

Life in Indonesia

JULY 2023 EDITION

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We are pleased to present the July 2023 edition of Milliman's Indonesia Life Insurance Newsletter. This edition covers developments from 1 January 2023 to 31 March 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 FY 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 full year (FY) 2022 from FY 2021. The change over the period is summarised below:

Financials (in IDR trillions)	FY 2021	FY 2022	Change
Net Premium Income	178.78	163.80	(14.98)
Investment and Other Income	29.44	37.72	8.28
Total Income	208.22	201.52	(6.70)
Total Claims and Benefits	163.70	150.67	(13.03)
Commission and Acquisition Costs	18.55	19.40	0.85
Operating Expenses	18.29	18.54	0.25
Total Expenses	200.54	188.61	(11.93)
Profit/(Loss) Before Tax and OCI	7.68	12.91	5.23
Tax	3.39	1.61	(1.78)
Net Profit/(Loss) Before OCI	4.29	11.30	7.01
Total Assets*	589.81	585.86	(3.95)
Premium Reserve	473.06	425.62	(47.44)
Unearned Premium Reserve	3.21	3.75	0.54
Claim Reserve	8.52	7.27	(1.25)
Catastrophic Reserve	0.07	0.23	0.16
Total Technical Reserve	484.86	436.87	(47.99)

Note: OCI = other comprehensive income.

* As at 31 December 2021 and 31 December 2022.

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

Over FY 2022, the profit before tax and OCI increased by IDR 5.23 trillion from FY 2021, mainly driven by a decrease of IDR 13.03 trillion in total claims and benefits and an increase of IDR 8.28 trillion in investment and other income, despite a decrease in net premium income of IDR 14.98 trillion.

The Indonesia Life Insurance Association (AAJI) reported that unweighted total premium (including renewal premium) over FY 2022 was IDR 192.08 trillion, a decrease of 5.3% compared to FY 2021. Despite this, the total number of insured lives increased by 26.1% for group and 39.9% for individuals in FY 2022 compared to FY 2021.

The AAJI further reported that the life insurance industry paid claims and benefits amounting to a total of IDR 174.28 trillion over FY 2022, including IDR 16.41 trillion of health claims.

Market news

NEW PRODUCTS

The following new life insurance products were reported to have been launched over Q1 2023:

Traditional products:

- PT Asuransi Jiwa Astra (Astra Life)** launched **AVA Infinite Protection**, a whole of life product with premium term ranging from five to 15 years and a minimum sum assured of IDR 100 million or USD 10,000. The maximum entry age is 65 years and coverage is provided up to age 99. The basic sum assured and the bonus sum assured accumulated to date will be paid out upon death. The bonus sum assured amounts to 2.5% of the basic sum assured and accumulates annually starting from the sixth year up to the 15th year, capped at 25% of the basic sum assured. Upon survival to age 99, 125% of the basic sum assured will be paid out.
- PT Asuransi Jiwa Manulife Indonesia (Manulife)** launched **MiProsper Assurance for Pension (MiPASSION)**, a 5-/10-/20-pay term life product providing cover to age 75 or 85, with sum assured starting from IDR 50 million or USD 5,000, and retirement age options of 55 and 65 years old. Upon death, 100% and 50% of the sum assured will be paid out before and after reaching retirement age, respectively. An additional 100% of the sum assured will be paid out only upon accidental death before retirement age. Upon maturity, 50% of the sum assured will be paid out. In addition, the product includes a hospital cash plan, paying 0.1% of the sum assured (capped at IDR 4 million daily) for each day of inpatient care. For medical checkup, 0.25% sum assured will be paid out, capped at IDR 4 million per annum.
- PT Asuransi Jiwa BCA (BCA Life)** launched **MyGuard**, a term life product with automatic yearly renewals up to age 98, available on the website of BCA Life. The entry age ranges from 18 to 64 years. Five plans are available with different sums assured, ranging from IDR 50 million to IDR 1 billion. Premiums can be paid monthly or annually. Upon death, 100% of the sum assured will be paid out during the policy term, except for non-accidental deaths within 90 days from policy issuance, where only the premium paid will be refunded. Accident care, critical care and hospital care riders are available.
- PT AXA Mandiri Financial Services (AXA Mandiri)** launched **Mandiri Secure Criticare**, a nonparticipating critical illness endowment product. There are three plans available: Plan 1 (1-pay 10-year term), Plan 5 (5-pay 10-year term) and Plan 10 (10-pay 15-year term). Maximum entry age is 55 years for Plan 10 and 60 years for the others, while the

minimum premium is IDR 1 billion for Plan 1 and IDR 24 million and 12 million annually for Plans 5 and 10, respectively. Upon natural death, or diagnosis of an intermediate-stage or late-stage critical illness, the sum assured will be paid out. Upon accidental death or death while travelling on public transport, an additional 50% or 100% sum assured will be paid out, respectively, capped at IDR 1 billion. The sum assured increases by 3% annually, ceasing upon terminal illness benefit payment, with caps varying by entry age. Upon diagnosis of a terminal illness or an early-stage critical illness, 50% of the initial sum assured will be accelerated. For Plans 5 and 10, there is a guaranteed cash benefit paid annually in the last five policy years, amounting to 10% and 38% of annual basic premiums, respectively. Upon maturity, 106%, 500% and 1,000% of basic premiums are paid out for Plans 1, 5 and 10, respectively. Riders are also available with additional premium.

- **Sinarmas MSIG Life** and **PT Bank Sinarmas Tbk (Bank Sinarmas)** launched **Sinarmas Maxi Life**, a 5-/10-/15-/20-pay whole of life product with IDR and USD variants, and a minimum sum assured of IDR 100 million or USD 10,000. The maximum entry age is 70 years with maturity age options of 75 and 100. Upon death or survival up to the selected maturity age, 100% of the sum assured will be paid out.
- **PT Asuransi Jiwa Sinarmas MSIG (Sinarmas MSIG)** and **PT Bank Tabungan Negara (Bank BTN)** launched **Smart Life Guard**, a 5-/10-/15-/20-pay whole of life product with IDR and USD variants, and a minimum sum assured of IDR 100 million or USD 10,000. The maximum entry age is 70 years with maturity age options of 75 and 100. Upon death or survival up to the selected maturity age, 100% of the sum assured will be paid out.
- **PT Avrist Assurance (Avrist)** launched **Avrist Prestasi**, an 18-year or 21-year endowment product, depending on the plans chosen. Five plans are available and the maximum entry age is 49 or 52 years old, depending on the plan selected. The minimum sum assured is IDR 10 million or USD 1,000. Upon natural death, policyholders receive a lump sum of 1,000% of the sum assured and additional periodically scheduled death benefits, depending on the plan selected. Upon survival for 12, 15 and 18 years, a survival benefit ranging from 200% to 1,000% of the sum assured will be paid out. Upon maturity, policyholders will receive a lump sum of 1,000% to 1,500% of the sum assured, depending on the plan selected. This product also has a waiver of premium benefit, which will be activated if a policyholder under age 70 suffers a late-stage critical illness (with 66 types covered), an early-stage critical illness (with 45 types covered) or a total and permanent disability.

Unit-linked products:

- **PT AIA Financial (AIA)** launched **AIA Bahagia Bersama**, a regular premium whole of life product with a maximum entry age of 70 years, and a minimum sum assured of IDR 100 million or 500% of basic annual premium, whichever is higher. Basic monthly premiums start from IDR 300,000. The sum assured (subject to a juvenile lien clause) and account value are paid out upon death, while only the account value is paid out upon maturity at age 99. Medical, critical illness and waiver of premium riders are available.
- **PT FWD Insurance Indonesia (FWD)** launched **FWD Passion Link**, a regular premium whole of life product with a loyalty bonus feature. The maximum entry age is 60 years. The minimum sum assured is IDR 100 million or 500% of the basic annual premium, whichever is greater. The sum assured (subject to a juvenile lien clause and doubled for accidental deaths before age 70) and account value are paid out upon death, while only the account value is paid out upon maturity at age 100. Loyalty bonuses of 12.5% and 25% of the basic annual premium are credited at the end of the eighth and 10th policy years, respectively. Medical, critical illness and waiver of premium riders are available.
- **PT Panin Dai-ichi Life (Panin Life)** launched **Panin Assurance Investlinked**, a regular premium whole of life product with a maximum entry age of 70 years and basic annual premiums starting from IDR 6 million. Policyholders can opt for a 20-year coverage, or coverage to age 65/75/88/99, both automatically renewable up to age 99. The minimum sum assured is IDR 100 million or 500% of the basic annual premium, whichever is greater. The sum assured (subject to a juvenile lien clause) and account value are paid out upon death, while only the account value is paid out upon maturity at age 99. Two riders can be applied to this product: Multi Life Cover providing protection for one additional insured life, and a medical benefit cover.
- **AIA** and **PT Bank Central Asia Tbk (Bank BCA)** launched **Maxi Value Protection**, a regular premium whole of life product with a maximum entry age of 70 years and a minimum sum assured of IDR 100 million or 500% of the basic annual premium, whichever is greater. Basic monthly premiums start from IDR 500,000. The sum assured (subject to a juvenile lien clause) and account value are paid out upon death, while only the account value is paid out upon maturity at age 99. After the 10th and 20th policy years, 115% and 120% of premiums are allocated, respectively.

- **PT Asuransi Jiwa IFG (IFG Life)** launched **IFG Life Protection Platinum**, a regular premium whole of life product with a maximum entry age of 64 years old. Basic monthly premiums start from IDR 500,000. The minimum sum assured is IDR 100 million or 500% of the basic annual premium, whichever is greater. The sum assured (subject to a juvenile lien clause) and account value are paid out upon death, while only the account value is paid out upon maturity at age 99.
- **Manulife** and **PT Bank Danamon Indonesia Tbk (Bank Danamon)** launched **Proteksi Prima Investa Utama**, a regular premium whole of life product with a loyalty bonus feature. The maximum entry age is 70 years. The product is offered in two currencies, IDR and USD, and the minimum sum assured is IDR 168 million or USD 42,000. The minimum monthly premium is IDR 2 million or USD 500. The sum assured (doubled for accidental deaths before age 70, capped at IDR 5 billion) and account value are paid out upon death, while only the account value is paid out upon maturity at age 99. A loyalty bonus of 700% of the basic annual premium is credited at the end of the 25th policy year, followed by 1% of the basic account value every three years thereafter.
- **PT Asuransi Allianz Life Indonesia (Allianz)** and **PT Bank QNB Indonesia Tbk (Bank QNB)** launched **Allianz Wealthlink Protection Life** and **Allianz Wealthlink Prestige Life II**. Both products are offered in IDR and USD, with a maximum entry age of 70 years. 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 for policy years 6 and above. 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. Allianz Wealthlink Prestige Life II is a regular premium whole of life product with accelerated critical illness benefits and a loyalty bonus feature. The minimum monthly premium is IDR 10 million or USD 1,000. The death benefit amounts to the sum assured (at least IDR 5 billion) or 500% of the basic annualised premium, whichever is greater. The death benefit and account value are paid out upon death, while only the account value is paid out upon maturity at age 100. Upon diagnosis of critical illness, 20% of the death benefit is accelerated. A loyalty bonus of 70% of the basic annualised premium is credited at the end of the fifth policy year. Attachable riders for both products include critical illness, total permanent disability and health protection.

Syariah products:

- **Astra Life** launched **Flexi Life Protection Syariah**, a yearly renewable term product that provides coverage up to age 85 and can be purchased digitally. The entry age ranges from 18 to 60 years with a minimum annual contribution of IDR 228,000. Upon death, 100% of the sum assured is paid capped at IDR 2 billion, which is doubled for accidental deaths (capped at IDR 10 billion).
- **PT PFI Mega Life (PFI Mega Life)** launched **Mega Syariah Proteksi Link**, a unit-linked regular premium whole of life product with a loyalty bonus feature. The maximum entry age is 65 years and the minimum sum assured is IDR 100 million or 500% of the annualised contribution, whichever is greater. The minimum monthly contribution is IDR 500,000. The sum assured (subject to a juvenile lien clause) and account value are paid out upon death, while only the account value is paid out upon maturity at age 99. Loyalty bonuses of 3%, 5%, 7%, 10% and 15% are paid out every year from the sixth to the 11th policy anniversary.

Microinsurance products:

- **PT Central Asia Financial (Asuransi Jagadiri)** launched **Jaga Hujan**, providing up to 30 days of protection against incidents that occur during rain for online transportation users. With a single premium starting from IDR 2,660, policyholders can receive death benefits up to IDR 10 million for accidents in the rain as well as protection against increasing online transportation fares during the rain, amounting to 60% of fares or IDR 150,000 per day, whichever is smaller.
- **PT MNC Life Assurance (MNC Life)** launched **Life Safe**, a yearly renewable product that provides protection against personal accidents that can be purchased through its digital insurance mobile application, **Motion Life**. Four plans are available, with different annual premiums ranging from IDR 50,000 to IDR 700,000. Upon accidental death, a sum assured ranging from IDR 30 million to IDR 500 million will be paid out. Hospitalisation costs due to an accident are also covered, capped at a range between IDR 3 million to IDR 50 million.

NEW DIGITAL FEATURES

- **BCA Life** launched **NOW**, a mobile app that aims to facilitate customers in accessing services such as life insurance product information, online insurance purchases, policy benefits information and "Polismu," which allows users to make insurance claims anytime from their mobile phones. Another feature, called "Kalkulator Uangmu," allows users to calculate long-term financial needs, such as retirement funds, children's education and life insurance. Other features include "Mind," a mental health guide for users, and "ActiveNow," an exercising guide for users.

- **PT Great Eastern Life Indonesia (Great Eastern)** launched **GoGreat!**, a mobile app that aims to improve customer support. It provides 10 features, including being able to view policy information and insurance benefits such as the total cash value and investment value. Users can also change payment methods or update their data anytime from their mobile phones.
- **FWD** collaborated with **Alodokter**, a telemedicine platform in Indonesia, by integrating Alodokter's features into the **FWD MAX** app, aiming to improve the quality of health protection for FWD policyholders. Users can schedule face-to-face appointments with doctors, access their health history and receive information about a doctor's schedule at hospitals and clinics, providing convenience for users to seek health consultations anytime.

UPDATE ON JIWASRAYA/IFG LIFE

- As at January 2023, 157,312 (90.3%) restructured policies from **PT Asuransi Jiwasraya (Persero) (Jiwasraya)** had been successfully transferred to **IFG Life**, while claim payments amounting to more than IDR 5.9 trillion have been made for policies already transferred to IFG Life since December 2021.

UPDATE ON BUMIPUTERA

- In February 2023, the OJK approved the financial restructuring plan (RPK) of **PT AJB Bumiputera 1912 (Bumiputera)**. **Irvandi Gustari**, President Director of Bumiputera, stated that haircuts in the sum assured paid to policyholders, ranging from 25% to 75%, were a middle ground to ensure payments to policyholders and the continuity of Bumiputera's business.
- In March 2023, Irvandi Gustari said the company disbursed claim payments to 8,124 policies worth a total of IDR 25.84 billion. This is the second stage of liquidation. Payment is prioritised to policyholders who have a claim reduced benefit value of less than IDR 5 million.

UPDATE ON WANAARTHA LIFE

- In February 2023, the OJK revealed its findings that **WanaArtha Life** issued a large number of insurance policies and did not input them into the company's system, which concealed liabilities amounting to IDR 12 billion. In March 2023, the OJK imposed sanctions on two public accountants (AP) and one public accountant office (KAP) that provided audit services for WanaArtha Life's annual financial reports from 2014 to 2019. The two APs were prohibited from providing any more services in the financial services sector, while the KAP was barred from taking on new assignments.

UPDATE ON KRESNA LIFE

- In February 2023, **Kresna Life** submitted to the OJK its plans for a liability conversion scheme, turning policyholder claims to subordinated debt. Sixty-nine percent of Kresna Life's policyholders have approved of this scheme and their statements of approval were obtained via email (17%), WhatsApp (17%), and Google Forms (35%). Kresna Life hopes this can improve the company's capital position.

MERGERS AND ACQUISITIONS

- **PT Asuransi Cigna (Cigna)** officially merged with **PT Chubb Life Insurance Indonesia (Chubb Life)**, effective 3 February 2023, with Chubb Life being the continuing entity.

SYARIAH SPIN-OFF

- The newly appointed Syariah Managing Director of **Allianz**, Achmad Kusna Permana, targets the spin-off of the Allianz Syariah business unit to be completed in June 2023 and to begin full operations in August 2023.

OTHER NEWS

- **PT Asuransi Jiwa IFG (IFG Life)** and **PT Bank Nagari (Bank Nagari)** strengthened their synergy by signing a cooperation agreement in the management of pension funds for Bank Nagari employees.

Regulatory developments

NEW REGULATIONS OVER Q1 2023

The following development of SEOJK regulation has been reported during Q1 2023:

- Every insurance company that markets unit-linked products has been required to reregister its revamped unit-linked products up to February 14, 2023. Currently, the revamped unit-linked products are being reviewed and can be effectively marketed from 14 March 2023, in order to comply with **SEOJK No. 5/SEOJK.05/2022** about Insurance Products Associated With Investment (**SEOJK PAYDI**) regulation.

FORTHCOMING REGULATIONS

The following forthcoming regulations have been reported in the news over Q1 2023:

- Local news outlets reported that the OJK would raise the minimum capital requirement for insurance and reinsurance companies. The increase is scheduled to be implemented in two stages: first in 2026, followed by another in 2028.
- In response to **UU No. 4 2023 (UU P2SK)** regarding the development and strengthening of the financial industry, OJK is drafting a regulation for Syariah spin-off, in order to promote the development of the Syariah financial

services industry. OJK aims to make guidelines for spinning-off Syariah business units (UUS) to contain more precise and measurable indicators. OJK encourages the UUS spin-off process to not only consider regulatory obligations, but also to ensure the readiness of the UUS itself to grow sustainably and contribute optimally to the national economy.

- OJK plans to issue new regulations relating to the financial health of insurance companies, which will also include limitation in investment activities by insurance companies. The new regulation will amend **POJK No 71/POJK.05/2016** and **POJK No 72/POJK.05/2016** concerning the financial health of insurance companies and Syariah insurance.

Distribution updates

AGENCY CHANNEL

The following new agency developments have been reported in the media over Q1 2023:

- **Manulife** relocated its agency office in Medan to Podomoro City Deli Medan, and officially opened a new agency office, **GA Victory Palembang**, in Palembang, South Sumatera.
- **PT Hanwha Life insurance Indonesia (Hanwha Life)** officially opened a new agency office, **General Agency Mercy Future**, in Makassar.
- **Sinarmas MSIG** officially inaugurated two new **Independent Agency Offices (AKM)**, named **YDK Agency** in Denpasar, Bali, and **Skystar Corporation Agency** in Soho Capital, West Jakarta.
- **PT Asuransi Allianz Utama Indonesia (Allianz)** officially inaugurated a new agency office, **Allianz Center Surabaya**, in Pakuwon Center, Surabaya.
- **Chubb Life** officially inaugurated a new agency office in Padang, North Sumatera.

BANCASSURANCE CHANNEL

The following new bancassurance partnerships and developments have been reported in the media over Q1 2023:

- **PT Asuransi Jiwa Generali Indonesia (Generali)** started its new bancassurance agreement with **PT Bank Victoria International Tbk (Bank Victoria)** by launching two 8-year regular premium term life products: **VIP Scholar Shield** and **VIP Cristal Shield**. Sum assured ranges from IDR 100 million to IDR 1 billion, while the maximum entry age is 60 years. For the **VIP Scholar Shield**, upon death 100% sum assured will be paid out, which is doubled for accidental deaths on public transportation and subject to a juvenile lien clause. Upon maturity, 110% of all premiums paid will be paid out. Monthly premiums start at IDR 108,000. For **VIP Cristal Shield**, upon diagnosis of critical illness, 100% sum assured will be

paid out. Diagnosis of coronary angioplasty and other invasive procedures for cardiovascular diseases will accelerate 10% of the critical illness benefit, capped at IDR 200 million. Upon death and maturity, 100% and 110% of all premiums paid will be returned, respectively. Monthly premiums start at IDR 144,000.

DIGITAL CHANNEL AND INSURTECH

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

- **IFG Life** partnered with **PT Bank Mandiri Tbk (Bank Mandiri)**, one of the largest banks in Indonesia, **PT Fintek Karya Nusantara (LinkAja)**, one of Indonesia's leading fintech apps, and **PT Mitra Transaksi Indonesia (Yokke!)**, an established joint venture company between Bank Mandiri (Indonesia) and BC Card (Korea), in an effort to strengthen and broaden market penetration. The partnership with Bank Mandiri provides electronic payment services through the **Livin' by Mandiri** super-app, LinkAja becomes a payment method for digital transactions on the **Life by IFG** mobile app, whereas **Yokke!** provides a complete range of digital payment options for IFG Life customers, such as a recurring transaction feature, credit card and e-wallet.

OTHERS

The following partnerships and developments have been reported in the media over Q1 2023:

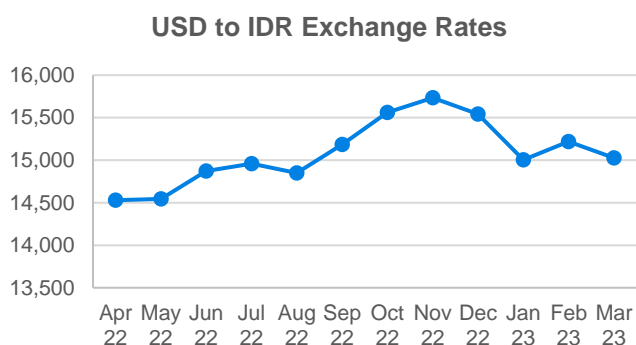
- **PT Bursa Akselerasi Indonesia (Indofund)**, a peer-to-peer lending platform, signed a partnership with **Jamkrindo Syariah** and **Capital Life** as credit guarantor and credit life insurer, respectively, in order to provide protection options for both creditors and debtors.
- **PT Asuransi Asei Indonesia (Asei)** collaborated with **PT MNC Life Assurance (MNC Life)**, starting with a launch of a credit insurance product, as an effort to increase customer satisfaction. This product will target financial institutions, i.e., banks, that offer loans. In this collaboration, MNC Life will underwrite the credit life cover while Asei will provide protection towards default risk.
- **PT Prudential Sharia Life Assurance (Prudential Syariah)**, signed a partnership with **Universitas Islam Negeri (UIN) Imam Bonjol Padang** as a part of Prudential Syariah's ongoing commitment to encourage Syariah economic growth through increasing Syariah life insurance literacy and inclusion, especially among the younger generation. This partnership includes a few programmes focusing on increasing students' and lecturers' understanding of the concepts of Syariah life insurance, including Syariah life insurance risk management, as well as providing support to the Special Activity Unit (UKK) of Syariah life insurance in the university.

- A synergy has developed among **IFG Life**, **PT Angkasa Pura II**, a state-owned enterprise (BUMN) engaged in the business of airport-related services, and **PT Sarinah**, a BUMN engaged in the retail and trade sector, to strengthen the BUMN ecosystem. IFG Life officially provides financial planning programmes as well as insurance protection towards PT Angkasa Pura II’s employees, while supporting the art and cultural events held by PT Sarinah.
- **IFG Life** signed a partnership with **PT Bahana TCW Investment Management (Bahana TCW)**, an investment management firm and sister company under **Indonesian Financial Group (IFG)**, that will act fully discretionarily to carry out IFG Life’s asset management interests in both capital and money markets in accordance with the agreed asset management guidelines and investment objectives.

Other recent developments

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.

Over Q1 2023, the Indonesian rupiah appreciated by 3.32% from its position as at December 2022. Bank Indonesia (BI) expects to maintain the rupiah’s stability by leveraging the current account surplus, foreign capital inflows, low inflation and attractive domestic financial asset yields. The bank will also strengthen its rupiah stabilisation policy to control imported inflation and prevent global financial market uncertainties from impacting the rupiah.

The national economic growth is consistently improving as a result of increasing domestic demand and strong export performance. Private consumption is expected to rise due to enhanced mobility, consumer confidence and lower inflation, resulting in higher purchasing power. Furthermore, similar to Q4 2022, there is consistent investment activity especially in nonbuilding assets. The national economic growth in 2023 is expected to be between 4.5% and 5.3%, with a potential to exceed the upper limit of the range.

Inflation in Indonesia is declining, which is contributing to economic stability. Monthly consumer price index (CPI) inflation decreased to 0.18% month over month (m/m) in the reported period, driving annual inflation to fall to 4.97% year over year (y/y) in Q1 2023, which is lower than historical trends at the beginning of Ramadan. All components, including core inflation, volatile food (VF) inflation and administered prices inflation, witnessed broad-based declines. Core inflation moderated to 2.94% (y/y) due to lower inflation expectations, milder imported inflation pressures and an adequate supply of goods and services. VF inflation dropped to 5.83% (y/y) in response to a pre-emptive monetary policy response, along with coordination between BI and the government. BI is confident that core inflation will remain under control in the 3.0%±1% target corridor in 2023, and CPI inflation will return to the 3.0%±1% target earlier than previously expected.

In April 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. The decision was made to ensure lower inflation expectations and inflation moving forward. Bank Indonesia believes that the established BI 7-day reverse repo rate of 5.75% is sufficient to keep core inflation within the target corridor of 3.0%±1% in 2023 and return CPI inflation to the target range sooner than previously projected.

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 March 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	5.22	5.72	16	7.47	7.97
2	5.88	6.38	17	7.47	7.97
3	6.24	6.74	18	7.48	7.98
4	6.50	7.00	19	7.48	7.98
5	6.71	7.21	20	7.48	7.98
6	6.89	7.39	21	7.48	7.98
7	7.03	7.53	22	7.47	7.97
8	7.15	7.65	23	7.47	7.97
9	7.23	7.73	24	7.47	7.97
10	7.30	7.80	25	7.46	7.96
11	7.35	7.85	26	7.46	7.96
12	7.39	7.89	27	7.46	7.96
13	7.42	7.92	28	7.45	7.95
14	7.44	7.94	29	7.45	7.95
15	7.46	7.96	30	7.45	7.95

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



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