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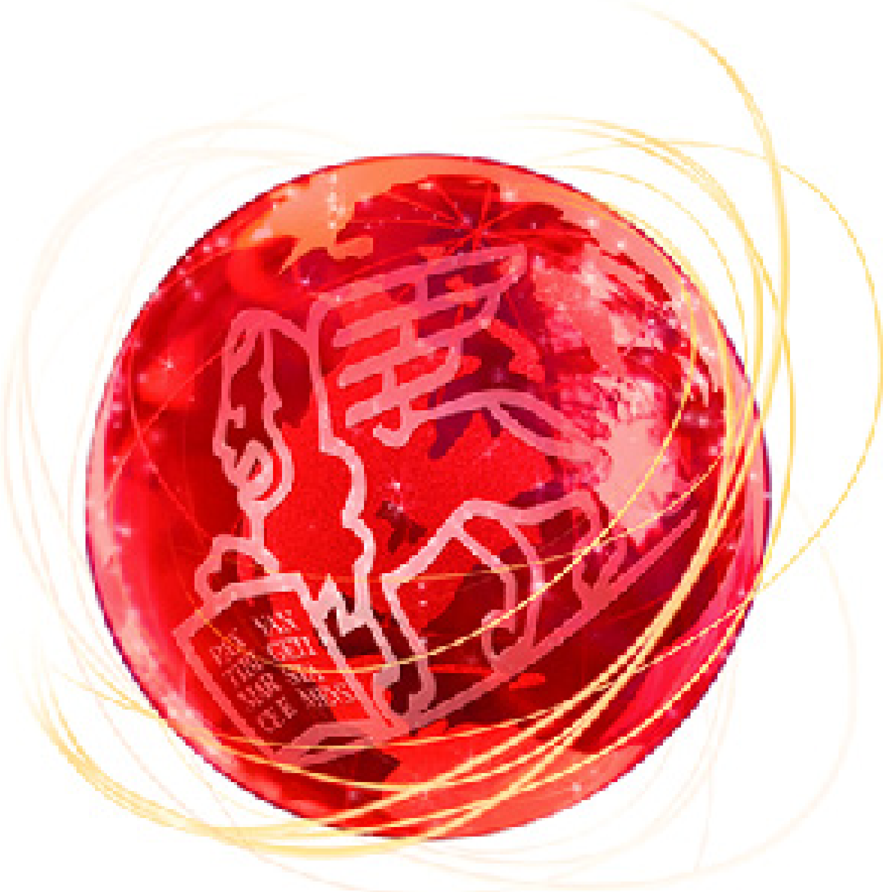
Employee Benefits Network - GEB

GEB News - July 2013



Generali Employee Benefits

Local protection, global connection

Head Office: Simona Frisoli - Marketing & Communication Manager Tel: +32 2 537 2760 Fax: +32 2 537 5266 e-mail: frisoli@geb.com
Editorial office: Generali Employee Benefits - Brussels email: marketing@geb.com web site: www.geb.com

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Editorial

Dear Readers,

As we reach the middle of the year, I am pleased to say that the GEB Network has been making great strides toward our vision of being the global employee benefits provider of choice. We have many projects and partnerships in the pipeline as we head into the second half of the year to continue progressing toward that vision.

Last quarter, we launched the Generali Multi Plan, the solution for small and medium businesses operating abroad and seeking to gain the benefits of multinational pooling. So far, we have seen a lot of interest in this new product from a new market segment and from brokers and consultants.

The new country benefits manual and iCBM iPad application were also launched and have been accessed and downloaded by numerous clients and consultants worldwide. As an invaluable resource for many benefits specialists, we are committed to improving and expanding the manual every year.

The end of June brought the end of what we call "pooling season," during which all the annual pooling reports are prepared and delivered to our customers. Once again this year, GEB has reaffirmed its commitment to timely service for its clients.

Furthermore, we are pleased to see the Generali Group making great progress toward building the Group's financial solidity and solvency under the direction of Group CEO Mr. Mario Greco. GEB has implemented new top solutions in Russia, Ukraine and Mexico – where the Group has disposed of its insurance operations – to maintain the quality service and global coverage that our customers have come to expect.

As a model for operational excellence within the Generali organisation, GEB will welcome Mr. Greco at its home office in Brussels, where he will meet with our talented staff. We look forward to showing Mr. Greco our passion for what we do at GEB.

In October, we will host the GEB Marketing Meeting in Portugal. This year's internal GEB Network event will be an outstanding opportunity to come together with our network partners, learn from one another and move forward to provide even better service to our clients.

We look forward to the second half of 2013, in which we anticipate more exciting developments and partnerships that will further strengthen our network and provide more for our clients.

Thank you for your time, enjoy the read and have a great summer holiday!

Best regards,

Mauro Dugulin
CEO, Generali Employee Benefits

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Generali CEO Mario Greco recognised by Institutional Investor

As Generali makes important steps towards the achievement of its strategic goals, the international financial community acknowledges the efforts of the Group and its management team in this process.

The prestigious New York-based magazine *Institutional Investor* has recently rewarded Generali by designating its Group CEO Mario Greco as the best CEO in the European insurance sector. This is the outcome of a survey conducted by the US publication among sell-side analysts who are asked to assess the effectiveness of top executives' actions.

This annual award goes to Generali for the first time, and is testament to the Group's strategy, its first tangible actions and the strong commitment by to communicating them to the financial community.

The entire list of top European CEOs is available at www.institutionalinvestor.com

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Successfully implementing an employee benefits captive

Dow Corning's recipe to transition swiftly and keep participation high

Background and overall results

Within a 16-month period, starting from scratch in September 2011, Dow Corning and GEB were able to include 89% of all eligible countries into the captive program by the end of 2012.

Throughout the 2013 renewal, all countries have so far been maintained in the captive.

Key drivers of success

Looking back at the implementation, the following elements could be identified as key drivers of success:

1) Close cooperation and direct communication

a) across functional borders

Dow Corning's HR and risk management functions worked closely together throughout the process.

Already in the RFP and provider-selection phase, a cross-functional team was assembled which assured that the captive program's strategy would reflect Dow Corning's corporate and HR/benefits strategy.

During the implementation the cooperation across functions allowed for the integration of different viewpoints, which included 'hard elements' like pricing/risk perspective as well as the 'softer aspects' of local service and effect on employee morale and retention.

b) across regional and local borders

Both Dow Corning's and GEB's global team served as a steering committee which delegated tasks to regional and local teams on a case-by-case basis to integrate all viewpoints while closely following up and intervening if needed. The effective communication across functions and borders helped to bring a comprehensive view to the program, balancing local requirements and advantages for the local subsidiary with the benefit of running a global program for Dow Corning as a whole.

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2) Clear underlying strategy and objectives for Dow Corning's global captive program

Another key driver of the implementation's success was the clear underlying strategy and objectives of Dow Corning's employee benefits captive program. These guidelines were developed in line with the company's global corporate and benefits strategy and objectives.

a) Pricing

Early on in the program the captive defined its goal to underwrite all contracts on a self-standing, long-term sustainable basis (no cross-subsidisation!) while taking into account local particularities and global reach of the captive program. The program seeks to strike a balance between global and local needs with the goal of finding the solution that best serves the overall interest of Dow Corning globally.

b) Participation

The use of a network insurance partner was strongly recommended in all locations where a local network insurer was able to offer the requested coverages. The local entity would have to provide a strong business case not to participate in the global EB captive program.

To be successful in this approach, the above described cooperation across functions and strong top-management support for the captive program are crucial.

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Country case studies – 3 specific examples

We have selected the following three case studies to further exemplify the successful implementation of the described principles:

Communication and dealing with local particularities – China

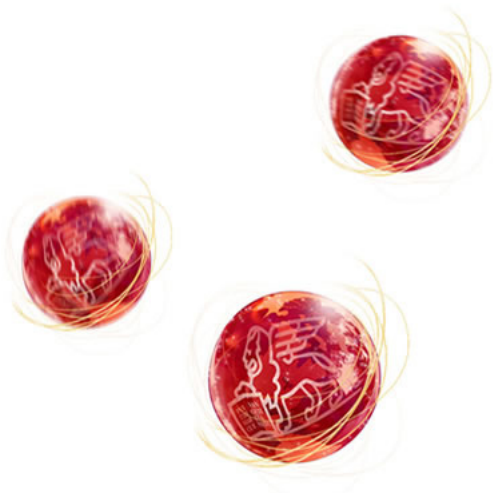
The medical program with the previous Chinese insurer had been underwritten on a cross-subsidised basis with the life coverage. So, the decision was made to bring China into the captive with the goal of further analysing the Chinese portfolio after the first experience year. The plan was to spread out the required rate increase to a long-term sustainable level over a number of years to alleviate the immediate pain for the local organization.

The claims experience in 2012 confirmed the hypothesis of the previous year and showed a high required technical increase on the medical coverage.

Dow Corning's and GEB's global and local teams then worked together to analyse the claims data:

The analysis of usage patterns and benefit design in combination with benchmarking showed that claims were mostly driven by shop-floor workers (as would be expected) and that catastrophic claims were within the norm. After further excluding individual high users as a specific driver and taking into account that benefit design was in line with the market (a 10% co-pay had already been introduced), the teams then confirmed the hypothesis formulated at captive inclusion that the medical coverage had been priced as a loss leader by the previous insurer.

Dow Corning's Chinese HR leaders then pointed out the importance of employee communication. As health costs are tied to an employee participation program, a sharp increase might associate the higher premiums for the local entity with the inclusion into the captive program. To prevent this impression, the global team then settled to proceed with the staggered gentle increase (about a fifth of the originally requested increase) to bring the coverage to a sustainable level over a number of years.



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Encourage participation – Russia

The local medical coverage for a small group was included in the captive program in 2012. A high loss ratio required a steep increase from a technical perspective. This prompted the local subsidiary to independently request bids from competing local insurers allowing for lower bids as past claims experiences are typically not shared in the Russian market.

At this point Dow Corning's global cross-functional team intervened, requiring the local subsidiary to stay with the program. A subsequent analysis identified catastrophic claims for two employees as main drivers for the negative experience. This led to the decision to consider the claims experience as a one-off adverse occurrence which would be absorbed by the global portfolio although future results would be monitored closely. As a result, the impact for the locals could be alleviated and the program was kept in the captive.

Empowering local decision-making through a data-driven approach – India

The renewal for India's medical coverage warranted a considerable technical increase due to the claims result.

Dow Corning's and GEB's global and local teams drilled down into the available data looking for ways to soften the required increase. As a result, a number of peak obstetric claims at high-end hospitals were identified as the main drivers for the result.

The team then used benchmarking information from Future Generali to compare with the general market and comparable companies. This showed that that private second-tier hospitals in the Indian market provided an advanced level of care at moderate costs and could be used as an alternative for secondary care and maternity cases. In agreement with Dow Corning's local subsidiary, the team then decided that incentivizing employees to use these second-tier private hospitals instead of the expensive high-end hospitals would be the best way to maintain the attractiveness of the local benefits package while addressing the specific drivers of the loss ratio.

So, instead of introducing a co-pay, the current maternity limit was reduced by 20% (from 50,000 INR to 40,000 INR). Thanks to this decision, the increase could be reduced to about a quarter of what had originally been required without any further action.

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GEB's Operational Excellence Recognised in Munich

The GEB Network attends conferences and seminars the world over as a recognised leader in the Employee Benefits sector. Recently at the first annual Operational Excellence in Insurance conference, the Network showcased its dedication to operational excellence and presented a case study on GEB's industry-leading captive solutions.

Sixty senior delegates convened in Munich on May 23 and 24 from countries ranging from Azerbaijan to Switzerland. Several global insurers were also present, including Zurich, Prudential, AXA, AIG, as well as regional players from emerging markets such as Egypt, Latvia, Mongolia and Saudi Arabia.

Generali Employee Benefits' delegates Marco Giacomelli, COO, and Fabiano Rossetto, CFO, were invited to participate as co-speakers. Together, they presented a case study, "Reinsurance to Captive programs for Employee Benefits: the experience of the leading global network in pursuing operational excellence".

The group of COOs, CFOs and heads of operations acknowledged GEB's model and noted several takeaways, even those professionals who manage operational realities of a much larger scale.

The industry recognition for operational excellence is a valuable testimony to GEB's leadership both in terms of market share and servicing capabilities. Following the Generali Group's high standards, GEB strives to provide clients with seamless integration of technical and administrative functions and a client-centric technology infrastructure. These efforts are key factors that drive the company's operational excellence. To continue shaping the Employee Benefits sector, GEB is committed to expanding its leadership across its entire spectrum of services.

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GEB & Generali Hellas

Generali Hellas organised a conference together with GEB with local brokers to present its Asset Pooling Solutions and the Generali Multi Plan to local brokers on May 15. The daylong event featured two sessions during which the head of GEB's Pension Unit Paolo Lippi explained the advantages of GEB's asset pooling solutions and area manager Lara Varjabedian presented the Generali Multi Plan to a group of 40 Greek brokers.

With the uncertainty around the Greek financial market over the past several years, some GEB clients requested Asset Pooling solutions for their employees in Greece to secure pension funds and centralise risk in one account. GEB developed the Generali Multinational Pension Solution (GMPS) to meet the clients' needs and proposed the asset pooling solution to brokers with clients who might benefit from a similar pension solution.

Likewise, GEB promoted the Generali Multi Plan as a solution for brokers that help the increasing number of Greek small and medium-sized businesses that are present in neighbouring countries such as Bulgaria, Montenegro and Serbia, as well as in Asia and the Middle East.

GEB & Generali France

Generali France recently organised a series of 'Journées partenaires', or partner days, with brokers across France. The events took place in the six regional cities of Strasbourg, Lyon, Porquerolles, Nantes, Lille and Bordeaux and addressed many of the issues facing the French insurance market, including pension reform, wellness, unemployment benefits, return-to-work initiatives and compulsory healthcare for all employers. GEB area manager Lara Varjabedian attended these events to present the Generali Multi Plan to regional brokers. Small and medium enterprises (SMEs) in France are very dynamic and becoming increasingly international, and smaller French brokers have been very interested in global Employee Benefits products for SMEs to prevent losing them to larger brokers. Just as France constitutes the GEB Network's largest portfolio, we have seen considerable interest in the Generali Multi Plan throughout the country.

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GEB Sponsorship in Europe

2013 Assurex Global EMEA Conference in Barcelona – May 21-23

Held at the Hotel Rey Juan Carlos, the internal Assurex Global event was a great opportunity for GEB to network with Assurex Global brokers. Both GEB area managers for Northern and Southern Europe, Sven Roelandt and Lara Varjabedian, attended the Assurex Global EMEA Conference in Barcelona.

GEB participated as one of six sponsor insurers and had the chance to highlight the Generali Multi Plan as a solution for global small and medium businesses. Afterward, there was a debate between the six insurance providers and how they could work more closely with Assurex Global moving forward to better serve clients. With no other Life insurers in attendance, GEB was able to highlight its global employee benefits capabilities.

4th Annual Total Compensation & Benefits Conference in Brussels – June 18-19

For the first time, the GEB Network sponsored the Total Compensation & Benefits Conference. The event welcomed nearly 100 Employee Benefits specialists and staffing executives from all over the world. Regional manager Isabelle Séculier, area manager Sven Roeland, and client service manager Isabel Rabadan attended the event on behalf of GEB.

Leading speakers from Compensation & Benefits, Rewards, Recognition and HR shared their expertise along with winning practices, strategies, internal case studies and take home action plans.

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Norway: new possibilities with proposed corporate pension plans

With the new suggested corporate pension legislation, Norwegian companies will be able to customize corporate pension plans to the new social security reform beginning in 2014. The proposed policy seeks to take the best features of defined benefit (DB) and defined contribution (DC) plans, providing opportunities to adapt current pension plans to today's realities

Draft rules from the Banking Law Commission indicate that existing DB plans must be transferred and adapted to the new corporate pension plan or a DC plan, but no earlier than 2018. However, the final legal mandate remains to be decided.

When the new social security system was amended in 2010, flexibility and incentives for longer careers were central objectives. Similar changes followed to establish rules for early retirement in the private sector. The Banking Law Commission's purpose is to find solutions for corporate pensions that are based on the same principles.

The new bill proposes that:

- All years shall count when pension is calculated.
- Preliminary maximum limits for total pension premium:
  - Salaries <7.1 G*: 8%
  - Salary 7.1 G - 12 G: up to 25%
- The aim is total pension of 66% of salary after 40 years of qualifying.
- Opportunity for both asset management solutions with a guaranteed interest and individual management of pension funds.
- If members of the pension plan die, the accrued pension fund will be transferred to the insurance community (and not to the surviving spouse as for DC plans).
- Introduction of age adjustment and division number for the pension payment like the rules in the new social security.

It is worth noting that the Commission will begin looking into how today's products can be converted to the new suggested solutions. Insurers, companies and employees all hope the Commission will implement flexible options for smooth transition for all parties.

Further efforts will also include an evaluation of the maximum limits for DC plans. Our partner in Norway DnB expects that the limit will be increased in line with the framework proposed in the new occupational pension product. We cannot expect to know how existing and new pension products will be linked together before the end of 2013.

The study and subsequent legislative process dictate that new occupational pension product, the transitional rules for DC and the new maximum limits for DC will be effective as of 2014.

*Grunnpensjon - a base rate used as the basis for calculating the Norwegian state pension.

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Thinking internationally for a global comeback

Companies must "think internationally," compels the crisis. The stagnation of domestic demand has encouraged Italian businesses to look with interest to foreign markets, especially those in Asia and Europe. But are companies ready and prepared to face these challenges? This question and potential ways to enter these new markets were at the heart of discussions at the Business Lab Meeting organized by Generali Italia, Agency of Montebelluna / Quinto di Treviso.

The meeting was opened by Michela Matarazzo, professor of Economics and Management of International Companies in Rome at "Università degli Studi Guglielmo Marconi" and author of the book *The international strategies of medium-sized enterprises.* "The success of entering the global market relies primarily on the effectiveness of companies' strategies," explained Ms. Matarazzo, "and therefore on the thorough evaluation of their targets and knowledge of foreign markets".

Mr. Manlio Lostuzzi, Chief Insurance Officer of Generali Italia, Mr. Giampaolo Petroni, Head of Corporate Multinational Programmes and Mr. Andrea Valacchi, EMEA Director of Generali Employee Benefits, illustrated different programmes and tools to assist companies enter new markets and answered questions that the audience raised.

This event represented an opportunity to focus on the expansion of local companies outside Italy through a concrete and operational approach. What kind of support can a small-sized company receive to expand abroad? What countries are covered by the insurance system? What are the incentives in outside markets? These are some of the questions the speakers addressed, while stressing, among other things, the importance for companies to be aware and prepared for the risks of an international adventure. Global expansion can be a driving force in company revitalisation, the speakers advised, as long as the entrepreneurs maintain an open-minded approach.

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Ingosstrakh returns to GEB Network

Russian insurer Ingosstrakh Insurance Company has returned to the GEB Network after the sale of Generali PPF Russia to PPF Group. Ingosstrakh will provide GEB clients with Life, Accident, Disability, Medical and Pension coverage in Russia.

Ingosstrakh Insurance Company has operated in the domestic and international markets since 1947. It is currently the largest federal insurance company and one of the leaders of the national insurance market for insurance premium volume, insurance indemnity amount and according to key balance sheet figures.

Ingosstrakh's share of the medical market was 7.2% in 2012, and the company was the second largest insurer on the market. Their network of the clinics counts more than 5,500 medical providers throughout Russia, including 550 facilities in Moscow alone.

Also, Ingosstrakh fully owns a network of clinic's called "Be healthy", allowing for full control of quality, scope and terms of medical care and guaranteeing high quality of medical services and optimization of insurance rates.

Ingosstrakh's share of Life coverage was 5% of the Russian market in 2012. The company has a wide footprint in the Commonwealth of Independent States (CIS) region. GEB's clients have reported good service, timeliness and reliability.

GEB is proud to renew its partnership with Ingosstrakh and looks forward to a future in Central and Eastern Europe with the group.

GEB hosts 12th Annual Latin American Conference in Miami

On April 9-12, GEB's 12th Annual Latin American Conference took place in the capital of Latin America: Miami. All network partners and members of GEB's executive committee came together for a successful event.

For three days, the group worked intensively together over three main sessions. One session focused on GEB, the company's happenings, activity, results and regional and global projects. The conference dedicated another section to brokers and consultants, who discussed market developments on Wellness (Marsh Mercer), Talent Retention (AON) and Market Intelligence (AMI). The final session centred on strategic partners, such as Europ Assistance, GMMI and Memorial International. The conference concluded with a gala dinner with clients and international benefits brokers from the Miami area.

As part of the conference, GEB also hosted a well-attended technical reinsurance seminar led by Mrs. Serena Longaro, manager of GEB's reinsurance department and captive solutions, and her team. Participants gained awareness and expanded their knowledge of GEB's reinsurance structure in order to strengthen the bonds of shared responsibility between GEB and its local partners through service level agreements and provide better service for clients.

Latin America has emerged as one of the most promising developing economies with many possibilities for growth. The region's staggering growth supports the Employee Benefits market, and our regional office in Miami has become a strategic hub for managing and coordinating our network's activities in Latin America.

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GEB's Asia-Pacific Reinsurance Seminar – Bangkok 2013

The highly anticipated Asia-Pacific Reinsurance Seminar, the third of its kind, was held in Bangkok, Thailand, from May 27-29.

The seminar was an open discussion with our local partners in the Asia-Pacific region to explain GEB's requirements, learn more about local features and find common best practices in order to achieve the best results from our reinsurance relationship and thus provide our local and international clients with outstanding services.

As face-to-face meetings with our Asia-Pacific region carriers are rare, the seminar was an excellent opportunity to meet with the people that we are regularly in contact with through email or by phone. The event provided a great and open platform to exchange ideas.

The Reinsurance Seminar was a great event that allowed us to better explain the clients' needs and find common solutions to provide them with timely information and superior service.

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Country focus: Indonesia

Indonesia is an insular bridge between two continental masses, Asia and Australia, extending along the equator for about 5,000 km. An archipelago with a total area of 1,910,931 square km, it comprises nearly 18,000 islands, of which 6,000 have a permanent population and 5,000 attract frequent visitors. It has often been described as a "country of water", a definition corresponding to the Indonesian term *tanah air kita* which, freely translated, means "our homeland", but in fact underlines the dual nature of the territory, earth (*tanah*) and water (*air*). As a result of its physical conformation, Indonesia is home to a variegated universe of cultures, histories and traditions. The official language is *bahasa indonesia*, but there are at least 300 spoken languages and dialects, so that, for many of its inhabitants, Indonesian is their second language. Becoming independent in 1945, Indonesia is now the world's third democracy, with an economy that has grown steadily over the last few years.

Bhinneka tunggal ika, "unity in diversity"

The term Indonesia is a recent name for the islands that form the world's largest archipelago: it was coined by German geographer and ethnologist Adolf Basian (1826-1905) to emphasise its insular conformation (*nesos* = island) and pervasive Indian culture, a characteristic of Southeast Asia in general. In fact, it was always known by the Dutch colonisers as the *Nederlandsche Indië* (East Indies or Dutch Indies). On August 17, 1945, from a crumpled piece of paper destined to become a historic document, the future president **Sukarno** (1901-1970) read Indonesia's unilateral proclamation of independence, thereby sanctioning the birth of a new state after more than 300 years of Dutch colonial rule. *Bhinneka tunggal ika*, "unity in diversity", became the country's national motto. The struggle against colonialism fuelled the new nationalism and reawakened a common sense of pride among the Indonesian population; but once independence had been won, the countless ethnic groups found themselves facing a far more complex reality: the central government remained in Java (the world's most populous island, with a surface area of 132,000 km^2, 114 million inhabitants and a density of 864 inhabitants per km^2), the national language is *bahasa Indonesia*, and yet it was the people themselves who still had to learn to feel united by a common motherland. The process of unification was based on *Pancasila*, the philosophical foundation of the united Indonesian state, a system of principles that all future Indonesians could embrace. *Pancasila* consists of two Old Javanese words rooted in Sanskrit, "*pañca*", which means five, and "*sīla*", which means principles. These principles are regarded as inseparable and interrelated:

- belief in the one and only God
- just and civilised humanity
- the unity of Indonesia
- democracy guided by the innate wisdom in the unanimity arising from deliberations among representatives
- social justice for all the people of Indonesia

A solid, flourishing economy

The size of the archipelago means that, thanks to the domestic private spending of almost 250 million inhabitants (which in 2011 accounted for 55.6% of GDP), Indonesia is less dependent on international trends than other countries in the region that are primarily trading nations. It was private consumer spending and investment that enabled the country to overcome the global credit crunch in 2008/2009 reasonably well. The latest data released by the Badan Pusat Statistik (BPS), the national statistics institute, on the country's economic fundamentals reflect the excellent recovery of the Indonesian economy and a return to growth at pre-2009 crisis levels, with GDP growth at +6.5% and inflation under control at 3.79% in 2011; the figures confirm the capacity for recovery and the solidity of the leading economy of the Association of Southeast Asian Nations. It is worth noting that, since 2004, Indonesia has recorded steady growth of more than 5%, one of the best rates in the Asian area (second only to China and India in 2009).

In absolute terms, Indonesian GDP was US$ 847.4 billion in 2011 (7,427.1 trillion rupiah, IDR) compared with US$ 713.7 billion in 2010, which in IDR, i.e., without the exchange-rate effect, was an increase of 15.6%. Per capita income is also improving significantly, rising from US$ 2,981 in 2010 to US$ 3,509 in 2011 (+17.7%). Meanwhile, the World Bank has estimated that Indonesia's middle class expanded by 61.73% from 2003-2010 (from 81 million to 131 million), a faster growth rate than China's middle class.

The insurance industry

This is the background for the healthy development of Indonesia's insurance market, a sector that has shown significant growth in the last few years in both life and P&C, with aggregate premiums almost doubling over five years. In 2011 aggregate premiums increased from US$ 8.643 billion in 2010 to US$ 10.444 billion (with life insurance accounting for 70.3% of the total). The amount is close to 1.6% of GDP.

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Insurance penetration in Indonesia is still very low, at 1.7%, significantly less than the 4% recorded by neighbouring countries like Singapore or Malaysia. Yet the national insurance sector is reporting impressive progress in all segments. In 2010 Life premiums totalled € 6.314 billion, while P&C, which accounts for 25.0% of total premiums (Life and P&C), amounted to € 2.103 billion.

The unfavourable economic conditions in the industrialised countries will have a negative impact on the emerging countries' markets, although the effect on Indonesia, as noted earlier, will be contained by the considerable size of its domestic market.

The Indonesian insurance market is one of the fastest growing in the world, reporting 23.2% growth in 2011.

According to BAPEPAM-LK, the Financial Institution and Capital market Supervisory Agency, which also monitors the insurance industry, about 10% of the population purchased some form of life cover in 2012, mostly micro policies.

A series of major reforms are being introduced in the insurance sector to bring local laws and regulations in line with international standards. Parliament has approved a new framework law on financial services, for example providing for the creation of the Otoritas Jasa Keuangan (OJK), an independent financial authority which, since 1 January 2013, has taken over from the BAPEPAM-LK in regulating and supervising the insurance sector. In the run-up to full application of the ASEAN Free Trade Area (AFTA) in 2015, the reforms also establish measures aimed at aligning minimum solvency margins. Although this particular measure has helped consolidate the market, so far it has not fuelled a real wave of mergers and acquisitions. However, the number of insurance companies continues to decrease, with a 10.2% reduction between 2006 and 2010.

At the moment, the first five companies account for 38.6% of the market, a share that rises to 57.2% for the first 10 insurers.

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Business progress has been particularly significant in the life segment, where a growing middle class has taken advantage of an increasingly broad range of insurance products. According to BAPEPAM-LK figures, the 26 life insurance companies (of 46 companies) offered mostly investment-linked and healthcare products. Despite a 175% increase in premium volumes from 2006 to 2010, insurance penetration in this sector continues to be less than 1%, in part as a result of a low level of awareness and understanding of social security concepts. Nevertheless, all players agree that their business operations have improved significantly thanks to a series of factors, including:

- the rapid expansion and improved performance of the agency network
- the development of bancassurance ties with the country's leading banks
- the development of new insurance products

The P&C market, on the other hand, is highly fragmented with 84 companies. While legislation to make motor insurance mandatory has yet to be introduced, the P&C business continues to be driven by the motor segment (45.8% of P&C business volumes), which in 2011 reported 894,164 new vehicle registrations, up 17% from the previous year. In 2009 there were 79 cars on the roads per 1,000 inhabitants.

An area of particular interest is Nat-cat insurance. Indonesia has the most active volcanoes of the so-called Pacific Ring of Fire, an area with frequent earthquakes and volcanic eruptions extending along almost the entire terrestrial equatorial circumference. Considering that 90% of the world's earthquakes occur within the Ring of Fire – the December 2004 tsunami, the Nias earthquake in 2005 – purchase of policies against damage from seismic events continues to be very low in Indonesia. In 2003, in cooperation with the Ministry of Finance, the insurance industry formed a National Earthquake Insurance Pool, subsequently transformed into a catastrophe reinsurance company, whose partners – all of Indonesia's insurance companies – are required to provide from 5 to 25% of all premiums underwriting seismic risks.

The government and insurance industry association are examining the possibility of mitigating major risks – also in light of Indonesia's growing urbanisation and economic growth – by drawing up an ad hoc financial strategy to deal with the risks of nat-cat events.

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A potential key driver of the insurance market is *takaful*, a type of Islamic insurance based on Sharia, which has particular appeal in Indonesia as home to the world's largest Muslim populations. To foster the development of the takaful industry, legislation will have to be modified in order to gradually improve its legal and operating bases. At the moment there is no separate licence for takaful operations, which are usually handled by a special unit of an insurance company. A decisive legal reform envisages the spin-off of these units into fully fledged takaful insurers. The result should be a significant increase in takaful business volumes in Indonesia, which in 2010 amounted to US$ 400 million, with annual growth of 33% in from 2007 to 2010. The country with the most developed takaful sector, with volumes of approximately US$ 1 billion, is Malaysia.

Another sector with excellent growth potential is micro insurance, given that most of the population lives in rural areas, where poverty is common. Microinsurance meets the various requirements of people's lives, with life assurance and covers against accidents, illness, theft, natural catastrophes and so on, although the most developed area is life assurance. Even so, the life segment suffers from a series of difficulties preventing it from realising its full potential. One of the issues is the lack of infrastructure, and of statistics and data such as the historic data used by insurance companies to draw up mortality tables, compute premiums and so on. Indonesia is also hampered by difficulties in distribution and new product development, due to its highly complex geographical and cultural conformation as an archipelago with 18,000 islands.

The National Social Security System works alongside the private insurance market and is a system for the administration of social security programs by several administering bodies. It is a state program that aims to provide a guarantee of social protection and welfare for all the people of Indonesia.

The service fulfils basic needs and provides an adequate standard of living for citizens in the event of loss or reduction of income as a result of illness, work-related accident or injury, loss of employment or retirement.

The provision of the social insurance programs in Indonesia is administered through mechanism of social insurance, social assistance, and/or compulsory contributions.

Participation in social security is compulsory for all citizens (civil servants, members of the military/police, government officials, private sector employees, informal sector workers and persons living in poverty).

Contributions are paid jointly by employees, employers, and government. The funds belong to the participants. Poor and disadvantaged people are entitled to assistance for insurance contributions and premiums, and the accumulated contributions and premiums become common funds, meaning that the person concerned has no claim to these funds in any event.

Outlook: analysts agree that prospects are bright for the Indonesian insurance industry, thanks to the positive trend in domestic consumer spending, growing household wealth and massive investments in infrastructure which are fuelling demand for all types of insurance cover. With a population of more than 240 million people, over half of whom are under 29, a growing economy, high propensity to save and low insurance penetration, the outlook is positive. A clear reflection of this is the significant presence of foreign insurance companies.

International companies are an important presence on the Indonesian insurance market. They include PT Prudential Life Assurance, the leading life player with a market share of 13.9% in 2010, followed by Allianz, AIA, Manulife and AXA Mandarin. The top twenty companies in the P&C segment include four international players.

Generali Indonesia

The Generali Group entered the Indonesian life insurance market in January 2009.

In Indonesia, Generali implements a multi-channel distribution strategy based on bancassurance and corporate clients, as well as on the agency network set up in 2011 and still being expanded. With 47 agencies operating to date across the country, the network provides Generali with geographical and service distribution capacity. The company also distributes its life products through alternative channels such as micro-finance companies.

In a country where more than half of the population is under the age of 29, innovation is an important point of focus for Generali Indonesia. The company is a pioneer in insurance investment solutions for the retail market. It offers insurance products with its registered proprietary Automatic Risks Management System (ARMS), which uses a balancing mechanism, customized for every client, to protect and maximise invested assets.

For its clients, Generali Indonesia has also developed the iSERVICES, iCLICK and Smartphone Application online platform and, for its agency network, the iCONNECT portal to facilitate access, transparency and speed. With these services, members can check claim progress and obtain information on benefits and providers. This application also helps member to find the easiest route to hospitals and clinic providers.

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"In a country which expects to have 100 million internet users by 2016 and is the world's fourth-largest market for Facebook, after the USA, Brazil and India, Generali Indonesia has positioned itself as a dynamic, innovative insurer using technology to create insurance solutions tailored to its clients and assist its agents," says Roberto Gasso, Business Performance Manager, Asia.

"Indonesia today is the world's sixteenth-largest economy and is expected to rise to seventh place by 2030. The consuming class will expand from 45 to 135 million people by 2030, an increase of 90 million in just 17 years, which confirms the excellent growth potential of the Indonesian life insurance market".

Generali Indonesia & Generali Employee Benefits

As a member of the GEB Network, Generali Indonesia engages closely with GEB in the provision of Employee Benefits solutions such as Group Life, Group Accident and Medical plans for multinational corporations and captives.

"Since 2009, Generali Indonesia has grown rapidly including our employee benefits business," said Edy Tuhirman, President Director and Chief Executive Officer of Generali Indonesia. "In 2009, there were only four clients with around 1,300 members, now we are serving 244 companies with more than 100,000 members."

The full range of employee benefits risk insurance products offered through multinational pooling or local arrangement arrangements include:

- Group Term Life
- Group Personal Accident (AD&D)
- Group Hospitalization (inpatient & outpatient)
- Group Dental
- Group Maternity
- Group Vision

Generali Indonesia has also provided wellness programs to promote employee health. Generali Indonesia believes that promoting wellness enhances the quality of life of the members and at the end it result to long-term relationship with clients. Examples of wellness programs include health talks and wellness brochures.

Generali Indonesia offers cashless medical services via a 'membership card' to employees and dependents. With a broad network of over 470 hospitals in Indonesia via Admedika, employees and dependents are assured of quick access to the panel of hospitals for both in-patient and out-patient services. Benefits coverage is customized according to each multinational employer's requirements.

Original article published in May 2013 by Franco Esposito-Soekardi from Generali Group Marketing & Communication. Additional contribution on Employee Benefits by Generali Indonesia.

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