

Indonesia Bancassurance Developments



Naresh Krishnan
Senior Vice President
Wealth Management & Alternative Distribution
Manulife Indonesia

Evolution

Indonesian Banking Industry

- Historically, Banks have been dominating the financial intermediation roles in Indonesia
- 1997 Asian Financial Crisis - A blessing in disguise, as it forced disruption, challenged existing models, facilitated change
- Introduction of blanket Government guarantee on bank deposits - Foreign banks forced to seek ways and means of retaining their client base and earn fee income
- Zero to Poor credit off-take – Local Banks forced to look for alternative opportunities

Evolution

Indonesian Banking Industry

- Introduction of Government Securities coupled with Banks major foray into investment services resulted in plenty of success stories.
- Successful symbiotic relationship between the Banking Industry and Fund Companies boosted the overall confidence that strategic alliances can work, in Indonesia.
- Bankers, in particular the sales staff, expanded their understanding of the nascent capital markets and investment products.
- Over the years, the Banking industry has seen restructured and consolidated. They exhibit brand new identities and are well set to take on emerging growth opportunities.

Challenges

Indonesian Life Insurance Industry

REMARKS	2002	2003	2004	2005
GDP on the prevailing price (in IDR Bn)	1,610,600	2,045,900	2,273,100	2,729,700
Income per capita (IDR)	7,600,000	9,572,480	10,506,200	12,450,700
Income per capita (USD)	853	1,116	1,167	1,308
Insurance Net Premium (in IDR Bn)	20,708	24,310	30,365	33,921.46*
Life insurance Premium (in IDR Bn)	10,873	13,312	17,883	21,581.86*
Percentage of insurance premium to GDP	1.29	1.19	1.34	1.24
Percentage of Life insurance premium to GDP	0.68%	0.65%	0.79%	0.79%

- Low penetration
- 31 Million participants in the Life Industry
- 5.5 Million individual policies, 2.5% of the population
- Life Premium per capita is US\$ 7 – 8
- 51 players (State Owned –1, Domestic –34, JVs – 16)
- 80% Market held by 13 life insurers

Trends

Indonesian Life Insurance Industry

New Business Premium (IDR Bn)	2001	2002	2003	2004	2005
Single Premium	1,166	2,105	2,034	2,635	3,582
Annual Premium	1,264	1,685	1,484	2,012	1,501
Unit Link	258	684	1,702	2,757	4,833
Annuity	209	100	67	691	288
Total New Business (Individual)	2,897	4,574	5,287	8,095	10,204
% Unit Link to Total New Business	9%	15%	32%	34%	47%

- Unit Link products have contributed to the bulk of the industry growth

Trends

Indonesian Life Insurance Industry

Asuransi yang menjual 'unit linked'

No	Nama Asuransi	Pendapatan Premi	Pendapatan Premi Unit Link	Porsi Unit Link (%)
		Tahun 2005 (Juta Rp)		
1	PT Prudential Life Assurance	2.145.896,00	2.065.471,00	96,25%
2	PT Axa Mandiri Financial Services	977.319,00	931.765	95,34%
3	PT MLC Life Indonesia	202.208,00	148.513,00	73,45%
4	PT MAA Life Assurance	66.781,00	43.999,00	65,89%
5	PT Sun Life Financial Indonesia	613.877,00	359.195	58,51%
6	PT BNI Life Insurance	512.364,25	257.310,84	50,22%
7	PT AXA Life Indonesia	285.458,00	137.201,00	48,06%
8	PT Equity Financial Solution	302.541,58	122.623,32	40,53%
9	PT Asuransi Allianz Life Indonesia	829.659,00	326.894,00	39,40%
10	PT Panin Life Tbk	562.971,00	208.360,00	37,01%
11	PT Asuransi Jiwa Sequis Life	834.829,00	229.479,00	27,49%
12	PT Asuransi AIA Indonesia	1.119.415,00	253.317	22,63%
13	PT Asuransi Jiwa Manulife Indonesia	1.476.323,00	278.419	18,86%
14	PT Asuransi Jiwa Eka Life	440.264,76	55.855,09	12,69%
15	PT AIG Life	3.064.331,00	335.836,00	10,96%
16	PT Asuransi Jiwa Central Asia Raya	596.568,00	43.349	7,27%
17	PT Asuransi Takaful Keluarga	123.176,00	7.330,00	5,95%
18	PT Astra CMG Life	436.848,00	24.104	5,52%
19	PT Asuransi Jiwa Mega Life	63.390,92	2.538,65	4,00%
20	PT Asuransi CIGNA	316.960,00	7.448	2,35%
21	PT Asuransi Jiwaseraya (Persero)	1.255.396,59	22.916,31	1,83%
22	PT Asuransi Jiwa Asih Great Eastern	30.388,29	511,98	1,68%
	Total	22,185,820.27 *)	5.862.436,19	26,42%

Ket: *) dihitung dari 43 asuransi jiwa yang diperoleh.

Sumber: diolah dari laporan keuangan publikasi

2005 – Assets

Indonesian Life Insurance Industry

Rank	Insurer	Assets (IDR Mn)		
		2005	Share	2004
1	Asuransi Jiwa Bersama Bumiputera	9,659,444	17.95%	9,020,538
2	PT AIG Life	6,675,150	12.40%	5,241,682
3	PT Asuransi Jiwa Manulife Indones	4,709,104	8.75%	3,841,691
4	PT Prudential Life Assurance	4,088,422	7.60%	2,795,208
5	PT Asuransi Jiwasraya (Persero)	3,671,326	6.82%	3,416,012
6	PT Asuransi AIA Indonesia	3,575,465	6.64%	2,573,546
7	PT Asuransi Jiwa Sequis Life	3,106,102	5.77%	2,309,298
8	PT Panin Life Tbk	2,580,634	4.79%	2,679,865
9	PT Indolife Pensionsama	2,200,906	4.09%	1,900,221
10	PT Asuransi Allianz Life Indonesia	1,673,214	3.11%	1,330,934
	Total - Top 10 Life Insurers	41,939,767	77.92%	35,108,995
	Total - Life Insurance Industry	53,823,321	100.00%	44,262,025

2005 – Premiums

Indonesian Life Insurance Industry

Rank	Insurer	Net Premium (IDR Mn)		
		2005	Share	2004
1	PT AIG Life	3,027,771	14.03%	2,024,180
2	Asuransi Jiwa Bersama Bumiputera	2,956,262	13.70%	3,028,369
3	PT Prudential Life Assurance	2,117,388	9.81%	1,542,839
4	PT Asuransi Jiwa Manulife Indones	1,412,877	6.55%	1,014,299
5	PT Asuransi Jiwasraya (Persero)	1,244,326	5.77%	1,516,051
6	PT Indolife Pensionsama	1,232,168	5.71%	760,995
7	PT Asuransi AIA Indonesia	1,093,341	5.07%	1,068,476
8	PT Axa Mandiri Financial Services	972,410	4.51%	426,010
9	PT Asuransi Jiwa Sequis Life	825,530	3.83%	679,523
10	PT Asuransi Allianz Life Indonesia	804,349	3.73%	639,289
	Top 10 Insurer	15,686,422	72.68%	12,700,031
	Total Life Industry	21,581,856	100.00%	17,598,858

2005 – New Business Premiums

Indonesian Life Insurance Industry

Name of Companies	2005		
	Amount** (IDR Million)	Market Share	Rank
PRUDENTIAL LIFE ASSURANCE	1,348,233	27.9%	1
AXA MANDIRI FINANCIAL SERVICES	846,401	17.5%	2
SUN LIFE FINANCIAL INDONESIA	370,706	7.7%	3
ALLIANZ LIFE INDONESIA	369,079	7.6%	4
AIG LIFE (D/H. AIG LIPPO LIFE)	306,527	6.3%	5
SEQUIS LIFE	295,614	6.1%	6
BNI LIFE	256,864	5.3%	7
AIA INDONESIA	213,359	4.4%	8
PANIN LIFE Tbk.	189,960	3.9%	9
MLC LIFE INDONESIA	133,775	2.8%	10
EQUITY FINANCIAL SOLUTION	114,935	2.4%	11
AXA LIFE INDONESIA	112,998	2.3%	12
MANULIFE INDONESIA	83,862	1.7%	13
EKA LIFE	51,650	1.1%	14
MAA LIFE ASSURANCE	44,636	0.9%	15
CENTRAL ASIA RA YA	43,349	0.9%	16
ASTRA CMG LIFE	24,104	0.5%	17
JIWASRAYA	22,422	0.5%	18
MEGA LIFE	2,539	0.1%	19
CIGNA	2,044	0.0%	20
ASIH GREAT EASTERN	512	0.0%	21
JOHN HANCOCK INDONESIA	-	0.0%	22
T O T A L	4,833,568	100%	

2005 Rankings – Net Profits

Indonesian Life Insurance Industry

Rank	Insurer	Net Profits (IDR Mn)		
		2005	Share	2004
1	PT Prudential Life Assurance	335,121	25.60%	162,019
2	PT AIG Life	267,305	20.42%	193,355
3	PT Panin Life Tbk	196,752	15.03%	347,105
4	PT Asuransi AIA Indonesia	106,085	8.10%	80,899
5	PT Asuransi Jiwa Manulife Indonesia	94,859	7.25%	121,353
6	PT Asuransi Jiwa Sequis Life	76,911	5.88%	62,791
7	PT Asuransi Jiwa Central Asia Raya	49,433	3.78%	39,048
8	PT Axa Mandiri Financial Services	49,106	3.75%	(13,152)
9	PT Asuransi Jiwasraya (Persero)	25,825	1.97%	45,805
10	PT Asuransi CIGNA	25,447	1.94%	20,890
	Top 10 Life Insurer	1,226,844	93.72%	1,060,113
	Total Life Insurance Industry	1,309,024	100.00%	1,101,751

Bancassurance Landscape

Indonesian Life Insurance Industry

- A fashion statement, copy cats
- Plethora of loose alliances based on distribution agreements
- Supermarkets : Multi Product, Provider, Distribution models
- Product Obsession
- Lack of expertise and understanding of insurance business at Banks
- Lack of understanding of Banks and its dynamics by insurers

Bancassurance – Key Learning

Indonesian Life Insurance Industry

- Demand products sold through bank sales staff posted limited success – **Short Term, Competitive Returns**
- Select insurers focused DM/TM initiatives to Bank's card and account databases posted moderate success – **Focus, Requisite Infrastructure & Capability**
- Bundled Products - Saving accounts with insurance cover, MRTA, Credit Life posted decent success – **Product Ownership, Seamless Transaction Facility**
- Strategic alliances to implement face to face, insurance specialist model were attempted. Success restricted to select few with **Common and (or) shared Business Ownership**

Bancassurance – Key Learning

Indonesian Life Insurance Industry

“Unlike demand products, regular Insurance products needs to be sold and building expertise and focused distribution strategy is critical to success”

*Thanks to periodic Bancassurance Conferences
as well as the lessons learnt from plethora of experimentation*

Bancassurance – Smell of Success

Indonesian Life Insurance Industry

- Recent success posted by Axa-Mandiri has indeed created a wave of interest and excitement among Bankers and Insurers
- A whole new range of relationships are being developed and implemented focusing on face to face, dedicated insurance specialist model
- Severe market disruptions in the capital markets in 2005, to some extent is aiding Domestic Bankers to shift their focus from Investment Services to Bancassurance, whereas the Foreign Bankers tend to focus on off-shore, treasury, and structured products
- Meanwhile, the chaos continues among half hearted and half baked for the rest.

Question and Answer Session