

# EAAC COUNTRY REPORT

## INDONESIA

### 1. Geography:

- a. Capital city : Jakarta
  - b. Area: Consists of 6 province/Islands ; Sumatera, Java, Bali /Nusa Tenggara, Kalimantan (Borneo), Sulawesi, Maluku & Papua island.
    - Total land area: 1,9 km<sup>2</sup>
    - Total Sea area: 7,9 km<sup>2</sup>
    - Number of Regencies: 348
    - Number of Municipalities: 92
    - Number of sub districts : 4.994
    - Number of villages : 70.921
    - Seasons: Has two seasons; dry season (June-September) and rainy season (December-March)
- (from The Directorate General of Regional Authority, Ministry of Home Affairs and Regional Authority)

### 2. Demography:

- a. Population
  - Number of all population:

If we look from the number of the population Indonesia is the fourth biggest country in the world following China, India and USA. Total population in 2000 from the Population Censuses was 206,3 million respectively. This number consisted of population with permanent residence of 205,8 million which is increasing 12,88% from the Population Censuses in 1990, and population without permanent residence of 421.399 persons. In the 2002 the number became 211,7 million, while total population in 2003 was 215,3 million people. And the Projection for the year of 2005 is range on number of 223,015 million. See the details for this information at the Table below:

Year	Population
2001	211,724 million
2002	214,572 million
2003	217,407 million
2004	220,223 million
2005	223,015 million

- Population by sex and age:

Sex Ratio of Indonesian people in 2000 and 2003 was over 100. This means that the number of males outnumbered that of females. The projection of the population according to the age and sex can be viewed in this table bellow (taken from the Demography Institution of Indonesia / Lembaga Demografi Indonesia)

Age	2005	
	Men	Women
0-4	9,834,899	10,277,770
5-9	10,263,750	10,700,910
10-14	10,409,560	10,813,470
15-19	10,370,680	10,643,510
20-24	10,256,040	10,701,980
25-29	10,319,640	10,848,500
30-34	9,470,896	9,768,616
35-39	8,271,076	7,959,351
40-44	7,391,720	6,686,934
45-49	6,414,386	5,870,488
50-54	5,036,562	4,850,143
55-59	3,936,139	3,866,131
60-64	3,261,990	3,083,915
65-69	2,624,271	2,338,336
70-74	1,917,529	1,597,401
75>	1,963,927	1,495,738
Total	111,743,065	111,503,193

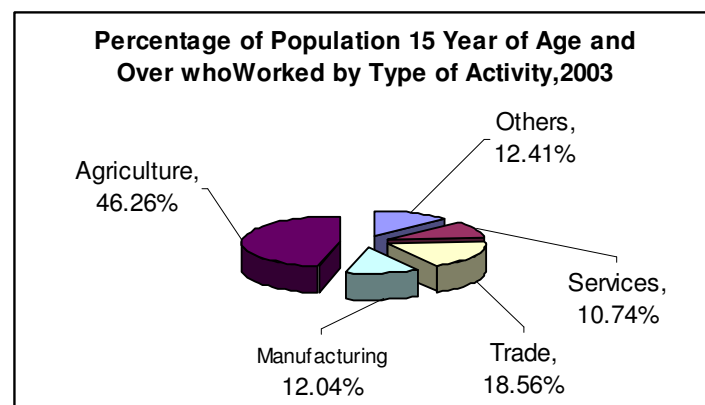
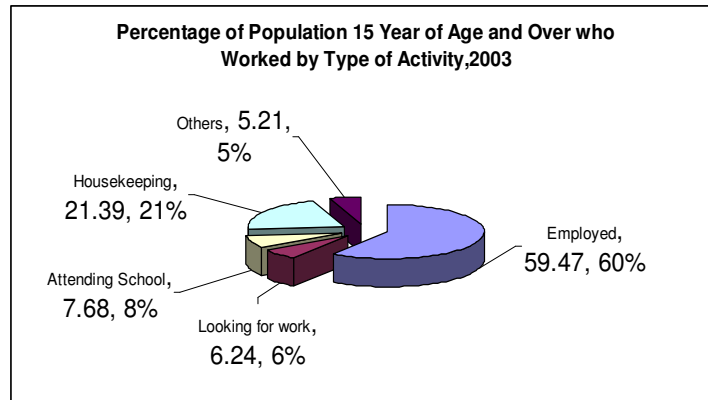
➤ Number of work forces:

The total number and composition of manpower will change parallel with demographic process. In 2003 there were 152,6 million manpower, of which about 60,37 % resided in Java Island. Labour Force Participation Rates (LFPRs) is the number of population classified as labour force for every 100 manpower. Indonesia LFPRs in 2003 was 65.72%, it went down compared with LFPRs in 2002. Around 90,50 % out of 100,3 millions labour force has been working in 2003. 70,78 % of workers was low educated (under senior high school) and workers with high educated were only 23,22%. In 2003, from people who were in labour force and still looking for work were around 1 person. The total unemployment reached 9,5 millions people, around 59,68% of them were low educated and the last were high educated.

In 2003, total number of employees in Indonesia reached 23,8 millions people or 26,55% of the total working population.

➤ Population by activity:

From 90,8 million people who have been working around 46,26% of them worked at agricultural sector. The other sectors which have big enough role in employment were trade (18,56%), manufacturing industry (12,04%) and services (10,74%). Meanwhile the total population who employed in Indonesia at 2003 reached 41,4 millions people consisting self employed (40,23%), self employed assisted by temporary employee (53,23%) and employer (6,54%). The majority of manpower worked in agricultural sector and most of them were unpaid workers. Total unpaid workers in 2003 reached 17,7 million or 19,55% of total working population



➤ **Growth of Population:**

Total Population of Indonesia in 1990 and 2000 was 178,5 million and 206,3 million, respectively. This number consisted of population with permanent residence of 205,8 million and population without permanent residence of 421,399 persons. While total population in 2003 was 215,3 million people. Population growth rate had decreased sharply since 1980. Even though, it slightly increased during the period of 2000-2003 with the growth rate of 1,5 % per annum.

➤ **Population Mortality rate, life expectancy and fertility rate:**

The Mortality rate for babies (boys and girls) had decreased each year. For the mortality for the babies boys started from 75,02% in the year of 1985 and will turn in to 31,68% in 2020 late, while for the babies girls started from 61,28% in 1985 become 29,29%. expectancy for men and women always increased from 58,79% for men in 1985 to 68,40% in 2020, and for women started from 62,32% in 1985 to 70,56% in 2020.

B

Year	Babies's Mortality Rate		Crude Mortality Rate	Life expectancy	
	boys	girls		Men	Women
1985-1990	75,02	61,28	8,8	58,79	62,32
1990-1995	63,03	52,95	8,3	61,29	64,36
1995-2000	53,73	46,22	7,8	63,33	66,07
2000-2005	46,07	40,69	7,6	65,00	67,50
2005-2010	39,95	36,12	7,6	66,37	68,70
2010-2015	35,43	32,23	7,7	67,48	69,72
2015-2020	31,68	29,29	7,9	68,40	70,56

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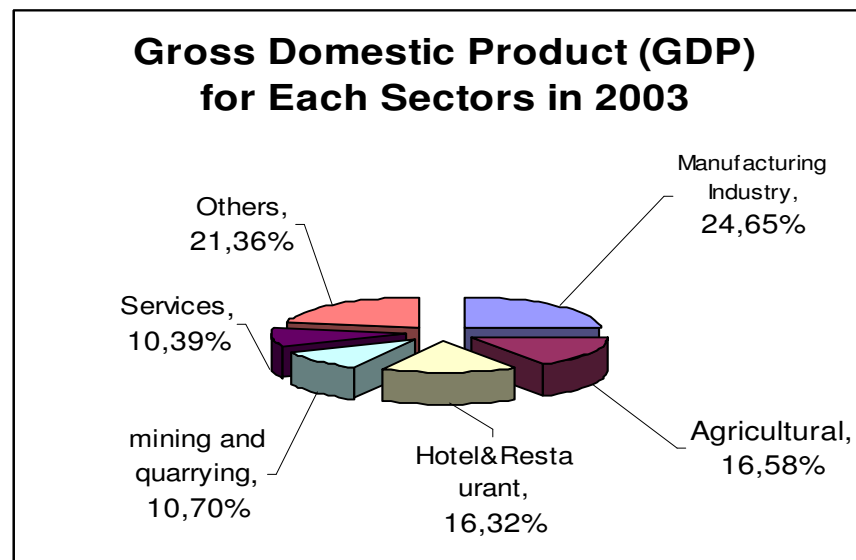
(source: Demography Institution (Lembaga Demografi), FE-UI)

### 3. Economy:

#### a. Gross Domestic Product (GDP) and Gross National Product (GNP)

For the year 2003, growth of Indonesian Economy showed a better performance than 2002. Based on GDP at 1993 constant price, growth of Indonesian economy in year 2003 was 4,10%, while growth of non oil and gas GDP was 4,60%. The value GDP at 1993 constant price in 2002 was 426,9 trillion rupiahs, and the value of non-oil and gas GDP was 394,5 trillion rupiahs, both increased in year 2002 to 444,5 trillion rupiahs and to 412,7 trillion rupiahs respectively.

All of the 9 sectors of economy, in the GDP produced a positive growth in year 2003. The highest growth reached by sector of transportation and communication at 10,69% followed by sector of electricity, gas and water supply at 6,82%, construction at 6,70%, Financial, Ownership& Business services at 6,28% and trade-hotel and restaurant, mining and quarrying services and agriculture grew at 3,5%, 3,44%, 2,48%, and 1,46% respectively.

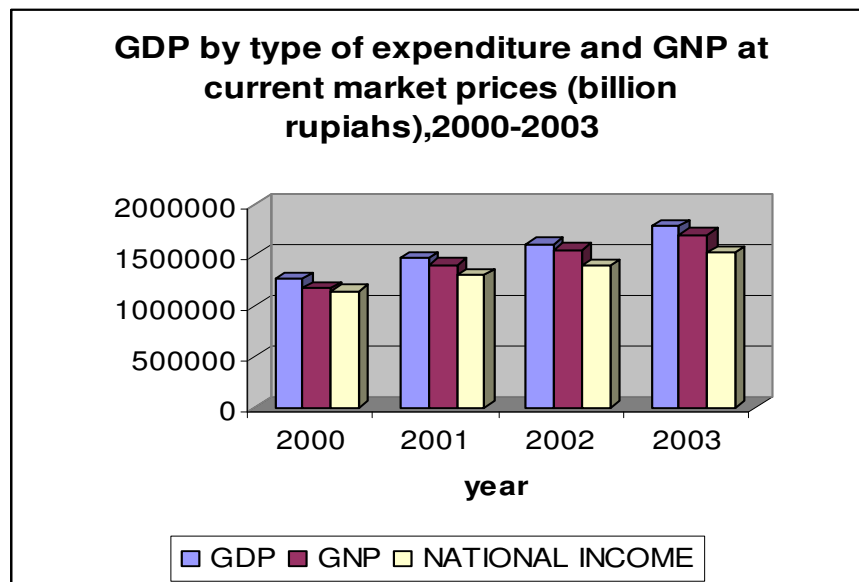


Based on 1993 constant price, the growth of GDP by expenditure in year 2003 was affected by all of their components. General

government consumption expenditure showed the highest growth component, that increased by around 9,84% in year 2003 compared to the year before. The next components consumption that have high growth were export and household consumption expenditure that increased by around 4,04% and 4,02% respectively. The next components that have low growth were import and gross fixed capital formation that increased by around 1,96% and 1,36% respectively in 2003.

The table bellow are showing the GDP by type of expenditure, and GNP at current market prices (billion rupiahs) from year 2000 until 2003

Type of expenditure	2000	2001	2002	2003
Household consumption expenditure	850818.7	972938.3	1120164.0	1238891.7
General government consumption expenditure	90779.7	113416.1	132218.7	163701.3
Gross Domestic fixed capital formation	275881.3	314065.8	326165.2	352360.5
Change in stocks (residual)	-72235.5	-53623.9	-73876.0	-67257.5
Export of goods and services	542992.4	624340.8	577081.5	558091.4
Import of goods and services	423317.9	503482.3	471188.4	459096.5
<b>Gross Domestic Product</b>	<b>1264919</b>	<b>1467654.8</b>	<b>1610565.0</b>	<b>1786690.9</b>
Net Factor income from abroad	-92161.8	-61051.5	-54513.0	-79626.7
<b>Gross National Product</b>	<b>1172756.9</b>	<b>1406603.3</b>	<b>1556052.0</b>	<b>1707064.2</b>
Less: Net Indirect taxes	-37820.3	31425.7	71186.4	85272.2
Less: Depreciation	63245.9	73382.7	80528.3	89334.5
<b>National Income</b>	<b>1147331.3</b>	<b>1301794.9</b>	<b>1404337.4</b>	<b>1532457.5</b>



b. Exchange Rate:

During 1999 through 2003, some foreign exchange middle rates against rupiahs at Bank of Indonesia and Gold in Jakarta can be seen in this table bellow:

Kind of FOREX	1999	2000	2001	2002	2003
U.S Dollar	7100	9595	10400	8940	8465
English Pound	11495	14299	15080	14334	15076
Aus Dollar	4622	5318	5309	5065	6347
Malaysia Ringgit	1868	2525	2736	2353	2228
Netherlands Gulden	3243	4044	4169	-	-
Hongkong Dollar	914	1230	1333	1146	1090
Gold	66208	71875	80000	85000	96250

(taken from Bank of Indonesia)

c. Balance of Payment

Since the beginning of Repelita I year 1969/1970 to 1999/2000. the public finance policy that was reflected on State Budget (APBN) based on dynamic balanced budget principal. It means sum of all public expenditure always adjusted to the amount of public income. If public revenue less than the target, government must strive for expenditure adjustment. However, since the year 2000, government did not follow that system anymore. The structure and form on APBN has changed to deficit budget which is financed by resources from inside and outside the country. All of the transactions of the country based on Bank of Indonesia reports from year 1999 until 2003 can be seen on this table of balance of payment bellow:

Description	1999	2000	2001	2002	2003 <sup>5</sup>
A. Current account	5782	7991	6900	7825	3823
I. Merchandise	20641	25041	22694	23515	11668
1. Exports, f.o.b	51241	65408	57364	59168	31559
a. Non-oil and non-gas	40988	50341	44805	46307	24083
b. Oil and gas	10254	15067	12558	12861	7476
- oil	5679	7954	6920	6549	3605
- gas	4575	7113	5638	6312	3871
1. Imports, f.o.b	-30600	-40367	-34669	-35653	-19891
a. Non-oil and non-gas	-26633	-34378	-28961	-28720	-16175
b. Oil and gas	-3967	-5989	-5708	-6663	-3716
- oil	-3705	-5757	-5388	-6344	-3533
- gas	-262	-232	-320	-319	-183
II. Service Net	-14859	-17050	-15795	-15690	-7845
1. Non-oil and non-gas	-11659	-12500	-11499	-11110	-5275
2. Oil and gas	-3200	-4550	-4296	-4580	-2570
- oil	-1470	-2151	-2416	-2221	-1199
- gas	-1730	-2399	-1880	-2359	-1371
B. Capital transactions	-4569	-6773	-8992	-1171	-351

I. Official capital Net	5353	3217	-740	-258	-516
1. Inflows	9423	7490	5737	6196	2571
a. IGGI	2408	2420	1963	1504	738
b. Non IGGI <sup>3</sup>	7015	5070	3774	4692	1833
II. Private Capital Net	-9922	-9990	-8252	-913	165
1. Direct investment	-2745	-4551	-5877	145	-149
2. Others	-7177	-5439	-2375	-1058	314
C. Total	1213	1219	-2092	6654	3472
D. Errors and omissions Net <sup>2</sup>	2079	3823	714	-2633	-1452
E. Monetary Movement <sup>1</sup>	-3292	-5042	1378	-4021	-2020
Official Reserves Position	0	0	0	0	0
Foreign Assets <sup>4</sup>	27054	29394	28016	32037	34057

Notes:

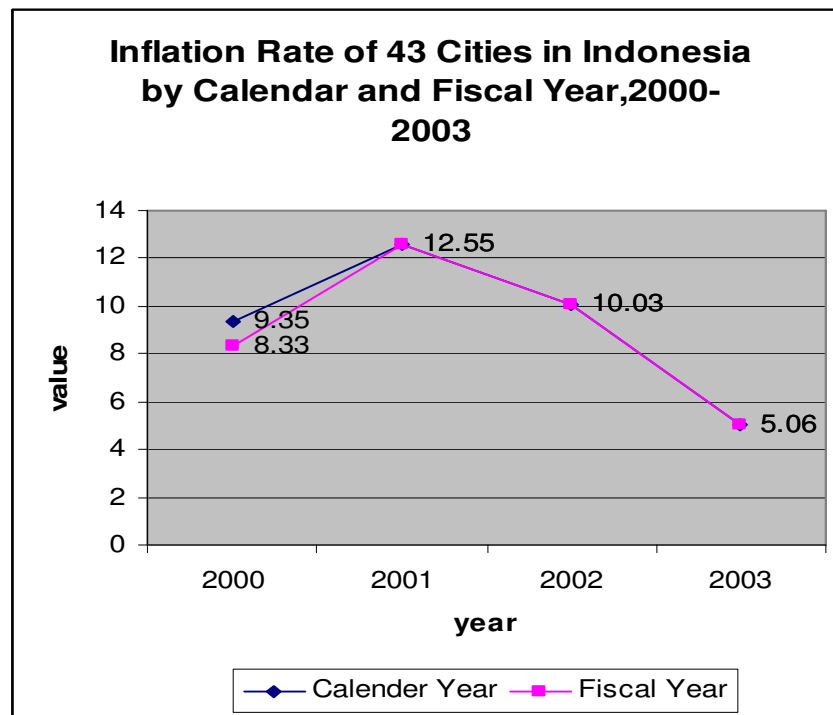
1. Surplus and positive represents deficits, since 2000 based on changes in Reserve Assets Replacing GFA
2. Since 1997/1998, Monetary movements based on Foreign Assets replacement Official Reserve Position
3. Since the III<sup>rd</sup> quarter of 1997/1998, non IGGI/CGI figures including IMF package
4. Reserve Assets based on International Reserve and Foreign Currency Liquidity Concepts
5. Data Condition at Second quarter 2003

d. Inflation Rate:

The monetary crisis was happened about one and half year has impact to mostly people in social economy life, it was signed with highly unemployment, price increase and lower of purchasing ability.

In general, the price increasing in 2003 was lower than prices increasing in 2002, 2001 and 2000. This was reflected on the inflation figures in 2000-2003 periods. The inflation figures in 2003, 2002, 2001 and 2000 were 5.06%, 10.03%, 12.55%, and 9.35% respectively. The highest increasing of index in 2003 was education, recreation and sports group and housing group there were 11.71% and 9.21% respectively. The illustration can be viewed on the inflation rate table Of 43 cities in Indonesia based on Calendar and fiscal year on 2000-2003 (based year 1996=100)

Group	Calendar Year				Fiscal year			
	2000	2001	2002	2003	2000	2001	2002	2003
General	9.35	12.55	10.03	5.06	8.33	12.55	10.03	5.06



#### 4. Insurance Industry

##### a. Types of Insurance Business

##### 1. insurance business:

- a. *Loss insurance* business which provides services in coping with risks of loss, loss of benefits, and legal liability to third parties which arise from uncertain event
- b. *Life insurance* business which provides service in coping with risks connection with survival or death of an insured person
- c. *Reinsurance* business which provides service in reinsuring the risks faced by Loss insurance Company and or Life Insurance Company.

##### 2. Insurance supporting business:

- a. *Insurance brokerage* business which provides intermediary services in any insurance coverage as well as any settlement of claim, acting for the interest of the insured.
- b. *Reinsurance brokerage* business which provides intermediary services in any placement of reinsurance and the settlement of reinsurance claims, acting for the interest of the insurance company.
- c. *Loss adjuster* which provides service in calculating the amount of losses on the insured objects.
- d. *Actuarial Consultant* which provides actuarial consulting services.
- e. *Insurance agency*.



### 3. Social insurance program.

#### b. Development of Life, annuity and health insurance industries.

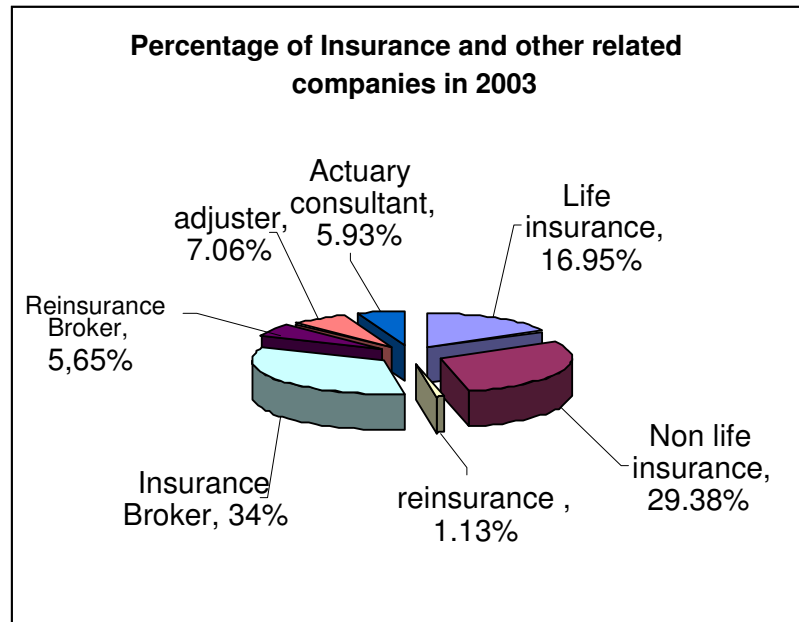
During 2002 to 2003, the number of the life insurance companies and non life insurance companies was fixed. It was because no revoke of licences and no merge. During 2002 to 2003, there were new 21 insurance brokers and 2 reinsurance brokers.

The performance of the insurance companies during the last three years can be seen with the progress in the total assets. Total assets of the life insurance companies increased from 26.320,5 billion rupiahs in 2002 to 31.245,3 billion rupiahs in September 2003. However, total assets of non life insurance companies decreased in total assets from 15.768,2 billion in 2002 to 15.500,5 billion rupiahs in 2003. Total assets of companies running program for civil servant and armed forces rose by 28.14% during the period 2001-2002.

During the period of 1997-2003, most insurance companies experienced a significant progress. Investment of reinsurance companies increased from 412,4 billion rupiahs in 2002 to 442,8 billion rupiahs. Also, investment of the life insurance companies increased from 20.365,2 billion rupiahs in 2002 to 24.693,6 billion rupiahs in 2003. The investments of social insurance companies running insurance programs for civil servant and armed forces increased from 9.637,2 billion rupiahs to 12.119,4 billion rupiahs in the same period.

On this table bellow shows the number of insurance and other related companies during 2000 to 2003.

<b>Companies</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Life insurance	62	61	60	60
Non life insurance	107	105	104	104
Reinsurance	4	4	4	4
Insurance Broker	70	80	99	120
Reinsurance Broker	14	16	18	20
Adjuster	23	23	26	25
Actuary Consultant	18	18	20	21



c. End of year Business Inforce.

The number of policies/participants inforce by the end of 2003 for individual and group insurance was 29.435.474 and the total amount of sum insured was Rp.342,9 trillion. Decreased of 7% or 1.754.648 policies/participants has been recorded and the amount of sum insured has increased biaya 2% or Rp.7,1 trillion compared to the previous year.

**END OF YEAR'S GROWTH OF BUSINESS INFORCE**

Year	Business Inforce		Against Previous Year	
	Insured	Sum insured	Insured	Sum insured
1999	22.756.052	177.294.643	116.2	131.58
2000	22.590.735	287.080.303	99.27	161.91
2001	28.924.961	302.423.337	128.04	105.35
2002	31.190.122	335.777.739	107.83	111.03
2003	29.435.474	342.874.803	94.37	101.9

The total number of new business in 2003 was 6.790.337 policies/participants including individual and group insurance with Rp.109,2 trillion in the total amount of sum insured.

**GROWTH OF NEW BUSINESS - INSURED**

Year	Insured			Against previous year (%)		
	Individual Insurance	Group Insurance		Individual Insurance	Group Insurance	
1999	973.892	6.371.090	7.344.982	121,56	89,58	92,82
2000	946.399	6.667.163	7.613.562	97,18	104,65	103,66
2001	1.139.560	8.057.511	9.197.071	120,41	120,85	120,8
2002	1.191.455	7.502.694	8.694.149	104,55	93,11	94,53
2003	1.169.477	5.586.362	6.755.839	98,16	74,46	77,71

d. Growth of Income

The total amount of revenue during the year of 2003 has reached Rp.16 trillion, an increase of 27% or Rp.3,4 trillion compared to the previous year.

The total premium income was Rp.13,8 trillion which represented 86% of the total revenue, an increase of 21% or Rp.2,4 trillion compared to 2002. The investment return was Rp.2 trillion which was 12% of the total revenue, an increase of 82% or Rp.889 billion from the previous year. All of the information can be seen on this illustration:

**GROWTH OF INCOME**

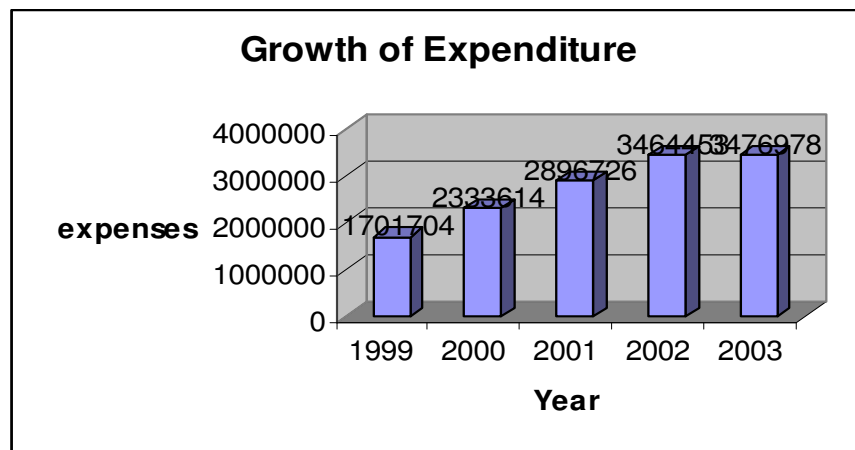
Year	Premium Income (Rp.000.000)	Investment Yield (Rp.000.000)	Total Income (Rp.000.000)	Against previous year (%)	Premium against total income (%)	Investment Yield against (%)
1999	5.375.931	868.253	6.234.483	65,98	86,23	13.93
2000	7.349.321	1.754.441	9.352.478	150,01	78,58	18.76
2001	9.084.431	1.633.486	11.084.143	118,52	81,96	14.74
2002	11.361.033	1.085.126	12.594.055	113,62	90,21	8.62
2003	13.765.550	1.974.369	15.988.847	126,96	86,09	12.35

e. Growth of expenses and expenditure

The total operating expenses has recorded Rp. 3,2 trillion, an increase 0,4% compared to the previous year. The ratio of the expenses to the premium income has decreased from 30,5% to 25,3%. The investment return has increased from 5,3% in 2002 to 7,6% in 2003.

**GROWTH OF EXPENDITURE**

Year	Operating Expenses (Rp.000.000)	Against previous year (%)	Expense/Premium Income
1999	1.701.704	122,02	31,65
2000	2.333.614	137,13	31,75
2001	2.896.726	124,13	31,87
2002	3.464.453	119,60	30,49
2003	3.476.978	100,36	25,26



f. Productivity of agents and staffs

The total number of agents for Life insurance business at the end of 2003 has reached 76.093 people, an increase of 7% or 81.751 people compared to 2002.

Agents productivity in 2003 was 15,37 policies/agent, an increase of 3% or 14,57 policies compared to the previous year. At the end of 2003, the life insurance companies

**PRODUCTIVITY OF AGENT AND STAFF**

Year	No.of agent	No. of staff	New business individual policy	Total Policy inforce end of year	Agent's productivity	Staff's Productivity
1999	58.163	13.319	973.892	22.756.052	16,74	1.708
2000	66.74	13.892	946.399	22.590.735	14,18	1.626
2001	76.006	14.064	1.139.560	28.924.961	14,99	2.056
2002	81.751	14.047	1.191.455	31.190.122	14,57	2.220
2003	76.093	13.659	1.169.477	29.450.76	15,37	2.156

**5. Actuary Association Of Indonesia/Persatuan Aktuaris Indonesia (PAI)**

a. Head office address:

PT. Asuransi Jiwa Bringin Sejahtera,  
Graha Irama Lt.3, 5, 7 & 15,  
Jl. H.R. Rasuna Said Blok X-1 Kav. 1-2,  
Jakarta 12950  
Telp (+6221) 5261260  
Fax (+6221) 5261259

➤ Chairman : HK. Iskandar, MSc, MBA, FSAI

b. Number of members:

Details	Period of the members			
	2001	2002	2003	2004
ASAI members	170	180	183	185
FSAI members	106	114	118	124
Candidates	1320	1488	1571	1629

c. Professional Activity:

- To improve the quality of the Indonesian Actuaries
- Making the Actuarial Practical Standard
- Established the advanced Education program
- Making the procedure and standard of the fault, fee and discipline
- Improving the communication relationship for the members
- Improving the connection with other profession association

d. Educational Activity→ conducting the continuity Education Program

- Non Life Insurance Pricing [Casualty]
- Expense Analysis [life insurance]
- Procedures on the Premium Reserve of Life Insurance
- Reserve speciality in IBNR
- Non Life Insurance Specially car Insurance

e. Other actuarial professions involvement in areas

- International Actuarial association [IAA] → PAI still with the “observed membership of international Actuarial Association” status and waiting the decree to be the Full Membership of International Actuarial Association
- Society of Actuaries of China
- Asosiasi Dana Pensiun Indonesia/ADPI or Association of the Pension Fund of Indonesia
- Ikatan Akuntan Publik Indonesia [IAI]/ Association of public Accountant of Indonesia
  
- Future Prospect for the actuarial profession → To make the Indonesia’s Actuaries to be well known in International Area (as the fifth highest income gained profession) and to make the PAI to be the Full Membership of International Actuarial Association

## 6. Regulation

### a. Pricing liberalization

Based on the regulation from the Decree of Minister of Finance of the Republic of Indonesia Number 422/KMK.06/2003 concerning Insurance and Reinsurance Business Conduct on how Premium should be form (Point 19) stated that:

- (1) The premium rate should be based on the natural/normal assumption and the insurance practical in the society.
- (2) The Premium rate of loss insurance should be based and considered least by:
  - Net Premium which is counted based on the risk and loss profile of the insurance product for at least five years in a row.
  - Acquisition expenses, administration fee and other general fees.
- (3) The Premium rate of the life insurance should be done with the consideration based on:
  - Net premium which is counted based on the interest rate, the Mortality Table or the Morbidity Table which is used.
  - Acquisition expenses, administration fee and other general fees
  - Investment from premium’s prediction.

### b. Reserve accumulating method

Based on the regulation from the Decree of Minister of Finance of the Republic of Indonesia Number 424/KMK.06/2003 concerning Financial Soundness of Insurance and Reinsurance companies on how The Reserve should be makes (Point 28, 29, 30). It stated that:

- The number of the Reserve of the premium that not included as a Profit for Loss Insurance, at least:10% of the Net premium for the polis that NOT MORE than one month and 40% of the Net premium for the polis that MORE than one month.

- The build of the Claim Reserve for the Loss Insurance should be based on: (1) for the reserve that based on claim that still on progress, were counted by the normal estimation of the claim that has been done and has been reported but still on the process, including the expenditure of the adjuster of the loss of the insurance, subtracted with the claim of the reinsurance. (2) For the reserve of the claim that has been done but has not been reported yet (IBNR/ Incurred But Not Reported), counted based on the normal estimation on the claim that has been done but not reported using the Claim Ratio Method or using one of the Triangle Method), including the expenditure for the adjuster of the insurance's losses, subtracted by the claim of the reinsurance. (3) The use of the Claim Reserve Method in point (2), should be done in consistency.
- For the Technical Reserve of the Life Insurance business in the making of the Reserve of the premium including annuity, have to use the Prospective Method with the first year amortisation loading (30 %/ thirty per mile) from the sum assured, the interest rate which was used should be not more than 9 % for the sum assured in Rupiahs currency and not more than 5 % for the sum assured in Foreign Currencies. The number of the Reserve of Premium of the life insurance for the product that give benefit as a fund accumulation at least as much as that accumulation added with Premium Reserve for the mortality risk that are being deal with.

c. Future prospect

Based on the regulation from the Decree of Minister of Finance of the Republic of Indonesia Number 424/KMK.06/2003 concerning Financial Soundness of Insurance and Reinsurance companies on how The Liquidity, Solvability and Profitability of the Insurance and Reinsurance Company.