

INDONESIA LIFE INSURANCE NEWSLETTER

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WE ARE PLEASED TO PRESENT THE SIXTH EDITION OF MILLIMAN'S INDONESIA LIFE INSURANCE NEWSLETTER. THIS EDITION COVERS THE DEVELOPMENTS DURING THE PERIOD FROM 1 SEPTEMBER 2015 TO 31 DECEMBER 2015.

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 2015 3Q

The Asosiasi Asuransi Jiwa Indonesia (AAJI) reported that, despite the economic slowdown, the life insurance industry grew total gross premium by 16% year-on-year in the first nine months of 2015, to IDR 100.8 trillion. This was attributed to a growth of 16.7% in new business premium to IDR 57.6 trillion, as well as 15% year-on-year growth on renewal premium to IDR 43.2 trillion.

According to Hendrisman Rahim, the chairman of AAJI, the growth in new business reflects an improvement in people's awareness of the importance of long-term protection. Unit-linked business is still dominating the market, contributing to 53.7% of gross premium in the first nine months of 2015. Its year-on-year growth of 12.5% was, however, slower than that recorded by traditional products, 20.2%, which is believed to be an effect of the slowing economic equity markets.

Total income (premium income and investment income), on the other hand, reduced from IDR 120.9 trillion in the first nine-month period of 2014 to IDR 89.1 trillion in the same period in 2015. This can be attributed to the recent volatility in the markets, which resulted in an investment loss for the industry of IDR 15.9 trillion. Deposits, property, and mutual funds are becoming more popular for life insurers as many seek safer assets, albeit with lower return.

There were 447,407 agents as at 30 September 2015, a 24% increase year-on-year.

Market news

A. Mergers and acquisitions, distribution agreements

- In October 2015, PT Sinar Mas Multiartha (Sinarmas) agreed to acquire a 50% stake in PT Asuransi Jiwa Mega Life, through its subsidiary PT Asuransi Sinas Mas. PT Asuransi Sinas Jiwa will be the new name of the entity.
- In December 2015, Bank Rakyat Indonesia (BRI) shareholders approved the takeover of life insurer PT Asuransi Jiwa Bringin Jiwa Sejahtera (BRIngin Life). After the takeover, BRI will own a 91% stake in BRIngin Life, with the remaining 9% owned by BRI Employee Welfare Foundation. This was reported in December, with the 91% stake being reported to be worth IDR 1.6 trillion (or USD 114.6 million). The stated price was also reported to be equivalent to 1.69 times the book value of BRIngin Life as at 30 June 2015.

B. New licenses

- There were no new licenses issued in the four-month period ending 31 December 2015.

C. Key company news

- Following BRI's takeover of BRIngin Life, in early January BRI announced that it has for now cancelled its plans to sell any stake in the insurer, and will focus instead on restructuring and integrating the unit, a process that it said could take a minimum of two years.
- Bank Tabungan Pensiunan Nasional (BTPN) disclosed further information on its plan to enter the life insurance business. Anika Faisal, a director at BTPN, stated that it is currently in the midst of applying for approval from the Otoritas Jasa Keuangan (OJK), also known as the Financial Services Authority of Indonesia, and that BTPN will be the majority shareholder in the new life insurance joint venture.
- According to Nikkei Asian Review, Mr Yasuyoshi Karawasa, president of Mitsui Sumitomo Insurance Co., which is a shareholder of PT Sinarmas MSIG, said that he hopes to make the company a top-three player through a process of mergers and acquisitions.
- According to BeritaSatu, following the disposal of its stake in BRIngin Life, BRI Pension Fund is reportedly looking to acquire a reinsurance company. Director Mudjiharno of BRI Pension Fund disclosed that one of the two reinsurance companies it is currently in talks with is Tugu Re.
- Hanwha Life Insurance Indonesia ("Hanwha Life") announced that it launched a health insurance product, HealthyPlus, which will be marketed through KEB Hana Bank, as part of the company's effort to tap deeper into the country's large life insurance market.

D. Key appointments

- Simon Price, previously chief financial officer (CFO) of Zurich Life Insurance in Singapore, has been appointed as Head of Propositions of PT Zurich Topas Life.
- Dessy Safitri Masri has been appointed as Chief Marketing Officer of PT ACE Life Indonesia.

Regulatory developments

Regulations on reinsurance cession finalised

A new reinsurance regulation aimed at reducing the insurance balance-of-payments in Indonesia was finalised. Under the new ruling, life insurance, motor, health, personal accident, credit, and surety can only be ceded to domestic reinsurers. Products excluded from this requirement include 'worldwide products,' 'products designed specifically for multinational companies,' and 'new insurance products whose development is supported by foreign reinsurers.' In addition, further process around the reinsurance framework for insurers is also required, such as the development and implementation of a reinsurance strategy. This has to be reviewed once a year and any changes to reinsurance strategy will have to be submitted to the OJK within 10 days.

OJK mulls minimum requirement of government bond holdings

The OJK is considering a requirement for insurers and pension funds to hold a minimum volume of government bonds within their investment portfolios. Although the regulation has yet to be finalised, insurers could be required to have at least 20% of their investments in government bonds in the first year after the regulation becomes effective, increasing to 30% after one year. There could also be a requirement for such bonds to be at least five years in tenor. At a recent industry event, OJK Chairman Muliawan Hadad disclosed that currently insurers and pension funds invest 18% of their portfolios in government bonds.

Other recent developments

AAJI predicts industry growth for 2016

The AAJI has projected growth of gross premium income of between 20% and 30% for 2016. In an insurance media seminar themed 'Insurance Outlook 2016,' held in Jakarta in November 2015, Hendrisman Rahim, the chairman of AAJI, said that he expected drivers such as the low insurance penetration and the emergence of the middle class to drive such growth.

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