

TABLE OF CONTENTS

0.0 EXECUTIVE SUMMARY	1
1.0 INTRODUCTION	3
What is this report about?	3
<i>Distribution partnerships with banks and other lending institutions constitute the focus of this report</i>	<i>3</i>
Rationale	3
<i>Bancassurance has become the most important distribution channel for life insurance in Indonesia</i>	<i>3</i>
Methodology	4
Survey of banks and other lending institutions	4
Market data	4
Definitions	5
Investment-related life insurance	5
Retirement savings	5
Risk life insurance	5
Critical illness insurance	5
Income protection insurance	6
Accident insurance	6
Health / hospital cash plans	6
Medical expenses insurance	6
Personal motor insurance	6
Household insurance	7
Creditor insurance	7
Mortgages, consumer finance and credit cards	7
Weighted provider share of partnerships	7
Operating models	8
Abbreviations and exchange rates	9
PartnerBASE™ and market data annexe	9
Finaccord	9
2.0 MARKET BACKGROUND	12
Banks and other lending institutions covered	12
Economic background	12
<i>Indonesia's economy benefits from a young population and rapid urbanisation</i>	<i>12</i>
<i>... and has tended to recover swiftly from economic crises</i>	<i>12</i>
<i>... meaning that it is now well-positioned for further growth</i>	<i>13</i>
<i>Indonesia occupies a lowly position in the World Bank's Ease of Doing Business Index</i>	<i>13</i>
Introduction to the banking sector	14
<i>In terms of its total number of retail customers, Bank Rakyat Indonesia is the country's largest bank</i>	<i>14</i>
<i>... although Bank Tabungan Negara is the largest competitor in the mortgage lending sector</i>	<i>14</i>
<i>Four of the top 15 banking institutions are state-owned</i>	<i>14</i>
<i>A number of banking entities with foreign parents are active in the market</i>	<i>15</i>
<i>... and there have been several important bank mergers in recent years</i>	<i>15</i>
Introduction to bancassurance	15
<i>Over 40% of life insurance premiums were distributed by banking institutions in 2012</i>	<i>15</i>
<i>... with many banks having modified their bancassurance strategies in recent years</i>	<i>16</i>
<i>... through the establishment of captive insurance underwriters, mainly in the life insurance arena</i>	<i>16</i>
<i>A number of banks have set up joint venture underwriters with foreign insurance companies</i>	<i>16</i>

...and competition among insurers for bancassurance partnerships is fierce	17
Many insurance products sold via banks are Sharia-compliant	17
Regulations stipulate that bancassurance activities can be carried out according to three models.....	17
... which naturally has a significant impact on the structure of the market.....	18
3.0 INVESTMENT-RELATED LIFE INSURANCE AND RETIREMENT SAVINGS.....	19
Insurance market size and growth	19
The market for investment-related life insurance has grown rapidly in recent years.....	19
... although that for retirement savings products remains extremely small.....	19
Distribution share of banks	21
For investment-related life insurance, the distribution share of bancassurers is likely to exceed 50%.....	21
Bancassurance provision rates, operating models and partnerships	21
Investment-related life insurance	21
25 banks distribute investment-related life policies in one form or another.....	21
... with Manulife claiming the highest weighted share of partnerships.....	21
... and with joint venture provider AXA Mandiri ranked second	21
AIA Financial is ranked third by weighted share as a result of three bancassurance partnerships	22
A significant number of banks do not yet sell any kind of investment-related life insurance	22
Retirement savings	24
Provision of retirement savings products is mostly limited to the larger banking networks... ..	24
... with eight product providers having established bank distribution ties in this field	24
Performance of key bancassurance underwriters	24
4.0 PROTECTION-RELATED LIFE INSURANCE.....	26
Insurance market size and growth	26
Protection-related life insurance grew by over 11% per annum in real terms between 2008 and 2012.....	26
Distribution share of banks	27
Bancassurance provision rates, operating models and partnerships	28
Risk life insurance	28
Close to one third of banking organisations investigated sell risk life insurance.....	28
... with captive underwriter BRIngin Life ranked first by weighted share of partnerships.....	28
... and Sun Life second.....	28
Panin Life is utilised as both a captive and external underwriter of risk life insurance.....	28
Ten banks collaborate with one or more external insurance providers in this field.....	28
Critical illness insurance	30
Several Indonesian banks sell critical illness insurance in a stand-alone format.....	30
Chartis is the most prominent external underwriter in this field thanks to one important tie	30
Income protection insurance	30
Income protection insurance is not commonly marketed by banking organisations in Indonesia.....	30
Performance of key bancassurance underwriters.....	33
The combined market share of key bancassurance underwriters has fluctuated in recent years	33
5.0 ACCIDENT AND HEALTH INSURANCE	34
Insurance market size and growth	34
The market for accident and health insurance was worth around USD 1.26 billion in 2012... ..	34
... although this type of cover is often added to life insurance policies rather than sold by itself	34
Distribution share of banks	35
Bancassurance provision rates, operating models and partnerships	35
Accident insurance	35
Ten Indonesian banks sell accident insurance in a stand-alone format.....	35
By weighted share of partnerships, Allianz is the largest non-captive competitor.....	35
CIMB Sun Life and Mega Life are the two joint venture underwriters present in this market.....	36
Medical expenses insurance.....	38
Cigna is the leading provider by weighted share of partnerships... ..	38
... in a market characterised by relatively few distribution initiatives	38

BANCASSURANCE IN INDONESIA: LIFE, NON-LIFE AND CREDITOR INSURANCE

Health / hospital cash plans	40
<i>Cigna's tie with BNI means that it is also the most prominent provider in this sphere...</i>	40
<i>... followed by AXA Mandiri and AIA Financial.....</i>	40
<i>... with other providers restricted to a combined weighted share of partnerships of less than 20%.....</i>	40
Performance of key bancassurance underwriters.....	42
<i>Captive and joint venture life insurers have lost ground in accident insurance in recent years</i>	42
<i>...but still account for close to 18% of premiums in the health insurance segment.....</i>	42
6.0 PERSONAL MOTOR AND HOUSEHOLD INSURANCE.....	44
Insurance market size and growth	44
<i>Personal motor insurance premiums are worth over four times household insurance premiums...</i>	44
<i>... and are also growing more rapidly.....</i>	44
Distribution share of banks	45
Bancassurance provision rates, operating models and partnerships	46
Personal motor insurance	46
<i>Over 60% of lending institutions researched have an arrangement for selling personal motor insurance</i>	46
<i>In a very fragmented market, Sinar Mas is ranked first by weighted share of partnerships</i>	46
<i>... followed by Adira Dinamika as a result of its two major partnerships... ..</i>	46
<i>... and by Allianz which is utilised by Bank Rakyat Indonesia plus three other banks</i>	46
Household insurance.....	49
<i>The provision rate for household insurance is slightly higher than that for personal motor insurance</i>	49
<i>The use of BRIngin General by its parent bank makes it the leader by weighted share of partnerships.....</i>	49
<i>... with Tri Pakarta occupying second place by the same measure.....</i>	49
<i>Two captive providers are active in household insurance in addition to BRIngin General</i>	49
<i>Numerous underwriters compete for bank distribution mandates for household insurance</i>	49
Performance of key bancassurance underwriters.....	52
<i>Captive underwriters control around 20% of the total motor insurance market... ..</i>	52
<i>... but they are limited to a considerably smaller market share in property insurance</i>	52
7.0 CREDITOR INSURANCE	54
Consumer lending market size and growth	54
Mortgage lending	54
<i>The residential mortgage market is small but growing quickly.....</i>	54
Non-mortgage lending.....	55
<i>The value of total non-mortgage consumer lending balances is more than twice that of mortgage balances</i>	55
Credit and other pay later cards.....	56
<i>Credit and other pay later cards per capita edged up from 0.05 in 2008 to 0.06 in 2012.....</i>	56
Creditor insurance provision rates, operating models and partnerships.....	58
Creditor insurance linked to mortgages.....	58
<i>Only one of the 41 mortgage lending institutions does not have a related creditor insurance proposition</i>	58
<i>Captive and joint venture underwriters are largely dominant this market.....</i>	58
<i>...albeit Cigna has a prominent position in the market as an external underwriter.....</i>	58
<i>A very significant number of insurance providers have established bank distribution relationships</i>	58
Creditor insurance linked to consumer finance.....	61
<i>Over 80% of entities offering consumer finance have a scheme in place for loan payment protection cover.....</i>	61
<i>...with BRIngin Life leading the market once again by weighted share of partnerships.....</i>	61
<i>Mega Life is ranked third in this arena as a result of deals with a number of banks.....</i>	61
<i>Manulife entered into a ten-year strategic partnership with Bank Danamon in October 2011</i>	61
<i>Several lending institutions have no apparent scheme in place for this type of creditor insurance.....</i>	61
Creditor insurance linked to credit cards	63
<i>All credit card issuers promote related creditor insurance</i>	63
<i>AIA Financial, AXA Mandiri, Avrist and Cigna together hold a weighted share of partnerships of over 70%.....</i>	63
<i>Prudential maintains partnerships with three different credit card issuers.....</i>	63
Creditor insurance risk coverage.....	65

BANCASSURANCE IN INDONESIA: LIFE, NON-LIFE AND CREDITOR INSURANCE

Cover for unemployment has yet to be introduced to the Indonesian creditor insurance market 65

Creditor insurance market size, growth and forecast..... 66

The market for all forms of creditor insurance is growing rapidly in Indonesia..... 66

... with demand for mortgage-related policies likely to grow most quickly up to 2016..... 66

LIST OF GRAPHICS / TABLES

0.0 EXECUTIVE SUMMARY	1
Overview of bancassurance provision rates for different types of insurance in Indonesia, 2012	2
1.0 INTRODUCTION	3
Banks and other lending institutions in Indonesia contacted by Finaccord, segmented by type.....	4
2.0 MARKET BACKGROUND	12
Key economic indicators for Indonesia, 2012.....	14
3.0 INVESTMENT-RELATED LIFE INSURANCE AND RETIREMENT SAVINGS.....	19
Gross written premiums for investment-related life insurance and retirement savings in Indonesia, 2008 to 2012	20
Gross written premiums for investment-related life insurance and retirement savings in Indonesia, 2008 to 2012 (data)	20
Bancassurance provision of investment-related life insurance in Indonesia, 2012: provision rate, operating models and weighted provider share of partnerships	23
Bancassurance provision of retirement savings in Indonesia, 2012: provision rate, operating models and weighted provider share of partnerships.....	25
4.0 PROTECTION-RELATED LIFE INSURANCE.....	26
Gross written premiums for protection-related life insurance in Indonesia, 2008 to 2012	26
Gross written premiums for protection-related life insurance in Indonesia, 2008 to 2012 (data)	27
Bancassurance provision of risk life insurance in Indonesia, 2012: provision rate, operating models and weighted provider share of partnerships.....	29
Bancassurance provision of critical illness insurance in Indonesia, 2012: provision rate, operating models and weighted provider share of partnerships	31
Bancassurance provision of income protection insurance in Indonesia, 2012: provision rate, operating models and weighted provider share of partnerships	32
Market share in total life insurance of key bancassurance underwriters in Indonesia, 2007 to 2011	33
5.0 ACCIDENT AND HEALTH INSURANCE	34
Gross written premiums for accident and health insurance in Indonesia, 2008 to 2012	34
Gross written premiums for accident and health insurance in Indonesia, 2008 to 2012 (data).....	35
Bancassurance provision of accident insurance in Indonesia, 2012: provision rate, operating models and weighted provider share of partnerships.....	37
Bancassurance provision of medical expenses insurance in Indonesia, 2012: provision rate, operating models and weighted provider share of partnerships	39
Bancassurance provision of health / hospital cash plans in Indonesia, 2012: provision rate, operating models and weighted provider share of partnerships	41
Market share in accident insurance of key bancassurance underwriters in Indonesia, 2006 to 2010	42
Market share in health insurance of key bancassurance underwriters in Indonesia, 2006 to 2010.....	43
6.0 PERSONAL MOTOR AND HOUSEHOLD INSURANCE.....	44
Gross written premiums for personal motor and household insurance in Indonesia, 2008 to 2012	45
Gross written premiums for personal motor and household insurance in Indonesia, 2008 to 2012 (data)	45
Bancassurance provision of personal motor insurance in Indonesia, 2012: provision rate, operating models and weighted provider share of partnerships	48
Bancassurance provision of household insurance in Indonesia, 2012: provision rate, operating models and weighted provider share of partnerships	51
Market share in total motor insurance of key bancassurance underwriters in Indonesia, 2006 to 2010	52
Market share in total property insurance of key bancassurance underwriters in Indonesia, 2006 to 2010	53
7.0 CREDITOR INSURANCE	54

BANCASSURANCE IN INDONESIA: LIFE, NON-LIFE AND CREDITOR INSURANCE

Residential mortgage lending balances outstanding in Indonesia (absolute and per capita), 2008 to 2012	54
Consumer non-mortgage lending balances outstanding in Indonesia (absolute and per capita), 2008 to 2012	55
Credit and other pay later cards issued and per capita in Indonesia, 2008 to 2012	56
Key data points for the consumer lending market in Indonesia, 2008 to 2012.....	57
Provision of creditor insurance linked to mortgages in Indonesia, 2012: provision rate, operating models and weighted provider share of partnerships	60
Provision of creditor insurance linked to consumer finance in Indonesia, 2012: provision rate, operating models and weighted provider share of partnerships	62
Provision of creditor insurance linked to credit cards in Indonesia, 2012: provision rate, operating models and weighted provider share of partnerships	64
Risk coverage of creditor insurance policies in Indonesia, segmented by type of underlying product, 2012	65
Creditor insurance gross written premiums in Indonesia, segmented by policy type, 2008, 2012 and 2016	66
Creditor insurance gross written premiums in Indonesia, segmented by cover type, 2008, 2012 and 2016	67
Creditor insurance gross written premiums in Indonesia, segmented by policy and cover type, 2008, 2012 and 2016 (data)	68