

HOW TO CULTIVATE INDONESIA'S INSURANCE INDUSTRY

Panellists at the 3rd annual Hubbis Indonesian Wealth Management Forum 2014 in Jakarta in late October were optimistic about the potential to tap the growing middle class with insurance solutions, but help is needed in terms of a better educated salesforce in particular.

PANEL MEMBERS

CHRIS BENDL

Manulife Indonesia

EDY TUHIRMAN

Asuransi Jiwa Generali Indonesia

ASRI NATANEGERI

DBS Bank

he most exciting aspect of the insurance sector in Indonesia also represents its biggest hurdle – accessing the middle class.

The fact that many of these individuals don't have bank accounts makes capitalising on this potential difficult. Plus, there is a need for much more customer education.

The key, said speakers at the 3rd annual Hubbis Indonesian Wealth Management Forum 2014 in Jakarta in late October, is to position the offering to access the

CHRIS BENDL
Manulife Indonesia



emerging middle class. That means building relationships with customers over the long term and developing products which suit their unique needs.

“ The profession – including bankers, agents and other practitioners – must take the same long-term view as the policies do themselves ”

In a country like Indonesia, these relationships often start in places like the wet markets, where the shop owners are opening bank accounts for the first time.

IN NEED OF GREATER COMPETENCY

For Edy Tuhirman, chief executive officer of Asuransi Jiwa Generali Indonesia, he sees insurance as a chance to provide something that can increase financial awareness. To date, however, opportunities have already been missed by various players, despite the relative infancy of the market.

For example, middle class customers have tended to buy regular premium products, so approach it as what Tuhirman described as a “buy and forget” policy. Yet nobody monitors their portfolio.

As a result, an opportunity to provide ongoing service and develop a lasting relationship with that customer is gone.

In line with this, the profession – including bankers, agents and other practitioners – must take the same long-term view as the policies do themselves.

Turnover of salespeople in the insurance space is around 40% per year, said Asri Natanegeri, bancassurance product head for the wealth management business at DBS Bank.

“Recruitment is challenging given that new players are coming in and hiring people with a lower standard of competency by offering them better compensation and positions.”

As with other areas of wealth management, however, educating and developing the salesforce is a big challenge and requires a long-term commitment, too, she added.

Yet delivering on the potential that everyone can see comes down to people – and being able to attract, retain and develop them, said Chris Bendl, chief executive officer and president director for Manulife in Indonesia.

This can be achieved in various ways, he explained. For example, universities need to play their role by delivering to the market more work-ready graduates.

Further, the private sector must make the required commitment to developing and nurturing staff, and give opportunities to employees globally.

Some tangible signs of progress in professionalising the industry include increased requirements for stronger corporate governance and risk management, added Bendl. This just adds to the capital intensive nature of the insurance industry and long-term commitment that the insurance companies have to make.

The Otoritas Jasa Keuangan (OJK), for example, is expecting insurers to increase

EDY TUHIRMAN
Asuransi Jiwa Generali Indonesia



the number of high-quality actuaries to support the industry.

According to Natanegeri, for the bancassurance segment, the key OJK concerns are focused on transparency and customer protection, as well as promoting

estate planning. Experience so far for some customers, however, has been below par.

For example said Bendl, the persistency level in the country – in terms of how long a customer holds an insurance policy – is poor. “Data shows that the average length

“ **Some tangible signs of progress in professionalising the industry include increased requirements for stronger corporate governance and risk management** ”

awareness and education in terms of the financial solutions available in the bank.

WOING CUSTOMERS

Part of the challenge in maximising Indonesia’s insurance opportunity also relates to the customers, added Natanegeri, who are young from a demographic perspective. “We are now shifting our focus from selling a lot of investment products to products focusing on retirement and also education,” she explained.

The key, therefore, is to position the product as more of a wealth planning solution – for accumulation, legacy and

of some ILP products is less than three years,” he explained. “That means the customer’s first experience tends to be value destroying not value adding, which isn’t good for the industry.”

There is also a need for regulations to increase the professionalism, so that customers know what they are getting into.

A new way to access customers is also in relation to digital offerings. “This creates opportunities to reach out to customers we otherwise couldn’t,” said Bendl.

And with around 21,000 miles of underground cables expected to be fully

PANEL DISCUSSION

implemented by 2015, internet speed connectivity akin to Singapore is likely to lead to a financial renaissance. In particular, he added, financial institutions will be able to reach out to and service customers in a digital fashion.

Tuhirman, meanwhile, is more cautious about the impact of digital solutions, saying that he doubts the potential to sell

positioning of the market as "one size fits all". Yet Bendl said he sees that changing.

"The regulator is giving guidance that it would like to see a better mix of customers. That would be affirmation to them that clients' needs are being met."

For a company like Manulife in Indonesia, which offers pensions, mutual funds

income families; affluent business people; and affluent retirees.

"We also work with micro-lending institutions," he added.

"We see them as an emerging class of customers that formally was not bankable, but now is."

The critical aspect of this is being able to build a relationship with these entrepreneurs.

This is in order to create lifelong opportunities to introduce them to other products in the years to come, explained Bendl.

From Tuhirman's perspective, retirement is a big opportunity.

And the firm will move more towards that direction via a simple solution, he said.

Meanwhile, Natanegeri predicted that bancassurance will grow.

She also said she thinks it will continue to contribute towards life insurance penetration, as well as to educating customers. ■

“ The regulator is giving guidance that it would like to see a better mix of customers. That would be affirmation to them that clients' needs are being met ”

insurance through digital over next few years.

However, he acknowledges its value for information sharing and customer communication, especially since this helps to overcome the issue of limited human resources.

Digital channels will also help Natanegeri to convey the importance of financial planning, including insurance, to her clients, by engaging them in a more interactive way.

For example, this will give salespeople tools to create a structured conversation that leads to the right products being sold.

Further, it helps the bank to stay compliant with various regulations that form part of the sales process.

For example, she explained, bankers can go through KYC and needs identification, and at the end of the process make appropriate suggestions for the customers, which are suited to their needs.

EXPANDING MARKET SHARE

One of the shortcomings within the Indonesian insurance sector has been the

and healthcare, for example, reforms are opportunities to grow the business.

There is also potential for tax advantage products, added Bendl, as more people pay tax and the authorities get more efficient at collecting them.

As a result, more people will look at structures to help them with their taxes.

In general, he said there are four sweet-spots for Manulife in Indonesia: young middle-income families; older middle-

ASRI NATANEGERI
DBS Bank

