

ACTUARIAL OPPORTUNITIES IN A MAJOR MICROINSURANCE MARKET: INDONESIA

Ponno Jonatan
Manulife Indonesia

10 March 2010



AGENDA



- ❖ Country Information
- ❖ Microinsurance in Indonesia
- ❖ Society of Actuaries of Indonesia



Picture of Indonesia

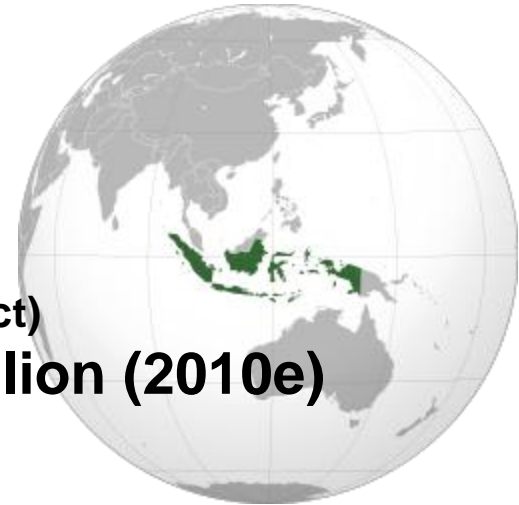




REPUBLIC OF INDONESIA



- **Indonesia lies between two continents; Asia and Australia, and two oceans; Indian and Pacific**
- **The world's largest archipelagic nation**
 - Total land area: 1.9 million square miles
 - Total sea area: 7.9 million square miles
 - 17,508 islands (6,000 are inhabited)
 - 33 provinces (Jakarta as the Capital City)
 - Rainy season (Oct-April) and Dry season (April-Oct)
- **The 4th most populous country: 234 million (2010e)**
 - Growth rate: 1.5% p.a
- **Diversity: more than 700/tribes/dialects**
 - 45% Javanese, 14% Sundanese, 7.5% Madurese, 33.5% others
- **The most populous Muslim-majority nation in the world (13% of world's Muslims)**
 - 85.2% Muslims, 11.9% Christians, 1.8% Hindus, 0.8% Buddhists, 0.3% Others



Economic Indicators



ASEAN Countries' Economic Indicators (2008)

Country	Area (km ²)	Total Population (in thousands)	GDP per Capita (in USD)	Export (in USD)	Import (in USD)	GDP Growth (%)
Laos	236,800	5,763	918	828	1,803	8.4
Vietnam	331,212	86,160	1,053	61,778	79,579	6.3
Indonesia	1,860,360	228,523	2,237	137,020	129,197	6.1
Cambodia	181,035	14,656	756	4,249	4,476	6.0
Malaysia	330,252	27,863	7,992	194,496	144,299	4.6
Myanmar	676,577	58,510	465	6,621	3,795	4.5
Philippines	300,000	90,457	1,844	49,025	56,646	3.6
Thailand	513,120	66,482	4,116	174,967	177,568	2.6
Singapore	707	4,839	38,046	241,405	230,760	1.1
Brunei	5,765	397	35,623	8,754	3,106	0.4

1 USD = IDR 10,000

Insurance Industry



Insurance Penetration and Density (2008)

Insurance Business	Total	Insurance Penetration (Premium as % of GDP)	Insurance Density (Premium per Capita in USD)
Life	43	0.92	20.7
Non-Life	88	0.43	9.7
Total	131	1.35	30.4

Source: Swiss Re, Sigma No 3/2009, update in December 2009

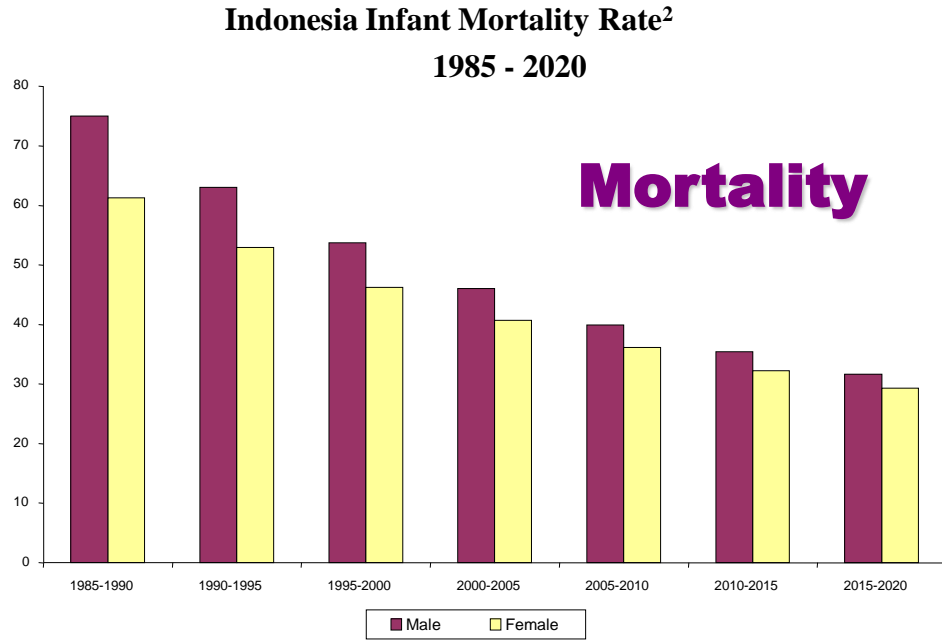
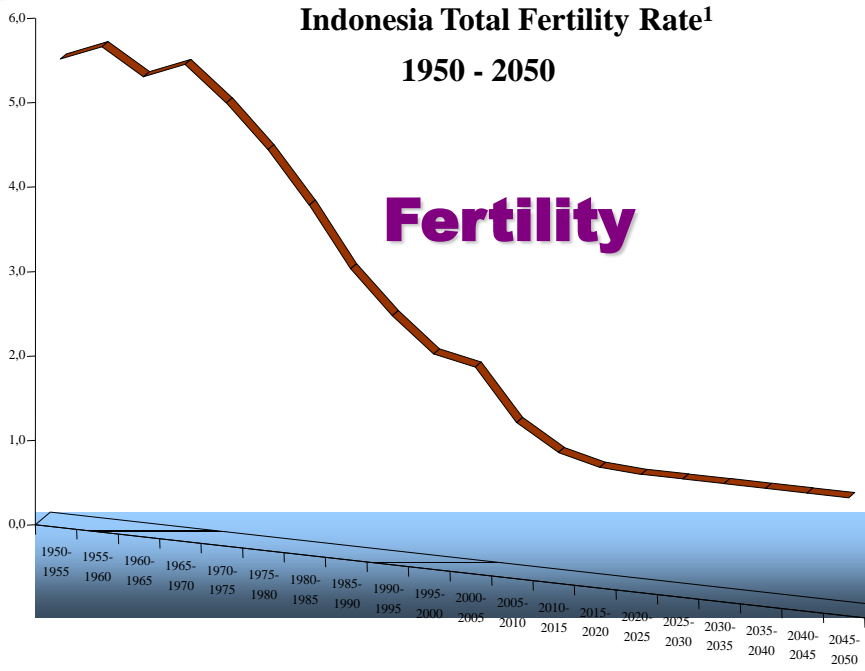
Asia Insurance Penetration/Density: 6% / USD 234

Before and After the Global Crisis

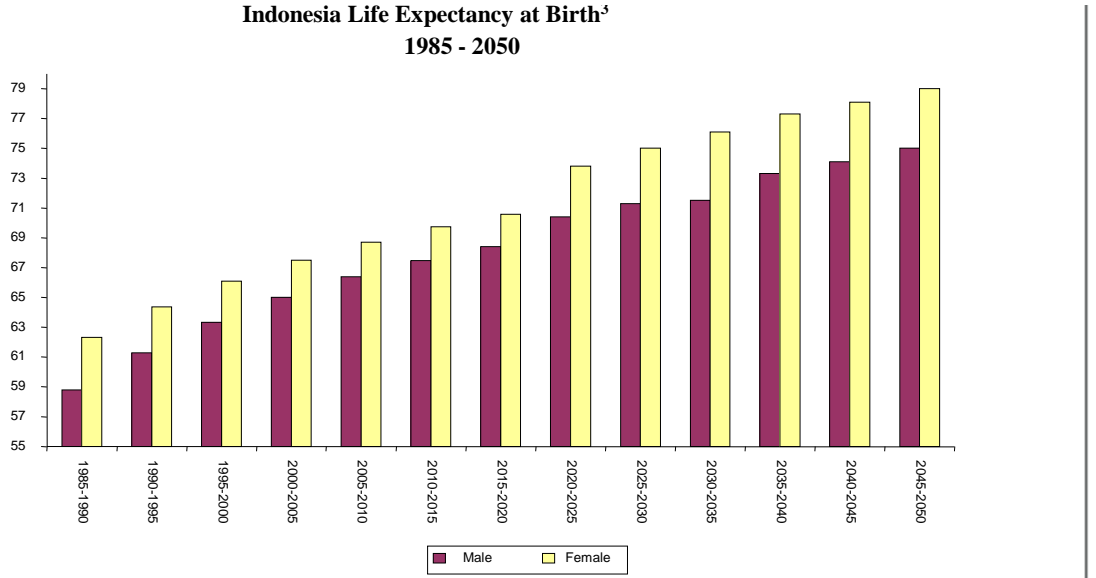
Figures	2007	2008	%
Premium (in million USD)	8,060	7,972	-1.1%
Asset (in million USD)	25,676	23,598	-8.1%
Premium as % of GDP	1.92	1.35	-29.7%

Risk Based Capital (RBC) Class (2008)

Risk Based Capital Ratio	Total Insurance Company	
	Life	Non-Life
> 230%	24	37
120% - 230%	15	49
<120%	4	2
Total	43	88



Life Expectancy



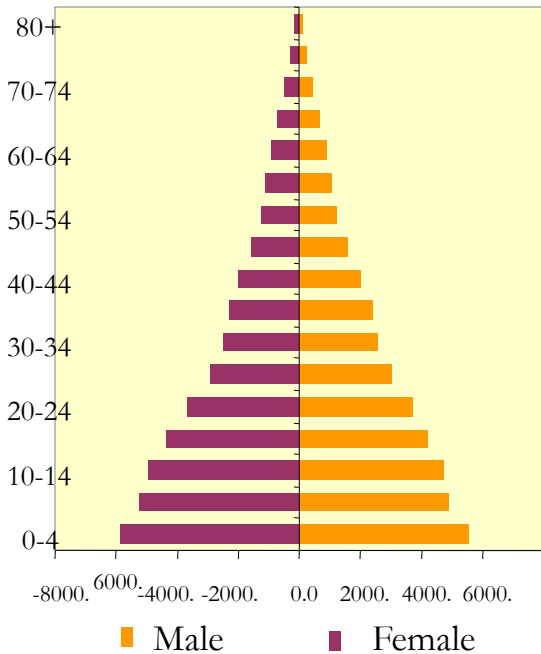
Source: Indonesian Demographics Institution and UN Projection

- 1) Children born Per woman.
- 2) Per 1000 live births.
- 3) In years.

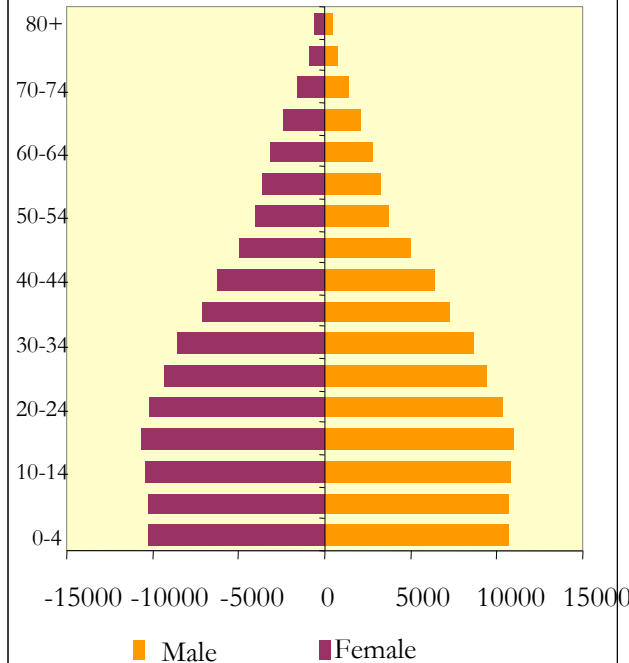
Population Age Pyramid



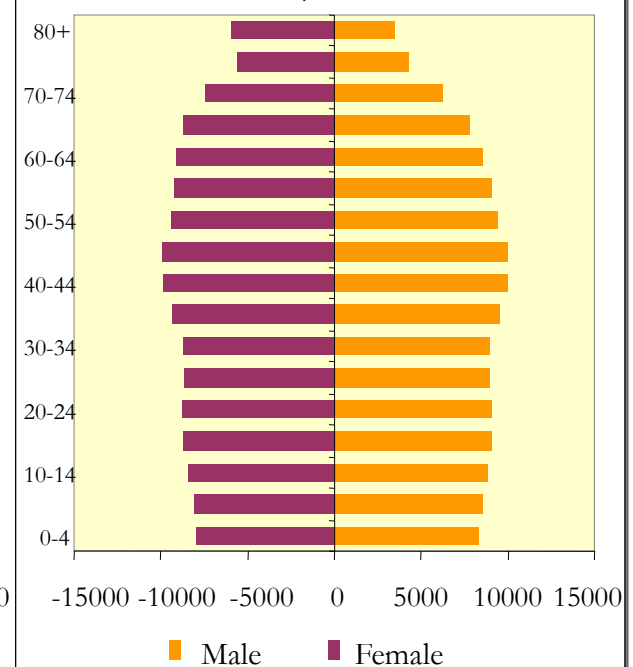
Indonesia Population Age Pyramid 1950



Indonesia Population Age Pyramid 2000



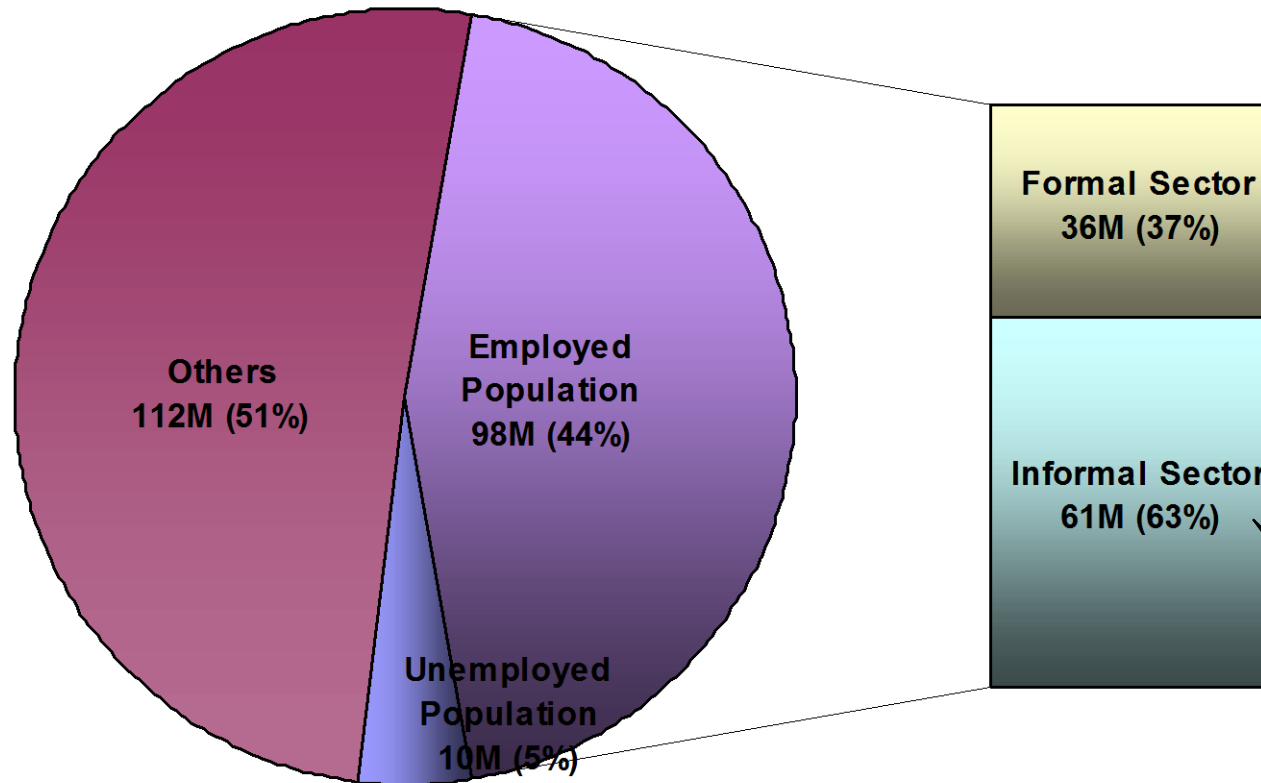
Indonesia Population Age Pyramid UN Projections - 2050



Source: Indonesian Demographics Institution and UN Projection

Population

Labor Forces (2007)

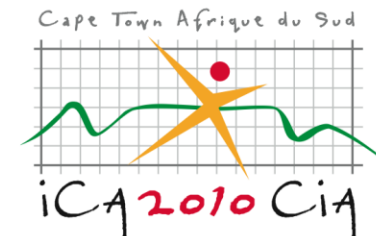


- 16M (26%) in Urban area
- 45M (74%) in Rural area

United Nations: 50% of the population remain classified as poor or near poor (income less than USD 2 per day)

Existing Security Schemes

2007 Data



- **Public (since 1960s)**

- Mandatory Life Insurance, Pension and Old-Age savings for Civil Servants, Police/Army (TASPEN, ASKES, ASABRI) - **about 6% of employed population or 3% of total population**

- **Private (since 1992)**

- Mandatory Worker Social Security for Private Employees (JAMSOSTEK) - **about 11% of employed population or 5% of total population**
- Voluntary Pension Fund

- **All Sectors**

- **Since 2005:** Health insurance for poor households (funded by the Government every year) – **target: about 43% of total population**
- **Since 1992:** Commercial Insurance – **total policyholder: about 16% of total population**
 - Traditional insurance in Indonesia is available only for the middle- and upper income segments

Microinsurance in Indonesia

General Background



- The insurance companies in Indonesia are reluctant to enter the microinsurance market due to:
 - high infrastructure cost needed
 - low premium (small profit margin)
 - limited benchmark
 - Distribution issues
- Research in Microinsurance
 - **Allianz AG-GTZ-UNDP**: Microinsurance Demand and Market Prospects in Indonesia (2006)
 - there should be an effective market of at least 12 million active policyholders plus their families in ten years
 - **MunichRe-GTZ**: Needs Assessment and Feasibility Study on Disaster Microinsurance (2007)

*GTZ is German Technical Corporation

Risks of Low Income Groups

identified through Focus Group (GTZ 2006)



Top-five **insurable** risks:

1. Serious Illness
2. Education of children
3. Poor harvest
4. Death
5. Accident

Significant but **non-insurable** risks:

1. social obligations
2. business loss
3. marriage of children
4. inflation

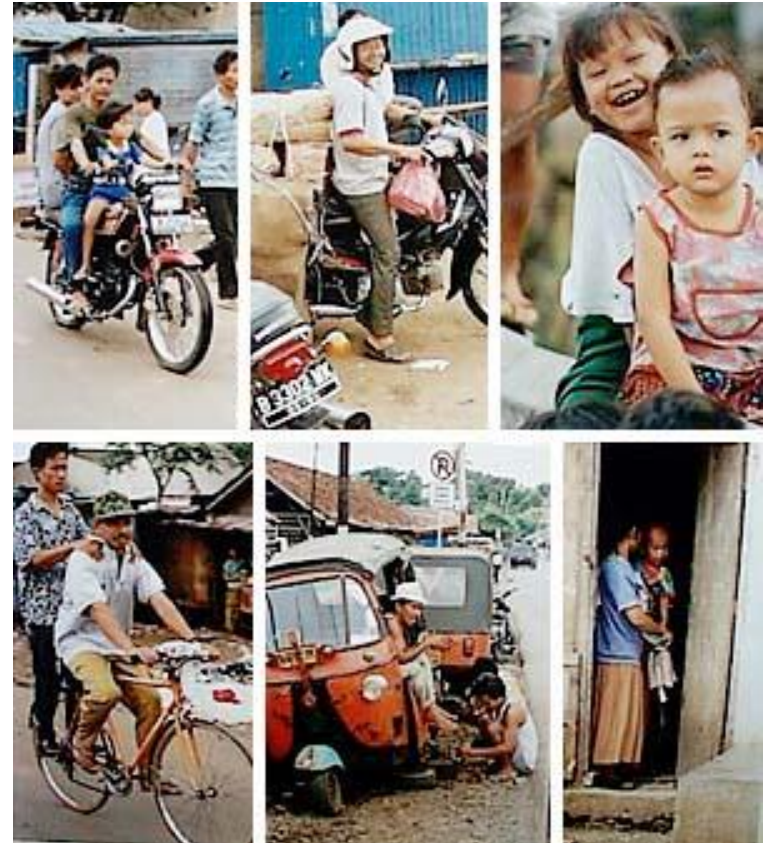


Capacity to Pay

identified through Focus Group (GTZ 2006)



- Capacity to pay insurance premium ranges from USD 1 – USD 10 per month (depending on the income level and social background)
- They prefer to pay the premiums daily or weekly (or at least monthly).



Potential Partners

GTZ 2006



- Rural Banks, locally registered village banks or commercial banks that offer access to the low-income market
- Microfinance Providers
- Governmental Organizations or NGOs: Mercy Corps, National Family Welfare Program, training and advocacy organization
- Religious Leaders
- Informal Groups/ Solidarity Group

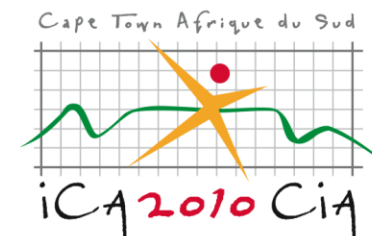
Examples of MI Products



Bumiputera

- Credit-Life Microinsurance (**the most common product**)
 - Premium: vary, depending on the age of borrower and tenor of loan
 - Death Benefit: Full coverage on initial loan amount
 - Admin Fee: 15% of collected premium per month
- Life Microinsurance
 - Premium: USD 56 per 6 months
 - Death and accident benefit: USD 5,000
- Old Age Microinsurance
 - Premiums (for 14 years): USD 30 per 3 months
 - Retirement benefit: USD 3,500
- Endowment Microinsurance
 - Premium of USD 15.3 per 3 months, covering oldest child with USD 700
 - Premium of USD 45 per 3 months, covering second child with USD 1,000
 - Premium of USD 13.9 per 3 months for 7 years, providing payment of 7,000 when the eldest children enters university

Examples of MI Products



Allianz Life Indonesia

- 1st multinational insurance company to offer microinsurance product (2006) and Takaful microinsurance (2008)
- **Payung Keluarga (Aug 2006)**
 - Credit Life Microinsurance distributed by partnership with MFIs
 - Premium: 0.1% of loan principal x Number of Months or 1.2% of loan principal per annum
 - Death benefits: waiver of outstanding loan plus 2 x loan principal
 - Admin fee: 22%
 - Profit sharing 20:80 Allianz : MFI at the end of the year
 - 178,506 policy holders, over USD 100,000 premium and 76 claims in 2008
- **The overhaul of Payung Keluarga:** in early 2008, providing joint-life coverage
- **Takaful version of Payung Keluarga** which provides a micro-education endowment

PAYUNG KELUARGA

Keluarga Anda terlindungi

PT Asuransi Allianz Life Indonesia

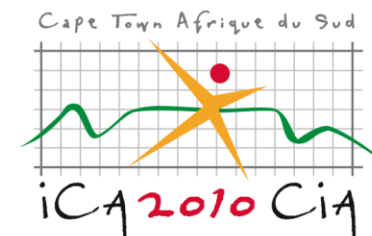
Allianz 

Contoh-Contoh

Pinjaman (Rupiah)	Jangka waktu	Manfaat 1 (Rupiah)	Manfaat 2	Premi sekaligus
500,000	20 minggu	1,000,000	Sisa pinjaman ditiadakan	2,500
1,000,000	20 minggu	2,000,000		5,000
2,000,000	24 minggu	4,000,000		12,000

- ✓ Manfaat tidak bisa dikurangi oleh siapapun dan karena alasan apapun.
- ✓ Anda bisa menunjuk ahli waris yang Anda inginkan.
- ✓ Premi dibayar hanya satu kali pada saat pencairan pinjaman.
- ✓ Berlaku untuk semua jenis penyebab kematian, termasuk musibah dan bencana.

Examples of MI Products



Takaful Life Insurance

- Life Microinsurance
 - Premium: USD 0.6 p.a for USD 100 loan. For other tenor and loan, amount is adjusted on a prorated basis
 - Death Benefit: Full coverage of outstanding loan
 - Admin Fee: Annually (end of year) under a certain formula (depending on amount of death claim and collected premium)
- Health Microinsurance
 - Premium: Adult USD 17.5 p.a, Child: USD 9 p.a
 - Benefit Package:
 - non ICU per day: USD 10 (max 360 days)
 - ICU room a day: USD 20 (max 15 days)
- Takaful Ukhawah (Credit Life Takaful Insurance)
 - Premium (tabarru): Single Premium of USD 5
 - Death Benefit: USD 5,000
 - Accidental Death: USD 2500



Takaful Micro-insurance

takafulukhuWah
Menjalin Ukhuwah, Menolong Ummah

Manfaat Takaful seri 50 :

1. Santunan Uang Duka :
 - Meninggal bukan karena kecelakaan : Rp. 5.000.000,-
 - Meninggal karena kecelakaan : Rp. 25.000.000,-
2. Infaq: Rp. 2.500,-

Masa berlaku 1 (satu) tahun sejak tanggal registrasi

*) Peserta dibawah 17 tahun (yang belum memiliki KTP) melampirkan KTP orang tua/wali

Dokumen Klaim :

1. Photocopy KTP/ SIM Pesert *)
2. Photocopy kartu keluarga
3. Surat meninggal dunia dari Kelurahan
4. Surat Keterangan dari Kepolisian bila meninggal karena kecelakaan
5. Surat Keterangan dari Rumah Sakit/ Dokter bila meninggal di Rumah Sakit
6. Bukti Ahli Warts (keterangan Lurah)
7. Membawa kartu ini
8. Pengajuan Klaim disampaikan ke Kantor Takaful terdekat atau kantor BAZNAS.

Jika menemukan kartu ini harap menghubungi:

GRAHA TAKAFUL INDONESIA
Jl. Mampang Prapatan Raya No. 100, Jakarta 12790 - Indonesia
T + 62 21 799 1234, 799 2345, F + 62 21 790 1435, 790 1944, customer_care@takaful.com, www.takaful.com

Kartu ini sebagai bukti kepesertaan

Example of MI Products

Wahana Tata Non-Life Insurance

- Alert 1 Manggarai Protection Card (The first flood micro-insurance product worldwide)
- One card costs USD 5
- Provides one-off payment of USD 25 if the waters rise to or above 950cm (Alert 1) at the Manggarai Water Gate in Jakarta



Roles of Actuaries in MI



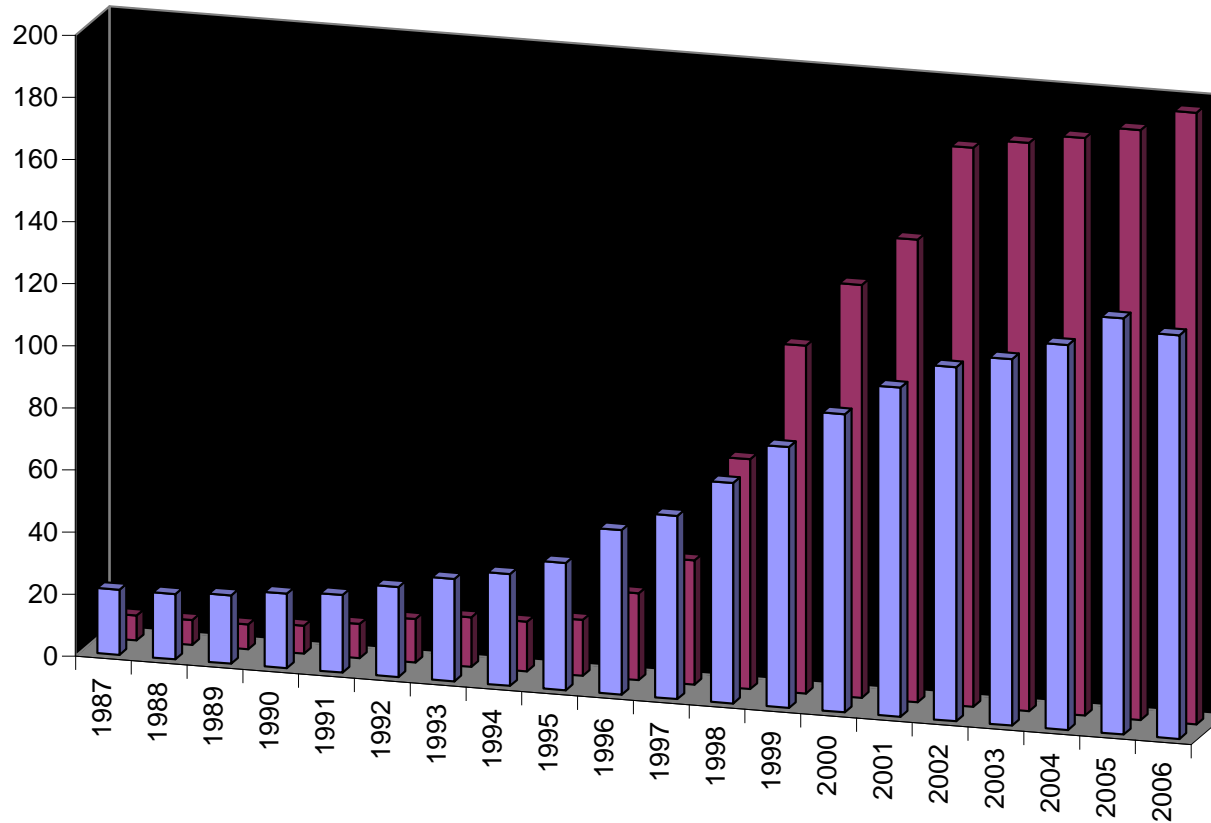
- To understand the market and the associated risks
- To help all stakeholders to understand and to manage the risks
- To design the suitable product that reflect sound actuarial principles (not only promises)
- To deal with the massive national data in measuring the risks (risks on mortality, morbidity and persistency, etc) and in setting the actuarial assumptions used
- To build the integrated business model/Plan and to evaluate it periodically
- To calculate the premium (usually one price fits all), cost of insurance, expenses needed, and an acceptable profit margin in the long-run
- To be involved in building the Database System

Society of Actuaries of Indonesia



- Persatuan Aktuaris Indonesia (PAI)
- Established in 1964
- IAA Full Member (2007)
- in 2006: 130 FSAI, 197 ASAI
 - ASAI: pass first 5-exams for Associate level
 - FSAI: pass next 5-exams for Fellowship level + Professional Seminar

PAI Growth (1987 – 2006)

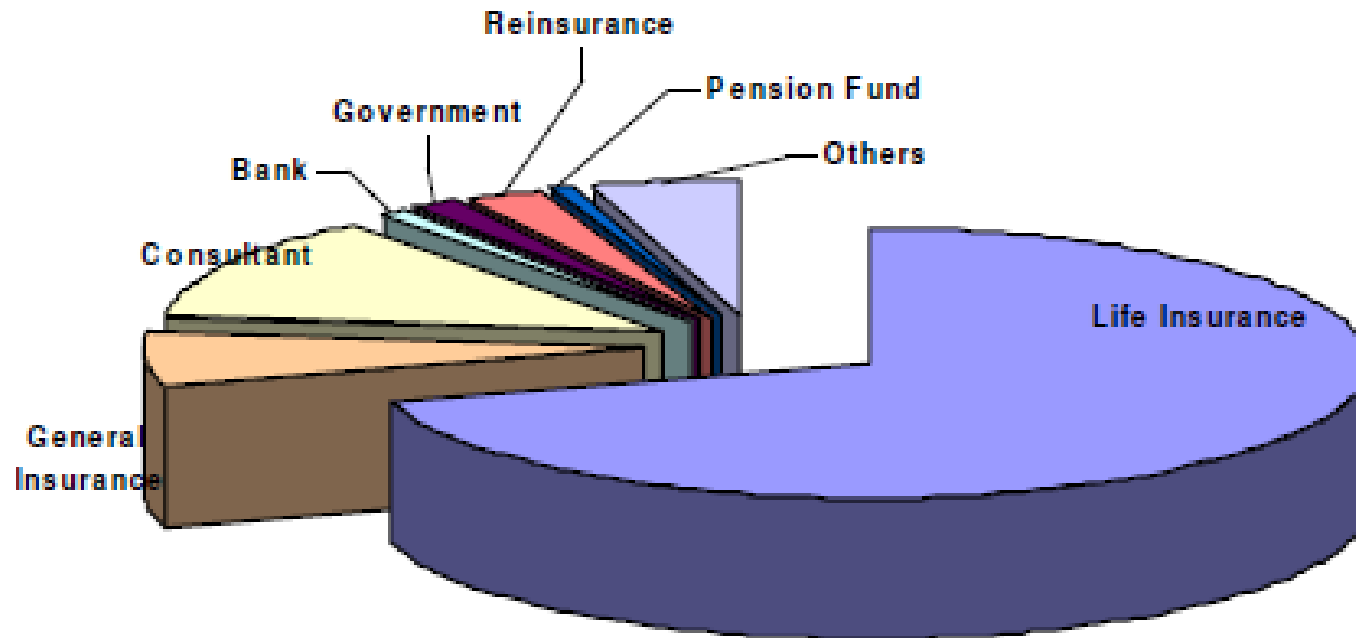


	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
■ Fellow	21	21	22	24	25	29	33	36	41	53	59	71	84	96	106	114	118	124	134	130
■ Associate	8	8	8	9	11	14	16	16	18	28	40	74	112	133	149	180	183	186	190	197

Distribution



- Mostly work in Life Insurance Companies
 - MoF Decree 426/2003 article 16: life-insurance companies should have an appointed actuary
 - No requirement on actuarial expertise in Non-Life insurance operations



Our Home Works



- To compete with other local actuaries, with foreign actuaries, and with other professionals
 - Increase in quantity (meet the market demand)
 - Increase in quality of work and professionalism
 - Increase in actuarial skills and knowledge
 - Expand the working experiences (local and International)
 - Expand the network with other Actuarial Society
 - To have a good partnership with the Government, universities and other related professional organizations

Conclusion



- Indonesia is a relatively stable country in terms of economic conditions and holds good potential for investors.
- To achieve the full potential and sustainable economic growth, it would require a good social security system and insurance market covering the security of all segments of the population.
- There is a large potential market for microinsurance in Indonesia. It means a great opportunity for future sales and new distribution channels for insurance companies.
- There are great opportunities for actuaries to play a role in microinsurance area.
- With support from the Government and the Actuarial Society, actuaries could contribute to the growth of the Microinsurance market in Indonesia.

Contact Details



Ponno Jonatan

Manulife Indonesia – Actuarial Pricing
Sampoerna Strategic Square, South Tower
Jl Sudirman Kav. 45 16th Floor

Jakarta 12930 Indonesia

Phone: (021) 2 555 7788 ext.1561

Mobile: +628129279081

Email: Ponno_Jonatan@manulife.com or
pjonatan@gmail.com

www.ponno-jonatan.blogspot.com

**Thank
YOU**

Mahalo

Kiitos

Tack

Toda

Obbrigado

Grazie

Thanks

Takk

Gracias

Merçi