

Financial and Solvency Projection in Life Insurance Company



Possible Role of Accountant in Financial and Solvency Projection in Life Insurance Company



Possible Role of Accountant in Financial and Solvency Projection in Life Insurance Company

- Assist CFO in general in financial and solvency projection exercises
- Organize and compile data needed for financial statement and solvency report constructions from Actuarial, Investment, and Management in financial and solvency projection exercises
- Construct and analyze financial statements (B/S, P/L, and Cash Flow), according to Indonesian GAAP (SAK), government regulation (SAP), and possibly IFRS/US GAAP
- Construct and analyze solvency ratio reports, according to government regulation, in solvency projection exercises
- Organize, compile and analyze other important/key performance indicators (KPIs) in financial projection exercises



Some Important Factors in Financial and Solvency Projection in Life Insurance Company



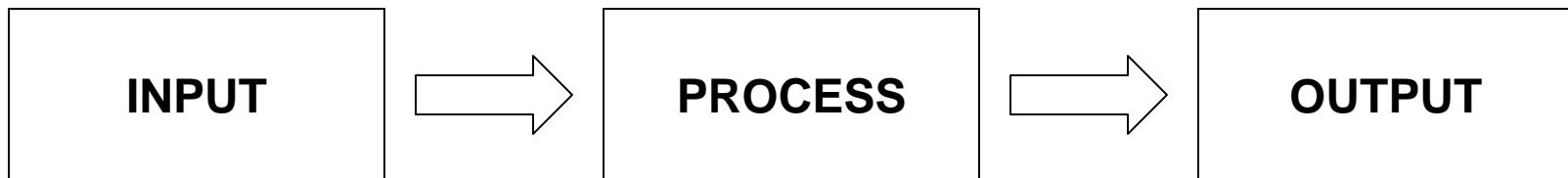
Some Important Factors in Financial and Solvency Projection in Life Insurance Company

- Has to be in line with company's business plan
- Company's business plan should be translated into a set of financial assumptions which would in turn represent basis for any financial and solvency projection
- Accountants should work together with actuaries in any financial and solvency projection exercise since accountants have the background and skills in organizing, consolidating, compiling, constructing and analyzing financial statements, and actuaries have the background and skills in implying and projecting future cash flows, assets and liabilities at micro/product/policy level
- Both the accountant and actuary would then work based on the set of financial assumptions derived from company's business plan

Systematic Description of Financial and Solvency Projection in Life Insurance Company



Systematic Description of Financial and Solvency Projection in Life Insurance Company



- Financial Data
- Non-Financial Data

- Organize Data
- Compile Data
- Construct Report
- Analyze Report

- Reports

Systematic Description of Financial and Solvency Projection in Life Insurance Company

1. Outputs

- Financial Statements:
 - Balance Sheet
 - Profit and Loss
 - Cash Flows
- Solvency Ratio
- Key Performance Indicators
- Accounting Principles:
 - Government Regulation (SAP)
 - Indonesian GAAP (SAK)
 - IFRS/US GAAP
- Line of Business and Distribution Channel

Systematic Description of Financial and Solvency Projection in Life Insurance Company

2. Inputs

Profit and Loss:

- Premium Income
- Reinsurance Premium
- Investment Income
- Claims and Benefits
- Reinsurance Claims
- Acquisition Cost
- Reinsurance Commission
- General Expenses
- Other Income/Expenses
- Income Tax

Systematic Description of Financial and Solvency Projection in Life Insurance Company

2. Inputs

Balance Sheet:

- Invested Assets
- Non-Invested Assets:
 - ✓ Cash and Banks
 - ✓ Premium Receivable
 - ✓ Reinsurance Receivable
 - ✓ Accrued Investment Income
 - ✓ Land and Building
 - ✓ Hardware
 - ✓ Other Fixed Assets
 - ✓ Other Assets

Systematic Description of Financial and Solvency Projection in Life Insurance Company

2. Inputs

Balance Sheet:

- Payables and Liabilities
- Technical Reserves
- Equity

Non-Admitted Assets

Non-Financial Data (KPIs)

- Number of new business policies
- Persistency
- Number of agents
- Number of branch offices

Systematic Description of Financial and Solvency Projection in Life Insurance Company

3. Process

- ❑ Identification of Set of Financial Assumptions (Based on Company's Business Plan):
 - Future New Business Target and Growth
 - Distribution Channel
 - Product
 - Business Mix (Relative to Distribution Channel and Product)
 - Future Persistency
 - Future Mortality
 - Future Expenses (General and Distribution, or Maintenance and Acquisition)
 - Inflation Rate
 - Asset Investment and Yield Rates
 - Currency and Exchange Rates

Systematic Description of Financial and Solvency Projection in Life Insurance Company

3. Process

- ❑ Actuarial team processes the actuarial oriented assumption set up using spreadsheet and possibly actuarial software to produce the following aggregate data:
 - Premium Incomes
 - Claims and Benefit Expenses
 - Commission and Other Distribution Expenses
 - Reinsurance Cash Flows
 - Technical Reserves
 - Mortality Costs/Costs of Insurance (on Unit-Linked Portfolios)
 - Allocated Premiums (on Unit-Linked Portfolios)
 - Deferred Acquisition Costs (IFRS/US GAAP)
 - Etc.

Systematic Description of Financial and Solvency Projection in Life Insurance Company

3. Process

- Discuss and decide with actuarial team on format of output from actuarial team
- Discuss and decide with Investment team and CFO on the following indicators:
 - Future Asset Allocations (e.g. Time Deposit, Government Bonds, etc)
 - Future Investment Yields
 - Rating Information for Solvency Asset Default (Schedule A)
- Develop and use investment template sheet to compute estimated future investment incomes for each asset type (including investment expenses such as final taxes, custodian fees, etc) in each fund
- Develop and use a file that links outputs from actuarial team and outputs from the investment template to produce reports

Systematic Description of Financial and Solvency Projection in Life Insurance Company

3. Process

❑ Data needed for solvency projection are as follow:

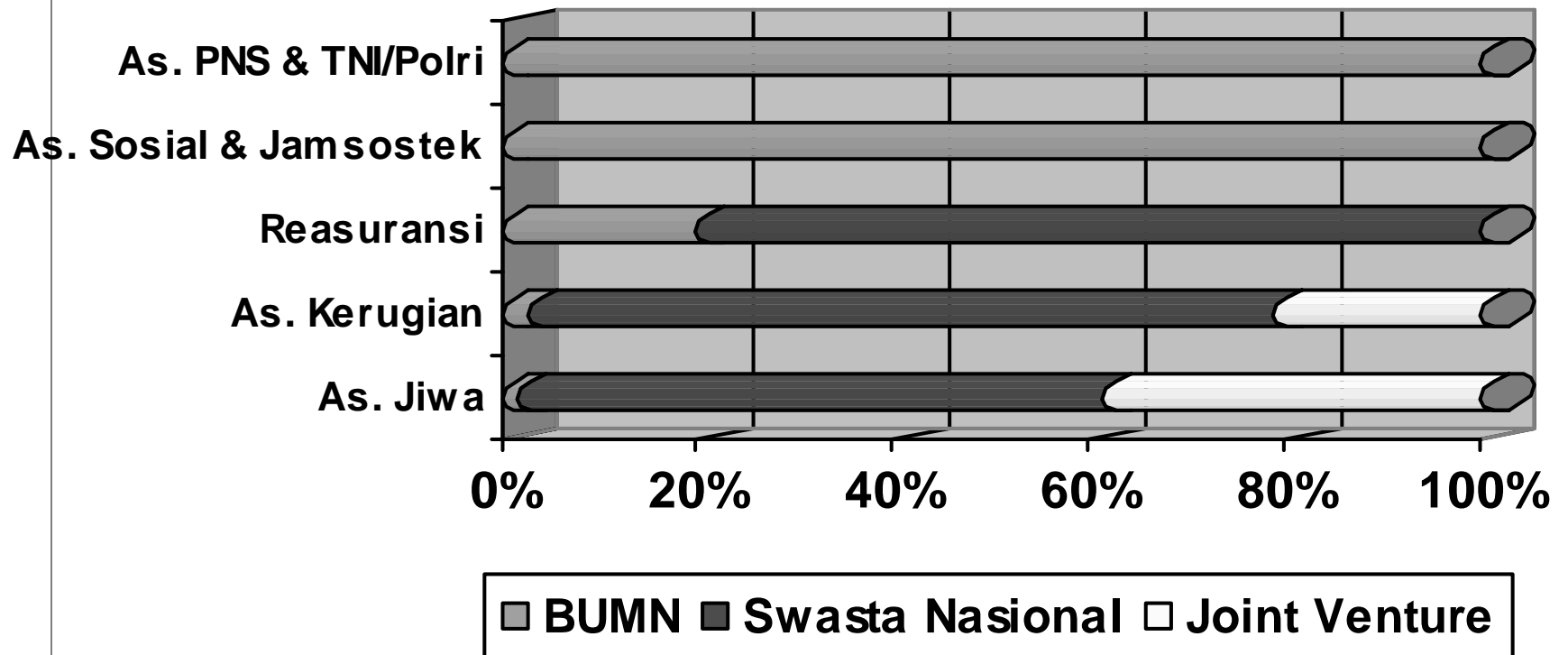
- Assumption on Non-Admitted Asset based on company's business plan and experience
- Schedule A: Assets Default → Discuss with Investment Team
- Schedule B: Cash Flows Mismatch → 4% of policyholder reserve
- Schedule C: Currency Mismatch
- Schedule D: Claims Experience → From actuarial team
- Schedule E: Insufficient Premium → From actuarial team
- Schedule F: Reinsurance Risk → From actuarial team

Systematic Description of Financial and Solvency Projection in Life Insurance Company

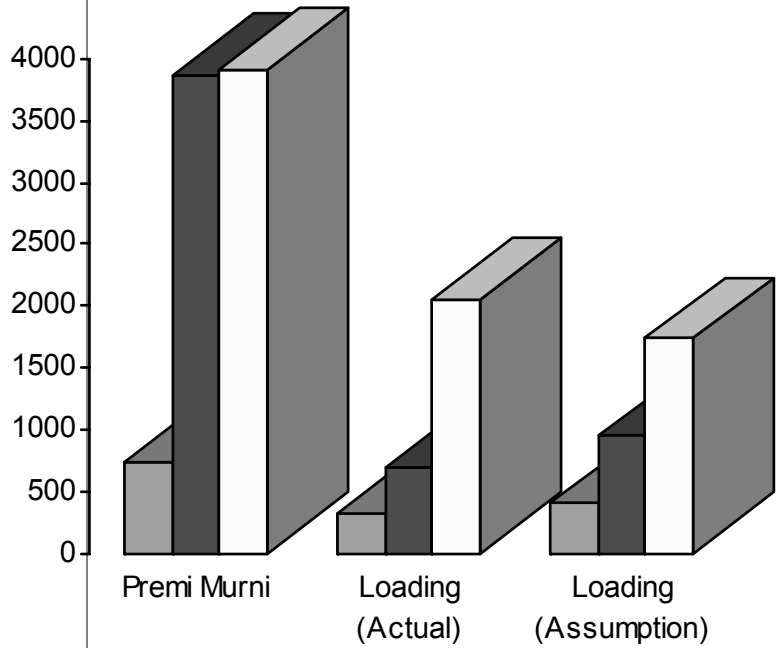
3. Process

- ❑ Other important “non-technical” items:
 - Future Capital Expenditures
 - Future Other Receivables
 - Future Prepayments and Other Assets
 - Future Other Liabilities

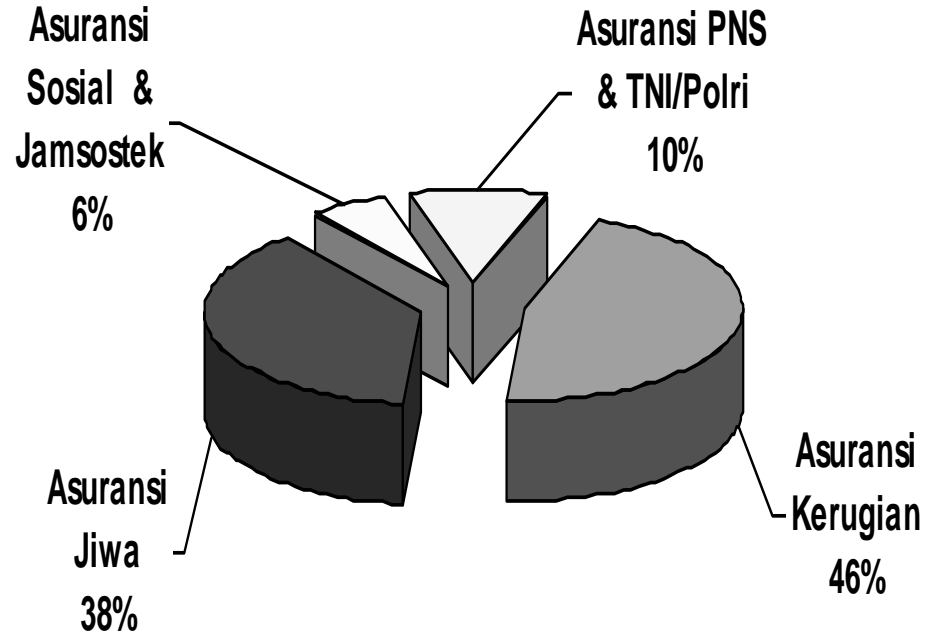
Komposisi Kepemilikan Perusahaan Asuransi di Indonesia



Kontribusi Premi Jenis Asuransi di Indonesia



■ BUMN ■ Swasta Nasional □ Joint Venture

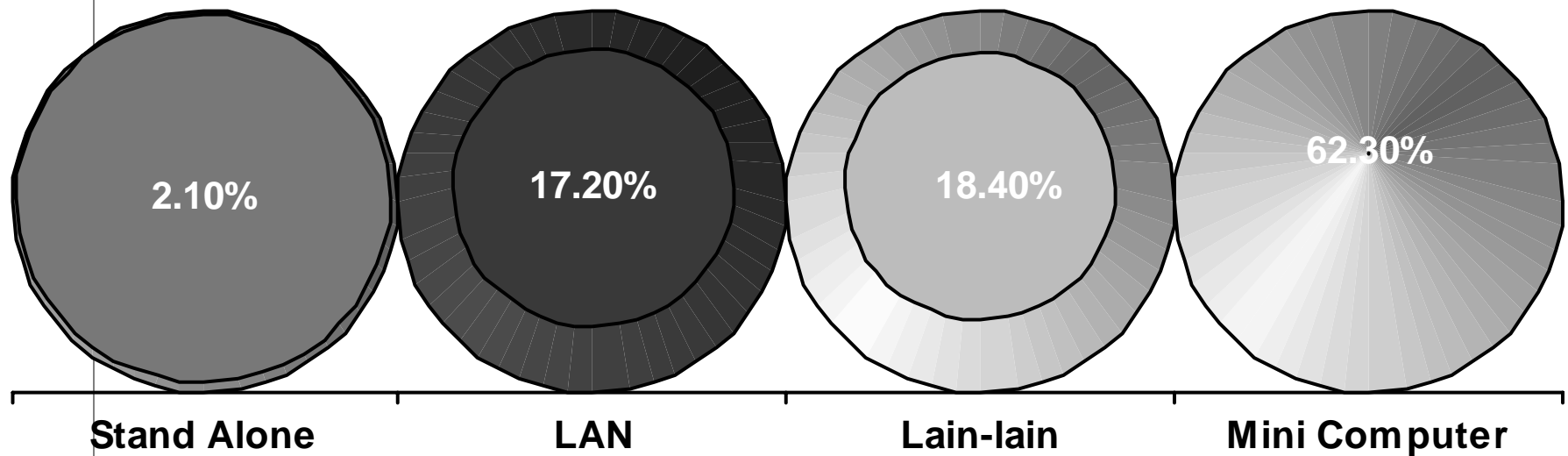


Rekapitulasi Penggunaan *Software* Asuransi (tahun 2008)

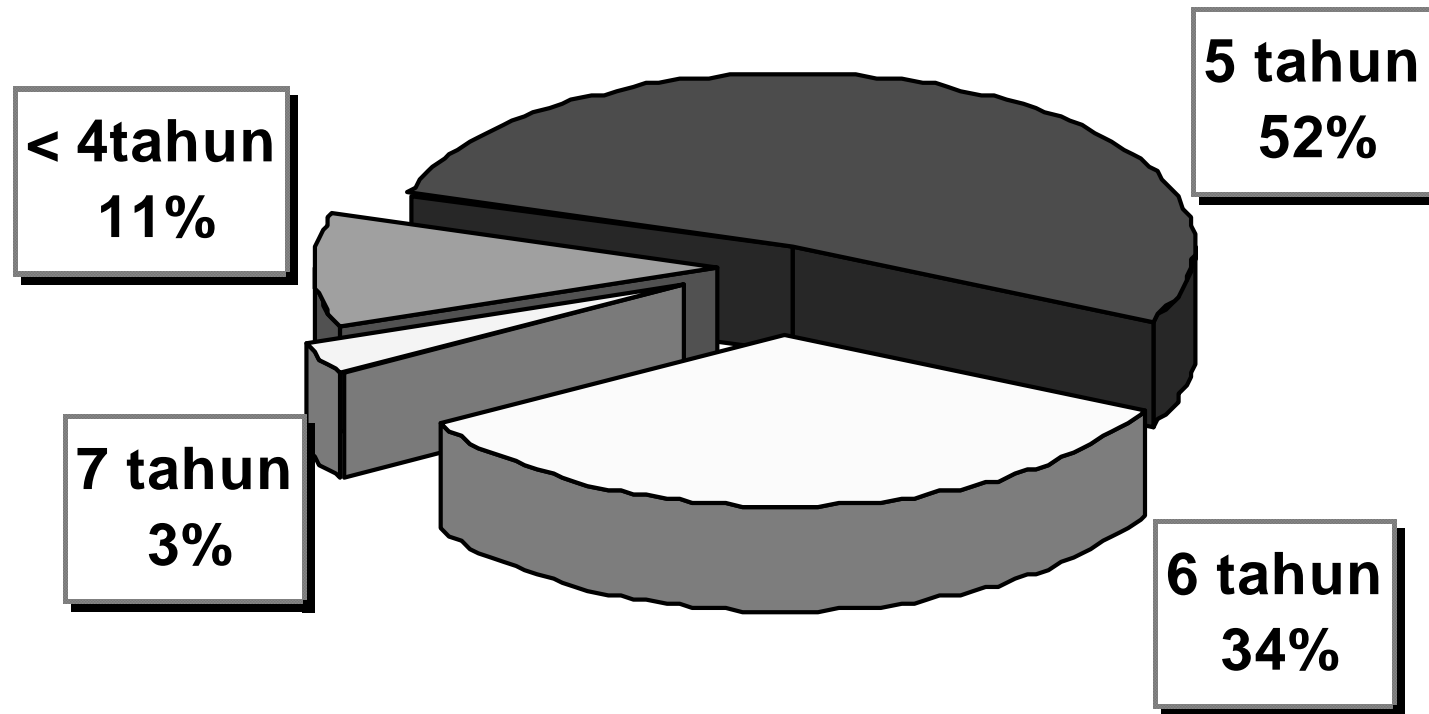
Jenis Software	Jenis Asuransi		
	<i>Life / Annuity</i>	<i>Health</i>	<i>Property / Casualty</i>
<i>Full Policy admin (quote-issue-service-billing-claims)</i>	232	131	397
<i>Policy admin system (quote-issue-service only)</i>	61	28	105
<i>Full Policyholder portals (include transaction capability)</i>	213	120	357
<i>Policyholder portals (information only)</i>	80	39	145
<i>Underwriting (expert system, requirement management, workbench)</i>	152	94	341
<i>Actuarial/Pricing/Product Design</i>	141	65	161
<i>Comprehensive claims solutions</i>	121	54	216
<i>Focused claim solutions</i>	172	105	286

Sumber: Laporan Survey Celent Communication International 2009 (data diolah)

Komposisi *Platform* Sistem Informasi Industri Asuransi di Indonesia (2009)



Durasi Penggunaan SI

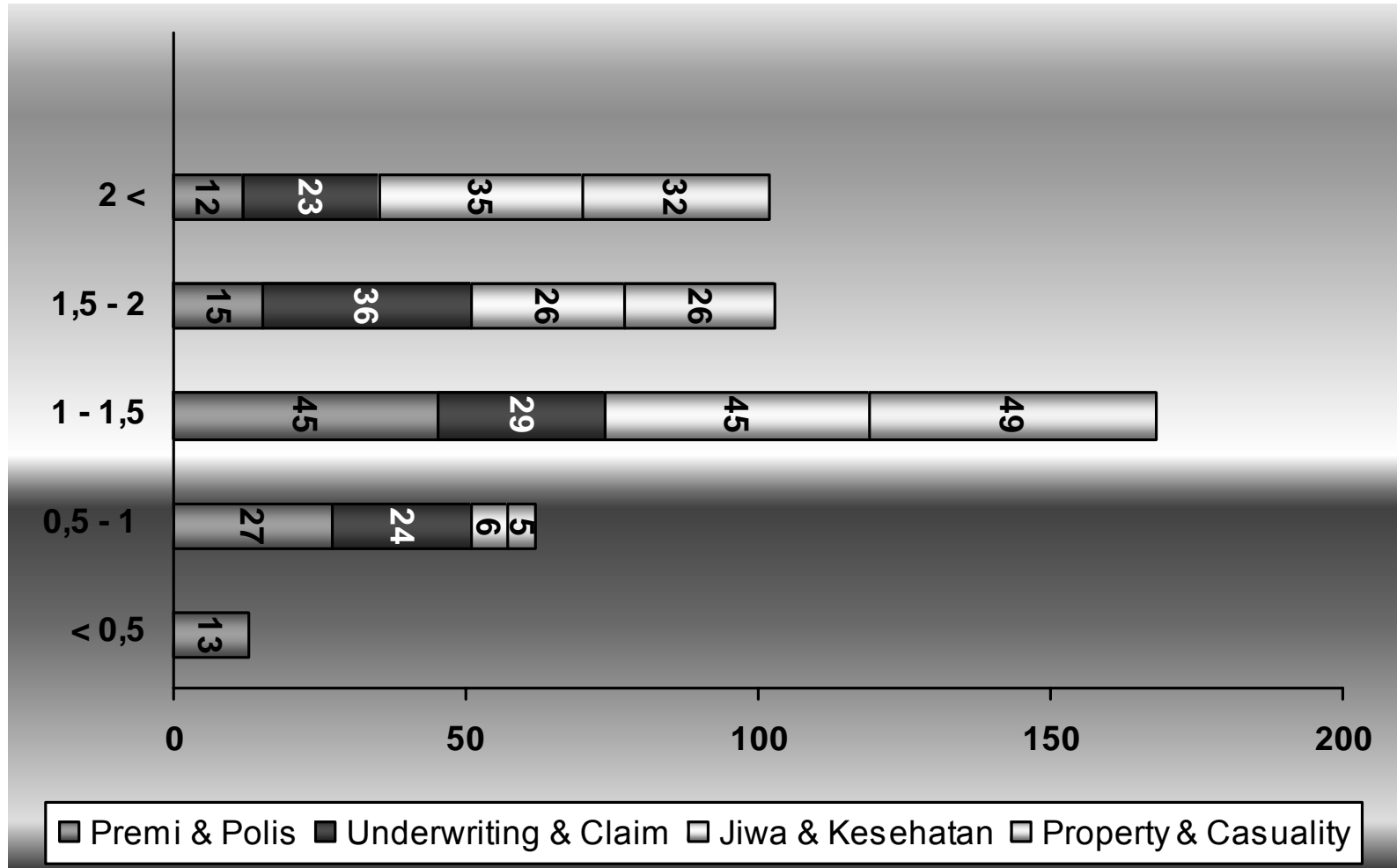


Metode Pengembangan SI

- pembangunan dan pengembangan internal oleh staff IT (8%),
- *outsourcing* melalui perusahaan *software house* (19%)
- adopsi sistem informasi yang sudah digunakan oleh perusahaan lain yang sejenis (50.7%)
- sumber pengembangan lain (23.2%)

1. penghematan biaya dan waktu pembangunan serta pengembangan sistem
2. kurangnya tenaga ahli sistem informasi asuransi di organisasi tersebut
3. tingkat keberhasilan implementasi dan pelayanan sistem informasi terhadap organisasi sudah teruji

Jangka Waktu Implementasi SI



Thank You

