

JUNE 2022 EDITION

TABLE OF CONTENTS

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

We are pleased to present the June 2022 edition of Milliman's Indonesia Life Insurance Newsletter. This edition covers developments from 1 January 2022 to 31 March 2022.

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



Farzana Ismail
*Principal and
Consulting Actuary*



Muhammad Ismail
*Consulting Actuary,
Indonesia*



Halim Gunawan
*Country Manager
Indonesia*



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

Market performance

INDUSTRY PERFORMANCE AT Q4 YTD 2021

According to the Indonesian Insurance Statistics published by the Financial Services Authority (OJK), the Indonesian life insurance industry experienced an increase in profits during Q4 2021 before tax and other comprehensive income (OCI). The change over the period is summarised below:

Financials (in IDR trillion)	Q4 2020	Q4 2021	Change
Net Premium Income	165.57	178.78	13.21
Investment and Other Income	26.00	29.44	3.44
Total Income	191.57	208.22	16.65
Total Claims and Benefits	149.29	163.70	14.41
Commission and Acquisition Costs	17.99	18.55	0.56
Operating Expenses	19.97	18.29	(1.68)
Total Expenses	187.25	200.54	13.29
Profit/(Loss) Before Tax and OCI	4.32	7.68	3.36
Tax	3.95	3.39	(0.56)
Net Profit/(Loss) Before OCI	0.37	4.29	3.92
Total Assets*	544.20	589.81	45.61
Premium Reserve	424.90	473.06	48.16
Unearned Premium Reserve	3.16	3.21	0.05
Claim Reserve	6.58	8.52	1.94
Catastrophic Reserve	0.12	0.07	(0.05)
Total Technical Reserve	434.76	484.86	50.10

* As at 31 December 2020 and 31 December 2021.

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

Over Q4 2021, the profit before tax and OCI increased by IDR 3.36 trillion, mainly driven by an increase of IDR 13.21 trillion in net premium income. This was offset by the rise in total claims and benefits, primarily due to COVID-19.

The Indonesia Life Insurance Association (AAJI) reported that the unweighted total premium (including renewal premium) in 2021 was IDR 202.93 trillion, recording an increase of 8.2% compared to 2020. The increase was mainly attributed to the 5.3% rise in total premium from the bancassurance channel, increasing from IDR 92.72 trillion in 2020 to IDR 97.63 trillion in 2021. The bancassurance channel contributes around 48.1% of the total life insurance premium in 2021, followed by agency and other channels, which are 29% and 22.9% of the total premium, respectively.

The AAJI recorded death and health claims of IDR 21.14 trillion and IDR 13.04 trillion, respectively, in 2021. It is reported that COVID-19-related claims reached a total of IDR 8.82 trillion between March 2020 and December 2021.

Market news

NEW PRODUCTS

The following new life insurance products were reported to have been launched in Q1 2022:

Traditional products:

- **PT Asuransi Jiwa Astra (Astra Life)** collaborated with **PT Bank Permata Tbk (Permata Bank)** to launch **AVA iLife Protection**, a term assurance product that is renewable yearly up to age 85. Annual premiums start from IDR 290,000 and the sum assured starts from IDR 250 million.
- **PT Asuransi Jiwa Sequis Life (Sequis Life)** launched **Sequis System and Organ Function Insurance (SOFI)**, a 10-pay 25-year term product paying out a sum assured (ranging from IDR 100 million to IDR 3 billion) and a refund of all premiums paid to date upon diagnosis of a critical illness or organ failure (including newly discovered diseases). Policyholders are also entitled to an accelerated benefit payout of 20% of the sum assured (but capped at IDR 250 million) on receiving inpatient intensive care for at least eight days. In the event of death or policy maturity, the total premiums paid to date (multiplied by a factor ranging between 100% to 150%) will be refunded to policyholders, depending on the plan selected.
- **PT AIA Financial (AIA)** and **PT Bank CIMB Niaga Tbk** launched **Fortuna Income Protection**, a limited pay endowment product with guaranteed cash benefits (payable annually after the premium payment term) and guaranteed maturity benefits. These benefits are set as a percentage of the sum assured depending on the premium/policy term and the policy currency (choice of IDR and USD). Additional non-guaranteed cash benefits (payable annually) and terminal bonuses (payable on death, surrender, or maturity) may be payable depending on the investment and operational performance. Upon death, either 110% of the premiums paid to date, or the cash value will be paid (whichever is greater). However, if death occurs in the first policy year, only the total premiums paid will be refunded. A waiver of premiums will be granted if the insured suffers a total and permanent disability. Annual premiums start from IDR 24 million and USD 3,600 for IDR and USD denominated policies, respectively, while the premium/policy term combination options available are 5/20, 10/30, 15/40, and 20/50 years.
- **PT Hanwha Life Insurance Indonesia (Hanwha Life)** started selling **Hanwha Smart CI Plus**. Up to 75% of the sum assured is accelerated on diagnosis of critical or serious illnesses. The sum assured (less any accelerated benefits paid) is payable on death. When the policyholder

- reaches age 80, a maturity payout of 50% of the sum assured will be paid, regardless of any accelerated benefits already paid. Premium term options are 5, 10, and 15 years, and sums assured start from IDR 200 million.

Unit-linked products:

- PT Asuransi Jiwa Generali Indonesia (Generali)** launched **BeSMART Link**, a premium whole of life product paying out 100% of the sum assured and the account value upon death. The account value will be paid on survival at age 99 when the policy matures. A “Smart Living Bonus” ranging from 100% to 200% of the annualised regular premium will be paid to policyholders on each policy anniversary between ages 81 to 90. Regular premiums start from IDR 3.6 million per annum, while the sum assured is floored at the greater of IDR 7.5 million and five times the annual premium. An optional comprehensive health rider, **Generali Medical Solution**, can be attached to the product.

Syariah products:

- PT Great Eastern Life Indonesia (Great Eastern)** and **PT Bank OCBC NISP Tbk (Bank OCBC NISP)** launched **i-Great Heritage Assurance**, a single contribution whole of life product with death insurance benefits amounting up to 48 times the contribution paid, where the multiplier varies by the participant’s entry age. If the participant dies during the Hajj pilgrimage, 200% of the insurance benefits will be payable. A *waqf* feature of up to 45% of the insurance benefits is also available. The single contribution amount starts from IDR 10 million.

Microinsurance products:

- Prodigy**, an insurance broker, collaborated with **Gojek** and **PT Asuransi Simas Jiwa (Simas Jiwa)** in launching **PerjalananAman+** for the users of the **Gojek** platform. At IDR 1,000 per ride, Gojek users booking rides on the platform will be entitled to up to IDR 7 million in medical fees in the event of an accident and up to IDR 350 million in the event of accidents resulting in total disability or death.

NEW DIGITAL FEATURES

- PT Asuransi Jiwa Sinarmas MSIG Tbk (Sinarmas MSIG)** launched a digital platform, **Versatile Electronic Global Assistant (VEGA)**, to help policyholders manage their insurance policies. This includes 24-hour access to policy information, financial transactions, and healthcare services. The platform provides different advantages to individual policyholders, corporate policyholders, credit life policyholders, and pension fund policyholders.
- PT Asuransi Jiwa IFG (IFG Life)** launched **LIFIA**, a virtual customer care assistant to enable policyholders to obtain 24/7 access to product information, premium payments, claim conditions, and customer service locations.

UPDATE ON JIWASRAYA/IFG LIFE

- The third warning penalty (SP3) imposed on **PT Asuransi Jiwasraya (Persero) (Jiwasraya)**, due to non-compliance with solvency and equity ratio requirements, expired on 7 March 2022. Upon expiry, a 1-year business activity restrictions penalty (SPKU) was issued in April 2022. The OJK requested the transfer of policies to **IFG Life** to be completed before April 2023, upon which **Jiwasraya** will be expected to return its business license to the OJK.
- As of 16 March 2022, 156,255 in-force policies (67.84%) from **Jiwasraya** have been transferred to **IFG Life**. In addition, **IFG Life** has made benefit claim payments amounting to IDR 2.9 trillion. **IFG Life** targets to execute the transfer of policies valued at IDR 12.15 trillion over 2022.
- IFG Life** is expecting additional capital injection from its holding company, **Indonesian Financial Group (IFG)**, worth IDR 6.7 trillion, to aid the policy transfer process.
- A **Whatsapp Business** chat service has been made available by **IFG Life** to ex-Jiwasraya policyholders for inquiries about the policy transfer.
- According to its company business plan, **IFG Life** plans to launch 26 new products in 2022.

UPDATE ON BUMIPUTERA

- Due to an equity deficit amounting to IDR 21.9 billion in 2021, **PT AJB Bumiputera 1912 (Bumiputera)** is at risk of liquidation and business license revocation by the OJK. The first warning penalty (SP1) issued by the OJK expired on 23 December 2021, and **Bumiputera** has yet to settle the outstanding claims.
- A group of policyholders requested the OJK to impose a postponement of debt payment obligations (PKPU) on **Bumiputera** to accelerate the settlement of outstanding claim payments to policyholders.
- The OJK declined this PKPU request, citing two reasons: (1) the OJK is carrying out the guidance and supervision process on **Bumiputera**, and (2) the OJK is trying to ascertain whether the request protects the rights of all policyholders.
- The OJK is in the process of performing fit and proper tests on candidates for the new Members’ Representative Body (BPA). As of March 2022, nine out of 11 candidates have commenced the testing process.

SYARIAH SPIN-OFF

- The OJK has granted a business license to **PT Prudential Sharia Life Assurance (Prudential Syariah)**, the spin-off entity of **PT Prudential Life Assurance (Prudential)**, effective 11 March 2022.

OTHER NEWS

- **PT Asuransi Jiwa Tugu Mandiri** has been rebranded to **PT Perta Life Insurance**, effective 28 December 2021. The company is committed to carrying out a comprehensive business transformation covering its people, products, and processes. In addition, it will work towards digitalising its business and marketing processes. It plans to launch seven new products in 2022.

Regulatory developments

NEW REGULATIONS OVER Q1 2022

The OJK published a circular letter in Q1 2022:

- **New investment-linked regulations:** The OJK issued the final version of circular letter SEOJK No. 5/SEOJK.05/2022 regulating investment-linked insurance products in March 2022. This finalises two versions of the Draft SEOJK previously circulated in 2020 and 2021 for industry feedback. The new regulation is expected to significantly change how investment-linked business is managed and sold, including impact on product design, sales process, sales illustration, and asset-liability management. A summary of the key changes to the regulation of investment-linked insurance products is described in the Milliman e-Alert, which can be accessed [here](#).

FORTHCOMING REGULATIONS

No forthcoming regulation has been reported during Q1 2022.

Distribution updates

AGENCY CHANNEL

No new agency partnerships and developments have been reported in the media over Q1 2022.

BANCASSURANCE CHANNEL

The following new bancassurance partnerships and developments have been reported in the media over Q1 2022:

- **PT MNC Life Assurance (MNC Life)** established a partnership with the Indonesian Smallholder Credit Bank Association, **Perhimpunan Bank Perkreditan Rakyat Indonesia (Perbarindo)**, as an initial step for **MNC Life** to build relationships with smallholder credit banks. **MNC Life** plans to offer a one-stop financial services solution to customers of smallholder credit banks, including small and medium enterprises and residents of rural areas.
- **Great Eastern** has a new bancassurance agreement with **PT Bank Mestika Dharma Tbk (Bank Mestika)**, which was kickstarted by the launch of **Great Wealth Assurance**, a single premium whole of life product providing a one-time survival benefit at age 65 (only for policies with entry age below 50) amounting to the single premium amount, as well as a death or maturity benefit, both amounting to the sum assured (less the survival benefit paid, if any). The sum assured is a multiple of the

single premium amount, ranging between 2 and 40 depending on the entry age.

- **Prudential** kickstarted its new bancassurance agreement with **PT Bank Neo Commerce Tbk (BNC)** with the launch of **PRUHospital Protection Optima**, a regular premium 10-year term health product providing daily hospital cash benefits and a refund of up to 110% of total premiums paid to date on death and maturity (with an additional 110% on accidental death). This was **BNC's** first bancassurance partnership with an insurance company.
- **Astra Life** and **Permata Bank** expanded their existing bancassurance partnership to include their respective Syariah business units. Five Syariah products underwritten by **Astra Life** are now available for sale through **Permata Bank's** Syariah business units.

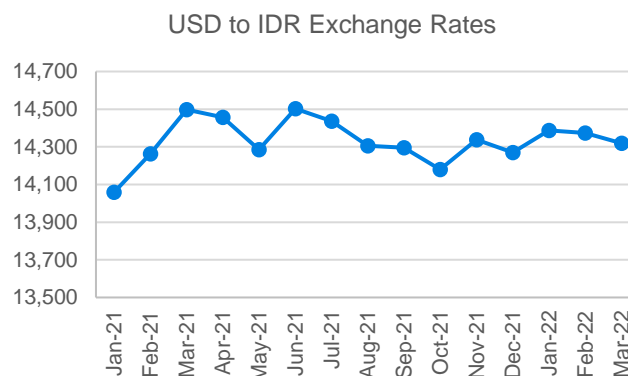
DIGITAL CHANNEL AND INSURTECH

No developments in the digital and insurtech sectors have been reported during Q1 2022.

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

Over Q1 2022, the Indonesian rupiah depreciated by 0.35% from its position as at December 2021. Bank Indonesia (BI) stated that the Indonesian rupiah and US dollar exchange rate weakened due to continued uncertainty in the global money market, despite investors' optimism about Indonesia's economic prospects.

BI cited greater public mobility as the key driver in the recovery of the domestic economy supported by higher consumption, investment in assets (other than property development), and export performance. BI predicted that Indonesia's economic performance would be impacted by lower import volumes and higher prices for global energy and commodities due to the Russia-Ukraine conflict. Economic growth is expected to slow down in 2022 to between 4.5% and 5.3%, slightly lower than the prior period forecast by BI of 4.7 to 5.5%.

Consumer price index (CPI) inflation was recorded at 2.64% year-on-year (y/y) in March 2022, which is higher than 2.06% (y/y) in February 2022. Core inflation rose from 1.56% y/y in Q4 2021 to 2.37% y/y in Q1 2022 due to the rise in domestic demand, combined with higher cooking oil and fuel prices. BI projected inflation in 2022 would be within the target range of 3.0%±1%, following BI's commitment to cooperate with the Central and Regional Inflation Control Teams.

In April 2022, 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 that the decision is consistent with the Indonesian government's strategy to maintain the financial system's stability and revive economic growth despite a build-up of external pressures, particularly the Russia-Ukraine conflict.

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 March 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	3.50	4.00	16	7.51	8.01
2	4.20	4.70	17	7.56	8.06
3	4.74	5.24	18	7.61	8.11
4	5.18	5.68	19	7.64	8.14
5	5.56	6.06	20	7.66	8.16
6	5.89	6.39	21	7.68	8.18
7	6.18	6.68	22	7.69	8.19
8	6.43	6.93	23	7.70	8.20
9	6.66	7.16	24	7.71	8.21
10	6.85	7.35	25	7.71	8.21
11	7.01	7.51	26	7.71	8.21
12	7.15	7.65	27	7.71	8.21
13	7.27	7.77	28	7.70	8.20
14	7.37	7.87	29	7.70	8.20
15	7.45	7.95	30	7.69	8.19

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

Farzana Ismail
farzana.ismail@milliman.com

Halim Gunawan
halim.gunawan@milliman.com

Richard Holloway
richard.holloway@milliman.com