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We are pleased to present the July 2021 edition of Milliman's Indonesia Life Insurance Newsletter. This edition covers developments during the period from 1 January 2021 to 31 March 2021.

We trust you find this edition informative. As always, we look forward to receiving your feedback, questions or comments.



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## Market performance

### INDUSTRY PERFORMANCE AT Q4 YTD 2020

According to the Indonesia Insurance Statistics published by the Financial Services Authority (OJK), the Indonesian life insurance industry made a profit in 2020 before tax and other comprehensive income (OCI), reversing the loss in 2019. The change over the period is summarised below:

Financials (in IDR trillion)	Q4 YTD 2019	Q4 YTD 2020	Change
Net Premium Income	179.35	165.57	(13.78)
Investment and Other Income	3.43	26.00	22.58
<b>Total Income</b>	<b>182.78</b>	<b>191.58</b>	<b>8.80</b>
Total Claims and Benefits	145.95	149.29	3.34
Commission and Acquisition Costs	19.90	17.99	(1.91)
Operating Expenses	23.51	19.97	(3.55)
<b>Total Expenses</b>	<b>189.37</b>	<b>187.25</b>	<b>(2.11)</b>
Profit/(Loss) Before Tax and OCI	(6.59)	4.32	10.92
Tax	2.06	3.95	1.89
<b>Net Profit/(Loss) Before OCI</b>	<b>(8.65)</b>	<b>0.38</b>	<b>9.02</b>
Total Assets*	553.21	544.20	(9.01)
Premium Reserve	425.52	424.90	(0.62)
Unearned Premium Reserve	3.12	3.16	0.04
Claim Reserve	5.40	6.58	1.18
Catastrophic Reserve	0.10	0.12	0.02
<b>Total Technical Reserve</b>	<b>434.15</b>	<b>434.76</b>	<b>0.61</b>

Note: OCI = other comprehensive income.

\* As at 31 December 2019 and 31 December 2020.

Source: OJK's Indonesia Insurance Statistics: December 2019 and December 2020.

During 2020, the profit before tax and OCI increased by IDR 9.02 trillion, mainly driven by an increase of IDR 22.58 trillion in investment and other income and a decrease of IDR 2.11 trillion in total expenses, which was offset by a decrease of IDR 13.78 trillion in net premium income. The decrease in net premium income is primarily attributed to the slowdown as a result of the ongoing COVID-19 pandemic.

The Indonesia Life Insurance Association (AAJI) reported that total premium in 2020 was IDR 187.59 trillion with new business and renewal premiums contracting by 8.9% and 1.5%, respectively, compared to 2019. Premium from the agency channel declined, while premium through bancassurance increased, despite the impact of COVID-19. New business premium increased from IDR 63.45 trillion in 2019 to IDR 70.89 trillion in 2020. The AAJI stated that the largest portion of claims paid were from surrender claims amounting to IDR 90.76 trillion over 2020.

## Market news

### NEW PRODUCTS

The following new life insurance products were reported to have been launched over Q1 2021:

#### Traditional products:

- PT Tokio Marine Life Insurance Indonesia (Tokio Marine)** launched an endowment, **TM Idaman**, and a hybrid term-whole of life insurance product, **TM Warisan**. **TM Idaman** pays the sum assured on natural death before the policyholder's chosen age between 55 and 99, or if the policyholder survives until their chosen age. If death results from an accident, then the sum assured is doubled. Premiums start from IDR 1.8 million per year for IDR 250 million sum assured and are payable for 5, 10 or 15 years. **TM Warisan** offers the choice of a fixed policy term of 5, 10 or 15 year or until the policyholder's chosen age between 55 and 99. The sum assured is paid if the policyholder dies during the policy term. Premiums are payable for the entire term but with a limited payment option available on policies covering ages 55 to 75. Premiums start from IDR 1.8 million per year for IDR 250 million sum assured.
- PT Prudential Life Assurance (Prudential)** launched **PRUWarisan**, a whole of life product providing cover up to age 99. An additional benefit, **PRUWarisan Booster**, may be paid on death or maturity but this is not guaranteed. The booster benefit is declared every year based on Prudential's profits but does not accumulate over the policy term. Annual premiums start from IDR 3.3 million for IDR 20 million sum assured with premiums payable for 5, 10 or 15 years.
- Prudential** also launched **PRULife Harvest Plan**, a deferred annuity product sold only to customers of **Standard Chartered Bank** aged between 19 and 50. **PRULife Harvest Plan** allows policyholders to choose a pension age of 45, 50, 55 or 60 and a monthly cash payment ranging from IDR 10 million to IDR 500 million. On survival to their selected pension age, the policyholder receives a lump sum cash payment equal to 60 times the monthly cash payment, followed by monthly cash payments up to death or age 70, whichever is earlier. If the policyholder becomes totally and permanently disabled before their chosen pension age, then they will receive the total premiums paid as a lump sum benefit and all future premiums will be waived but with cover continuing. On death during the policy term, the death benefit is 105% of total premiums paid (less any premium refunds and cash payments paid to the policyholder). Non-guaranteed bonuses may be paid in addition to the monthly cash benefit and on policy maturity. Annual premiums are payable for 5 or 10 years.
- PT Asuransi Jiwa Astra (Astra Life)** launched **Flexi Health** and **Medicare Premier**. **Flexi Health** combines the **AVA Life Protection** and **AVA Health Protection** products to provide life cover, hospital cash and six other

optional health protection benefits. **Flexi Health** can be purchased online with no medical underwriting required. Cover automatically renews every year up to age 70 for death benefits and age 60 for health benefits. **Medicare Premier** is a yearly-renewable rider on regular premium unit-linked products. The rider provides comprehensive coverage for hospitalisation costs and additional outpatient and dental cover. Six plans are available varying by geographical coverage and benefit limits.

- **Astra Life** also started selling **AVA iFamily Protection** on the **PermataMobile X** mobile app as part of its bancassurance distribution agreement with **PT Bank Permata Tbk (Bank Permata)**. **AVA iFamily Protection** provides cover against natural and accidental death, an in-patient cash benefit and indemnity for emergency outpatient care. An optional refund-of-premium feature is also available where the policyholder receives all the premiums paid on survival to the end of the policy term, even if they have made claims for in-patient treatment.
- **Grab Financial Group (Grab)** launched **Sobat Proteksi**, underwritten by **PT PFI Mega Life Insurance (PFI Mega Life)**, for sale on the Grab mobile app to customers aged between 18 and 55. **Sobat Proteksi** provides up to IDR 100 million sum assured (depending on the policyholder's age) if diagnosed with one of 36 critical illnesses including cancer, heart failure and stroke. Premiums are IDR 20,000 per month for customers irrespective of age and gender. Premium cashback rewards are available but depend on the profit generated by the product.
- **PT AIA Financial (AIA)** launched **PRIMA Extra** sold through **PT Bank Central Asia (BCA)**. Premiums are paid for 5, 10 or 15 years. The sum assured is paid on death before age 99 or on survival to 99. The product includes a compulsory accelerated critical illness benefit covering 136 illnesses, a daily intensive care cash benefit, treatment overseas for major cancers and heart conditions and a refund of premiums paid if mother or child die during childbirth. Policyholders can receive premium discounts and cash-back offers through the **AIA Vitality** wellness program.
- **PT Asuransi Jiwa Manulife Indonesia (Manulife)** launched **MiPreparation Legacy for Our Assurance (MiPrecious)**, a guaranteed-issuance endowment aimed at high net worth policyholders. Policyholders can choose to pay a single premium or regular premiums for two or five years, a 30- or 50-year policy term and a Future Fund Amount (starting from IDR 50 million/USD 5,000) paid at maturity. On accidental death, the single premium or the annual premium times the premium term is paid. A cash benefit equal to 10% of the Future Fund Amount is paid every year with 25% of the Future Fund Amount paid every 10 years. Additional cash benefits may be paid depending on Manulife's profitability.

- **PT AXA Mandiri Financial Services (AXA Mandiri)** launched **Asuransi Mandiri Secure Wealth**, an endowment offering two plans. The first plan, Plan 5, offers a 5-year premium term, 10-year policy term and a sum assured equal to 500% annual premium. A benefit equal to 5% sum assured is paid on survival to each policy anniversary from years 6 to 9, while 102% sum assured is paid on maturity. The second plan, Plan 10, offers premium and policy term five years longer than those of Plan 5, with proportionately higher sum assured and survival benefits. The sum assured equals 800% annual premium while a survival benefit equal to 6% sum assured is paid each year from years 11 to 14 and 160% sum assured is paid on maturity. Annual premiums start from IDR 12 million for Plan 10.
- **PT Sun Life Financial Indonesia (Sun Life)** launched **Sun Healthcare Solution**, to provide comprehensive medical coverage to the younger generation through cashless transactions. Cover is yearly renewable up to age 100 and annual premiums start from IDR 3.11 million. Various plans are available offering different geographic coverage and benefit limits, with some offering a death benefit up to IDR 200 million. The application process includes simplified underwriting without any need for a medical check-up.

#### Unit-linked products:

- **Sun Life** launched **Asuransi X-Tra Essentia Link** for sale exclusively to **PT Bank CIMB Niaga Tbk (CIMB Niaga)** customers. The product covers policyholders up to age 100 with annual premiums starting from IDR 18 million. A 65% acquisition charge applies to the first year's premium only. Up to 10 riders can be attached to the product, including the newly launched **Essentia Medical Care** rider, which offers critical illness cover up to the policyholder's pension age and then automatically switches to comprehensive health cover up to age 100.
- **PT AXA Financial Indonesia (AXA Financial)** launched two versions of its **AXA Magnificent Link** product for sale through its agency channel. Annual premiums start from IDR 100 million/USD 10,000 for the **Executive** version and IDR 6 million/USD 600 for the **Elite** version. Sums assured start from IDR 2 billion for **Executive** and 500% basic annual premium for **Elite**. An acquisition charge of 30% and 50% of the first year's premium, for **Executive** and **Elite** respectively, applies in the first year only. Bonus units, worth up to 350% in total of the first year's regular basic premium, are paid every year between the 7<sup>th</sup> and 10<sup>th</sup> policy anniversaries and on the 20<sup>th</sup> policy anniversary. In addition, loyalty bonus units of 15% or 10% of the first year's basic regular premium, for **Executive** and **Elite** respectively, are paid on the 25<sup>th</sup> policy anniversary and every fifth policy anniversary thereafter. The sum assured and account value will be paid if the policyholder dies or is diagnosed with a terminal illness, while the account value will be paid on maturity at age 100.

- **AIA** launched **Fortuna Golden Plan** sold through **CIMB Niaga**. The limited pay whole of life product is denominated in US dollars and offers a premium payment term of five or ten years. Basic regular premiums start from USD 10,000. Loyalty bonuses are credited every two years between the 10<sup>th</sup> and 30<sup>th</sup> policy anniversaries. Loyalty bonuses are worth in total up to 280% of the first year's basic premium.

#### Microinsurance products:

- **PT Asuransi BRI Life (BRI Life)** launched **AJAIB** with three plans providing a range of cover for natural deaths (IDR 1.5 million), accidental deaths (starting from IDR 27.5 million) and medical costs due to accidents (starting from IDR 500,000). Monthly premiums start from IDR 10,000 and the coverage term varies from three to 12 months.

#### COVID-19-related products:

- **Prudential** launched the **Post-Vaccination Hospital Cash Programme**, providing IDR 1 million hospital cash benefit per day (max. 10 days) if hospitalisation is due to complications within 14 days after receiving the COVID-19 vaccination. The programme is available free of charge to the first 350,000 registrants, whether they are existing policyholders or not, on the **Pulse by Prudential** mobile app.
- **Prudential, PT Asuransi Jiwa Generali Indonesia (Generali)** and other life and health insurers confirmed that they will cover the costs of polymerase chain reaction (PCR) tests, medical drugs and doctor consultations for patients receiving treatment for COVID-19 at home or in non-hospital isolation facilities.

#### Other features:

- **Generali** customers can now have medication prescribed during a teleconsultation delivered to their homes as part of a new feature on the **Gen iClick** mobile app. In March 2021, **Generali** commenced a partnership with **Lifepack**, an online pharmacy, to further enhance this feature.

#### NEW UNIT-LINKED FUNDS

- **Manulife** launched the new **Manulife Dana Investasi Real Estate Asia Pasific Dollar** fund. The fund is available on the **MiTreasure Optimax Protection** product sold through **PT Bank DBS Indonesia (Bank DBS)**.

#### OJK ANNOUNCEMENTS

- The OJK approved the business license of **Astra Life**, with effect from 21 December 2020, after **Astra Life** rebranded from **PT Astra Aviva Life (Astra Aviva Life)**. In November 2020, **PT Astra International Tbk** acquired 49.99% of shares in **Astra Aviva Life** from **Aviva International Holdings Limited** to increase its shareholding in **Astra Life** to 99.99%.

#### CAPITAL MANAGEMENT

- In March 2021, **FWD Group** officially announced its investment in **BRI Life** through its Singapore-based **FWD Financial Services Pte. Ltd.** **FWD Group** purchased 936,458 newly issued shares to hold a significant minority stake of 29.86% (post-transaction) in **BRI Life**.
- **PT FWD Insurance Indonesia** (rebranded from **PT Commonwealth Life**) officially merged with **PT FWD Life Indonesia**. The new merged company is now known as **PT FWD Insurance Indonesia**.

#### UPDATE ON JIWASRAYA

- **PT Asuransi Jiwa IFG (IFG Life)** obtained a limited company license from the Indonesian **Ministry of Law and Human Rights**. As at the end of March 2021, **IFG Life** was awaiting approval from the OJK to begin operating as an insurer. Restructured policies will be transferred from **Jiwasraya** to **IFG Life**.
- In January 2021, the **Central Jakarta District Court** granted an appeal filed by **Jiwasraya** for a Postponement of Debt Repayment Obligations (PKPU). The PKPU adds further uncertainty to the restructuring programme by giving **Jiwasraya** the legal grounds to delay paying claims.
- In February 2021, in a move aimed at improving its liquidity position **Jiwasraya** put 10 properties located in Menteng up for auction. The expected sales value of the 10 properties was at least IDR 371.24 billion.
- The Indonesian government invested IDR 22 trillion as State Capital Participation in **IFG Life's** ultimate parent company, **PT Bahana Pembinaan Usaha Indonesia (Persero) (BPUI)**. The investment will support **IFG Life** in meeting the risk-based capital requirements of the restructured policies transferred from **Jiwasraya**.
- The **Indonesian Ombudsman** suggested verifying blocked accounts, correcting data and other mitigation measures to prevent further maladministration when freezing the accounts of companies related to **Jiwasraya's** default on claim payments. The suggestions were made in a letter addressed to the Indonesian President, the Chairman of the Supreme Court and the Chairman of the House of Representatives.
- In early March 2021, the Presidential Chief of Staff Moeldoko and other members of the **Presidential Staff Office (KSP)** met with the **Jiwasraya Victims Forum (FNKJ)**. **KSP** plans to facilitate future dialogue between **FNKJ**, the **Ministry of State-Owned Enterprises** and **Jiwasraya's** management to find a solution that is acceptable to all parties. Dialogue in March 2021 between the **FNKJ** and **Jiwasraya** resulted in both parties agreeing to set up a forum to communicate policyholders' complaints and suggestions directly to **Jiwasraya's** management.
- By March 2021, 87% of bancassurance policyholders and 71% of corporate policyholders agreed to the proposed restructuring of policies. The **Jiwasraya Restructuring Acceleration Team** was optimistic that the transfer of policies to **IFG Life** could commence in May 2021.

## UPDATE ON BUMIPUTERA

- **PT AJB Bumiputera 1912 (Bumiputera)** failed to pay IDR 18 billion in claims from 500 individual policies dating as far back as 2017. Local media quoted Irvan Rahardjo, an insurance analyst, as attributing this failure to poor management, poor supervision by the OJK and a lack of understanding of asset-liability management.
- Three suspects are alleged to have embezzled IDR 8.4 billion of **Bumiputera's** agent appreciation fees in 2013.
- **Bumiputera's** management and representatives of policyholders agreed on an election committee for the new Members' Representative Body (BPA), consisting of representatives from policyholders, agents and unions.
- In January 2021, the Constitutional Court of Indonesia granted the BPA's request to amend the phrase "regulated in government regulation" in article 6 paragraph 3 of the Insurance Law No 40/2014 to "regulated in law." The Court instructed the President and House of Representative to complete government regulation PP NO 87/2019 on mutual insurance companies within the next two years. Local media reported Didi S. Anwar, an insurance observer, as stating the verdict may cause PP NO 87/2019 to be irrelevant, which would result in more uncertainty for policyholders.

## UPDATE ON KRESNA LIFE

- The **Central Jakarta District Court** granted the appeal of **PT Asuransi Jiwa Kresna (Kresna Life)** for a Postponement of Debt Repayment Obligations in January 2021.
- **Kresna Life** stated 94.9% of the creditors present in the court agreed to its proposed Settlement Scheme, resulting in a Peace Agreement being signed on 10 February 2021.
- **Kresna Life** resumed paying outstanding benefits to policyholders of the **Kresna Link Investa** product in March 2021. Policyholders received a fixed amount of IDR 20 million for claims with sums assured between IDR 50 million and IDR 500 million. For larger sums assured policies, IDR 80 billion will be distributed proportionately to each policy.
- Some policyholders voiced their discontentment with the Settlement Scheme by alleging that the settlement scheme agreed in September 2020 promised to make larger payments and to settle all claims by April 2021.

## Regulatory developments

### NEW REGULATIONS OVER Q1 2021

One OJK regulation (POJK) and four OJK circular letters (SEOJKs) were issued during the period:

- POJK NO 4/POJK.05/2021 requires non-bank financial institutions to implement IT Risk Management. Under the regulation, all insurance and reinsurance companies must have disaster recovery plans to make sure the business can operate normally during adverse events. Companies with assets of more than IDR 1 trillion must have data and disaster recovery centers as well as an IT steering

committee. The members of the steering committee need to be at least directors or the officials responsible for supervising the IT department, risk management function and users of the IT system.

- The OJK released SEOJK NO 1/SEOJK.05/2021 to address the specific requirements for insurance and reinsurance companies' self-assessment of their financial health. The self-assessment is conducted by examining the following aspects:
  - Good governance
  - Risk profile
  - Profitability
  - Capital

This new circular letter is a supplementary regulation to POJK NO 28/POJK.05/2020 regarding the Financial Health Assessment of Non-Bank Financial Institutions and replaces SEOJK NO 3/SEOJK.05/2015.

- SEOJK NO 8/SEOJK.05/2021 gives specific guidelines to insurance and reinsurance companies on implementing risk management. Companies are required to have a risk management framework that is consistent with the company's objectives, policies, size and complexity of the business. A company needs to define its strategy, policy and risk management procedures in writing when implementing risk management. The regulation also specifies the duties of the Board of Directors, Board of Commissioners, Syariah Supervisory Board, Risk Management Committee and Risk Management Function. This regulation replaces SEOJK NO 10/SEOJK.05/2016 and complements POJK NO 44/POJK.05/2020 on Risk Management Implementation for Non-Bank Financial Institutions.

SEOJK NO 9/SEOJK.05/2021 and SEOJK NO 10/SEOJK.05/2021, for Conventional and Syariah companies, respectively, update the format of the reports covering the self-assessment of risk management and reinsurance placement as well as the form and format of periodical reports in SEOJK NO 1/SEOJK.05/2018 and SEOJK NO 2/SEOJK.05/2018. The new circular letters act as supplementary guidelines to POJK NO 55/POJK.05/2017 and POJK NO 24/POJK.05/2019, which address the coverage and format of periodic reports and the procedures for submitting them.

### FORTHCOMING REGULATIONS

- The OJK requested the public to comment on two draft POJKs and one draft SEOJK:
  - The first draft POJK covers consumer protection in the financial sector. Companies need to have policies and procedures for consumer protection in writing and to implement them to cover aspects such as product design, communication of product information, product distribution etc. In addition, companies must self-assess their consumer

protection policies and procedures at least once a year but no later than 30 September each year.

- The second draft POJK is a second amendment to POJK NO 71/POJK.05/2016 regarding the financial health of insurance and reinsurance companies. The main areas of the draft POJK are:
  - The terms “affiliated parties” and “non-affiliated parties” are replaced with “related parties” and “one party and/or group investment recipient not related to the insurance or reinsurance companies,” respectively. The limit on admissible assets invested in related parties is now 10% of the company’s total equity where previously it was 25% of total investments. The limit on investment in parties not related to insurance and reinsurance companies is now defined as 25% of total equity, while it was 25% of total investment previously.
  - Assets should now be valued in line with Indonesian accounting standards rather than the method prescribed by the OJK.
  - The investment of assets from unit-linked business in related parties and parties not related to insurance companies are limited to 10% and 15% of the net asset value of each unit-linked sub-fund, respectively. Investments in bank deposits in Indonesia and securities issued by the Republic of Indonesia are not included in the 15% limit for non-related parties.
- The draft SEOJK is supplementary regulation to POJK NO 4/POJK.05/2021 regarding Risk Management Implementation on Information Technology (IT) of Non-Bank Financial Institutions. The draft provides guidelines covering details of:
  - Scope of risk management related to IT.
  - Active supervision by the Board of Directors and Board of Commissioners.
  - Adequate risk management policies and procedures when using IT systems.
  - Adequate processes for identifying, measuring, controlling, monitoring and supervising risks in IT.
  - A comprehensive system of internal controls on IT systems.
  - Procedures for submitting reports to the OJK, applying for approval for data and/or disaster recovery centers to be located outside Indonesia and reporting critical incidents and report on conditions of IT development.

## Distribution updates

### AGENCY CHANNEL

The media reported no new agency partnerships or developments over Q1 2021.

### BANCASSURANCE CHANNEL

The following new bancassurance partnerships and developments have been reported in the media over Q1 2021:

- **PT Asuransi Allianz Life Indonesia (Allianz)** launched **Allianz Life Secure PASTI**, **Allianz Assetlink Maxima** and **Allianz Wealthlink Prestige Life** for sale exclusively through its new bancassurance relationship with **PT Bank KEB Hana Indonesia (Bank Hana)**. The three products are a mixture of regular and single premium unit-linked products providing death and critical illness cover.
- In March 2021 **Allianz** and **PT Bank HSBC Indonesia (HSBC)** launched a telemarketing distribution channel to **HSBC**’s customers. **Critical Illness Care Protection** is the first product sold through this channel. Six critical illnesses are covered by the product without the need for a medical check-up.
- **Generali** and **PT Bank Pembangunan Daerah Kalimantan Selatan (Bank Kalsel)** signed a partnership agreement in order to begin selling **Banua Proteksi**, a protection product providing a death benefit with 110% refund of premium paid on survival.
- **Bank Kalsel** signed a Memorandum of Understanding with **PT Taspen (Persero)** and **PT Asuransi Jiwa Taspen (Taspen Life)**, to allow customers of **Taspen Life** to pay premiums through **Bank Kalsel**.
- **BRI Life** signed a Cooperation Agreement with **PT Bank Rakyat Indonesia Agroniaga Tbk (BRI Agro)** to start selling **AM LenteraKu**, through the **My Life** app by **BRI Life**. **AM LenteraKu** is a microinsurance product providing cover against death and critical illness. **BRI Agro** is the micro-banking subsidiary of **PT Bank Rakyat Indonesia Tbk (BRI)**.

### DIGITAL CHANNEL AND INSURTECH

The following developments in the digital and insurtech sectors have been reported:

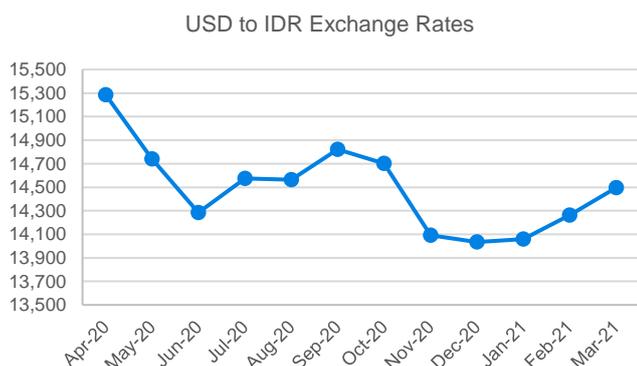
- **AIA** launched the **AIA Vitality** health and wellness program available to policyholders of specific AIA products, such as the newly launched **PRIMA Extra**. Members can benefit from premium discounts, cash-back offers and vouchers for a monthly membership fee of IDR 50,000.
- **PT Home Credit Indonesia (Home Credit)**, a tech-based multi-purpose financing company, partnered with **PT Asuransi Harta Aman Pratama Tbk (AHAP)** to start selling **MyLifeCOVER** through Home Credit’s digital channel. Three plans are available with lump sum benefit payments in the event of death or total permanent disability starting from IDR 10 million, as well as a hospital cash benefit starting from IDR 500,000 per day. Coverage is valid for one year and premiums start from IDR 399,000 per year.

- PT Panin Dai-ichi Life (Panin Dai-ichi Life) signed a Cooperation Agreement with PT Asa Bestari Citta to increase Indonesian mothers' awareness of the importance of insurance through the **Diary Bunda** mobile app.

## Other recent developments

### MACROECONOMICS

The graph below shows the Indonesian rupiah-US dollar exchange rate for the past 12 months.



Source fx rate: [www.xe.com](http://www.xe.com)

The Indonesian rupiah depreciated by 3.29% over Q1 2021 after reaching its strongest position in the last 12 months in December 2020. Despite this weakening trend, the rupiah has appreciated by 5.16% since April 2020.

The Central Bank of Indonesia (BI) stated that the recent weakening of the Indonesian rupiah against the US dollar was due to higher US Treasury yields, which limited the in-flow of foreign capital into the domestic financial market. However, the Indonesian rupiah-US dollar exchange rate was more stable over Q1 2021 compared to 2020. The volatility of the exchange rate was 8.08% at March 2021, while it was 15.9% at December 2020.

As at Q4 2020, the gross domestic product (GDP) contracted by 2.19% year-on-year (y/y) due to the prolonged effect of the COVID-19 pandemic. Local media reported the Governor of BI, Perry Warjiyo, as being optimistic that the economic growth in 2021 would be positive. BI forecasted between 4.3% and 5.3% economic growth over 2021. Despite a delay in the national vaccination program, there were positive indicators of economic growth such as an increase in people's mobility and an improvement in retail sales, especially in the export sector.

Consumer price index (CPI) inflation was 0.08% month-on-month (m/m) at March 2021. CPI inflation was at 1.37% y/y in March 2021, a slight decrease from 1.38% y/y in February 2021. The low core inflation was mainly attributed to the government's policy to lower the luxury goods tax on specific brands of cars and types of vehicles. BI expressed its commitment to keep the expected rate of inflation within its target of 3.0% ± 1% y/y.

In March 2021, the Board of Governors of BI agreed to maintain the BI 7-day Reverse Repo Rate, the Deposit Facility Rate and the Lending Facility Rate at 3.50%, 2.75% and 4.25%, respectively. BI stated that the decision is consistent with the Indonesian government's strategy to maintain the stability of the rupiah amidst increased uncertainty in the global money markets and low inflation.

As per SEOJK NO 27/SEOJK.05/2017 and SEOJK NO 28/SEOJK.05/2017, the maximum discount rate assumption allowed in determining the premium reserves is the Indonesia Bond Pricing Agency (IBPA) published average yield of securities issued by the Indonesian government for the prior 12 months, plus an additional 0.5%.

The table below shows the derivation of the maximum discount rate as at 31 March 2020.

IDR			IDR		
TENOR	AVERAGE OF LAST 1 YEAR	AVERAGE OF LAST 1 YEAR + 0.5%	TENOR	AVERAGE OF LAST 1 YEAR	AVERAGE OF LAST 1 YEAR + 0.5%
1	4.20	4.70	16	7.84	8.34
2	4.95	5.45	17	7.89	8.39
3	5.46	5.96	18	7.93	8.43
4	5.85	6.35	19	7.96	8.46
5	6.16	6.66	20	7.98	8.48
6	6.43	6.93	21	7.99	8.49
7	6.67	7.17	22	8.01	8.51
8	6.88	7.38	23	8.01	8.51
9	7.07	7.57	24	8.02	8.52
10	7.24	7.74	25	8.02	8.52
11	7.39	7.89	26	8.02	8.52
12	7.51	8.01	27	8.02	8.52
13	7.62	8.12	28	8.01	8.51
14	7.71	8.21	29	8.01	8.51
15	7.78	8.28	30	8.00	8.50

Source: Indonesia Bond Pricing Agency (IBPA)



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