



"Does People Favor General over Life Insurance? An Exploration Among Productive Age People in Indonesia"

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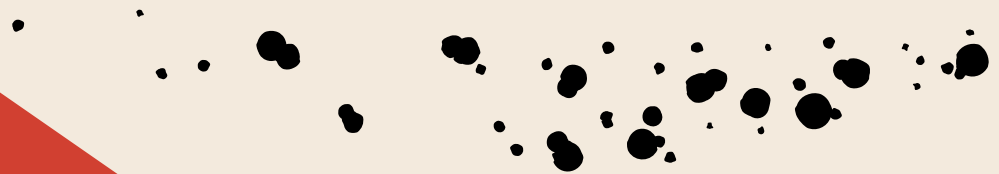
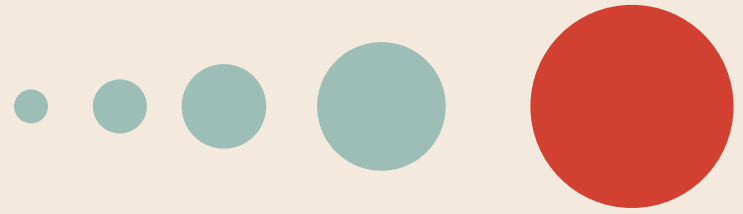


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THE PROBLEMS

What is the phenomenon
behind this research?

SUMATRA

Medan, in North Sumatra, is the largest city outside Java (1.8m). Sumatra's economy is focused on energy and natural resources (oil, coal, gold, coffee and other plantation crops)

SULAWESI

Economy dominated by export crops and fishing

MALUKU & PAPUA

The largest province in Indonesia and a center for commodity mining and forestry industries

BANTEN, JAKARTA & WEST JAVA

Jakarta is also a province in its own right and generates the largest share of GDP of any one province (17.7% in Q3 2020). Jakarta is bordered by multiple large cities / suburbs with high population density which are centers for manufacturing

EAST & CENTRAL JAVA

Surabaya, in East Java, is the second largest city in Indonesia and is seen as a gateway to eastern Indonesia. Central Java is the third most populated province in Indonesia, after East and West Java and considered to be the cultural heart of the nation

BALI & NUSA TENGGARA

The center of Indonesia's tourism industry with a large expat community and international airport in Bali

The number of population in Indonesia is **271.35** million with the average population growth of **1.25%**

JAVA

(6 PROVINCES)

151.6 mil
(56.10%)

SUMATRA

(10 PROVINCES)

58.6 mil
(21.68%)

SULAWESI

(6 PROVINCES)

19.9 mil
(7.36%)

KALIMANTAN

(5 PROVINCES)

16.6 mil
(6.15%)

BALI & NUSA TENGGARA

(3 PROVINCES)

15.0 mil
(5.54%)

MALUKU & PAPUA

(4 PROVINCES)

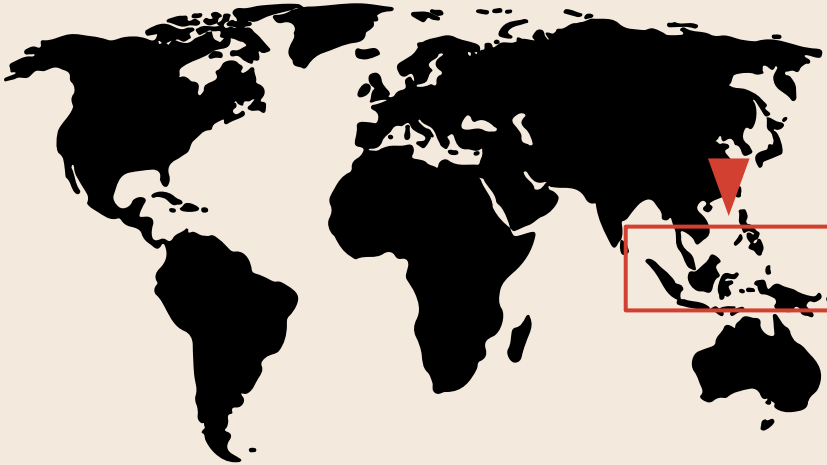
8.6 mil
(3.17%)

Sources:

- KPMG, 2016
- Indonesian Population Census, 2020

Insurance penetration and density in Indonesia is still **below** the average of emerging countries, even below other ASEAN countries.

	Insurance penetration	Insurance density
INDONESIA	3.03%	USD 76
AVERAGE EMERGING COUNTRIES	3.3%	USD 175
Malaysia	4.5%	USD 518
Thailand	4.7%	USD 385



Sources:

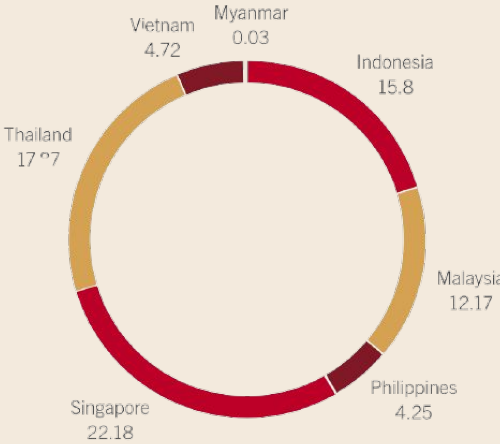
- Swiss Re Institute, sigma No. 4/2020
- Statista, 2020



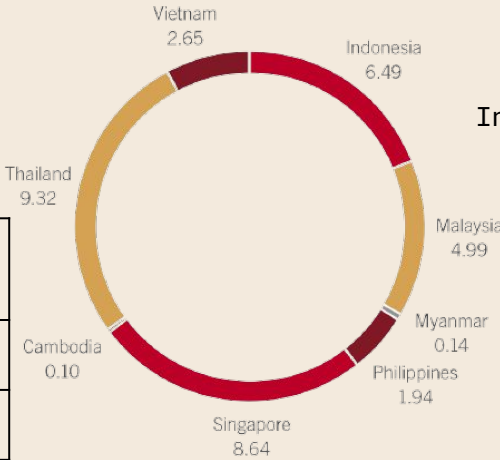
Both life and non-life insurance market remain undeveloped (compared to other countries), although the market tend to grow for non-life insurance



Life Insurance Market 2019;
7 ASEAN Countries
(US\$ Billion)



Non-Life Insurance Market 2019;
8 ASEAN Countries
(US\$ Billion)



Indonesia Life Insurance
Gross Premium
(In Trillion Rupiah)

Year	Life Insurance	Growth
2015	135.13	19.7%
2016	167.17	23.7%
2017	194.42	16.3%
2018	196.92	1.3%
2019	194.27	-0.1%

Indonesia Non- Life Insurance
Gross Premium
(In Trillion Rupiah)

Year	General Insurance	Growth
2015	60.25	10.1%
2016	66.61	10.6%
2017	70.42	5.7%
2018	77.46	10.0%
2019	89.52	27.1%

Sources:

- Faber Consulting, based on Swiss Re Institute, sigma No. 4/2020
- OJK, 2020



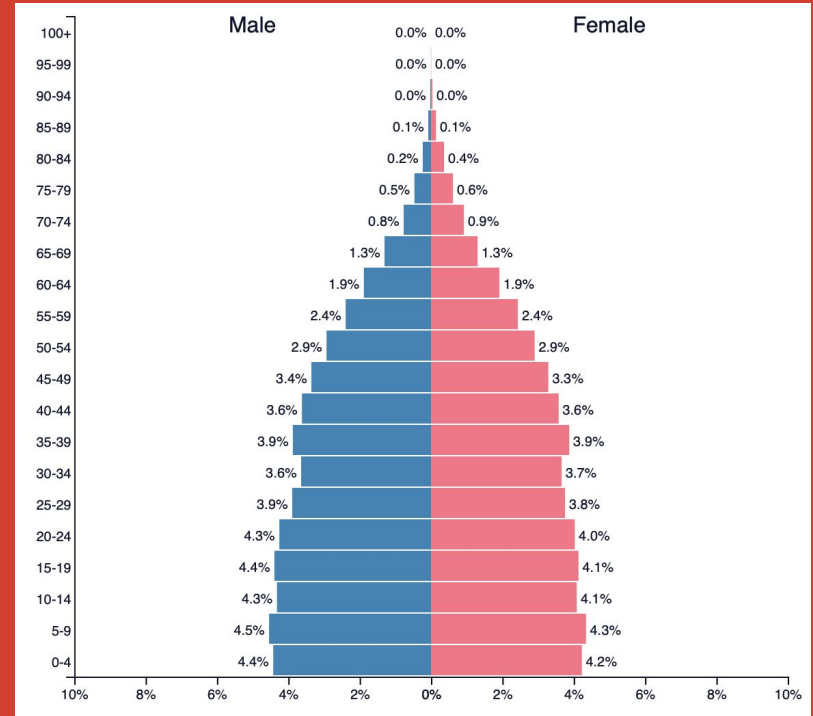
How to increase the insurance
penetration and density in
the country?

■ ■

We specifically aim to identify the determinant factors among people who are in the age range of 20 - 35 considering people within this age range are **23.3%** of all population in Indonesia.

70.72% of Indonesian population are in productive age group (15-64 y.o.)

Selection of this group provides a counterpoint to those who we know usually maintain membership: those with high healthcare costs (usually older people), and yet financially able to buy insurance product as well (productive age group)





RESEARCH QUESTION

What do we want to answer
in this question?

Research objective(s)

Explore the potential demand of life insurance vs general insurance among productive age people (20 - 35 years old) in Indonesia

How is people **awareness towards risk** in general and their own risk exposure?

How does people **perceived life and non-life insurance**?

What is people **preference and motivation in choosing between life and non-life insurance**?

What are the **determinant factors** insurance products' choice?



LIFE & NON-LIFE INSURANCE MARKET IN INDONESIA

Life & Non-life Insurance in Indonesia

Regulation

Law of Republic of Indonesia no.40 of 2014 on Insurance

Regulator

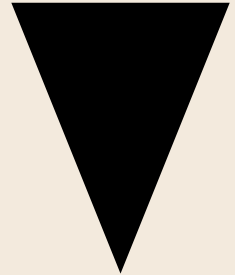
The Indonesian Financial Services Authority (Otoritas Jasa Keuangan "OJK")

Association - General Insurance

Asosiasi Asuransi Umum Indonesia (AAUI)

Association - Life Insurance

Asosiasi Asuransi Jiwa Indonesia (AAJI)



*Based on Law of Republic of Indonesia no.40
of 2014 on Insurance*

General Insurance

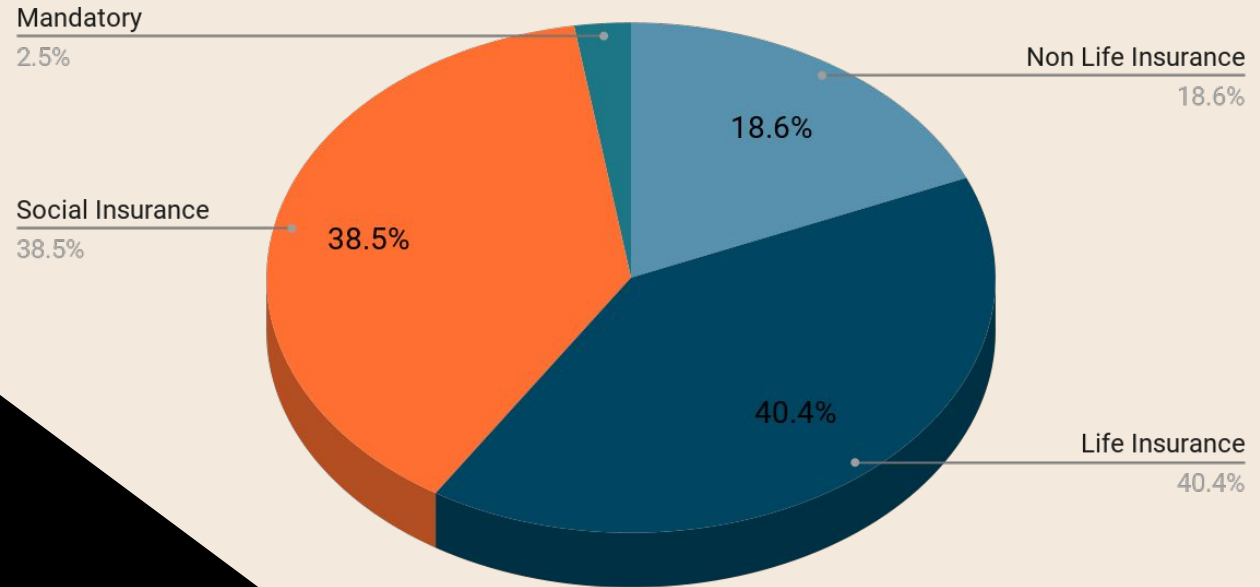
A general insurance company shall only conduct:

- a. General Insurance Business, including the health insurance business line and the personal accident insurance business line; and
- b. Reinsurance Business for the risk of another General Insurance Company.

Life Insurance

A life insurance company shall only conduct Life Insurance Business including the annuity business line, health insurance business line, and personal accident insurance business line.

GROSS PREMIUM ALLOCATION BY INSURANCE SECTORS IN 2019



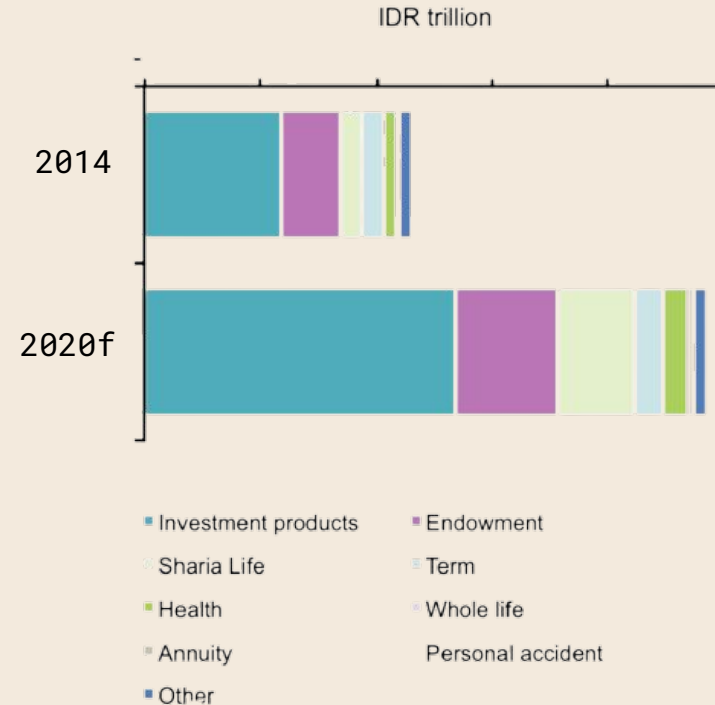


Life Insurance in Indonesia



The penetration rate of Life Insurance in Indonesia is only **1,4%** in 2019, with the domination of Unit-linked products

Life Insurance Data	2017	2018	2019
Number of Policies (In Unit)	44,393,016	45,599,009	44,698,794
Sum Insured (Trillion Rp)	3,776.70	2,896.21	4,227.74
Annual Premium (Trillion Rp)	175.25	189.32	196.12
Number of Policies as % of population	16.95	17.21	16.74
Premium Reserves (Trillion Rp)	391.03	412.57	429.49
Total Assets (Trillion Rp)	546.64	555.38	574.59



Sources:

- BMI, AAJI, KPMG Analysis, 2014
- Insurance Statistics OJK, 2019

Life Insurance Companies in Indonesia

Description	2015	2016	2017	2018	2019
Life Insurance	55	55	61	60	60
National Private	33	31	37	37	37
Joint Venture	22	24	24	23	23

No	Company	Gross Written Premium (Trillion Rp)	Total Assets (Trillion Rp)
1	Prudential Life Insurance	17.9	68.5
2	Asuransi Simas Jiwa	13.3	33.6
3	Asuransi Allianz Life Indonesia	9.2	13.8
4	AIA Financial Indonesia	9.1	44.6
5	Asuransi Jiwa Adisarana Wanaartha	8.7	10.4
6	Indolife Pensiontama	8.1	28.7
7	Asuransi Jiwa Manulife Indonesia	7.0	44.4
8	AXA Mandiri Financial Service	6.2	26.5
9	Capital Life Indonesia	6.1	8.9
10	BNI Life	4.4	16.0
Top 10		90.0	295.4
Total Life Insurance Industry		141.1	516.3
Market share of Top 10 VS Industry		63.8%	57.2%

Sources:

- OJK Statistics and Company Website, processed by PEFINDO, 2018
- OJK, 2021



Non-life Insurance in Indonesia



Non-life Insurance

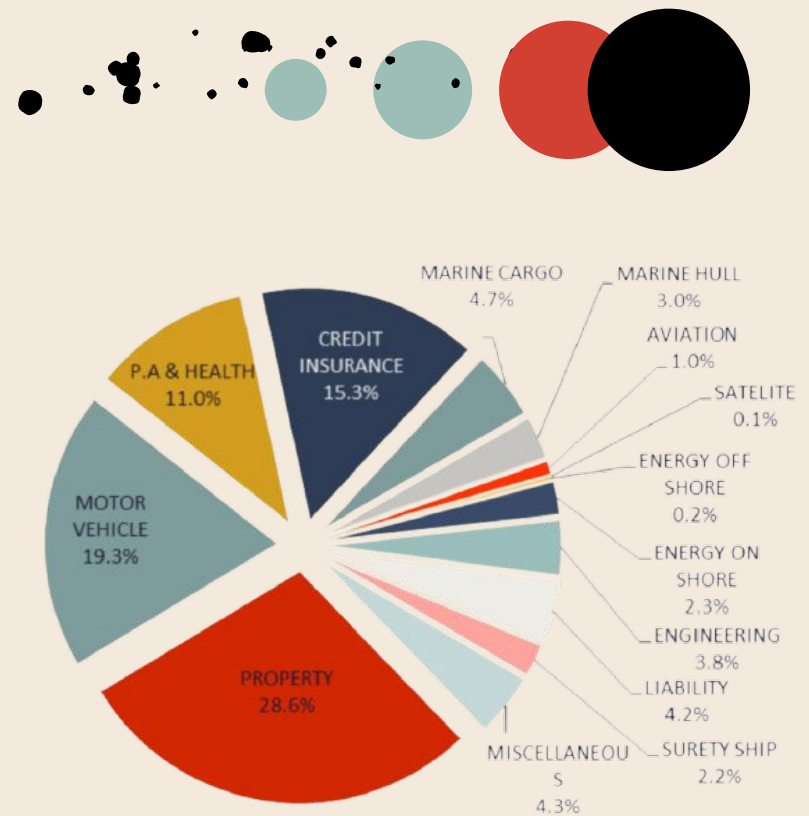
Insurance Penetration Rate			Insurance Density Rate		
Insurance Industry	Year	General Insurance	Insurance Industry	Year	General Insurance
2.89%	2017	0.47%	1,488,555	2017	245,211
2.92%	2018	0.47%	1,565,732	2018	264,151
3.03%	2019	0.51%	1,704,034	2019	298,507
3.23%	2020	0.50%	1,747,239	2020	284,559
6.20%	June 2021	0.92%	950,530	June 2021	141,591

In the Q2 of 2021, the general insurance premium was recorded at Rp 38.4 Trillion, which indicates **a positive growth of 2.1%**, compared to the Q2 of 2020 at Rp 37.6 Trillion

Sources:

- BPS, 2021
- AAUI, 2021

Business Line	Gross Written Premium		Growth
	Q2 2020	Q2 2021	
Property	25.1%	28.6%	(+)
Motor Vehicle	20.8%	19.3%	(-)
Marine Cargo	4.9%	4.7%	(-)
Marine Hull	2.8%	3.0%	(+)
Aviation	2.4%	1.0%	(-)
Satellite	0.1%	0.1%	(=)
Energy Offshore	0.2%	0.2%	(=)
Energy Onshore	3.6%	2.3%	(-)
Engineering	3.6%	3.8%	(+)
Liability	4.1%	4.2%	(+)
P.A & Health	11.0%	11.0%	(=)
Credit Insurance	15.4%	15.3%	(-)
Suretyship	1.8%	2.2%	(+)
Miscellaneous	4.2%	4.3%	(+)

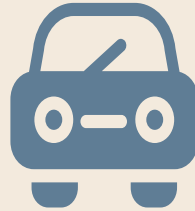


Top 3 Non-Life Insurance Products



Property Insurance

- Mandatory property insurance ownership for **the home mortgage (KPR) scheme**
- During the first semester of 2021, Indonesia's property transaction volume was the **highest in Asia Pacific at 138% and ranked 10th in the world**



Motor Insurance

- Most multi finance company and automobile dealers **selling packaged insurance products embedded in the automobile price**
- In 2019, approximately **1.03 million unit** motor vehicles were sold in Indonesia, and roughly **532 thousand units** in 2020



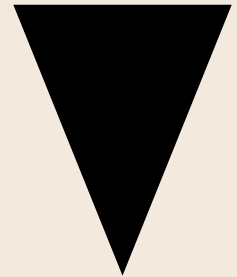
Credit Insurance

- Credit Insurance is under pressure with further **economic weaknesses arising from the escalation of COVID-19** infections.
- Credit disbursement in July 2021 was **IDR 5,554.4 trillion or grew 0.3% (year on year / yoy)** (Cited from Bisnis Indonesia)

Non-Life Insurance Companies

No	Company	No	Company	No	Company
1	PT Asuransi Sinar Mas	6	PT Asuransi Bangun Askrida	11	PT Asuransi MSIG Indonesia
2	PT Asuransi Astra Buana	7	PT Asuransi Wahana Tata	12	PT Lippo General Insurance Tbk.
3	PT Asuransi Tugu Pratama Indonesia Tbk.	8	PT Asuransi Multi Arta Guna Tbk.	13	PT Asuransi Tokio Marine Indonesia
4	PT Asuransi Central Asia	9	PT BRI Asuransi Indonesia	14	PT Asuransi Ramayana Tbk.
5	PT Asuransi Adira Dinamika Tbk.	10	PT Sampo Insurance Indonesia	15	PT Asuransi Cakrawala Proteksi Indonesia

From **79 non-life** insurance companies that are registered in OJK, the market is dominated by **15 companies that accounted 65.46%** premiums of the non-life insurance sector in 2020



METHODOLOGY?

How do we carry out the research
to answer the question?



INTERVIEW

Primary data collection was carried out by conducting **semi-structured interviews with 21 Indonesians aged 20-35 years**

In-depth and semi-structured interviews lasted between 30–50 minutes.

Topics of interest were noted in a **'freehand map to the conversation'** rather than a list of detailed questions asked in a set order.

Participants were asked regarding their **knowledge, perception, and their preference on the life and non life insurance products**



FINDINGS

What about the results?

RESPONDENTS PROFILE

GENDER

33,3%

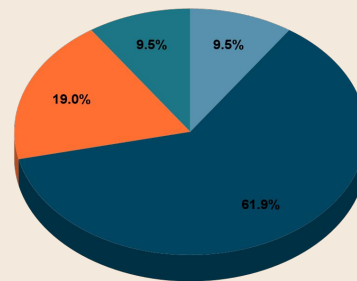


66,7%

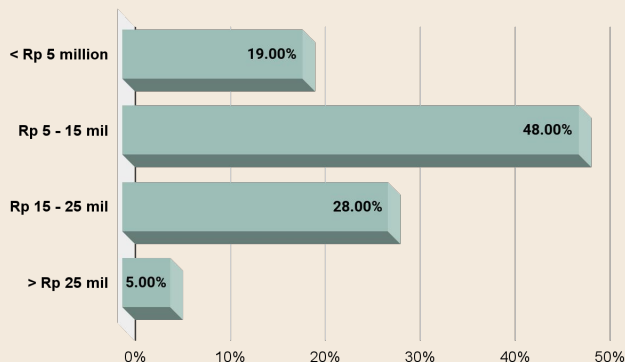


EDUCATION

- High School
- Graduate/Diploma
- Master
- Doctorate



INCOME




CHARACTERISTICS

52,3% Are **singles**

19,1% Are part of **two income-earners** with **no children** family

14,3% Are part of **two income-earners** with **children** family

14,3% Are part of **traditional family**



1. General Awareness Towards Risk

Concept of Risk



All of the respondents are aware and understand the basic concept of risk

The respondents defined risk as:

"Risk is probability of the occurrence of unfavorable condition"

- P, 21 y.o

"Something bad that could happen but can be measured"

- M, 26 y.o

"Risk is probability something might happen or uncertainty"

- N, 31 y.o

"Risk are losses that may be experienced both financially or non-financially"

- V, 26 y.o

Types of Risk



14 out of 21

Respondents stated that **health risk** (health condition, accident) as the type of risk that often makes them feel unsettled



10 out of 21

Respondents stated that **financial risk** (loss of job, income, and assets) as the type of risk that often makes them feel unsettled

Sources of awareness:

- Past experiences (personal, family and relatives)
- COVID-19

"...health risks since covid, and my father also works in the health sector too.."
- T, 21 y.o

"The trigger appeared when my husband's father had cancer, and i knew that cancer is one of the hereditary disease.."
- D, 29 y.o

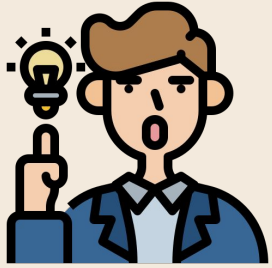
"When my father retired, the financial impact is very apparent..."
- L, 29 y.o

"Because of COVID the economy is unstable and there's a probability that we might just get laid off from our job.."
- L, 29 y.o



2. People Preference between Life VS Non-life Insurance

Respondents tend to only have basic understanding of life insurance, that if the insured dies prematurely, the surviving family members will get certain amount of compensation from insurance company.



14 out of 21

respondents understand that with life insurance, the dependents of the insured could get some compensation when the insured dies. Mostly know by hearing from friends/family.

“If the insured dies, the dependents will get some money”

- H, 29 y.o.

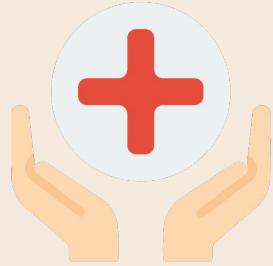


Only **1** respondent is (currently) looking for more information about life insurance product, due to encouragement from older co-workers.

“Since my coworker told me that having life insurance as soon as possible can lower the premium, i’m actually considering to buy one, and currently in the process of gathering more information ”

- C, 22 y.o.

While for non-life insurance, respondents mostly know about health insurance, and some are also mention car, education, and property insurance. Exposure to health insurance is much higher compared to other type of insurance.



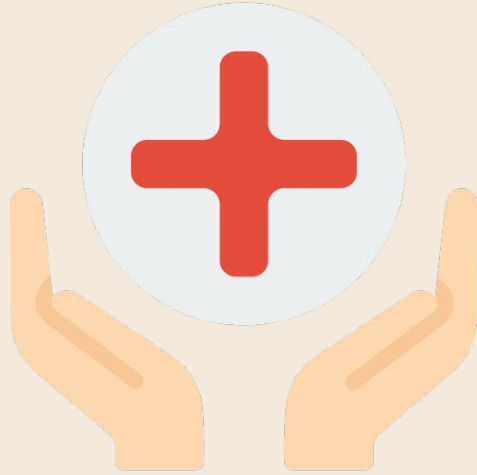
Exposure towards health and educational insurance might started from when they are child (from parents)

And for health insurance, **BPJS and health insurance from work** (mandatory) increase the probability for them to experience the benefit.

Respondents are **not intentionally sign up for car and property insurance**, but mostly due to mandatory take up from car or house mortgage

Some even have difficulties in recalling that they have car or property insurance.

So... which one do they prefer?



**Non-life insurance!
(particularly Health Insurance)**

On average, the level of importance of health insurance is **8.8** out of 10

1

Probability of claiming the benefits is higher (more frequently happen, tend to be short-term, and the risk is more imaginable)

2

Selfish motive - can be experienced by themselves

3

The impact is more severe when they cannot protect their health (health is primary needs)

How about their willingness to apply for private health insurance (PHI)?

- They see **BPJS Health** as enough, although some thinks that the claim process is complex
- **(Negative) past experience** might encourage them to find additional insurance other than BPJS Health
- There is **alternative options to fulfill the needs** (with savings, emergency fund, doing alms) -> people with religion reasons might fall within this reason
- In general, insurance might be seen as additional expense for people within this age. Without strong reason, they could easily de-prioritize insurance needs

What about life insurance?

Single respondents -> they **cannot see who could receive the benefit** of having life insurance (no spouse or children)

Two income earners respondents -> lessen their perception of urgency signing up to life insurance because there are **more than one source of income in the family**

Some respondents also see that **other form of investment that could be an alternative** options -> assets, savings, other financial instruments (even for them who have children)



Respondents also tend to be more important **to focus and prioritize for the current expense** as they see insurance as an **additional expense** and compared to non-life, life only give one time benefit

Majority of respondents are **considering to buy life insurance when they:**

- Have children
- Have higher income or reach a certain financial stage in life
- Reach a certain age

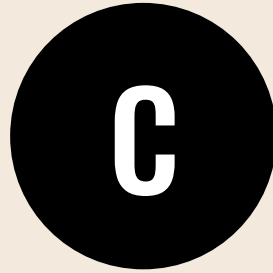


3. Determinant Factors of (Life & Non-life) Insurance Demand

Determinant factors in choosing insurance product



**COMPANY
REPUTATION**



**COVERAGE
(BREADTH AND
DEPTH)**



**MONTHLY
PREMIUM**



**(CUSTOMER)
SERVICE &
PROCESS**



Cost & Benefit analysis

A series of large issues involving insurance companies, added with lack of consumer protection, makes people more skeptical with insurance. Company reputation becomes critical in choosing insurance product.

NEWS • NATIONAL

Jiwasraya: Understanding Indonesia's largest financial scandal

<https://www.thejakartapost.com/news/2019/01/28/bonds-stocks-good-asset-choices-for-election-year-analysis.html>

Prahara Unit Link: Tuduhan Penipu hingga Tutup Polis Massal

MARKET - Monica Wareza, CNBC Indonesia | 21 September 2021 12:05

<https://www.cnbcindonesia.com/market/20210921110129-17-277897/prahara-unit-link-tuduhan-penipu-hingga-tutup-polis-massal/2>



Foto: Instagram @wanda_hamidah, diakses 11 Oktober 2021, 08.00 WIB
Instagram @wanda_hamidah, diakses 11 Oktober 2021, 08.00 WIB

Furthermore, (intrusive) telemarketers/Agents made them uncomfortable in pursuing idea to understand more about the insurance products, particularly because the Agents often “push” them to buy without really educating them.



“... uncomfortable experience with telemarketers. If I want to buy product, I will try to find information without the need to be explained by intrusive telemarketers.. They often intrude me at the inappropriate time ”

- H, 29 y.o.

“I don't like it when they offer me insurance product through phone (telemarketer), because most of the time they persuade us to buy the insurance without giving us the proper explanation of the insurance policy ”

- D , 24 y.o.

“....another thing that i don't like from insurance agents is that they tend to be forceful”

- DI, 29 y.o.

How do they evaluate their trust towards the insurance company?



Word of mouth from family, friends, influencer (hear their good/bad experience)



"Big" name and its track record
(explored with Google, online review, not new company)

The significance of Trust in the decision making

- **Trust** emerges as a **response to uncertainty**, particularly in contexts where people cannot protect their interests because they lack the relevant information or understanding (see Stompka 1998)
- It is necessary as a response to the demands of **complex decision making** (Mechanic 1996).

Recommendation

- Insurance companies needs to **help reduce the gap in inclusion and insurance literacy** in Indonesia by properly educating its potential consumers (to also build trust) -- for example, the Agents need to transparently explained the good and bad of signing up for the insurance
- To encourage or paint a vivid picture of risk (particularly with long-term characteristics), **trigger the risk awareness** with emotional marketing (e.g., trigger fear or happy feelings when they are protected if disaster happens)
- Build trust towards the company by not solely rely to Agents to educate and attract potential consumers, for example **build self service education platform** that makes it easier for users who already aware of the risk to find more information
- **Government support in the form of consumer protection act**, to also increase consumer trust towards insurance – the proliferation of complaints on unitlink product has prompted the government to formulate a new consumer protection regulation that is currently in process and expected to be finished by the end of 2021

The background features several large, overlapping triangles in red, black, and teal. A large red triangle points downwards from the top right. A black triangle points upwards from the bottom right. In the bottom left corner, there are smaller triangles in teal, red, and black.

THANK YOU

Any questions?