

Indonesia: Bancassurance can improve customer literacy



Experts converged in Jakarta to discuss how bancassurance in Indonesia could be leveraged to improve customer literacy and insurance penetration in the market.

By Sarah Si



COVID-19 hit bancassurance in Indonesia hard, OJK deputy commissioner for supervision of insurance, guarantees and pension funds

Iwan Pasila said at the 23rd Asia Bancassurance Summit.

However, geopolitical tension continues to be the main threat, he believes.

“It impacts not only the parties at war but also expands to the greater aspect of economy. It affects other countries’ economies as well,” he said.

Climate change also poses a new risk.

“We have never encountered it before and it has a significant impact, especially with the government budget that has been limited by the pandemic,” he said.

The bancassurance industry in Indonesia also faces low penetration, due to the low rate of literacy and consumer purchasing power.

“There is also a negative perception of the insurance industry, and not enough effort on the part of the players to deepen penetration,” he said.



Mr Iwan Pasila

Increasing literacy

According to Mr Pasila, bancassurance has great potential to increase literacy among customers, as most “are already aware of the need for financial protection”.

He said, “If we do it properly, there is a high chance to increase penetration and also raise inclusion so that more Indonesians can be protected, and the economy will benefit.”

Improving penetration with technology

Mr Pasila feels that penetration can also be improved with digital tools such as AI to develop and market products with greater accuracy, rather than with traditional agencies and financial advisers.

“We can reach millions of untapped customers in the bank with proper segmented products using AI. Advancing technology should be the only way going forward when penetrating the market in a very efficient and effective way,” he said.

Although technology could enable penetration, there are also challenges in managing risks associated with data secrecy and cyber, he believes.

“Risks and digital innovation are

two sides of the same coin, and we need to see them as an enabler as well as a risk to be properly managed,” he said.

Technology in bancassurance

Technology can be leveraged to increase transparency and reduce mis-selling, as pushing inappropriate products to customers at a bank would only lead to problems in the future, according to Mr Pasila.

“Digital tools also enable the industry to serve the customers better by providing instant access to the customer. We can also increase the quality of services and make the process faster,” he said.

He believes that higher quality of services and faster processes would also allow customers to pick and choose a policy in a short time and pay premiums from mobile accounts.



Mr Bambang Suseno

For instance, according to the Association of Indonesian Qualified Insurance and Reinsurance Brokers president director Bambang Suseno, AI can be used to

“personalise insurance coverage and maintain risk management of both bank and insurance companies”, as well as “improve customer experience ... more efficient and accurate solutions”.

He also believes that AI can make accurate risk assessments and propose fair premiums.

Efforts to improve the industry

According to Mr Pasila, OJK is focusing efforts to regulate, supervise

and also protect the financial services sector in Indonesia.

“OJK is settling current issues faced by insurers that have not been managed properly in the past, even if it means revoking the license and liquidating the companies, as done in previous years,” he said.

The regulator is also ensuring that the financial market atmosphere is in good shape and that companies are growing properly and sustainably. Proper market conduct has also become much more important to sustain a business, he said.

Further improving penetration

Fair treatment for every policyholder and customer should be taken into account when penetrating the market.

“Diversity, equity and inclusion should form the base ... effort in servicing the society, implementing governance, risk management and corporate culture.

“We need to urge the financial institution in our ecosystem to plan for this carefully,” Mr Pasila said.

IFRS17, challenges and opportunities

According to OJK, IFRS17 has been adapted to PSAK74, and will be implemented in Indonesia by 1 January 2025. In addition, the regulator increased the minimum equity for insurers, according to a press release from January 2024.

Although Asuransi Bintang president director HSM Widodo feels that IFRS migration would impact



Dr HSM Widodo

many companies, there are other challenges as well.

“The requirement will be pushed up to IDR250bn (\$16m) by 2026,” he said. Furthermore, in June 2024, companies with less than IDR250bn in current equity would have to submit plans on how the amount can be fulfilled.

However, he believes that there are also “limitations on the type of products that [the bancassurance industry] could sell”.

The minimum capital requirements would be raised again by 2028 as well, he said.

There are also transitional challenges facing insurers. According to Dr Widodo, insurers would still report based on IFRS4 this year.

“The problem is that policies reported on IFRS4 will impact reporting on [PSAK74] depending on when the policy was sold,” he said. Policies sold late in 2024, he believes, could impact an insurer’s equity.

Under PSAK74, upfront commissions can also be recognised, even if the premiums have not been realised yet.

“This will always be a problem. Fortunately, bancassurance usually deals in upfront commissions and it can be recorded in the books ... there may be other related requirements such as long-term upfront commissions already being paid,” he said.

He believes this can be an opportunity bancassurance can leverage.

“The commissions can be recognised as an asset rather than as expenses,” he said.

The insurance roadmap

Indonesia introduced the insurance roadmap in late 2023, according to Mr Pasila.

“This is a collaboration between players represented by the societies and associations, as well as the regulator. We have set a vision to regulate, supervise and protect the financial services through this roadmap,” he said.

The implementation of the roadmap has been spilt into three parts, with the first already launched.

The 23rd Asia Bancassurance Summit organised by *Asia Insurance Review* was held from 30th to 31st January in Jakarta, Indonesia, and was sponsored by Boston Consulting Group. 

23rd Asia Bancassurance Summit
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Participants: Ms Niharika Yadav, Ms Amy Gochuico, Messrs Bambang Suseno and Christopher Bendl.