

Life in Indonesia

MARCH 2024 EDITION

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We are pleased to present the March 2024 edition of Milliman's Indonesia Life Insurance Newsletter. This edition covers developments from 1 October 2023 to 31 December 2023.

We trust you find this edition informative. As always, we look forward to receiving your feedback, questions, or comments.



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Market performance

INDUSTRY PERFORMANCE OVER Q3 2023

According to the Indonesian Insurance Statistics published by the Financial Services Authority (OJK), the Indonesian life insurance industry experienced a decrease in profit before tax and other comprehensive income (OCI) over Q3 2023 (relative to Q3 2022). The change over the period is summarised below:

FINANCIALS (IN IDR TRILLIONS)	Q3 2022	Q3 2023	CHANGE
Net Premium Income	121.28	111.71	(9.57)
Investment and Other Income	24.65	38.30	13.65
Total Income	145.93	150.01	4.08
Total Claims and Benefits	108.70	113.28	4.58
Commission and Acquisition Costs	14.20	14.51	0.31
Operating Expenses	13.54	15.82	2.28
Total Expenses	136.44	143.61	7.17
Profit/(Loss) Before Tax and OCI	9.49	6.40	(3.09)
Tax	1.10	0.98	(0.12)
Net Profit/(Loss) Before OCI	8.39	5.42	(2.97)
Total Assets*	596.68	582.87	(13.81)
Premium Reserve	438.61	403.94	(34.67)
Unearned Premium Reserve	4.57	5.09	0.52
Claim Reserve	7.73	8.09	0.36
Catastrophic Reserve	0.19	0.15	(0.04)
Total Technical Reserve	451.10	417.27	(33.83)

Source: OJK's Indonesia Insurance Statistics: September 2022 and September 2023.

Note: OCI = other comprehensive income.

* As at 30 September 2022 and 30 September 2023.

Over Q3 2023, the profit before tax and OCI decreased by IDR 3.09 trillion compared to Q3 2022, mainly driven by a decrease of IDR 9.57 trillion in net premium income and an increase of IDR 4.58 trillion in total claims and benefits, despite an increase of IDR 13.65 trillion in investment and other income.

The Indonesia Life Insurance Association (AAJI) reported that unweighted total premium (including renewal premium) over Q3 2023 was IDR 132.04 trillion, a decrease of 7.7% compared to Q3 2022. Despite this, the total number of insured lives increased by 22.5% and 3.8% for groups and individuals, respectively, in Q3 2023 compared to Q3 2022.

The AAJI further reported that the life insurance industry paid claims and benefits amounting to IDR 122.46 trillion over Q3 2023, including IDR 15.24 trillion of health claims. This total amount is lower than the amount reported in Q3 2022 of IDR 128.09 trillion, which had IDR 11.47 trillion attributed to health claims.

Although there is a 4% decrease in total paid claims in Q3 2023 compared to Q3 2022, notably health claims have increased by 33% over the same period.

Market news

NEW PRODUCTS

The following new life insurance products were reported to have been launched over Q4 2023:

Traditional products

- PT Avrism Assurance (Avrism)** launched **Avrism Term 5**, a 5-year renewable term life insurance product which can be automatically renewed for an additional five-year period until the insured reaches the age of 70. Within the first two years of the policy, 100% of total basic premiums paid will be returned upon natural death, and 100% of the sum assured will be paid out upon accidental death. From the third policy year onwards, 100% of sum assured will be paid out upon death, and the payout amount doubles upon accidental death. A survival benefit of five times the annual basic premium will be paid out once every five years. Premiums range from IDR 4 million to 20 million per year, whereas the sum assured ranges from 20 to 50 times the annual premium. Several riders, including medical, critical illness, disability and waiver of premiums, are also offered.
- PT Zurich Topas Life (Zurich Life)** introduced **Zurich Plan Protector**, an endowment product with premium payment terms ranging from one to 10 years, which provides death and accidental benefits until the insured reaches the age of 100. A survival benefit will be paid out at a chosen time—either on the 10th, 11th, or up to the 20th policy anniversary—of an amount ranging from 100% to 200% of total premiums paid. Upon death, 100% of sum assured will be paid. An additional 10% of sum assured (capped at IDR 10 million) is payable upon accidental death if it occurs after survival benefit payout (i.e., from policy year 11 onwards). With a minimum premium of IDR 4 million and a minimum sum assured of IDR 50 million, **Zurich Plan Protector** hopes to help the “sandwich generation,” defined as middle-aged adults caring for their ageing parents while supporting their children or dependents, with some financial security.
- PT Asuransi Jiwa Inhealth Indonesia (Mandiri Inhealth)** introduced **MyCare Ultimate**, a yearly renewable health product offering a one-level upgrade to a policyholder's existing inpatient class within the national health insurance program (BPJS) plan. MyCare Ultimate also provides additional benefits, including a daily income allowance of up to IDR 750,000 when hospitalised for a maximum of 45 days, which can be claimed up to three times per year, coverage for ambulance expenses up to IDR 1.5 million, and a benefit of IDR 10 million in the event of death or total permanent disability (TPD) due to an accident.
- PT AXA Mandiri Financial Services (AXA Mandiri)** launched **Mandiri Flexi Proteksi**, a 5-/10-pay 8-/15-year term life product providing coverage against death, 77

critical illnesses and selected inpatient care subject to annual limits. With the sum assured starting from IDR 100 million, there are three plans available: Basic (providing death coverage only), Plus (providing both critical illness and death coverages) and Max (providing death, critical illness and inpatient coverages). For all three plans, 100% of sum assured, after deductions for any accelerating benefit (if any), will be paid out upon death. For the Plus and Max plans, 100% of sum assured (capped at IDR 10 billion) will be paid out upon diagnosis of a critical illness. For the Max plan, an annual limit of 5% of sum assured (capped at IDR 150 million) will be paid upon any inpatient claims. A total limit of 50% of sum assured throughout the coverage period is applied on the inpatient benefit. Upon maturity, 110% of total basic premium paid will be returned for 5-pay and 120% for 10-pay. The insured entry age is between 17 and 65 years, with a minimum annual premium of IDR 4.4 million for 5-pay and IDR 2.2 million for 10-pay.

- **PT Sun Life Financial Indonesia (Sun Life)** launched **Sun Proteksi Tepat**, a 5-pay 20-year endowment product with a maximum insured age of 60 years. There are two plans available—Tepat 100 with an annual premium ranging from IDR 12 million to IDR 30 million, and Tepat 200 targeting the more affluent segment with a minimum annual premium of IDR 30 million. Upon death, 100% of sum assured will be paid out for Tepat 100, with the amount doubling for the Tepat 200 plan. Upon maturity, 100% of the sum assured will be paid. In the event of early withdrawal, a cash value will be paid out to the policyholder.
- **PT AIA Financial (AIA)** with **PT Bank CIMB Niaga Tbk (CIMB Niaga)** have introduced **AIA Fortuna Prestige Treasure**, a 2-/5-/10-pay whole of life insurance product with two plans, Treasure A and Treasure B. With a minimum sum assured of IDR 2 billion, Treasure A provides a death benefit of 100% of sum assured, increasing by 10% every three years, capped at 300% of sum assured. Similarly, Treasure B also offers a 10% increase in sum assured every three years until the 16th policy anniversary, or upon the policyholder reaching age 60 (whichever occurs later), after which the sum assured continues to increase by 3% every three years. In the event of accidental death before age 80, the policyholder will receive an extra benefit of up to 150% of sum assured, capped at IDR 10 billion. For those who opt for Treasure B, a survival benefit amounting to 25% of the initial sum assured will be paid on the 16th policy anniversary, or when the policyholder turns 61 (whichever occurs later), reducing the sum assured payable. Upon maturity, 100% of total sum assured, including the accumulated booster, will be paid out. Premiums start from IDR 100 million and the product is accessible to insured ages from 18 to 70 years, depending on the chosen premium payment terms.
- **PT Asuransi Allianz Life Indonesia (Allianz)** and **PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk (Bank BJB)** launched **Allianz Life Secure PINTAR**, a

single premium 10-year endowment product available in IDR and USD (regular premium will be made available in the future). Upon death, the product pays a 105% return of premium for the first two years and 100% of the sum assured thereafter. The death benefit is doubled on accidental deaths (capped at IDR 10 billion). Furthermore, upon maturity of 10 years, Allianz will pay the education benefit amounting to 100% of the sum assured. With a minimum premium of IDR 100 million or USD 10,000, this product is currently sold through **PT Bank CTBC Indonesia (Bank CTBC)** and **PT Bank Victoria International Tbk (Bank Victoria)**.

Unit-linked products

- **Allianz and Bank BJB** launched **Allianz Wealthlink Protection Life and Allianz Wealthlink Supreme Life**. Both products are offered in IDR and USD, with a maximum insured entry age of 70. Allianz Wealthlink Protection Life is a regular premium whole of life product that provides protection up to age 100 and allocates 105% of the basic premium to the unit fund starting from the sixth policy year. The minimum sum assured is either IDR 100 million or USD 36,000. The minimum monthly premium is either IDR 2 million or USD 200. The sum assured and account value are paid out upon death, while only the account value is paid out upon maturity at age 100. This product is currently sold by **PT Bank QNB Indonesia Tbk (Bank QNB)**, **PT Bank KEB Hana Indonesia (Bank Keb Hana)**, **Bank CTBC** and **Bank Victoria**. Allianz Wealthlink Supreme Life is a regular premium whole of life product. Upon death, the sum of sum assured and account value or 600% of the annualised basic premium is paid out, whichever is greater. A loyalty bonus of 50% of the annualised basic premium is credited at the end of the fifth policy year. Upon maturity at age 100, the account value is paid out. The minimum monthly premium is IDR 5 million or USD 500. This product is currently sold by **Bank Victoria**.

Microinsurance products

No new microinsurance products were reported to have been launched over Q4 2023.

NEW DIGITAL FEATURES

- **PT Asuransi Jiwa Sinarmas MSIG (Sinarmas MSIG Life)** has launched a digital health application, **MyFit+**. It uses a Biological Age Model (BAM) algorithm, allowing users to view their biological age and health metrics such as active calorie count, body mass index (BMI), resting heart rate (RHR) and sleep quality. The launch of this application demonstrates the company's commitment towards digital development while promoting a healthy lifestyle.

OTHER NEWS

- **PT Asuransi Jiwa Prolife Indonesia**, formerly known as **PT Asuransi Jiwa Indosurya Sukses**, had its license revoked by the OJK on 2 November 2023. The company officially announced its bankruptcy in January 2024, and appointed a liquidation team. Parties with outstanding claims were instructed to contact the liquidation team and submit their claims within 60 days.
- **PT Reasuransi Nasional Indonesia (Nasional Re)** recorded a solvency ratio of 123.7% as of September 2023, exceeding the minimum requirement set by the OJK for the first time, following a negative solvency ratio of 38.88% as of September 2022. Furthermore, with an Investment Adequacy Ratio (RIK) of 118.91% and equity totaling IDR 994.88 billion as of September 2023, Nasional Re has surpassed the minimum regulatory requirements of 100% and IDR 200 billion, respectively, demonstrating an improvement in its financial strength.
- The OJK officially launched the **Insurance Roadmap 2023-2027 (Roadmap)** on 23 October 2023, in the face of challenges of low penetration, density and literacy compared to neighbouring countries. The Roadmap asserts that, despite the country's potential for Syariah insurance due to its significant Muslim population, conventional insurance prevails because of the limitations in Syariah insurance's risk management, investment instruments, product variations and financial literacy. It also reports that the crowded landscape of Indonesia's insurance market is dominated by numerous small-scale businesses, which intensifies the competition for a limited market share. This situation underscores the necessity for consolidation strategies to improve the capacity and efficiency within the industry. Meanwhile, digitalisation has revolutionised consumer interactions within the insurance space, presenting growth opportunities but also elevating cyber risks, stressing the importance of robust governance and risk management practices.

The Roadmap aims to serve as a guide for the development of the insurance industry in Indonesia, structured around four pillars that will be implemented across three phases. The four pillars in the Roadmap include:

1. Strengthening the resilience and competitiveness of the insurance industry.
2. Developing elements within the insurance industry ecosystem.
3. Accelerating the digital transformation of the insurance industry.
4. Strengthening regulation, supervision and licensing.

Phase 1 (2023-2024) focuses on addressing immediate gaps, Phase 2 (2025-2026) focuses on utilising enhanced resources to strengthen the industry, while Phase 3 (2027) focuses on developing the ecosystem to support the insurance industry and exploring new opportunities for growth as a takeoff phase.

According to the Roadmap, the distribution landscape of Indonesia's insurance industry currently heavily relies on direct marketing, insurance brokers and agencies, with digital channels comprising a relatively small portion. However, over the next five years, the marketing strategy is expected to pivot towards e-commerce, telemarketing and nonbank corporations (BUSB) due to the rapid evolution of digitalisation. The current product landscape in the life insurance industry is dominated by endowment, investment-linked and health insurance. Despite lower interest in personal accident insurance, the industry is actively focusing on increasing the sales of this segment, followed by term life and health insurance over the next five years.

Regulatory developments

NEW REGULATIONS OVER Q4 2023

The following OJK regulation (POJK) developments have been reported during Q4 2023:

- In December 2023, the OJK issued **POJK No 20/2023**, which includes provision for credit life insurance, underwritten by conventional and Syariah life insurers. This regulation mandates that general insurers collaborate with life insurers to cover the risk of natural death, instead of providing natural death cover on their own. Conventional general insurers are only permitted to collaborate with conventional life insurers, while Syariah general insurers are only permitted to collaborate with Syariah life insurers. Life insurers selling credit life insurance are restricted to providing coverage only for the risks of the debtor's death, total or partial permanent disability due to an accident and/or critical illness. Additionally, the regulation stipulates that the component in pricing relating to acquisition costs (including commissions) must be capped at 10% of the premium/contribution rate, reduced from 20% as currently stipulated in **PMK No 124/PMK.010/2008**.
- In December 2023, the OJK issued **POJK No 23/2023**, outlining the licensing requirements for conventional and Syariah insurance and reinsurance companies. The regulation stipulates the minimum paid-up capital for newly established firms: IDR 1 trillion for insurance companies, IDR 2 trillion for reinsurance companies, IDR 500 billion for Syariah insurance companies, and IDR 1 trillion for Syariah reinsurance companies. OJK also mandates insurers to maintain a security fund of at least 20% of the minimum required paid-up capital upon license application, placed in either automatically renewable term deposits in unaffiliated banks, or Indonesian government-issued securities with tenors of at least one year.

- For existing insurers, the regulation mandates a timeline for achieving minimum equity in two phases: Phase 1 by 31 December 2026, followed by Phase 2 by 31 December 2028. Additionally, the OJK introduced equity-based company groups (“Kelompok Perusahaan Perasuransian berdasarkan Ekuitas,” or KPPE): KPPE 1 companies can offer only simple insurance products, while those in KPPE 2 can provide the full range of insurance products and services.

IDR BILLION	CONVENTIONAL INSURANCE	CONVENTIONAL RE-INSURANCE	SYARIAH INSURANCE	SYARIAH RE-INSURANCE
PHASE 1 31 DEC 2026	250	500	100	200
PHASE 2 (KPPE 1) 31 DEC 2028	500	1,000	200	400
PHASE 2 (KPPE 2) 31 DEC 2028	1,000	2,000	500	1,000

- Furthermore, the concept of insurance business groups (“Kelompok Usaha Perusahaan,” or KUPA) is introduced as an alternative for companies that are unable to meet the equity requirements by the end of 2028, which involve shareholding relationships among the holding company and its subsidiary members. The KUPA holding company must be either the controlling shareholder of the subsidiary member, or a noncontrolling shareholder holding at least 10% of the subsidiary member’s shares. At a minimum, the KUPA holding company is required to meet Phase 2 KPPE 2 requirements, while it is sufficient for its subsidiary members to meet Phase 1 requirements.
- Finally, the regulation stipulates that foreign individuals can only own companies through stock exchange transactions. For foreign legal entities, ownership can be achieved through direct shareholding in the company, stock exchange transactions or holding shares of Indonesian legal entities owning the company through direct investment or stock exchange transactions. Foreign ownership by legal entities must meet the following criteria:
 - Be engaged in similar business activities, or be parent companies of subsidiaries in similar insurance businesses.
 - Hold minimum equity of at least five times the direct shareholding amount in the company at the time of establishment and any subsequent changes in shareholding.
 - Hold a credit rating of at least A or equivalent from internationally recognised rating agencies.

FORTHCOMING REGULATIONS

No new developments in the forthcoming regulations were reported in the news over Q4 2023.

Distribution updates

AGENCY CHANNEL

The following new agency developments have been reported in the media over Q4 2023:

- PT FWD Insurance Indonesia (FWD)** launched new independent sales offices in Denpasar, Surabaya, Pontianak, Manado and Makassar.
- PT AXA Financial Indonesia (AXA Financial)** inaugurated a new sales office in Ruko Rafflesia Business Center, Batam.

BANCASSURANCE CHANNEL

The following new bancassurance partnerships and developments have been reported in the media over Q4 2023:

- PT BNI Life Insurance (BNI Life)** and **PT Bank Hibank Indonesia (Hibank)**, two subsidiaries of **PT Bank Negara Indonesia (Persero) Tbk (BNI)**, established a bancassurance partnership with the goal of enhancing their presence and visibility in the market. This collaboration provides customers with a selection of three existing products already sold through other channels or banks: **BNI Life Steady Protection+**, **BLife Solusi Abadi Plus** and **BLife Plan Multi Protection Plus**.
- PT Asuransi Jiwa Sequis Financial (Sequis Financial)** and **PT Bank ICBC Indonesia (Bank ICBC Indonesia)** announced a new credit life bancassurance partnership. The credit life product aims to provide protection to the bank’s customers taking out mortgages, ensuring that borrowers can secure their homes with loans protected by **Sequis Financial**.

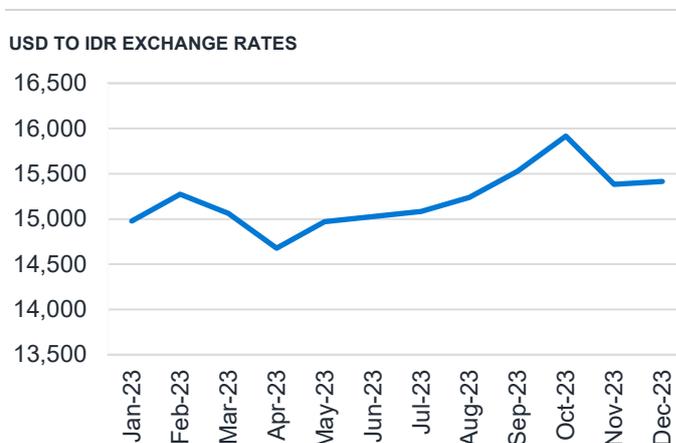
DIGITAL CHANNEL AND INSURTECH

No new developments in the digital channel or insurtech were reported in the news over Q4 2023.

Other recent developments

MACROECONOMICS

The graph below shows the Indonesian rupiah (IDR)-US dollar (USD) exchange rate over the past 12 months.



Source: Bank Indonesia Mid Rates

As at January 2024, rupiah exchange rates had been relatively stable, only losing 1.24% due to the stabilisation policy of Bank Indonesia (BI). This was achieved through many factors, including maintaining portfolio in-flows, which could be attributed to attractive yields on domestic assets and positive economic outlook. This led to the rupiah outperforming other regional currencies which had depreciated over a similar period, such as the Malaysian ringgit, Thai baht, and South Korean won. BI will continue its efforts to uphold the stability of the rupiah, with an expectation of achieving an appreciating trend going forward. BI aims to continuously implement its rupiah stabilisation policy and optimisation of its pro-market monetary operations strategy through security instruments to attract overseas investors. Additionally, BI continues to strengthen its coordination with the government, banking industry and the business community to assure the implementation of instruments which could retain proceeds from natural resources exports.

National economic growth remains solid, with support from domestic demand. In 2023, BI projected the 2023 economic growth to be between 4.5% and 5.3% (actual 2023 growth was 5.05%), driven by consumption and investments rising mainly from the government's ramped-up spending to accelerate the completion of several national strategic projects (PSNs) by the end of the year. For 2024, BI projects an accelerated economic growth of between 4.7% and 5.5%, primarily due to ongoing consumption growth caused by the positive impact of the general election and increases in investments in line with PSN developments, including the new capital city (IKN).

Export performance remains subdued due to global economic moderation and the decline in international commodity prices. However, a promising outlook can be seen in several sectors, such as the manufacturing industry, wholesale and retail trade, information and communication, construction and transportation and storage. To drive economic growth, BI will continue to strengthen its fiscal collaboration with macroprudential stimuli.

Inflation in Indonesia continues to fall and remains within the target range, with the Consumer Price Index (CPI) registering at 2.61% year over year (y/y) in December 2023, a decrease from 5.51% y/y last year, which is well within the 3.0%±1% target. The decline is attributed to the implementation of BI's pro-stability monetary policy and collaborative efforts between BI and the central and regional governments. In addition, lower core inflation was maintained in 2023 due to low imported inflation. Furthermore, volatile food (VF) inflation is well-controlled as a result of BI's collaboration with the central and regional inflation control teams to strengthen the national food inflation control movement (GNPIP). In 2024, BI plans to maintain collaboration with the government to ensure inflation remains within the target range of 2.5%±1%.

The BI Board of Governors Meeting in January 2024 agreed to maintain the BI rate at 6.00%, alongside the unchanged deposit facility and lending facility rates at 5.25% and 6.75%, respectively. This decision aims to support the rupiah stabilisation policy as well as to maintain inflation levels within target. Alongside this, BI will implement a pro-growth macroprudential and payment system policies to achieve sustainable growth, with a stance to revive bank lending and financing to businesses and households. In addition, digital economic and financial inclusion will be expanded with the acceleration of payment system digitalisation.

As per SEOJK NO 27/SEOJK.05/2017 and SEOJK NO 28/SEOJK.05/2017, the maximum discount rate assumption allowed in determining the premium reserves is the Indonesia Bond Pricing Agency (IBPA) published average yield of securities issued by the Indonesian government for the prior 12 months, plus an additional 0.5%.

The table below shows the derivation of the maximum discount rates as at 31 December 2023.

IDR			IDR		
TENOR	AVERAGE OF LAST 1 YEAR	AVERAGE OF LAST 1 YEAR + 0.5%	TENOR	AVERAGE OF LAST 1 YEAR	AVERAGE OF LAST 1 YEAR + 0.5%
1	6.04	6.54	16	6.98	7.48
2	6.19	6.69	17	7.00	7.50
3	6.29	6.79	18	7.02	7.52
4	6.36	6.86	19	7.04	7.54
5	6.43	6.93	20	7.05	7.55
6	6.50	7.00	21	7.06	7.56
7	6.57	7.07	22	7.07	7.57
8	6.63	7.13	23	7.08	7.58
9	6.70	7.20	24	7.08	7.58
10	6.76	7.26	25	7.09	7.59
11	6.81	7.31	26	7.09	7.59
12	6.85	7.35	27	7.10	7.60
13	6.89	7.39	28	7.10	7.60
14	6.93	7.43	29	7.10	7.60
15	6.96	7.46	30	7.10	7.60

Source: Milliman calculations based on Indonesia Bond Pricing Agency (IBPA).



Milliman is among the world's largest providers of actuarial, risk management, and technology solutions. Our consulting and advanced analytics capabilities encompass healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

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