

# PFI Mega Life CEO on Building a Robust and Enduring Life Insurance Business in Indonesia

Samdarshi Sumit is President Director & CEO of PT PFI Mega Life Insurance of Indonesia. Established in 2011, the company is today a newly structured joint venture life insurance company which combines the global expertise of Prudential Financial Inc with the local market network of CT Corpora. PFI Mega Life offers an array of life insurance products which cater to a wide range of customers, from large entities to individuals. Its product offering includes investment-linked insurance products and credit shield insurance. PFI Mega Life products and services is offered through multiple distribution channels, including bancassurance, telemarketing as well as retail channel. CT Corp and Prudential Financial, Inc. created their joint venture in July 2017 to provide life insurance solutions to a broad spectrum of people through a multi-channel distribution strategy, to serve specific needs of consumers in Indonesia. We met with Sumit recently to learn more about how the firm has added 250,000 new life policies in the past three years, more about his vision for the firm and the building blocks for faster growth in the future.

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**Prudential Financial Inc** (PFI) needs little or no introduction, but for anyone less familiar with the detail, the company is a giant financial services leader based in United States, and operating throughout the US, Asia, Europe and Latin America. PFI leverages its unparalleled expertise in services such as life insurance, annuities, retirement related services, mutual funds and investment management to

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help customers grow and protect their wealth. PFI is not affiliated in any manner with Prudential plc, a company incorporated in the United Kingdom.

CT Corp is a conglomerate founded some 37 years ago and employing more than 100,000 people across Indonesia. As the parent of Mega Corp, it is both rapidly growing and well diversified across various industries, such as financial services, media, retail, and natural resources. Some well-known CT Corp companies in the consumer market in Indonesia are Bank Mega, Mega Life, Trans TV, Trans 7, Transmart Carrefour, and Antavaya. PFI Mega Life is the 2017-created joint venture company between Prudential Financial of the US and with Mega Corp. CT Corp is controlled by Chairul Tanjung and family.

### Three core market segments

Sumit opens the discussion by explaining that PFI Mega Life has largely three target markets. One primary market is their own group company Bank Mega, with a dedicated range of insurance products for Bank Mega, which includes unit linked, traditional endowment, and products which are reaching out to every segment of Bank Mega.

The second segment of the business is more centred on credit life where Sumit remarks that Indonesia is underpenetrated. He explains that is simply pure protection on loans people take, so part of that is that the firm has an offering on the Bank Mega credit card, where customers take a credit shield, securing them against any outstandings on their credit card portfolio. In addition to that, they have car loans from Mega Finance and other group companies for consumer loans, for motorcycle loans, and PFI Mega Life bundles pure protection products where any borrower has a control risk and has a life insurance cover in case something happens to them.

The third segment is the digital business, where the firm partners with many of the group companies

and with ecosystem players such as Grab, or Lifepal, which is an online insurance distribution business. “Through digital, we offer more simple bite-sized products, targeted at the young, digitally savvy consumer in Indonesia,” he reports. “This is a fast emerging and high growth channel.”

### A giant economy in a vast nation

Indonesia, Sumit notes, is already one of the USD3 trillion-plus economies in Asia, alongside China and India, as well as the more developed Korea and Japan, of course. “Insurance is a still an emerging opportunity in Indonesia and was growing pre-pandemic at decent run rate of 6% to 8% yearly,” he reports.

“But still insurance premiums remain quite low and insurance penetration also from a customer point of view is rather low,” he reports. “Most of the products right now are targeted at the growing middle class, where there is a massive opportunity, where there is a large middle-income group which is digitally savvy, and where there is considerably openness to life policies.”

### The evolving sales distribution market

He explains that the industry is stacked up with all channels. “Traditionally it has been an insurance agent distribution business, covering an estimated 40% to 50% of the market, and as the banks have moved in, that’s the segment which has been growing fastest in the last seven to eight years and represents another 40% plus of the market,” Sumit reports. “The remaining balance is the digital business, which is an emerging opportunity.”



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PFI Mega Life

He also reports that the market is highly competitive, with a wide variety of players, ranging from the state-owned insurance companies, local private Indonesian companies and almost all the top international brands are here, Prudential of the UK, AIA, Manulife, Generali, the major Japanese names and others.

### Tough competition

“And of course, there is us through our JV with Prudential Financial Insurance of the US, and we are one of the roughly 64 competitors who hold licences today,” he explains. “As you can see, competition is intense, but on the other hand the market potential is enormous.”

Sumit explains that those foreign insurance companies who arrived 20 to 25 years ago have been able to establish a strong foothold alongside the state-owned insurance companies. “A key development since the pandemic has been the turbulence created, with some of the older state-owned companies facing some challenges on their book,” he reports. “Consumer trust is a new

### Getting Personal with Samdarshi Sumit

Sumit comes from Hazaribagh in the eastern part of India, and later studied at secondary school in Delhi, before attending Delhi University, where he graduated in Business Management, and then completed his MBA at the Indian Institute of Management at Indore.

Amongst high points in his career, he says that working in rapid growth organisations had been immensely challenging and interesting. He highlights his 12 years in India at HDFC Bank from 2000, when the bank was just entering the banking market. “I went through multiple roles there, right from branch banking to retail lending to wealth management roles, and had the opportunity to see the bank grow from a small network to one of the largest networks in the country and becoming one of the most valued banks by market cap in India,” he reports. “It was a fantastic journey of a great organisation being built from the ground up.”

After that he took the challenge of doing a similar thing with another bank and financial entity in Vietnam where Techcombank was one of the corporate banks trying to build into retail and HSBC had invested into it. “I joined there to help set up some of their premier banking, high net worth banking, insurance distribution business, and did that for three years,” he recalls. “Now, of course, Techcombank is listed and one of the top banks by market value in Vietnam. I then moved into insurance directly, working with Generali in Thailand, and now PFI Mega Life in Indonesia. Each of these opportunities in Vietnam, Thailand and Indonesia have been high growth situations, and have been incredibly valuable from an experience perspective.”

Sumit is married and the couple has one son of 12 years old. Spare time might see him practising yoga, as he has done for the past twenty plus years. He is also sufficiently fit to compete in triathlons, and before the pandemic, completed his first Ironman competition in Sri Lanka. “I keep fit with running, swimming and cycling, finding time whenever possible,” he reports. “In less restrictive times, we also enjoy travelling, and it has been great to get to know Vietnam, Thailand and now Indonesia, and the incredible sights, sounds and foods around these incredible countries.”

theme which is very critical in Indonesia today, as some of the local and state-owned insurance companies have suffered liquidity

and other pressures during the pandemic, and we expect consolidation in the industry in the years ahead.”



## Key priorities

Sumit first reports that PFI of the US has been helping the firm focus on the critical priority of building a strong foundation for multi-year growth. “In the last several years, we have been building new core system for insurance, deploying that since earlier this year,” he explains. “We are closely working with key partners to create and enhance a digital customer experience for insurance. We have adopted Graphene as our digital core platform working with Zhong An Tech with first implementation on the Grab ride hailing app. Our first critical illness product ‘Community Cover’ has seen over 10,000 customer transaction since launch earlier this year. We intend to strengthen and expand this approach of simple, consumer friendly products delivered through an agile tech platform.”

He also reports that since the pandemic hit, they had increased investments in chatbots, building more and better customer service interactions.

“Our emphasis in the coming months will be to leverage all this for creating a digital sales experience where we feel that in one way or the other, 50 to 100 million customers are touching the CT Corp, either retail or media or financial services business, and where we could bring in simplistic insurance solutions, either online to online simple products or an online to offline more comprehensive insurance product. We have been putting the building blocks in place for all this, and will see in the next phase a pivot to more sales out of these investments in technology and digital over the next one or two years.”

Sumit closes the discussion by reiterating the immense growth potential that Indonesia offers in the life insurance sector. “A vast country that is home to a huge and rapidly growing, hardworking and well-educated population that is driving GDP growth and gradually becoming more and more digitally and financially aware and savvy all translates to an incredibly opportunity,” he says. “We have the building blocks in place and together with PFI see great potential. These are exciting years ahead.”

## Banks have been rising in prominence

Sumit observes that the agency distribution business has not been able to capture the imagination of consumer because of the poor quality of advice. “It’s all relatives and relationship-based sales and

most of the workforce is part time,” he explains. “That’s one of the reasons why banks have been able to leverage into the market rapidly because they already have the relationship with the customer from a wealth management point of view, with insurance completing their

offerings. On the other hand, some of the international companies are trying to professionalise the agent force by having a more dedicated and full-time agency force and sooner or later a digital savvy, advice-based agency force will become an important part of the insurance business in Indonesia. But there is still some long way to go for that to really gain traction.”

### Refining the investment proposition to client segments

As to the connectivity between life policies and investments, Sumit explains that this is partly determined by the types of customers. He explains that they categorise clients into three or four broad tiers.

The top tier comprises those who are very financially savvy customers and who understand wealth

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### Syariah compliant policy growth

Indonesia also has the largest Muslim population in the world, and Sumit reports that close to 10% of the life market is today Syariah compliant. Indonesia, he reports, plans to have a clear differentiation between the traditional insurance companies and the Sharia insurance companies by 2024. “And most of the companies like us who have the Syariah operating license will need to spin out the Syariah businesses into a separate entity by 2024.”

management products, who might have some US Dollar exposure, and who generally they understand wealth management products well.

“Last year, we offered this segment a single-premium unit linked insurance product, which has an underlying of one of our top funds in the US, which is a very large global equities opportunity, comprising US Dollar denominated opportunities,” he reports. “We found a good response from them for the reasons that Jakarta Composite Index was not doing so well at the time, and the fund included most of the



leading US and global tech stocks. As a result, we saw strong growth in that segment of customers.”

The next segment includes customers who have a reasonable understanding about the market, have invested in mutual funds or some kind of more interesting products, but are not yet ready for foreign exchange exposures. “They prefer more local underlyings, on the premise that over a longer period of time as Indonesia continues to grow into a powerhouse in Asia and when its demographic dividends really start to pay off, many companies here will grow rapidly, and hence any equity underlying product taking a longer perspective will reap major rewards for the client.”

The third category involves clients more outside Jakarta and those people with a slightly lower risk profile and appetite, where PFI Mega Life offers the traditional products, for example with Indonesian government bonds as the underlying assets, or unit-linked fixed income, more of the traditional endowment product, Sumit explains.

### Tailored solutions

“In short, we have increased the segmentation of the products in re-

cent years to cater to different segments with varying risk profiles,” he reports. “There are some more pure protection products but most of the customers are looking at insurance as a savings plus protection combination, with the aim of meeting their future financial goals, as well as giving them immediate near-term protection,” he explains.

“This is the current evolution, whereas some years ago, almost all of the business was unit linked for most of the players, but I think now there is a greater understanding that as the markets have not been performing over the last four or five years in such a great way, so we need to have a diversified range of product which gives enough choice to the customer to look at lower returns but in government bonds and fixed income as an underlying or to have a bet on the equity market.”

### A call to boost the financial markets

As to future developments, Sumit observes that the biggest challenge in his view is that the industry needs more breadth in the market, more savings to be coming into the capital markets.

“Right now, there is a real dearth of retail investors, so if you look at the equity market cap to GDP ratio, Indonesia trails many of its peers,” he says. “We feel the government and the regulator have to continue to build a strong foundation of equity capital market. Similarly, in the bond market, the bond yields are attractive, but because of the FX risks or some of the other risks, we see a reduced participation of foreign players, and not such a high participation of institutional domestic investors. That makes the bond market a little bit more volatile. We need more of the stronger private companies to list and more activity generally in the capital markets, and that will help boost the products we can offer.”

He observes that the regulator has shown some promise in at least embracing the digital economy, starting with taxi ride apps and online shopping leading the way in Indonesia, and the emergence of companies such as Gojek, Tokopedia, Traveloka and others. “And now, the regulator is giving out digital banking licenses to pure digital players, so the growth of online financial services will take off in the future. These are all encouraging signs.” ■

