STRATEGIC IMPLEMENTATIONS IN
INDONESIAN BANCASSURANCE MARKET:
A CASE STUDY OF PT. ASURANSI CIGNA

By

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Bachelor Degree in Economics Major in Management

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This thesis, entitled “STRATEGIC IMPLEMENTATIONS IN INDONESIAN BANCASSURANCE MARKET: A CASE STUDY OF PT. ASURANSI CIGNA” prepared and submitted by Randy Prasetyo in partial fulfillment of the requirements for the degree of Bachelor in the Faculty of Economics has been reviewed and found to have satisfied the requirements for a thesis fit to be examined. I therefore recommend this thesis for Oral Defense.

Cikarang, Indonesia, January 25th, 2013

Acknowledged by, 

Irfan Habsjah, MBA, CMA
Head of Management Study Program 

Recommended by, 

Suresh Kumar, S.T, M.Si
Thesis Adviser II
DECLARATION OF ORIGINALITY

I declare that this thesis, entitled “STRATEGIC IMPLEMENTATION IN INDONESIAN BANCASSURANCE MARKET: A CASE STUDY OF PT. ASURANSI CIGNA” is, to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, January 25th, 2013

Randy Prasetyo
The Panel of Examiners declare that the Thesis, entitled “STRATEGIC IMPLEMENTATIONS IN INDONESIAN BANCASSURANCE MARKET: A CASE STUDY OF PT. ASURANSI CIGNA” that was submitted by Randy Prasetyo, majoring in Management from the Faculty of Economics, was assessed and approved to have passed the Oral Examination on March 1st, 2013.

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Examiner II
Sonny V. Sutedjo, S.E, M.M
ABSTRACT

In bancassurance department, PT. Asuransi Cigna has been able to maintain its market standing despite the tough competition. This research aims to find out the factors that influence the company’s market position and the contributing factors behind the company’s strategic implementations, and also to discover the company’s strategic implementations in the near future to increase or maintain its position. Through this research, it is hoped that PT. Asuransi Cigna could also gain new insights regarding their company in bancassurance industry. The researcher conducts an interview with a representative of PT. Asuransi Cigna in order to gain valid and reliable primary data. This period covered in this research ranges from 2010-2013 and is limited from PT. Asuransi Cigna’s point of view. It is discovered that one of the largest threats in Indonesian bancassurance industry is the exclusive agreements between banks and insurers. Although the government has made a regulation regarding partnerships in bancassurance, the parties involved in these exclusive agreements are still able to conduct practices which could hinder other companies’ progress. This research suggests that the Indonesian government should review its regulations regarding partnerships in bancassurance, and for PT. Asuransi Cigna to gain more partners in banking and multifinance industries; and to consider finding a way to be the priority partner in their partnerships with banks.

Keywords: Bancassurance, Bank, Insurance, PT. Asuransi Cigna, Partnership
ACKNOWLEDGEMENT

First and foremost, I would like to express my greatest gratitude to my Lord and savior, Jesus Christ, whose blessings and miracles keeps me standing and walking through the process of creating this research.

I would like to thank both Mr. Sonny V. Sutedjo and Mr. Suresh Kumar as my advisors for they have unsparingly provided me with guidance and assistances, even outside their work hours. Without them, this research would not have been complete.

To PT. Asuransi Cigna, especially the bancassurance department, I would like to personally thank Mr. Haryo Buwono, Mr. Hafiz Tinerizza, Ms. Mintarsih, and the whole department for their kindness and support that allows me to conduct my research in the company; I wish all of you a greater success in the future.

To my family, friends, and everyone who supported me during the creation of this thesis (in no specific order) – Devandy Gaotama, Dana Ferriyus, Alfin Felialnyoo, Najib Maulidan, Willy Andrew, Henoch M. E. Panggabean, Hafid Pradipta, Andrea Saputra, Suriansen Wirianto, even the ones I fail to mention here – I thank you for all those days we spent by laughing while letting go of our worries, and all of the things we have accomplished together.

In the end, I do realize that this work is still imperfect. I would gladly accept any suggestions that I could use in improving my understanding regarding this thesis.

Jakarta, January 25th, 2012

Randy Prasetyo
Dedicated to my mother, Inayani Oetomo; the tough woman who has been selflessly supporting me in everything I do, helping me to focus on my goals, and lovingly raised me through all these years.
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CHAPTER I
INTRODUCTION

1.1 Background

The term “bancassurance” derives from the French words banc and assurance, which mean “bank” and “insurance”, respectively. Bancassurance is a distribution model used by insurance companies, where the companies would sell their product through the banks' sales staff. The model is used widely in western and developed countries, and it has become an essential issue for bankers and insurers nowadays.

The first notion of bancassurance was made in England by the Barclays Bank with their Barclays Life in September 1965. Barclays attempted to create a financial service group out of themselves; however, it was unable to consider it as a success in the United Kingdom (Chevalier, Launay, & Mainguy, 2005).

The first successful attempt of Bancassurance was first made by ACM (Assurances du Crédit Mutuel) Vie et IARD (life and general insurance) in France during early 1970s. They wanted to bypass the middleman for loan protection insurances and to insure their banking consumers themselves. The notion created by this company thus became the forerunner of what would be called “bancassurance” 15 years later. Not just banks, insurance companies start to develop their bancassurance distribution channels as well.

It has become a popular business model as well in Spain. In early 1980s, Euroseguros SA was acquired by the Banco de Bilbao Group, allowing them to conduct the method in the mentioned country. Before 1991 though, their control was limited to financial products, as the Spanish government prohibited banks from selling life insurance products. Now, one-third of the Spanish insurance market is controlled by five bancassurance companies: Vida Caixa, BBVA, SHC Seguros, Aseval, and Mapfre Vida.
In 2000, the percentage of generated premium from bancassurance distribution channel in France and Portugal is 70% of the amount of the entire new premium. It was 62% in Belgium, 30% in Sweden, and 50% in Australia. On the other hand, the revenue generated from bancassurance distribution channel in Malaysia is 6.6 billion Malaysian Ringgit, or 48% of the total new premium. In China it was 28% and around 20 to 30% in Singapore (Soewita). Bancassurance has proved itself to be an interesting new business.

Bancassurance tries to create a concept of multi-distribution approach to serve bank clients by selling the suitable product to the suitable bank clients segment through a suitable distribution channel using marketers from the specifically designated bank. There are four forms of bancassurance business models: distribution agreement, strategic alliance agreement, joint venture, and financial service group (Hadinoto, 2008).

In order to choose a suitable business model, (Ernst & Young, 2010) have listed some key factors to be considered by the companies: risk appetite, life insurance versus non-life, competitive advantage and differentiation, market entry strategies, profitability, and capital.

While bancassurance thrived in many developed countries abroad, insurance product distribution through Bancassurance channel is a common practice for many insurance companies in Indonesia too, both foreign and local. In 1990s, bancassurance was introduced in Indonesia by Lippo Life through its product “Warisan” spearheading the operation (Tiur, 2006). It was considered as a success, since many other companies followed in its footsteps by creating and developing various products to be distributed through bancassurance distribution channel. The operation was also an example of how a bank molds itself into a Financial Service Group.

According to AAJI, the premium generated on Q2 of 2012 from bancassurance distribution channel is Rp. 20.1 trillion, compared to the agency distribution channel, which managed to contribute Rp. 19.5 trillion from the total of Rp. 49.65 trillion, which is made from the combination of other distribution
channels like telemarketing and so on. The total assets of the whole insurance industry in Indonesia, as reported by AAJI, currently stand on Rp. 285 trillion. The association predicts as well that the number would reach Rp. 500 trillion by 2014 (Sumerta, 2012).

Furthermore, considering that bancassurance is a distribution channel, banks and companies are able to sell any kinds of products in order to gain competitive advantage. It is not limited to just one product, and the involved parties are welcome to innovate. Some examples of alliances between bank and insurance companies are as follows:

Table 1.1
Cooperations between Bank and Insurance Companies

<table>
<thead>
<tr>
<th>Bank</th>
<th>Bank Products</th>
<th>Insurance Products</th>
<th>Insurance Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Bali</td>
<td>Si Jempol</td>
<td>Asuransi Jiwa</td>
<td>Prudential Bank Bali Life</td>
</tr>
<tr>
<td>BNI</td>
<td>Taplus Utama</td>
<td>Asuransi Kecelakaan, Asuransi Rawat Inap, Asuransi Kematian</td>
<td>Asuransi Niaga Cigna Life</td>
</tr>
<tr>
<td></td>
<td>Kartu Kredit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Bukopin</td>
<td>Tabungan Siaga</td>
<td>Asuransi Kecelakaan</td>
<td>Asuransi Jasindo</td>
</tr>
<tr>
<td></td>
<td>Pendidikan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Bumiputera</td>
<td>Bung Hari</td>
<td>Asuransi Rawat Inap</td>
<td>AJB Bumiputera 1912</td>
</tr>
<tr>
<td>Citibank</td>
<td>Kartu Kredit</td>
<td>Asuransi Kecelakaan</td>
<td>Panin Life, Astra CMG Life, AIU Indonesia</td>
</tr>
<tr>
<td>Bank Danamon</td>
<td>Primadana</td>
<td>Tunjangan Penghasilan Keluarga</td>
<td>Zurich Life Insurance Indonesia</td>
</tr>
<tr>
<td>Bank Mega</td>
<td>Mega Proteksi</td>
<td>Asuransi Jiwa</td>
<td>Aetna Life Indonesia</td>
</tr>
<tr>
<td>Bank Niaga</td>
<td>Niaga Dolar</td>
<td>Asuransi Kecelakaan, Asuransi Perjalanan, Asuransi Kesehatan</td>
<td>Asuransi Niaga Cigna Life</td>
</tr>
<tr>
<td>Standard Chartered</td>
<td>Savings Plus</td>
<td>Asuransi Jiwa, Asuransi Kecelakaan, Tunjangan Rawat Inap</td>
<td>Asuransi Niaga Cigna Life</td>
</tr>
</tbody>
</table>
Some insurance companies also sell unit-linked products, which is a hybrid between life insurance and investment benefit for the insured.

Aside from that, a research conducted by the Indonesian Life Insurance Association (AAJI) in 2012 shows that there are 63 million Indonesian insurance policy holders. The amount consists of 10 million of individual policy holder and 53 million combined policy holder (Sumerta, 2012). If there are more than 250 million people residing in Indonesia, the other 200 million people can be likened to a fertile field, ready to be worked on.

Even though there are many potential insurance consumers in Indonesia, one could have difficulty operating unless he has knowledge regarding the matter. According to a research conducted in Universitas Brawijaya in September 2012, which is conducted in both quantitative and qualitative manner, many Indonesian consumers define insurance as a provider of compensation for loss, assurance for the future, and protection from damages. Only a little amount of the respondents perceive insurance as an investment. Most of the respondents also answered that they understand about the insurance contract given to them on the time of their application, but not thoroughly.

Generally, insurance products have positive receptions from Indonesian consumers. Age, education, and income factors also influence the sales of insurance products in Indonesia; most of the insurance product consumers are usually adults with the ability to make a budget for insurance from their income.

The result of the quantitative research shows that 62.9% of the respondents see insurance products as a need, while 11.5% doesn’t agree to the
statement. Information regarding insurance is mostly received from insurance agents (52%), TV, radio, and press (23%), and Internet (25%).

The research concludes that Indonesian consumers understands about the need and the part of insurance in their lives, that formal education plays a large part in influencing Indonesian consumers to buy insurance, and that educations regarding insurance products are beneficial to insurance sales. Internet as an information media is mostly used by the younger respondents to get information regarding insurance.

Another research, as reported by Pikiran-Rakyat.com, shows that the current consumers of insurance products in Indonesia are only 2%-3% of the total population, as said by the Manulife’s EVP Head of Partnership Business, Hans de Waal, in the Strategic Partnership Launch between PT. Asuransi Jiwa Manulife and PT. Bank Danamon Indonesia. According to Bank Danamon’s Product Management Head, there are only 15% of the bank’s clients that owns bancassurance product.

A report posted on Warta Ekonomi Online shows that insurance industry in Indonesia is actually growing by the years, but suffers from low penetration, as seen in the facts before. Based on a publication by Indonesian Insurance Board in 2011, investments made by insurance companies are increased to Rp. 200.39 trillion (20% increase compared to the numbers in 2010). Public Insurance investments are increased to Rp. 39.47 trillion (18%), Life Insurance assets increased to Rp. 225.54 trillion (20%), and Public Insurance investments are increased to Rp. 53.76 trillion (17%).

The report also shows that the amount of compensation paid for the insurance beneficiaries as insurance claims in the first semester of 2012 is Rp.29 trillion, an increase of 14% compared to same period in the previous year. Meanwhile, insurance penetration in Indonesia is only 1.2%, which is quite low when compared to Thailand with more than 3%. 


Taking into account that the bancassurance channel is currently growing in Indonesia, it is important for the companies involved in the race to strategize in order to reach the top positions. To strategize means to develop a course of action in order to adjust one’s competence with external demands. In order to adapt and survive in the industry, strategizing is a must.

PT. Asuransi Cigna, formerly known as Asuransi Niaga Cigna Life, is one of the numerous companies participating in the bancassurance distribution channel. Some of its new products in bancassurance include Cigna Dynamic Click – in cooperation with BNI and Cigna Optima Link – in cooperation with Bank Mutiara.

In cooperation with Bank Niaga as Asuransi Niaga Cigna Life, the company formerly focuses on agency distribution channel; meaning it uses the services of insurance agents to distribute its products. However, in 2002, the company, now known as PT. Asuransi Cigna, replaced the system with affinity marketing, where the company would distribute its products through the services of banks or non-bank institutions like credit companies. The company has seen and experienced the new system to be more effective compared to the previous one. However, the company still retains other initial distribution method, like telemarketing.

According to a report made by AAJI, PT. Asuransi Cigna currently possesses a total weighted premium acquired from the annual and single premiums of Rp. 52 billion. The detailed breakdown of the report is shown in the table below:
### Table 1.2
Bancassurance Premium Growth in Indonesia

<table>
<thead>
<tr>
<th>No.</th>
<th>Companies</th>
<th>Total Premium Acquired from New Business and Renewal (Weighted - 100% Annual Premium &amp; 10% Single)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>1</td>
<td>AXA Mandiri Financial Services</td>
<td>2,523,926,029</td>
</tr>
<tr>
<td>2</td>
<td>AIA Financial (D/H AIG Life)</td>
<td>1,696,829,484</td>
</tr>
<tr>
<td>3</td>
<td>Allianz Life Indonesia</td>
<td>752,032,363</td>
</tr>
<tr>
<td>4</td>
<td>Sinarmas Life</td>
<td>876,423,352</td>
</tr>
<tr>
<td>5</td>
<td>Mega Life</td>
<td>642,083,543</td>
</tr>
<tr>
<td>6</td>
<td>Manulife Indonesia</td>
<td>198,942,434</td>
</tr>
<tr>
<td>7</td>
<td>Prudential Life Insurance</td>
<td>154,042,402</td>
</tr>
<tr>
<td>8</td>
<td>Commonwealth Life</td>
<td>139,641,779</td>
</tr>
<tr>
<td>9</td>
<td>BNI Life Insurance</td>
<td>196,886,152</td>
</tr>
<tr>
<td>10</td>
<td>Panin Life</td>
<td>111,831,947</td>
</tr>
<tr>
<td>11</td>
<td>CIMB Sunlife</td>
<td>47,147,011</td>
</tr>
<tr>
<td>12</td>
<td>Great Eastern Life Indonesia</td>
<td>92,547,815</td>
</tr>
<tr>
<td>13</td>
<td>Bringin Jiwa Sejahtera</td>
<td>N/A</td>
</tr>
<tr>
<td>14</td>
<td>Cigna</td>
<td>39,875,072</td>
</tr>
<tr>
<td>15</td>
<td>Avrist Assurance (D/H AIA Indonesia)</td>
<td>78,022,875</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>7,550,232,258</td>
</tr>
</tbody>
</table>

Source: Asosiasi Asuransi Jiwa Indonesia (Indonesian Life Insurance Association)

PT. Asuransi Cigna begins its debut in Indonesian insurance market in 1994 as PT. Asuransi Niaga Cigna Life. During these years, the company has faced a tough competition, yet it is still able to make its mark in the industry.

Considering that bancassurance is a growing market in Indonesia, added by the fact that there are many other companies with same products competing in the market, the researcher desires to find out how the company maintains its position in Indonesian Bancassurance channel; in other words, discovering the factors that affects the market position and the strategic decisions of PT. Asuransi Cigna, and how the company would strategize in order to gain better revenue and market positioning.
1.2 Company Profile

1.2.1 History

Established in 1982, CIGNA is a merger between two of the oldest and largest insurance companies in the United States, i.e. Insurance Company of North America (INA) and Connecticut General Life Insurance Company (CG). The formation of INA took place in 1792 by a number of Philadelphia entrepreneurs while CG was established in 1865 as the first insurance company to offer health and group insurance products.

The history of CIGNA in Indonesia goes back to over 200 years ago when INA documented an insurance coverage for the shipment of cargo with a value of USD 4,000 from Philadelphia, the United States of America to Batavia in January 1793. Later in 1801, INA covered the insurance for the Providence ship and its cargo traveling from Liverpool, England, to Batavia. Nearly 200 years later, CIGNA was the insurer of the Palapa B-2 Satellite which was launched by the space shuttle Challenger in 1984. Present-day CIGNA has actually been here in Indonesia since 1920s when the American Foreign Insurance Association (AFIA) was established by INA and several other American insurance companies, and opened their branch offices in 1958.

CIGNA’s ties with Indonesia strengthened when PT. Asuransi Niaga Cigna Life started its operation in 1994 in cooperation with Bank Niaga, focusing on agency distribution channel. The company changed its name to PT. Asuransi Cigna on May 28, 2001 but still ran its business through agencies. In 2002, it started to apply a different business strategy of Affinity Marketing and stopped using agents’ services.

Working with various financial and non-financial institutions, CIGNA’s insurance policy holders increased significantly in number, i.e. from around 25,000 in 2002 to one million in 2005.
In line with Indonesia’s rapid growth, apart from providing protection to its clients, CIGNA also has a commitment to promoting the life of people in Indonesia through a number of community service programs including sports, educational, environmental, and other social activities.

Vision

“Fully secure Cigna’s profitable market leading position in Indonesia’s Affinity Marketing Sector.”

Mission

“To help the people we serve improve their health, well-being, and security.”

1.2.2 Awards and Recognitions

Along with its growth, PT. Asuransi Cigna has received many awards from respected institutions and business magazines in Indonesia:

1. **2011 Call Center Award for Service of Excellence** from Marketing magazine & Carre CCSL (Center for Customer Satisfaction & Loyalty)

2. **2011 Golden Trophy for Service Quality Award** from Marketing magazine & Carre CCSL (Center for Customer Satisfaction & Loyalty)

3. **2010 InfoBank Golden Trophy Award for Best Life Insurance Company** with Excellent Notation for 8 Consecutive Year from InfoBank magazine.

4. **2010 Investor Magazine Award for Best Life Insurance Company with asset category of IDR 100 billion - 1 trillion** from Investor Magazine.

5. **2010 Call Center Award for Service of Excellence** from marketing magazine & Carre CCSL (Center for Customer Satisfaction & Loyalty)


7. **2008 - CIGNA Country of The Year 2007** from Cigna International
8. And so on.

1.2.3 Products and Services

Some of the product types that Cigna has marketed include the following:

1. Personal Accident Insurance
2. Life Insurance
3. Health Insurance
4. Unit Linked Insurance
5. Return on Premium Insurance

1.2.4 Financial Highlights

The following is the company’s financial highlights from 2007 to 2009:

<table>
<thead>
<tr>
<th>Table 1.3</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Financial Highlight of PT. Asuransi Cigna</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>In Million IDR</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Invested Assets</td>
<td>737,783</td>
<td>531,170</td>
<td>435,188</td>
</tr>
<tr>
<td>Total Non-Invested Assets</td>
<td>149,615</td>
<td>123,058</td>
<td>100,505</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>887,398</strong></td>
<td><strong>654,228</strong></td>
<td><strong>535,693</strong></td>
</tr>
<tr>
<td><strong>LIABILITIES &amp; SHAREHOLDERS' EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Liabilities to Policy Holder</td>
<td>375,457</td>
<td>327,958</td>
<td>262,894</td>
</tr>
<tr>
<td>Total Other Liabilities</td>
<td>98,766</td>
<td>86,074</td>
<td>74,697</td>
</tr>
<tr>
<td>Subordinated Loan</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shareholders' Equity</td>
<td>413,175</td>
<td>240,196</td>
<td>198,101</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</strong></td>
<td><strong>887,398</strong></td>
<td><strong>654,228</strong></td>
<td><strong>535,692</strong></td>
</tr>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Premium Income</td>
<td>848,789</td>
<td>703,990</td>
<td>523,432</td>
</tr>
<tr>
<td>Net Earned Premium</td>
<td>792,961</td>
<td>637,966</td>
<td>484,734</td>
</tr>
<tr>
<td>Investment Income &amp; Other Income</td>
<td>57,513</td>
<td>34,474</td>
<td>35,837</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>850,474</strong></td>
<td><strong>672,440</strong></td>
<td><strong>520,571</strong></td>
</tr>
<tr>
<td><strong>BENEFITS &amp; EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net- Payment to policyholders</td>
<td>160,743</td>
<td>124,208</td>
<td>102,118</td>
</tr>
<tr>
<td>Increase in Liabilities for future policy benefits</td>
<td>42,053</td>
<td>45,389</td>
<td>25,250</td>
</tr>
<tr>
<td>Commission and Operating Expenses</td>
<td>479,275</td>
<td>405,092</td>
<td>315,155</td>
</tr>
<tr>
<td>TOTAL BENEFIT &amp; EXPENSES</td>
<td>682,071</td>
<td>574,689</td>
<td>442,523</td>
</tr>
<tr>
<td>-------------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>PROFIT BEFORE TAX</td>
<td>168,403</td>
<td>97,751</td>
<td>78,048</td>
</tr>
<tr>
<td>NET PROFIT</td>
<td>128,707</td>
<td>70,150</td>
<td>61,524</td>
</tr>
<tr>
<td>Solvency Ratio</td>
<td>365%</td>
<td>269%</td>
<td>243%</td>
</tr>
</tbody>
</table>

Source: Cigna company website

1.2.5 Bancassurance Department

Through bancassurance department, PT. Asuransi Cigna aims to develop a mutual relationship with the bank’s financial staff and the branch managers to promote the company’s products. The department is one of the company’s core distribution channels in Indonesia, along with Telemarketing.

While Telemarketing department works with traditional methods of distribution, such as via phone calls, bancassurance department is more inclined to distribute the company’s products via partnerships with banking institutions to distribute not just traditional insurance products, but also savings, credit, and unit link products. The department’s partners from banking institutions include Bank Central Asia, Bank Mutiara, Bank Nasional Indonesia, Bank Bumiputra, Standard Chartered Bank, CIMB Niaga, and so on. Non-bank institutions include Astra Credit Company, Mandiri Tunas Finance, Toyota Astra Financial Services, BCA Finance, BII Finance, and so forth.

1.3 Problem Identified

As described in the background, PT. Asuransi Cigna is currently placed on the 14th place in the list of amount of generated premium by Indonesian insurance companies made by AAJI. The company has been facing tough competition in Indonesian insurance industry since its inception in 1994, yet it is still able to make its mark on the industry.

Competition in Indonesian market is getting fiercer as time goes by, and to even survive and maintain its position in the market is no easy task; thus, the researcher would want to discover the factors that may influence the company’s
position and their strategic decisions, and how PT. Asuransi Cigna will strategize in order to maintain or increase its market position in Indonesian market.

1.4 Problem Statements

To be the market leader or having a good position in the market would be every company’s dream and goal. This research is about discovering what strategies or plans that would contribute in maintaining or increasing the market positioning of PT. Asuransi Cigna.

Therefore, in order to show where the challenges and opportunities lie, and to discover how the company would devise strategies to maintain or increase Cigna’s market positioning, a further research is needed. Thus, presented in a question form, the statements of the problem could be written as:

“What are the factors that influence the market position PT. Asuransi Cigna?”

“What are the factors that influence PT. Asuransi Cigna’s strategic implementations?”

and

“How would the company strategize in order to maintain or achieve better market positioning in Indonesian Bancassurance Market?”

1.5 Research Objectives

The objective of this research is to discover the factors – both internal and external – that affect the strategic implementations and market positioning of PT. Asuransi Cigna in Indonesian insurance market, and to discover how the company would strategize in order to maintain or increase their position in Indonesia.
1.6 Significance of the Study

This study aims to provide readers, students and instructors directly involved in projects or subjects related to corporate strategies with an insight and understanding of the researched matter, and the representation of the strategic approaches conducted by a foreign insurance company, in this case, PT. Asuransi Cigna, in maintaining or achieving better market positioning in Indonesia.

1.7 Scope and Limitation of Study

The scope and limitation of this study are as follows:

1. This study will not cover insurance product distribution outside Indonesian market.
2. The time period covered by this study ranges from 2010-2013.
3. This study will only cover the point of view of PT. Asuransi Cigna.
4. This study is limited to the PT. Asuransi Cigna’s middle management’s point of view.

1.8 Theoretical Framework

The purpose of theoretical framework is to provide a foundation for researches and studies. As an overview, the title of this study is “Strategic Implementations in Indonesian Bancassurance Market: A Case Study of PT. Asuransi Cigna”. The research’s focuses are to discover the factors affecting the company’s performance, and strategic implementations to maintain or increase the company’s market standing in Indonesian bancassurance market. This study will be done in a qualitative manner. The theoretical framework will be as follows:
According to the theoretical framework, the researcher believes that those factors (legal framework, distribution network and market image, consumers’ purchasing intention, human resources, technology, new market entrants, and consumer contact) do have an influence in determining a company’s strategic decisions and its market position. The factors were taken from previous researches made by Scor Vie and Ernst & Young, which will be explained even further in the second chapter.
1.9 Research Outlines

For the sake of convenience, and in order to clarify the structure of this study, the researcher would list the outlines of each chapter as follows:

1. Introduction
The first chapter contains the explanation of the topic and area of interest, including the background, company profile, problem identification, statement of the problem, research objectives, significance of study, theoretical framework, scope and limitation, and research outlines.

2. Literature Review
Contains the theories related to the research’s topic. The researcher would also include previous corporate researches regarding factors that influence the success of a bancassurance business, such as the ones made by Ernst & Young, and the results of SCOR Global Life’s research in bancassurance field.

3. Research Methodology
As the chapter title implies, this chapter describes the research methodology, which includes the research method, data collection, and what methods will be used in analyzing the data.

4. Analysis of Data and Interpretation of Results
The fourth chapter provides the results of data analysis and other findings from the study.
5. **Conclusion and Recommendations**
   This last chapter will provide a brief summary of the entire study, conclusion, and recommendations.

6. **Bibliography**
   This part of the study will list down all the sources and references used.

7. **Appendices**
   Other supporting materials of research, such as interview scripts, will be contained here.
CHAPTER II
LITERATURE REVIEW

2.1 Bancassurance

The definition of Bancassurance is an arrangement in which a bank and an insurance company form a partnership so that the insurance company can sell its products to the bank's client base. This model of partnership can be profitable for both participants. Banks would earn additional revenue by selling the insurance products, while insurance companies are able to expand their consumerbase without having to expand their sales forces to pay commissions to insurance agents or brokers (Investopedia).

Hadinoto (2008) described in his book, Bank Strategy on Funding and Liability Management, that there are four common types of synergies, or business models in bancassurance: distribution agreement, strategic alliance, joint venture, and financial service group.

In distribution agreement, the bank acts as the intermediary for the insurance company to sell its products. The bank will then distribute the insurance products either as a standalone or bundled with the bank services. This model of partnership is often able to start quickly, with low capital investment needed. However, it is also more difficult to launch new products due to inflexibility caused by differences in corporate cultures.

Strategic alliance is a form of cooperation which needs a higher level of integration compared to the previous model. Insurance company can utilize the bank’s consumerdatabase, and if included in the agreement, bank can work together with the insurance company to develop new products, which would generate the need of larger investment.

Joint venture is an agreement made by the insurance company and the bank to create and develop a new entity by contributing equity. Both parties will
be able to benefit from each other; the insurance company can contribute its knowledge and experience of the business, while bank contributes by providing its consumer database. In this business model, long-term commitment is necessary.

Financial Service Group, on the other hand, is a bit different. The bank tries to provide a one stop solution for financial needs by selling all kinds of banking and financial products needed by its clients. Having no change in corporate culture, it would be easier to launch and develop new products. However, the bank needs to provide a substantial investment in IT, manpower, product research and development, and so on.

2.2 Affinity Marketing

According to BusinessDictionary.com, affinity marketing is “a method of selling goods and services by creating partnerships with similar or compatible companies and brands.” By using affinity marketing, a campaign can go directly to the target audience, thus saving time and money. As explained by Jordan Berman, Director of Online Marketing & Advertising at Showtime Networks, “My basic definition of affinity marketing has been the delivery of product messages to like-minded consumers.”

The concept of affinity marketing is made of two parties. The first one seeks to add value to its existing consumer by promoting products or services they do not currently market, like in bancassurance business model. The second party seeks to acquire new consumers by using another organization’s relationship strength with its consumers, through which to distribute its products or service.
2.3 Key Performance Indicators

According to John Reh on his article in About.com, Key Performance Indicators (KPI) are “quantifiable measures, agreed to beforehand, that reflect the critical success factors of an organization. They will differ depending on the organization.”

KPI reflects the organization’s goals, visions, and missions. It is used by an organization as a key to its success. Therefore, long-term considerations have to be made, and KPI has to be measurable. As the goals of an organization change, it may be necessary to change its KPI as well as it goes one step closer to the goal.

KPI can exist in both business and non-business worlds. For instance, a company with a goal to be the most profitable company in its industry will have KPI that measures profit and related fiscal measures. “Pre-tax Profit” and “Shareholder Equity” will be among them. However, “Percent of Profit Contributed to Community Causes” may not be its KPI. On the other hand, a school may not put profit-oriented KPIs, and will instead, put things like “Graduation Rate” or “Success in Finding Employment after Graduation” as its KPI.

2.4 Porter’s Five Forces Model

Michael Porter (1979) in Kotler and Keller (2012) has identified five forces that determine the intrinsic long-run attractiveness of a market or market segment: industry competitors, potential entrants, substitutes, buyers, and suppliers. The threats posed by these forces are as follows:

2.4.1 Threat of Intense Segment Rivalry

A segment is unattractive if it already contains numerous, strong, or aggressive competitors. These conditions will lead to frequent price wars,
advertising battles, and new-product introductions and will make it expensive to compete.

2.4.2 Threat of New Entrants

The most attractive segment is one in which entry barriers are high and exit barriers are low. Few new firms can enter the industry, and poorly performing firms can easily exit. When both entry and exit barriers are high, profit potential is high, but firms face more risk because poorer-performing firms stay in and fight it out.

When both entry and exit barriers are low, firms easily enter and leave the industry and returns are stable but low. The worst case is when entry barriers are low and exit barriers are high: Here firms enter during good times but find it hard to leave during bad times. The result is chronic overcapacity and depressed earnings for all.

2.4.3 Threat of Substitute Products

A segment is unattractive when there are actual or potential substitutes for the product. Substitutes place a limit on prices and on profits. If technology advances or competition increases in these substitute industries, prices and profits are likely to fall.

2.4.4 Threat of Buyers’ Growing Bargaining Power

A segment is unattractive if buyers possess strong or growing bargaining power. For example, the of retail giants such as Wal-Mart has led some analysts to conclude that the potential profitability of packaged-goods companies will become curtailed.

Buyers bargaining power grows when they become more concentrated or organized, when the product represents a significant fraction of their costs, when the product is undifferentiated, when buyers switching costs are low, when buyers are price-sensitive because of low profits, or when they can integrate upstream.
To protect themselves, sellers might select buyers who have the least power to negotiate or switch suppliers. A better defense is developing superior offers that strong buyers cannot refuse.

2.4.5 Threat of Suppliers’ Growing Bargaining Power

A segment is unattractive if the company’s suppliers are able to raise prices or reduce quantity supplied. Suppliers tend to be powerful when they are concentrated or organized, when they can integrate downstream, when there are few substitutes, when the supplied product is an important input, and when the costs of switching suppliers are high. The best defenses are to build win-win relationships with suppliers or use multiple supply sources.

2.5 Human Capital

Human capital is the stock of competencies, knowledge, social and personality attributes, including creativity, embodied in the ability to perform labor so as to produce economic value. It is an aggregate economic view of the human being acting within economies, which is an attempt to capture the social, biological, cultural and psychological complexity as they interact in explicit and/or economic transactions (Simkovic, 2012).

Many theories explicitly connect investment in human capital development to education, and the role of human capital in economic development, productivity growth, and innovation has frequently been cited as a justification for government subsidies for education and job skills training.

2.6 Cognitive Job Satisfaction

Cognitive job satisfaction is the extent of individuals’ satisfaction with particular facets of their jobs, such as pay, pension arrangements, working hours, and numerous other aspects of their jobs (Moorman, 1993).

The concept of cognitive job satisfaction is usually defined as being a more objective and logical evaluation of various facets of a job. It can be seen as
uni-dimensional when it only comprises evaluation of just one aspect of a job, such as pay or maternity leave, or multi-dimensional if two or more facets of a job are simultaneously evaluated.

2.7 Marketing Mix: Updating the Four Ps

Jerome McCarthy (1960) in Kotler and Keller (2012) classified various marketing activities into marketing-mix tools of four broad kinds, which he called the four Ps of marketing: product, price, place, and promotion.

**Product** is seen as the item that satisfies the customers’ needs or wants. These products can be intangible or tangible. Intangible products are service-based like the tourism industry and financial industry, for instance. Tangible products, however, possess independent physical existence; typical examples include disposable razor and motor car.

**Price** is amount a customer must pay for the product. The price is very important as it determines the company’s profit, and hence, survival.

**Promotion** represents all of the methods of communication that a marketer may use to provide information to different parties about the product. Promotion comprises elements such as: advertising, public relations, personal selling and sales promotion.

**Place** refers to providing the product at a place which is convenient for consumers to access. This term is also synonymous with distribution.

Given the breadth, complexity, and richness of marketing, however – as exemplified by holistic marketing – clearly these four Ps are not the whole story anymore. In order to reflect the more holistic marketing concept, Kotler and Keller (2012) updated the Four Ps with a more representative set that encompasses modern marketing realities: people, processes, programs, and performance.
People – reflects, in part, internal marketing and the fact that employees are critical to marketing success. Marketing will only be as good as the people inside the organization. It also reflects the fact that marketers must view consumers as people to understand their lives more broadly and not just as they shop for and consume products and services.

Processes – reflects all the creativity, discipline, and structure brought to marketing management. Marketers must avoid ad hoc planning and decision making and ensure that state-of-the-art marketing ideas and concepts play an appropriate role in all they do. Only by instituting the right set of processes to guide activities and programs can a firm engage in mutually beneficial long-term relationships. Another important set of processes guides the firm in imaginatively generating insights and breakthrough products, services, and marketing activities.

Programs – reflects all the firms’ consumer-directed activities. It encompasses the old four Ps as well as a range of other marketing activities that might not fit as neatly into the old view of marketing. Regardless of whether they are online or offline, traditional or nontraditional, these activities must be integrated such that their whole is greater than the sum of their parts and they accomplish multiple objectives for the firm.

Kotler and Keller (2012) defined performance as in holistic marketing, to capture the range of possible outcome measures that have financial and nonfinancial implications (profitability as well as brand and consumer equity), and implications beyond the company itself (social responsibility, legal, ethical, and community related).
2.8 Previous Researches

2.8.1 Scor Vie’s Analysis of Bancassurance

The term, “Bancassurance”, originates from the French words “banc” and “assurance”, which means “bank” and “insurance”, respectively. The source of this business model is still considered a debate, with some believes that the pioneers of the said business model are the Assurances du Crédit Mutuel Vie et IARD from France in 1970 and Britain’s Barclays Life in 1965 (Chevalier, Launay, & Mainguy, 2005).

The researcher would only put the necessary information from Scor Vie’s Analysis of Bancassurance in order to maintain the course of the research focus, which will be separated in several parts, as follows: explanations of bancassurance business model; the key factors for successful sales through a banking network; exploiting those keys to success; good bancassurance product criteria; and insurance penetration rate.

2.8.1.1 The Bancassurance Business Models

In the first chapter, the researcher has provided a short explanation regarding four forms of bancassurance business models as described by Hadinoto (2008), which are: Distribution Agreement, Strategic Alliance, Joint Venture, and Financial Service Group. In other words, there is no single pattern that is compulsory to be followed in creating a bancassurance operation.

On the other hand, Scor Vie provided a similar result of three primary bancassurance models that are emerging, including their main criteria, advantages, and disadvantages:
Table 2.1  
Bancassurance Business Models

<table>
<thead>
<tr>
<th>Form</th>
<th>Description</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution</td>
<td>Bank acts as an intermediary for an insurance company.</td>
<td>• Operations start quickly</td>
<td>• Lack of flexibility to launch new product</td>
</tr>
<tr>
<td>Agreement</td>
<td></td>
<td>• Less costly capital investment</td>
<td>• Possibility of differences in corporate culture</td>
</tr>
<tr>
<td>Joint Venture</td>
<td>Bank is in partnership with one or more insurance companies.</td>
<td>• Transfer of expertise</td>
<td>• Difficult to manage in the long term</td>
</tr>
<tr>
<td>Full Integration</td>
<td>Creation of new subsidiary</td>
<td>• Same corporate culture</td>
<td>• Substantial investment</td>
</tr>
</tbody>
</table>

Source: Chevalier, Launay, and Mainguy (2005)

As there is no single compulsory pattern that needs to be adhered by the insurance companies or the banks in order to conduct a bancassurance business, any of the models above can be adapted. From this theory, the researcher would be able to understand the current trends of bancassurance business model in Indonesian market, from the ones used by PT. Asuransi Cigna to the ones used by their competitors.

2.8.1.2 The Key Factors for a Successful Bancassurance

In their work, Analysis of Bancassurance, Chevalier, Launay, and Mainguy (2005) described the reality of a bancassurance model as multifaceted. A clear success in one area might not be able to replicate itself in another different area. The keys to be successful in bancassurance are numerous and diverse. However, there are still some factors that contribute to a favorable environment for a bancassurance business to grow and develop.

2.8.1.2.1 Legal Framework

It is clearly apparent that a country’s legal framework and the authorities’ attitude to the development of bancassurance businesses is essential and possesses a real influence on the model’s conditions for successes in a given country.
Changes in the law could have a positive or negative influence on a product’s sales. Based on this theory, the researcher would want to see the effects it has to PT. Asuransi Cigna, and whether the company has benefited or experienced loss from Indonesian’s legal framework.

2.8.1.2.2 The Distribution Network

Who would not be attracted to a bank with a dense network and strong geographical presence? Dense network guarantees large potential of sales, while strong geographical presence would facilitate contacts between the bank and its consumers and clients. Proximity to the consumer is one of essential factor of importance, and having consumers at close proximity should be one of the best qualities to be looked at when looking for a bancassurance partner. Therefore, one should pay attention to these qualities as a sense of trust and loyalty is crucial in insurance sales processes.

2.8.1.2.3 Market Image

A bank is often attributed with the images of trustworthiness and reliability by the people. These images are further strengthened by how a bank organizes its banking network and how many branches it has in a country. Time and again, those factors influence how people perceive a bank’s quality.

Bank’s employees are responsible to provide their clients with reliable information regarding investment trends or financial suggestions, for example. The performance of the bank’s employees in dealings with their consumers and clients also provide to the bank’s market image. The insurance company and the bank’s employees have to develop a strong trusting relationship with their consumers.

2.8.1.2.4 Consumer Purchase Intentions

The research conducted by Scor Vie by Chevalier, Launay, and Mainguy in 2007 highlighted an interesting factor that suggests a connection between consumer habits in a country and the success of bancassurance on that market; the more a population is familiar in the use of new technologies, the smaller the role of bancassurance.
From the research, they concluded that this business model depends heavily on the country’s culture and consumer habits. A certain part of the population, for example, would prefer to go to a bank and discuss with their account manager. The other part, per contra, would rather take their time and conduct a personal research regarding insurance products and compare each one of them on the internet.

Therefore, the concept of “maintaining relationship” to secure sales from bank clients are somewhat mitigated in the latter part of said population. As they have conducted an anonymous research by themselves, the result of that research would dictate what they will buy, instead of following the advices of the insurance or bank’s sales staff.

2.8.1.3 Exploiting the Key Factors to Success

In bancassurance models, it is important for the participants – both banks and insurance companies – to integrate and blend their differences into one in order to establish a competitive advantage over traditional insurance distribution method. For instance, a bank’s IT network systems should process every new insurance policy, joint-training between the bank’s and the insurance company’s agents, and so on.

Another point to be taken into account is the management and human resources aspects. A partnership between bank and insurance company should set up a joint business plan for both parties that should be able to be understood by their employees. This is due to the difference in the nature of both parties. While the bank may not have the experience and knowledge of insurance products and sales, the insurance company can contribute by sharing what they have, and vice versa.

Training and remuneration is also essential to this subject. As probably mentioned by every expert of Human Resources, it is absolutely necessary to conduct appropriate training courses and to remunerate the staff with rewards that they deserve. In the end, though, training and remuneration policy tend to be
specific to each bancassurance operators and should conform to each company’s corporate culture and history.

2.8.1.4 Essential Qualities of a Bancassurance Product

The important thing to be noted is that bancassurance operators should be able to supply products that are easy to explain and to define and which have limited options for choice (Chevalier, Launay, & Mainguy, 2005).

The challenge that lies in developing a bancassurance product is the similarity between life insurance and savings products. Operators should take care that these products do not substitute or replace bank’s initial products and programs, but instead, complement the existing ones. The typical “novice” bancassurance products usually start as simple and standardized products, which are sometimes even bundled with bank products.

Also, it should not be forgotten that these products have to be merged into the bank’s sales processes and its management methods. By aligning the insurance product with the bank’s initial service, it makes it easier for bank’s sales agents to sell the said product. When the operators gain more experience, they could even diversify their product range. However, this should be reinforced with the fact that the market is already sufficiently mature to accept more complex products.

2.8.1.5 Insurance Penetration Rate

Chevalier, Launay, and Mainguy described that in order to develop a bancassurance business, big banks or large foreign insurance companies sought to move into countries where the penetration rate is still low. They would create partnerships with banks or insurance companies that were familiar with the customs and habits, or possesses a dense network of the local consumers. It is believed that through this kind of arrangement, bancassurance business could be set up with a relatively low cost, yet can be developed effectively and quickly.
According to their research, the best example for this is Spain, Latin America, and Asia, where insurance companies and banks have a high penetration rate, contributed with the broad, untouched market.

2.8.1.6 Basic Bancassurance Rule

In the end, insurance industry is about providing both service and product quality. Bancassurance operators should put the consumer at the heart of their thinking and development strategies. Firstly, they should ease the consumer by providing a full-range financial products and services (banking and insurance) through a single sales network. Then, they should also be able and ready to provide high-quality advice by listening and possessing accurate information.

Thirdly, bancassurance operators should pay attention to be quick in meeting the consumer through an easy access to the service, better to be 24/7, with telephone support centers or internet platforms. Last but not least, it is mandatory for bancassurance operators to provide the know-how and follow-up as good as the best traditional insurance providers – or insurance agents.

2.8.2 Ernst & Young’s Bancassurance Winning Formula

Ernst & Young once made a research with somewhat similar purpose to Scor Vie’s. In “Bancassurance Winning Formula”, Ernst & Young described that the findings, although gathered in Europe, would also provide relevant insights for Asia Pacific region. The research demonstrates that in post global financial crisis, banks are reassessing their strategies and are faced with major decisions for long-term bancassurance advantage, such as:

1. How to choose the best bancassurance model (from the extremes of “pure distribution” to a “manufacture and underwrite” approach)?
2. How can banks meet demand for insurance to the banking consumer base and maximize growth from their insurance operations?
3. How to respond to changing risk appetite and capital requirements?
4. How to react to an increasingly changing regulatory environment?
Since both this and Scor Vie’s research contain some similar topics, the researcher will only put information that differ from the previous research made by Scor Vie. For the record, both researches will be used by the researcher in as guidance in developing interview materials and assessing the findings.

2.8.2.1 Today’s Bancassurance Models

The classification of bancassurance operating models by Ernst & Young is not much different than Scor Vie’s. According to Ernst & Young, the traditional models of bancassurance are manufacturer, joint venture, or distribution-only. The motivation in choosing a specific distribution model is influenced by several factors that would be explained in the later parts of this research, which are the capital, operators’ risk appetite, and the importance of bancassurance as an overall contributor of profit. The descriptions of bancassurance models by Ernst & Young are shown next, as a comparison to Scor Vie’s research.

1. **Distribution-only**
   Banks sell insurance products to their retail and commercial banking consumers. Products are sourced from a third party insurer in exchange for a commission payment and possible profit share.
   **Risk Profile**
   Banks take sales regulatory risk, insurers take all manufacturing risks.

2. **Joint Venture**
   Banks sell insurance products sourced from a company that is often 50% owned by an insurance partner of choice and 50% owned by the bank. Typically insurers take responsibility for controlling and managing risk. Banks are responsible for distribution and both take their proportionate share of revenue and profit loss.
   **Risk Profile**
   Banks take sales regulatory risk and both insurers and banks take manufacturing risks to the extent they are not reinsured.
3. Manufacturer

Banks sell and underwrite insurance products, for example via a wholly-owned insurance company. There are also arrangements where third party insurers are used to provide fronting capacity, with agreed ceding levels to a bank-owned reinsurance vehicle, where the bank only acts as a reinsurer.

Risk Profile

Banks take both sales regulatory risk and manufacturing/underwriting risk.

As quoted from Ernst & Young’s Bancassurance Winning Formula (2007), the European findings shown a preference for the joint venture model among banks, which may be influenced by the recognition of insurance as a complicated specialty and that the banks preference of short-term gains and quick results.

In Asia, however, it is very common for a bank and an insurance company to form distribution agreements, but there is an increasing focus by major banks on joint ventures and ownership models. There is even an emergence of insurers buying banks, particularly in China.

A different trend occurs in Australia. Manufacturer is the most common bancassurance model there, and according to Ernst & Young, following the breakup of ING/ANZ joint venture, there are no more significant bancassurance joint venture operations in Australia.

2.8.2.2 Choosing the Right Bancassurance Model

There are several key factors that need to be considered when choosing a suitable business model, they are:

1. Risk Appetite

Post global financial crisis, the decisions on the right business model are being made based on risk appetite and whether the banks want to drive non-risk bearing income only, risk bearing income, or both.
Essentially, insurance and banking businesses are about managing risk, but they involve different kind of risks. Banks, in many cases, can have limited appetite for the underwriting risk associated with insurance; therefore, both the insurers and the bank have to work together in determining the best model.

2. **Life Insurance vs. Non-Life**

There is actually no best option to this one. Ernst & Young’s research results, however, shows that there is a difference of opinion between bancassurance operators. Some believe that they should solely develop and distribute life insurance, while the other believes otherwise. However, both life insurance and non-life insurance possess different types of risk, as illustrated by the difference of opinions stated earlier.

The common theme acquired from the research was that insurance is regarded as a specialty that needs the right capabilities in place.

3. **Competitive Advantage and Differentiation**

A reason that convinced banks into setting itself up as an insurance products manufacturer was to obtain a clear competitive advantage and sustainable differentiation.

The limitation of distribution-only model is that the capacity and products supplied come from the insurance company, which could lead into a lack of differentiation in products from competing bancassurers.

4. **Market Entry Strategies**

If there is no local or international insurance provider with the ability to support the required product in the region, a bank could set up its own insurance operation. This is an option that can be utilized if a bank is looking to provide a consistent global insurance proposition to certain consumer group.

5. **Profitability**

The Ernst & Young research demonstrates that insurers have long-term view for profitability while banks take on a more short-term view. Manufacturing some insurance lines is a capital-intensive business and it
might be hard to achieve target returns of equity (ROE). Some companies cited ROE as a reason of why they choose a specific model.

6. Capital

Obviously, capital requirements have a major impact on bancassurance models. Depending on the orientation and the path that would be journeyed upon by the bancassurance operators, they should examine inside themselves regarding how much capital that they are willing to invest in the project.

2.8.2.3 Factors Impacting the Growth of Bancassurance

According to Ernst & Young research, bancassurance is expected to grow as a distribution channel in both Europe and Asia Pacific. The interviewees, consisted of insurers, told the researching company that their strategies are led by the banks and their consumer strategies in each territory. Most of the cases were bank business produces the growth, while the insurers provide the products.

A challenge found in this business model, according to the survey, is that banking divisions tend to operate independently of the insurance division, even when they are both owned by the bank. The banking personnel start to perceive insurance products as a greater importance, thus creating the desire to create a more integrated bank and insurance model. Banks may also be willing to embrace insurance for opportunities to replace revenue from the diminished credit-based banking products revenue stream.

2.8.2.3.1 Technology

Through the research conducted by Ernst & Young, it is shown that the interviewees agree that internet banking is one of the greatest growth opportunities. It is implied that those who invest and innovate in internet and mobile solutions will gain even more competitive advantage in an already low-cost operating model.
The interviewees also told Ernst & Young that technology is the key challenge for bancassurers as they improve to be a smooth and straightforward processing and to assist the front-end sales in order to increase productivity.

2.8.2.3.2 New Market Entrants

Ernst & Young also mentioned that the emergence of non-traditional insurance sale and distribution models should not be ignored by the bancassurers. They found out that European retailers are looking to be a bancassurance operator by utilizing their consumers bases, regular consumer contact, strong consumer data and insight, and the desire to generate profit and drive growth via financial services.

Although the research shows a result that the mentioned possibilities are not considered as a threat by the interviewees, they still believe that bancassurance operators should be able to make better use of its data they have in order to increase market share.

2.8.2.4 Consumers and Bancassurance

In order for a business to grow and develop, it is obviously important that the business operator understand their consumer appetite and demand. The same principle also applies in bancassurance.

2.8.2.4.1 Meeting Consumer Demand

Ernst & Young’s survey shows that in many cases, it is still apparent that banks have some difficulties in cross-selling insurance products, despite the fact that banks possess three key data streams of their consumers: their incomes, outlays, and ages, thus rarely making it clear for consumers to understand what they will get and what the bancassurer has to offer. Banks need to spend more time demonstrating the value of money that they can deliver, and to be better in utilizing consumer information in insurance cross-sales.

The research analysis, as described by Ernst & Young, to improve bank’s performance during insurance sales, bank should carefully segment the
consumers along the lines mentioned in the first paragraph, which are incomes, outlays, and ages.

In bancassurance operations, it is often encountered that the bank’s team still do not understand insurance and the potential it can offer to the consumers and their businesses. This, however, can still be considered as a sub-optimal understanding and a way to work together with insurers to maximize overall benefit.

2.8.2.4.2 Maximizing Consumer Contact

Many of bancassurance operations lie in quick sales where banks have only a short window of opportunity in which to identify and sell insurance during their consumer contact. Thus, Ernst & Young sees that there will be a greater focus on the “point-of-sale” and the opportunity cost of selling a certain products versus others.

The real practice facts has shown that interviewees give a variety of answers, with some banks focusing on their initial banking services and products rather than insurance products, and others are looking to improve training on more sophisticated products to target those at point-of-sale. In order to aid consumer retention, a number of the interviewees also highlight the post-sale interaction as the key area for improvement.

From the research, it was apparent that the lack of priority given to insurance products during the contact between the bancassurance agents and the consumer impacts the insurance enquiries derived from each consumer interaction. As banks give more attention to this matter, they will also increase the opportunity in maximizing consumer interaction points.

2.8.2.4.3 Understanding Consumers’ Purchase Intention

In consideration to the increasing consumer demand on bancassurance, banks must concede to the several issues that will be mentioned below, as consumers are calling for a renewed focus on service delivery, one-on-one relationships and clear advice:
1. To deliver the right products to the right consumers, banks should have a sophisticated understanding of their consumer base. They have to identify and target resources towards key accounts.

2. Product bundles or packages should be considered to prevent consumer attrition, and to show that there are benefits in purchasing a number of products from one provider, as opposed to shopping around. It can also increase the relationship between consumer and the bancassurer.

3. Bancassurers may want to consider investing in and expanding a Consumer Retention Units for a more holistic approach to consumers’ concerns across product areas. In case consumers bought both banking and insurance products from the same institution, the information given to them post-sales should be central to the ongoing service relationship and a joined up offering should be given.

4. As the consumers’ demand for “personal advisors” increase, banks should improve access and communications through remote channels, and increase consumer awareness of these offerings. As probably believed by many bancassurers out there, enhancing personal relationships can in turn enhance cross-selling opportunities.

**2.8.2.4.4 Critical Success Factors in Driving Optimal Bancassurance Results**

In Ernst & Young’s research, there are several areas that were identified as being able to make a real difference to bancassurance success:

1. **Top level commitment**
   The support of top level managers and employees in the bank is a necessary condition for success with 85% of the interviewees in the research rated this as their number one priority.

2. **Insurance on the board**
   A strong insurance representative on the board of directors serves as a key factor to success, as cited by a number of the interviewees. It is obvious regarding the advantages that are obtained through this, especially for banks that do not possess the experience of selling insurance products previously. There was a notable difference in terms of performance,
priority, and understanding between those that have this representation and those who do not.

3. **Jointly agreed targets**

79% of the interviewees agreed that having jointly agreed targets between insurer and bank is important. The challenges that lie, however, include:

- A perceived inequitable allocation of costs to the insurance business.
- An uneven recognition of the value added by insurance product sales versus bank product sales typically favoring core bank products.

4. **Simple multi-channel solution**

65% of the interviewees agree on the need for products and processes that all bank staff can manage together with straight through processing and multi-channel access is crucial. This allows the bancassurer to have larger sales force for “easier” products and a more specialized sales force for more complex products.

5. **New money and retained money**

The interviewees believe that insurance money should bring incremental revenue to the bank and optimize how it complements the initial core banking services and products. It must also help minimize leakage of funds from bank to competitors.
CHAPTER III
RESEARCH METHODOLOGY

3.1 Research Method

The researcher utilizes qualitative approach in this research. According to Bogdan and Taylor (1975) in (Moleong, 2006), qualitative research generates descriptive data in form of written words or spoken by people that can be observed. This approach is directed at the individual’s background holistically and wholly.

Descriptive study is a formulation of the problem that acts as guidance for the researcher in order to describe the social situations that are going to be researched comprehensively, extensively, and in-depth (Sugiyono, 2008). In this research, the researcher tries to discover what factors influencing PT. Asuransi Cigna in developing a suitable strategy to adapt in Indonesian market, and how will the company strategize.

According to Sugiyono (2008), qualitative method could be used if the problems are still unclear, obscured, or even unknown at all. Therefore, qualitative research is suitable to be used in these conditions, because the researcher would get into the heart of the matter directly, conducting exploratory research with “grand tour” questions, in order to decipher the problem clearly.

In this research, the researcher does not know anything yet about the factors influencing the market position of PT. Asuransi Cigna, or anything that could influence their strategizing process. Therefore, considering the facts, qualitative research method is used. Descriptive approach will be used as well in this study, where the approach is only used to explain about situations or events that occur and does not look for, or explaining hypotheses or creating predictions.

According to Kriyantono (2006), descriptive research is used to gather actual information that describes the events or situation in detail, identifying the
problem or checking the valid conditions or practice, develops a comparison or evaluation, and helps people to decide on what to do when facing the same problem and learning from their experiences to make plans and decisions in the future.

3.2 Research Instruments

Regarding the research instruments, Lincoln and Guba (1986) in Sugiyono (2012) stated that:

“The instrument of choice in naturalistic inquiry is the human. We shall see that other forms of instrumentation may be used in later phases of the inquiry, but the human is the initial and continuing mainstay. But if the human instrument has been used extensively in earlier stages of inquiry, so that an instrument can be constructed that is grounded in the data that the human instrument has produced.”

The researcher in qualitative research acts as a human instrument; to decide the research focus, selecting the right informant as data source, collecting data, assessing the quality of the data, analyzing and interpreting the data, and creates a conclusion over it.

Sugiyono (2012) also stated that based on the statement made by Lincoln and Guba, it is understandable that in qualitative research, where the problem is still unclear, the researcher would be the instrument itself. But after the problem becomes clear, the researcher could develop a specific instrument, which is hoped to assist in data collection and when comparing the data acquired from the observations or interviews.
3.3 Data Collection

Data collection is one of the most important parts in a research, as the main purpose of a research is to obtain data. The process, according to Sugiyono (2012), can be done in various settings, from various sources, in various ways.

From the settings, data can be gathered from a natural setting, for example; they are obtainable from a laboratory research, seminars, discussions, and so on. The sources vary as well. Sugiyono (2012) also classified the sources of data as primary source and secondary sources. Primary sources give the data to the researcher directly, while the secondary sources do it indirectly; through internet or newspapers article, for instance. Regarding the ways of obtaining data, the techniques are classified into observation, interview, questionnaires, documentations, or triangulation; in which all of the three methods are combined.

3.3.1 Primary Data

Primary data are collected directly from the original source, without any intermediaries (Sugiyono, 2008). The primary data in this research is collected from an interview with a representative from PT. Asuransi Cigna, and through the observation process done while the researcher was doing an internship program with the company.

In gathering primary data through an interview, the key informant is the main source of information, someone who possesses the most knowledge regarding the researched problem. The primary data collection method used in this research will be described in the next part.

3.3.1.1 Observation

Researchers can only work on their research if they have the data. Marshall (1995) in Sugiyono (2012) stated that “through observation, the researcher learns about behaviors and the meaning attached to those behaviors.”

Sanafiah Faisal (1990) in Sugiyono (2012) classified observation methods into several types: participative observation, overt and covert observation, and
unstructured observation. In this research, Participative and Unstructured Observation are used.

3.3.1.1.1 Participative Observation

In this observation method, the researcher is involved in the daily activities of the researched subjects. By doing it, the researcher would be able to see and feel the subjects directly. The acquired data will be more complete and accurate, as the researcher is expected to comprehend the deepest meaning of every behavior shown by the subjects.

3.3.1.1.2 Unstructured Observation

Unstructured observation is done in qualitative research as the research focus is still unclear. The focus will be developed as the observation took place. If the problems are already clear, like in quantitative research, then observations can be done in a structured way.

In these kinds of observations, the researcher does not need to prepare systematically regarding what to observe as the researcher does not know about what will be observed. There are no specific rules, but instead, they came in forms of principles.

3.3.1.2 Interview

Esterberg (2002) in Sugiyono (2012) defined interview process as “a meeting of two persons to exchange information and idea through question and responses, resulting in communication and joint construction of meaning about a particular topic.” In other words, in order to construct a meaning, one can arrange a meeting between himself and another person to exchange information.

A good interview is done face-to-face or through phone calls, where a private contact could be established. The researcher needs to pay attention to the conditions and situations of the interviewee, so that he can choose the most suitable time to conduct the interview. If the interviewee is not feeling well, or in a bad mood, for instance, the data obtained may not be valid or accurate.
Through an interview, the researcher will be able to dig deeper to obtain further understanding regarding a phenomenon, which may not be able to be found through an observation. Esterberg (2002) also classified interview process into three models: structured, semi-structured, and unstructured. The method used in this research is Semi-structured Interview.

### 3.3.2.2 Semi-structured Interview

This method is less structured compared to the previous one. The purpose of this interview method is to discover the problem in a more open-minded way; the interviewee will be asked for his opinions and ideas, for instance. In the interview process, the researcher needs to listen carefully and write down or record what the interviewee said.

### 3.3.2 Secondary Data

Secondary data are collected indirectly, for instance, from other people or other document sources (Sugiyono, 2008). Secondary data included in this research come in forms of reports, publications, or other written information by various sources or institutions in relation to PT. Asuransi Cigna in Indonesian market.

Internet is one of the easiest sources to reach for researchers in gathering secondary data. People can easily find almost anything they want to look for just by simply typing what they want to find on a search engine like Google.

### 3.4 Data Analysis

The data analysis phase plays an important part in qualitative researches as the main factor that determines the research quality. Qualitative data analysis is only used if the information gathered comes in qualitative form, which encompasses words, sentences, or narrations gathered from the interviews or observations.
In qualitative research, the data analysis is done during the data collection process and after the collection process within a certain period. During the interview, the researcher has to develop an analysis about the answers given by the interviewee, in order to develop another questions. If the answers from the interviewee are still deemed to be unsatisfactory, the researcher has to continue the interview process until the data acquired is deemed as credible (Sugiyono, 2012).

Miles and Huberman (1984) in Sugiyono (2012) described that the activities in qualitative data analysis is done interactively and continues until it is finished, resulting in data saturation. Therefore, the researcher needs to conduct data reduction after the collection, so a good data display can be obtained before a conclusion is drawn.

### 3.4.1 Data Display

Sugiyono (2012) described that in qualitative research, data display can be done through narrative text, chart, flowchart, and so on. Miles and Huberman in Sugiyono (2012) stated, “The most frequent form of data display for qualitative research data in the past has been narrative text.”

### 3.5 Data Validity

In both quantitative and qualitative data is considered valid when it has no difference between what the researcher has reported and what actually happened on the field. If what is written on the researcher’s report does not actually reflect the same situation that happens to the object, the data is considered invalid (Sugiyono, 2012).

But keep in mind that, as Sugiyono (2012) stated that the real truth of the obtained data in qualitative research depends on the human construction of the researcher, which is obviously different, as it is developed through each individual’s mental process or background. Thus, if there are 10 researchers with different backgrounds researching a same subject, there will be 10 findings, and those will be considered as valid, as long as the result do not differ from what
actually happened on the field. Through the same research object, a researcher from management background will come out with different findings from a researcher from anthropology background, for example.

### 3.6 Data Reliability

The definition of reliability in qualitative research differs with the one from quantitative research because of paradigm difference in perceiving reality. According to Sugiyono (2012), the reality is complex and dynamic. Situations and human behaviors in social settings change, thus, there are no consistent or stable data.

Other than that, how someone conducts a research differ from each other. It is idiosyncratic and individualistic. Every researcher creates a report through his/her own way of thinking. A research process is personal, and therefore, there will be no two different researchers conducting a research in the same way.

### 3.7 Validity Test

In Qualitative researches, Sugiyono (2012) stated that the terms used are somewhat different, compared to a Quantitative Research. There are four aspects of validity, which are: Internal Validity (Credibility), External Validity (Transferability), Reliability (Dependability), and Objectivity (Confirmability). The explanations for each aspect are as follows:
Table 3.1
Difference in Terms of Validity Testing between Qualitative and Quantitative Method

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Qualitative Method</th>
<th>Quantitative Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truth</td>
<td>Internal Validity</td>
<td>Credibility</td>
</tr>
<tr>
<td>Application</td>
<td>External Validity</td>
<td>Transferability</td>
</tr>
<tr>
<td>Consistency</td>
<td>Reliability</td>
<td>Auditability, Dependability</td>
</tr>
<tr>
<td>Neutrality</td>
<td>Objectivity</td>
<td>Confirmability</td>
</tr>
</tbody>
</table>

Source: Sugiyono, 2012

3.4.1 Internal Validity (Credibility)

There are several ways in conducting a test for internal validity. Sugiyono (2012) stated that there are seven ways that could and may be done, which are extended observation, increased research persistence, triangulation, negative case analysis, usage of reference materials, and member check. This research uses extended observation and usage of reference materials in internal validity test; the description of both methods are as follows:

3.4.1.1 Extended Observation

In extended observation, the researcher would once again return to the field to conduct observations or interviews with either the sources met prior to the extended period of the observation or the new sources. By conducting extended observation, the researcher would increase their rapport with the sources, strengthening the relationship between the two parties until the research effort is seen as a normal occurrence and acceptable. Susan Stainback (1988) in Sugiyono (2012) stated that “Rapport is a relationship of mutual trust and emotional affinity between two or more people.”

During the early stages of research, the researcher may be seen as an outsider; culminating in the sources giving incomplete and partial information. There may also be secrets that are still hidden from the researcher. During the extended
observation, the researcher is obliged to re-check the validity of the data acquired previously until it is proven to be valid.

3.4.1.2 Usage of Reference Materials

Reference materials refer to supporting evidences that strengthens the validity of the research done by the researcher. For instance, audio or video recordings should be done in interviews and should be able to be used as research evidence.

3.4.2 Transferability

Transferability, or external validity, refers to the degree to which the results of a qualitative research can be generalized or transferred to other contexts and settings. From a qualitative perspective, transferability is primarily the responsibility of the one doing the generalizing.

Thus, in order to enhance transferability, so that others could understand a qualitative research so that it can be used in other researches, the researcher must create a detailed, systematic, and accountable report. The qualitative researcher has to be thorough in describing the research context and the assumptions that are central to the research.

3.4.3 Dependability

In quantitative research, dependability is known as reliability. A research is considered as variable if someone could replicate the research process. In qualitative research, a dependability test could be done by auditing the entire research process. Often times, a researcher could come up with a research result, but never done the necessary field research. An independent auditor may be needed in order to audit the researcher’s research activities in its entirety.
3.4.4 Confirmability

A research gains its confirmability, or objectivity, once it is approved by many people (Sugiyono, 2012). In qualitative research, confirmability is similar to dependability test, so that it could be done altogether. If the research result is a function of the research process, then the research is considered to meet the confirmability standard. The important thing is not being unable to provide evidence of the process while the results of the research are present.
CHAPTER IV
ANALYSIS OF DATA AND INTERPRETATION OF RESULTS

4.1 Respondent Profile

In this research, the researcher conducts the in-depth interview with a key informant, which is Mr. Hafiz Tinerizza, as the acting Assistant Vice President of Bancassurance Strategic Partnership. The interview was done on Friday, December 21st, 2012, in the head office of PT. Asuransi Cigna, located in the 6th floor of Menara Kadin Indonesia, Jl. H.R. Rasuna Said Block X-V, Kav 02-03, Jakarta 12950.

4.2 Interpretation of Results

In order to gain the results relevant with the research objective, which is to discover the factors that affect the market positioning of PT. Asuransi Cigna in Indonesian Insurance market, and to discover how the company would strategize in order to increase their market position in Indonesia, the researcher decides to do an interview with subjects related directly to the matter.

For the sake of convenience, the researcher would like to present the structure of the fourth chapter, so readers would have a better understanding of the research:

Figure IV.1
Chapter Framework

Source: Self-constructed by researcher
4.2.1 Overall Strategy of PT. Asuransi Cigna in Present Times

Firstly, the researcher describes the situation regarding the company’s market position in Indonesian market according to the data shown in the first chapter, which shows the amount of revenues generated by the Indonesian insurance companies in 2011 as reported by the AAJI (Indonesian Life Insurance Association).

After reading the AAJI report regarding the company performance, the researcher asked about how the company strategizes during the 2010-2011 period.

After being faced with the question, Mr. Tinerizza describes the overall strategy of the bancassurance department as shown in the script below:

“The whole, PT. Asuransi Cigna works together with its partners, in this case, banks and multifinance companies, to sell its products. Some are sold through telemarketing department, while the other are sold through the bancassurance department. In bancassurance department, PT. Asuransi Cigna works with 15 companies, including banks and multifinance companies.”

The answer provided by Mr. Tinerizza proved that the company applied the concept of affinity marketing in its strategies, where the company would rely on distributions through partner companies, and not through insurance agents. Mr. Tinerizza also mentioned that the telemarketing department is the “revenue pillar” of the company. When asked about the standing of the bancassurance department, he answered that the bancassurance department is currently only able to contribute 30% to 40% of the total company revenue.

The researcher then inquired about the increase in revenue occurred in 2011. Mr. Tinerizza then explained even further about how the company strategizes during the period:

“Since we are involved in a partnership with our business partners, we have to adapt and comply with the situation. We, the company, and our partners would surely increase the sales target to gain deeper penetration in the market
periodically. Thus, to comply with this requirement, we have to develop a suitable strategy in order to achieve the sales target.”

Mr. Tinerizza explained that normally, PT. Asuransi Cigna uses distribution-only agreement with its partners. In this bancassurance distribution method, the bank (or multifinance companies, in this case) acts as the intermediary for the insurance company to sell its products. Although this model is able to start quickly with low capital investment, inflexibility caused by difference in company culture may cause problems. Mr. Tinerizza continues with his specific explanation of the company’s strategy:

“For instance, let us take a look on our partnership with several companies – say, ACC (Astra Credit Company) or TAFS (Toyota Astra Financial Services). We have several strategies used in our operations, such as marketing approach or incentive programs in order to drive the sales staff to sell even more.”

Even further, Mr. Tinerizza explains about the approaches used:

“In our marketing approach, we would train and educate our partners’ employees about our products; the prices, benefits, and so on. From that point on, the employees are hoped to be able to give the product explanations we intend to give to our consumers. On the other hand, our products are considered to be more affordable compared to the other insurances. Furthermore, we give incentive programs to both our partner companies and their employees when they are able to sell our products. This is done so that they become motivated in selling our products.”

“In some cases, however, we would put our staff – or FSCs (Financial Service Consultants) – together with the bank RM (Relationship Management) staff, and they would work together. The RM staff would introduce to the FSCs the bank’s consumers which are potential to be offered with insurance products. Again, we would use various strategies in order to achieve better sales numbers. The best method is to approach the bank’s RM staff, because they are more closely connected to the bank’s consumers.”
In their partnerships with multifinance companies, PT. Asuransi Cigna trains and educates its partner companies’ sales staff in order to be able to explain about the insurance products better. Insurance products, as explained by Mr. Tinerizza, is offered to the consumers during their application for bank’s or the company’s initial products.

With banks, it’s a little bit different. The company could choose to put one of their Financial Service Consultants (FSC) in the partners’ branch offices, so that when the bank’s Relationship Management (RM) staff managed to get a potential consumer, the FSC is able to carry on with the selling process immediately, with the best product explanation, as the FSC is the party directly involved with the insurance company. However, the insurance company could choose to train the bank’s RM staff about their products instead, considering that they have closer relationship with the bank’s consumers and clients, and they are supposed to be able to communicate better with their consumers.

Obviously, the banks would not let the insurance company distribute and sell their product freely in their business without a mutual agreement. As seem to be the standard of bancassurance businesses, the insurance company, in this case, PT. Asuransi Cigna would compensate their partner companies or the banks with a percentage of the sales known as the fee-based income. The amount would be based on the initial agreement made by both companies. However, there can always be alterations of the agreement later on.

To guarantee even higher number of sales, PT. Asuransi Cigna applies incentive programs to the partner company’s sales staff. For instance, PT. Asuransi Cigna would create a program where the branch with the highest sales would receive 10% of their sales, divided equally among the RM staff, or the marketing officers. Or, the RM staff with the highest sales in each branch would receive prizes such as shopping vouchers, reward trip, gifts, or a percentage of their sales.

The reward campaign conducted by PT. Asuransi Cigna relates to the theory of Cognitive Job Satisfaction by Moorman (1993). In this case, PT.
Asuransi Cigna tries to provide an external multifaceted job satisfaction through additional bonuses and rewards other than the monthly wages. The company hopes that, by increasing their employees’ job satisfaction, higher job productivity would be achieved as well.

The previous research made by Chevalier, Launay, and Mainguy in 2005 also shows that one of the ways to exploit the bancassurance success key is to train and remunerate employees with what they deserve.

Another marketing program, as mentioned by Mr. Tinerizza, is consumer gathering. The bank would gather potential consumers from their database, and then a seminar, gathering, or other similar functioning events will be conducted. For instance, the banks would create an economic seminar directed to businessmen looking to invest their money. During the event, the bancassurance product – for the sake of the example, unit-linked product is used – will be introduced to the event participants. It is one way to promote bancassurance products.

There is a connection between the marketing program explained by Mr. Tinerizza and the theory of Four Ps by McCarthy (1960). The consumers, or people, are critical to the company’s marketing success. Before inviting these consumers, the company should select the potential ones. This proves that the company cares for them as they need to understand their lives more. The company’s action is also related to the “programs” variable from the Four Ps which includes consumer-directed activities to accomplish a firm’s objective.

### 4.2.2 Factors that Influence the Company’s Strategies

Mr. Tinerizza added that normally, insurance companies use the same strategy in order to penetrate the Indonesian insurance market. However, it has to be adapted with the business partners’ culture. His words were as follows:
“Generally, insurance companies in Indonesia utilize the same strategy when compared with each other. Then again, the strategy itself has to be tailored to the partners’ different culture. No company possesses the exact same characteristics as another.”

Mr. Tinerizza explained even further that there are some banks that incorporated bancassurance into their business culture, and some that did not:

“There are some banks that included bancassurance sales into their RM staff’ Key Performance Indicators (KPI). These banks would put the amount of generated bancassurance sales to their staff’ job requirement. It would be much better and easier for us, insurance companies, to sell our products in this condition. Some banks, however, are unfamiliar or even uninterested with bancassurance because they are still concentrating on developing their initial products, and thus, would be able to invest not as much as the banks that are already established and they might give less care to our products.“

KPI, or Key Performance Indicators, reflects the steps that should be taken in order to achieve company’s goals. Here, it is indicated from Mr. Tinerizza’s answers that some banks have implemented “the success of bancassurance” or “becoming a profitable bancassurance operator” in themselves. These relate to the insurers’ goals as well, which is to sell and gain profit from their insurance products, which would obviously makes the operation easier for both parties due to unneeded efforts to bring different cultures from both institutions into one.
Regarding the capital investment needed for bancassurance operations, provided below is the explanation from Mr. Tinerizza:

“Since bancassurance is a business model that obligates the participants to partner with each other, investments have to be done by both parties. Bancassurance products are considered to be an asset under both parties’ management. Therefore, both parties have to contribute.”

Based on these answers, Mr. Tinerizza explained that mutual understanding between banks or financial companies with insurance companies in bancassurance business model is very important. Both parties have to understand that they have to commit and be ready to contribute and invest in order to develop the products and generate higher revenue.

To invest means to purchase an asset or item with the hope that it will generate income or appreciate in the future. To invest in bancassurance means to develop a new business, and therefore, both parties have to contribute.

He also added that in the banks that have included bancassurance product sales in their employees’ key performance index, even though the environment is supporting for bancassurance product sales, the insurance company still has to pay attention to its service quality, as written below:

“Even if the bank has provided their RM staff with the responsibility of selling bancassurance products, we, as the insurance service provider have to maintain our service quality. Not just that, we have to provide clear and understandable explanations regarding our products to both the RM staff and the consumer.”

Mr. Tinerizza also added that, during the initial agreement between the bank and the insurance company, the bank has to understand the product specifications, benefit, and so on. The product has to be reviewed by both participants. Moreover, the agreement has to be reported to Bank Indonesia (Indonesian Central Bank) by the participating bank. On the other hand, the insurance company is obligated to report to the Ministry of Finance in order to gain product legality:
“Bancassurance products have to be reviewed by both parties involved in the business – the bank and the insurance company. The bank has to know where they must invest their capitals in this business, for instance. Then, after understanding the product, they have to report to Bank Indonesia for validity. Meanwhile, the insurance company has to report to the Ministry of Finance, as the regulator, for the same reason. Without legal approval, the product cannot be launched.”

In short, other than creating a mutual understanding between both parties, a country’s legal framework is one of the essential factors for a bank and an insurance company to conduct bancassurance business.

4.2.3 Exclusive Partnerships between Banks and Insurance Companies

The researcher inquired about the huge gap of revenue between companies as reported by the AAJI in the first chapter of this research. Compared to the top level companies such as AXA Mandiri or AIA Financial, other companies seem to fail in comparison. Mr. Tinerizza’s response is as shown below:

“As shown by the name, AXA Mandiri, we can see that these companies have conducted an exclusive partnership between each other. Furthermore, Bank Mandiri is one of the biggest banks in Indonesia, in terms of consumer network, credibility, assets, and so on. The insurance company gets the benefit of easier distribution from this partnership, and might only need to just maintain their good services.”

Mr. Tinerizza explained further about the matter:

“It is a bit hard to compare exclusive partnerships like these to other companies that do not have the privilege of doing so – or the ones that have “lesser” partner. Usually, these kind of business model plans to maximize the potential of the product developed together in the partnership. Also, even if the partnership is exclusive, Bank Mandiri is still allowed to invite other insurance companies to distribute their product within itself. Only usually, the larger portion of the market is given to the bank’s mutually-exclusive partner.”
Based on the answers provided by Mr. Tinerizza, the larger the amount of investment needed, the larger the amount of revenue the business will yield. In this case, Bank Mandiri and AXA Insurance entered a joint venture model, which needs a larger amount of time, investment and commitment in developing the business (Hadinoto, 2008). That fact alone is further strengthened with Indonesia’s legal framework which allows a bank to create multiple partnerships in bancassurance with more than one insurance company.

The researcher then asked Mr. Tinerizza regarding the possibilities of PT. Asuransi Cigna into creating a joint venture with other top-level banks. Below are his responses:

“There is a possibility for us in doing that (creating a joint venture business model) with top-level banks in Indonesia. Unfortunately, these banks usually are already in a mutually-exclusive partnership with older players in the industry. It is quite impossible for a bank that has already involved in an exclusive partnership to accept another company in the same level of partnership. Even so, we can still do business with other forms of business model.”

From the answer, it is explained that even if there is only a limited possibility for PT. Asuransi Cigna to enter a joint venture with a top-level bank in Indonesia, the market is still large enough for the company to obtain and grow, as the main point of bancassurance is to distribute the company’s products through the bank’s or financial company’s sales and marketing staff.

There is also another factor to be considered when creating a joint venture. Both the insurance company and the bank or the financial company needs to have an agreement in “molding” their difference in business vision into one. However, an exclusive partnership does not always have to be a joint venture. One can also make an exclusive agreement with the other party, without creating a joint venture, as long as the terms are agreeable to both of them.
4.2.4 Comparison between Business Theories and Real-Life Practice

Some corporate authors have published their work regarding formulas and factors that could influence the success of a real bancassurance business practice. In this research, the researcher uses the theories contained in Analysis of Bancassurance and Its Status around the World by (Chevalier, Launay, & Mainguy, 2005) and Bancassurance: A Winning Formula by (Ernst & Young, 2010) as reference to compare real-life practices with textbook theories. For the sake of convenience, the researcher has merged any similar theories from both references into individual topics.

4.2.4.1 Legal Framework

According to Chevalier, Launay, and Mainguy (2005), the government authorities’ attitude to the development of bancassurance is essential and possesses the power and influence on the model’s conditions for success in a given country. The government’s legal framework regarding an industry may or may not provide a favorable environment for businesses to grow. Considering the theory, author decides to inquire about Indonesia’s legal framework in bancassurance market. Below is Mr. Tinerizza’s answer:

“Talking about the country’s legal framework regarding bancassurance, we personally think that the government only means to regulate with the rules and regulations; for instance, reporting new products to the central bank and the Ministry of Finance, mandatory authentic signatures from the representatives involved in an agreement, and more. From our point of view, the government only wants regulate so that the participants does not experience any kind of loss whatsoever from the practice.”

As to provide insights from different point-of-views, the researcher decides to ask Mr. Tinerizza regarding the stance of banks and financial companies regarding the regulations.

One of the new regulations, SEBI No. 12/35/DPNP regarding Application of Risk Management in Banks that Cooperates with Insurance Company
(Bancassurance) – or in Indonesian, Penerapan Manajemen Risiko pada Bank yang Melakukan Aktivitas Kerjasama Pemasaran dengan Perusahaan Asuransi (Bancassurance) – mentions that bancassurance products are classified in 3 business models:

- Referential: all insurance products.
- Collaborative Distribution: protective insurance products; and/or, for banks that has already fulfilled a certain requirement, unit-linked products that have money market investment strategies and fixed income investment strategies;
- Product Integration: Protective insurance products.

In short, the participants of bancassurance industry in Indonesia would have to invest in creating new divisions and human resources to comply with the rules, if they have not already. Mr. Tinerizza’s response regarding the matter is as follows:

“For some people, this regulation could be seen as a bit “obstructing”, considering the fact that some banks or companies may do not have a specialized division for the business. But now, as we can see, the industry participants are able to comply with the rules with no problems.”

It is apparent from Mr. Tinerizza’s answer that the regulation only means to regulate, and the problems that may occur from the legal framework are the absence of bancassurance specialized divisions and trained human resources in banks or financial companies.

According to a news article in Kontan.co.id, the Head of Insurance Bureau of BAPEPAM-LK, Isa Rachmatawarta, said that the regulation is made to comply with the increasingly diverse bancassurance products. He also believed that banks or financial companies would not mind creating specialized departments as they get substantial income as well from the industry.
4.2.4.2 Business Partners’ Network and Market Image

In order to increase the probabilities of success in a bancassurance industry, Scor Vie (Chevalier, Launay, & Mainguy, 2005) mentioned that a good market image and dense banking or consumer network is an essential factor. Obviously, larger consumer network means larger market for the business practitioners. Thus, with large network, large amount of sales could be obtained as well.

On the other hand, a bank’s market image can be a direct consequence of how a banking network is organized and how many branches they have in a country. Here is the response of Mr. Tinerizza regarding PT. Asuransi Cigna’s business partners:

“Currently, PT. Asuransi Cigna has around 15 business partners including banks and multifinance companies in both lending and funding products. I believe that our partners such as Astra Credit Company, BNI, BCA, and many others have a large consumer database and network. Furthermore, we could consider them as a long-time player in the industry, which could help consolidate their market image.”

The companies mentioned by Mr. Tinerizza are indeed the long-time players of their respective industries; for instance, Astra Credit Company has been around since 1990s, and BCA and BNI are one of the widely-known banks in Indonesia. Regarding how the partnerships work, Mr. Tinerizza explained further:

“Nowadays, more people realize that insurance is a means of protection and investment. Other than creating products that adhere to our business partners’ initial products and services, we cross our database with our business partners. It is one way to see how affinity marketing works.”

“Bancassurance is not just about selling products through bank’s counters. We can also, for instance, create a partnership with retailers such as Carrefour; from their consumer database, and then we would get the information needed to offer our products via their credit cards providers, which is the banks.”
Affinity marketing is a concept in which a party sells its products or services through a partnership with another party. PT. Asuransi Cigna applies this concept in their bancassurance operation as well, and diversified it, as shown in the answers that the company has also created partnerships not just with banking or multifinance institutions, but also with retailers like Carrefour.

Thus, with the concept of affinity marketing, PT. Asuransi Cigna is able to utilize other methods of bancassurance partnership, which has the potential to expand the consumer network of the company, added by the banks’ database, the network will be larger.

4.2.4.3 Consumers’ Purchase Intentions

Both (Chevalier, Launay, & Mainguy, 2005) and (Ernst & Young, 2010) mentioned that the consumers’ behavior is one of the key success factors in bancassurance. Quoting Sun Tzu, a Chinese military tactician, “if you know yourself and your enemy, you can win a hundred battles without jeopardy.” In other words, when compared to today’s world, one has to know about the market before being able to develop a good strategy. Thus, the researcher also inquired about how PT. Asuransi Cigna sees their market in Indonesia.

“One of the largest insurance markets in the world nowadays is Indonesia. The population is large and they have the buying power. Also, the number of insurance policy holders in Indonesia is, probably, still below 10% of the total population. We can say that the market is still large for us to operate.”

Regarding the consumers’ purchase intentions, Mr. Tinerizza explained further:

“Normally, Indonesian consumers look for these qualities in an insurance product: affordable premiums and substantial returns. From my point of view, a lot of Indonesian populations do not understand clearly about insurance because they are not educated about it, and there are not many who would facilitate an education about insurance.”

“Many people still think that insurance is only useful when they are stricken by sickness, accident, injury, or passed away. Most of them are likely to say, “Uh, I
believe the matters of life and death are managed by The Almighty One. I am alive and well at the moment. I do not need insurance.” The problem is, insurance is about investment, not things like that.”

“For investment-heavy products, like unit-linked insurance, we do not have much problem regarding that matter. For life insurance, though, unless the product is bundled with banking products, consumers would usually ask not to be given the insurance product.”

“Some reasons of why people buy insurance products are: first, the product is bundled with banking products, or, the insurance staff is the consumer’s friend or relative, and lastly, because they are educated by the insurance staff during the selling process or during marketing approaches like consumer gatherings. Perhaps in the future, 5 or 10 years from now, people would actively seek for insurance.

From the answers provided, we can see that Indonesian consumers are still quite indifferent regarding insurance products. Some people in some parts of the country still have the mindset to “treat”, but not to “prevent”. What to prevent here is not death or any illness, but the incapability of the people around the man who died or fell ill to get through that phase, or the post-death or illness phase.

Insurance products, from the point of view from Mr. Tinerizza, is an investment product. One only buys it if he knows the concept of investment. Therefore, there may be a possibility that the consumers’ purchase intentions in Indonesia, in regards to Mr. Tinerizza’s answer, does not consider the concept of investment.

Secondly, there are many who chooses a product because the selling price is cheap and it gives substantial returns to the buyer. Based on the interview results, we can see that PT. Asuransi Cigna is coping with this situation by providing additional gifts or rewards when a consumer buys one of their products; which also have been done to the bank’s RM staff and the company’s financial consultants to increase sales. Thirdly, Mr. Tinerizza thinks that in order to help
with the operations of PT. Asuransi Cigna, a process of education to the consumer is needed, due to the reasons listed above.

4.2.4.4 Technology Aspects

Both Scor Vie and Ernst & Young mentioned that information technology is one of the important aspects that determine the success of bancassurance models. According to Ernst & Young (2010), their interviewees said that they agree that internet banking represents the greatest growth opportunity. On the other hand, Scor Vie mentioned that the success of bancassurance lies in the quick sale, therefore, the front-line employees have to be equipped with access to effective IT and information retrieval systems as to provide the consumers with real-life answers over the counter. Mr. Tinerizza’s response regarding PT. Asuransi Cigna is as follows:

“One of the most important supportive equipment for our FSCs is, I agree, Information Technology. It is compulsory. We give them tools such as laptops or tablet PCs to provide our consumers with quick answers regarding the product. Of course, it is likely that they would change their mind if we say that we’ll answer them in the next day. We try our best to utilize the moment we first interact with our consumers. We also utilize internet banking; for instance, our consumers can check whether their premium payment has been debited or not from their account or credit cards, and so on.

Mr. Tinerizza explained further:

“Technology has more important position in investment-related products’ sales, like unit-linked products. As we know, the money market and stocks, for example, updates itself every second as we talk with our consumers. Therefore, we provide every single one of our FSCs with the necessary IT equipment that they need.”

From the answers of Mr. Tinerizza, it is apparent that PT. Asuransi Cigna does provide its employees with the sufficient instruments that could help in obtaining greater sales, as mentioned before, technology is indeed compulsory for the staff of the company.
During the researcher’s observation, it should be noted that the sales employees are actually given the supporting IT instruments such as laptops to access real-time investment data, stock market, or product information; Blackberry devices, to ease communication between insurance staffs and their consumers; and portable printers, to make it possible for application processes to be completed at the same spot and time.

4.2.4.5 Training and Management

As described by Chevalier, Launay, and Mainguy (2005) in their work, “Analysis of Bancassurance and Its Status around the World”, training and management is obviously one of the crucial part of a bancassurance business model. Other than being equipped with the right information and marketing instruments, the staff need to be remunerated properly as well. The response of Mr. Tinerriza is as follows:

“Our FSCs are of course, trained and certified, because it is one of our recruitment criteria for FSCs to have an AAJI license, or willing to get it; for unit-linked products though, they would need WAPERD certificates from Bapepam. To get these certificates, one has to pass in the written exams provided by the mentioned institutions.

“For their training methods, we try to educate them about the current investment trend and standard product knowledge. As a principle, salespersons have to understand at least their own products, or they might be challenged by their consumers otherwise.”

Based on this response, it is proven that PT. Asuransi Cigna indeed train their employees to live up to the current trends of banking and insurance industry. Also, Mr. Tinerizza explained further about one of the training methods. He mentioned about the FSCs – the frontline sales employees – being trained about current investment trends. A speaker, usually chosen from the company’s investment management firm, would deliver the training to these employees.
Furthermore, in order to obtain the WAPERD or AAJI license, these employees are obliged to pass in an exam provided by the respective organizations of these licenses. The exams come in written forms, and obviously, in order to pass, they need to pour their knowledge of the industry and the current business trends. Additionally, because having or willing to get these licenses is one of the recruitment criteria for FSCs recruitment in PT. Asuransi Cigna, it proves that the company really focuses on providing the best service for their consumer.

Here, on the account of the answers of Mr. Tinerizza, PT. Asuransi Cigna seems to care about their employees as their human capital by investing in training them. While the researcher was doing internship in said company, the researcher observed that the employees, mainly the sales staff, are actually being trained about the current investment trends and product knowledge.

The training, in which the one the researcher has attended during the observation process, was conducted in a seminar-like way. A speaker, usually chosen from the insurer’s affiliated banks or third-party sources like business consultants, will explain to the frontline employees about the current investment trends, product knowledge, and sales techniques.

Concerning staff remunerations, although information regarding salaries or bonuses is unable to be disclosed by the company, we can still see in the previous parts of the interview that the company often organizes a “reward campaign”, where the most productive bank’s sales staff or FSCs get the reward they deserved for their efforts in delivering the best results for the company.

4.2.4.6 Competitors and New Market Entrants

One matter that should not be overlooked in almost every industry is the threats of new market entrants. Ernst & Young (2010) conducted a research about it and concluded that the emergence of other non-traditional insurance distribution models have the potentials to compete with the bancassurers, even though their interviewees do not see the new entrants as a significant threat. For instance, retailers like Carrefour or Tesco might want to use their consumer
database to set up itself as a new entrant. Inquired by the researcher regarding the matter, Mr. Tinerizza described the situation in Indonesian market below:

“Talking about the new market entrants, actually, you can consider us as a new entrant in bancassurance industry. Yes, we have been conducting insurance businesses since the 90s, but in regards to bancassurance industry, we have only recently joined the fray as PT. Asuransi Cigna. Most of our competitors have been around longer than us by selling unit-linked products, or a subsidiary of a bank.”

“Regarding our competitors, firstly I would like to explain about the concept of market share in my point of view. We tailor-made our products to conform to the bank we want to have a partnership with. Now, looking at the data you have shown me, we may consider every company out there as our competitor; but in bancassurance, our direct competitors are the companies that distribute their products in the same bank as us. If they do not operate in the same bank as us, they would not have much effect in our operations.”

“Looking at just one bank we are in partnership with; assume it is Bank Niaga, for example. Considering we were the subsidiary of Bank Niaga in 1995, do we have a significant competitor there during that time? I would say no, because Bank Niaga would obviously favor us to be the company with the largest market share there, as we are its subsidiary.”

“In other case, though, such as during the bidding process with a bank, it is comparable to a contest. The bank reserves the right to choose which insurance company could distribute their product through it. In that situation, every other companies taking part in the bidding are our competitors. One reason that determines whether a bank allows us to market their products there is because we are able to adapt with the bank’s needs, visions, and missions.”

From Mr. Tinerizza’s answers, it is apparent that PT. Asuransi Cigna is actually one of the new market entrants in Indonesian bancassurance industry. From his point of view, he seemed to perceive that “competitors” are the
companies that operate in the same market – banks – as PT. Asuransi Cigna. The companies that are operating outside the same bank, however, are deemed to have little to no direct influence.

Still in regard of these “competitors”, Mr. Tinerizza explained that there is a difference in how a rival company is perceived as a competitor in bancassurance and traditional agency distribution. He believed that in bancassurance model, the market is broken into banks, therefore, the term “competitors” is only valid for the companies operating in the same bank as PT. Asuransi Cigna. In traditional agency distribution, however, the said term is valid for every company apart from PT. Asuransi Cigna, as the market is the whole country, not divided into banks as in bancassurance model.

Mr. Tinerriza also provided further explanations regarding the position of PT. Asuransi Cigna compared to the other companies as shown in the AAJI report, and about the exclusive partnerships between banks and insurance companies.

“The numbers in your data that we have to achieve are large; from a mere 52 billion to 2 trillion like these other companies. It may seem to be difficult; it is not, actually – as long as we have the market, which are the banks.”

“Since we are just one of the new entrants in the industry here, and the others have obtained mutually-exclusive partnerships with the large banks out there, the problem is getting that profitable exclusive partnership – if creating it could yield better revenue.”

“Insurance products are pretty easy to imitate. Let us assume that we have a good and unique product that could land us an opportunity to create an exclusive partnership. Then, this large bank we are interested in is actually interested as well in our product. If that bank has an exclusive partnership with an insurance company, it could ask the company to create an identical product. The company will have no choice but to obey and succeed in creating the said product, else the
bank might as well choose us. And believe me; they can certainly succeed in creating said products.”

From the answers given, the researcher sees that there is another problem that is apparent in Indonesian bancassurance industry; the banks seem to have the upper hand in many aspects. The banks, based on the answers and explanations given to the researcher, seem to be comparable to a single woman being courted by hundreds of men. This “woman” has the upper hand. She has the power to determine which man is allowed to be with her.

In this case, however, the banks have the power to determine which insurance company is allowed to distribute their products through their consumer network. Furthermore, it is worsened by the fact that a mutually-exclusive agreement is possible to be arranged. Mr. Tinerizza provided an additional explanation regarding the matter below:

“That is why the government recently made a regulation regarding bancassurance partnerships. A bank is not allowed to have just 1 or 2 insurance companies working together with it. It has to be at least 3 companies or more, especially in government’s banks. For instance, in Bank Mandiri, even though they have an exclusive arrangement with AXA, there could be around 10 companies included in the bidding process. Then again, when they announce the winner, they would usually say, ‘the bid winner is AXA Mandiri.’ Can you call that a competition?”

Legally, from SEBI (Surat Edaran Bank Indonesia) No. 12/35/DPNP, in Chapter II-C, Part 1.a.1, it is said that in order to accommodate the freedom of bank’s clients in choosing the insurance products, the bank has to offer a selection of insurance products from at least 3 (three) different partners in which one of them can be a party related to the bank. Again, legal framework has already been developed in order to maintain a fair market competition, but the participants are still able to violate the regulations.
From Mr. Tinerizza’s answer, however, in the real practice, banks are still able to conduct a practice where they would prioritize their subsidiary or exclusive partner by giving larger market share, even if they have accepted other companies as partners. In regards to PT. Asuransi Cigna, the researcher also inquired to Mr. Tinerizza about the company’s performance during bidding process as well. Below is his response:

“Based on my experience, fortunately we do not have any problems in bidding processes. Firstly, we just get invited by the banks, but in order to be invited, the bank would assess the condition of the insurance companies; from reputations, the amount of assets, business partners, ratings, that sort of things, before they actually decide to invite us in the bidding process. It is not that difficult to get invited, but during the nomination, it is a different case. Nevertheless, we always respond positively to these kinds of invitations. We try our best to get selected.”

Adhering to Porter’s Five Forces Model, the bancassurance segment in large banks that has an exclusive partnership with an insurer could be put into the “intense segment rivalry”. This condition will lead to frequent price wars among the insurers in the same bank, and possibilities of advertising battles or frequent new-product introductions.

The researcher then inquired about regional development banks. These banks could be considered as government-owned, but is there any difference between these and the “normal” government-owned banks that we all know? Mr. Tinerizza gives his answer regarding the matter:

“In some cases, we are simply unable to work together with some government-owned banks, like the regional government banks. Often times, it is because their field staff ask for under-the-table dealings; they would discreetly ask us for “additional” payment. We do not usually give payments other than the bank’s fee-based income. It is very normal for a bank to ask for large fee-based income, or other business-related stuff, but under-the-table dealings complicate things.”
From the answer provided by Mr. Tinerizza, it is apparent that another problem that lies in Indonesian bancassurance market is the illicit dealings done by either the banks’ or the insurance companies’ staff. However, as it seems to happen mostly in regional development banks – which usually deemed with poor market image by general banking clients – it may not have significant influence to be considered as one of the determining factors that influence bancassurance strategies.

4.2.4.7 Consumer Contact

Based on the research made by Ernst & Young (2010), some banks tend to focus on their initial business, rather than insurance products. The research suggests that during the initial banking process between the bank’s sales staff and the bank’s client, only 5%-8% of the time assigned to an insurance sale, therefore putting insurance products as a secondary or worse. The inexperience of the bank’s staff in bancassurance model is believed to contribute in this cause as well. Mr. Tinerizza conveys his answer concerning the matter:

“Fortunately we do not have problems in this department. We are aware about this problem, so we always try to adapt our products according to the bank’s initial products, which would make the bank’s staff” job easier.”

“For example, let us assume that a bank has a saving program dedicated to children’s education. It is well-received by its clients, and so, we would like to utilize this opportunity. In bancassurance, an insurance company has the duty to adapt itself to the bank, so we make sure that the product we are trying to offer is tailor-made for the initial banking service. Based on this example, we would provide a protection program for the bank’s client. We would guarantee the savings made by the client for, say, 10 years from now. If anything happens to the client during that period, we will compensate the loss.”
“From the employees’ side, it is just like what I had explained before. During our approach to the bank’s RM staff, we also train and educate them about our products to maximize consumer contacts. Also, in order to further increase the productivity, we provide reward campaigns periodically.”

From the answers, the point that can be learned is that PT. Asuransi Cigna tries to maximize consumer contact by developing a tailor-made product that could be comprehended by the bank’s employees easily, as it tries to conform to the bank’s initial product. Other than that, the company also train and educate both their FSCs and bank’s RM staff in order to minimize errors in sales process. Furthermore, as mentioned before in the earlier part of this research, the company also conducts reward campaigns to boost employees’ productivity.

4.2.5 Future Strategy of PT. Asuransi Cigna

In accordance with the main objective of this research – which is to discover how PT. Asuransi Cigna would plan and strategize in the future in bancassurance market – the researcher inquired to Mr. Tinerizza regarding the strategies that will be used by the company in the future. Provided below is Mr. Tinerizza’s answer:

“For now, we still aim to make the bancassurance department as the revenue pillar of PT. Asuransi Cigna. At least, we have to be in equal position with them. We would concentrate on the smaller things first, such as getting more partners, for example. We have to get our name known before getting to the top. Since we have much experience with multifinance companies as well (from 2003), we might want to concentrate our distribution through those too.”

“As for other strategies, we have developed automated systems in order to increase our after-sales quality, such as the predictive dialing system, jet claim process – in which consumers would only need 30 minutes to process their claim, and online platform. Regarding making bancassurance department as the revenue pillar of the company, I would like to specify our plan – increase our
It is obvious from the answer provided by Mr. Tinerizza that PT. Asuransi Cigna had planned and strategized for the future. The first strategy is to get more partners in bancassurance. Mr. Tinerizza believed that by getting more partners, people would know more about PT. Asuransi Cigna. One of the problems experienced by PT. Asuransi Cigna in current periods is that they are not well-known enough because they are one of the new entrants, as proven by answers given by Mr. Tinerizza.

Another strategy that will be implemented by the bancassurance department of PT. Asuransi Cigna in increasing its market position in Indonesia is to increase its contribution to 40% in 2013. It sounds reasonable as they also try to get more partners while they try to maximize their current productivity even further. Mr. Tinerizza also mentioned that the company also sees that its bancassurance department could be in higher market position as well, therefore, the board of directors would also concentrate the company’s development through bancassurance channel.

Aside from the planning and strategies, PT. Asuransi Cigna has developed automated systems as well in order to increase efficiency. According to Mr. Tinerizza, the company currently uses the voice recording technology during application interviews to speed up the process. In the future though, the company has developed the Predictive Dialing System to optimize the call center’s performance, Jet Claim Process, which would allow the consumers to finish their claim process in a mere 30 minutes, and an online platform that can be used by the consumers to send and get information from the company instead of submitting paperworks.
CHAPTER V
CONCLUSIONS AND RECOMMENDATIONS

After conducting the research on the factors that influences the strategic decisions and the market positions of PT. Asuransi Cigna, and how will they strategize in the future, the researcher would conclude that:

5.1 Conclusion

The conclusion that could be drawn from the interview conducted by the researcher and Mr. Hafiz Tinerizza as the representative of PT. Asuransi Cigna are as follows:

5.1.1 Overall Strategy of PT. Asuransi Cigna

1. The strategy done by PT. Asuransi Cigna across the years (2010-2012) adheres mainly to the company’s main operation policy, which is “Affinity Marketing”, where the company would seek to work together with its partners. In this case, the bancassurance department of PT. Asuransi Cigna would distribute their products through banks and multifinance companies, mostly in a distribution agreement.

2. PT. Asuransi Cigna utilizes various marketing approach in order to gain consumers from the bank’s network database, such as consumer gathering, where the potential consumers would be gathered in a small events like seminars to be explained about the products; and also incentive programs, where the company would reward their employees, including bank’s sales staff, if they manage to reach the sales target given by the company.

3. In some cases, PT. Asuransi Cigna puts its own FSCs – Financial Service Consultants – along with the bank’s sales staff. With this method, the insurance agents would help the bank’s staff in explaining and selling the insurance products to the bank’s clients. This is also used in consideration of the relationships of the bank’s account managers with their consumers.
5.1.2 Factors Influencing the Strategic Decisions and Market Position

1. PT. Asuransi Cigna perceives the regulations regarding bancassurance made by the Indonesian government as a neutral policy.

2. It seems that the exclusive partnerships done by several large banks and insurers manage to create an unbalanced competition between the bancassurers in Indonesia.

3. PT. Asuransi Cigna is one of the new players in Indonesian bancassurance industry, compared to the larger ones like AXA Mandiri or AIA Financial. Therefore, they could be considered as one of the new entrants.

4. Although the government has regulated the number of partners that a bank could have, which is hoped to give better, fairer market shares for each insurer, bancassurers with exclusive partnership privileges often give their exclusive partners better agreements.

5. PT. Asuransi Cigna’s partners are the old-time players of both multifinance and banking industry, covering BNI, BCA, Astra Credit Company, and so on.

6. Adhering to the previous researches made by Scor Vie and Ernst & Young, PT. Asuransi Cigna has utilized internet banking services and electronic instruments needed for sales operations.

7. One of the main criteria of PT. Asuransi Cigna’s FSCs are they need to be officially qualified with AAJI certificates for life insurance, and WAPERD certificate from BAPEPAM for investment-related products. The company would also assist them in obtaining the certifications by providing specified training materials.

8. To maximize consumer contact and interaction, PT. Asuransi Cigna would put FSCs alongside the bank’s RM staff, therefore utilizing the knowledge of the insurer with the good relationship with consumer which is had by the RM staff.
5.1.3 Future Strategy of PT. Asuransi Cigna

1. PT. Asuransi Cigna would continue to perfect their current strategies by gaining more partners from both banking and multifinance institutions and increasing the sales target and growth for the next year.

2. In order to increase after-sales service quality, PT. Asuransi Cigna has developed automated systems such as fast claim service, predictive dialing system for the call centers, and online platform which reduces the need of paperwork.

3. The automated system was developed in consideration of increasing company’s efficiency as well.

5.2 Recommendations

Based on the interview done in the research, the researcher would like to contribute by providing recommendations for the government regulators and PT. Asuransi Cigna:

1. The government may want to re-examine their bancassurance regulators, or develop a new rule regarding market share regulations in a bank; as we can see from the interview, some bancassurers still make their exclusive partner as a market leader, leaving the other partners as secondary.

2. Seeing the growth of PT. Asuransi Cigna has skyrocketed since the cooperation with banks than with telemarketing in the past, increasing partners with banking institutions and multfinances are a must.

3. Learning from the experiences of AXA Mandiri, PT. Asuransi Cigna has to find a way to be the priority partner in a bank since every bank has maximum three insurance company partners.
REFERENCES
REFERENCES

Books


**Journals**


**Newspaper & Magazine Articles**


**Websites & Internet Publications**


**Video**

APPENDICES
C. Penerapan Manajemen Risiko pada Setiap Model Bisnis Bancassurance

1. Referensi

Selain penerapan Manajemen Risiko dalam beberapa aspek utama bancassurance sebagaimana dimaksud dalam butir II.B, Bank harus memenuhi beberapa persyaratan tertentu pada model bisnis Referensi sebagai berikut:

a. Dalam melakukan model bisnis berupa Referensi dalam Rangka Produk Bank sebagaimana dimaksud dalam butir I.1.a.1):

1) Untuk mengakomodasi kebebasan nasabah Bank dalam memilih produk asuransi yang diwajibkan, Bank harus menawarkan pilihan produk asuransi dimaksud paling kurang dari 3 (tiga) perusahaan asuransi mitra Bank yang 1 (satu) diantaranya dapat merupakan Pihak Terkait Bank. Definisi Pihak Terkait mengacu pada ketentuan Bank Indonesia mengenai Batas Maksimum Pemberian Kredit.

2) Produk asuransi yang direferensikan terbatas hanya merupakan produk asuransi yang bersifat proteksi/perlindungan dan produk asuransi tersebut merupakan persyaratan untuk memperoleh suatu produk perbankan bagi nasabah.