

COUNTRY PROFILE INDONESIA

www.lloyds.com/IndonesiaMI

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MARKET INTELLIGENCE
YOUR GLOBAL ADVANTAGE

KEY FACTS

FULL NAME / CAPITAL CITY: Republic of Indonesia / Jakarta

LANGUAGE: Javanese (41%), Sundanese (15%), Other or unspecified (44%)

MAIN EXPORT PARTNERS: Japan 16%, China 11%, Singapore 9% (2012)

MAIN IMPORT PARTNERS: China 15%, Singapore 13%, Japan 12% (2012)

MAIN EXPORTS: Oil and gas, electrical appliances, plywood

MAIN IMPORTS: Machinery and equipment, chemicals, fuels

GDP (PPP): US\$ 1,306bn (Global Rank #15)

POPULATION: 248m (Global Rank #4)

IMF CATEGORISATION: "Emerging / Developing"

	2012 Rank	2013 Rank	Change in Rank
EASE OF DOING BUSINESS:	129	128	↑ 1
COMPETITIVENESS:	46	50	↓ -4
FREEDOM FROM CORRUPTION:	113	98	↑ 15

DISASTER	YEAR	ECONOMIC COST (US\$ x 1000)
Wildfire	1997	8,000,000
Earthquake	2004	4,451,600
Earthquake	2006	3,100,000
Earthquake	2009	2,200,000
Wildfire	1998	1,300,000



Source: Disaster Statistics based on: Prevention Web (2013); Export Statistics based on CIA World Factbook; Doing Business Indicators based on Doing Business (2013), World Economic Forum (2013), Index of Economic Freedom (2013); Key Facts based on CIA World Factbook (2014), IMF (2014)

KEY STATISTICS

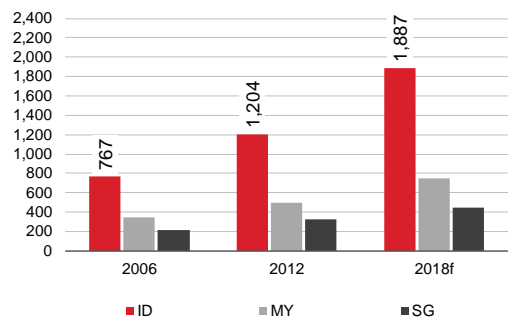
GOVERNANCE INDICATORS

Percentile Rank (1-100) 2012

	ID Indonesia	MY Malaysia	SG Singapore
Government Effectiveness	44	80	100
Political Stability and Absence of Violence/Terrorism	27	45	97
Control of Corruption	29	66	97
Regulatory Quality	43	70	100
Rule of Law	34	66	96
Voice and Accountability	51	38	54

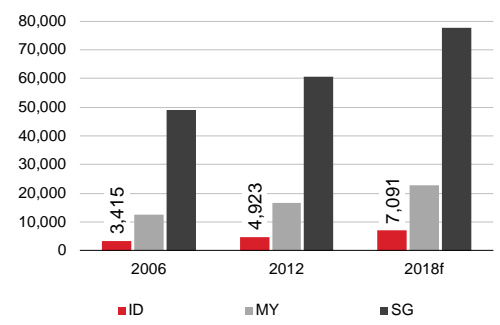
SIZE OF ECONOMY

Purchasing Power Parity (PPP) basis in International \$ bn



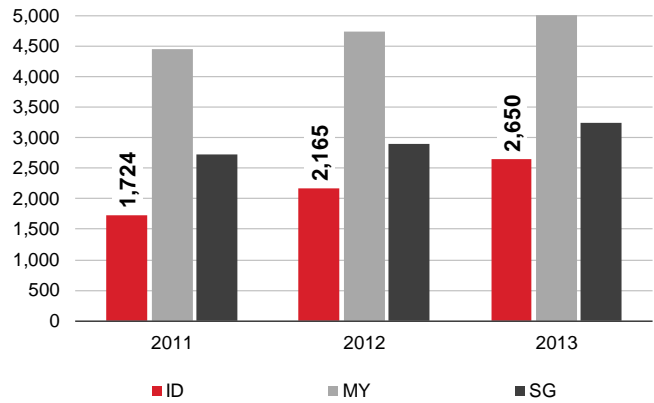
WEALTH PER CAPITA

Purchasing Power Parity (PPP) basis in International \$



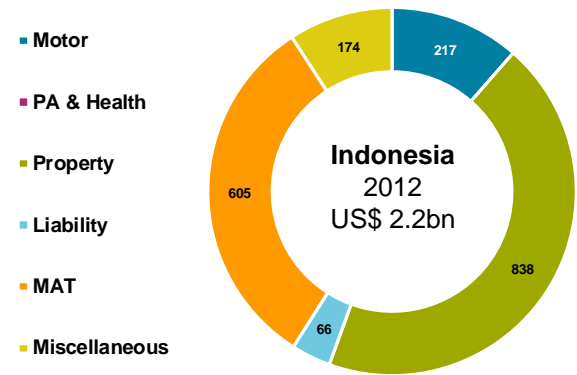
TOTAL NON-LIFE DIRECT INSURANCE MARKET*

Premiums in US\$ m



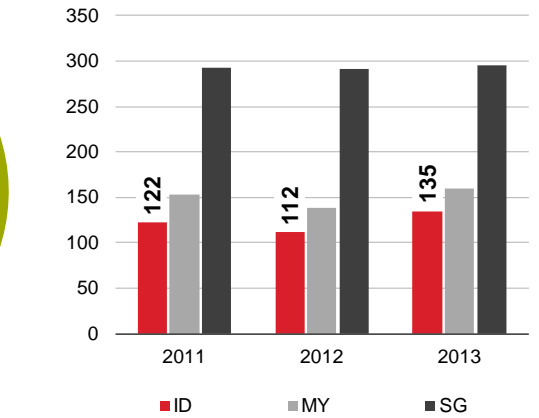
NON-LIFE DIRECT INSURANCE MARKET

Premiums in US\$ m; by OECD Class



LLOYD'S GROSS SIGNED PREMIUMS

Gross Signed Premiums in US\$ m; by country of origin



All data, sources & data limitations are available for download at www.loyds.com/comparecountries; * 2013 total non-life based on CAGR projection

LLOYD'S TRADING POSITION

Indonesia

www.loyds.com/crystal

Insurance: No (with exceptions)

Reinsurance: Yes (on a cross-border basis only)

Coverholders: No



BUSINESS ENVIRONMENT

Unofficial results from the 9 April legislative elections indicate that no party would win enough votes to be able to nominate a presidential candidate without entering into a coalition, thus decreasing the likelihood of a strong government. The results indicate that there will be a fragmented parliament with the opposition Indonesian Democratic Party – Struggle (Partai Demokrasi Indonesia – Perjuangan, PDI-P) unlikely to have won enough votes to enable it to appoint a presidential candidate on its own. The PDI-P presidential candidate Joko Widodo, popularly known as Jokowi, remains favourite to win. However, his prospects have become less assured as has his capacity to reinvigorate the government.

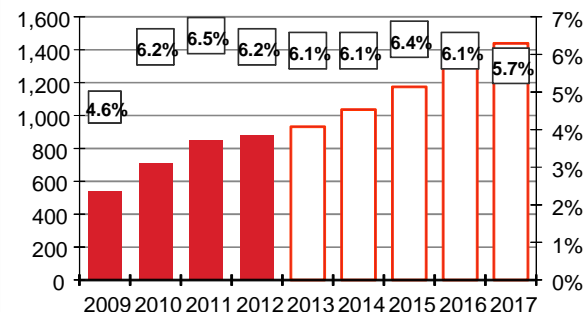
President Susilo Bambang Yudhoyono's government is likely to struggle to implement major reforms and policy changes during its remaining term. The legislative elections were held in April and the first round of the presidential election will be held in July. With Yudhoyono constitutionally banned from a third term, political uncertainty and party manoeuvring are on the rise. Political parties are now focusing on scoring short-term political victories rather than driving long-term policy initiatives. The new president will be sworn in during October, which means that any major policy initiatives are unlikely before then.

The near-term economic outlook has stabilised. The economy grew 5.8% in 2013, one-tenth better than IHS anticipated. Private consumption and investment did better than expected during the fourth quarter, suggesting that domestic demand remains quite resilient. Meanwhile, the trade and current-account deficits have narrowed sharply, allowing the rupiah to appreciate noticeably in recent weeks. These dynamics are favourable for near-term growth. We upgraded the 2014 growth forecast by two-tenths to 5.2% in February and are retaining that projection unchanged for the time being.

Monetary tightening looks to have ended. Bank Indonesia had been at the forefront of global monetary tightening, having raised its policy interest rate by 175 basis points between June and November 2013. Since then, it stayed on the sideline and has signalled a preference for non-interest measures to ensure macroeconomic stability. The sharp reduction in the current-account deficit during the fourth quarter has helped stabilise the rupiah. Recent declines in inflation, resumption of capital inflows, and persistent rupiah appreciation since the start of the year eliminate the need for further rate hikes.

GROSS DOMESTIC PRODUCT (GDP)

(nominal GDP levels in billion US\$; Real GDP change)



TOP-10 SECTORS (BY VALUE ADDED)

(value added in billion US\$ & 2014 Change in real %)

TOP SECTORS	2012 Value Added	2013 Percentage Change
1. Agriculture	134.1	3.0
2. Construction	91.6	7.9
3. Mining of Metals and Stone	60.5	7.3
4. Wholesale Trade	53.8	6.6
5. Public Admin. and Defense	49.4	5.0
6. Retail Trade - Total	44.4	6.5
7. Oil and Gas Mining	39.4	-3.2
8. Hotels and Restaurants	23.4	5.2
9. Communications	23.4	8.7
10. Banking and Related Financial	20.3	7.9
Top-10 Total	540.3	

BUSINESS ENVIRONMENT INFORMATION

(provided by IHS Global Insight, May 2014)

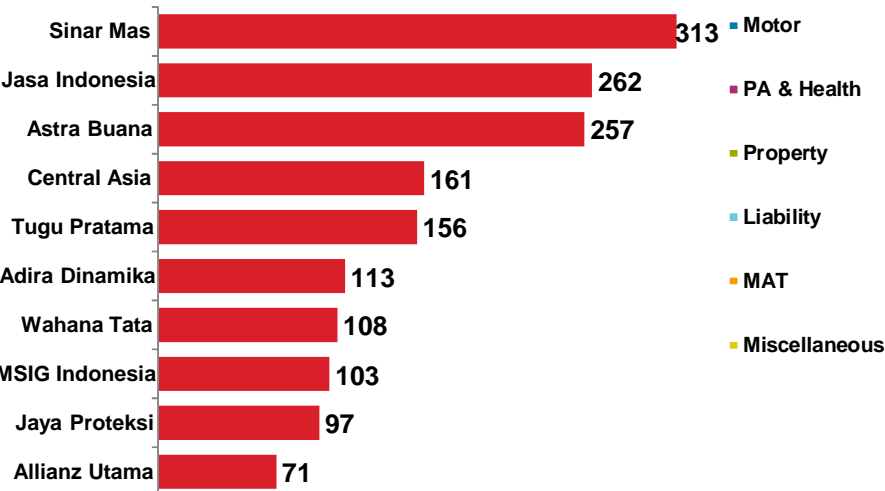


For daily updates visit: > www.ihsglobalinsight.com

INSURANCE ENVIRONMENT

2012 MAJOR DIRECT INSURERS

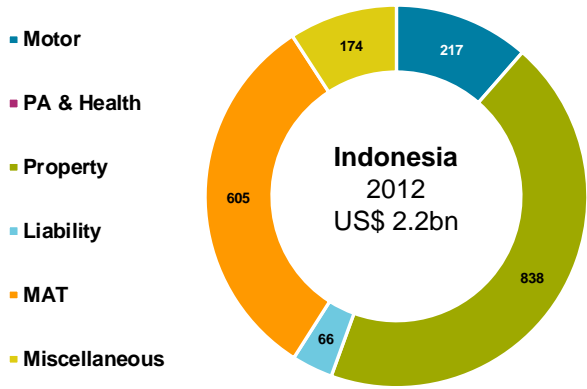
Top-10 Market Players by GWP
(Gross Written Premiums in US\$ m)



Source: IGIA: > www.aaii.or.id

2012 DIRECT PREMIUMS

(Premiums in US\$ m; by OECD Class)



Source: IGIA, www.aaii.or.id

QUICK LINKS / USEFUL SOURCES

- Insurance Market Profiles
> www.iii.org/international/profiles
- Indonesia General Insurance Association
> www.aaii.or.id
- Lloyd's Agency Network
> www.lloyds.com/agency
- Lloyd's Claims Team
> www.lloyds.com/claims

BUSINESS CULTURE GUIDE

> <http://www.kwintessential.co.uk>
(View Resources > Culture Guide)

Insurance Market Outlook: Fitch Ratings' outlook for 2014 remains stable and forecasts steady growth to continue driven by "low penetration, improving risk awareness, and rising affluence". They note that according to the Boston Consulting Group the number of insureds rose by more than 50% in H113 versus the same period in 2012, however Swiss Re estimate penetration to be only 1.77% of Indonesia's GDP. This is significantly lower when compared to Singapore (6.03%) and Malaysia (4.8%) suggesting "vast growth potential for Indonesia's insurance industry". Additionally Fitch Ratings feels that insurers will need to become more competitive in preparation of a more open market once the ASEAN Economic Community framework is introduced in 2015. (Source: Fitch Ratings November 2013, Swiss Re Sigma Report No 3/2013)

January 2013 floods: The January floods in Jakarta were more severe than in 2002 and 2007 with economic losses estimated at (USD3.3bn). Fitch Ratings believes that the impact from the January floods will remain minimal for Indonesian insurers due to low insurance penetration, reinsurance protection plus the exclusion of flood risks in policies. (Source: Fitch Ratings November 2013)

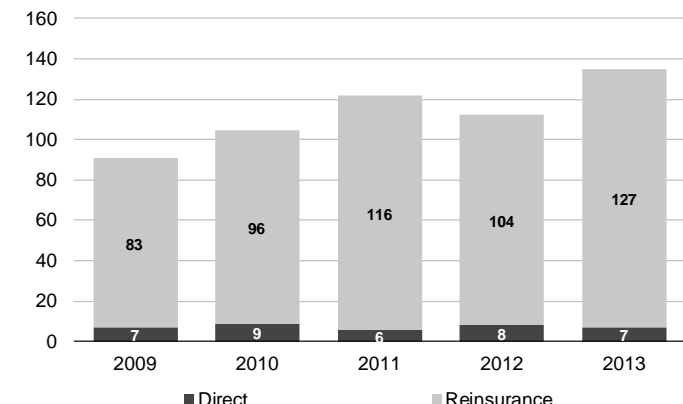
Market Players: As in other Southeast Asian countries such as Thailand, local players traditionally have dominated the Indonesian market, often linked to important families or state-owned corporations. The top five non-life insurers controlled 37.8% of market share in 2010, while more than 80 players compete for the remaining shares.

Competitive Market: 'Competition on price is fierce, particularly for property insurance, the second-largest non-life line. However, underwriting performance of motor insurance, the largest non-life line, has improved, with better loss ratios over the past five years. In addition, third-party liability motor insurance is still not compulsory in Indonesia, offering a substantial gap for further development. Against these market challenges, Indonesia's insurance industry sees a brighter outlook through strong domestic consumption, rising household wealth and expanding infrastructure projects, which are creating demand for personal property and motor insurance, life products with savings and investment functions, and commercial and industrial insurance.' (Source: AM Best, June 2012)

LLOYD'S BUSINESS

2009-2013 LLOYD'S TOTAL PREMIUMS

Gross Signed Premiums; Direct versus Reinsurance; in US\$ m



2013 GROSS SIGNED PREMIUMS*

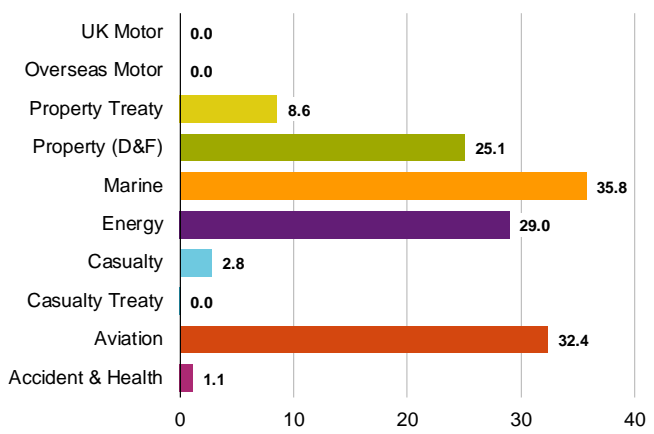
Total	US\$ 134m
Reinsurance	US\$ 127m
Direct	US\$ 7m

***COUNTRY OF ORIGIN PREMIUMS**

- ✓ Policyholders are based or headquartered in this territory;
- ✓ Premiums may be written outside this territory;
- X Not necessarily where risks are located
- X May differ to what is reported to local regulator (dependent on local requirements).

2013 LLOYD'S HIGH LEVEL CLASSES

Gross Signed Premiums; high level classes; in US\$ m



Source: Market Intelligence based on *Gross Signed premiums; Xchanging (2014); unaudited figures based on country of origin and processing by calendar year; see Appendix for details

OFFICE TYPE

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APPENDIX

MACRO-ECONOMIC & BUSINESS ENVIRONMENT DATA

Source: IMF (www.imf.org/external/data.htm), World Bank (<http://data.worldbank.org/>), IHS Global Insight.

Notes: GDP data on size and wealth of the economy is reported in *Purchasing Power Parity (PPP) terms*; this is the most accurate indicator of the true standard of living in each country and therefore potential demand. To calculate this, GDP is converted from local currency to an international \$ currency using PPP exchange rates rather than the market exchange rate. The PPP local currency-to-international \$ exchange rates are determined such that a standard basket of goods has the same price in international \$ terms in each country. This adjusts for the differing costs of goods across countries, when converted at market exchange rates.

INSURANCE MARKET DATA

Source: Reported data derived by Lloyd's Market Intelligence team; original source is regulatory bodies, associations, third party information providers.

Notes: Data is reported in US\$. For more information, see www.lloyds.com/comparecountries.

Exchange Rates Note: Where required, data has been converted to US\$ using annual average exchange rates as per www.oanda.com.

LLOYD'S PREMIUM DATA

Source: Reported data derived by Lloyd's; original source is Xchanging (data therefore contains only premiums processed by Xchanging).

Notes: Data is reported in US\$, on a calendar year basis and is *signed* gross premiums. This differs from the data published in the Lloyd's Annual Report, which is also on a calendar year basis, but is *written* gross premiums and sourced directly from Syndicates. Differences are therefore (1) timing inconsistencies between *signed* and *written* gross premiums; (2) inconsistent use of exchange rates by Syndicates and Xchanging; & (3) incompleteness of Xchanging data set for certain classes of business (a substantial amount of premium is not processed by Xchanging and missing from the REG 258 data set; this comprises, for example, UK Motor).

Exchange Rates Note: Data has been converted to US\$ using monthly exchange rates provided by Xchanging.

Definitions:

Gross Signed Premiums: Original and additional inward premiums, plus any amount in respect of administration fees or policy expenses remitted with a premium but before the deduction of outward reinsurance premiums.

Calendar Year: Relates to the calendar year in which the premium, additional or return, is processed by Xchanging. This is irrespective of the actual underwriting year of account, which is determined by the inception date of each risk.

Country of Origin: Denotes the domicile of the insured party (i.e. the coverholder or policyholder). This is the country from which demand for the insurance / reinsurance emanates, & is irrespective of the country to which the risk is classified for regulatory reporting purposes.

Example: A policy holder in the UK insuring a holiday home in France would be classified as a UK risk by "Country Of Origin", but "French" for regulatory reporting purposes. Similarly a risk incepting on 1st December 2007 would be classified at 2007 "Underwriting Year of Account" but may not be processed by Xchanging until 2008 and so be allocated to the 2008 "processing year".



ACCESSING THE DATA: to access the raw data in this document, and equivalent data for other countries, see www.lloyds.com/comparecountries.

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