

TABLE OF CONTENTS

Market performance	2
Market news	2
Regulatory developments	4
Distribution updates	4
Other recent developments	5

We are pleased to present the March 2022 edition of Milliman's Indonesia Life Insurance Newsletter. This edition covers developments during the period from 1 July 2021 to 30 September 2021.

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



Brian Colgan
*Head of Life Insurance
Consulting, Indonesia*



Muhammad Ismail
*Consulting Actuary,
Indonesia*



Halim Gunawan
*Country Manager
Indonesia*



Richard Holloway
*Managing Director,
South East Asia & India, Life*

Market performance

INDUSTRY PERFORMANCE AT Q2 YTD 2021

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 Q2 2021. The change over the period is summarised below:

Financials (in IDR trillion)	Q2 2020	Q2 2021	Change
Net Premium Income	74.85	90.01	15.16
Investment and Other Income	7.24	11.81	4.57
Total Income	82.09	101.82	19.73
Total Claims and Benefits	62.89	80.40	17.51
Commission and Acquisition Costs	9.17	8.98	(0.19)
Operating Expenses	9.91	8.62	(1.29)
Total Expenses	81.98	98.00	16.02
Profit/(Loss) Before Tax and OCI	0.11	3.82	3.71
Tax	1.01	1.01	0.00
Net Profit/(Loss) Before OCI	(0.90)	2.81	3.71
Total Assets*	502.44	555.40	52.96
Premium Reserve	390.69	434.98	44.29
Unearned Premium Reserve	4.48	4.49	0.01
Claim Reserve	5.87	8.16	2.29
Catastrophic Reserve	0.17	0.16	(0.01)
Total Technical Reserve	401.21	447.79	46.58

Note: OCI = other comprehensive income.

* As at 30 June 2020 and 30 June 2021.

Source: OJK's Indonesia Insurance Statistics: June 2020 and June 2021.

The profit before tax and OCI over Q2 2021 increased by IDR 3.71 trillion, despite an increase of IDR 16.02 trillion in total expenses, mainly driven by an increase of IDR 15.16 trillion in premium income. The increase in net premium income is primarily attributed to the economy's rebound from the COVID-19 pandemic, while the higher claims are attributed to claims arising from COVID-19.

The Indonesia Life Insurance Association (AAJI) reported IDR 104.72 trillion in unweighted total premium (including renewals), at Q2 2021, an increase of 17.5% compared to Q2 2020. The increase was attributed to the rise of unweighted new business premium by 27.4% year-on-year from IDR 53.41 to IDR 68.02 trillion. The AAJI further stated that the growth of the new business premium was attributed to a 37.5% increase in new business sales through bancassurance. Bancassurance contributed 55.8% of the total new business premium.

Market news

NEW PRODUCTS

The following new life insurance products were reported to have been launched over Q3 2021:

Traditional products:

- PT Great Eastern Life Indonesia (Great Eastern)** launched **Great Multiple Critical Illness** to provide cover for policyholders aged up to 80 years, against 59 major critical illnesses. A benefit is paid on death before, or survival to the end of the policy term. Sums assured range from IDR 250 million to IDR 5,000 million, while premiums can be paid either as a single premium, or regularly, over three or five years. An optional rider, **Great Early CI**, extends the cover to include an additional 63 minor critical illnesses. **Great Multiple Critical Illness** is sold through **Great Eastern's** existing bancassurance partner, **PT Bank OCBC NISP Tbk (Bank OCBC NISP)**.
- PT Hanwha Life Insurance Indonesia (Hanwha Life)** launched a yearly renewable term health product **Hanwha Premier Health Care**. The product is renewable up to age 90 for in-patient benefits and up to age 60 for additional out-patient benefits. Three plans are available with varying geographical coverage and limits for specific treatments.
- PT Asuransi Jiwa Astra (Astra Life)** launched **Flexi Life Protection**, a digital term life product for policyholders aged between 18 and 60. The policy automatically renews every year up to age 85. The minimum sum assured is IDR 50 million, and the maximum sum assured depends on the policyholder's age when buying the policy. Annual premiums start from IDR 58,000.
- PT AIA Financial (AIA)** has started to sell **Premier Medical Protection (Medic Pro)**, a yearly renewable term health product, through **PT Bank Central Asia Tbk (BCA)**. The policy can be renewed up to age 99 and covers the cost of treatments for critical illnesses and care received on either an in-patient or out-patient basis. Death benefit, hospital cash benefit and other additional benefits are available. Separate **Elite**, **Prestige** and **Ultimate** plans are available with different coverage, limits and premiums.
- PT FWD Insurance Indonesia (FWD)** launched **FWD Hospital Care Protection**, a yearly-renewable-term health product providing comprehensive health cover, up to age 100, including care on an in-patient or out-patient basis and access to various rehabilitation facilities. Five plans are available, each with a Basic and an Optimal version, providing different geographical scope and benefit limits. A funeral allowance, no claim bonus, and limit booster are available as additional features amongst others.
- PT AXA Financial Indonesia (AXA Financial)** launched two versions of its endowment product **AXA Wealth Protector**. Plan 5 offers a 5-year premium term and a 10-year policy term, while Plan 10 offers premium and policy terms of 10 and 15 years respectively. Death benefits range from 100% to 160% of total (paid and unpaid)

premiums. A cash benefit equal to 5% of total premiums is paid every year after the premium term ends until the policy anniversary before maturity. On maturity, 105% or 120% of total premiums is paid for Plan 5 and Plan 10 respectively. Annual premiums start from IDR 10 million and IDR 5 million for Plan 5 and Plan 10 respectively.

- **AIA** now sells insurance to cover the health risks associated with playing video games, such as wrist injuries and heart and eye complications. Players are indemnified against the cost of in-patient care and receive a daily hospital cash benefit. Premiums start from IDR 16,000 per year and the product is sold through **GoSure**, the insurance platform of the **Gojek** app.

Unit-linked products:

- **PT Chubb Life Insurance Indonesia (Chubb Life)** launched **Loyalty Link**, a regular premium whole life insurance product providing cover up to age 100, against natural death and up to age 65 against accidental death and total permanent disability. Basic premiums start from IDR 50 million per year, with 50% of premiums allocated to units in the first year and 100% thereafter. A loyalty bonus equal to 50% of the annual basic premium is credited on the 5th and 10th policy anniversaries.

Syariah products:

- **PT Asuransi Allianz Life Indonesia (Allianz)** launched **AlliSya AMAN**, a traditional Syariah product providing cover against natural death and 77 critical illnesses (both up to age 86), accidental death (up to age 70), and a maturity benefit upon survival to the end of the policy term. Sums assured start from IDR 100 million, while contributions start from IDR 3 million a year. Optional limited contribution terms are available.
- **PT Prudential Life Assurance (Prudential)** has started to sell **PRUCerah**, a traditional education endowment product. Regular contributions start from IDR 5.5 million per year and can be paid for either five years, or the entire Education Fund Benefit Waiting Period (Waiting Period) of between 8 and 18 years. Benefit payments start at the end of the Waiting Period with a single lump sum of at least 30 times the monthly benefit amount and a monthly benefit paid for four years. An additional non-guaranteed monthly benefit and a maturity benefit may be paid out. Total contributions paid to date will be refunded upon death of the life insured, while all future contributions will be waived if the payor dies, is diagnosed with a critical illness, or becomes totally and permanently disabled.
- **Prudential** also started selling **PRUCinta** to provide comprehensive coverage against natural and accidental death and a maturity benefit equal to the cash value on survival to the end of the 20-year participation term. are guaranteed renewal of their cover, up to age 70, without evidence of health. Annual contributions start from IDR 22 million and are paid for 10 years. **PRUCinta** is sold through **PT Standard Chartered Bank Indonesia (Standard Chartered Bank)**, an existing bancassurance partner.

COVID-19 related products:

- **Allianz** launched the **Isoman Aman** program to enhance policy benefits by reimbursing patients' medical expenses while self-isolating due to COVID-19. Costs up to IDR 900,000 per PCR test until recovery, consulting doctors, diagnostic and lab checks, medications, vitamins, and supplements are included. The program was later replaced by the **Isoman Sehat** program providing teleconsultations, medications, vitamins, a thermometer, an oximeter, and surgical masks.
- **PT Tokio Marine Life Insurance Indonesia (Tokio Marine)** offers an allowance for COVID-19 self-isolation at no additional cost in order to enhance policy benefits.
- **PT AXA Mandiri Financial Services (AXA Mandiri)** provides extra benefits to cover the cost of medications, supplements, doctors' fees, delivering medications, PCR tests, and a healthy food catering service on diagnosis of COVID-19.

NEW DIGITAL FEATURES

- **Astra Life** provides telemedicine consultations through the **HaloDoc** mobile app for members of **Astra Life's** group term life policies with out-patient benefits. Members can also benefit from buying medicines online using cashless payments.
- **FWD** also collaborates with **HaloDoc** to enhance its **FWD MAX** mobile app by providing access to online consultations, buying prescription pharmaceuticals, and scheduling hospital appointments. Initially, these services were made available only to members of **FWD's** corporate group policies with out-patient benefit coverage.
- **PT Asuransi Jiwa InHealth Indonesia (Mandiri InHealth)**, **PT Asuransi BRI Life (BRI Life)**, **PT BNI Life Insurance (BNI Life)**, **AXA Mandiri**, and other State-owned Enterprises, collaborated to launch the **FitAja!** digital health platform. **FitAja!** supports the government's efforts to curb the spread of COVID-19. The app offers teleconsultations, e-prescriptions, e-claims, and advice on healthy living.

NEW UNIT-LINKED FUNDS

- **Prudential** launched a new unit investment fund, **PRULink US Dollar Global Tech Equity Fund (PDGT)**. The fund invests in companies worldwide whose primary economic activities lie within the technology sector. The fund is available under the **VERSALink Maxima Protection Plus** product sold through **Standard Chartered Bank**, as well as the **BUILDERAssurance Account Max** and **BUILDERInvestor Account Max** products sold through **PT Bank UOB Indonesia (Bank UOB)**.

UPDATE ON JIWASRAYA/IFG LIFE

- **PT Asuransi Jiwasraya (Persero) (Jiwasraya)** planned to transfer its remaining assets to **PT Asuransi Jiwa IFG (IFG Life)** from September 2021 onwards after its Extraordinary General Meeting of shareholders in August 2021. The Ministry of Finance estimated the value of

assets to be transferred at IDR 13.1 trillion, as at June 2021.

- The migration of **Jiwasraya's** policyholders to **IFG Life** as a result of restructuring policies was planned to commence in October 2021, but started in November instead.

IFG Life received State Capital Participation (**PMN**) of IDR 20 trillion for **Jiwasraya's** policy restructuring, with 97% of policyholders having agreed to the restructuring. However, an additional PMN of IDR 2 trillion was scheduled to be granted in 2022 but has been cancelled for undisclosed reasons. In addition, **IFG Life** received IDR 6.7 trillion of capital from **Indonesia Financial Group (IFG)**, its state-owned holding company. IFG was rebranded from **PT Bahana Pembinaan Usaha Indonesia (Persero)** in 2020.

UPDATE ON BUMIPUTERA

- In early September 2021, 374 individual policyholders issued cease and desist letters to **PT AJB Bumiputera 1912 (Bumiputera)** and the OJK, demanding payments of outstanding claims.
- Local media reported that **Bumiputera** owes up to IDR 7 trillion in outstanding claim payments.
- On 9 September 2021, the OJK facilitated another meeting between **Bumiputera's** management and policyholders' representatives on forming a new Members' Representative Body (BPA). The BPA is a necessary part of resolving **Bumiputera's** insolvency.

UPDATE ON KRESNA LIFE

- **LQ Indonesia Lawfirm** withdrew the policyholders' lawsuit against **PT Asuransi Jiwa Kresna (Kresna Life)** as a result of **Kresna Life's** efforts to mediate with its policyholders.
- The Supreme Court decided to annul its declaration of **Kresna Life's** bankruptcy and hence restore **Kresna Life** to its position before the Postponement of Debt Repayment Obligations (PKPU) decision in December 2020.
- The AAJI supported the Supreme Court's decision, by stating that only the OJK has the authority to grant PKPUs and to declare insurers as bankrupt.

OTHER NEWS

- **BRI Life** is investigating claims that the personal details of over two million policyholders were put up for sale online by unidentified hackers.
- The OJK withdrew sanctions imposed upon **PT Asuransi Jiwa Advista (Advista)** for failing to meet the requirements on equity and presence of an appointed actuary. **Advista** resumed selling new business from 30 July 2021.

Regulatory developments

NEW REGULATIONS OVER Q3 2021

One OJK circular letter (SEOJK) was issued during the period:

- Circular letter SEOJK NO 22/SEOJK.05/2021 requires non-bank financial institutions to implement cyber risk

management. The regulation stipulates that the processes and procedures for using IT must be adequate and that directors and commissioners must play active supervisory roles. The measures of cyber risk management are implemented in the form of good documentation of the following aspects:

- Application of risk management components in the use of IT
- Policies and procedures when using IT
- Applications architecture
- List of applications
- Communication network
- Data centre and disaster recovery centre
- IT security
- Disaster recovery plans
- Parties providing IT services
- Cost of IT.

FORTHCOMING REGULATIONS

The OJK did not publish any draft regulation related to the life insurance industry over Q3 2021.

Distribution updates

AGENCY CHANNEL

The following new agency partnerships and developments have been reported in the media over Q3 2021:

- **Hanwha Life** expanded its network of marketing offices with new offices in Semarang, Solo, Surabaya, Batam, and Makassar. **Hanwha Life** aims to have 18 marketing offices in total across Indonesia by the end of 2021.
- **IFG Life** plans to open 21 branch offices and involve up to 1,000 agents across Indonesia.

BANCASSURANCE CHANNEL

The following new bancassurance partnerships and developments have been reported in the media over Q3 2021:

- **BNI Life** commenced a new partnership with **PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk (Bank BJB)**, offering **Solusi Proteksi Prima** to Bank BJB's priority account holders. The offering is a single premium traditional endowment product. Coverage is available for up to 10 years with a sum assured up to IDR 20 billion.
- **PT Bank Pembangunan Daerah Banten Tbk (Bank Banten)** signed a Memorandum of Understanding with **PT Taspen (Persero) (Taspen)** and **PT Asuransi Jiwa Taspen (Taspen Life)** to improve the services offered to **Taspen Life's** pensioners.
- **Allianz** kickstarted its partnership with **PT Bank Pembangunan Daerah Jawa Barat Banten Tbk (Bank BJB)** by launching two unit-linked products for sale exclusively through **Bank BJB. Proteksi Optima Care** is a

regular premium product paying out 500% of annualised premiums and the unit fund balance on death before age 100 or the unit fund balance only on survival to age 100. Annual premiums start from IDR 6 million. **Proteksi Maxima Care** is a single premium product paying out 150% of base single premium and the unit fund balance on death before age 75, up to 300% of the base single premium on accidental death or disability before age 65, or the unit fund balance only on survival to the end of the policy term. Single premiums range from IDR 50 million/USD 5,000 to IDR 200 million/USD 16,500.

DIGITAL CHANNEL AND INSURTECH

The following developments in the digital and insurtech sectors have been reported:

- **Astra Life** commenced providing free life insurance cover to customers of **Pluang**, a mobile app allowing investment in various assets such as gold, S&P500, cryptocurrencies, and mutual funds. **AVA Group Proteksi Dinamis**, pays IDR 15 million on death and is automatically renewed every month, once the policyholder maintains a balance of at least one gram of gold.
- **Astra Life** also started collaborating with **PT Bank Permata Tbk (Permata Bank)** by providing access to five life and health insurance products on the **PermataMobile X** mobile app. This e-bancassurance arrangement enables prospective policyholders to complete the application process in five minutes.
- **PT MNC Life Assurance (MNC Life)** rebranded its digital insurance app from **Hario** to **MotionInsure** to integrate with the digital services already available in the **Motion** ecosystem. This includes **MotionBanking** (digital banking) and **MotionPay** (digital e-money, e-wallet, and transfer platform).
- **PT Asuransi Jiwa Generali Indonesia (Generali)** launched **ALIVE**, a new digital end-to-end insurance platform targeted at the millennial and Generation Z population. The platform sells **Asuransi Modern untuk Rencana Masa Depan (AMORE)**, a 10-year term life product providing life protection with a guaranteed 110% refund-of-premium at the end of policy term. Sums assured start from ID 50 million and premiums start from IDR 55,350 monthly. Premium terms range from four to ten years. The product also offers a simple application process.
- **AIA** selected **Vymo**, a San Francisco-based company offering a sales acceleration platform, to implement its first remote sales distribution platform. Features include automatically recording sales and the sales force's interactions as well as real-time sales performance. Other AIA entities in India, Vietnam, Thailand, and Myanmar have implemented the same capabilities.
- **Rey (rey.id)**, an app-based health insurtech start-up, entered the market providing an end-to-end integration of life, health, and critical illness insurance products. Health services, including insurance cover, are sold on a

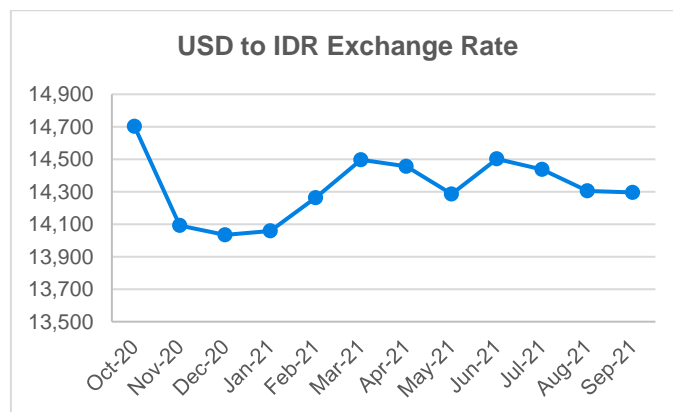
subscription basis starting from IDR 69,000 per month.

Rey partners with insurance brokerage **PT Premier Investama Bersama**.

Other recent developments

MACROECONOMICS

The graph below shows the Indonesian Rupiah-US dollar exchange rate for the past 12 months.



Source fx rate: www.xe.com

The Indonesian Rupiah appreciated by 1.43% between June 2021 and September 2021. Bank Indonesia (BI) stated the year-to-date appreciation of the Indonesian Rupiah against the US dollar was due to the ongoing inflows of foreign capital from investors' positive outlook of Indonesia's economic recovery.

BI anticipated stronger national economic growth through the fourth quarter of 2021, with overall growth for 2021 projected at 3.5% - 4.3%. Economic growth is expected to accelerate in 2022 due to greater public mobility from higher vaccination rates against COVID-19.

The consumer price index (CPI) recorded deflation of 0.04% month-on-month (m/m) as at September 2021. CPI inflation was 0.80% year-to-date or 1.60% year-on-year (y/y) as at September 2021, a slight increase from 1.59% y/y at August 2021. The continuation of low core inflation is attributed to subdued domestic demand for goods and services. BI expressed its commitment to keep the expected rate of inflation within its target of 3.0% ± 1% y/y.

In October 2021, the Board of Governors of BI agreed to maintain the BI 7-day Reverse Repo Rate, the Deposit Facility Rate, and the Lending Facility Rate at 3.50%, 2.75%, and 4.25% respectively. BI stated the decision is consistent with the Indonesian government's strategy to maintain the stability of the financial system and revive economic growth.

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 30 September 2021.

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	3.70	4.20	16	7.54	8.04
2	4.40	4.90	17	7.61	8.11
3	4.91	5.41	18	7.66	8.16
4	5.31	5.81	19	7.71	8.21
5	5.64	6.14	20	7.74	8.24
6	5.93	6.43	21	7.77	8.27
7	6.19	6.69	22	7.79	8.29
8	6.43	6.93	23	7.81	8.31
9	6.64	7.14	24	7.82	8.32
10	6.82	7.32	25	7.83	8.33
11	6.99	7.49	26	7.83	8.33
12	7.14	7.64	27	7.83	8.33
13	7.26	7.76	28	7.83	8.33
14	7.37	7.87	29	7.83	8.33
15	7.47	7.97	30	7.83	8.33

Source: Indonesia Bond Pricing Agency (IBPA)



Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

milliman.com

CONTACT

Brian Colgan
brian.colgan@milliman.com

Halim Gunawan
halim.gunawan@milliman.com

Richard Holloway
richard.holloway@milliman.com