Responden Respondent Code IC-01	Tanggal Date 25 Juni 2026	Tanda Tangan Peneliti Researcher's Signature Wachjono

Appendix E: Completed Expert Questionnaire Record Sheet – President Director

LEMBAR CATATAN KUESIONER AHLI
EXPERT QUESTIONNAIRE RECORD SHEET
Tesis MBA / MBA Thesis

Identitas Kuesioner / Questionnaire Identification

Kode Responden Respondent Code	PD-01
Posisi Responden Respondent Position	President Director
Organisasi Organisation	PT Asuransi Jiwa Syariah XYZ
Tanggal Pengisian Response Date	2 Juli 2026
Waktu Pengisian Response Time	10.00 WIB
Metode Pengumpulan Data Data Collection Method	Written Semi-Structured Expert Questionnaire
Lokasi Pengisian Response Location	Head Office PT Asuransi Jiwa Syariah XYZ
Durasi Duration	60 Menit
Peneliti Researcher	Wachjono
Rekaman Recording	Tidak
Persetujuan Consent	Lisan + pengisian kuesioner tertulis secara sukarela; mekanisme disetujui secara tertulis oleh Program Studi MBA IPMI (Surat No. 215/IPMI-KEL/IX/2026, 24 September 2026) – Appendix I Verbal + voluntary written completion of the questionnaire; mechanism approved in writing by the IPMI MBA Graduate Program (Letter No. 215/IPMI-KEL/IX/2026, 24 September 2026) – Appendix I

Topik Penelitian / Research Topic

Kerangka Pemulihan Terintegrasi untuk Keluar dari PKU: Studi Kasus Perusahaan Asuransi Jiwa Syariah di Indonesia

An Integrated Recovery Framework for PKU Exit: A Case Study of an Indonesian Sharia Life Insurer

Tujuan Kuesioner / Questionnaire Objectives

Kuesioner ini bertujuan untuk memperoleh perspektif profesional responden mengenai / This questionnaire aims to obtain the respondent's professional perspectives regarding:

- Tekanan keuangan / Financial distress
- Ekuitas negatif / Negative equity
- Pemulihan solvabilitas / Solvency restoration
- Tata kelola perusahaan / Corporate governance
- Strategi keluar PKU / PKU Exit Strategy
- Pemulihan bisnis / Business recovery
- Rekomendasi strategis / Strategic recommendations

For confidentiality reasons, the full verbatim question-and-answer transcript for informant PD-01 (President Director) is not reproduced in this appendix, because the respondent-code convention alone does not guarantee anonymity for a uniquely-held senior role. The complete written responses are retained in the researcher's own records and are available to the supervisors and examination committee on request. The de-identified Key Findings, Preliminary Coding, and Researcher's Observation derived from this informant's responses are presented below. The consent basis recorded above is the informant's prior verbal agreement to participate, followed by the voluntary completion and return of the written questionnaire, under an informant consent mechanism approved in writing by the IPMI Graduate Program (Letter No. 215/IPMI-KEL/IX/2026, 24 September 2026; Appendix I).

Temuan Utama / Key Findings

Peneliti merangkum jawaban kuesioner menjadi beberapa temuan utama. / The researcher summarises the questionnaire responses into several key findings.

Temuan 1 / Finding 1

Ekuitas merupakan permasalahan strategis utama perusahaan. Meskipun tingkat Risk Based Capital (RBC) dan Dana Jaminan masih memenuhi ketentuan regulator, akumulasi kerugian dan penurunan aset telah menyebabkan ekuitas belum memenuhi persyaratan minimum sebagaimana diatur dalam POJK No. 23 Tahun 2023.

Temuan 2 / Finding 2

Kelemahan tata kelola perusahaan menjadi salah satu faktor utama yang memperburuk kondisi perusahaan, terutama belum terpenuhinya struktur organ perusahaan, ketiadaan aktuaris, lemahnya perencanaan permodalan, serta belum optimalnya manajemen risiko investasi.

Temuan 3 / Finding 3

Pemulihan perusahaan harus diprioritaskan melalui penguatan permodalan, penyempurnaan tata kelola perusahaan sesuai regulasi OJK, serta penyusunan roadmap keberlangsungan usaha (going concern).

Temuan 4 / Finding 4

Komitmen pemegang saham merupakan faktor keberhasilan yang paling menentukan dalam proses pemulihan, baik melalui injeksi modal, pencarian investor strategis maupun alternatif merger.

Temuan 5 / Finding 5

Meskipun menghadapi tantangan ekuitas, perusahaan masih memiliki daya tarik investasi karena kondisi solvabilitas operasional (RBC dan Dana Jaminan) relatif baik serta kebutuhan modal untuk pemulihan lebih rendah dibandingkan mendirikan perusahaan asuransi jiwa syariah baru.

Pengkodean Awal / Preliminary Coding

Pernyataan Statement	Kode Awal Initial Code
Akumulasi kerugian menyebabkan ekuitas negatif	EQ-02 Accumulated Losses
Struktur tata kelola belum memenuhi POJK	GOV-01 Governance Weakness
Injeksi modal, investor, merger sebagai strategi pemulihan	REC-01 Recovery Strategy
Roadmap going concern diperlukan untuk keluar PKU	PKU-01 PKU Exit Strategy

Tema Awal / Preliminary Themes

x Ekuitas / Equity	□ Solvabilitas / Solvency	x Tata Kelola / Governance
□ Investor / Investor	□ PKU / PKU	x Strategi / Strategy
x Regulasi / Regulation	□ Model Bisnis / Business Model	□ Lainnya / Others

Observasi Peneliti / Researcher's Observation

- Responden secara konsisten menempatkan penguatan struktur permodalan dan pemenuhan ekuitas minimum sebagai prioritas utama untuk memastikan keberlanjutan usaha serta memenuhi ketentuan regulator.
- Responden menekankan bahwa perbaikan tata kelola perusahaan, termasuk pemenuhan organ perusahaan, penguatan manajemen risiko, dan keberadaan Aktuaris Perusahaan, merupakan faktor penting untuk meningkatkan efektivitas pengelolaan perusahaan.
- Responden menunjukkan orientasi yang kuat terhadap implementasi strategi pemulihan, melalui injeksi modal, pencarian investor strategis, alternatif merger, serta penyusunan roadmap keberlangsungan usaha (going concern).
- Responden berpandangan bahwa komitmen pemegang saham dan kepatuhan terhadap regulasi OJK merupakan fondasi utama dalam menjaga stabilitas perusahaan, memulihkan kepercayaan para pemangku kepentingan, dan mendukung keberhasilan proses keluar dari PKU.

Verifikasi Catatan / Record Verification

Kode Responden Respondent Code PD-01	Tanggal Date 2 Juli 2026	Tanda Tangan Peneliti Researcher's Signature Wachjono

Appendix F: Completed Expert Questionnaire Record Sheet – Chief Operating Officer

LEMBAR CATATAN KUESIONER AHLI
EXPERT QUESTIONNAIRE RECORD SHEET
Tesis MBA / MBA Thesis

Identitas Kuesioner / Questionnaire Identification

Kode Responden Respondent Code	COO-01
Posisi Responden Respondent Position	Chief Operating Officer
Organisasi Organisation	PT Asuransi Jiwa Syariah XYZ

Tanggal Pengisian Response Date	29 Juni 2026
Waktu Pengisian Response Time	10.00 WIB
Metode Pengumpulan Data Data Collection Method	Written Semi-Structured Expert Questionnaire
Lokasi Pengisian Response Location	Head Office PT Asuransi Jiwa Syariah XYZ
Durasi Duration	60 Menit
Peneliti Researcher	Wachjono
Rekaman Recording	Tidak
Persetujuan Consent	Lisan + pengisian kuesioner tertulis secara sukarela; mekanisme disetujui secara tertulis oleh Program Studi MBA IPMI (Surat No. 215/IPMI-KEL/IX/2026, 24 September 2026) – Appendix I Verbal + voluntary written completion of the questionnaire; mechanism approved in writing by the IPMI MBA Graduate Program (Letter No. 215/IPMI-KEL/IX/2026, 24 September 2026) – Appendix I

Topik Penelitian / Research Topic

Kerangka Pemulihan Terintegrasi untuk Keluar dari PKU: Studi Kasus Perusahaan Asuransi Jiwa Syariah di Indonesia

An Integrated Recovery Framework for PKU Exit: A Case Study of an Indonesian Sharia Life Insurer

Tujuan Kuesioner / Questionnaire Objectives

Kuesioner ini bertujuan untuk memperoleh perspektif profesional responden mengenai / This questionnaire aims to obtain the respondent's professional perspectives regarding:

- Tekanan keuangan / Financial distress
- Ekuitas negatif / Negative equity
- Pemulihan solvabilitas / Solvency restoration
- Tata kelola perusahaan / Corporate governance
- Strategi keluar PKU / PKU Exit Strategy
- Pemulihan bisnis / Business recovery
- Rekomendasi strategis / Strategic recommendations

For confidentiality reasons, the full verbatim question-and-answer transcript for informant COO-01 (Chief Operating Officer) is not reproduced in this appendix, because the respondent-code convention alone does not guarantee anonymity for

a uniquely-held senior role. The complete written responses are retained in the researcher's own records and are available to the supervisors and examination committee on request. The de-identified Key Findings, Preliminary Coding, and Researcher's Observation derived from this informant's responses are presented below. The consent basis recorded above is the informant's prior verbal agreement to participate, followed by the voluntary completion and return of the written questionnaire, under an informant consent mechanism approved in writing by the IPMI Graduate Program (Letter No. 215/IPMI-KEL/IX/2026, 24 September 2026; Appendix I).

Temuan Utama / Key Findings

Peneliti merangkum jawaban kuesioner menjadi beberapa temuan utama. / The researcher summarises the questionnaire responses into several key findings.

Temuan 1 / Finding 1

Perusahaan menghadapi tekanan pada aspek permodalan, solvabilitas, dan tata kelola, namun masih memiliki peluang untuk pulih melalui penguatan modal, manajemen risiko, dan penerapan tata kelola yang lebih efektif.

Temuan 2 / Finding 2

Akumulasi kerugian yang melebihi modal perusahaan merupakan penyebab utama ekuitas negatif, yang berdampak langsung terhadap kemampuan perusahaan memenuhi kewajiban dan menyerap risiko.

Temuan 3 / Finding 3

Pemulihan perusahaan harus dilakukan secara terpadu melalui penguatan permodalan, peningkatan pendapatan, efisiensi operasional, serta penguatan manajemen risiko dan Good Corporate Governance

Temuan 4 / Finding 4

Komitmen pemegang saham dan dukungan investor merupakan faktor penting untuk mempercepat pemulihan solvabilitas, memenuhi ketentuan regulator, serta mendukung keluarnya perusahaan dari PKU.

Temuan 5 / Finding 5

Keberhasilan recovery framework memerlukan keseimbangan antara pemenuhan regulasi, penguatan tata kelola, peningkatan kinerja operasional, dan keberlanjutan model bisnis perusahaan

Pengkodean Awal / Preliminary Coding

Pernyataan Statement	Kode Awal Initial Code

Permodalan dan solvabilitas menghadapi tekanan	Financial Distress
Pengawasan, manajemen risiko dan transparansi perlu diperkuat	Governance Improvement
Dukungan pemegang saham dan investor	Shareholder Commitment
Kepatuhan terhadap regulasi OJK	Regulatory Compliance

Tema Awal / Preliminary Themes

x Ekuitas / Equity	x Solvabilitas / Solvency	x Tata Kelola / Governance
x Investor / Investor	□ PKU / PKU	□ Strategi / Strategy
x Regulasi / Regulation	□ Model Bisnis / Business Model	□ Lainnya / Others

Observasi Peneliti / Researcher's Observation

- Responden secara konsisten menekankan bahwa penguatan permodalan dan pemulihan solvabilitas merupakan prasyarat utama untuk mengembalikan kesehatan keuangan perusahaan serta mendukung keberlangsungan usaha.
- Responden memandang penguatan tata kelola perusahaan, manajemen risiko dan transparansi sebagai elemen yang harus diperbaiki secara simultan agar proses pemulihan berjalan efektif dan berkelanjutan.
- Responden menekankan pentingnya dukungan pemegang saham dan investor sebagai sumber penguatan permodalan sekaligus faktor yang meningkatkan kepercayaan regulator terhadap rencana pemulihan perusahaan.
- Responden menunjukkan orientasi yang kuat terhadap kepatuhan regulasi OJK dengan menempatkan pemenuhan persyaratan permodalan, solvabilitas, tata kelola dan penyelesaian temuan pengawasan sebagai bagian integral dari strategi pemulihan perusahaan.

Verifikasi Catatan / Record Verification

Kode Responden Respondent Code COO-01	Tanggal Date 29 Juni 2026	Tanda Tangan Peneliti Researcher's Signature Wachjono

Appendix G: Regulatory Source Verification

The following official Otoritas Jasa Keuangan (OJK) publications were used to verify the specific regulatory claims made in this thesis regarding capital, solvency and supervisory-status requirements, in response to the supervisor's request for regulatory accuracy verification in Chapters 2, 4 and 5:

POJK No. 23 of 2023, Article 56, on Stage 1 and Stage 2 minimum equity requirements: https://www.ojk.go.id/id/regulasi/Documents/Pages/Perizinan-Usaha-dan-Kelembagaan-Perusahaan-Asuransi%2C-Asuransi-Syariah%2C-Reasuransi%2C-dan-Reasuransi-Syariah/POJK%2023%20Tahun%202023%20Perizinan%20Usaha%20Dan%20Kelembagaan%20Perusahaan%20Asuransi%2C%20Asuransi%20Syariah%2C%20Reasuransi%2C%20Dan%20Reasuransi%20Syariah.pdf

POJK No. 6 of 2023, amendment to POJK No. 72 of 2016, including Article 51 on the financial recovery plan: https://www.ojk.go.id/id/regulasi/Documents/Pages/Kesehatan-Keuangan-Perusahaan-Asuransi-dan-Perusahaan-Reasuransi-Dengan-Prinsip-Syariah/POJK%20Nomor%206%20Tahun%202023.pdf

POJK No. 37 of 2025 on supervisory status and follow-up, effective 22 June 2026: https://ojk.go.id/id/regulasi/Pages/POJK-37-Tahun-2025-Penetapan-Status-dan-Tindak-Lanjut-Pengawasan-Perusahaan-Perasuransian%2C-Lembaga-Penjamin%2C-dan-Dapen.aspx

POJK No. 72 of 2016, Article 10, on Company Fund and Tabarru' Fund solvency requirements: https://www.ojk.go.id/id/regulasi/Documents/Pages/POJK-tentang-Kesehatan-Keuangan-Perusahaan-Asuransi-dan-Perusahaan-Reasuransi-dengan-Prinsip-Syariah/pojk%2072-2016.pdf

All four sources were accessed and cross-checked on 17 September 2026 against the specific factual claims they support elsewhere in this thesis (the Stage-1/Stage-2 equity deadlines in Section 4.9.1 and Table 4.19, the RPK legal basis in Table 2.7

and Section 5.4.5, the Company Fund and Tabarru' Fund solvency basis in Section 4.4, and the current supervisory-status framework referenced throughout Chapter 5); no discrepancy was found between the thesis text and these official publications.

Appendix H: Company Research Approval Letter

To document institutional permission to reference internal Company documents and information discussed by informants, this appendix records the existence and content of PT Asuransi Jiwa Syariah XYZ's formal Research Approval Letter (No. 101/[XYZ]/DIR/V/2026, Jakarta, 6 May 2026), addressed to the Head of Graduate Program at IPMI Institute and signed by the Company's President Director. The letter confirms the Company's approval for the author (Student ID 25221002, Class EMBA September 2025) to use the Company as the object of this thesis research, and states that the Company will support the research process, particularly in relation to information and discussions relevant to the thesis, while observing the confidentiality of internal company information. The letter grants permission for research, not for public disclosure of the Company's identity. Because the original letter bears the Company's name, logo, address and the President Director's name and signature, it is not reproduced in this thesis in order to preserve the Company's anonymity; the original document is retained in the researcher's records and is available to the supervisors and the examination committee on request. For the same reason, the Company's identifier in the letter number is shown as [XYZ]. This letter is treated in this thesis as the institutional-level authorisation for referencing internal Company documents and discussions, distinct from, and not a substitute for, individual informant consent; the informant consent mechanism and its approval by the IPMI Graduate Program are discussed in Section 3.6.3 and documented in Appendix I.

Appendix I: Graduate Program Approval of the Informant Consent Mechanism

Following supervisory review of the consent procedure (Section 3.6.3), the author requested the IPMI Graduate Program to assess in writing whether the consent mechanism applied to the five informants is acceptable for this MBA thesis. The mechanism comprises prior verbal agreement to participate, voluntary completion and return of the written expert questionnaire (whose preamble states its academic purpose), the Company's institutional Research Approval Letter (Appendix H), pseudonymisation through role-based respondent codes, and the withholding of full verbatim transcripts from the thesis appendices. The Graduate Program's written approval, Letter No. 215/IPMI-KEL/IX/2026 dated 24 September 2026 (Subject: Pernyataan Persetujuan Program Studi – Informasi Data Thesis), signed by Dr. Liza Agustina Maureen Nelloh, SE., MM., CDM, Head of Graduate Program, IPMI Institute, and copied to Prof. Roy Sembel (Supervisor) and Dr. Melinda Malau (Co-Supervisor), states that, having reviewed the five elements above, the mechanism is acceptable for the preparation and examination of this MBA thesis. The letter is reproduced below (I.1); the Company's identifier in the cited letter number has been covered with a redaction box by the author to preserve the Company's anonymity, with no other alteration to the letter, followed by a de-identified summary of the consent basis for each informant (I.2).

I.1 Graduate Program Approval Letter

ipmi institute
Innovating Global Business Education

Jakarta, 24 September 2026
No: 215/IPMI-KEL/IX/2026

Kepada Yth.
Bapak Wachjono
Student ID: 25221002
Class of Executive MBA September 2025

Hal: **Pernyataan Persetujuan Program Studi - Informasi data Thesis**

Program Studi Magister (MBA), IPMI Institute, setelah menelaah mekanisme persetujuan informan yang digunakan dalam tesis MBA atas nama Wachjono (NIM 25221002) berjudul "An Integrated Recovery Framework for PKU Exit: A Case Study of an Indonesian Sharia Life Insurer", yang terdiri atas: (i) persetujuan lisan informan sebelum partisipasi; (ii) pengisian dan pengembalian kuesioner ahli tertulis secara sukarela; (iii) izin institusional perusahaan No. 101[redacted]/DIR/V/2026; (iv) pseudonimisasi dengan kode responden berbasis jabatan; dan (v) tidak dimuatnya transkrip verbatim dalam lampiran tesis, dengan ini menyatakan bahwa mekanisme tersebut dapat diterima untuk keperluan penyusunan dan ujian tesis MBA dimaksud.

The Graduate Program (MBA), IPMI Institute, having reviewed the informant consent mechanism applied in the MBA thesis of Wachjono (Student ID 25221002) entitled "An Integrated Recovery Framework for PKU Exit: A Case Study of an Indonesian Sharia Life Insurer", comprising: (i) informants' prior verbal agreement to participate; (ii) voluntary completion and return of the written expert questionnaire; (iii) the Company's institutional permission No. 101[redacted]/DIR/V/2026; (iv) pseudonymisation through role-based respondent codes; and (v) the withholding of verbatim transcripts from the thesis appendices, hereby states that this mechanism is acceptable for the preparation and examination of the said MBA thesis.

Dr. Liza Agustina Maureen Nelloh, SE.,MM., CDM
Head of Graduate Program
IPMI Institute

Tembusan: Prof. Roy Sembel (Pembimbing); Dr. Melinda Malau (Co-Pembimbing) Thesis

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IPMI Campus IPMICampus ipmicampus | ipmi.bachelor | ipmi.probba IPMI Institute

I.2 De-identified Summary of the Consent Basis / Ringkasan Dasar Persetujuan (Tanpa Identitas)

Kode Responden Respondent Code	Posisi Responden Respondent Position	Tanggal Pengisian Kuesioner Questionnaire Response Date	Dasar Persetujuan Basis of Consent
CSR-01	Controlling Shareholder Representative	3 Juli 2026	Lisan + pengisian sukarela; mekanisme disetujui tertulis Program Studi (Surat No. 215/IPMI-KEL/IX/2026) Verbal + voluntary completion; mechanism approved in writing by the Graduate Program (Letter No. 215/IPMI-KEL/IX/2026)
PC-01	President Commissioner	30 Juni 2026	Lisan + pengisian sukarela; mekanisme disetujui tertulis Program Studi (Surat No. 215/IPMI-KEL/IX/2026) Verbal + voluntary completion; mechanism approved in writing by the Graduate Program (Letter No. 215/IPMI-KEL/IX/2026)
IC-01	Independent Commissioner	25 Juni 2026	Lisan + pengisian sukarela; mekanisme disetujui tertulis Program Studi (Surat No. 215/IPMI-KEL/IX/2026) Verbal + voluntary completion; mechanism approved in writing by the Graduate Program (Letter No. 215/IPMI-KEL/IX/2026)
PD-01	President Director	2 Juli 2026	Lisan + pengisian sukarela; mekanisme disetujui tertulis Program Studi (Surat No. 215/IPMI-KEL/IX/2026) Verbal + voluntary completion; mechanism approved in writing by the Graduate Program (Letter No. 215/IPMI-KEL/IX/2026)
COO-01	Chief Operating Officer	29 Juni 2026	Lisan + pengisian sukarela; mekanisme disetujui tertulis Program Studi (Surat No. 215/IPMI-KEL/IX/2026) Verbal + voluntary completion; mechanism approved in writing by the Graduate Program (Letter No. 215/IPMI-KEL/IX/2026)

Note: Names and signatures of informants are withheld to preserve confidentiality. The complete written responses are retained in the researcher's records and are available to the supervisors and the examination committee on request.

BIOGRAPHY OF THE AUTHOR

Wachjono is a banking and insurance professional with approximately 32 years of experience in conventional and Islamic financial services in Indonesia.

He began his career as Operation Staff at PT Bank Universal (1992–1996), followed by PT Bank LTCB Central Asia as Junior Officer in the Operation Division (1996–1999) and ABN AMRO Bank N.V. as Relationship Manager (2000–2003). From 2003 to 2016 he served at PermataBank, where he was part of the founding team of PermataBank Syariah, opened PermataBank's branch in Aceh in 2006 and was recognised as The Best Area Manager.

He subsequently served as Vice President at Bank Syariah Mandiri (2016–2021) and as Senior Vice President – Regional CEO at Bank Syariah Indonesia (2021–2025), leading the Regional Sumbagsel and Regional Aceh offices. During his assignment in Aceh, he chaired the BMPD Aceh and the BUMN Forum in Aceh and served as a member of the Aceh Economic Acceleration Team.

He currently serves in an advisory capacity in the Indonesian Islamic life insurance industry. He holds Banking Risk Management certifications at Level 7 and Level 6 and is active as a trainer and consultant in Islamic banking and finance, notably through Muamalat Institute. This thesis was completed as part of the Master of Business Administration program at Institut IPMI, Jakarta.