Protecting the Growing Seeds: the Role of Microinsurance and Microtakaful in Indonesia

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Utility indices of OJK’s survey results confirmed World Bank survey in 2009 which revealed that 32% of Indonesians (± 70 million) do not have adequate saving nor insurance to protect against risk.

- In Q3 2015, the number of policyholders in Indonesia is only 73 million (16 million individual policyholders and 57 group insurance).

Source: OJK National Survey on Financial Literacy, 2013
Objective of Microinsurance / Microtakaful Development

• To support financial inclusion by improving access to insurance products which appropriate to the needs of low-income people through development of MI product and distribution channel.

• To enhance consumer protection within MI market through appropriate prudential and business conduct regulation and consumer education.

• To encourage broader participation of insurance companies/takaful operators through capacity building.

• To facilitate an effective supervision and enforcement, supporting the integrity of the insurance market as a whole.
Microinsurance Product

Definition

Insurance or takaful product which is designed to provide protection on financial risks faced by low income people.

Characteristic:

• Simple
• Easy to access
• Affordable/Economical
• Fast claim settlement
Microinsurance policy

• Policy should be written in simple bahasa Indonesia which is easy to read and understand.
• Policy wording in addition to Islamic aqad clauses should be no more than two pages.
• Exclusion on risk covered should not more than two items.
• Required claim documentation should not more than 4 documents.
• Claim payment should not later than 10 days after required claim documents received by insurers.
Marketing of Microinsurance

• Direct marketing.
• Insurance agent.
• Bancassurance.
• Other business entity other than bank (includes branchless banking agent, multifinance, microfinance, pawnshop, primer cooperatives, retail shop, telco company, and foundation).
• Microinsurance sales force.
Marketing of Microinsurance ...(2)

• Any person offering MI product should undergo training on product offered but not necessary to get certification as an insurance agent.

• Insurance company which use digital technology or mobile technology to offer MI products should provide clear information concerning insurance benefit, premium/contribution, and reference by which policy holder can access further information on detail product specification, policy wording, and claim procedures.
OJK’s Roles on Microinsurance and Microtakaful Development

Prudential Regulation & Supervision:
• Pricing, GCG, & risk management.
• Solvency.

Market Development:
• Promotion & public awareness.
• Supporting regulation to create enabling environment.
• Capacity building of industry, i.e. information sharing.

Consumer Protection:
• Consumer education, product transparency, complain handling, dispute resolution.
• Market conduct supervision.
Development Focus

- Capacity Building
- Business Models and Distribution Channel
- Campaign Awareness
- Regulatory Framework
- Product Development

Micro insurance/Micro takaful
Regulatory Framework

Blueprint for development

• Launching of Grand Design Development of Microinsurance Indonesia

• This document serves as regulatory framework and reference for insurance/ takaful players, regulators and all stakeholders in developing microtakaful and microinsurance in Indonesia
Capacity Building

- Workshop on actuarial, distribution channel, product feature.
- Hosting on 9th International Microinsurance Conference in Jakarta with Microfinance Facility and Munich Re – 2013
- Hosting 2014 Microtakaful Conference Indonesia in Jakarta with GIZ Regulatory Framework for Pro-poor Insurance (RFPI) Asia
OJK conduct survey and study on microtakaful and microinsurance:

- Survey on microinsurance with World Bank: Agustus 2013-Mei 2014
- Study on microtakaful with GIZ-RFPI Asia: Feb-April 2014
- Survey on Insurance CEO Perception: selling of Microinsurance/Microtakaful (June 2015 – March 2016)
Public Awareness Campaign

• In 2015, OJK and industry conducted microinsurance road show in 16 provinces. We will conduct another road 2nd semester 2016
• Marketplace events: Pasmina 1 and Pasmina 2
• Published brochure, jingle, logo and marketing communication tools
• Dedicated website at www.asuransimikroindonesia.org
Dedicated Website

Asuransi Mikro Indonesia
Sederhana, Mudah, Ekonomis, Segera

ASURANSI SINAR MAS JAJAKI KERJA SAMA DENGAN KOPERASI DI DESA
JANUARY 12, 2016 | KATEGORI HEADLINE, RILIS BERITA

Magelang: Pada tahun 2016, PT Asuransi Sinar Mas (ASM) menjajaki kerjasama dengan lembaga-lembaga atau koperasi yang ada di wilayah ... selengkapnya

ASURANSI SINARMAS LUNCURKAN 9 PRODUK MIKRO
JANUARY 12, 2016 | KATEGORI HEADLINE, RILIS BERITA

MAGELANG: PT Asuransi Sinar Mas bersama-sama dengan PT Bank Sinarmas, Tok melaksanakan acara Peluncuran Layanan Keuangan Masyarakat. Ada ... selengkapnya

PACU PENETRASI ASURANSI MIKRO, KONSORSIUM BISA JADI SOLUSI
JANUARY 5, 2016 | KATEGORI RILIS BERITA

JAKARTA &† Dibandingkan menentukan besaran porsi premi, pembentukan konsorsium asuransi mikro diyakini menjadi solusi bagi...
Currently, there are 65 companies out of 140 that sell microinsurance products.
Microinsurance/Microtakaful Progress

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</thead>
<tbody>
<tr>
<td>Number of Participants</td>
<td>5.8</td>
<td>8.8</td>
<td>9.8</td>
<td>14.7</td>
<td>22.8</td>
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<tr>
<td>Gross Premium / Contribution (IDR mio)</td>
<td>112.6</td>
<td>851.6</td>
<td>876.3</td>
<td>1,136.8</td>
<td>1,666.1</td>
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<tr>
<td>Gross Claim (IDR mio)</td>
<td>40.8</td>
<td>371.3</td>
<td>583.1</td>
<td>734.5</td>
<td>928.7</td>
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<td>Claim Ratio</td>
<td>36.2%</td>
<td>43.6%</td>
<td>66.5%</td>
<td>64.6%</td>
<td>55.7%</td>
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<tr>
<td>Participating Companies</td>
<td>25</td>
<td>37</td>
<td>53</td>
<td>57</td>
<td>65</td>
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The way forward

• Microtakaful development is part of financial inclusion programs. It should be linked and interconnected with other initiatives on financial inclusions such as digital payment, branchless banking, microfinance etc.

• The need for coordinating forum between OJK, associations, insurance/takaful companies and distribution channels as well as communities is a key for product designing, knowledge sharing, joint public awareness campaign

• The need for coordination among various government agencies to strengthen financial inclusion initiatives
End of Presentation