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We are pleased to present the November 2020 edition of Milliman's Indonesia Life Insurance Newsletter. This edition covers developments during the period from 1 July 2020 to 30 September 2020.

We trust you find this edition informative. As always, we look forward to receiving your feedback, questions or comments.



Brian Colgan
*Head of Life Insurance
Consulting, Indonesia*



David Kong
*Consulting Actuary
Singapore, Life*



Halim Gunawan
*Country Manager
Indonesia*



Richard Holloway
*Managing Director, South
East Asia & India, Life*

Market performance

INDUSTRY PERFORMANCE AT Q2 YTD 2020

According to the Indonesia Insurance Statistics published by the Financial Services Authority (OJK), the Indonesian life insurance industry moved from making a loss (before tax and other comprehensive income [OCI]) at Q2 YTD 2019 to making a profit at Q2 YTD 2020. The change over the period is summarised below:

Financials (in IDR trillion)	Q2 YTD 2019	Q2 YTD 2020	Change
Net Premium Income	81.56	74.85	(6.71)
Investment and Other Income	0.33	7.24	6.91
Total Income	81.89	82.09	0.20
Total Claims and Benefits	64.81	62.89	(1.92)
Commission and Acquisition Costs	8.96	9.17	0.22
Operating Expenses	11.20	9.91	(1.29)
Total Expenses	84.97	81.98	(2.99)
Profit / (Loss) Before Tax and OCI	(3.08)	0.11	3.19
Tax	1.10	1.01	(0.08)
Net Profit / (Loss) Before OCI	(4.18)	(0.90)	3.28
Total Assets*	544.83	502.44	(42.39)
Premium Reserve	415.70	390.69	(25.01)
Unearned Premium Reserve	4.02	4.48	0.46
Claim Reserve	4.69	5.87	1.18
Catastrophic Reserve	0.04	0.17	0.13
Total Technical Reserve	424.45	401.21	(23.24)

Note OCI = other comprehensive income.

* As at 30 June 2019 and 30 June 2020

Source: OJK's Indonesia Insurance Statistics: June 2019 and June 2020.

Between Q2 YTD 2019 and Q2 YTD 2020, the profit before tax and OCI increased by IDR 3.19 trillion, mainly driven by an increase of IDR 6.91 trillion in investment and other income and a decrease of IDR 2.99 trillion in total expenses, which is offset by a decrease of IDR 6.71 trillion in net premium income.

The Indonesia Life Insurance Association (AAJI) reported that new business premium was IDR 53.12 trillion at Q2 YTD 2020. Furthermore, the AAJI stated that IDR 216.02 billion had been paid in claims related to COVID-19, as at 30 June 2020.

Market news

NEW PRODUCTS

The following new life insurance products were reported to have been launched during Q3 2020:

Traditional products:

- **PT Hanwha Life Insurance Indonesia (Hanwha Life)** launched a whole of life product called **Hanwha Golden Life Plan**. The product offers coverage up to age 100 and a choice of premium payment terms (3, 5, 10, 15 or 20 years). Premiums start from IDR 2 million per year with sums assured starting from IDR 200 million. Customers are entitled to 100% refund-of-premium at age 65.
- **PT Chubb Life Insurance Indonesia (Chubb Life)** released **Long Term Endowment**. The product offers coverage for 20 years, or up to age 80, whichever is earlier, with a premium payment term of 3, 5 or 7 years. Premiums start from IDR 15 million per year. **Long Term Endowment** pays 150% sum assured on natural death during the premium term or 100% sum assured afterwards. Similarly, an extra 50% and 100% sum assured are paid on accidental death during and after the premium term, respectively, but limited to an additional IDR 2 billion. Customers receive 250% sum assured on maturity.
- **PT FWD Life Indonesia (FWD Life)** launched two term life products, **Asuransi Bebas Rencana Optimal** and **FWD Legacy Protection**. **Asuransi Bebas Rencana Optimal** offers coverage against death and total permanent disability and 120% return-of-premium at maturity, while **FWD Legacy Protection** provides death coverage only with no medical exam required for sums assured up to IDR 10 billion. Both products offer terms of 10, 15 or 20 years.

- **PT Asuransi Jiwa Manulife Indonesia (Manulife)** launched two health products, **Proteksi Premi Sehat Global (PPSG)** and **Proteksi Prima Medika (PPME)**, sold exclusively through its existing bancassurance partner **PT Bank Danamon Indonesia Tbk (Danamon)**. **PPSG** is a yearly-renewable product providing coverage against hospitalisation bills up to age 80. Customers can choose to add coverage for traditional Chinese medicine—a unique feature in the market. Meanwhile, **PPME** comes with relatively cheaper premiums, starting from IDR 90,000 per month, and provides coverage up to age 65. This product provides hospitalisation cash benefits, intensive care unit (ICU) treatment and a no claims bonus equal to 105% of 5 years' premiums paid at the end of the contract if the policyholders does not make any claims for 5 consecutive years.
- **PT Asuransi Jiwa Sequis Life (Sequis Life)** launched **Asuransi Millennium Gold Plus Rupiah (MGPR)** and **Sequis Term Life Plus Insurance (STLPI)** for sale through its agency channel. **MGPR** is a 10-year short-pay endowment with premiums paid for 5 years. The benefits are 200% of sum assured on accidental death and 135% refund-of-premium paid on maturity. Meanwhile, **STLPI** is designed to be more affordable with premiums starting from IDR 200,000 per month paid for 6 years, in return for 10 years' coverage against death and total permanent disability. At maturity, the policyholders will receive 115% return-of-premium.
- **PT Asuransi Cigna (Cigna)** launched **Family EaziLife**, to provide 10 years' death and accelerated critical illness coverage of up to IDR 500 million. The policy covers up to seven members of the same family, including parents and parents-in-law. This product offers guaranteed acceptance with 100% return-of-premium at maturity.

Unit-linked products:

- **PT PFI Mega Life (PFI Mega)** released a whole of life single premium product named **Mega Investa Link**. The fund value is paid when the policyholder reaches age 100, while the basic sum assured plus fund value are paid on death before maturity. The product is only available in US dollars, with premium starting from USD 20,000.
- **PT Zurich Topas Life (Zurich)** launched **Zurich Smart Care**. The product pays a sum assured on death and the fund value on maturity. A no lapse guarantee applies for the first 5 years with an optional premium holiday feature from policy year 4 onwards.
- **PT Sun Life Indonesia (Sun Life)** launched **Asuransi Salam Anugerah Keluarga**. The Syariah product covers the husband, wife and up to two children of the same family under a single policy. Contributions start from IDR 9 million per year.

Riders:

- **PT AIA Financial (AIA)** launched **Premier Hospital and Surgical Extra (PHS Extra)**, as a rider benefit on unit-linked policies. For the Ultimate Plan, customers are covered to receive medical treatment worldwide in their own private room, with an annual benefit limit of IDR 20 billion. Customers also have a "Booster" benefit of IDR 45 billion over the lifetime of the policy so customers can claim in excess of the annual limit. For example, a customer with claims of IDR 30 billion in one year can claim the full amount by using their annual limit of IDR 20 billion and IDR 10 billion from their Booster benefit. Less expensive plans but with more limited geographical coverage and lower benefit limits are available. In addition, policyholders get access to **Medix**, a personal medical consultation line.

Microinsurance products:

- **Sequis Life** launched **Mikro Sequis Sejahtera** through a new digital partnership with **Fave** (previously known as **Groupon**). Customers receive up to IDR 3 million life coverage on natural death, IDR 20 million on accidental death, IDR 3 million on total permanent disability and IDR 300,000 annual surgical benefit. Premiums start from IDR 75,000 per year. Customers buy the policy by using a digital voucher bought on **myfave.com** or on the **Fave** mobile app.
- **FWD Life** launched **FWD Cancer Protection**, a product sold online to protect customers against cancer (including early stage cancer). Sums assured range from IDR 50 million to IDR 500 million paid on diagnosis with cancer. The premium for this product starts from IDR 10,000 per month.
- **Cigna** launched **Cigna ProGuard** and **Cigna ProLife** to target lower-income segments. **Cigna ProGuard** provides IDR 100 million accidental death benefit for IDR 254,000 annual premium for policyholders aged between 18 and 55. Policyholders aged between 56 and 64 pay IDR 428,000 annual premium for the same benefit. **Cigna ProLife** provides death benefits up to IDR 37 million and additional benefit for death caused by accidents in return for premiums of IDR 200,000 per year. Juvenile plans insuring customers aged up to 17 are also available.

COVID-19-related products:

- **Sun Life** launched **Salam Hijrah Proteksi**—its second Syariah product sold through **PT Bank Muamalat Indonesia Tbk (Bank Muamalat)**. The traditional product includes protection against COVID-19 and comes with a loyalty bonus paid every three years.
- **AIA** launched the **AIA 1dapat4** program designed to provide protection to family members against COVID-19 (IDR 1 million daily hospital cash up to 25 days) and accidental death (IDR 5 million lump sum) worth up to IDR 100 million in total. Customers can join the **AIA 1dapat4** program by buying an individual policy with a monthly

premium of at least IDR 500,000. Once a member of the program, the customer can then buy another policy offering highly affordable premiums starting from IDR 1 million per month to protect up to four family members, including grandparents and parents-in-law. The program is available to existing customers and new customers until 31 December 2020.

- **AIA** also released **AIA PowerPro Life**, where customers can get life coverage starting from IDR 200 million for premiums starting from IDR 300,000 per month. Additionally, the product also covers against COVID-19 and terminal illness.
- **PT Equity Life Indonesia** provides its **COVID-19 Protection Care** product for free to **Speedwork Autocare's** customers. The product offers IDR 200,000 per day hospitalisation cash benefit (for a maximum 14 days) and IDR 10 million coverage on death from COVID-19, or an accident. Customers can register for the free COVID-19 coverage after buying tyres from Speedwork.

NEW UNIT FUNDS

- **PT Asuransi Takaful Keluarga** launched three new Syariah unit funds called **Amana**, **Optima** and **Ekuita** to complement its **Takafulink Salam Series** of products and to replace the existing **Istiqomah**, **Mizan**, **Ahsan** and **Alia** unit funds. **Amana** has the lowest risk profile with at least 60% invested in sukuks (Syariah-compliant financial certificates similar to bonds) with the balance invested in money market instruments. **Ekuita** has the highest risk profile from investing between 60% and 100% in equities, with the remainder in money market instruments. **Optima's** risk profile is between **Amana** and **Ekuita's**.

OJK ANNOUNCEMENT

- Following the acquisition of **PT Commonwealth Life (PTCL)** by **FWD Life** from Commonwealth Bank of Australia, the OJK's Board of Commissioners granted PTCL a business license in July 2020 and approved its rebranding to **PT FWD Insurance Indonesia**.

KEY APPOINTMENTS

- The member representative board (BPA) of **PT AJB Bumiputera 1912 (Bumiputera)** made the following appointments:
 - Faizal Karim as President Director and Finance/Investment Director
 - Wirzon Sjojfyhan as Compliance Director
 - SG Subagyo as Marketing Director
 - Dena Caherudin as Human Resource Director
 - Joko Suwaryo as Technical Director
- **Sinarmas MSIG Life** appointed Wianto Chen as the new President Director.

UPDATE ON JIWASRAYA

- Public Accountant **Kanaka Puradiredja, Suhartono** issued an unqualified opinion on **PT Asuransi Jiwasraya's (Jiwasraya)** financial statements as at 31 December 2019. The Finance and Investment Director of Jiwasraya—Farid A. Nasution—stated that assets were IDR 18.13 trillion, while liabilities were IDR 52.74 trillion, resulting in negative equity of IDR 34.61 trillion as at 31 December 2019.
- As a prior signal of poor performance, the **Audit Board of Indonesia (BPK)** confirmed that Jiwasraya's audited risk-based capital was (1,431)%, as at 31 December 2018, different from the unaudited figure of (805)%.
- Despite some opposition in the Indonesian parliament, the government will inject IDR 22 trillion into **PT Bahana Pembinaan Usaha Indonesia (BPUI)** as the parent company of **Indonesia Financial Group (IFG)**. IFG is the new company to which policies will be transferred after Jiwasraya's restructuring. **BPUI** changed the name of the new company from **Nusantara Life** because the name **Nusantara Life** had been used by a failed company in the past.

LIQUIDITY ISSUES

- **PT Asuransi Jiwa Kresna (Kresna Life)**: The OJK issued a sanction of stopping new business sales against **Kresna Life**, in response to **Kresna Life's** inability to pay maturity claims on its K-Lita product. **Kresna Life** must fulfill its obligations towards policyholders and design a recovery plan before the OJK will lift the sanction.
- **PT Adisarana Wanaartha (Wanaartha Life)**: The OJK recommended that **Wanaartha Life** inject additional capital to enhance its liquidity position and overcome delays in making maturity payments. The OJK's recommendation results from the **Attorney General's Office (Kejagung)** having frozen **Wanaartha Life's** assets as part of an on-going legal process in relation to Jiwasraya.

CAPITAL MANAGEMENT

- **PT Asuransi Jiwa Indosurya Sukses (Indosurya Life)** announced its intention to strengthen its capital in 2020 by issuing new shares or acquiring shares from current shareholders. **Indosurya Life** has not stated how much additional capital it wishes to raise, other than saying that it will depend on the results of an on-going due diligence process.

Regulatory developments

NEW REGULATIONS OVER Q3 2020

There was one OJK regulation (POJK) issued during the period:

- **POJK NO 44/POJK.05/2020** requires non-bank institutions to implement a risk management framework at a company and holding company level. The framework should include strategic, operational, insurance, credit, market, liquidity, regulatory, compliance and reputational risk. Insurers must form a risk management committee and risk management task force or unit. The risk management task force should prepare a report, every quarter, describing the company's risk profile as well as the level and trend in the company's risk exposure. The report should be sent to the OJK after it has been approved by the board of directors and risk management committee.

IFRS 17/PSAK 74

The **Institute of Chartered Accountants (IAI)** published an exposure draft of proposed amendments to **PSAK 74** following the publication of the amended version of **IFRS 17 Insurance Contracts** in June 2020. The proposed amendments to PSAK 74 cover:

1. Additional products excluded from scope
2. Allocating acquisition cash flows to expected renewals
3. Profit recognition on investment-linked products
4. Accounting mismatch on reinsurance contracts held
5. Simplifying how the balance sheet is presented
6. Applying the risk management option
7. Deferring the effective date
8. Modification and ease of transition policy

The Financial Accounting Standards Board (DSAK) has requested comments and feedback from the industry by 30 October 2020, with a plan to formalise the PSAK 74 Amendments Exposure Draft in December 2020.

Distribution updates

BANCASSURANCE CHANNEL

There were no new bancassurance partnerships reported in the media over Q3 2020.

DIGITAL CHANNEL AND INSURTECH

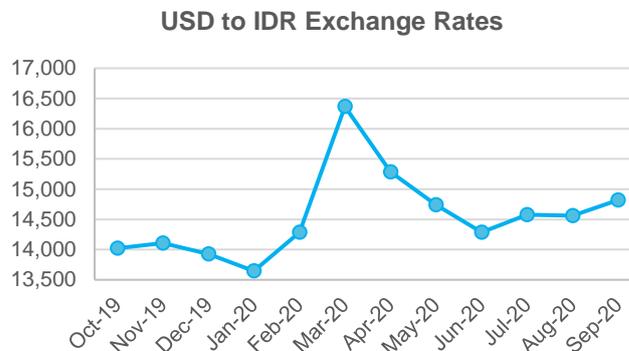
The following developments in the digital and insurtech sector have been reported:

- **Sun Life** signed a 10-year mutual agreement with Syariah digital network, **K-Link**, to market Sun Life's Syariah product **Asuransi Brilliance Hasanah Sejahtera**.
- **FWD** now sells some of its products on **lifepal.co.id**—a digital insurance marketplace which lists products sold by a number of insurers.

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

From the start of Q4 2019 to the end of Q3 2020, the Indonesian rupiah was at its lowest against the US dollar in March 2020, depreciating around 17.5% compared to 31 December 2019, triggered by the COVID-19 pandemic. The rupiah exchange rate appreciated by 12.7% over Q2 2020 but depreciated again over Q3 2020 by around 4% relative to the end of June 2020.

The Central Bank of Indonesia (BI) attributed the depreciation over August and September 2020 to the uncertainty in global financial markets and domestic economic risks. BI predicted that the rupiah exchange rate will appreciate in the future, with the belief that the rupiah's current fundamental level is undervalued, but did not specify by how much.

According to Statistic Indonesia (BPS), the COVID-19 pandemic had a negative impact on the domestic economy. As at Q2 2020, GDP contracted by 5.32% year-on-year (y/y). While there has been no announcement of the Q3 2020 GDP figure, the Minister of Finance predicted that Indonesia will enter a period of recession in Q3 2020.

The consumer price index (CPI) inflation in August 2020 was recorded at 0.05% month-on-month (m/m) with an increase of 0.93% year-to-date. The CPI inflation was maintained at 1.32% y/y in August 2020, a slight decrease from 1.54% y/y in July 2020. The inflation rate remained within BI's target range of 3.0% ± 1% y/y. BI attributed the lower inflation rate to lower core inflation resulting from lower demand for goods, food and air transport.

In September 2020, the Board of Governors of BI agreed to maintain the BI 7-day Reverse Repo Rate, the Deposit Facility rate and the Lending Facility at 4.00%, 3.25% and 4.75%, respectively. BI stated that the decisions are consistent with the Indonesian government's strategy to maintain stability of the rupiah amidst low inflation and to support the recovery of the domestic economy from the COVID-19 pandemic.

As per SEOJK No. 27/2017 and SEOJK No. 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 at 30 September 2020.

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	4.95	5.45	16	8.00	8.50
2	5.62	6.12	17	8.04	8.54
3	6.06	6.56	18	8.07	8.57
4	6.37	6.87	19	8.09	8.59
5	6.62	7.12	20	8.11	8.61
6	6.84	7.34	21	8.12	8.62
7	7.03	7.53	22	8.13	8.63
8	7.20	7.70	23	8.13	8.63
9	7.36	7.86	24	8.13	8.63
10	7.50	8.00	25	8.13	8.63
11	7.62	8.12	26	8.13	8.63
12	7.72	8.22	27	8.13	8.63
13	7.81	8.31	28	8.12	8.62
14	7.89	8.39	29	8.12	8.62
15	7.95	8.45	30	8.12	8.62

Source: Indonesia Bond Pricing Agency (IBPA)

LIFE INSURANCE CAPITAL REGIMES IN ASIA: COMPARATIVE ANALYSIS AND IMPLICATION OF CHANGE 2nd Edition

In July 2020, Milliman published the second edition of its research report on the risk-based capital regimes in Asia. The second edition updated the details of the regimes covered in the first edition as well as adding the new markets of Brunei, the Philippines and Sri Lanka. Additionally, the report highlighted some of the potential implications for insurers from future developments in capital regulations including version 2.0 of the International Capital Standards.

The report showed that the Indonesian industry solvency ratio was above 450%, one of highest levels in Asia. There are no known future developments to the risk-based capital framework but future developments related to capital include:

- POJK No. 28/POJK. 05/2020 requiring a self-assessment of risk profiles for non-bank financial institutions.
- A draft regulation specifically addressing the financial health scoring of insurers and reinsurers using the same factors as POJK No. 28.
- A draft regulation amending the minimum capital requirements for Syariah insurers and reinsurers after spin-off.

The executive summary of the report can be found [here](#).



Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

milliman.com

CONTACT

Brian Colgan
brian.colgan@milliman.com

David Kong
david.kong@milliman.com

Halim Gunawan
halim.gunawan@milliman.com

Richard Holloway
richard.holloway@milliman.com