

INDONESIA LIFE INSURANCE NEWSLETTER

JULY 2017

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WE ARE PLEASED TO PRESENT THE 10TH EDITION OF MILLIMAN'S INDONESIA LIFE INSURANCE NEWSLETTER. THIS EDITION COVERS DEVELOPMENTS DURING THE PERIOD FROM 1 JANUARY 2017 TO 31 MAY 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 2016 and 2017 Q1

The Life Insurance Association of Indonesia (AAJI) reported continued growth of the life Indonesia industry for 2016 and over the first quarter of 2017.

In 2016, the industry recorded a total premium income of IDR 167.04 trillion, a 29.8% growth year-on-year compared with 2015. This was mainly driven by growth in bancassurance business premium income, which saw a 74.1% year-on-year growth (over the same period, agency premium income grew by 6.2%). AAJI also announced that bancassurance has overtaken agency to become the largest distribution channel by premium income. In terms of premium income, bancassurance has a market share of 43.3%, as compared with 38.9% for agency.

According to the chairman of AAJI, Hendrisman Rahim, the ongoing growth observed in the life insurance industry can be attributed to an increasing level of consumer awareness with regard to the importance of life insurance.

Meanwhile, for the first three months of 2017, the total premium income for life insurance increased by 28.15% year-on-year to IDR 35.19 trillion, as compared with the first three months of 2016.

Market news

Mergers and acquisitions

As a continuation of the plan regarding the restructuring of Asuransi Jiwa Bersama Bumiputera 1912 (Bumiputera 1912), it was reported that the deadline for PT Bumiputera Investasi Indonesia Tbk (GREN) to conduct a rights issue plan was extended to the end of June 2017. GREN, formerly known as PT Evergreen Investaco Tbk, plans to use the funds raised from the rights issue to inject capital into Bumiputera 1912 and Asuransi Jiwa Bumiputera (AJB), a newly licensed life insurance company (see below). AJB is now part of a holding company owned by GREN. Adhie Massardi, Bumiputera 1912's statutory manager for human resources, general affairs and communications, said that in the agreement AJB will receive a capital injection of IDR 2 trillion obtained from the GREN rights issue.

New insurance companies

The Financial Services Authority (OJK) awarded new licenses to four life insurance companies, **PT Asuransi Ciputra Indonesia**, **PT Asuransi Jiwa Bumiputera (AJB)**, **PT Asuransi Jiwa Millenium** and **PT Pacific Life Insurance**. AJB was established as a new life insurance company following the restructuring exercise involving Indonesia's oldest insurance mutual, Bumiputera 1912.

According to Mr Dumoly F Pardede, deputy chief commissioner for the supervision of the non-bank financial industry at the OJK, the regulator is still very open to allowing new players into the domestic insurance industry.

Shariah

PT Asuransi Jiwa Syariah Bumiputera (AJSB), the Shariah operation that spun off from Bumiputera 1912, officially commenced operation on 16 January 2017. In addition, the

OJK mentioned that it has also received one Shariah license application submitted by PT Capital Life Indonesia (Capital Life), and three Shariah spin-off license applications, namely from PT Asuransi Reliance Indonesia, PT Asuransi Simas Net and PT Asuransi Jiwa Manulife Indonesia.

Unit-linked continues to be popular

A number of life insurance companies are reportedly planning to grow their business with a strong focus on unit-linked products, as the product continues to be popular in the life insurance industry. According to Rianto Ahmadi, CEO of BRI Life, since 2016 BRI Life has seen more than half its new business premium come from unit-linked products. PT Asuransi Jiwa Central Asia Raya (CAR) and PT Asuransi Jiwa Taspen (Taspen Life) are also reportedly looking to expand their unit-linked product offerings.

Microinsurance

Several insurers, including BRI Life and Jiwasraya, are planning to launch microinsurance products to tap into the lower-income market segment. According to Rianto Ahmadi, CEO of BRI Life, BRI Life would be well-positioned to capture this market by tapping onto the micro networks of its parent company, PT Bank Rakyat Indonesia Tbk (BRI).

Key appointments

- The OJK's new Board of Commissioners for the five-year period from 2017 to 2022 was appointed on 8 June 2017 and inaugurated on 20 July 2017. The new board comprises of:
 - Wimboh Santoso (Chairman)
 - Nurhaida (Member)
 - Tirta Segara (Member)
 - Riswinandi (Member)
 - Heru Kristiyana (Member)
 - Hoesen (Member)
 - Ahmad Hidayat (Member)
- Randy Lianggara has been appointed as regional chief executive officer (CEO) for Aviva, overseeing Aviva's operations in China, Indonesia and Vietnam.
- Wiroyo Karsono has been appointed CEO for PT Asuransi Jiwa Bumiputera.
- Aaron Fryer has been appointed as chief financial officer (CFO) for Prudential Life Assurance. Previously, he was the CFO of Prudential Vietnam.
- Puneet Nayyar has been promoted to chief actuary (CA) for Prudential Life Assurance from his previous role as head of pricing in the same company.
- Joos Louwerier has been appointed as country manager and CEO for Allianz Life Indonesia, succeeding Joachim Wessling.
- Handojo G. Kusuma has been appointed as deputy CEO for Allianz Life Indonesia.

Regulatory developments

Microinsurance

The OJK issued **Circular Letter No. 9/SEOJK.05/2017** on Microinsurance Products and Marketing of Microinsurance Products (Circular Letter 9) in May 2017. It provides:

- A definition of what products constitute microinsurance.
- Guidance on the length and simplicity of policy wording.
- Limitations on underwriting (only guaranteed and simplified issue offers are allowed), exclusions and waiting periods.
- Limits on the submission documents required for claims and the timing for claims approvals and payments.
- Restrictions on the distribution channels for microinsurance. Distribution agreements with banks will require OJK approval. Certain forms of electronic distribution are permitted, including telemarketing and online sales, subject to minimum disclosure requirements.
- Requirements on governance processes, which must cover risk selection, issuance, administration and claims processes. A working unit dedicated to the development of microinsurance products is also required.

Distribution updates

Bancassurance

The following partnerships were announced:

- Zurich Topas Life (Zurich) announced a bancassurance partnership with Bank of China. New premium recorded from bancassurance for Zurich soared by 133% last year and contributed 37% of Zurich's total premiums.
- Tokio Marine Life Insurance Indonesia (TMLI) announced a collaboration with PT KEB Hana to launch a single premium unit-linked product.
- TMLI partnered with Bank of China to launch two unit-linked products, Maximum Investment Plan (MIP) and Maximum Investment Plan Plus (MIP Plus).
- Simas Jiwa strengthened its bancassurance channel by adding Bank of China as its new bank partner to sell a unit-linked and a pure endowment product.
- PT Commonwealth Life (CommLife) partnered with PT Bank Commonwealth to launch COMM Family Protection, which comprises a unit-linked product and two riders providing health coverage with a network of hospitals across Southeast Asia and Australia.
- MNC Life partnered with Bank Dinar to sell its Credit Life product.

Several partnerships with smaller regional banks were also announced.

- Equity Life has partnered with Bank Jateng this year as part of its expansion to central Java.
- Sinarmas MSIG has partnered with Bank Pembangunan Daerah Jawa Barat & Banten Tbk (BJB).

Agency

Togar Pasaribu, executive director of AAJI, stated that the number of agents in the industry was 543,192 at the end of 2016, a 6% increase compared with the previous year. The increasing number of agents in the life insurance sector is believed to be one of the contributing factors to the growth of life insurance in 2016.

Digital

AXA Life Indonesia launched Click Protection, a digital service which allows policyholders to purchase and customize their insurance online via a 'salad bar' concept. The protection benefits offered through Click Protection include life, cancer, heart and stroke, and health. Policyholders can pick and choose protection benefits, as desired, according to their budget.

Other recent developments

Tax amnesty

Indonesia's tax amnesty program, which began in July 2016 and ended on 31 March 2017, has reportedly seen more than 800,000 individuals declaring IDR 4,700 trillion in assets previously hidden from the authorities. In response, a number of life insurance companies, including BCA Life, are planning to ride on this tax amnesty wave to tap into high-net-worth individuals. BCA Life Sales Director Honggo Djojo stated that BCA Life will launch 12 new products in 2017, one of them its first unit-linked product. He believes that the product will be a useful investment instrument for policyholders' repatriated funds.

Foreign ownership

Hanwha Life Indonesia is reportedly planning an initial public offering (IPO) in 2020 to comply with regulation POJK No. 73, which restricts foreign ownership of insurance companies to 80%.

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