

Indonesia in focus

What's new in non-life

APRIL 2024 EDITION

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We are pleased to share our half-yearly newsletter focused on the non-life insurance market in Indonesia. This edition covers developments during the period from 1 July 2023 to 31 December 2023.

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



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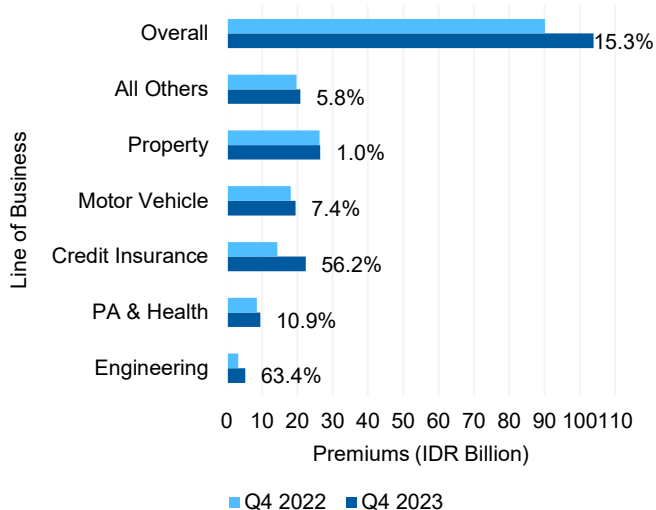


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Market performance

CONVENTIONAL INDUSTRY GROWTH AT Q4 2023

Premium (IDR billions) and Percentage Growth (%)



Notes: (1) PA – personal accident. (2) Only the top five lines of business are shown individually in the chart above.

Source: General Insurance Association of Indonesia (AAUI).

Y-O-Y CONVENTIONAL GENERAL INSURANCE PERFORMANCE

FINANCIALS (IN IDR BILLIONS)	DEC. 2022	DEC. 2023	% CHANGE
GROSS WRITTEN PREMIUM	89,658	111,398	24.2%
NET EARNED PREMIUM	47,826	61,963	29.6%
OTHER UNDERWRITING INCOME	100	108	8.1%
INVESTMENT INCOME	4,678	6,204	32.6%
TOTAL INCOME	52,604	68,275	29.8%
NET LOSS INCURRED	25,276	34,737	37.4%
OTHER UNDERWRITING EXPENSE	-257	1,268	592.5%
OPERATIONAL EXPENSE	14,537	17,870	22.9%
NET COMMISSION	5,635	5,395	-4.3%
TOTAL EXPENSE	45,190	59,270	31.2%
UNDERWRITING PROFIT	7,414	9,005	21.5%
NET LOSS RATIO	52.8%	56.1%	3.2%
EXPENSE RATIO (INCLUDING COMMISSION)	42.2%	37.5%	-4.6%
EXPENSE RATIO	30.4%	28.8%	-1.6%
NET COMMISSION RATIO	11.8%	8.7%	-3.1%
NET COMBINED RATIO	95.0%	93.6%	-1.4%

Source: Financial Services Authority (OJK).

- Overall, the market has grown by 15.3% or 24.2% from 2022 based on the General Insurance Association of Indonesia (AAUI) and Financial Services Authority (OJK) reports, respectively. We are unable to reconcile the differences in the figures across both reports. Based on the AAUI report, the growth has been mainly driven by credit and engineering.
- Credit has grown tremendously since 2022, as credit insurers return to writing the business after massive restructuring exercises done to the underlying products both internally and via regulatory changes.
- The increase in motor vehicle premiums is driven by new car sales.
- Engineering is projected to continue growing in the coming years due to the ongoing development of the New National Capital City project (IKN). The high growth has caused engineering to become the fifth-largest line of business, surpassing marine cargo.
- The overall net combined ratio has improved compared to the previous year, primarily due to a decrease in the net commission ratio. However, the net loss ratio increased by 3.2% compared to the previous year, possibly due to movements reflecting the industry's recovery from the pandemic, returning to post-pandemic levels.

Market news

NEW PRODUCTS

- Oona Insurance Indonesia (Oona Insurance) has launched Oona Flight Delay Insurance for Indonesian travellers going abroad, priced at IDR 35,000 for a series of up to four flights. This insurance coverage intends to address the increasing interest in international travel, despite challenges like flight delays, and it can be purchased up to two hours before departure.
- PT Sampo Insurance Indonesia (Sampo Indonesia) and Bank CIMB Niaga have collaborated to launch the Personal Cyber Protector product. With cyber threats on the rise in Indonesia, this collaboration underscores its commitment to safeguard Bank CIMB Niaga's customers from financial losses arising from unauthorised online transactions, fraud, unfulfilled online purchases, accidental damages and theft of purchased products.
- PT Asuransi Mitra Pelindung Mustika (MPMInsurance), a subsidiary of PT Mitra Pinasthika Mustika Tbk, has expanded its product offering by introducing transportation insurance, ensuring coverage for goods in transit via land, sea or air. Premiums will start at 0.15% of the cargo value.
- PT Reasuransi Maipark Indonesia (Maipark) has launched Maipark Catastrophe Modelling (MCM) 3.0, a computer model utilising 20 years of Indonesian earthquake claims data. It will provide insurers with location-specific vulnerability curves for better earthquake risk management.

- PT AXA Insurance Indonesia (AXA Insurance) has launched SmartMedicare as a part of its Smart Series offerings, emphasising family health protection. The product offers benefits such as medical coverage abroad, cashless claims and transferable health limits between family members. With six customisable plans, it addresses diverse health needs and includes unique benefits such as traditional Chinese medicine coverage and teleconsultation services.
- PT Tokio Marine Indonesia, in partnership with PT Asuransi Jasa Indonesia (Asuransi Jasindo), has introduced cybersecurity insurance, targeting both the retail and corporate sectors. Coverage includes losses due to cyber extortion, with assessments conducted by a team of forensic IT experts. The product will be made available through banks, financial institutions and digital wallets.
- PT Asuransi Sinar Mas (Sinar Mas) has launched Simas Super Cover, a unit-linked insurance (PAYDI) product, initially marketed internally to its own employees. With this, Sinar Mas has become the first general insurance company to offer PAYDI products. The product will offer customers comprehensive personal accident coverage along with long-term investment benefits.
- PT Kation Technologies Indonesia and Sinar Mas have collaborated to offer a bundled package of a Microsoft 365 subscription with cybersecurity protection alongside an accident insurance. The product aims to provide users with cyber threat protection together with an added bonus of providing financial security from accidents.
- PasarPolis, with the backing of three unicorns, is set to disrupt Southeast Asia's insurance industry, focussing on addressing gaps, strategic collaborations and seamless customer experiences. With over 1 billion policies issued since PasarPolis's inception and a threefold year-over-year (y-o-y) growth in gross written premiums between 2021 and 2022, the insurtech aims to increase insurance penetration and literacy across the region.
- The digital-based insurance company Tap Insure has launched Tap Auto, a motor vehicle insurance product in collaboration with more than 70 partner workshops across Indonesia. Providing swift processes, including one-day digital policy issuance, virtual vehicle surveys and speedy payments, Tap Auto aims to provide seamless insurance experience from purchasing policies to processing claims. Tap Auto also allows consumers to freely choose their workshop locations in its network.
- Tap Insure has collaborated with Shinhan EZ General Insurance, a subsidiary of South Korea's Shinhan Financial Group Co. Ltd., to introduce fast and easy digital automotive insurance, targeting millennials and Gen Z customers with extended warranty coverage for new and used vehicles, providing protection for vital components. The partnership focusses on affordable insurance, quick premium payments and rapid claims processing, aiming to enhance insurance penetration and financial literacy in Indonesia.

DISTRIBUTION CHANNEL

- PT Great Eastern General Insurance Indonesia (GEGI) has collaborated with PT Bank BTPN Tbk (Bank BTPN) to strengthen its retail business through bancassurance distribution. Six insurance products will be offered through the collaboration, including industrial all-risk and motor vehicle insurance, which will be marketed to Bank BTPN's customers. It is consistent with both companies' goals to assist the growth of micro, small, and medium enterprises (MSMEs) in Indonesia while also encouraging sustainable development.

INSURTECH

- The AAUI expects the insurtech industry in Indonesia to expand up to fourfold within the period of 2021 to 2026. This is attributed to the strong growth in distribution channels, a competitive pricing structure, increasing awareness towards insurance protection and the initial low insurance penetration rate in the market.
- AM Best's latest report for 2024 maintains a negative outlook on the country's non-life insurance market, mainly due to the increased reinsurance counterparty credit risk and potential erosion of underwriting margins from increased reinsurance costs. The increased counterparty risk is caused by the financial instability of the domestic reinsurers that have suffered significant insurance losses in recent years. Insurers may consider higher retention levels to improve the margins, but this would increase volatility to their claims experience and their catastrophe risk exposure. Despite these challenges, AM Best's long-term outlook remains positive, driven by Indonesia's strong economic growth and an increasing non-life insurance penetration rate.
- AAUI and Ahli Agen Asuransi Umum Indonesia (A3UI) have collaborated to develop the competencies of general insurance agents. The collaboration includes efforts such as seminars, training programs and skill development, which are aimed at raising industry standards and increasing public awareness of general insurance products.

- PT Asuransi Wahana Tata and Seoul Guarantee Insurance Company have signed a memorandum of understanding (MoU) to enhance collaboration for the surety and credit insurance lines of business. The MoU aims to explore business opportunities and establish cooperation in underwriting and reinsurance schemes.
- The Insurance Day 2023, hosted by the Indonesian Insurance Council (DAI), highlighted the need to improve insurance literacy and inclusion in the country. According to the National Survey on Financial Literacy and Inclusion conducted by OJK in 2022, insurance literacy and inclusion lag behind the levels exhibited by other financial institutions. Literacy and inclusion levels within the insurance sector were at 32% and 17%, respectively, while they were at 50% and 74%, respectively, in the banking sector.
- PT Asuransi Kredit Indonesia (Askrindo) has emphasised the need for the Indonesian credit industry to restructure considering the problems faced by the general insurance sector due to its portfolio. This includes the high loss ratio the portfolio has faced over the past few years. Askrindo is attributing the issues to a lack of expertise on the product, a price war amongst the insurers and a "top line" mindset. It aims to tackle the challenges via prudent underwriting, more risk-based pricing and stricter terms and conditions on the coverage provided.
- Askrindo eyes a long-term expansion into the non-Kredit Usaha Rakyat (KUR) business segments, with KUR making up 70% of its current new business volumes. The company plans to strengthen its non-KUR business by targeting other lines such as surety and credit insurance besides exploring untapped segments.
- Askrindo is optimising surety bond applications through a partnership with Pengadaan.com, a business-to-business (B2B) e-commerce platform certified with International Organisation for Standardisation (ISO) 9001 and ISO 27001. This digitalised product aims to maximise customer quality in surety bond applications, facilitating a faster and more secure process aligned with contract requirements.
- El Nino-induced drought in Indonesia may spike agriculture insurance claims due to crop failures from water shortage. OJK has advised insurers such as Asuransi Jasindo to work with meteorological agencies for early warnings and to ensure adequate reserves are maintained and adequate reinsurance support is purchased.
- PT Asuransi Dayin Mitra Tbk (ASDM), under the ownership of PT Equity Development Investment Tbk (GSMF), has effectively implemented a stock split on 14 December 2023, with a 1:2 ratio. Consequently, the nominal value of each share has decreased from IDR 250 to IDR 125, while the total shares have doubled to IDR 384 million from IDR 192 million. This strategic move aims to bolster share liquidity on the Indonesia Stock Exchange and enhance shareholder participation, aligning with regulatory requirements and company objectives.
- PT Asuransi Reliance Indonesia has secured a significant capital injection of around IDR 412 billion from Reliance Capital. Approved by shareholders on 29 July 2023, this move aims to bolster financial strength and capitalise on emerging opportunities in the general insurance sector. It was done via the issuance of equity shares under a private placement. This follows the previous two capital injections carried out in December 2022 and February 2023.
- As electric vehicles (EVs) gain popularity in Indonesia, insurance companies are faced with the challenge of assessing and underwriting the unique risks associated with EVs. AAUI acknowledges the need for in-depth research and to offer tailored insurance products for EVs due to their distinct risk profile compared to conventional vehicles. While some insurers have started offering coverage for EVs, the products are still based on conventional motor coverage with added coverage for the battery.
- Lembaga Pembiayaan Ekspor Indonesia (LPEI) and PT Asuransi Asei Indonesia have collaborated to offer coinsurance on marine cargo facilities with an aim to boost exports. The partnership seeks to instill confidence among exporters and to contribute to Indonesia's economy by providing trade credit and marine cargo insurance coverage.
- PT Asuransi Astra Buana has launched Garda M-Klinik, a mobile clinic on wheels, and has introduced the Express Appointment feature in the Garda Mobile Medcare application, providing convenient, swift and accessible health services. Garda M-Klinik will offer consultations, examinations and immediate prescriptions. The Express Appointment feature enables customers to schedule doctor appointments at their preferred times, avoiding queues during medical examinations.
- AXA Insurance has seen a rise in sales through their digital channels, particularly post-COVID-19. This has been attributed to the company's prioritisation of distributing individual and MSMEs insurance through its platform, AXA myPage. The company has also utilised artificial intelligence (AI) to enhance its virtual assistant, Emma, to help customers understand products and to process claims.
- PT Asuransi Total Bersama (Tob Insurance) has introduced a new innovation, the "Digital Claim Register," an online system that simplifies the claims process by allowing customers to register claims in just a few steps. Once the required documents are uploaded, an instant verification process will begin, with a promise of contact from Tob Insurance within 24 hours.

- Oona Insurance has collaborated with Yellow.ai, a global leader in conversational AI, to introduce the chatbot Yoona. This collaboration aims to enhance the efficiency of services for Oona customers, utilising Yellow.ai's advanced conversational generative technology powered by artificial intelligence. Yoona can be accessed from Oona's website and provides smooth self-service support and facilitates insurance sales for customers.
- Insureka!, a digital insurance provider, has introduced the first Automated Claim Machine (ACM), located in the ATM Centre area of Artha Gading Mall, Jakarta. Resembling an ATM kiosk, the ACM provides digital access for car owners to manage various aspects of motor vehicle insurance. Users can submit insurance claims, purchase new policies and engage in video calls with the Insureka! team for assistance and information. Insureka! plans to expand these units to multiple locations in the future, aiming for broader community outreach.

MERGERS AND ACQUISITIONS (M&A)

- Bank Mandiri has divested its remaining 20% stake in PT AXA Insurance Indonesia, previously known as PT Mandiri AXA General Insurance (MAGI). This follows Bank Mandiri's 40% release in share ownership in 2018. The current divestment was done as part of Bank Mandiri's wider strategy to obtain a more optimal investment return from its various subsidiaries.

KEY APPOINTMENTS

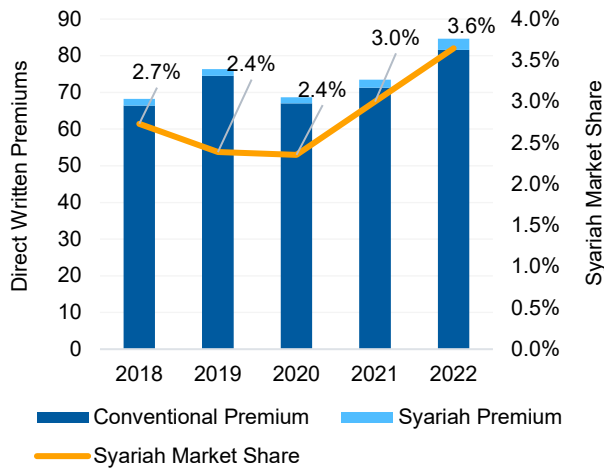
- Askrindo has appointed Fankar Umran as President Director and Budhi Novianto as its Director of Business.
- PT Zurich Asuransi Indonesia (ZAI) has appointed Heriyanto Agung Putra as Vice President Director.
- Asuransi Jasindo has appointed Jhon Harlen Butar-Butar as the Director of Finance and Investment.
- PasarPolis has appointed Peter Van Zyl as PasarPolis's new President.
- Gallagher Re, one of the largest global reinsurance brokers, has appointed Linda Purnama as Executive Director to lead reinsurance operations in Indonesia.

REGULATORY UPDATES

- Exclusive news: OJK has granted a reinsurance license to PT Orion Reasuransi Indonesia (Orion Reinsurance), whose shareholders, Orion Sedaya Indonesia and Orion Sedaya Utama, are predominantly owned by Orion Development International. Orion Reinsurance was founded on 12 April 2023 and was subsequently granted the license on 4 April 2024. With this, Orion Reinsurance takes the number of reinsurers in Indonesia to eight.
- OJK has revoked the business license of PT Asuransi Purna Artanugraha (Aspan) due to its inability to meet solvency and investment adequacy ratios, despite several attempts to submit action plans and capital improvement proposals. OJK emphasised that the decision aims to ensure a healthy and trustworthy insurance industry, protects policyholders' interests and obliges Aspan to cease operations and initiate liquidation proceedings within 30 days.
- OJK has instructed insurance and reinsurance companies to conduct a parallel run for the implementation of International Financial Reporting Standard (IFRS) 17 (PSAK 117) in the first quarter of 2024. This is outlined in OJK Letter S-5/PD.11/2023, issued on 13 August 2023. OJK emphasises that companies that have initiated the development of systems should rigorously monitor their timelines, while those that have not started are urged to develop the systems immediately. The Preparation Team for the implementation of IFRS17 has set output targets for 2023 which include gap assessments, approach identification and financial impact assessments.
- OJK has issued an updated regulation, POJK Nomor 22 Tahun 2023, aimed at enhancing consumer and community protection within the financial services sector. In essence, the regulation addresses matters such as the prohibition of unlicensed financial entities, delineation of rights for consumers and financial institutions, regulation of fees, debt collection practices, data protection measures, oversight of financial conduct, management of insurance products linked to investments (PAYDI) and procedures for appealing sanctions. Notably, the regulation emphasises the prohibition of listing warranties, specific targets and/or similar elements pertaining to investment returns and/or cash value within PAYDI schemes.
- OJK has released updated regulations outlined in POJK Nomor 20 Tahun 2023 regarding credit insurance and suretyship products under both the conventional and Syariah markets. These regulations introduce two main provisions: firstly, a mandatory allocation of at least 25% of the credit or Syariah financing balance as the creditor's risk, to be specified in the insurance policy; secondly, the imposition of a minimum liquidity ratio of 150% for general conventional and Syariah insurers.
- After a turbulent few recent years, PT Reasuransi Nasional Indonesia (Nasional Re) reached a solvency ratio (RBC) of 123.7% in September 2023, surpassing the minimum requirement of 120% set by the OJK. In addition, the company has also met the OJK's minimum criteria for the investment adequacy ratio (RKI) and equity.

General Syariah insurance

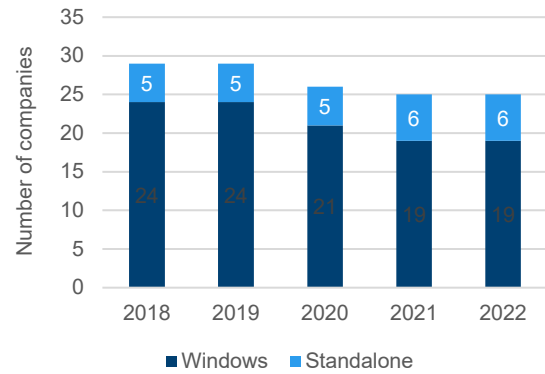
INDUSTRY PERFORMANCE



Note: Data is limited to 2022.
Source: Financial Services Authority (OJK).

- The Syariah market has continued increasing its market share in 2022, to 3.6%.
- The growth has been mainly driven by the motor vehicle and personal accident (PA) health lines of business.
- The most significant premium growth is observed from motor vehicle, with a growth of 56.6% in 2022.
- PA and health continues to be a dominant line in the Syariah market, representing up to 41% of the market share, with Askrida Syariah as the leading company.
- PT Zurich General Takaful Indonesia has emerged as the top non-life Syariah insurer in 2022 despite being a relatively new player in the market.

MARKET MOVEMENTS



Note: Data is limited to 2022.
Source: Financial Services Authority (OJK).

- The number of Syariah insurers has remained constant across 2021 and 2022, with no notable entries or exits.
- In 2023, PT AXA Insurance Indonesia announced the closure of its Syariah business unit, after which the portfolio will be transferred to other Syariah companies using the “Cancel & Replace” mechanism. PT Asuransi Maximus Graha Persada Tbk. has also announced its plan to transfer its Syariah business portfolio to a Syariah insurance company.

OTHER SYARIAH UPDATES

- PT Asuransi Umum Mega Unit Usaha Syariah has joined forces with Bank Muamalat to offer Syariah-compliant insurance products, including coverage for assets, employees and Bank Muamalat’s customers. The collaboration aims to utilise the increasing demand and public confidence in Syariah insurance products in Indonesia.
- Astra Group’s insurance subsidiaries, PT Asuransi Astra Buana and PT Asuransi Jiwa Astra (Astra Life), are preparing to comply with regulations for spinning off their Syariah business units. However, they acknowledge needing more time for development due to the minimal contributions from their Syariah portfolios. The deadline for separation, set by POJK Nomor 11 Tahun 2023, is 31 December 2026, with noncompliance resulting in the revocation of the Syariah unit establishment license.



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