



Life in Indonesia

AUGUST 2024 EDITION

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We are pleased to present the August 2024 edition of Milliman's Indonesia Life Insurance Newsletter. This edition covers developments from 1 April 2024 to 30 June 2024.

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 Q1 2024

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 2024 (relative to Q1 2023). The change over the period is summarised below:

FINANCIALS (IN IDR TRILLIONS)	Q1 2023	Q1 2024	CHANGE
Net Premium Income	37.05	36.75	(0.30)
Investment and Other Income	11.55	14.24	2.69
Total Income	48.60	50.99	2.39
Total Claims and Benefits	36.78	38.67	1.88
Commission and Acquisition Costs	4.57	4.68	0.11
Operating Expenses	5.31	4.94	(0.36)
Total Expenses	46.66	48.30	1.63
Profit/(Loss) Before Tax and OCI	1.94	2.69	0.76
Tax	0.42	0.39	(0.03)
Net Profit/(Loss) Before OCI	1.52	2.30	0.79
Total Assets	586.20	590.92	4.71
Premium Reserve	421.41	406.70	(14.71)
Unearned Premium Reserve	5.25	6.12	0.87
Claim Reserve	8.03	8.19	0.16
Catastrophic Reserve	0.13	0.12	(0.01)
Total Technical Reserve	434.81	421.13	(13.69)

Source: OJK's Indonesia Insurance Statistics: March 2023 and March 2024.

Notes:

- OCI = Other Comprehensive Income.
- Figures may not be additive due to rounding.

Over Q1 2024, the profit before tax and OCI increased by IDR 0.76 trillion compared to the equivalent period in FY 2023, mainly driven by an increase of IDR 2.39 trillion in investment and other income, offset by a decrease of IDR 0.3 trillion in net premium income and an increase of IDR 1.63 trillion in total expenses.

The Indonesia Life Insurance Association (AAJI) reported that total premium income (including renewal premium) over Q1 2024 was IDR 46 trillion, an increase of 0.9% compared to Q1 2023. The total number of insured lives in Q1 2024 decreased by 33.8% for individuals and increased by 7.4% for groups compared to Q1 2023, resulting in an overall net decrease of 6.6%.

The AAJI further reported that, in Q1 2024, the life insurance industry paid total claims and benefits of IDR 42.93 trillion, marking a 5.8% decrease from Q1 2023. During the same period, the total health claims paid increased by 29.6%.

Market news

NEW PRODUCTS

The following new life insurance products were reported to have been launched over Q2 2024:

Traditional products

- PT AXA Mandiri Financial Services (AXA Mandiri)** launched **Perlindungan Amanah Syariah**, a Syariah endowment with coverage for death, 77 critical illnesses and inpatient care such as daily hospital cash, intensive care unit (ICU) and recovery benefits. Two coverage options are available: 5-pay 8-year term with minimum annual contributions of IDR 4.18 million, or 10-pay 15-year term with minimum annual contributions of IDR 1.98 million. The participant entry age ranges from 17 to 60 years. Upon death or diagnosis of critical illness, the sum assured (net of inpatient benefits paid to date) will be paid out to the policyholder and the policy terminates. Inpatient benefits consist of daily hospital cash amounting to 0.1% of the sum assured (which is doubled for an ICU stay) and a recovery benefit amounting to 1% of the sum assured, subject to daily and annual limits. Upon maturity, 107% and 115% of the total contributions paid will be returned for the 5-pay and 10-pay options, respectively. The product also offers a *Badal Haji* benefit that pays a fee for a third-party vendor to perform the Hajj pilgrimage on behalf of the Muslim policyholder in case of death, an optional *wakaf* feature allowing the policyholder to donate a portion of their benefit capped at 45% of sum assured and funeral arrangement services.
- PT Asuransi Allianz Life Indonesia (Allianz Life)** has partnered with **PT Bank HSBC (Bank HSBC)** in launching **Premier Legacy Assurance**, a legacy whole life product targeted for affluent and high net worth individuals such as HSBC Premier customers. Premiums can be either paid as a single premium (at least IDR 500 million) or over three years (at least IDR 170 million annually). The maximum entry age for this product is 70 years, with a minimum sum assured of IDR 3 billion. The death benefit starts at 100% of sum assured for the first five policy years, increasing by 20% for every subsequent five-year policy anniversary up to 200% of the initial sum assured after the 50th policy anniversary, amounting to a maximum of 300% of the initial sum assured in total. Upon maturity at age 100, the accumulated sum assured will be paid.

- **PT Asuransi Allianz Life Syariah Indonesia (Allianz Syariah)** has launched a legacy whole life product, **AlliSya LegacyMax**, targeted for the younger generation, especially young families. Contributions can be made as a single payment or periodically over five, 10 or 15 years, with a minimum sum assured of IDR 200 million. Contribution deductions of up to 45% may also be provided depending on the sum assured. The maximum entry age for the insured varies up to 70 years, depending on the contribution term selected. The product pays out the sum assured upon the insured's death (subject to a juvenile lien clause), as well as an additional 10% for every 10 years starting at the end of the 15th or 25th policy year (depending on the insured's entry age, up to maximum of 50%). Upon maturity at age 120, up to 100% (depending on the insured's entry age) of total contributions paid will be returned.
- **PT MSIG Life Indonesia Tbk (MSIG Life)** and **PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk (Bank BJB)** jointly launched **Smile Life Extra Plus**, an affordable 6-pay 12-year term life product targeted towards financially constrained Millennials. The minimum sum assured is IDR 100 million, while annual premiums start from IDR 1 million. Within the first policy year, a premium refund or the sum assured will be paid upon natural death or accidental death, respectively. Between the second and eighth policy years, the sum assured will be paid upon natural or accidental death. An additional 100% of sum assured is paid out upon death due to a public transportation accident throughout the first eight policy years. At the eighth policy anniversary, up to 112% of premiums paid are returned, after which the death benefit is halved and the public transportation accident benefit ceases to be paid. The maximum entry age is 50 years for the insured and 85 years for the policyholder.
- **PT Prudential Life Assurance Indonesia (Prudential)** launched **PRUIncome Guard**, an affordable and comprehensive 8-pay 15-year term life insurance product sold through **PT Bank UOB Indonesia (Bank UOB)**. Annual premiums range from IDR 6 million up to IDR 500 million, with a sum assured of 12 times the annual premium amount. This product is targeted at individuals aged between 21 years (18 years if already married) and 65 years, as well as corporate policyholders. Upon death or the diagnosis of terminal illness (after a 90-day waiting period) within the first or second policy years, the product pays out 25% or 50% of sum assured, respectively, and the policy terminates. The full sum assured is paid out upon death or terminal illness diagnosis from the third policy year. Annual cash benefits are also paid for the entire policy term, amounting to 1% of the sum assured if annual premiums are at least IDR 24 million, or 0.5% of sum assured otherwise. Upon maturity, 110% of the total premiums paid is paid out.
- **Prudential** and **PT Prudential Sharia Life Assurance (Prudential Syariah)** launched **PRUWell Medical** and **PRUWell Medical Syariah**, respectively, which are standalone health products covering inpatient and outpatient care. The products include a reward feature offering up to a 20% premium discount upon policy renewal for meeting certain conditions, e.g., no claims in the past period. In addition, policyholders may opt for a deductible on their policy in exchange for lower premiums. Seven plan options are available, determining the coverage area and limits. The maximum insured entry age is 75 years, and both products are yearly renewable to age 99.
- **PT Sun Life Financial Indonesia (Sun Life)** and **PT Bank CIMB Niaga Tbk (Bank CIMB)** launched **X-Tra Proteksi Tepat**, a 5-pay 20-year nonparticipating endowment product tailored to meet the needs of the younger generation. Two plan options are available: **Tepat 100** (paying out 100% of sum assured upon death or maturity) and **Tepat 200** (paying out 200% of sum assured upon death or maturity). Annual premiums range from IDR 12 million to IDR 30 million for **Tepat 100**, and start from IDR 30 million for **Tepat 200**. Policyholder entry age ranges from 18 to 80 years, while insured entry age ranges from three months to 60 years.

Unit-linked products

- **PT Zurich Topas Life (Zurich)** introduced **Zurich Family Gen Assurance**, a regular premium product designed to provide coverage for the entire family under a single policy, as the policy can be transferred up to the third generation without reexamination. The sum assured starts from IDR 100 million while annual premiums start from IDR 20 million. The policy term is at least 20 years, and the policy is renewable up to age 99. The sum assured and account value are paid out upon accidental death, while only the account value is paid upon natural death or maturity at age 99. A loyalty bonus gradually rising up to 50% of the annual basic premium will also be credited to the account value every 10 years. The product also includes a no-lapse guarantee (NLG) for the first five policy years.

Microinsurance products

No new microinsurance products were reported to have been launched over Q2 2024.

NEW FUND FOR UNIT-LINKED PRODUCTS

The following new funds were reported to have been launched over Q2 2024:

- **PT Great Eastern Life Indonesia (Great Eastern Life Indonesia)** has introduced **GreatLink SustAInability Equity Fund**, the first sub-fund in Indonesia leveraging artificial intelligence (AI) to invest in Indonesia Stock Exchange-listed companies adhering to strong environmental, social, and corporate governance (ESG) principles. This high-risk, long-term investment option allocates at least 80% to equities and up to 20% to the money market, with a maximum investment management fee of 2.25% per year. Existing customers can easily switch to this fund free through the **GoGREAT! Services** portal.
- **Prudential** has launched the **PRULink Rupiah Balanced Income Fund Plus**, a new sub-fund that complements the **PRUWealth Maxima Account** product, marketed through Standard Chartered Bank. This sub-fund is managed by **PT Mandiri Manajemen Investasi (Mandiri Investasi)** and is designed for clients with an aggressive risk profile. The fund asset allocation mix consists of fixed income, money market instruments and equities in various industries with allocations not exceeding 79% within each asset class, managed in a flexible and dynamic manner to generate additional potential investment value and capital growth.

Regulatory developments

NEW REGULATIONS OVER Q2 2024

The following OJK Regulation (POJK) developments have been reported during Q2 2024:

- The OJK issued **POJK No 8/POJK.8/2024**, "Insurance Products and Marketing Channels of Insurance Products," replacing **POJK No 23/POJK.05/2015** and Chapter 50 in **POJK No 73/POJK.05/2016**, effective from 5 June 2024. This regulation aims to streamline the licensing of insurance products (both conventional and Syariah) and simplify approval and reporting processes. By relaxing strict regulations, it seeks to enhance efficiency and support market players and stakeholders, creating an environment for more varied and dynamic product innovation. Key enhancements in the regulation are outlined below:
 1. The new regulation relaxes the prior OJK approval requirements for products meeting specific criteria (i.e., products with savings or cash value elements, credit or Syariah financing insurance products and suretyship or Syariah suretyship insurance products) which are new or materially altered, including alterations to risks covered and cash value calculations. Product alterations previously requiring OJK approval, such as alterations to premium calculation, risk categories and

assumptions related to premium or contribution calculation as well as new or materially altered products not meeting the specific criteria, no longer require prior OJK approval under the new regulation, and merely require a report to the OJK within five working days after the product is launched. Missing the reporting deadline could subject the company to fines, and the OJK reserves the right to stop sales on the product and impose additional requirements based on the company's report on the product alteration.

2. The new regulation additionally requires company directors or equivalent to submit requests for OJK product approval, with additional documentation requirements including:
 - Identification and self-assessment results
 - Comparison matrices before and after the material alterations (for materially altered products)
3. Companies seeking prior OJK approval must meet minimum solvency and investment adequacy requirements and not be under administrative sanctions, except if new product approvals are part of an OJK-approved action plan. The OJK also reserves the right to require companies under intensive or special supervision to obtain prior approval for marketing any type of insurance products.

FORTHCOMING REGULATIONS

There were no forthcoming regulations reported in the news over Q2 2024.

Distribution updates

AGENCY CHANNEL

The following new agency developments have been reported in the media over Q2 2024:

- **PT Asuransi Jiwa Manulife Indonesia (Manulife)** opened new independent marketing offices, XO Network Medan (Medan) and Billion Agency (Tebet, South Jakarta).
- **PT Asuransi Jiwa Sequis Life (Sequis Life)** launched a new marketing office in Pekanbaru, Riau.
- **PT FWD Insurance Indonesia (FWD Insurance)** opened a new independent marketing office in Surabaya.
- **PT Panin Dai-ichi Life (Panin Dai-ichi Life)** inaugurated a new marketing office in Medan.
- **PT Asuransi Jiwa Generali Indonesia (Generali Indonesia)** opened a new agency office in Pontianak, Kalimantan.
- **MSIG Life** opened six new independent marketing offices under Optimis Agency in Bandung (one office), Jakarta (two offices) and Medan (three offices).

BANCASSURANCE CHANNEL

The following new bancassurance partnerships and developments have been reported in the media over Q2 2024:

- PT Asuransi Jiwa Sequis Financial (Sequis Financial)** and **PT Bank ICBC (Bank ICBC)** have signed a new agreement to distribute two traditional life and two health insurance products (already sold through other channels), namely **Q Life Legacy**, **Q Life Protector**, **Q Critical Care Plus** and **Q Hospital Rider**, to expand its existing credit life cover partnership. **Q Life Legacy** is a 5-/10-pay nonparticipating whole of life product, paying out the sum assured upon death or maturity at age 100. The product has a minimum sum assured of IDR 300 million and a maximum entry age of 55 years. **Q Life Protector** is a single premium nonparticipating term product with policy term options ranging from one to 10 years, paying out the sum assured upon death. The insured entry age ranges from 21 to 65 years, with a minimum sum assured of IDR 500 million. **Q Critical Care Plus** offers a 5-pay 20-year comprehensive coverage for critical illnesses and death. The maximum insured entry age is 55 years. The product pays out the sum assured and refunds all premiums paid to date upon diagnosis of critical illness, after which the policy terminates. The inpatient benefit, for at least eight days of ICU care, is 20% of sum assured, capped at a maximum of IDR 250 million, payable only once per insured life, and accelerating the cash value upon surrender. Furthermore, 150% of total premiums paid is returned upon death or maturity. Lastly, **Q Hospital Rider** provides coverage for health and critical illness globally. Benefits include a range of coverage for inpatient care, outpatient care, critical illness and accidental emergency care. Four plan options are available, determining the coverage area and limits. The rider is available for a maximum insured entry age of 70 years, is yearly renewable up to age 100 and can be attached to **Q Life Legacy**.
- Hanwha Life**, a South Korean insurance company, has acquired 40% of shares in **PT Bank Nationalnobu Tbk (Bank Nobu)** from Lippo Group. The sales purchase agreement was signed in early May 2024. However, the OJK has not yet received a written submission for the acquisition. According to POJK No. 41/POJK.03/2019, "Merger, Consolidation, Acquisition, Integration, and Conversion of Commercial Banks," an acquisition process requires considerable time for approval from the OJK. The process includes a fit and proper test for the prospective controlling shareholder and adherence to specific regulatory guidelines as set out in POJK No. 27/POJK.03/2016, "Fit and Proper Test for Key Parties of Financial Service Institutions."

- PT Bank Rakyat Indonesia (BRI)** and **FWD Group** have announced a strategic partnership in the life insurance sector. As part of the collaboration, **FWD** has signed a conditional share subscription agreement to invest in new shares of **PT Asuransi BRI Life (BRI Life)** through a capital injection, pending regulatory and policyholder approvals. For **FWD**, this collaboration represents a significant opportunity to strengthen its presence and commitment in the Indonesian market and solidify its position in the bancassurance industry.

DIGITAL CHANNEL AND INSURTECH

The following new developments have been reported in the news over Q2 2024.

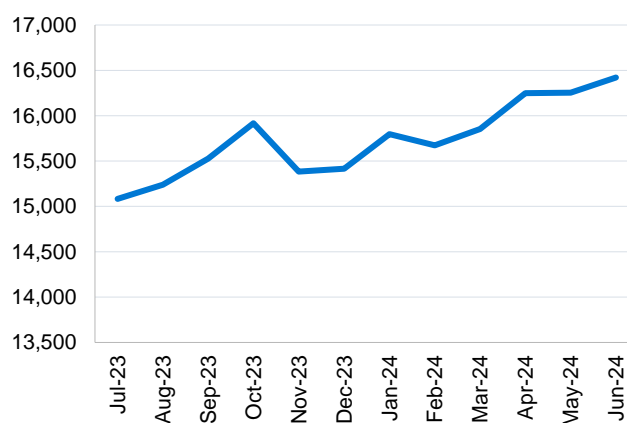
- PT MNC Life Assurance (MNC Life)** has initiated a pioneering collaboration with **PT Indonesia Logam Pratama (Treasury)**, marking the first partnership between a life insurance company and an investment firm. This collaboration introduces an innovative approach in the insurance industry, offering life insurance protection, including protection against personal accident to Treasury's customers. This is aimed to ensure that their investments are passed on to their heirs. **MNC Life** will soon provide life and health protection products through Treasury's investment application.

Other recent developments

MACROECONOMICS

The graph below shows the Indonesian rupiah (IDR)-US dollar (USD) exchange rate over the past 12 months.

USD TO IDR EXCHANGE RATES



Source: Bank Indonesia Mid Rates.

The rupiah has been on a depreciating trend over the past 12 months. As of June 2024, it has weakened by 6.52% compared to the same period last year. The depreciation is influenced by high global financial market uncertainty, a strong US dollar and geopolitical tensions.

According to the Bank Indonesia (BI) Q2 2024 monetary report, the rupiah is expected to remain stable, supported by BI's commitment to rupiah stabilisation by employing various measures such as foreign exchange (FX) market interventions, optimising instruments like Bank Indonesia Rupiah Securities (SRBI), Bank Indonesia Forex Securities (SVBI) and Bank Indonesia Forex Sukuk (SUVBI) and strengthening liquidity management through competitive strategies such as government securities (SBN) term-repo and FX swap transactions. Additionally, BI is enhancing the Bank Foreign Funding Ratio (RPLN) to better manage foreign currency funding.

Economic growth for 2024 is forecast to range between 4.7% and 5.5%, supported by robust household consumption, increased investment in building projects and higher exports driven by the mining and manufacturing sectors. Concurrently, the balance of payments is stable, with a narrow current account deficit and strong foreign reserves.

Inflation is falling and remains within the targeted range of 2.5% \pm 1%. In May 2024, consumer price index (CPI) inflation was at 2.84% year-over-year (y/y), down from 3.00% in April 2024. Core inflation and administered prices (AP) inflation were low, at 1.93% y/y and 1.52% y/y, respectively. Volatile food (VF) inflation decreased from 9.63% y/y to 8.14% y/y due to higher food production during the harvesting season and effective inflation management by BI and the government. Looking ahead, BI expects inflation to remain under control in 2024, supported by low core inflation, rupiah stability and increased food production. BI will continue to strengthen its monetary policies and collaborate with the government to maintain inflation within the target range of 2.5% \pm 1% for 2024 and 2025.

As asserted in the BI Q2 2024 monetary policy report, the BI Board of Governors meeting in June 2024 agreed to maintain the BI rate at 6.25%, while also maintaining the deposit facility and lending facility rates at 5.50% and 7.00%, respectively. This decision is aimed at keeping inflation within the 2.5% \pm 1% target for 2024 and 2025 to ensure rupiah stability amidst ongoing global financial market uncertainties.

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 at 30 June 2024.

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	6.31	6.81	16	6.96	7.46
2	6.46	6.96	17	6.98	7.48
3	6.53	7.03	18	6.99	7.49
4	6.58	7.08	19	7.00	7.50
5	6.63	7.13	20	7.02	7.52
6	6.68	7.18	21	7.03	7.53
7	6.72	7.22	22	7.03	7.53
8	6.76	7.26	23	7.04	7.54
9	6.79	7.29	24	7.05	7.55
10	6.83	7.33	25	7.05	7.55
11	6.85	7.35	26	7.06	7.56
12	6.88	7.38	27	7.06	7.56
13	6.90	7.40	28	7.06	7.56
14	6.93	7.43	29	7.07	7.57
15	6.95	7.45	30	7.07	7.57

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



Milliman is among the world's largest providers of actuarial, risk management, and technology solutions. Our consulting and advanced analytics capabilities encompass healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

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