

Insurance Agents in Indonesia in the Era of Industrial Revolution 4.0

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Abstract: In the current era of industrial revolution 4.0, insurance companies can sell insurance products by combining their distribution channels. This distribution channel includes through the internet or website, direct sales by companies, bank assurance, and sales through agents. For motor vehicle insurance, data in 2018 shows that only nine general insurance companies provide online applications to purchase motor vehicle insurance products which indicate that the utilization of the company's official website is not optimal. In general, insurance companies still rely on agents as marketers of their products. To improve the ability of agents, insurance agents must be competent. For this reason, insurance agents must take the certification exam held by the Indonesian General Insurance Association (AAUI). This study aims to provide an overview of general insurance agents in Indonesia that have been certified. Data sourced from the Financial Services Authority (OJK) and AAUI shows that there are still many general insurance agents that have not met these competencies. To make it easier for insurance agents to take a certification exam, AAUI has issued an e-certificate.

1 INTRODUCTION

At present, the world is facing a 4.0 industrial revolution. In this era, there was a massive change in all fields. Changes that occur are not only digital changes, but also there are developments in innovations that are rapidly spreading and the emergence of platforms that can unite several fields at once as stated by Roblek et al., (2016) that the era of industrial revolution 4.0 is characterized by the process of digitization and automation, and the use of electronic devices and information technology in the process of making and servicing a product. The world of insurance is also not spared from the 4.0 industrial revolution. Eling and Lehmann (2018) analyzed what technologies affect the insurance sector. While in Klappkiv and Kalpkiv (2017) stated that the main factors that determine the emergence of new technologies in the insurance sector are asymmetry information, increasingly fierce competition, changing generations and social norms, growth of technology and computer capabilities, economic crisis and reduced premiums insurance.

The insurance industry in Indonesia is growing every year. In Rahim (2013), the results of the analysis of various data and predictions of the growth of the insurance industry explained that the

insurance industry in Indonesia is experiencing a significant development from year to year. However, the industry must be improved because the penetration is still low. Given the size of Indonesia's population, the insurance market in Indonesia is still quite large. So that many efforts have been made to increase the number of insurance participants in Indonesia.

In general, the efforts made by insurance companies to increase the number of customers are carried out through distribution channels. In Dumm, R. E., & Hoyt, R. E. (2003) described a variety of distribution channels commonly used to increase insurance sales, namely distribution channels carried out by companies themselves, agents, banks, and the internet. In this industrial revolution era 4.0, the distribution channel that is more widely used is the internet. However, in the study of Adam and Hikmah (2018), it was found that only nine general insurance companies in Indonesia provided online applications to purchase motor vehicle insurance products. This condition shows that the utilization of the company's official website in Indonesia is not optimal. Many general insurance companies choose to use other distribution channels, especially using insurance agents. Insurance agents can be called the spearhead of insurance marketing. In deciding

insurance sales to prospective customers or their customers representing insurance companies. Those who know, serve, and master customer portfolios. For example, insurance agents that insurance products for the market motor vehicle. They must be able to explain the definition of motor vehicle insurance, the type of motor vehicle insurance coverage, how benefits will be received, and others.

By definition, insurance agents are entrepreneurs who carry out agency activities under the agency contract stated by the insurance company and included in the insurance agent list (Andrzej, 2015). Besides, insurance agents must be professional. The study conducted by Tseng et al., (2016) states the extent to which the attitude of insurance agents in recommending an inappropriate insurance product can increase sales of insurance products that do not meet customer needs.

Meanwhile, the era of the industrial revolution 4.0 despite having many opportunities, also further complicates the problem of competition. This fact is because organizations no longer compete with local brands; instead, they compete with brands from all over the world. This situation means that every organization must be prepared, not only to build its business with global standards but also to try to outperform the global competition. To be able to achieve success, the industry focuses on people who have a higher level of individual competence (Amodu et al., 2017). Similarly, the insurance agent profession, in addition to being a professional, the insurance agent must also be competent or certified. Like the insurance industry, insurance agents are also divided into general insurance agents and life insurance agents.

OJK Regulation Number 69 / POJK.05 / 2016 / states that insurance agents must be registered with OJK and have agency certificates following their business fields. While based on Law No. 40 of 2014 concerning insurance states that OJK gives authority to associations to certify agency, AAUI as the association that oversees general insurance in Indonesia, has taken several steps to improve the competence of general insurance agents in Indonesia. This study will provide an overview, the extent to which general insurance agents fulfil these requirements and what efforts are made by AAUI to increase the number of certified general insurance agents.

2 LITERATURE STUDY

2.1 Definition of Insurance

Based on Law No. 40 of 2014 concerning Insurance, insurance is an agreement between two parties, namely an insurance company and policyholder, which is the basis for receiving premiums by insurance companies in return for:

a. Provide replacement to the insured or policyholder due to losses, damages, costs incurred, loss of profits, or legal liability to third parties. They may be suffered by the insured or policyholder due to an uncertain event, or provide payments based on the death of the insured or payment. Based on the life of the insured, the benefit of the amount determined and /or based on the results of the management of funds.

The above definition implies that there are two types of insurance, namely life insurance and general insurance. Life Insurance Business is a business that carries out risk management services that provide payments to policyholders, insured, or other parties who are entitled in the event the insured dies or remains alive, or other payments to policyholders, insured, or other parties entitled at certain times regulated in the agreement, the amount of which has been determined and/or based on the results of the management of funds. While the General Insurance Business is a risk insurance service business that provides compensation to the insured or policyholder due to losses, damages, costs incurred, loss of profits, or legal responsibility to third parties that may be suffered by the insured or policyholder due to an uncertain event. Ayat (2012) states that in general insurance there are 13 types of insurance products commonly marketed, namely insurance transportation, ship frame insurance, shipbuilding insurance, property insurance, motor vehicle insurance, guarantee insurance, various insurance, engineering insurance, satellite insurance, aviation insurance, energy insurance, credit insurance, and liability insurance.

2.2 Definition of Insurance Agents

All types of general insurance products require a marketing process to reach consumers. In marketing terms, it is known as a distribution channel, which is a path that must be traversed by the flow of goods from producers to agents or intermediaries or large traders to users, in this case consumers. Distribution channels can be also defined as marketing channels or market channels. A distribution channel is a group

of dependent on each other organization units, which are taking part in process of flow of products or services from producers to buyers (Szopa and Pekała, 2012).

In Dumm, R. E., & Hoyt, R. E. (2003) described a variety of distribution channels commonly used to increase insurance sales, namely distribution channels carried out by companies themselves, agents, banks, and the internet. If marketing is carried out by the insurance company itself, whether through company sales staff, home service agents, or the internet, the sales are categorized as direct marketing channels. Conversely, if marketing is done by agents, brokers, or banks, it is called an indirect marketing channel.

From various known distribution channels, insurance agents play an essential role in insurance sales. According to Law No. 40 of 2014, insurance agents are people who work alone or work for a business entity, who act for and on behalf of an Insurance Company or Sharia Insurance Company and fulfill the requirements to represent an Insurance Company or Sharia Insurance Company to market insurance products or products sharia insurance.

In addition, an insurance agent is an agent engaged for an insurance company based on the requirements specified by the insurance company where the insurance agent works. Furthermore, it can be found in the Financial Services Authority Regulation Number 23 / POJK.05 / 2015 concerning Insurance Products and Insurance Product Marketing Article 45 said that "Insurance companies can only market insurance products through marketing channels, one of which is mentioned by insurance agents, which meet the provisions statutory regulations regarding insurance agents ". Along with the task of the agent as a liaison between the insured and the insurer, then in this case the agent is also required to recognize an insurance company where the insurance agent works which aims to provide information to the insurer that will be obtained from having an insurance product based on the premium amount paid by the insured. Insurance agents can also be intermediaries between the insured party and the insurer to make insurance premium payments and also the process of filing claims against insurance customers who experience a loss as stated in the insurance policy. To become an insurance agent who carries out work as a liaison between the insured party and the guarantor, it must go through procedures that have been determined by the insurance company.

According to the Financial Services Authority Regulation Number 69 / POJK.05 / 2016, individual

insurance agents and Legal Entity insurance agents can conduct agency cooperation with 1 (one) General Insurance Company, 1 (one) Islamic General Insurance Company, 1 (one) Insurance Company Life and 1 (one) Sharia Life Insurance Company. Thus, Insurance Agents are prohibited from conducting agency cooperation with more than similar Insurance Companies. To be able to carry out consultancy activities on insurance needs and / or mediation of insurance closure to prospective policyholders and to be able to place insurance with insurance companies according to the needs of prospective policyholders, a Legal Insurance agent can apply for a business license as an Insurance Brokerage Company.

Every insurance agent must be registered with the Financial Services Authority (OJK) and must have sufficient knowledge and ability and have a good reputation. According to Article 31 of Law No. 40 of 2014 Insurance Agents, Insurance Brokers, Reinsurance Brokers, and Insurance Companies are required to apply all their expertise, attention, and accuracy in serving or transacting with Policyholders, Insured, or Participants. In other words, an insurance agent must have good competence in carrying out their work or in other words, a right insurance agent is a certified agent.

2.3 Definition of AAUI

AAUI or the Indonesian General Insurance Association is a forum where general insurance companies work together in the same vision and mission, with one of its functions being a forum for unity and deliberation for the benefit of the general insurance industry. In article 68 of Law No. 40 of 2014, each insurance company is required to become a member of one of the insurance business associations in accordance with the type of business. For general insurance companies, the association in question is AAUI.

As seen on its website, www.aui.or.id, AAUI currently has 84 members, consisting of general insurance / loss companies and reinsurance companies (78 Insurance Companies & 6 reinsurance companies), and 27 branches spread throughout the region. in Indonesia. AAUI is an organization that runs all of its business in a non-profit nature and by always adhering to all applicable legal provisions. AAUI's financial resources originate from membership fees consisting of base fees for new members and annual contributions consisting of basic contributions and tiered contributions from AAUI members whose amount is stipulated in the general

meeting of members, other legitimate businesses and receipts that are not contrary to the intent and the purpose of AAUI.

3 DATA AND METHODS

This research is a descriptive study that provides an overview of how many general insurance agents meet the competency standards set by AAUI. Secondary data is obtained from OJK through www.ojk.go.id, from AAUI at www.aau.or.id, and the results of written interviews with AAUI administrators. The object of research is the number of general insurance agents working to market general insurance products in all conventional general insurance companies registered with the OJK until 2019. The steps taken are:

1. Check the number of insurance companies in Indonesia.
2. Check the number of general insurance agents in Indonesia.
3. Check the number of certified general insurance agents in Indonesia.
4. Explain the AAUI E-certification.

4 RESULT AND DISCUSSION

As explained earlier, AAUI has 84 members, consisting of 78 insurance companies and six reinsurance companies. However, OJK data per May 2019 only has 75 general insurance companies and six reinsurance companies registered. In general, there are a total of 151 insurance companies, including well-known insurance companies and sharia. Table 1 below explains the number of insurance firms in Indonesia based on data from the Financial Services Authority of May 2019. Table 1 shows that insurance companies are divided into life insurance companies, general insurance, reinsurance companies, mandatory insurance, and social.

Table 1: Number of the insurance company in Indonesia.

Component	May 2019		Total
	Conventional	Sharia*	
Insurance	139	13	151
Life Insurance	53	7	60
General Insurance	75	5	80
Reinsurance	6	1	7
Mandatory Insurance	3	-	3
Social Insurance(BPJS)	2	-	2

From Table 1, there are quite a several insurance companies in Indonesia, so that the need for insurance marketers or insurance agents, including general insurance agents is still substantial. Table 2 explains the number of general insurance agents in Indonesia from 2013 to 2018 sourced from www.ojk.go.id.

Table 2: Number of Indonesian general insurance agents.

Year	National Company	Joint Venture	Total
2013	8131	11074	19205
2014	7016	17288	24304
2015	9336	6402	15738
2016	8874	7757	16631
2017	12011	6060	18071
2018	13435	5904	18529

From Table 2, it can be seen that the number of general insurance agents in Indonesia fluctuated from year to year, with a tendency to increase the number of general insurance agents in Indonesia. However, it is not seen whether the number of agents mentioned is already certified or not. OJK Regulation Number 69 / POJK.05 / 2016 / states that insurance agents must be registered with OJK and have agency certificates in accordance with their business fields. While according to Law Number 40 of 2014 concerning Insurance states that OJK grants authority to associations to carry out agency certification, in this case the general insurance agency certificate is issued by AAUI.

To get agency certification, AAUI holds special exams for general insurance agents. Initially, AAUI developed a certification system with a half-

day workshop model with two main topics. The prospective insurance market agents are crammed with topics about insurance sales salesmanship and the concept of risk management which covers the principles of insurance. After the workshop, a written test in the form of multiple-choice was held with 100 questions in 60 minutes. The certification is held once a month. More detailed information about the number of insurance agents that have been certified through the exam can be seen in the following Table 3:

Table 3: Certified Agent.

Year	Agent
2013	2351
2014	4900
2015	3556
2106	2396
2017	5948
2018	6838

When compared with the number of agents, as shown in Table 2, until 2016, the number of certified agents is still very small. In 2016, for example, only around 12.5% of the agents had competency certificates issued by AAUI. This shows that the number of insurance agents who have the certification is still lacking. But along with the issuance of OJK Regulation Number 69 / POJK.05 / 2016 / which states that insurance agents must be registered with the OJK and have an agency certificate in accordance with their line of business, in 2017 the number of certified agents becomes 5958 people, increasing by 3552 people. However, when compared to the number of agents, only about 33% of agents are certified. To increase this number, the AAUI issued a new strategy by utilizing information technology.

In May 2018, AAUI issued a new scheme, namely an E-certification or electronic-based certification. Android-based E-certification platform that can be downloaded at Google Playstore, so that it can help agents to be able to carry out exams anytime and anywhere as long as there is internet access, the E-certification has also been equipped with standardized material with the aim of insurance agents being able to explain products that are offered and understood general insurance principles and products. In addition, this application is also equipped with an exercise program so that agents

can carry out exam exercises before carrying out the exam itself.

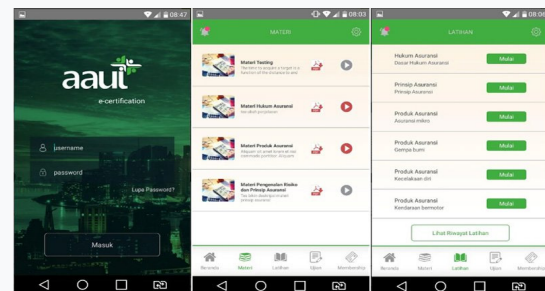


Figure 1: E-certification AAUI.

In Figure 1, you can see an e-certification screenshot that includes test material and practice. Materials include insurance law, insurance products, risk recognition and insurance principles. Prospective examinees can do the exercises before taking the exam. Thus E certification is carried out very effectively and efficiently without reducing the quality of the agent.

Since the launch of the E-certification, the number of certified agents in 2018 is 6,838, or there has been an increase of 14.9%. In general, the development of the number of certified general insurance agents can be seen in Figure 2 below:

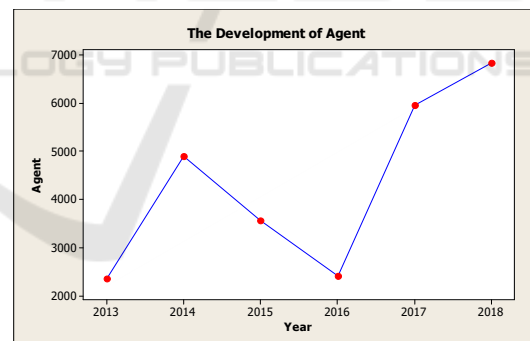


Figure 2: The Development of Certified Agent.

From Figure 2, it can be seen that in 2016 there was a decrease in the number of certified agents, but since 2017 there has been an increase in the number of certified agents in line with the FSA regulation No. 69 / poj.05 / 2016. Then it will increase in 2018 along with the E-certification, although the increase is still 14.9%. This relatively small increase shows that AAUI has not carried out effective socialization. The socialization carried out by AAUI has actually arrived at the process and practice of implementing the exam by using an E-certification to all AAUI Members represented by the agency

coordinators of each company on the 26th February 2018 at the AAUI secretariat in Jakarta with the hope that the agent coordinator will notify the insurance agent in the area about this E-certification. But it seems that it is not as effective as socializing. With the rapid development of information technology in the current era of the industrial revolution 4.0 it is hoped that socialization can be intensively carried out so that more and more general insurance agents can reach E-certification and insurance agents in remote areas can reach E-certification.

5 CONCLUSION

The insurance agent becomes an intermediary between the insured party and the guarantor to pay insurance premiums and also the process of filing claims against insurance customers who experience a loss as stated in the insurance policy. OJK Regulation Number 69 / POJK.05 / 2016 / states that insurance agents must be registered with OJK and have an agency certificate in accordance with their line of business. In other words, insurance agents must be professional and competent. To achieve this competency, OJK gives authority to associations to carry out agency certification, in this case the general insurance agency certificate issued by AAUI. To get agency certification, AAUI holds special examinations for general insurance agents. Manual exams only produced 5958 certified agents in 2017. Since the launch of E-certification in 2018, the number of certified agents in 2018 was 6,838 people or an increase of 14.9% compared to 2017. With the rapid development of information technology in the era of the industrial revolution 4.0 is expected that more general insurance agents can reach E-certification and insurance agents in remote areas can reach E-certification.

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