

SEPTEMBER 2022 EDITION

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We are pleased to present the September 2022 edition of Milliman's Indonesia Life Insurance Newsletter. This edition covers developments from 1 April 2022 to 30 June 2022.

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



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Market performance

INDUSTRY PERFORMANCE AT Q1 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 Q1 2022 from Q1 2021. The change over the period is summarised below:

Financials (in IDR trillion)	Q1 2021	Q1 2022	Change
Net Premium Income	48.47	41.23	(7.24)
Investment and Other Income	1.73	9.17	7.44
Total Income	50.20	50.40	0.20
Total Claims and Benefits	39.13	37.63	(1.50)
Commission and Acquisition Costs	4.57	4.50	(0.07)
Operating Expenses	4.12	4.81	0.69
Total Expenses	47.82	46.94	(0.88)
Profit/(Loss) Before Tax and OCI	2.38	3.45	1.07
Tax	0.60	0.52	(0.08)
Net Profit/(Loss) Before OCI	1.78	2.93	1.15
Total Assets*	549.63	591.49	41.86
Premium Reserve	430.53	453.33	22.80
Unearned Premium Reserve	4.23	4.44	0.21
Claim Reserve	6.91	7.25	0.34
Catastrophic Reserve	0.13	0.07	(0.06)
Total Technical Reserve	441.80	465.09	23.29

Note: OCI = other comprehensive income.

* As at 31 March 2021 and 31 March 2022.

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

Over Q1 2022, the profit before tax and OCI increased by IDR 1.07 trillion from Q1 2021, mainly driven by an increase of IDR 7.44 trillion in investment and other income. This is offset by a decrease in net premium income of IDR 7.24 trillion.

The Indonesia Life Insurance Association (AAJI) reported that the unweighted total premium (including renewal premium) in Q1 2022 was IDR 48.99 trillion, a decrease of 14.7% compared to Q1 2021. Despite this, the total number of policies increased by 17.4% in Q1 2022 compared to Q1 2021.

The AAJI further recorded health claims of IDR 3.32 trillion in Q1 2022. It is reported that COVID-19-related claims amounted to more than IDR 9 trillion between March 2020 and March 2022. In Q1 2022, the life insurance industry paid claims and benefits amounting to IDR 43.35 trillion.

Market news

NEW PRODUCTS

The following new life insurance products were reported to have been launched over Q2 2022:

Traditional products:

- PT AIA Financial (AIA) and PT Bank CIMB Niaga Tbk (Bank CIMB)** launched **Fortuna Advance Protection**, a limited-pay whole of life critical illness (CI) endowment product. The sum assured (SA), less any accelerated benefits already paid, will be paid on major CI diagnosis, death, or survival to age 99. An additional 100% of SA will be paid out on accidental death. Accelerated benefits include payments for minor CI diagnosis (25% of SA), angioplasty (25% of SA or IDR 250 million, whichever is lower), and ICU care in excess of four days (50% of SA or IDR 250 million, whichever is lower). An allowance of IDR 5 million per day will be paid out on the first four days of ICU care for invasive ventilation. In addition, 25% of SA will be paid out upon diagnosis of a second minor cancer at least 12 months after the first minor cancer diagnosis. On major CI claim payment, the policy stays in force for 12 months, during which the cost of overseas treatments for major cancer and heart disease will be borne by the insurer as charged (capped at 50% of SA). Unborn child benefits are also provided for policies purchased on unborn infants.
- PT Asuransi Jiwa IFG (IFG Life)** launched **BTN Proteksi Negara (Persero) Tbk (Bank BTN)**. The yearly-renewable term product is integrated with **Bank BTN's** unsubsidised home mortgage products, paying out the sum assured in the event of an accident resulting in death or total/partial permanent disability. The coverage costs IDR 33,000 per month for sums assured up to IDR 350 million and can be extended up to age 56.
- AIA** also launched **AIA Platinum Legacy**, a traditional whole-of-life product with a single premium and two-year annual premium payment options targeted at high net-worth individuals. The minimum premium is IDR 250 million (for the two-year annual premium option) or IDR 500 million (for the single premium option), while the sum assured starts from IDR 2 billion. The product provides protection up to age 99. Upon death, 100% sum assured and a booster (multiples of 20% for every five years of policy anniversary, capped at 100%) will be paid. Upon accidental death before age 79, an additional 100% of the sum assured (capped at IDR 10 billion) will be paid. Upon terminal illness diagnosis before age 79, 50% of the total sum assured and the booster, if any, (capped at IDR 3 billion) will be paid, accelerating the death and maturity benefits. Upon survival to age 99, a 200% sum assured will be paid.

- **PT FWD Insurance Indonesia (FWD)** launched **FWD Critical First Protection**, a yearly, automatically renewable term product with the sum assured payable upon diagnosis of cancer, heart attack, or stroke. The basic benefits include coverage for medical care, organ failures, incurable critical conditions, and death, with varying payable benefits up to 100% sum assured. Additional benefits include early-stage cancer (25% sum assured), angioplasty (25% sum assured), and catastrophic major organ transplantation (50% sum assured). If the basic and/or additional benefits amounting to 50% sum assured have been paid, future premiums will be waived. If no benefit has been paid up to maturity, the premiums paid will be refunded. The policy will be terminated if basic benefits paid have amounted to 100% sum assured.
- **Allianz and PT Bank Victoria International Tbk (Bank Victoria)** launched one traditional product (in addition to two unit-linked products) in February 2022 as part of its soft launch of their bancassurance partnership. **Allianz Life Secure PASTI** is a limited / regular premium traditional product providing death, critical illness, and maturity benefits up to age 86 (paying out 200%, 100%, and 100% of sum assured respectively). Additional benefits are paid upon accidental death up to age 70 (paying out 200% of sum assured on public transportation and 100% otherwise). The minimum monthly premium is IDR 300,000. Further details on the unit-linked products are described below.

Unit-linked products:

- In addition to the traditional product **Allianz Life Secure PASTI** outlined above, **Allianz and PT Bank Victoria International Tbk (Bank Victoria)** have also launched two unit-linked products in February 2022 to kick-start their bancassurance partnership. First, **Allianz Wealthlink Preferred Life** is a regular premium unit-linked whole-of-life product paying out the sum assured and the investment value upon death, as well as providing medical assistance. The minimum monthly premium is IDR 2 million or USD 200. The second product, **Allianz Assetlink Maxima**, is a single premium unit-linked whole-of-life product paying out 150% of the basic single premium and the investment value upon death before age 75. An additional 150% of the basic single premium is paid out upon accidental deaths before age 65. Benefits for partial or total permanent disability are paid as a percentage of the basic single premium and accelerate the accidental death benefit. The basic single premium starts from IDR 50 million or USD 5,000.
- **PT Asuransi Allianz Life Indonesia (Allianz) and PT Bank QNB Indonesia Tbk (Bank QNB)** launched **Allianz Wealthlink Prestige Life**, a regular premium whole-of-life unit-linked product paying out the higher of the life coverage amount (sum assured less unit value) or 500% annual regular basic premium plus the unit value, upon

death. Upon diagnosis of one of the following critical illnesses - cancer, first heart attack, and stroke - 20% of the sum assured will be accelerated, but the sum assured will be reset to 100% three years after the critical illness diagnosis. In addition, a persistency bonus of 70% of the annualized regular basic premium will be topped up to the unit value at the end of the fifth policy year. The entire unit value will be paid out upon maturity. Basic annual regular premiums start from IDR 120 million.

Syariah products:

- **PT Avrist Assurance (Avrist)** launched **Warisan 108 by Avrist Syariah**, a limited-pay traditional term life product paying out the sum assured upon death up to age 108. Contribution term options are single contribution, three, five, ten, and twenty years.
- **AIA** launched **AIA Wakaf Assurance**, a short-term product sold on the **Gojek** app. The product pays out a fixed IDR 10 million upon death, with IDR 9 million allocated to the insurance beneficiary and IDR 1 million allocated to a *waqf* institution. Four plans are available, with insurance term options of one, three, six, and twelve months. The single contribution amount starts from IDR 20,000.
- **PT Prudential Sharia Life Assurance (Prudential Syariah)** launched **PRUSolusi Kondisi Kritis Syariah**, its first product, as an independent entity. The traditional product pays out the insurance allowance upon death or diagnosis of one of 60 late-stage critical conditions. A recovery allowance, amounting to 10% of the insurance allowance (capped at IDR 75 million and accelerates the death/critical condition insurance allowance), will be paid upon undergoing a recognised cancer treatment or a surgical procedure on vital organs. Policies are annual and automatically renewable up to age 120 (although contribution payments cease at age 99), with monthly contributions starting from IDR 300,000, and insurance allowance amounts starting from IDR 20 million.
- **AIA** launched **AIA Fortuna Berkah**, a 10-pay or 20-pay endowment product paying out the insurance allowance upon death, with double the sum assured upon death during the Hajj pilgrimage. For serious organ diseases, 100% and 200% of the insurance allowance are paid out on severe impairment and severe surgery cases, respectively. The severe surgery payments can be used to cover the cost of care on a cashless basis with AIA's partner healthcare facilities. A daily cash allowance of IDR 250,000 (capped at 20 days per policy year) is provided upon hospitalisation. The participant's fund value is also paid out upon death or on the occurrence of severe organ diseases. At the end of the 20th policy year, 50% of the cash value is paid out, while the remaining cash value is paid out upon maturity at age 88. Insurance allowance starts from IDR 100 million, while monthly contributions start from IDR 300,000.

NEW DIGITAL FEATURES

- **PT Chubb Life Insurance Indonesia (Chubb Life)** launched **Chubb LifeBalance**, a mobile app providing comprehensive physical and mental health training. The app analyses the user's lifestyle and offers objective assessments as well as virtual trainings designed by health experts with the support of artificial intelligence.

UPDATE ON JIWASRAYA/IFG LIFE

- As of June 2022, more than 96% of **PT Asuransi Jiwasraya (Persero) (Jiwasraya)** policyholders have agreed for their policies to be restructured and transferred to **IFG Life**.
- As of June 2022, 157,247 in-force policies valued at IDR 28.80 trillion (i.e. 87.2% of the IDR 33.02 trillion of policy liabilities targeted for Phase 1 transfers) from **Jiwasraya** have been transferred to **IFG Life**. In addition, **IFG Life** has made benefit claim payments amounting to IDR 3.69 trillion to restructured policyholders up to June 2022.
- **On 10 June, 2022 IFG Life** received an additional capital injection from their holding company, **Indonesian Financial Group (IFG)**, worth IDR 6.7 trillion, to aid the policy transfer process.
- Completion of the policy transfer process is later than expected. The second phase of the transfer will include in-force policies that require an administrative completion process and document verification, with liabilities valued at up to IDR 6.4 trillion. This was expected to commence in June 2022.

UPDATE ON BUMIPUTERA

- On 25 May 2022, a group of **PT AJB Bumiputera 1912 (Bumiputera)** policyholders conducted protests, requesting the House of Representatives of Republic of Indonesia (DPR RI) and President Joko Widodo to assist and supervise the claim settlements. In addition, they also urged the new **Commissioner Council (DK)** of the OJK to prioritise the claims settlement.
- In an extraordinary general meeting on 21 and 22 June 2022, **Bumiputera's** Members' Representative Body (BPA) selected candidates for the new Board of Directors. The candidates will next proceed with the OJK fit and proper tests. The BPA hoped that the selected candidates could increase the restructuring efforts, which is expected to expedite the claim settlement process.

UPDATE ON WANAARTHA LIFE

- There have been discussions between **PT Asuransi Jiwa Adisarana Wanaartha (WanaArtha Life)** and potential investors on the restructuring scheme for claim settlements. As of June 2022, according to **Kukuh Hadiwidjojo** (the restructuring consultant), **WanaArtha Life** and its potential investors have agreed on the value of the obligations that must be restructured and are reviewing the settlement mechanism.
- On 11 August 2022, **WanaArtha Life** announced several options to policyholders as part of its restructuring plan, including (1) conversion of the conventional policy to a Syariah policy (2) a long-term incentive programme for policies that have matured and those that will mature soon, in the form of life insurance coverage or cash value, and (3) an instalment payment program with a priority scale for those who have claimed (upon accident, illness or death).
- In August 2022, the Criminal Investigation Unit of the Indonesian National Police named seven suspects in the alleged fraud (including embezzlement of customers' premiums) and falsification of data of **WanaArtha Life**. The suspects comprised several senior officials in the company, including the former President Director and the former Finance Director of **WanaArtha Life**.

MERGERS AND ACQUISITIONS

- **PT Hanwha Life Insurance Indonesia (Hanwha Life)** and **Hanwha General Insurance** have acquired 4.90% and 14.90% respectively, of the shares of **PT Lippo General Insurance Tbk (LPGI)** from **PT Star Pacific Tbk. Hanwha Life** is also negotiating the purchase of another 42.79% of **LPGI's** shares from **PT Inti Anugerah Pratama**.
- **IFG** is purchasing 10% of the shares of **PT Asuransi Jiwa InHealth Indonesia (Mandiri InHealth)**, owned by its subsidiary, **PT Asuransi Jasa Indonesia (Jasindo)**. Later, **IFG** plans to be the majority shareholder, or even the sole shareholder, of **Mandiri InHealth**.

SYARIAH SPIN-OFF

- On 5 April 2022, **PT Prudential Life Assurance (Prudential)** officially launched its spin-off entity, **PT Prudential Sharia Life Assurance (Prudential Syariah)**.

OTHER NEWS

- The **House of Representatives (DPR)** established the new **Commissioner Council (DK)** of the OJK for the period of 2022-2027 after carrying out a fit-and-proper test on each member candidate. The DK will be headed by **Mahendra Siregar**, the incumbent Deputy Foreign Minister of Indonesia. The Chief Executive Supervisor of the non-banking financial services industry (including insurance) will be **Ogi Prastomiyono**, who has vast experience in the banking sector.
- The **Indonesian Life Insurance Association (AAJI)** launched the **Indonesian Life Insurance Industry Roadmap** for 2022-2046. The roadmap aims for healthy and quality growth in the insurance industry, supported by improving public perception of the sector. These goals are then translated into three main pillars, namely product and service development, good governance, and strengthening capital. These pillars are supported by four enablers: good-quality human resources, digital transformation, regulations to maintain growth and stability and actively collaborating associations. These are manifested into 17 target developments to be achieved through 29 strategic initiatives and 82 work programmes.

Regulatory developments

NEW REGULATIONS OVER Q2 2022

As part of the omnibus law on Tax Harmonisation, the Ministry of Finance has issued two regulations relevant to the life insurance industry on Value Added Taxes (VAT):

- **PMK No. 67/PMK.03/2022** requires insurers and reinsurers to collect and pay VAT on services offered by insurance agents and brokers. The tax is chargeable on commission/override and claim handling services provided by agents or brokers. The tax rate is as follows:

	AGENT	BROKER
Taxable services	10% of commission	20% of commission
VAT (2022)	11% of taxable services	
VAT (2023 onward)	12% of taxable services	

- **PMK No. 69/PMK.03/2022** requires a company to collect and pay VAT on services provided by Financial Technology (fintech) Companies. This includes services provided by web aggregators and online brokers. The VAT rate follows the rates stipulated in the omnibus law of Tax Harmonisation, which are 11% in 2022 and 12% starting in 2023 onwards. Products distributed by insurers through their online channels are not subject to this VAT.

The OJK has issued one POJK and one SEOJK during Q2 2022.

- **POJK No 6/POJK.07/2022** replaces POJK No. 1/POJK.07/2022 on consumer protection to cater for the most recent development in financial products and services. The regulation requires companies to have written policies and procedures about consumer protection and to display responsible business conduct at all stages of product/service development and sales. This includes conducting a comprehensive test before marketing a service/product, providing a free-lookout period, and documenting sales using audio and video recording in case of disputes. Additionally, the regulation requires companies to provide a financial literacy and inclusivity programme annually.
- **SEOJK No 22/SEOJK.05/2022** was issued to outline the regulations around IT risk management by non-banking financial service institutions. These regulations provide further clarifications in light of Article 33 of POJK No. 4/POJK.05/2021. The scope covers:
 - active supervision by The Board of Directors and Board of Commissioners
 - adequate risk management policies and procedures when using IT
 - adequate processes for identifying, measuring, controlling, and monitoring IT-related risks ; and
 - a comprehensive system of internal controls on IT systems

FORTHCOMING REGULATIONS

The following forthcoming regulations have been reported in the news over Q2 2022:

- The OJK has issued a draft regulation on OJK's written order to provide legal certainty on procedures and sanctions from the OJK. The OJK has the right to impose a written order on a financial service company as a result of a series of issued written instructions to the company or if there is an urgency and possible systemic impact on Indonesian financial stability.
- The Chief Executive Supervisor of the non-banking financial institution (IKNB) of the OJK, **Riswinandi**, said that the OJK is preparing regulations for the sale of insurance products through digital channels and insurtech companies. The stipulated provisions include the requirement for insurtech platforms marketing digital-based insurance products to be insurance broker entities. In addition, insurtech companies must provide simple and easily understandable products and facilitate quick claim settlements.

Distribution updates

AGENCY CHANNEL

The following new agency development has been reported in the media over Q2 2022:

- **PT Asuransi Jiwa Sinarmas MSIG Tbk (Sinarmas MSIG)** officially opened a new agency office **Agency Kantor Mandiri (AKM) Optimis** in Surabaya.

BANCASSURANCE CHANNEL

The following new bancassurance partnerships and developments have been reported in the media over Q2 2022:

- **Allianz** kickstarted its new bancassurance agreement with **PT Bank Victoria International Tbk (Bank Victoria)** with the launch of one traditional product with critical illness benefits and two unit-linked products – **Allianz Life Secure PASTI**, **Allianz Wealthlink Preferred Life**, and **Allianz Assetlink Maxima** (see further details in the earlier sections 'Traditional Products' and 'Unit-linked Products'). 39 Bank Victoria branches have offered these products since February 2022. Allianz has also prepared digital sales tools for financial advisors to help customers understand and choose their insurance coverage interactively. Subsequently, consumers can access and manage their policies through Allianz's online consumer portal.
- **PT Sun Life Financial Indonesia (Sun Life Indonesia)** deepened their existing bancassurance partnership with **Bank CIMB** by being the provider of insurance solutions to customers of **Bank CIMB** through all channels from January 2025 for 15 years. The term of the existing relationship for digital and out-of-branch channels is also extended by another six years to 2039.

DIGITAL CHANNEL AND INSURTECH

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

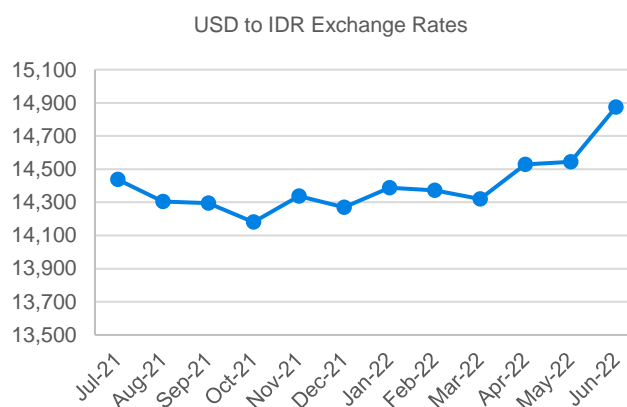
- **PT Asuransi Jiwa Astra (Astra Life)** newly collaborated with **Moxa**, a wealth hub-based digital app, in launching **Mikro ASLI Proteksi AmanKu**. With premium options of IDR 100,000 or IDR 200,000 for one year of protection, policyholders aged 18 to 60 are entitled to up to IDR 60 million in the event of death or total and permanent disability, as well as reimbursements for emergency outpatient care costs and hospital allowances.
- **PT Bhinneka Life Indonesia (Bhinneka Life)** launched **BFLASH**, a mobile application designed to enhance the sales equipment tools of all agents. **BFLASH** aims to provide better customer journey in applying for life insurance policies and making the application administration process faster and more practical.

- **FWD** has collaborated with **PT Kredit Pintar Indonesia (Kredit Pintar)**, an IT-based peer-to-peer lending company, to strengthen its digital innovation by launching the **Kredit Pintar Protection** program. It protects against the risk of bad debt, primarily due to death, permanent disability, or accident. The maximum term for protection is 12 months. In the event of death or permanent disability, **FWD** will pay off the remaining debt. In the event of an accident where the insured requires hospitalisation for at least three consecutive days, **FWD** will pay the current monthly instalments.
- **PT Anchor Technology Digital (Qoala)** started marketing a COVID-19 insurance product through **PT Shopee Internasional Indonesia (Shopee)**, underwritten by **PT Great Eastern General Insurance Indonesia (Great Eastern General Insurance)**. Premium options are IDR 9,000 (1 month term) or IDR 21,000 (3 months term). Benefits include the cost of a PCR test of up to IDR 1 million, a self-isolation benefit of up to IDR 2 million, a daily hospitalisation allowance of IDR 200,000 (capped at 14 days), and an accident death benefit of IDR 10 million.

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 Q2 2022, the Indonesian rupiah depreciated by 3.87% from its position as of March 2022. Bank Indonesia (BI) stated that the Indonesian rupiah and US dollar exchange rate weakened due to continued uncertainty in the global financial market and rising concerns towards global economic moderation, despite Indonesia's positive economic outlook.

BI cited that the growth of the domestic economy is driven by higher consumption, investment in assets (other than property development), and a more robust export performance than

predicted. BI predicted that Indonesia's economic performance would be impacted by global economic moderation, which will drive down export performance and result in higher inflation, slowing private consumption. Economic growth in 2022 is projected with a bias towards the lower end of between 4.5% and 5.3%.

Consumer price index (CPI) inflation was recorded at 4.35% year-on-year (y/y) in June 2022, which is higher than 3.55% (y/y) in May 2022. Core inflation rose from 2.37% y/y in Q1 2022 to 2.63% y/y in Q2 2022 due to the rise in global food prices and disrupted supply chains due to inclement weather. BI projected inflation in 2022 would be beyond the target range of 3.0%±1% before reverting to the range in 2023, following BI's commitment to cooperate with the national and regional inflation control teams.

In July 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 31.50%, 2.75%, and 4.25%, respectively. BI stated that the decision is consistent with the Indonesian government's strategy to control core inflation as it was projected to be manageable, despite the risks of global economic moderation.

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 30 June 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	3.60	4.10	16	7.54	8.04
2	4.35	4.85	17	7.57	8.07
3	4.92	5.42	18	7.60	8.10
4	5.38	5.88	19	7.62	8.12
5	5.77	6.27	20	7.63	8.13
6	6.10	6.60	21	7.64	8.14
7	6.38	6.88	22	7.64	8.14
8	6.62	7.12	23	7.64	8.14
9	6.83	7.33	24	7.64	8.14
10	7.00	7.50	25	7.63	8.13
11	7.14	7.64	26	7.63	8.13
12	7.26	7.76	27	7.62	8.12
13	7.36	7.86	28	7.61	8.11
14	7.43	7.93	29	7.61	8.11
15	7.49	7.99	30	7.60	8.10

Source: Indonesia Bond Pricing Agency (IBPA)



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