

INDONESIA LIFE INSURANCE NEWSLETTER

SEPTEMBER 2015

WE ARE PLEASED TO PRESENT THE FIFTH EDITION OF MILLIMAN'S INDONESIA LIFE INSURANCE NEWSLETTER. THIS EDITION COVERS THE DEVELOPMENTS DURING THE PERIOD FROM 1 MAY 2015 TO 31 AUGUST 2015.

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In June 2015, the Indonesian Life Insurance Association (AAJI) announced a 28.5% growth in gross premium for the first quarter of 2015 as compared with the same period in 2014. With the recent developments in the global economic landscape, it remains to be seen whether the industry will be able to keep up the momentum for the second quarter of 2015. The AAJI revised its growth forecast for the full year of 2015, revising it down to 20% from a previous range of 23% to 29%.

We discuss these and other key developments in this edition of our newsletter. We hope you find this edition informative, and as always we look forward to receiving your feedback.



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Market performance

Industry performance for 2015 1Q

The AAJI reported that the life insurance industry grew its gross premium by 28.5% in the first quarter of 2015, up to IDR 32.95 trillion. This was attributed to a growth of 29% in new business premium (which contributed to 56.8% of gross premium) to IDR 18.72 trillion. Unit-linked business contributed to more than half (54%) of the gross premium in the first quarter, with the remaining 46% from traditional business. In addition, total assets of life insurance companies increased by 24.9% in the first quarter, growing from IDR 305 trillion in 2014, to IDR 381 trillion in 2015.

Market news

A. Mergers and acquisitions, distribution agreements

- There were no newly announced mergers and acquisitions or distribution agreements during the four-month period ending 31 August 2015.

B. New licenses

- There were no new licenses issued in the four-month period ending 31 August 2015.

C. Key company news

- Bank Rakyat Indonesia (BRI) announced that it was in a process of seeking a joint venture partner for the acquisition of BRIngin Life. As at July 2015, three bidders were reported to be short-listed in the process that is offering a 40% stake in BRIngin Life, namely BNP Paribas Cardif, FWD Group, and Hanwha Life Insurance. According to BRI's finance director Haru Koesmahargyo, BRI is expected to take over BRIngin Life from its current owner BRI Pension Fund, prior to selling the 40% stake to the future partner.
- PT. Asuransi Jiwa Kresna (Kresna Life) is reported to be considering an offer of 20% to 30% of new shares to the public through an initial public offering (IPO). Its president director, Michael Steven, is reportedly looking to launch this IPO in the first quarter of 2016 and is reported as saying that investors from the United States, Japan, and Europe have shown interest.
- Bank Tabungan Pensiunan Nasional (BTPN) reported that it has made progress with its plans to enter the life insurance sector. According to Anika Faisal, BTPN compliance director and corporate secretary, the company is exploring the possibility of taking over an existing company, or starting a new venture.

- Vice President Director Nelly Husnayati of PT. Asuransi Jiwa Manulife Indonesia is reported as saying that Manulife Indonesia is expecting to spin off its Syariah business unit by the end of the year in accordance with the recently enacted Insurance Regulation No.40/2014. The report cites that Syariah contributes around 5% to 10% of Manulife Indonesia's total premium income.

D. Key appointments

- Premraj Thuraisingam has recently been appointed as president director and chief executive officer (CEO) of Sinarmas MSIG Life.
- Peter Huber has moved to become CEO and president director of Zurich Topas Life Indonesia. Formerly he was CEO of Zurich Life Insurance (Singapore).
- Soon Chin Nyeon has recently left Generali Indonesia to become the appointed actuary of Allianz Indonesia.
- Chee Kong Tham has recently been appointed as CEO of Tokio Marine Life Indonesia.

Regulatory developments

In August 2015, the Financial Services Authority ("OJK") announced that, following recent developments in the capital markets, it is temporarily reducing the minimum solvency ratio to 50% from 100%, as calculated by the required risk-based capital (RBC) norms, at least until end of the year. According to the Firdaus Djaelani, the OJK commissioner overseeing the nonbanking financial industry, from a simulation test performed based on various stressed scenarios, including the weakening of the Indonesian rupiah and a drop in asset returns, four or five insurance companies would see their RBC ratios dropping below 120%.

In addition, the OJK is also expected to issue new regulations in the near term on the following subjects:

(1) Investment guidelines:

The OJK is expected to provide greater flexibility to insurance companies by allowing greater selection of investment assets.

(2) Product approval:

The OJK is considering relaxation of the product filing requirements for simpler insurance products. Companies may only be required to notify the OJK of such product launches.

Other recent developments

AAJI predicts slowing industry performance

The AAJI has cut its 2015 growth forecast for the life insurance industry, in terms of gross premium, from the 23% to 29% that it announced earlier in the year down to 20%. Attributing the revised estimate to a slowdown of the economy, Hendrisman Rahim, a senior officer at the AAJI, did, however, express confidence that the increasing financial literacy of Indonesians would help to improve the performance of the life insurance industry in the future.

Takaful market sees more demand

According to the Asia Insurance Review, the OJK reported that Syariah life insurance achieved a significant increase of 50.35% in total contribution up to IDR 2.12 trillion in the first quarter of 2015, compared with the same period in 2014. Syariah assets are also reported to have increased by 35.2% to IDR 19.39 trillion during the same quarter. The article reports that this growth also supports results from a recent survey carried out by Allianz in Jakarta, Bandung, Padang, and Samarinda, which suggested that Syariah products are well received as they offer transparent investments and profit-sharing schemes. The article reported that Indonesia offers a large market for Syariah insurance, with around 87% of the 252 million population being Muslim.

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