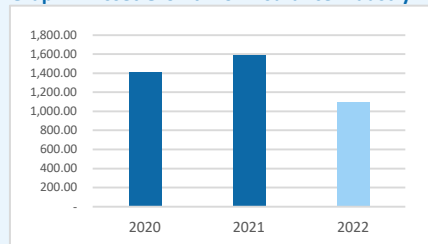


INSURANCE INDUSTRY

Life, General & Reinsurance | Indonesia | April, 2023

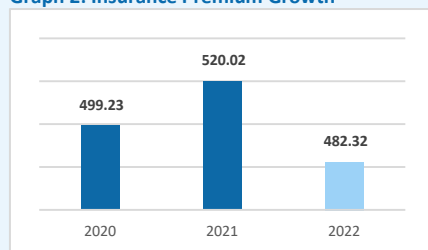
KEY GRAPHS

Graph 1: Asset Growth for Insurance Industry



Source: Otoritas Jasa Keuangan (OJK), 2023

Graph 2: Insurance Premium Growth



Source: Otoritas Jasa Keuangan (OJK), 2023

Driving Growth in Indonesia's Insurance Landscape

- Modest growth of Industry in 2022, except Life Insurance
- Stronger Regulation to protect policyholders
- Flexible investment and asset allocation
- Indonesia's Insurance Growth Potential: Favorable Factors

Modest growth in insurance industry in 2022, except for life insurance.

In 2022, the insurance industry as a whole experienced limited growth, with the exception of the life insurance sector which saw a decline of -8.5% in growth. On the other hand, the general insurance and reinsurance sectors grew by 13.6% and 12.1%, respectively.

Stronger Regulation in Life Insurance to protect policyholders

The life insurance sector is currently undergoing a transition to implement UU P2SK and SEOJK regulations related to unit-linked products (PAYDI). As a result, life insurers are offering more traditional products to potential policyholders.

Flexible investment and asset allocation

As insurers seek to boost earnings, they adapt and shift investment composition amid market uncertainty. Such shifts have become a trend as insurers optimize portfolio allocation for higher returns and earnings.

Indonesia's Insurance Growth Potential: Favorable Factors

We see that the potential for insurance growth remains high, considering the insurance premium to GDP ratio which is still very low (below 2%), the expected more conducive macroeconomic situation in Indonesia in the future, as well as regulatory protection to ensure policyholders' interests.

Gromy Purba

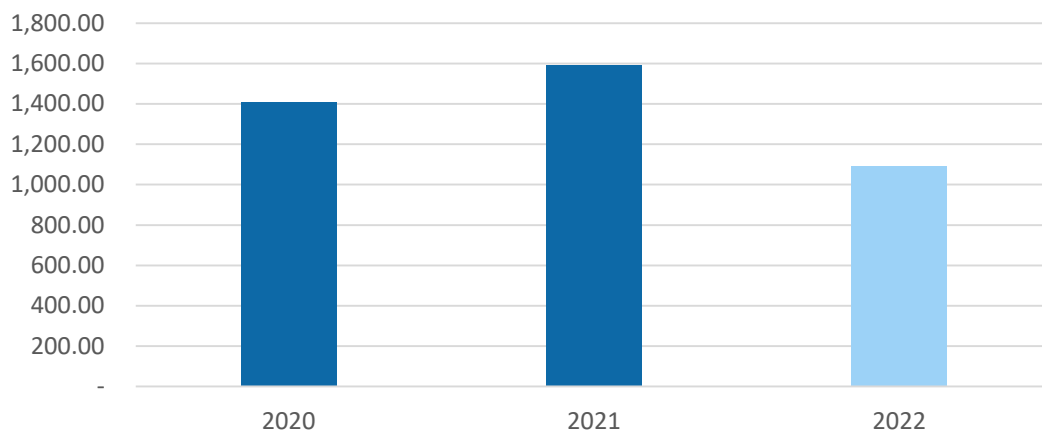
PT Kredit Rating Indonesia
+62 21 3983 4411

INSURANCE SECTOR in 2022:

Stagnation and slight decline in 2022

As per the Insurance Industry Data released by Otoritas Jasa Keuangan (OJK), the insurance sector in Indonesia exhibited a stable performance in 2022, albeit with a slight decline in life insurance. The life insurance sector is currently in transition stage to implement UU P2SK and SEOJK related to unit-linked products (PAYDI). Through the implementation of these regulations, the protection system for insurance policyholders will be further strengthened.

Graph 3: Asset Composition of Insurance Industry in Indonesia



Source: OJK

One of the declining indicators in the insurance industry is the total number of assets owned by insurance companies, which showed a significant decrease in 2022 compared to both 2020 and 2021. The total assets owned by the insurance industry in 2022 were approximately IDR 1.092 trillion, considerably smaller than the previous two years' figures of IDR 1.590 trillion in 2021 and IDR 1.409 trillion in 2020.

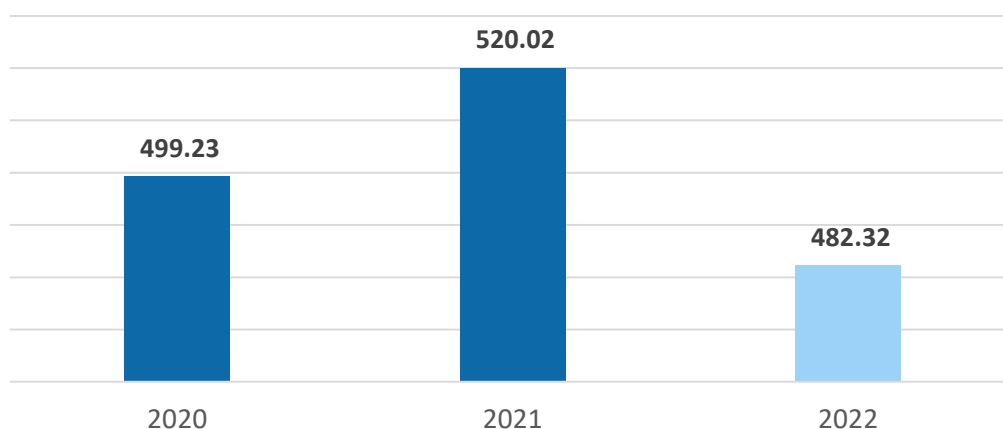
Graph 4: Asset Breakdown of Insurance Industry sector in Indonesia

Insurance Type	Dec-21	Dec-22	YTD Growth
	(IDR Tn)	(IDR Tn)	(%)
Life Insurance	589	585	-0.68%
General Insurance	182	196	7.68%
Reinsurance	30	34	13.33%
Social Insurance	651	758	16.44%
Mandatory Insurance	137	163	2.89%

Source: OJK

The data presented above indicates that most sectors within the insurance industry experienced positive year-on-year growth, except for the life insurance sector, which reported a decline of 0.68% in assets. On the other hand, the general insurance and reinsurance sectors demonstrated positive growth with 7.7% and 13.3% year-on-year (YoY) respectively.

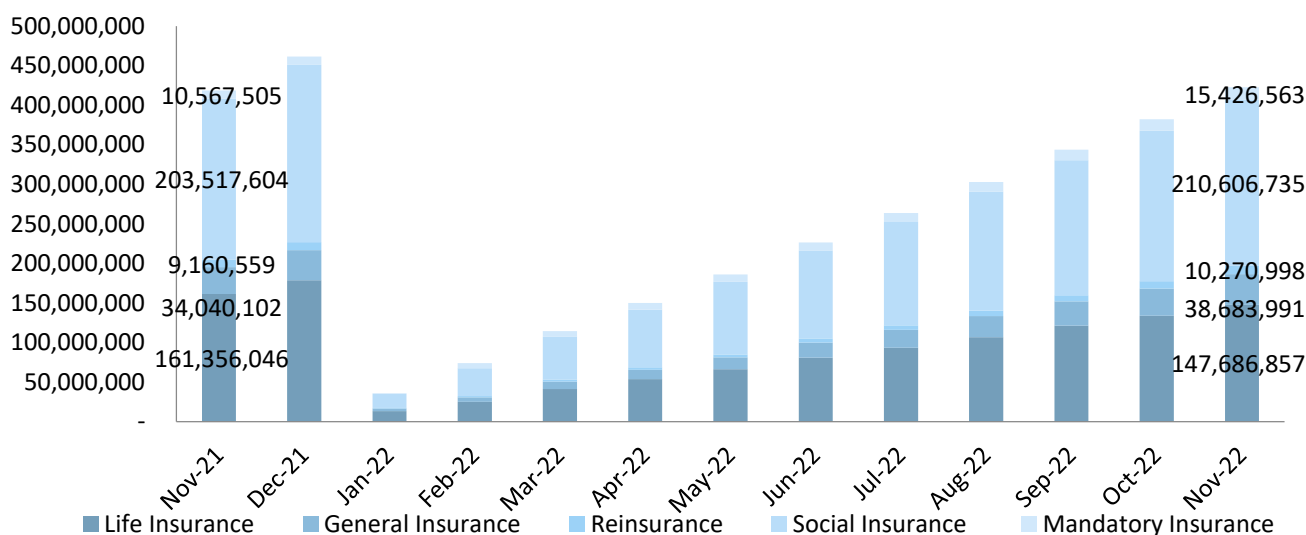
Graph 5: Insurance Industry Premium



Source: OJK

The premium income is a key indicator of the insurance industry's performance and growth. In recent years, there has been slight fluctuation in this trend. In 2020, premiums amounted to IDR 499.2 trillion, increasing by 4.16% YoY to IDR 520 trillion in 2021. However, a slight decrease of -7.25% YoY was observed in 2022, with premiums totaling IDR 482.3 trillion.

Graph 5: Insurance Industry Premium Growth



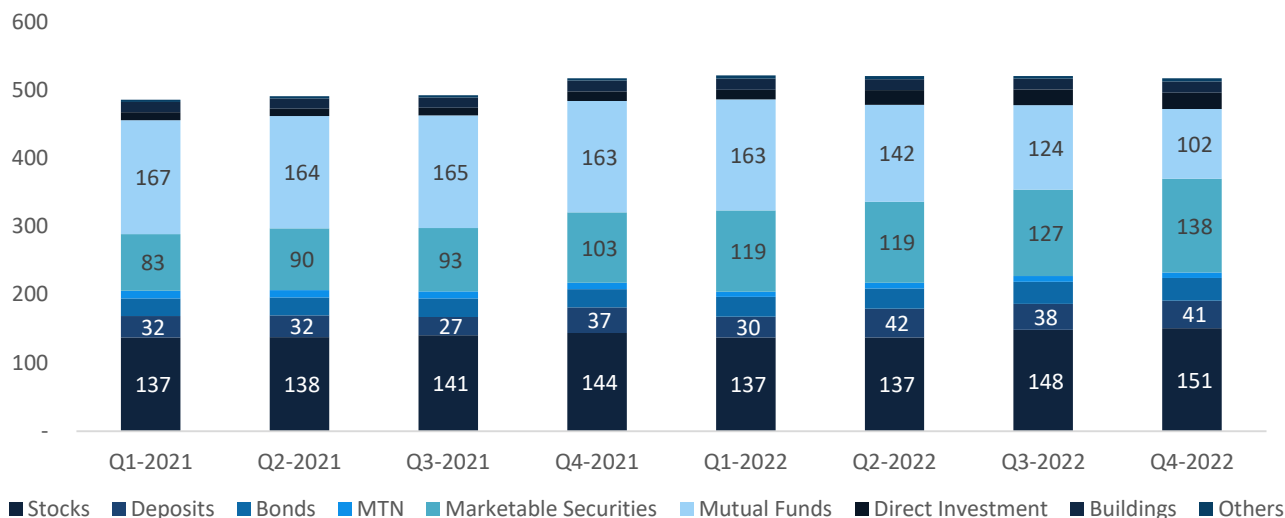
Source: OJK

Despite a slight dip in premium income in 2022, the insurance industry shows a stable and positive trend, indicating sustained demand for insurance products and services. This reflects increased awareness of insurance's importance, even as the impact of Covid-19 diminishes, and signifies industry growth in attracting customers and generating revenues.

Flexible investment and asset allocation

As insurers seek to boost earnings, they adapt and shift investment composition amid market uncertainty. Such shifts have become a trend as insurers optimize portfolio allocation for higher returns and earnings.

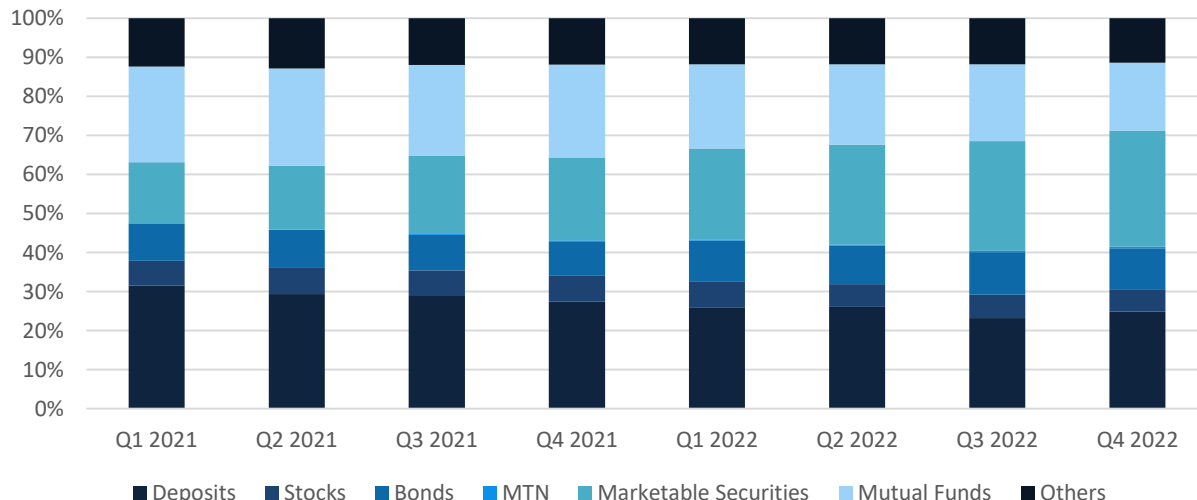
Graph 6: Life Insurance Investment Composition



Source: OJK

In the life insurance sector, asset diversification includes stocks, marketable securities, and mutual funds. A shift is observed from FY2021 to FY2022, with decreased investment in mutual funds and increased investment in stocks and marketable securities. This is crucial due to longer policy tenures and the need for optimal performance over time.

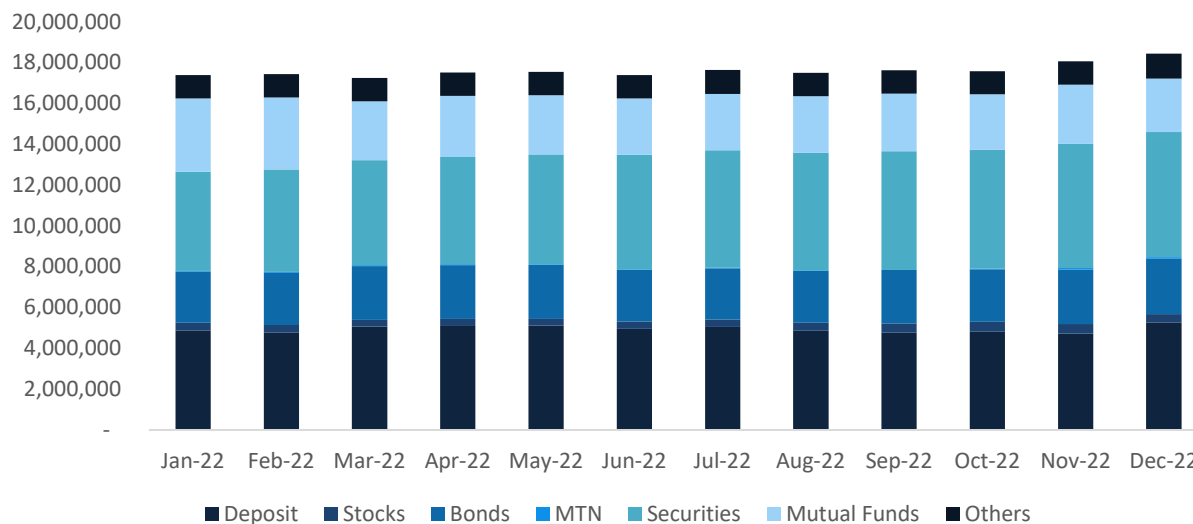
Graph 7: General Insurance Investment Composition



Source: OJK

General insurance sector invests primarily in deposits, marketable securities, and mutual funds. However, there has been a shift in investment with a decrease in allocation for deposits and mutual funds, and an increase in allocation for marketable securities from FY2021 to FY2022. This suggests a move towards safer and lower-risk assets within the general insurance sector.

Graph 8: Reinsurance Investment Composition

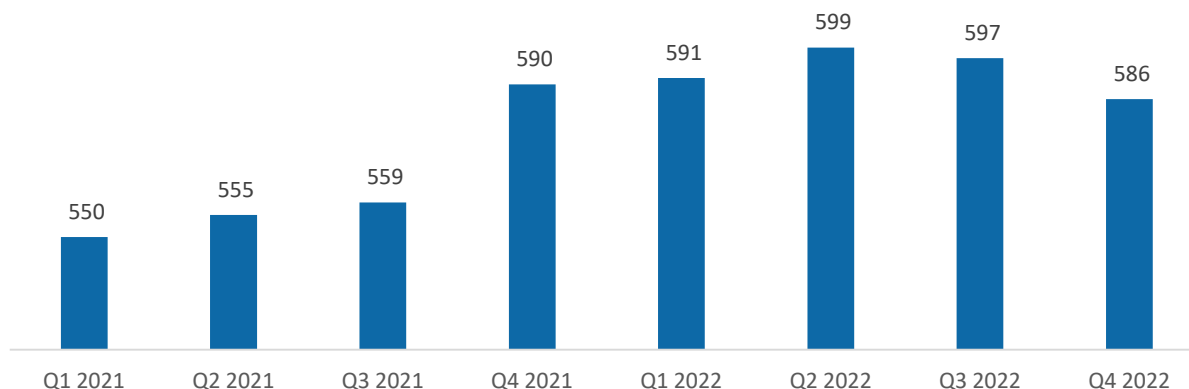


Source: OJK

In the reinsurance sector, the dominant investment assets are deposits and securities, followed by medium term notes, mutual funds, and bonds. There has been a slight change in the percentage composition, with deposits holding the highest percentage initially. However, there has been a shift in the investment scheme, as the percentage of deposits, mutual funds, and securities has decreased in early 2022.

Asset Growth Breakdown

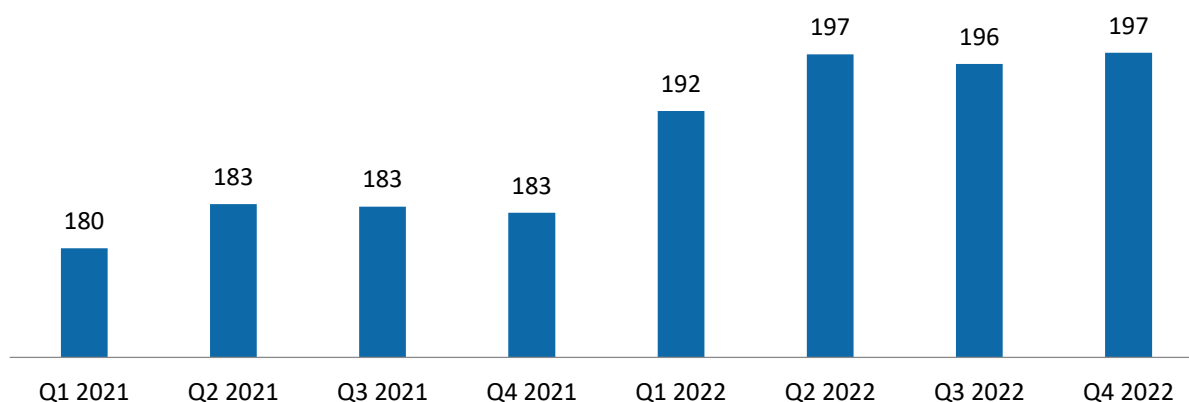
Graph 9: Life Insurance Asset Growth (IDR Tn)



Source: OJK

Life insurers in Indonesia experienced a slight decrease in total assets from IDR 590 Tn to IDR 586 Tn between December 2021 and December 2022, resulting in a loss of 0.68% YoY. However, investment returns are expected to improve in 2023 as the pandemic situation stabilizes with increasing vaccination rates and the repeal of PPKM health protocol requirements, leading to higher economic activity. Meanwhile, the reinsurance industry has shown a positive trend due to heightened public concern for health amidst the impact of Covid-19.

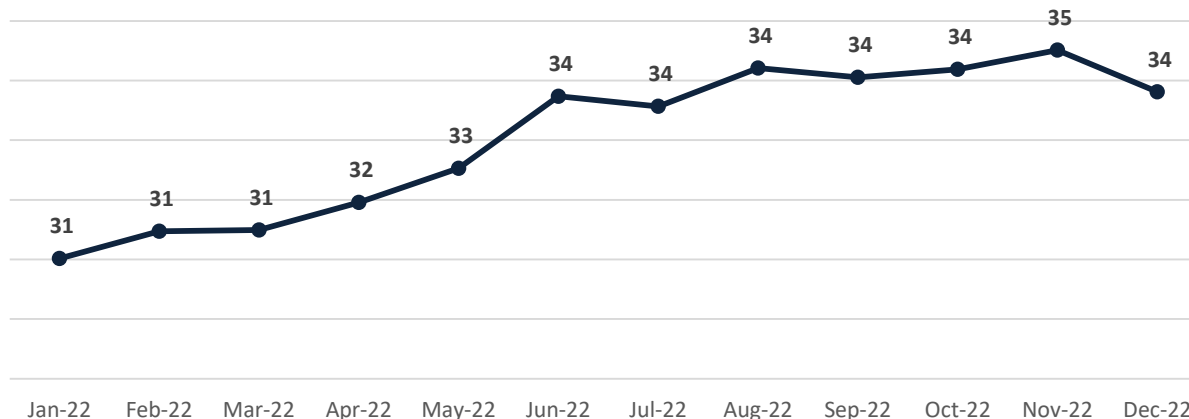
Graph 10: General Insurance Asset Growth (IDR Tn)



Source: OJK

General insurance in FY2022 showed improved performance with positive asset growth, particularly in Q4 2022, with a 7.65% increase YoY compared to FY2021. This reflects the positive economic and financial services condition in Indonesia, with increased economic activity leading to better asset performance.

Graph 11: Reinsurance Asset Growth (IDR Tn)



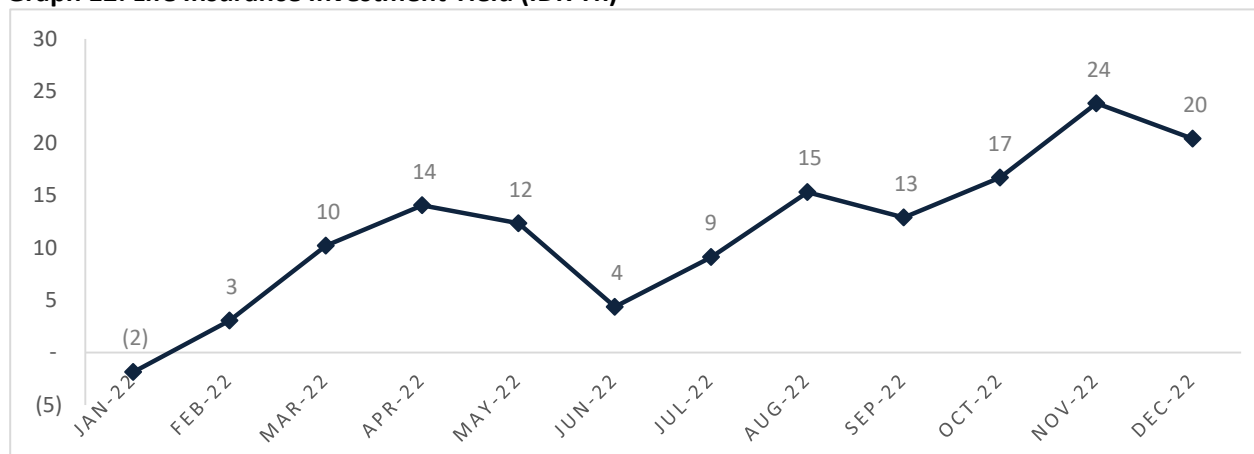
Source: OJK

Total assets of Reinsurance companies in Indonesia from November 2021 to November 2022 experienced promising growth. Total assets increased from IDR 30 Tn to IDR 34 Tn, equating to a gain of 13.33% YoY. Indonesia's Macroeconomic improvement is also showing promises amidst the wave of pessimism from global recession. Therefore, the reinsurance industry in 2023 is projected to continue the upward trend in line with Indonesia's improving economic growth.

Stable and High Investment Yield

Investment yield is crucial for insurance companies to generate income and maintain profitability. They invest premium earnings in diverse assets to generate returns that cover claim payments, operating expenses, and profits. Proper management of investment yield is essential for financial strength and sustainability.

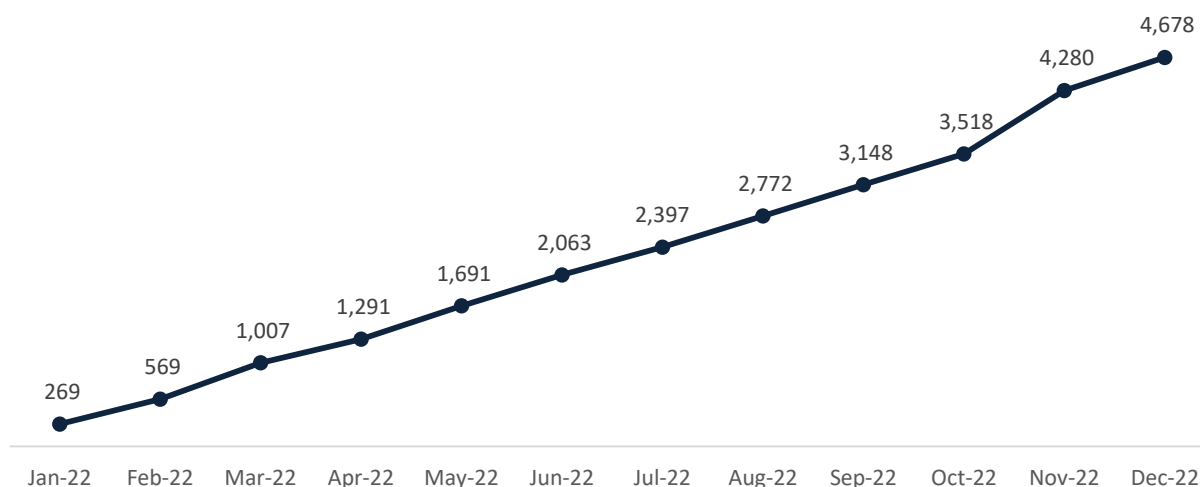
Graph 12: Life Insurance Investment Yield (IDR Tn)



Source: OJK

Life insurance companies have recorded a positive performance in Investment despite the pandemic that came without warning at the beginning of 2020. At the beginning of 2022, Investment experienced a decline of almost two trillion rupiah. In December 2022, the Investment returned to profitable, reaching IDR 20 Tn, a little lower than the same period in the previous year (IDR 26 Tn). Overall, the insurance and reinsurance industry posted positive investment returns.

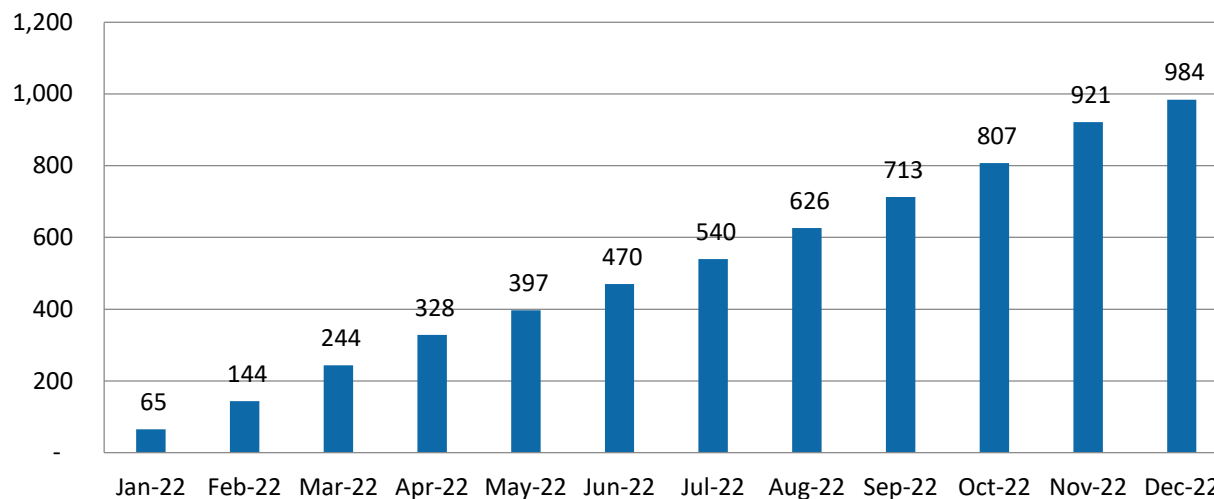
Graph 13: General Insurance Investment Yield (IDR Bn)



Source: OJK

General insurance has also shown positive growth and performance in terms of investment yield, with a growth of 16% YoY in December 2022 compared to December 2021. Throughout FY2022, there has been consistent monthly growth, with the most significant increases occurring in March and November 2022. This positive trend can be attributed to the improved macroeconomic condition of Indonesia post-Covid-19, leading to favorable investment performance in the general insurance sector.

Graph 14: Reinsurance Investment Yield (IDR Bn)



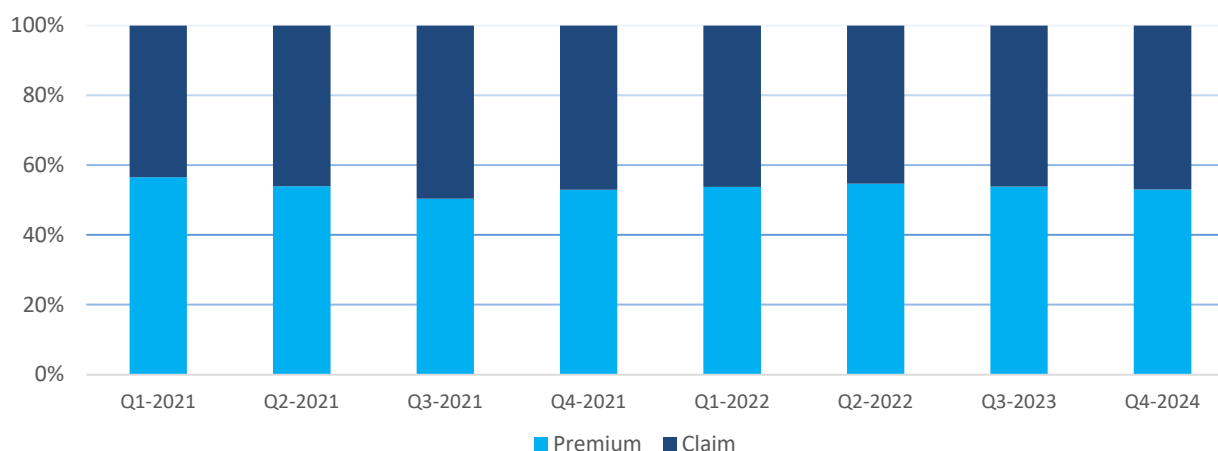
Source: OJK

Reinsurance companies have shown positive investment performance, with a rebound in investment returns starting from December 2020. Investment returns reached IDR 772 billion, higher than the same period in the previous year (IDR 766 billion). Overall, the insurance and reinsurance industry posted positive investment returns, with November 2022 recording the highest investment return for the period of 2019-2022, reaching IDR 984 billion.

Stable Premium vs Claim Ratio

The premium-to-claims ratio provides insight into the company's earnings relative to claim costs, and its ability to finance claims while generating profits. Monitoring and analyzing the premium-to-claims ratio can provide valuable information on the financial health and profitability of an insurance company.

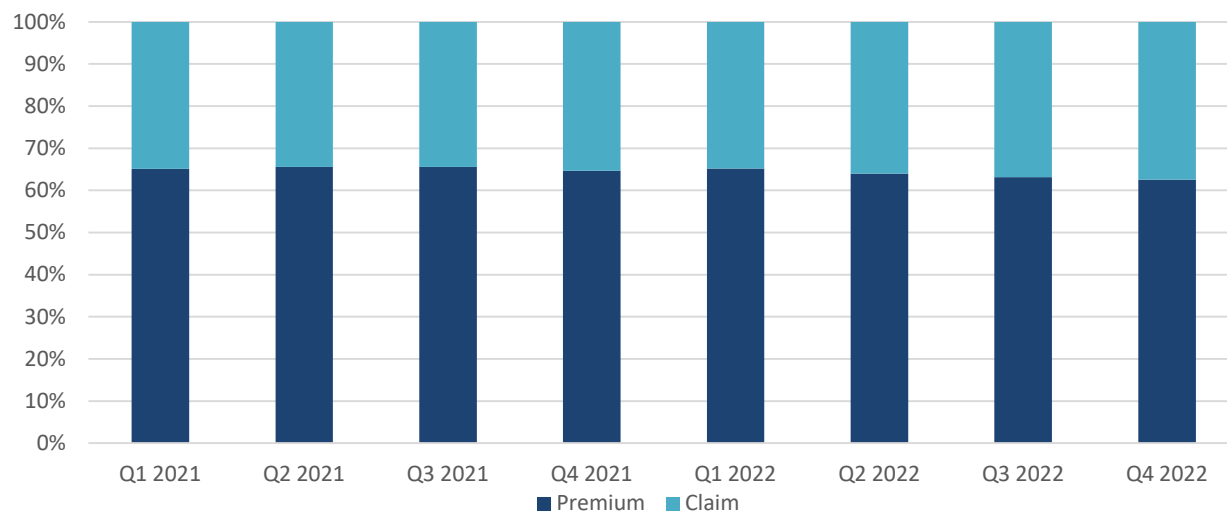
Graph 15: Life Insurance Premium vs. Claim Ratio



Source: OJK

Life insurers maintained a favorable Premiums vs. Claims ratio, despite the impact of the Covid-19 pandemic from early FY2020 to the end of FY2021. In FY2022, life insurers consistently earned higher premium earnings than claim costs, with a premium ratio consistently exceeding 50%. The highest ratio was observed in 2Q2022, indicating strong performance in managing premiums and claims during the past year. This reflects the resilience and stability of the life insurance sector in navigating challenging times and maintaining profitability.

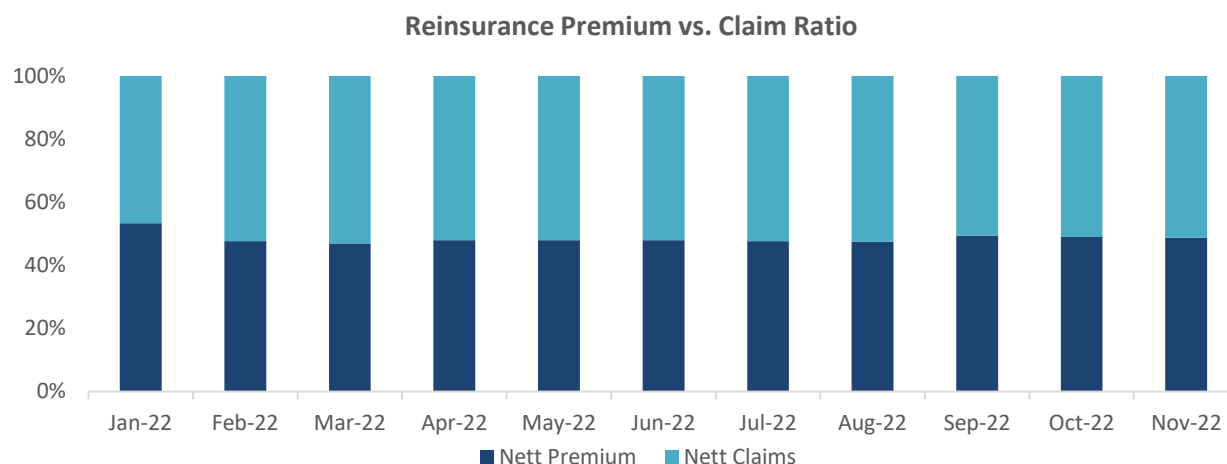
Graph 16: General Insurance Premium vs. Claim Ratio



Source: OJK

General insurance consistently achieved a high premium vs. claim ratio, surpassing other sectors such as life insurance and reinsurance. The premium ratio remained consistently above 60%, with the highest ratio observed in Q1 of both FY2021 and FY2022. This reflects the robustness and profitability of the general insurance sector, showcasing its ability to effectively manage premiums and claims, and generate favorable results in terms of earnings and risk management.

Graph 17: Reinsurance Premium vs. Claim Ratio

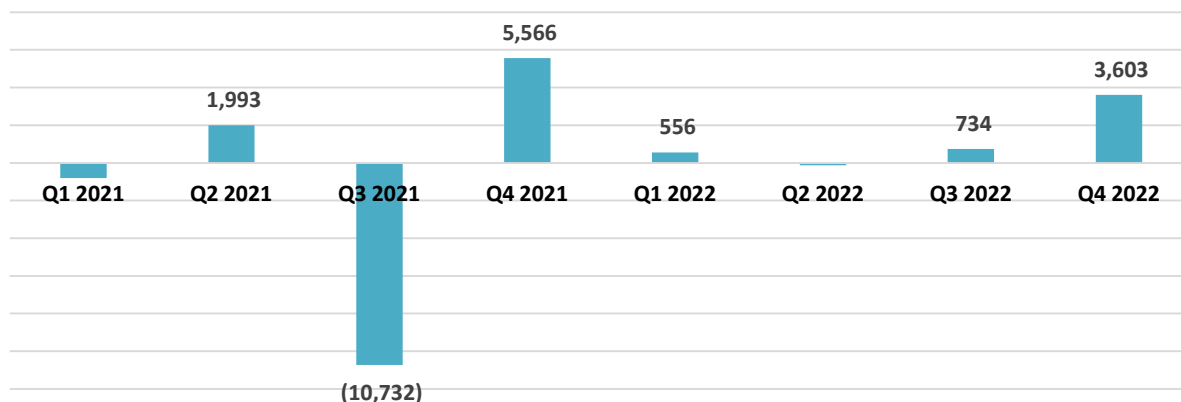


Source: OJK

Reinsurance companies faced challenges in maintaining a favorable Premiums vs. Claims ratio during the Covid-19 pandemic. In FY2022, their premium vs. claim ratio remained consistently below 50%, lower than other sectors in the insurance industry. Effective risk management and adaptation to changing market conditions are crucial for improving profitability and performance in the future.

Earnings Breakdown

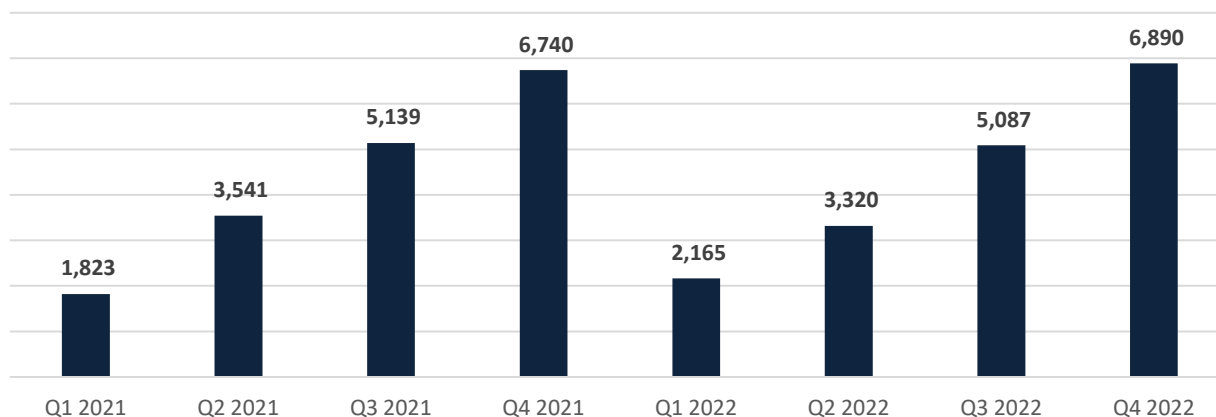
Graph 18: Life Insurance Profit (Loss) (IDR Bn)



Source: OJK

Life insurance sector experienced mixed performance in FY2021 and FY2022 with losses in Q1 and Q4 of FY2021, and improvement in FY2022 with losses only in Q2. The highest profit was recorded in Q4 2021, but decreased by 35.3% (YoY) in Q4 2022.

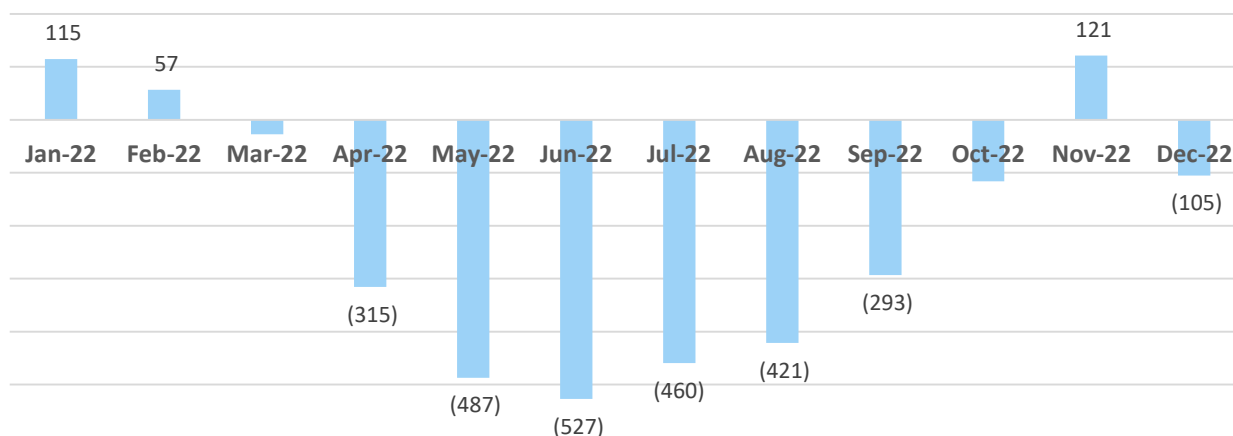
Graph 19: General Insurance Earnings (IDR Bn)



Source: OJK

General insurance sector outperformed life insurance sector with consistent earnings growth from FY2021 to FY2022, with positive YoY and QoQ growth. Q1 2022 recorded 18.8% YoY growth, Q4 2022 showed 2.3% YoY growth, and Q2 2021 had over 90% QoQ growth, indicating stability and strong performance in the general insurance sector.

Graph 20: Reinsurance Earnings (IDR Bn)



Source: OJK

The reinsurance sector experienced higher losses compared to earnings in FY2022, with profits only occurring in Q1 and Q4 of the year. The highest profit was recorded in November 2022 with IDR 121 Bn, while the highest loss occurred in June 2022 with IDR -527 Bn.