

Sales of Life Insurance Products in Indonesia: InsurTech and Traditional Insurance Agents

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Abstract: This study aims to overview life insurance market development in industry 4.0. It also attempts to examine the utilization of insurance technology and what competencies must be owned by insurance agents. The authors collected literature on insurance technology, which is used in Indonesia. Then, the author interviewed 15 respondents who often use the insurTech application to see what factors influence the response of the portal. The data found is processed using descriptive statistical methods. Based on the results, the insurance market has implemented the “4.0”. Insurance sales distribution in Indonesia with the hybrid method is to combine the internet and face to face. Future ready has a portal with attractive, user-friendly, complete product sales, whereas the online portal provides complete premium simulation, namely Cekpremi. Insurance agents are still needed as an intermediary between customers and the insurance industry. The competencies of insurance agents are knowledgeable of law/regulation, skills in implementing codes of ethics, knowledge of life insurance, knowledge of products, skills/expertise of marketers, and personal development. This paper contributes to marketing insurance management. The use of InsurTech in the insurance marketing process will increase, but currently, InsurTech will not replace the role of the insurance agent.

1 INTRODUCTION

Today, there are massive changes in the world industry, as well as in the insurance industry sector. The industrial revolution 4.0 has an impact on the sustainability of the consistency of an industry. The factors that determine changes in the insurance market are increased risk, technological development, information asymmetry, changes in generation and their social norms (Millennial generation or Y). This generation is the future client of the insurance company and others. In addition, technology development (eg Big Data analytics, Internet of Things, Artificial Intelligence, autonomously controlled technical facilities (cars, drones), connected sensors) also became the trigger factors for the need for life insurance market development (KLAPKIV, Lyubov et al., 2017). Thus, the insurance industry is required to be able to survive the industrial revolution 4.0.

In Indonesia, the insurance industry is still not proliferating. Other countries experience the same thing. Moaradi (2015) has examined the factors that

have caused the development of the insurance industry to be difficult, namely at the level of insurance sales services. One of the factors that caused the insurance industry to reach the right level of insurance services became difficult was that the sales network was inefficient, growth failure was hampered, and the sales network was a presence in the insurance market. (Moradi, 2015).

In addition, three main factors cause people to invest in low self-insurance: namely, the availability of insurance, insurance features, and behaviour characteristics of individual agents (Mol, Botzen, & Blasch, 2018). These factors are a significant concern for the insurance industry in Indonesia. The development of the insurance industry, especially in the marketing system, is focused on two dominant things: how to market and who the marketer is. Further, there are technological-supported innovations in the insurance industry that are combined with technological finance. This insurance technology is often referred to as “InsurTechs.” The advantage is offering more straightforward products and a more efficient customer experience, which serves an increasingly evolving generation towards

the millennium generation (Shanique, Manager, & Ford, 2017).

However, InsurTech has not been able to develop a stand-alone business model. It still requires licensed support staff in marketing insurance. Human capital (Human Capital - HC) of a company is part of capital intellectual (intellectual capital) owned by the company, which together with financial capital (financial capital) can provide market value (market value) for the company (Wibawa, 2010). InsurTech, combined with a marketing agency, is expected to be able to reduce the weaknesses of insurance technology that has not been able to stand alone in developing the model.

In Indonesia, an intermediary between insurance companies and customers is one of them using agent services to market insurance products. The thing that is of concern is how to use agent service that is able to market insurance products appropriately. In Taiwan, to improve the ethical behaviour of insurance agents, the Financial Supervisory Commission (FSC) in Taiwan has issued "Regulations Governing Insurance Lawyer Supervision". Insurance agents fail to comply with regulations (Tseng, Kang, & Chung, 2010). This condition is a concern for the insurance industry agency department to develop human capital.

These insurance agents are workers who are externalized (i.e., not under company ownership). Therefore, corporate investment in the loyalty of agents and agents in serving their companies is very relevant (Galunic et al., 2019). Therefore, education and training programs are needed to improve the knowledge, expertise, and professionalism of agents in order to have high competence and integrity in providing the best service to their customers. It has also been developed a premise that insurance is "influenced by the public interest," because it has "a range of influences and consequences outside and different from ordinary business in the commercial world" (Helfand et al., 2017). Strict regulation of this insurance agent occurs in Indonesia.

In accordance with Minister of Finance Regulation in Indonesia, Insurance Companies that conduct marketing through Insurance Agents must provide continuous education and training to Insurance Agents in order to be able to carry out professions with high competence and integrity. Human capital is an investment asset that varies significantly between individuals. This investment shows a significant advantage of insurance (Krebs, Kuhn, & Wright, 2017). The same thing also mentions that human resource management is essential for effective performance and assessment

that will guarantee an increase in employee performance and sustainability for the achievement of organizational goals. (Chukwuka & Nwakoby, 2018).

The author further emphasizes that how to achieve marketing success that synergies between insurTech and competent agents, both collaborate very well. InsureTech success depends on wise use while the success of insurance agents focuses on higher levels of individual competence (Amodu, Alege, Oluwatobi, & Ekanem, 2017). So that the goals of insurance companies to increase profits and corporate accountability will be fulfilled. (Crick, Jenkins, & Surminski, 2018).

2 LITERATURE REVIEWS

2.1 Insurance Technology

One of the drivers of socio-economic change, digital technology plays a significant role. Technology creates enormous potential for new ways to inform people (Lee, 2008; Porter and Heppelmann, 2014; McAfee and Brynjolfsson, 2012). At the same time, existing IT infrastructure enables new forms of trade, which can lead to innovation through platform-based interaction and systemic value creation (Lusch and Nambisan 2015). This change provides an opportunity for insurance companies to enter a new phase of digital insurance (Nicoletti 2016).

The potential of digital technology for innovation in the insurance industry is quite significant (Eling and Lehmann, 2018). This potential includes the implementation of new forms of online marketing and sales activities (Seitz, 2017). The implications of digital technology for the insurance industry are mainly related to online distribution channels (Garven 2002; Dumm and Hoyt 2003), particularly concerning their consequences for insurance agents (Eastman et al. 2002), Kaiser 2002 customer orientation) and Meyer and Krohm 1999 regulations).

In addition, older data processing systems in companies are seen primarily as a means of increasing efficiency, and a new generation of digital technology is expected to improve market dynamics and competition. Due to higher transparency, lower transaction costs and a more extensive range of online platforms are needed (Schulte-Noelle 2001; Taylor 2001).

2.2 Agents Insurance

Related to the success of insurance determined by a marketer (agent), agents are people, who are bound by insurance companies who act to find customers, negotiate policy provisions, and serve policyholders. In an insurance practice, an agent may be appointed by the insurer. The assignment can be a half-day or a full day's assignment. An agent has to disseminate the correct information about insurance practices to explain to the public how important it is to have an insurance policy, fill out an application form for people who are interested in buying a policy, in this case, the agent will explain the policies and terms and conditions before the buyer signs the application form. Agents can also help serve payments from policyholders and maintain good relations between the perpetrators and policyholders, one of the factors that influence between service companies and consumers are the services performed by agents as part of human resources that offer products directly to the public or consumers. Without the role of the agent, the prospect of having difficulty obtains insurance services. For individual companies, if the insurance agent does not play an optimal role, sales productivity will be low (Juwono, 2010).

In an insurance company, a salesperson provides direct interviews to consumers carried out by an agent. According to M. Wahyu Prihartono (2010), agents are the spearhead of the success of achieving organizational goals. Nowadays, agents are very instrumental in the current new product offering in Islamic insurance. Moreover, they provide services in offering protection services to the financial needs of both individuals and groups, both health and property needs. These services are provided to consumers in order to be successful and satisfying. This attitude is a commitment to work and is needed to be always practised consistently. Therefore, the agent must have knowledge about insurance.

In dealing with prospective policyholders, an agent is required to be able to maintain trust. The agent is the one who plays a role in providing services by bringing the vision and mission in marketing insurance to the community. This act can be understood by comparing the problems faced by consumers in buying insurance policies. Consumers can receive valuable assistance from agents when the loss occurs. An agent will help consumers by providing data regarding losses received and will be a defender if it turns out the company does not want to admit the loss. Besides that, agents will be able to help consumers make overall plans (Juwono, 2010).

3 METHODOLOGY

This research will discuss the hypothesis about the existence of InsurTech and the competencies that must be possessed by an insurance agent. To answer this hypothesis, researchers are looking for supporting data. The data used in this study comes from secondary data primary data. Researchers are looking for information about the existence of InsurTech in Indonesia. Then the author interviewed 15 users of the insurance market portal to find out about people's preferences for the portal. Descriptive statistics will analyze the data. Furthermore, the method used is a literature study of competencies that must be possessed by agents through sharing relevant information sources and government regulations.

4 DISCUSSIONS

4.1 InsurTechs

Indonesia, there is a real opportunity for innovative technology to shape the future of emerging insurance markets in the region. As markets become globalized, individual capabilities or functions in the value chain (i.e. the modular economy) are becoming increasingly portable between markets. Any InsurTech predicated upon a solution-driven business model supported by product, geographic and financial agnosticism is likely to be replicable in other markets. While Emerging Asia may be in its early stages of growth and development, the region has effectively served as an incubator for Insurance Technology that ultimately ends up transforming more developed markets currently controlled by traditional incumbents. Distribution in Indonesia markets and relatively low demand for cover have prevented the penetration of innovative products in many markets. The proliferation of hand-held smart technology and digital awareness among consumers, coupled with increased demand, however, has begun to change the landscape.

Online insurance product selling portal in Indonesia, namely Cermati, Asuransi88.com, Cekpremi, Futuready, DuitPintar.com, Pasarpolis, Premiro, RajaPremi. Tokopedia insurance, Cekaja, PasarPolis, RajaPremi, aturDuit. The researcher interviewed 15 respondents to compare the four best online stores in Indonesia, namely Asuransi88, Tokopedia Insurance, CheckPrime, and Futuready. Factors that influence online sales include attractive

appearance, user-friendliness, the complete product information, and explicit premium simulations. Based on interviews, 40% of respondents liked Futuready as a provider of online insurance products with the most attractive portal display, while the portal that had an unattractive appearance was Asuransi88.

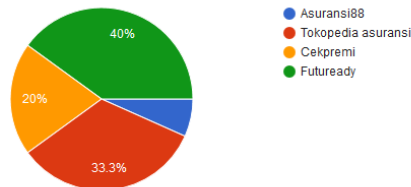


Figure 1: The most interesting appearance.

Based on the results of interviews, user-friendly information is one of the factors that affect the sale of a product through the web. As many as 33.3% of respondents answered Futuready as a portal with easy use of features. Likewise, the complete product information, available at Futuready, with the results of interviews of 40% of respondents

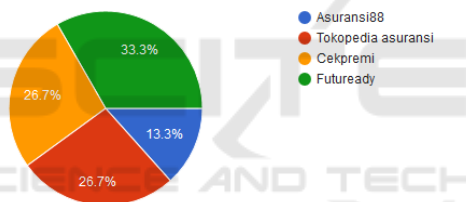


Figure 2: User-Friendly.

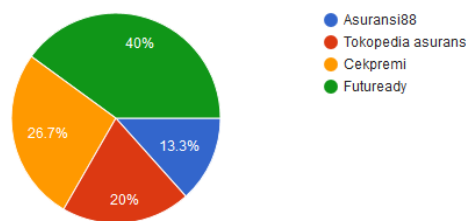


Figure 3: The complete product information.

This result is different from the previous results that FutureReady is very popular. This finding is different from the results of interviews about premium simulations. Of the four insurance portals, Cekpremi has a premium summarization feature from various insurance companies. Prospective buyers of insurance products can compare premium prices from various insurance companies, so that prospective buyer can make their choices easily and quickly.

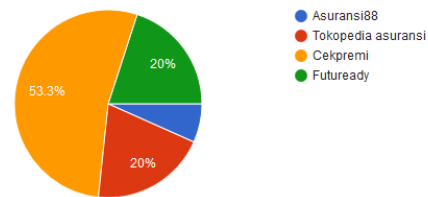


Figure 4: Displaying premium simulations.

4.2 Competencies of Agents

The task of the Agency Department is essential to maintain the quality of an insurance agent, such as maintaining the quality of education and training. In addition, an insurance agent is also required to be skilled, intelligent, competitive and have high business ethics. Moreover, do not forget to serve with heart, understand life insurance products that are needed most by their customers and master the techniques / good marketing cycle. This service is part of the attitude of professionalism to be better prepared in facing free-market competition. For this reason, education and training programs are needed to increase the knowledge, expertise, and professionalism of agents to have high competence and integrity in providing the best service to their customers. The attitude from insurance agents is also a consideration of customers in purchasing a product. Therefore, it can be concluded that the competencies that need to be owned by an insurance agent are knowledge, skills, and Personal Development.

The knowledge that must be known by agents including Product Knowledge, Customer Protection, Know Your Customer / KYC, Laundering / AML Anti Money, Law / Regulation on Insurance, Knowledge of Insurance Law, Knowledge of Investment Law, Underwriting, Claims, Investment. Skills that an agent needs to have are Techniques for Prospecting; identifying, selecting & approaching the prospect, Closing Sales, Techniques for exploring personal market strategy and selling, Services after sales; long term relationship with customer, Leadership, Effective communication. Personal Development that must be owned by an agent is the way to behave/speak/ dress, Personality, Agency Code of Ethics.

In accordance with Minister of Finance Regulation (PMK) No. 152 of 2012 Article 67a and Financial Services Authority Regulation (POJK) No. 2 of 2014 Article 74 that, Insurance Companies that conduct marketing through Insurance Agents, must provide continuous education and training to

Insurance Agents in order to be able to carry out professions with high competence and integrity.

SE No. 267 / AAJI / 2015 dated 17 December 2015 concerning the Implementation of the CPD Program. The CPD program is an ongoing education and training program. The aim is to increase the knowledge and expertise/skills of the agents/marketers so that they can carry out their profession with high competence and integrity, and can provide the best service to their customers.

The Indonesian Life Insurance Association (AAJI) continues to strive to maintain public trust by recruiting highly qualified and licensed marketing personnel. Head of AAJI Communication Department Nini Sumohandoyo said that the number of licensed life insurance marketers in the first quarter of 2019 increased 0.4% to 595,192 people, compared to 592,913 people in the previous year, of which 90.3% of the marketers came from channels agency.

5 CONCLUSIONS

Based on the results of the study, it can be stated that insurance marketing in Indonesia is done online and face to face. Online insurance product selling portal in Indonesia, namely Cermati, Asuransi88.com, Cekpremi, Futuready, DuitPintar.com, Pasarpolis, Premiro, RajaPremi. Tokopedia insurance, Cekaja, PasarPolis, RajaPremi, aturDuit. Futuready has a portal with attractive, user-friendly, complete product sales. Whereas the online portal provides complete premium simulation, namely Cekpremi. Insurance sales are not only done online, but an agent is still needed. This is because life insurance products are personal and more complex compared to insurance. Competencies that must be possessed by an agent can be grouped in knowledge, skills, and Personal Development.

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