

# MOTOR INSURANCE IN INDONESIA

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## ABSTACT

Motor vehicle insurance products in Indonesia is divided into two basic types of coverage that is total-loss-only (TLO) and comprehensive (COM) coverage. The mandatory vehicle insurance in indonesia is third-party liability vehicle insurance. Third-Party Liability Vehicle Insurance is regulated under Act No. 34 year 1964, Road Traffic Accident Fund and merely covers Bodily injury, and manages by a SOE's named PT. Jasa Raharja (Persero). Eeach individual car and motorcycle must be insured or the vehicle will not be considered legal. Therefore, a motorist cannot drive the vehicle until it is insured. Because the coverage does not cover the risk of loss and damage of vechile and legal expenses that will be prosecuted by a third party, many vehicle owners to purchase additional coverage at other companies.

Motor business in Indonesia was regulated by PMK 74 year 2007 (exclude the mandatory coverage). The business motor vehicle more transparant and measurable than before. This paper will discuss the calculation of insurance rates for PMK74 using the industrial data and the application of motor vehicle insurance rates in Indonesia. Society of actuary of Indonesia (PAI) who give contraibution for the formulation of PMK 74. Since 2008, net premium for motor iinsurance must based on PMK 74 and the reference set as follows

No	Category	TLO	COM
<b>Passenger Vechile</b>			
1	Sum Insured less than IDR 150 million	0,47%	2,05%
2	Sum Insured from IDR 151 million to 300 million	0,44%	1,52%
3	Sum Insured from IDR 300 million to 500 million	0,42%	1,17%
4	Sum Insured from IDR 501 million to 800 million	0,41%	1,10%
5	Sum Insured more than IDR 800 million	0,41%	0,98%
<b>Others Vechile</b>			
6	All Sum Insured of Truct	0,40%	1,29%
7	All Sum Insured of Bus	0,25%	0,55%

This premium are exclude Flood, Earthquake, SRCC, TPL coverage and extra rate for older vechile. The company also can determine the rate base on his own experience with applying the credibility factor (Z) as follows

$$\text{Company Rate} = Z \times \text{Rate Experience} + (1 - Z) \times \text{Rate PMK 74}$$

$$Z = \text{Min}\left(\frac{N}{K}, 1\right)$$

N value of all claims in the last 3 years and K is a constant number that is 7 billion for the TLO coverage and 15 billion for comprehensive coverage. for the company have large claim number, they can determine the net premiums by his own experience. If companies want to calculate its gross premiums, the total acquisition cost allowed in PMK 74 is 25% and general expenses by 15%.