

## Factsheet microinsurance business model

# Indonesia: SiPINTAR, an Asuransiku (microinsurance) and Emasku (microinvestment) Hybrid Product

### The challenge

Indonesia, an archipelago of about 13,446 islands and more than 255 million people, has a low index of financial services literacy, mostly in insurance sector, leasing, pension fund and stock market.

The national survey on financial literacy on the first semester of 2013 with 8,000 respondents from 20 provinces suggest that those who are insurance literate and buy insurance products is only 17.84% while around 39.8% is not literate at all. This condition is persistent due to various reasons such as lack of education, lack of awareness on insurance, high distribution cost to the remote islands, inaccessibility to financial institutions, trapped to individual money lenders, the habit of the low income sector to always look for an instant result, and the misconception that bad things happen in human life due to God's will that have to be accepted.

### Enabling policies and regulations

On 2013, the Indonesia Financial Service Authority or Otoritas Jasa Keuangan (OJK) launched a **National Strategy for Financial Literacy (FinLit)** with the aim of increasing public literacy and increasing utilization of financial products and services. The national FinLit strategy comes with three pillars: 1) Education and National Campaign of FinLit, 2) Strengthening of FinLit Infrastructure; 3) Product and Financial Service Development.

To have more focused strategies for the insurance sector, OJK on October 2013 jointly with the insurance associations launched the **Grand Design** for the Development of **Indonesia's Microinsurance** market. The Grand Design defines microinsurance in terms of its scope, limits and eligible market participants. It encourages innovation in product design and

distribution. It elaborates the value chain of microinsurance delivery in the concept of SMES, i.e. microinsurance should be **Sederhana (Simple), Mudah (Easy), Ekonomis (Affordable), and Segera (Fast)**.

On September 2016, Indonesia President Widodo has issued Presidential Regulation No. 82/2016 which effectively institutionalized the National Strategy of Financial Inclusion (SNKI). The SNKI serves as policy guidelines for ministries, government agencies, and other relevant stakeholders toward achieving the government's financial literacy target.

### SiPINTAR investment and insurance benefits

For 12 monthly instalments of IDR 45,000 (USD3.4) investment, the client can own one gram of fine gold upon the last instalment. While saving for gold, SiPINTAR provides an accidental death and disablement benefits of IDR 30 Million (USD2,250) for an annual premium of IDR 50,000 (USD4).

The two packaged micro financial products are delivered through the network of Pegadaian pawnshops across the country.

SiPINTAR package	
Asuransiku (microinsurance)	Emasku (microinvestment)
<b>Benefits:</b> Indonesian Rupiah (IDR) 30 million for death and total permanent disability due to accident	<b>Benefits:</b> One(1) gram of fine gold is given to the client upon the last instalment
<b>Annual premium:</b> IDR 50,000	<b>Down payment:</b> IDR 100,000 <b>Instalment:</b> IDR 45,000/mo. X 11
<b>Enrolment/distribution:</b> Pawnshops of Pegadaian, then activation of microinsurance policy through scratch electronic card	
<b>Client eligibility requirements:</b> 17-64 years old	
<b>Claims procedures:</b> Report loss through SMS ; 10 days to pay the benefits	



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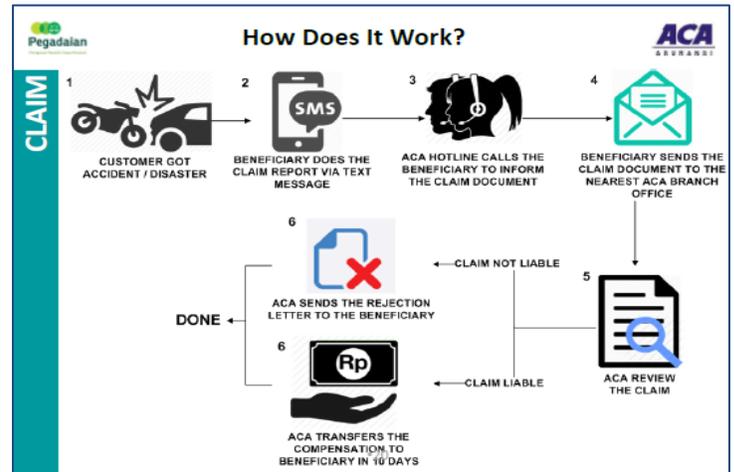
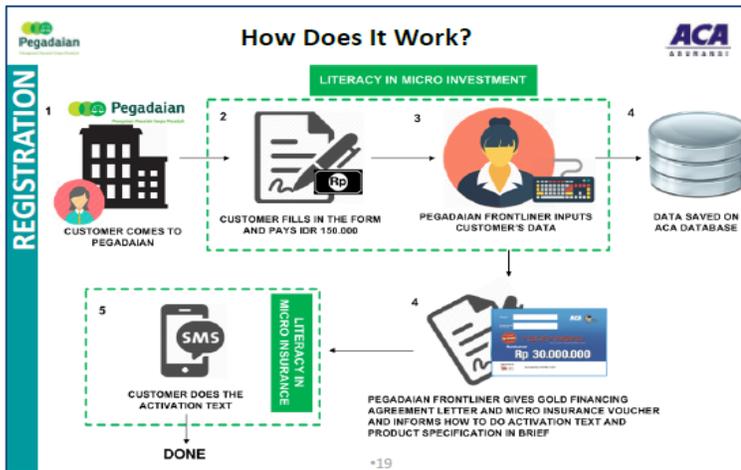
## Synergy of two business models

The microinsurance (Asuransiku) component of SiPINTAR is being underwritten by the **Asuransi Central Asia (ACA)** and distributed in the network of **Pegadaian Indonesia** pawnshops nationwide. The partnership aims to reinforce each other's sales target while serving the low income sector.

ACA is a local private non-life insurer with 60 years of experience in Indonesia insurance market. ACA is known as one of the leaders and respected private insurance companies either in local and regional reinsurance market. Supported by 67 branches and representative offices nationwide, ACA shows

the rests are from micro business 1.93%, gold 0.43% and other services 0.76%.

ACA and Pegadaian have a contract whereby all tasks, duties, rights and obligations of parties are clearly stated. The main duties of Pegadaian's field officers are: 1) offer the product, 2) receive the insurance premium, and 3) data entry by using Pegadaian's system. Other than carrying the risk, ACA also conducts training of pawnshop front liners who are responsible in offering SiPINTAR. It provides commissions and additional incentives to the pawnshop branches that have met their sales targets.



her high interest in developing microinsurance in Indonesia through its commitment to explore microinsurance combining with the local wisdom which blends into a unique microinsurance product for Indonesian low income society. ACA offers various microinsurance products such as for dengue fever, earthquake, fire, and micro and small business interruption.

Pegadaian Indonesia, a state owned entity with 115 years of service, carries out a noble mission to support government's program in economy and national development and to increase the welfare of the low income people. The sources of business of Pegadaian's 3,812 branches nationwide is dominated by pawning service that contribute 96.88% of the total portfolio;

## Product experience

SiPINTAR was launched on Dec 2015. The target clients are the walk-in customers of the pawnshop. As of September 2016, the product has generated over IDR 1 Billion in total premiums from about 27,000 customers. Four (4) beneficiaries had received claim pay out so far.

ACA recognizes that the pawnshop officers in rural areas are closer to customers therefore they can take up more roles in the claims handling. After having a good insights during the field visit to Cebuana Lhuillier pawnshops in the Philippines on July 2016 (a similar model of microinsurance distribution through the pawnshops), ACA is now considering other options to speed up the claims payment via the Pegadaian branches.



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