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We are pleased to present the November 2019 edition of Milliman's Indonesia Life Insurance Newsletter. This edition covers developments during the period from 1 July 2019 to 30 September 2019.

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 Q2 2019

According to the Indonesia Insurance Statistics published by the Financial Services Authority (OJK), the Indonesian life insurance industry made a loss in Q2 2019 compared to a profit in Q2 2018. The change over the year is summarised below:

FINANCIALS (IN IDR TRILLION)	Q2 2018	Q2 2019	% CHANGE
NET PREMIUM INCOME	92.21	81.56	(12)%
INVESTMENT AND OTHER INCOME	6.56	0.33	(95)%
TOTAL INCOME	98.78	81.89	(17)%
TOTAL CLAIMS AND BENEFITS	76.20	64.81	(15)%
COMMISSION AND ACQUISITION COSTS	9.50	8.96	(6)%
OPERATING EXPENSES	11.87	11.20	(6)%
TOTAL EXPENSES	97.57	84.97	(13)%
PROFIT / (LOSS) BEFORE TAX AND OCI	1.20	(3.08)	(356)%
TAX	1.07	1.10	2%
NET PROFIT / (LOSS) BEFORE OCI	0.13	(4.18)	(3224)%
TOTAL ASSETS*	509.37	544.83	7%
PREMIUM RESERVE	390.98	415.70	6%
UNEARNED PREMIUM RESERVE	3.50	4.02	15%
CLAIMS RESERVE	3.99	4.69	18%
CATASTROPHIC RESERVE	0.01	0.04	364%
TOTAL TECHNICAL RESERVE	398.48	424.45	7%

Note: OCI = other comprehensive income.

* As at 30 June 2018 and 30 June 2019

Source: OJK's Indonesia Insurance Statistics: June 2018 and June 2019.

Over Q2 2019, the net profit before other comprehensive income (OCI) decreased by 356% as compared to Q2 2018, caused mainly by a 12% decrease in net premium income and a 95% decrease in investment and other income, despite a decrease in total expenses.

The decrease in net premium income was driven by lower gross written premium and higher reinsurance premiums ceded.

Market news

NEW PRODUCTS

The following new life insurance products were reported to have been launched during Q3 2019:

- **PT Astra Aviva Life (Astra Aviva)** launched a new critical illness product named Flexi Critical Illness. The product is sold online and offers critical illness covering stroke, heart attack and early-stage cancer, without medical underwriting.
- **PT Zurich Topas Life (Zurich)** launched a new health product named Zurich Critical Advantage, which offers cashless claims payment outside Indonesia, medical concierge services and a benefit covering a second medical opinion.
- **PT China Life Insurance Indonesia (China Life)** launched CLII Privilege Insurance Plan, the first endowment plan denominated in Chinese renminbi available in Indonesia.
- **PT Asuransi Jiwa Sequis Life (Sequis Life)** launched a new health insurance product named M!Protection, designed for millennials and marketed by millennial agents through Sequis Life's new business unit called M!Power.
- **PT Manulife Indonesia (Manulife)** launched MiFuture Income Protector, which helps customers with retirement planning.
- **PT AJ Central Asia Raya (CAR)** launched a microinsurance product to cover dengue fever in collaboration with TrueMoney Indonesia, an e-wallet/ money transfer service. The product can be purchased online through the TrueMoney mobile application.

UPDATE ON RESTRUCTURING OF ASURANSI JIWA BERSAMA BUMIPUTERA 1912 (AJBB 1912) AND PT ASURANSI JIWASRAYA (JIWASRAYA)

In the report 'Global Economic Risks and Implications for Indonesia,' the World Bank mentioned that the liquidity issues of AJBB 1912 and Jiwassraya require immediate attention. The report highlighted that both companies need to conduct a detailed actuarial valuation and design recovery plans. As a result of the report, the Indonesian Life Insurance Association (AAJI) urged the relevant parties, the Indonesian government and the OJK to immediately resolve both companies' problems. The AAJI's Chairman was worried that it could affect customers' trust in the Indonesian life insurance industry.

In its response to the report, the OJK argued that the World Bank's report was carried out and reported to the President of Indonesia without first having a discussion with the OJK. Furthermore, the OJK commented that both companies are making progress on their recovery plans. AJBB 1912 has just submitted a new business plan to the OJK and made several new appointments to the Boards of Directors and Commissioners.

The Ministry of State-Owned Enterprises stated that Jiwasraya has signed a corporate cooperation agreement with four state-owned enterprises, to finalise the establishment of Jiwasraya Putra. Jiwasraya is reported to have plans to have around a 64% shareholding in Jiwasraya Putra, with **PT Bank Tabungan Negara (Bank BTN)** and **PT Telekomunikasi Selular (Telkomsel)** owning another 20% and 13%, respectively. The remaining 3% will be shared between **PT Kereta Api Indonesia (KAI)** and **PT Pegadaian (Pegadaian)**, the state-owned railway and pawnshop, respectively.

KEY APPOINTMENTS

According to local news, the following key appointments were made:

- Manulife announced the appointment of Ryan Charland as the new President Director and Chief Executive Officer.
- AJBB 1912 made the following appointments to the Boards of Directors and Commissioners:
 - President Director: Dena Chaerudin
 - Actuarial and Technical Director: Joko Suwaryo
 - Finance and Investment Director: Agus Sigit
 - Marketing Director: S. G. Subagyo
 - Commissioner: Diding Sudirdja Anwar
 - Commissioner: Zainal Abidin

Regulatory developments

IFRS17

Indonesian insurers requested the implementation of International Financial Reporting Standard (IFRS) 17 to be postponed until 2025. The professional bodies representing life and general insurance companies—the AAJI and AAUI, respectively—sent a formal request to the Indonesian Accounting Standards Board (DSAK IAI) and the OJK. Togar Pasaribu, Executive Director of the AAJI, stated that Indonesian life insurers are not ready to implement IFRS17 due to technical difficulties and costs associated with identifying or recruiting the information technology (IT) and human resources that will be required to manage the project.

NEW REGULATIONS OVER Q3 2019

There were three OJK regulations (POJKs) and two circular letters (SEOJKs) issued during the period. The relevant POJKs and SEOJKs are summarised below:

- **POJK 19/POJK.05/2019** clarifies the definition of '100% reinsurance support from domestic reinsurers' in article 7 of POJK 14/POJK.05/2015 as 'the full placement of automatic and/or facultative reinsurance support in domestic insurers.' Further clarity on the simple risks covered by this definition is also given. Death insurance is considered to be one of these simple risks.
- **POJK 23/POJK.01/2019** amends regulation to 12/POJK.01/2017 regarding the implementation of anti-money-laundering and terrorism financing prevention programs in financial services firms. The scope of the

regulation includes keeping a list of suspected terrorists or terrorist organizations, verification and validation of customers' identities, assessment of risks and timely reporting to law enforcement authorities.

- **POJK 24/POJK.05/2019** aligns the reporting standards for nonbank financial services institutions' business plans with the standards covering the banking and capital market sectors. The Board of Directors is responsible for designing and implementing the business plan while the board of commissioners is responsible for approving it and supervising its implementation.
- **SEOJK 14/SEOJK.05/2019** regulates the responsibility of the board of commissioners to form independent audit and risk-monitoring committees in (re)insurance and (Re)takaful companies. The membership structure and tenure of the committees are also covered. In addition, the regulation allows forming other committees to support the Board of Directors' duties.
- **SEOJK 15/SEOJK.05/2019** mandates the reassessment of the main parties of nonbank financial services institutions to fulfil the fit and proper requirements, the process for doing so and the consequences of the reassessment. This SEOJK gives detailed instructions of article No. 23 of POJK 32/POJK.03/2018, which ensures the institutions are owned and properly managed by parties fulfilling the fit and proper requirements. In an insurance company, the main parties include main shareholders, the Boards of Directors and Commissioners, the Syariah supervisory board, internal auditors and the Appointed Actuary. The reassessment can be carried out at any time if sufficient evidence indicates the main parties being involved or responsible for issues of integrity, financial feasibility, financial reputation or competency of management. . Main parties who do not pass the reassessment can request an appeal within 10 working days after the announcement.

Distribution updates

AGENCY CHANNEL

Budi Tampubolon, Chairman of the AAJI, stated that new business premiums through the agency channel decreased by 8.6% in Q2 2019 compared to Q2 2018, due to the shifting trend in the industry from selling single premium to regular premium products. Despite this decrease, the following programs within the agency channel have been launched:

- **Sequis Life** launched M!Power, a business unit dedicated to developing millennial agents to sell Sequis Life's millennial-specific products.
- **PT FWD Life Indonesia** (FWD Life) will send the top five performing agents to attend a one-week training program at INSEAD in France, as part of FWD's group-wide initiative to train and produce agency leaders.

BANCASSURANCE CHANNEL

Similarly, Budi Tampubolon also commented that the bancassurance channel new business premium had slowed down by 16.8% in Q2 2019 compared to Q2 2018. Despite the decrease, the following new bancassurance partnerships have been announced:

- **PT Avrist Assurance (Avrist)** signed a bancassurance partnership with **PT OCBC NISP (OCBC)** to launch its unit-linked **Syariah Investa Optima** product.
- **PT Prudential Life Assurance (Prudential)** signed a memorandum of understanding with **PT Bank UOB Indonesia (UOB)** to launch **USave PruStar**, a 10-year term insurance product, offering an annual cash benefit and 110% return-of-premium upon maturity.
- **PT Asuransi Jiwa Sinarmas MSIG Tbk (Sinarmas MSIG)** strengthened its bancassurance network by entering a partnership with **PT Bank Syariah Bukopin** to launch a Syariah unit-linked product.
- **PT Asuransi Takaful Keluarga (Keluarga)** will sell its Syariah education plan to **PT Bank Muamalat Indonesia's (Bank Muamalat)** customers.

DIGITAL CHANNEL

- **PT AIA Financial Asuransi (AIA)** entered into a partnership with PT Aplikasi Karya Anak Bangsa (Gojek) through Gojek's series F funding. Part of the collaboration is to provide life insurance, health insurance and wellness products to Gojek's users, drivers and merchants in Indonesia.
- **Astra Aviva** entered into a distribution agreement with **Traveloka** to launch four life insurance products, which can be bought directly within the Traveloka mobile app: Life Basic, Accident Basic, Life & Accident and Life & Accident Plus.
- **PT Asuransi Cigna (Cigna)** is in collaboration with **Lifepal (lifepal.co.id)**, a life insurance market aggregator. Cigna's products will be listed on Lifepal's website, allowing consumers to compare Cigna's products against other insurers' listed products.
- **PT Asuransi Jiwa BCA (BCA Life)** launched an online portal, mylifeguard.id, to sell its products, namely BCA Life Protection Guard and BCA Life Accident Guard.

INSURTECH

The following new digital applications were launched:

- **PT Bhinneka Life Indonesia (Bhinneka Life)** is in collaboration with **PT Dompot Anak Bangsa (GoPay)**, Gojek's digital wallet arm, to accept premium payments via Gojek's mobile app.
- **PT Allianz Life Indonesia (Allianz Life)** invested in Halodoc, a digital health platform, through its digital investment unit Allianz X. The collaboration enables Allianz Life to strengthen and expand its health services and healthcare provider network as well as providing affordable insurance to underserved communities.

- Prudential announced a strategic partnership with Tokopedia, which will enable their policyholders to pay premiums through the Tokopedia app, the second most downloaded e-commerce app in Indonesia.
- FWD Life launched the e-Friend app designed for corporate policyholders to monitor their personal corporate care program, including policy information, e-claim submissions and other benefits.

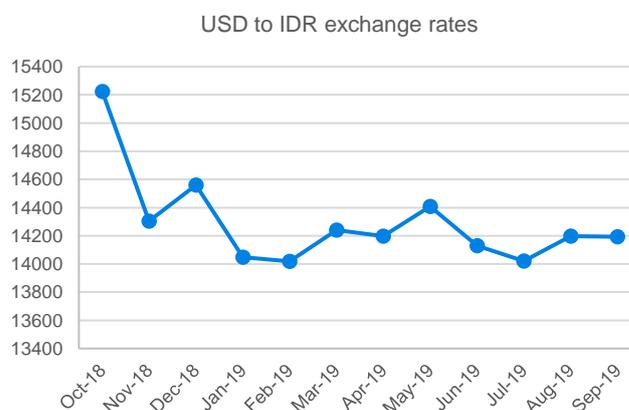
OTHERS

Other partnerships reported by local media in Q3 2019 include:

- **FWD Life** established a new distribution channel for its Syariah business by partnering with K link, a leading provider of healthcare and wellness products.
- **PT BNI Life Insurance (BNI Life)** has introduced health cover for hotel partners and employees of Reddorz Indonesia, a platform offering budget hotels in South East Asia.
- **PT Great Eastern Life Indonesia (Great Eastern Life)** expanded its healthcare facilities by entering into partnership with Mayapada Healthcare. Policyholders will enjoy room upgrades in Mayapada Hospital Lebak Bulus and BMC Mayapada Hospital Bogor.

Other recent developments**MACROECONOMICS**

The graph below shows the Indonesian Rupiah and US dollar exchange rate for the past 12 months.



Source fx rate: www.xe.com

During Q3 2019, the Indonesian Rupiah was at its strongest against the US dollar in July before weakening by 1.24% in August. The depreciation in the Rupiah over August was attributed to uncertainty in global financial markets as trade tensions between the United States and China escalated. In September, the Rupiah appreciated marginally by 0.03%. The Central Bank of Indonesia (BI) said the appreciation was supported by a well-functioning foreign exchange supply and demand mechanisms from business sectors as well as an increase of foreign capital in-flows due to a positive perception of the national economic outlook.

The low and stable inflation recently seen in Indonesia has been maintained. Inflation, as measured by the Consumer Price Index (CPI), stood at 0.12% month-on-month (m/m) in August 2019, decreasing marginally from 0.31% m/m in July. The headline annual rate of inflation was recorded at 3.49% year-on-year (y/y), up from 3.32% y/y in July. Core inflation has edged up over the past few months due to rising international gold prices and as a result of an increase in food commodity prices during Eid al-Fitr. For non-core inflation, the latest developments point to lower domestic and international food commodity inflation, in line with food commodity supply. Meanwhile, prices subject to the government policies recorded deflation in the reporting period due to lower transportation fares, particularly airfares.

In September 2019, the Board of Governors lowered the BI 7-day reverse repo, deposit facility and lending facility rates by 25 basis points to 5.25%, 4.50% and 6.00%, respectively. This policy is consistent with the forecast low inflation rate as well as the need to boost economic growth. The current monetary policy is expected to maintain national economic growth between 5.0% and 5.4% y/y in 2019.

As per SEOJK 27/2017 and SEOJK 28/2017, 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 September 2019:

TENOR	IDR		TENOR	IDR	
	AVERAGE OF LAST 1 YEAR	AVERAGE OF LAST 1 YEAR + 0.5%		AVERAGE OF LAST 1 YEAR	AVERAGE OF LAST 1 YEAR + 0.5%
1	6.63%	7.13%	16	8.37%	8.87%
2	7.14%	7.64%	17	8.41%	8.91%
3	7.44%	7.94%	18	8.45%	8.95%
4	7.63%	8.13%	19	8.48%	8.98%
5	7.75%	8.25%	20	8.52%	9.02%
6	7.84%	8.34%	21	8.55%	9.05%
7	7.91%	8.41%	22	8.57%	9.07%
8	7.97%	8.47%	23	8.60%	9.10%
9	8.02%	8.52%	24	8.62%	9.12%
10	8.08%	8.58%	25	8.64%	9.14%
11	8.13%	8.63%	26	8.66%	9.16%
12	8.18%	8.68%	27	8.67%	9.17%
13	8.23%	8.73%	28	8.69%	9.19%
14	8.28%	8.78%	29	8.70%	9.20%
15	8.32%	8.82%	30	8.71%	9.21%

Source: Indonesia Bond Pricing Agency (IBPA)

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