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We are pleased to present the latest edition of Milliman's Indonesia Life Insurance Newsletter. This edition covers developments during the period from 1 October 2019 to 31 December 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 Q3 2019

According to the Indonesia Insurance Statistics published by the Financial Services Authority (OJK), the Indonesian life insurance industry became loss-making between Q3 2018 and Q3 2019. The change over the period is summarised in the table below.

Financials (in IDR trillions)	Q3 2018	Q3 2019	% Change
Net Premium Income	136.71	131.69	(4)%
Investment and Other Income	7.51	1.32	(82)%
Total Income	144.22	133.01	(8)%
Total Claims and Benefits	110.20	106.51	(3)%
Commission and Acquisition Costs	14.09	14.25	1%
Operating Expenses	18.15	17.07	(6)%
Total Expenses	142.44	137.82	(3)%
Profit / (Loss) Before Tax and OCI	1.78	(4.81)	(370)%
Tax	1.66	1.55	(7)%
Net Profit / (Loss) Before OCI	0.12	(6.36)	(5457)%
Total Assets*	516.34	539.32	4%
Premium Reserve	396.25	412.91	4%
Unearned Premium Reserve	3.34	3.76	13%
Claim Reserve	4.14	4.81	16%
Catastrophic Reserve	0.01	0.05	373%
Total Technical Reserve	403.73	421.52	4%

Note: OCI = other comprehensive income.

*As at 30 September 2018 and 30 September 2019.

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

Over Q3 2019, the net profit before other comprehensive income (OCI) decreased by 370% as compared to Q3 2018, caused mainly by decreases of 4% and 82% in net premium income and other income, respectively. However, decreases in total claims and benefits and operating expenses helped offset the decrease in total income.

Lower gross written premium and higher reinsurance premiums ceded drove the decrease in net premium income.

Total claims and benefits decreased due to a significant release in premium reserves, which was slightly offset by higher unit redemption payments.

In addition, operating expenses decreased as a result of lower expenses related to mortality claims and management expenses, but were offset by higher marketing expenses.

Market news

NEW PRODUCTS & FEATURES

The following new life insurance products were reported to have been launched during Q4 2019:

- **PT Bhinneka Life Indonesia (Bhinneka Life)** launched a new product named **Program Saver Pro**, which combines Bhinneka Life's existing Bhinneka Assurance Saver and Bhinneka Assurance Protection products.
- **PT Hanwha Life Insurance (Hanwha)** launched **Hanwha Saving Protection** product, a long-term financial program aimed at Indonesia's "sandwich generation"—those who are responsible for raising their own children and caring for aging parents at the same time. Customers benefit from a guaranteed cash value of 100% of premiums paid after five years. Premiums start from IDR 12 million per year.
- **PT Allianz Life Indonesia (Allianz Life)** launched two microinsurance products, namely: **Allianz Tukar Sampah, Lindungi Dirimu** (Exchange Your Trash, Protect Yourself) and **Allianz Uang Duka** (Allianz Money Grief). The first product allows customers to exchange two kilos of plastic bottles for IDR 6,000 and buy three months' death cover for IDR 4,500, saving the balance of IDR 1,500. The second product offers IDR 2 million in life cover for a monthly premium of IDR 1,500.
- **PT Prudential Life Assurance (Prudential Indonesia)** launched the Diabetes Special Program to help customers with type 2 diabetes obtain life and health insurance more easily as part of its financial inclusion agenda. The program intends to reduce the number of postponed or declined insurance applications from customers who already have diabetes mellitus or pose a higher risk from higher blood sugar levels. The benefit has been added to the PRUlink New Generation products or through the Hospital & Surgical Cover Plus and PRUPrime Healthcare Plus rider benefits.

KEY APPOINTMENTS

- **PT PFI Mega Life Insurance (PFI Mega)** appointed Samdarshi (Sam) Sumit as the new President Director and CEO.

Regulatory developments

NEW REGULATIONS OVER Q4 2019

There were no government regulations (PPs), OJK regulations (POJKs) or circular letters (SEOJKs) released during the period.

Distribution updates

BANCASSURANCE CHANNEL

The following new bancassurance partnerships have been announced:

- **PT Panin Dai-ichi Life (Panin Dai-ichi)** established a partnership with **PT Bank Resona Perdania** by launching the new **Smart Infinite Protection** product. The product provides keyman insurance to companies as well as protection to keymen's families in the event of their death.
- **PT FWD Life Indonesia (FWD Life)** and **PT Bank Mestika Dharma** launched **Pro Optimal Fund Designer Insurance**—a unit-linked product. This product offers free administration fees, free acquisition costs and a loyalty bonus. The product is the second that the companies have launched since signing a Memorandum of Understanding in 2018.
- **PT AIA Financial Asuransi** launched **Protection Retirement Maksima (RetirePlan)**, a retirement insurance product, in collaboration with **PT Bank Central Asia Tbk.** The product offers a guaranteed fund at retirement of up to 500% of annual premiums and guaranteed annual pension payments of up to 130% of annual premiums.
- **Hanwha Life** and **PT Bank IBK Indonesia, Tbk.** signed a bancassurance agreement to launch a unit-linked product called **Sejahtera Maxima Link**. Customers will receive life insurance and savings benefits with a loyalty bonus, with premiums starting from IDR 200,000 per month, with the payment of acquisition costs spread over three years.
- **Prudential Indonesia** and **PT Bank Muamalat Indonesia** are now cooperating to offer Bank Muamalat's customers an auto-debit facility to pay premiums on Prudential Indonesia's Syariah products.

DIGITAL CHANNEL

- **PT Asuransi Jiwa Sequis Life (Sequis Life)** rebranded its digital insurance business unit to Super You. Currently, Super You offers five insurance products ranging from term life, critical illness and personal accident tailored to the needs of the younger generation and Millennials.
- **PT BNI Life Insurance (BNI Life)** launched an e-commerce platform on its website bni-life.co.id/id/beli-online. Currently, customers can purchase a yearly-renewable-term life insurance product called BNI Digi Micro Protection with IDR 90 million sum assured in return for a IDR 54,000 annual premium.

INSURTECH

The following new digital applications or platforms were launched over Q4 2019:

- **PT Asuransi Cigna (Cigna)** launched a customer portal, www.cignaku.cigna.co.id, so that customers can check their policy status and submit claims.

- **PT MNC Life (MNC Life)** launched an insurance app, Hario Apps, targeting Millennials who represent 36% of the Indonesian population. Customers can buy the Hario Siaga (Personal Accident), Hario Sehat (Hospital Plan) and Hario Sejahtera products through this app.
- **BNI Life** launched the BNI Life Mobile app so that customers can instantly get policy information.
- **PT Sun Life Financial Indonesia (Sun Life)** launched the updated version of its My Sun Life Indonesia application, allowing customers to get information about Sun Life's products and services, make transactions and submit insurance claims online.

OTHERS

Other partnerships reported by local media in Q4 2019 include:

- **Allianz Life, PT Aplikasi Karya Anak Bangsa (GoJek)** and **PasarPolis.com** (an insurance aggregator) are collaborating to provide travel insurance to GoRide's passengers and GoJek's drivers. The scheme intends to provide medical, total and permanent disability (TPD), and accidental death benefits.
- **Allianz Life** signed a Memorandum of Understanding with two hospitals from the **Permata Keluarga Husada Hospital group** to offer a cashless payment facility for BPJS Health patients. The hospitals will now invoice Allianz Life directly instead of customers paying any difference in costs and later claiming from Allianz Life.
- **Cigna** and **PT Syailendra Capital** launched a mutual fund product with free death cover and in-patient benefits. These features do not result in additional premiums or deductions from the consumer's fund value.
- **PT Asuransi Jiwa BCA (BCA Life)** and **GetPlus**, a multi-brand loyalty platform, now provide free personal accident cover with up to IDR 25 million sum assured to 150,000 customers who download the GetPlus app from Play Store/App Store.

Other recent developments

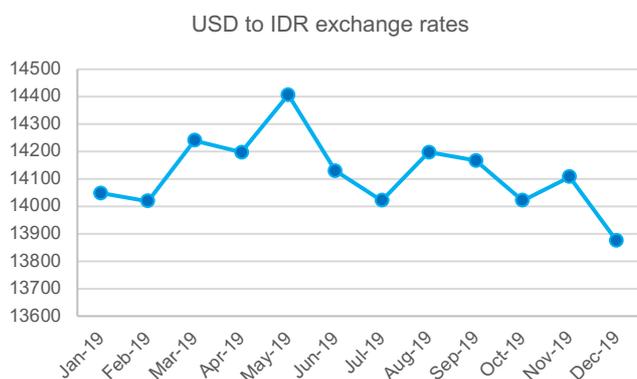
MORTALITY STUDY: INDONESIAN MORTALITY TABLE IV

Launched in January 2020, the latest version of the Mortality Tables Indonesia—TMI IV—is the result of collaboration between the AAJI, OJK, PAI, Indonesia Re and the University of Waterloo, Canada. TMI IV is based on the mortality experience of 52 Indonesian life insurers between 2013 and 2017. It shows mortality improvements of about 5% for both men and women compared to the previous TMI 2011 table. The TMI 2011 table was based on data from 40 life insurance companies between 2004 and 2008.

MACROECONOMICS

This section was written prior to the onset of the COVID-19 pandemic, which has naturally had a significant impact on the Indonesian economy and will be discussed further in the next edition of the newsletter.

The graph below shows the Indonesian rupiah and US dollar exchange rate over 2019.



Source of FX rate: www.xe.com.

During Q4 2019, the Indonesian rupiah was at its weakest against the US dollar in November before strengthening by 1.64% over December 2019 to hit a year-long high of 13,876 on 31 December 2019.

The Central Bank of Indonesia (BI) said IDR appreciation was supported by the supply of foreign exchange (FX) from exporters, the continuous in-flow of foreign capital in line with Indonesia's economic prospects and an easing of the uncertainty in global financial markets.

Consumer price index (CPI) inflation in November 2019 was recorded at 0.14% month-on-month (m/m) or 3.00% year-on-year (y/y), decreasing from 3.13% y/y in October 2019. According to Statistics Indonesia, the inflation rate over 2019 and year-on-year (December 2018 to December 2019) was 2.72%, within the 2019 inflation target range of $3.5 \pm 1\%$. In December 2019, BI predicted that low inflation would continue and remain under control in 2020 with the target range of $3.0 \pm 1\%$.

Improvements in household consumption, fiscal expansion and exports maintained Indonesia's economic growth in 2019. Economic growth improved in Q4 2019 so that it reached around 5.1% overall in 2019, with an increase in projected economic growth in 2020 of between 5.1% and 5.5%.

In November 2019, BI left its benchmark interest rate untouched for the first time in five months by keeping the 7-Day Reverse Repo Rate at 5.00%, while maintaining the deposit facility and lending facility rates at 4.25% and 5.75%, respectively. Not changing the rates is seen to be consistent with low inflation forecasts, maintained external stability and efforts to maintain the momentum of economic growth.

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 as at 31 December 2019.

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	6.19%	6.69%	16	7.99%	8.49%
2	6.54%	7.04%	17	8.03%	8.53%
3	6.78%	7.28%	18	8.06%	8.56%
4	6.96%	7.46%	19	8.09%	8.59%
5	7.11%	7.61%	20	8.12%	8.62%
6	7.23%	7.73%	21	8.14%	8.64%
7	7.34%	7.84%	22	8.16%	8.66%
8	7.44%	7.94%	23	8.18%	8.68%
9	7.53%	8.03%	24	8.19%	8.69%
10	7.62%	8.12%	25	8.20%	8.70%
11	7.70%	8.20%	26	8.21%	8.71%
12	7.77%	8.27%	27	8.22%	8.72%
13	7.83%	8.33%	28	8.23%	8.73%
14	7.89%	8.39%	29	8.24%	8.74%
15	7.94%	8.44%	30	8.24%	8.74%

Source: Indonesia Bond Pricing Agency (IBPA).

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