

INDONESIA LIFE INSURANCE NEWSLETTER

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We are pleased to present the 12th edition of Milliman's Indonesia Life Insurance Newsletter. This edition covers developments during the period from 1 October 2017 to 31 December 2017.

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 2017 Q3

According to the Indonesia Insurance Statistics published by the Financial Services Authority (OJK), the Indonesian life insurance industry continued to expand in the third quarter of 2017.

FINANCIALS (IDR TRILLIONS)	2016 Q3	2017 Q3	% GROWTH
Net Premium Income	92.04	127.07	38%
Net Profit Before Other Comprehensive Income	7.47	1.85	-75%
Total Technical Reserves	284.88	372.25	31%
- Premium Reserve	279.10	365.48	31%
- Unearned Premium Reserve	2.72	3.17	16%
- Claim Reserve	3.06	3.58	17%
- Catastrophic Reserve	-	0.01	n/a

Source: OJK's Indonesia Insurance Statistics: September 2016 and September 2017.

For the first nine months of 2017, the industry recorded a total net premium income of IDR 127.07 trillion, a 38% growth year-on-year compared to the same period in 2016. In contrast to the growth of premium income, the industry has experienced a significant drop of 75% in the profit before other comprehensive income class, which is not helped by an increase in operating expenses of almost 120% compared to the same period in 2016.

The total technical reserve for the industry as of 2017 Q3 also increased by 31% year-on-year to IDR 372.25 trillion.

In addition, since August 2017, the industry has started reporting catastrophic reserves as part of total technical reserves, in line with the requirements as stipulated in POJK No.71/POJK.05/2016 Article 20.

Market news

Mergers and acquisitions

Two transactions were completed in the last quarter of 2017, both triggered by the need to comply with the single presence policy:

- **AXA Indonesia announced that it completed the merger of its two life insurance subsidiaries, namely AXA Financial Indonesia (AFI) and AXA Life Indonesia (ALI) on 2 November 2017.** Following the transaction, the ownership structure of AFI, the surviving entity, is AXA Asia (91%), PT Kotak Biru Investama (9%).
- **PT Sinar Mas Multiartha Tbk (SMMA) sold its 49.9% stake in PT Asuransi Simas Jiwa (Simas Jiwa) to PT Asuransi Sinar Mas (ASM), a general insurance subsidiary of SMMA.** It was reported that the value of the transaction was IDR 249.5 billion (about USD 18.5 million). Following the transaction, the ownership structure of Simas Jiwa is ASM (99.9%), SMMA (0.1%).

Delays were reported in the following two merger and acquisition (M&A) transactions:

- **PT Bank Tabungan Negara (Persero) Tbk (Bank BTN) and PT Asuransi Jasa Indonesia (Jasindo) have delayed the establishment of BTN-Jasindo Life while awaiting details on a government initiative to form holding companies for state-owned insurance enterprises.** Both Bank BTN and Jasindo are state-owned enterprises. It was previously reported that BTN-Jasindo Life would be established by the end of 2017.
- **The merger between PT Reasuransi Indonesia Utama (Indonesia Re) & Reasuransi Nasional Indonesia (Nasre) has been delayed to 2018.** The merger is one phase of a government plan to form a large state-owned reinsurer.

The following initial public offering (IPO) activities were reported in this quarter:

- **PT Asuransi Jiwa Syariah Jasa Mitra Abadi Tbk (JMAS) conducted its IPO on 18 December 2017,** becoming the first public Syariah life insurance company in Indonesia. A total of 400 million shares were offered with a price per share of IDR 140, representing 40% of total paid-up capital.
- **PT Asuransi Jiwa Kresna (Kresna Life) announced its plan to conduct an IPO in 2018.** It plans to offer 10% to 20% of stock to the public.

Capital injections

Several companies were reported to have received or will be receiving capital injections from their parent companies:

- **Following the acquisition of a 90% stake in PT. Asuransi Jiwa BCA (BCA Life) by PT Bank Central Asia Tbk (Bank BCA) from BCA Sekuritas, BCA Life has received an additional capital injection of IDR 270 billion from Bank BCA.** BCA Life's plans for utilising the additional capital include several information technology (IT) improvement projects as well as launching unit-linked products in 2018.
- **Antony Japari, CEO of Capital Life, stated that Capital Life would receive a capital injection from its parent company, PT Capital Financial Indonesia (CASA), by early 2018.** CASA is planning a rights issue of IDR 2 trillion to strengthen its subsidiaries. The proportion of the IDR 2 trillion that will be distributed to Capital Life is still unknown.
- **Dradjat Irwansyah, chief financial officer (CFO) of Tugu Re, announced that Tugu Re's shareholders have approved an additional capital injection of IDR 500 billion.** The timing of the capital injection is still being discussed.
- **Frans Y. Sahusilawane, CEO of Indonesia Re, announced that Indonesia Re would receive additional capital of IDR 600 billion in the middle of 2018.**

Syariah spin-off and new business units

It was reported that Simas Jiwa is planning to spin off its Syariah business unit.

PT Asuransi Jiwa Generali Indonesia (Generali) and PT MNC Life Assurance (MNC Life) are also reported to have applied for approval to set up a Syariah business unit.

Key appointments

Following the merger between AFI & ALI, the management structure of the new company is as follows:

Commissioners

- President Commissioner: Benedictus Mulyawan Waworuntu
- Commissioner: Harkie Kosadi
- Independent Commissioner: Sri Widiarti
- Independent Commissioner: Lindawati Gani

Directors

- President Director: Budi Tampubolon
- Director: Vincentius Wilianto
- Director: Nina Ong
- Director: Arlene Yanti Febrita Parapat
- Director: Albertus Janto

Syariah Supervisor

- Chairman: Prof. Dr. Huzaemah Tahido Yanggo
- Member: Dr. H. Zainut Tauhid Sa'adi

Several key appointments have been made in life insurance companies and associations:

- PT Avrist Assurance (Avrist) announced its new management team as follows:
 - President Director: Burton Lai
 - Director: Makki Ibrahim Kusuma
 - Director: Isao Kubota
 - Director: Anna Leonita
- Francisca M. Roeswita has been appointed to the board of directors (BOD) of PT Hanwha Life Insurance Indonesia (Hanwha Life).
- Hendrisman Rahim has been reelected as the chairman of the Association of Life Insurance of Indonesia (AAJI) until 2020.

Regulatory developments

New regulations in 2017 Q4

There are no new regulatory developments in 2017 Q4.

Strategic directions for supervision

The OJK has established a five-point strategic plan for 2018 for the supervision of the non-bank financial industry (which covers the insurance industry). The five points of the strategic plan are:

1. To employ more information technology in supervision and to increase joint supervision between the bank and non-bank financial units.

2. To develop the Syariah economy and finance by increasing the availability and diversity of Syariah financial/insurance products, increasing human resources capacity in Takaful, and expanding public access to Syariah insurance products.
3. To expand access to financial products by increasing the range of insurance products that are able to reach and meet the needs of the community, e.g., microinsurance, rice farming insurance, fishermen insurance, cattle business insurance, shrimp farming insurance.
4. To strengthen the supervision of financial conglomerates that is coordinated internally by an integrated supervisor, assisted by bank supervisors, capital market supervisors and non-bank supervisors.
5. To develop FinTech in order to increase access to financial services within the country.

Distribution updates

Bancassurance

- **Jiwasraya** has signed a bancassurance partnership with **PT Bank Pembangunan Daerah Jawa Timur Tbk (Bank Jatim)**. Jiwasraya plans to sell its single premium deposit replacement product through this channel (JS Proteksi Plan).
- **Sinarmas MSIG** has signed a bancassurance partnership with **Bank Jatim**. Sinarmas MSIG will sell two unit-linked products through this channel.
- **Great Eastern** has established a bancassurance partnership with **PT Bank Panin Dubai Syariah Tbk (Bank Panin Dubai Syariah)**. Great Eastern will sell credit life insurance products through this channel.
- **Capital Life** is working with **PT Bank Pembangunan Daerah Banten Tbk (Bank Banten)** to sell credit life products. They are expected to sign a bancassurance partnership in 2018.
- **Wanaartha Life** has established a bancassurance partnership with **Bank Banten** to provide credit life coverage for Bank Banten customers.

Alternative channels

New alternative channels in the market that have been announced are:

- **Tokio Marine Life Insurance Indonesia** has inaugurated a call center facility called Direct to Customer (D2C), which is intended to support direct distribution initiatives.
- **Jiwasraya and BPJS Ketenagakerjaan** (i.e., Indonesia National Social Security) have signed a strategic distribution partnership. Jiwasraya will market employee benefits and pension products through this partnership.
- **Simas Jiwa** has launched a digital channel, klikasuransiku.com, which offers 14 of its products including life, health, personal accident and unit-linked insurance.
- **MNC Life** has signed an agreement with **Reliance Finance** to provide credit life products to Reliance Finance customers.

Other recent developments

Macroeconomics

Bank Indonesia, the central bank of Indonesia, left its benchmark interest unchanged at the final regular policy meeting of 2017. The BI 7-day Reverse Repo Rate was kept at 4.25% effective 14 December 2017. From January 2016 to September 2017, Bank Indonesia had cut its seven-day repo eight times (from 7.25% to 4.25%).

Fitch Ratings decided to upgrade Indonesia default ratings from BBB- to BBB in December 2017.

The Indonesian equity benchmark index rose by 19.99% to close 2017 at 6,355.66 points, a new all-time record high.

Legal

The Indonesian Consumers Foundation (YLKI) has called on the OJK to strengthen its supervision of insurance companies around policyholder protection, following recent publicity on several cases of insurance claim rejections which led to criminal cases being brought against employees of insurers. Measures such as the introduction of a standardised policy document have been proposed by YLKI.

Indonesia's first morbidity table

Indonesia Re, the Institute of Actuaries of Indonesia (PAI), the Association of Life Insurance of Indonesia (AAJI) and Swiss Re have signed a Memorandum of Understanding (MOU) to develop Indonesia's first morbidity table. According to Frans Y. Sahusilawane, president director of Indonesia Re, this morbidity table will be used to set the standard premiums charged to customers and is expected to be completed in one year's time.

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