

# Life in Indonesia

APRIL 2023 EDITION

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We are pleased to present the April 2023 edition of Milliman's Indonesia Life Insurance Newsletter. This edition covers developments from 1 October 2022 to 31 December 2022.

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 AT Q3 YTD 2022

According to the Indonesian Insurance Statistics published by the Financial Services Authority (OJK), the Indonesian life insurance industry experienced an increase in profit before tax and other comprehensive income (OCI) over Q3 2022 from Q3 2021. The change over the period is summarised below:

Financials (in IDR trillions)	Q3 2021	Q3 2022	Change
<b>Net Premium Income</b>	131.45	121.28	(10.17)
<b>Investment and Other Income</b>	20.03	24.65	4.62
<b>Total Income</b>	<b>151.48</b>	<b>145.93</b>	<b>(5.55)</b>
<b>Total Claims and Benefits</b>	134.24	108.70	(25.54)
<b>Commission and Acquisition Costs</b>	13.22	14.20	0.98
<b>Operating Expenses</b>	13.30	13.54	0.24
<b>Total Expenses</b>	<b>160.76</b>	<b>136.44</b>	<b>(24.32)</b>
<b>Profit/(Loss) Before Tax and OCI</b>	<b>(9.28)</b>	<b>9.49</b>	<b>18.77</b>
<b>Tax</b>	1.22	1.10	(0.12)
<b>Net Profit/(Loss) Before OCI</b>	<b>(10.50)</b>	<b>8.39</b>	<b>18.89</b>
<b>Total Assets*</b>	<b>558.75</b>	<b>596.68</b>	<b>37.93</b>
<b>Premium Reserve</b>	448.03	438.61	(9.42)
<b>Unearned Premium Reserve</b>	4.00	4.57	0.57
<b>Claim Reserve</b>	9.64	7.73	(1.91)
<b>Catastrophic Reserve</b>	0.06	0.19	0.13
<b>Total Technical Reserve</b>	<b>461.73</b>	<b>451.10</b>	<b>(10.63)</b>

Note: OCI = other comprehensive income.

\* As at 30 September 2021 and 30 September 2022.

Source: OJK's Indonesia Insurance Statistics: September 2021 and September 2022.

Over Q3 2022, the profit before tax and OCI increased by IDR 18.77 trillion from Q3 2021, mainly driven by a decrease of IDR 25.54 trillion in total claims and benefits, despite a decrease in net premium income of IDR 10.17 trillion.

The Indonesia Life Insurance Association (AAJI) reported that unweighted total premium (including renewal premium) in Q3 2022 was IDR 143.75 trillion, a decrease of 3.8% compared to Q3 2021. Despite this, the total number of insured lives increased by 25.6% for group and 33.5% for individuals in Q3 2022 compared to Q3 2021.

The AAJI further reported that the life insurance industry paid claims and benefits amounting to a total of IDR 128.09 trillion in Q3 2022, including IDR 11.47 trillion of health claims.

## Market news

### NEW PRODUCTS

The following new life insurance products were reported to have been launched over Q4 2022:

#### Traditional products:

- PT Sun Life Financial Indonesia (Sun Life) and PT Bank CIMB Niaga Tbk (Bank CIMB)** launched **Sun Proteksi Jiwa**, a 1-year, 10-year or 20-year term life product paying out the sum assured upon death. The minimum annual premium is IDR 3,297,000, while the sum assured starts from IDR 1.5 billion. The coverage will be automatically extended at the end of the policy term, subject to premium increases, provided that the insured is under 80 years old at the end of the extended policy term. For the 10-year and 20-year variants, a reducing percentage of paid-to-date premiums is refunded upon surrender or lapse after the second policy year.
- Sun Life and Bank CIMB** also launched **X-Tra Proteksi Cermat**, a 10-year 5-pay endowment product. The minimum annual premium is IDR 15 million, while the sum assured is seven and six times the annual premium for insured ages 6-50 and 51-60, respectively. Upon death, the higher of the sum assured and 110% of the policy value is paid out. Upon maturity, the policyholder will receive 120% of total premiums paid. Upon surrender after the second policy year, an increasing percentage of the premiums paid will be refunded.
- PT AIA Financial (AIA) and Bank CIMB** launched **AIA Fortuna Prestige Legacy**, a 2-pay whole life product targeted to high and ultra-high net worth individuals between the ages of 18 and 70, with annual premium starting from IDR 250 million and sum assured starting from IDR 2 billion. The product pays an initial 100% of the sum assured upon death, increasing by 20% every five years (capped at 200% after 25 years), with an additional 100% of sum assured (capped at IDR 10 billion) upon accidental death before insured age 79. Upon diagnosis of terminal illness before the insured's age 79, 50% of the accrued sum assured (capped at IDR 3 billion) will be paid, accelerating the death and survival benefits. Upon survival to age 99, 200% of sum assured will be paid.
- PT AXA Financial Indonesia (AXA Financial)** launched **AXA Critical Protector**, a yearly renewable standalone critical illness product with two variants: with and without no claim bonus (NCB). The minimum annual premium is IDR 3 million while the sum assured starts from IDR 100 million. The NCB variant refunds all premiums paid to date if there were no claims every 10 years, while the non-NCB variant can be renewed up to age 99. An optional benefit booster increases the sum assured by 5% annually up to a maximum total of 150% of the initial sum assured. The product pays out the sum assured (including all accumulated boosters) upon death or diagnosis of a late-

- stage critical illness (with 73 types covered). One-time payments, each accelerating 15% of the accumulated sum assured, are made upon diagnoses of one early-stage (with 57 types covered) and one intermediate-stage (with 34 types covered) critical illnesses.
- **PT Great Eastern Life Indonesia (Great Eastern) and PT Bank OCBC NISP (Bank OCBC)** launched **Great Prestige Protector**, a single premium whole life product. The minimum premium is IDR 50 million while the sum assured ranges from 150% to 500% of the single premium. The policy pays out the higher of sum assured and account value upon death, or the account value upon survival to age 99. The account value grows at a guaranteed investment yield for the first 10 years. Partial withdrawals are allowed after the second policy year. Up to the 10<sup>th</sup> policy year, partial withdrawals are capped at 60% of the single premium subject to withdrawal charges, but the sum assured is not reduced. After the 10<sup>th</sup> policy year, no charges are imposed but the sum assured is reduced by the amount withdrawn.
- **PT Asuransi Jiwa Manulife Indonesia (Manulife) and PT Bank DBS Indonesia (Bank DBS)** launched **MiFirst Life Protector**, a term life product with return of premium benefits. The entry age starts from 18 years old, and the insured must be at most 58 years old at the end of the policy term. The policy term ranges from eight to 15 years, with a minimum monthly premium of IDR 50,000. The sum assured is a fixed multiple of 700, 500 and 300 times the monthly premium, for insured ages 18 to 30, 31 to 40 and 41 to 50, respectively. All premiums paid will be refunded upon maturity. No premiums are refunded upon surrender before or during the eighth policy year, but 70% of total premiums paid will be refunded upon surrender after the eighth policy year.
- **PT Asuransi Jiwa BCA (BCA Life)** launched **Perlindungan Kesehatan Ultima**, a health product yearly renewable up to age 99, covering selected inpatient, outpatient, surgical treatments, critical illness and accident care as charged, subject to annual limits, with cashless claim payments. The insured entry age is between 30 days and 70 years, with monthly premiums starting from IDR 493,600. Four plans are available with various coverages and limits.
- **PT Asuransi Jiwa Sequis Financial (Sequis Financial) and PT Bank CTBC Indonesia (Bank CTBC)** launched **Q Critical Care Plus**, a 20-year 5-pay standalone critical illness product. The sum assured ranges from IDR 100 million to IDR 3 billion. Upon a critical illness diagnosis, the sum assured is paid out, all premiums paid are refunded and the policy terminates. Upon the earlier of death or maturity, 150% of total premiums paid is refunded. Upon at least eight days of hospital intensive care, the policy pays a one-time amount of 20% of sum assured (capped at IDR 250 million).
- **Great Eastern** launched **GREAT Prolinsure Life**, a term life product yearly renewable up to age 65 available on the **Qoala Plus** mobile app. The sum assured is paid out upon death and ranges from IDR 50 million to IDR 1 billion, while the entry age ranges from 17 to 55 years old.
- **PT Asuransi Jiwa IFG (IFG Life)** launched **IFG LifeSAVER**, a one-month personal accident product that can be purchased through **Life by IFG**, its digital platform. With an entry age of between 18 and 69 years old and premium options of IDR 49,000 and IDR 99,000, policyholders receive coverage for medical care due to accidents, as well as death and permanent disability.

#### Unit-linked products:

No new unit-linked products were reported to have been launched over Q4 2022.

#### Syariah products:

No new Syariah products were reported to have been launched over Q4 2022.

#### UPDATE ON JIWASRAYA/IFG LIFE

- As at December 2022, 88.7% of restructured policies from **PT Asuransi Jiwasraya (Persero) (Jiwasraya)** had been successfully transferred to **IFG Life**, and claim payments have been made to 157,266 policies amounting to more than IDR 5.2 trillion. As at November 2022, **IFG Life** had a healthy risk-based capital (RBC) ratio of 171.03%.

#### UPDATE ON BUMIPUTERA

- **PT AJB Bumiputera 1912 (Bumiputera)** submitted its Financial Recovery Plan (RPK) to OJK in mid-November 2022 and has liabilities totaling to IDR 33.3 billion as at December 2022.

#### UPDATE ON WANAARTHA LIFE

- In late October 2022, the board of directors of **WanaArtha Life**, namely **Adi Yulistanto**, **Ari Prihadi Atmosoekarto** and **Ardian Hak**, along with an independent commissioner, **Hari Prasetyo**, filed for resignation effective by the end of November 2022. However, through a virtual press conference in early November 2022, the OJK rejected their resignations and asked them to focus on the recovery of the company. **WanaArtha Life's** assets were also confiscated by the government.
- In early December 2022, the OJK officially revoked **WanaArtha Life's** insurance business license and announced plans to liquidate **WanaArtha Life**.

#### UPDATE ON KRESNA LIFE

- In December 2022, **PT Asuransi Jiwa Kresna (Kresna Life)** submitted its RPK again to the OJK, but it is reported that the OJK still considers the RPK to be inappropriate in overcoming its issues. **Kresna Life's** assets are considered insufficient to cover its liabilities, including policyholder claims.

## MERGERS AND ACQUISITIONS

- **PT Asuransi Cigna (Cigna)** is in the process of finalising its merger with **PT Chubb Life Insurance Indonesia (Chubb Life)**. The merger is set to be completed in Q1 2023, and **Chubb Life** is set to be the surviving entity of the merger. The merger aims to strengthen and expand **Chubb Life**'s presence in Indonesia.

## SYARIAH SPIN-OFF

- **PT Asuransi Allianz Life Indonesia (Allianz)** announced concrete plans to launch its spin-off entity in 2023.

## OTHER NEWS

- The **AAJI** held Human Resources (HR) Summit 2022 on 7 December 2022 to promote and enhance digital competence in the insurance industry. Insurtech has a promising presence in the industry, with its flexible offering, better rates, leading technology and focus on customers. **AAJI** hopes that this discussion will lead to the improvement of HR through initiating digital workshops or hiring those who are able to innovate digitally.
- In December 2022, the OJK announced that it is keeping a watchful eye to 13 insurance companies, with seven of them being life insurance companies. Some of these companies are believed to have RBC ratios under the minimum requirement of 120%. The OJK has been intensively communicating with these companies to resolve their solvency problems and strengthen their financial positions.
- The **Indonesia Syariah Insurance Association (AASI)** officially launched a blueprint for Syariah life insurance in Indonesia, which can act as a guideline or road map to grow the national Syariah life insurance industry. The then-chairman of AASI, **Tatang Nurhidayat**, announced that this document was developed over eight months and is expected to be used by all stakeholders of the industry.

## Regulatory developments

### NEW REGULATIONS OVER Q4 2022

The OJK issued three circular letters in Q4 2022:

- **SEOJK No. 30/SEOJK.05/2022** is an amendment of **SEOJK No. 19/SEOJK.05/2020** regulating distribution channels for insurance products. The new regulation provides further details on Section VI of the existing regulation about partnership agreements with nonbank institutions in marketing insurance products. The amendment mainly covers these points:
  - a. Nonbank partners can now directly explain the insurance product to the customers and assist customers when opening policies, terminating policies, undergoing the underwriting process and filing claims, as well as to receive premium or contributions. These conditions hold if the insurance products are marketed

by the nonbank partners as part of: 1) risk mitigation measures for the business activities of the nonbank partners, 2) components of products or services run by the nonbank partners and 3) linked to the sales of the nonbank partners' products.

- b. If the insurance products are marketed digitally, the system should connect the information platform of the nonbank partners and the insurance companies via a link. The OJK also requires the electronic media to be covered as an application programming interface (API) meeting the following conditions: 1) the API is owned by the insurance companies; 2) insurance companies should implement effective risk management on the API; 3) the system does not store the consumers' data once the policy coverage has commenced; and 4) the consumer must give their consent before the transition from the nonbank partners' electronic system to the insurance companies' electronic system.
- **SEOJK No. 31/SEOJK.05/2022** replaces **SEOJK No. 32/SEOJK.05/2016** regulating the bancassurance distribution channel for insurance products. While provisions are largely similar, some additions and clarifications on main areas include:
    - a. The existing reference model can be distinguished as reference for bank products and reference for nonbank products. The new regulation clarifies that the bank can act as the policyholder of an insured contract under the reference model for bank products while it cannot be involved in any termination of the contract under the reference model for nonbank products.
    - b. For the distribution model, the bank needs to take an active role to explain directly to the customers the characteristics, benefits and risks from terminating the insurance product.
    - c. There are some new required clauses added within the bancassurance agreement, such as: 1) a statement on each party's responsibility in the bancassurance partnership; 2) the bank can only use the marketing kit as provided by the insurer; 3) the insurance coverage is effective once a premium or contribution is received by the bank; and 4) an agreement between the bank and the insurer regarding training on the bank's employees who will be marketing the products.
    - d. The insurer can market one or more products with the same bank partner, and can use more than one business model.
    - e. If the agreement covers unit-linked products, the insurer needs to provide documents as a proof that the bank's employees are certified to sell unit-linked products when seeking an approval from the OJK.

- **SEOJK No. 32/SEOJK.05/2022** amends **SEOJK No. 15/SEOJK.05/2019** on the reassessment of main parties of nonbank financial institutions. The main points covered by the new regulation related to insurers include:
  - a. Clarifications on the controller of insurers. The regulation now explicitly requires the reassessment to cover insurers' controllers who are shareholders and those who are not shareholders. This includes the consequences on both types of controllers when they do not pass the reassessment process.
  - b. Additional unlawful conditions that may trigger the reassessment to main parties of insurers, such as the party inhibiting the effort of the OJK and/or other parties in managing solvency or liquidity issues of the insurers, or any other issues pertaining to integrity, financial reputation or competencies not compliant with the law.
  - c. The OJK may bypass the regular protocol in determining the final reassessment result if the condition is deemed to be dangerous for the financial stability.
  - d. The OJK reserves the right to require the main parties to provide feedback on the preliminary reassessment result faster than the default 10-day timeline.

#### FORTHCOMING REGULATIONS

There are no forthcoming regulations reported over Q4 2022.

## Distribution updates

#### AGENCY CHANNEL

The following new agency developments have been reported in the media over Q4 2022:

- **PT Asuransi Jiwa Sequis Life (Sequis Life)** officially opened a new agency office, **Agency The Legend Master**, in Medan, North Sumatra.
- **PT Bhinneka Life Indonesia (Bhinneka Life)** officially opened a new agency office in Pekanbaru.
- **PT Asuransi Jiwa Sinarmas MSIG Tbk (Sinarmas MSIG)** opened a new agency office, **Independent Agency Office (AKM) Grow**, in Daan Mogot, Jakarta.

#### BANCASSURANCE CHANNEL

The following new bancassurance partnerships and developments have been reported in the media over Q4 2022:

- **PT Asuransi Simas Jiwa (Simas Jiwa)** signed a bancassurance partnership with **PT BPR Universal (Bank Universal BPR)** as an effort to increase credit life insurance access for debtors.

#### DIGITAL CHANNEL AND INSURTECH

No new developments in the life digital and insurtech sectors were reported during Q4 2022.

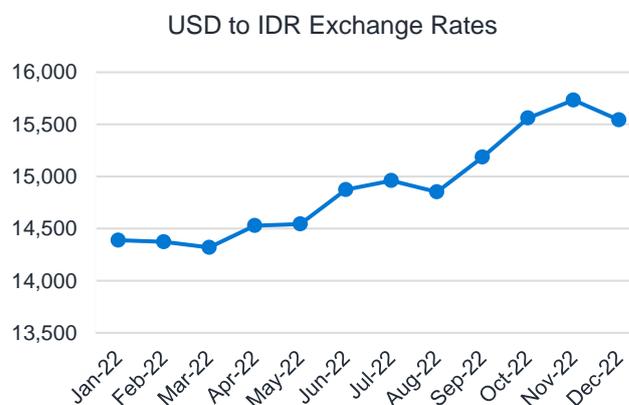
## Other recent developments

#### MORBIDITY STUDY: INDONESIAN MORBIDITY TABLE I

In November, the AAJI, along with the OJK, **Society of Actuaries Indonesia (PAI)**, **PT Reasuransi Indonesia Utama (Indonesia Re)** and **Swiss Reinsurance Company Ltd (Swiss Re)** released the first edition of the Indonesian Morbidity Table. This table provides information on 35 types of critical illness that are mostly covered by life insurance companies, which will enhance the premium pricing processes. According to the report, the morbidity table was constructed based on 11.5 million "exposure data" and 68,000 "claim data" collected from at least 30 life insurance companies from 2013 to 2017.

#### MACROECONOMICS

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



Source: FX rate: [www.xe.com](http://www.xe.com).

Despite the depreciation of the Indonesian rupiah by 2.35% from its position as at September 2022 over Q4 2022, the Indonesian rupiah is expected to appreciate in the future as the economic outlook improves. Bank Indonesia (BI) stated that currency pressures are lessening in developing economies, including Indonesia. As uncertainty in the global financial markets has started to abate, there have been increasing capital flows to developing economies, inflationary pressures have diminished and economies have gained stability.

The national economic growth has consistently improved as a result of strong domestic demand. BI cited that the growth of national economy is driven by strong export performance, higher household expenditures and investments in nonbuilding assets. Economic growth in 2022 is projected with a bias towards the upper end of the 4.5% and 5.3% range. In 2023, economic growth is projected to expand continuously despite moderation, with a bias towards the midpoint of the 4.5% and 5.3% range due to a weaker world economic outlook.

Consumer price index (CPI) inflation was recorded at 5.51% year-on-year (y/y) in December 2022, significantly below the consensus forecast projection of 6.5% y/y after the supplementary fuel price adjustment in September 2022. Core inflation was maintained at 3.36% y/y at the end of 2022, below the BI projection of 4.61% y/y. The lower CPI and core inflation are the result of efficient cooperation between the government and BI through a front-loaded, preemptive and forward-looking monetary policy response, backed up by a variety of control methods targeting volatile food (VF) inflation through the National Movement for Food Inflation Control (GNPIP). In the future, BI is optimistic that core inflation will stay within the 3.0% ± 1% target during the first semester of 2023 and that CPI inflation would return to the 3.0% ± 1% target range in the second half of the year. In order to achieve lower and manageable inflation, BI will continue to improve its monetary policy response in tight cooperation with the government.

In January 2023, the Board of Governors of BI agreed to raise the BI 7-day reverse repo rate, the deposit facility rate and the lending facility rate to 5.75%, 5.00% and 6.50%, respectively. According to BI, the more considered decision to increase the policy rate is a front-loaded, preventive and proactive follow-up move to lower inflation expectations and inflation in the future. Foreign exchange (FX) monetary operations, such as the use of foreign currency term deposit (TD) instruments using foreign exchange proceeds of exports (DHE) in compliance with market mechanisms, have strengthened the rupiah stabilisation policy to control imported inflation.

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 of 31 December 2022.

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	4.60	5.10	16	7.54	8.04
2	5.38	5.88	17	7.54	8.04
3	5.86	6.36	18	7.54	8.04
4	6.23	6.73	19	7.54	8.04
5	6.54	7.04	20	7.54	8.04
6	6.79	7.29	21	7.54	8.04
7	6.98	7.48	22	7.53	8.03
8	7.13	7.63	23	7.53	8.03
9	7.25	7.75	24	7.53	8.03
10	7.34	7.84	25	7.52	8.02
11	7.40	7.90	26	7.52	8.02
12	7.45	7.95	27	7.51	8.01
13	7.49	7.99	28	7.51	8.01
14	7.51	8.01	29	7.50	8.00
15	7.53	8.03	30	7.50	8.00

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



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