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We are pleased to present the October 2021 edition of Milliman's Indonesia Life Insurance Newsletter. This edition covers developments during the period from 1 April 2021 to 30 June 2021.

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 AT Q1 YTD 2021

According to the Indonesia Insurance Statistics published by the Financial Services Authority (OJK), the Indonesian life insurance industry made a profit over Q1 2021 before tax and other comprehensive income (OCI), reversing the loss over Q1 2020. The change over the period is summarised below:

Financials (in IDR trillion)	Q1 2020	Q1 2021	Change
Net Premium Income	38.06	48.47	10.40
Investment and Other Income	7.08	1.73	(5.35)
<b>Total Income</b>	<b>45.15</b>	<b>50.20</b>	<b>5.05</b>
<b>Total Claims and Benefits</b>	<b>36.95</b>	<b>39.13</b>	<b>2.18</b>
Commission and Acquisition Costs	4.62	4.57	(0.05)
Operating Expenses	4.00	4.12	0.12
<b>Total Expenses</b>	<b>45.57</b>	<b>47.82</b>	<b>2.25</b>
<b>Profit/(Loss) Before Tax and OCI</b>	<b>(0.42)</b>	<b>2.38</b>	<b>2.80</b>
Tax	0.42	0.60	0.18
<b>Net Profit/(Loss) Before OCI</b>	<b>(0.84)</b>	<b>1.78</b>	<b>2.62</b>
<b>Total Assets*</b>	<b>496.23</b>	<b>549.63</b>	<b>53.40</b>
Premium Reserve	379.79	430.53	50.75
Unearned Premium Reserve	4.31	4.23	(0.08)
Claim Reserve	5.35	6.91	1.56
Catastrophic Reserve	0.05	0.13	0.08
<b>Total Technical Reserve</b>	<b>389.50</b>	<b>441.81</b>	<b>52.30</b>

Note: OCI = other comprehensive income.

\* As at 31 March 2020 and 31 March 2021.

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

During Q1 2021, the profit before tax and OCI increased by IDR 2.80 trillion, mainly driven by an increase of IDR 10.40 trillion in premium income despite a decrease in investment income and an increase in total expenses. The increase in net premium income is primarily attributed to the economy's rebound from the COVID-19 pandemic.

The Indonesia Life Insurance Association (AAJI) reported that total unweighted premium over Q1 2021 was IDR 57.45 trillion, an increase of 28.50% compared to Q1 2020. In the face of the COVID-19 pandemic, total new business premiums from the agency and telemarketing channels have declined, while premiums through the bancassurance and alternative channels (including digital channel) have increased. New business (unweighted) premium increased from IDR 26.03 trillion in

Q1 2020 to IDR 37.04 trillion in Q1 2021. The AAJI also reported that total claims paid had increased, with surrender claims of IDR 28.54 trillion during Q1 2021 being the largest contributor to total claims paid.

## Market news

### NEW PRODUCTS

The following new life insurance products were reported to have been launched over Q2 2021:

#### Traditional products:

- PT Asuransi Jiwa BCA (BCA Life)** launched two products, **BCA Life Pelindung Jiwa** and **BCA Life Pelindung Kecelakaan**, through BCA Life's online sales channel [mylifeguard.id](https://mylifeguard.id). **BCA Life Pelindung Jiwa** is a yearly-renewable-term life product paying a refund-of-premiums on natural death during the first two policy years, or the sum assured thereafter. The same conditions apply if a policy is reinstated. An accidental death benefit is payable three months after policy inception. **BCA Life Pelindung Kecelakaan** is a yearly-renewable-term personal accident product paying out the sum assured on death up to 90 days after an accident and reimbursing medical care costs of up to IDR 2.5 million per accident. Premiums start from IDR 40,000 per month while sums assured range from IDR 100 million to IDR 500 million for both products.
- PT Asuransi Jiwa Sequis Life (Sequis Life)** launched two new yearly-renewable-term health products, **Super Well Protection** and **Super Care Protection**, through its digital channel, [superyou.co.id](https://superyou.co.id). **Super Well Protection** provides inpatient and outpatient benefits on diagnosis of a critical illness up to the policyholder reaching age 85. **Super Care Protection** protects policyholders from the costs of treating infectious diseases, such as COVID-19. Both inpatient and outpatient care is covered. Simplified underwriting is used without the need for a medical checkup. Cover terminates when the policyholder reaches age 75. **Super Care Protection** also covers the cost of treatment resulting from accidents as well as the cost of mobility devices, changes to the policyholder's home etc. in the event of accidental Total Permanent Disability. In addition, a lump sum benefit of either IDR 100 million or IDR 200 million is paid on death from an infectious disease, and one of the product variants provides a daily cash allowance of IDR 1 million daily (for up to 30 days per policy year) for policyholders suffering from COVID-19.
- PT Asuransi Jiwa IFG (IFG Life)** has started to sell **IFG Proteksi Kematian**, a single premium group term life product. Annual premiums start from IDR 2,000 per member in return for IDR 1 million sum assured paid on the member's death. The product protects lives up to age 69.

- **PT Asuransi Jiwa Manulife Indonesia (Manulife)** launched **Proteksi Prima Masa Depan (PPMD)**, an endowment product aimed at High Net Worth (HNW) individuals, sold exclusively through its partnership with **PT Bank Danamon Indonesia Tbk (Bank Danamon)**. PPMD is a guaranteed issuance offer product for policyholders aged up to 70 years with a policy term of 50 years (including changes of insured lives detailed below). The product is unique in the market by allowing the policy to be passed down to the next generation, by allowing the life assured to change up to three times. A survival benefit is paid every year from the 10<sup>th</sup> policy anniversary until maturity, namely 10% of the targeted future fund (selected by the policyholder upon purchase) between the 10<sup>th</sup> and 29<sup>th</sup> policy anniversaries, 15% between the 30<sup>th</sup> and 49<sup>th</sup> policy anniversaries and then the targeted future fund at maturity. An additional non-guaranteed maturity benefit of up to 1,500% of targeted future fund may be provided (depending on investment performance). Policyholders can choose between paying a single premium or a regular premium for two or five years.
- **PT PFI Mega Life Insurance (PFI Mega Life)** launched **Asuransi Mega Warisan**, a 10-year protection product with a five-year premium term. The sum assured is paid on death, but is doubled if death results from an accident. Upon survival to the end of the policy term, 110% of total premiums paid are paid to the policyholder.

#### Syariah products:

- **PT Prudential Life Assurance (Prudential)** started selling **PRUTect Care – Hospital Cash**, a group Syariah product, available on **OVO's** mobile app. Contributions start from IDR 5,000 per member per month. Benefits include a death benefit and additional optional benefits such as accidental Total Permanent Disability, death due to infectious diseases and in-patient cash. OVO is a digital payments, rewards and financial services platform in Indonesia.

#### NEW SERVICES

- **PT AXA Mandiri Financial Services (AXA Mandiri)** launched the **AXA Mandiri Telekonsultasi** mobile app. Policyholders benefit from free teleconsultations with general practitioners and selected specialists. Any resulting prescriptions are sent directly to online pharmacies for immediate home delivery.
- **Prudential** launched **Prestige by Prudential (Prestige)**, a service platform for its priority customers. Benefits include prioritised underwriting and policy administration, VIP hospital facilities and one free medical checkup every two years. **Prestige** is available to policyholders with at least IDR 500 million premiums or contributions in the last 12 months or with sums assured of at least IDR 10 billion across their policies.

#### NEW UNIT-LINKED FUNDS

- **Manulife** launched three new unit investment funds: **Manulife Dana Pendapatan Tetap Jangka Pendek Dolar (MDPTJPD)**, **Manulife Dana Ekuitas China Dolar (MDECD)** and **Manulife Dana Ekuitas Teknologi Global Dolar (MDETGD)**. MDPTJPD invests in short-term Indonesian government bonds to prioritise stability and reduce the volatility of returns. MDECD invests in the Chinese capital market, while MDETGD invests in the global technology sector. The funds are available on the **MiTreasure Ultimate Protection**, **MiTreasure Optimax Protection** and **MiWealth Protection** products sold through **PT Bank DBS Indonesia (Bank DBS)**.

#### UPDATE ON JIWASRAYA/IFG LIFE

- **PT Asuransi Jiwa IFG (IFG Life)** obtained a business license from the OJK in April 2021. IFG Life also officially joined the **AAJI** in May 2021.
- IFG Life is currently waiting on the disbursement of the IDR 20 trillion State Capital Participation promised by the government in the 2021 State Budget as part of **Jiwasraya's** restructuring.
- IFG Life will operate within three business pillars:
  - Pillar 1: Manage the portfolio transferred from Jiwasraya as part of its restructuring programme.
  - Pillar 2: Sell new business in the life and health insurance sectors, focusing on protection products and targeting State-Owned Enterprises (SOEs) including their employees and customers.
  - Pillar 3: Form a Financial Institution Pension Fund (DPLK) in order to manage defined contribution pension schemes.
- After starting to sell **IFG Proteksi Kematian** (detailed above), IFG Life has also applied to the OJK for approval for 25 new products, including 11 products mirroring Jiwasraya's restructured products.
- Jiwasraya will cease operating as a life insurance company when the restructuring programme ends. Instead, it will operate as a company restricted to settling debts by using the remaining assets to cover liabilities for policies that have disagreed to the restructuring. By the time the offer to restructure policies expired on 31 May 2021, 98%, 94% and 96% of corporate, retail and bancassurance policyholders, respectively, agreed to the restructuring programme. The portfolio transfer is targeted to be completed by October 2021.
- Local media reported that pensioners in 12 pension schemes of SOEs voiced their rejection of the restructuring programme, owing to the pensioners' obligations to pay premium top-ups and accept benefit reductions.

## UPDATE ON BUMIPUTERA

- On 16 March 2021 the OJK sent an official letter to the Board of Directors of **PT AJB Bumiputera 1912 (Bumiputera)** requesting a proper follow-up to the meeting with policyholders and other stakeholders. The follow-up includes forming an election committee for the new Members' Representative Body (BPA).
- The first court date to approve the new BPA election committee was scheduled to be held on 4 May 2021 but had to be postponed because one of the three plaintiffs representing the policyholders was absent.
- On 17 June 2021, OJK sent another official letter to Bumiputera's management documenting its recommendations based on the results of its investigations of the policyholders' allegations.

## UPDATE ON KRESNA LIFE

- On 8 June 2021 the Supreme Court declared **PT Asuransi Jiwa Kresna (Kresna Life)** bankrupt after a lawsuit by a small group of policyholders without having obtained the OJK's agreement. Local media reported that some other policyholders expect the bankruptcy declaration to have a negative impact on future repayments to policyholders.
- Kresna Life's** management stated it would request a judicial review of the Supreme Court's decision because Kresna Life has met its obligations to all policyholders and creditors under the settlement scheme agreed in the Postponement of Debt Repayment Obligations (PKPU) Peace Agreement in February 2021.

## Regulatory developments

### NEW REGULATIONS OVER Q2 2021

One OJK regulation (POJK) was issued during the period:

- POJK NO 9/POJK.05/2021 specifies the level of regulatory supervision applied by the OJK and the follow-up supervision for nonbank financial institutions, including conventional and Syariah insurers and reinsurers. The status of OJK supervision can be categorised as "normal," "intensive" or "special." The status is determined based on the scores for the company's composite health level and corporate governance, as well as other quantitative parameters. The composite health and corporate governance scores range from 1 ("Healthy") to 5 ("Unhealthy"), as determined in POJK NO 28/POJK.05/2020,.

The intensive status is applied to companies with:

- A composite health score of 4 or 5
- A composite health score of 3 and a corporate governance score of 4 or 5
- Solvency level between 80% and 120% of the minimum Risk-Based Capital (RBC) for conventional and Syariah businesses; liquidity ratio between 80% and 100%; and/or investment adequacy ratio between 80% and 100%.

The special status is determined for companies with either:

- A score of 5 for both composite health and corporate governance
- Quantitative parameters defined when RBC solvency level, liquidity ratio and investment adequacy ratio are below 80%

The OJK will communicate the supervision status, the reasons for determining the status and the monitoring actions to the company. Examples of monitoring actions are delaying or not distributing profits, strengthening capital through an injection or a limit on new products and activities etc.

## FORTHCOMING REGULATIONS

There were no draft regulations related to life insurance published by the OJK during Q2 2021.

## Distribution updates

### AGENCY CHANNEL

Local media reported no new agency partnerships or developments during Q2 2021.

### BANCASSURANCE CHANNEL

The following new bancassurance partnerships and developments have been reported in the media during Q2 2021:

- PT Asuransi Jiwa Generali Indonesia (Generali)** announced a new relationship with **PT Bank Sumut** to sell its regular premium endowment product, **CEMERLANG**. The sum assured is paid on natural death and doubles on accidental death. A benefit equal to 110% of premiums paid is paid on survival to the end of the eight-year policy term. Premiums start from IDR 90,000 per month.
- IFG**—the parent company of IFG Life—signed a partnership agreement with **PT Bank Tabungan Negara (Persero) Tbk (BTN)** in order to improve the variety of products offered to BTN's customers.

### DIGITAL CHANNEL AND INSURTECH

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

- PT Aruna Jaya Nuswantara (Aruna)** and **Qoala**—an e-commerce startup for fisheries and insurtech startup, respectively—now work together to provide fishermen with **AM Prisma Plus**, a microinsurance product underwritten by **PT Asuransi BRI Life (BRI Life)**. Premiums for the yearly renewable product cost IDR 50,000 for individuals only and IDR 90,000 for individuals and their spouses in return for the IDR 2.5 million death benefit, IDR 19.5 million accidental death benefit and up to IDR 5 million accidental Total Permanent Death benefit as well as surgery costs (capped at IDR 2.5 million per year) and inpatient hospital cash benefit (IDR 100,000 per day for up to 90 days).

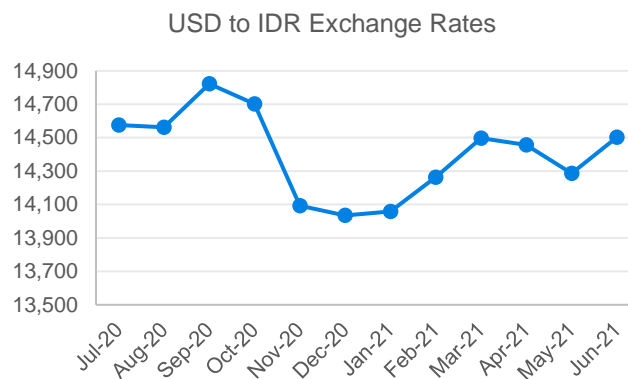


- **Generali** now sells Syariah life insurance products through an in-house e-commerce platform, **akuberbagi.com**. This platform provides family protection products as well as opportunities to channel some donations to *waqf*<sup>1</sup> partners in various sectors.
- **PT Asuransi Jiwa Central Asia Raya (CAR)** established a partnership with **cermati.com**, a financial product marketplace, to commence digital sales of two health insurance products, **Central Asia Prevensia Care** and **Premium Health Protection**. Both products reimburse the cost of inpatient care and surgery and provide a death benefit. In addition, **Central Asia Prevensia Care** reimburses the cost of outpatient care resulting from accidents. **Premium Health Protection** has level premiums paid over 10 years and a 100% refund-of-premiums paid on the 10<sup>th</sup> policy anniversary even if the policyholder has claimed under the policy.
- **PFI Mega Life** has also partnered with **cermati.com** to sell a yearly-renewable-term insurance product, **Asuransi Mega Comforta**, and a health insurance product, **Asuransi Mega Hospital Investa**. **Asuransi Mega Comforta** provides cover against death and on diagnosis of one of 10 critical illnesses, while **Asuransi Mega Hospital Investa** indemnifies customers against the costs of inpatient care and provides a daily hospital cash benefit.
- **PT Sedaya Multi Investama (Astra Financial)**, a subsidiary of **PT Astra International Tbk**, partnered with **Alibaba Cloud** to run the **MOXA** mobile app as the **Astra Financial Wealth Hub**. The comprehensive financial app helps users to meet various financial needs, including insurance.
- **Prudential** has established a partnership with **PT PasarPolis Insurance Broker (PasarPolis)**, an insurtech company, in order to improve access to insurance for all layers of society. This partnership kicked off with the sale of **PRUTect Care Hospital Cash** on **PasarPolis**, a digital group Syariah product (more details above).
- **PT Solusi Sinergi Digital Tbk (Surge)** launched a marketplace for microinsurance products named **Asuransi Kita**. Insurance products underwritten by Cigna, Sequis Life, AXA and other insurers are sold on the mobile app.
- **PT Asuransi Allianz Life Indonesia (Allianz)** launched **OptimAll**, a digital insurance distribution portal providing health, life and general insurance products. Applying for an insurance policy can be done entirely online and takes less than 10 minutes.

## 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](http://www.xe.com)

During Q2 2021, the Indonesian rupiah appreciated 1.18% over the period April 2021 to May 2021 but then depreciated by 1.52% in June 2021, reaching its lowest position to date in 2021 by the end of June 2021. Bank Indonesia (BI) stated the year-to-date weakening of the Indonesian rupiah against the US dollar was due to investors' tendency to seek less riskier investments during a challenging time in Indonesia—a so called "fight-to-quality." This fight-to-quality triggered outflows of capital from Indonesia amidst an adequate domestic supply of foreign exchange. However, the Indonesian rupiah has depreciated less than what has been experienced by neighbouring countries including the Philippines, Malaysia and Thailand.

BI revised its projection of Gross Domestic Product (GDP) growth for 2021 downward to 3.5% to 4.3% from 4.1% to 5.1% following the emergence of the Delta variant of COVID-19. Household consumption has been undermined by the emergency mobility restrictions although there is an increase in export performance driven by coal, iron and steel exports.

Consumer price index (CPI) inflation was 0.16% month-on-month (m/m) as at June 2021. CPI inflation was 0.74% year-to-date (ytd) or 1.33% year-on-year (y/y) as at June 2021, a slight decrease from 1.68% y/y at May 2021. Core inflation remains low and is attributed to less demand for goods and services. BI expressed its commitment to keep the expected rate of inflation within its target range of 3.0% ± 1% y/y.

In June 2021, 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 stability of the rupiah amidst increased uncertainty in the global money markets and the continued low-inflation environment.

<sup>1</sup> An endowment made by a Muslim to a religious or charitable cause.

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 rate as at 30 June 2021.

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	3.85	4.35	16	7.66	8.16
2	4.54	5.04	17	7.72	8.22
3	5.06	5.56	18	7.77	8.27
4	5.47	5.97	19	7.81	8.31
5	5.82	6.32	20	7.84	8.34
6	6.11	6.61	21	7.87	8.37
7	6.37	6.87	22	7.89	8.39
8	6.60	7.10	23	7.90	8.40
9	6.81	7.31	24	7.91	8.41
10	6.99	7.49	25	7.92	8.42
11	7.15	7.65	26	7.92	8.42
12	7.28	7.78	27	7.93	8.43
13	7.40	7.90	28	7.93	8.43
14	7.50	8.00	29	7.93	8.43
15	7.59	8.09	30	7.92	8.42

Source: Indonesia Bond Pricing Agency (IBPA)



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