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Selecting Line of Business (LOB) Development Priority Using Analytical Hierarchy Process

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Abstract

PT Asuransi Kredit Indonesia (Askrindo), a state-owned insurance company and a member of the Indonesia Financial Group (IFG) holding, is currently facing a significant strategic agenda. Prior to this initiative, Askrindo's parent company experienced a declining performance trend, as reflected by a 20% year-on-year decrease in gross written premiums (GWP) in 2025, while its combined ratio increased to 112% during the same period. This condition differed from the overall industry performance, as data from the Financial Services Authority (Otoritas Jasa Keuangan or OJK) indicated that the general insurance industry recorded 3% premium growth in 2025 while maintaining a combined ratio of approximately 71%. Askrindo's business portfolio remained highly concentrated in the financial lines of business (LOB), which accounted for 88% of the company's total portfolio in 2025. Therefore, portfolio diversification through the development of non-financial lines of business has become one of the company's key strategic priorities. Askrindo needs to optimize its existing LOB portfolio to generate added value and maintain competitive advantage amid the consolidation of state-owned insurance companies.Based on these conditions, this study aimed to evaluate Askrindo's financial performance compared with industry competitors and other companies within the IFG holding. Furthermore, this study sought to determine priority LOBs for further development using the Analytic Hierarchy Process (AHP). At the LOB level, the AHP framework identified Miscellaneous (microinsurance products), Suretyship, and Property as the priority business lines for further development by Askrindo.

INTRODUCTION

The growth of Indonesia's insurance industry has aligned with economic development, technological advancement, and increasing public demand for financial protection. In Indonesia, insurance companies operate under two primary ownership structures: state-owned enterprises (SOEs) and private corporations.

State-owned enterprise (SOE) insurance companies are business entities in which the majority of ownership is held by the government (Le et al., 2023; Lim, 2021). These enterprises aim not only to generate profitability but also to support national economic policies and expand public access to financial services (Pal & Bandyopadhyay, 2022; Victor, 2019). In several cases, SOE insurers play strategic roles in supporting micro, small, and medium enterprise (MSME) financing, protecting national infrastructure projects, and providing public credit guarantee services (Sahoo & Swain, 2020).

Askrindo, an SOE and one of the leading companies in Indonesia’s general insurance industry, held an estimated market share of 3.9% in 2025, with gross written premiums (GWP) of IDR 4.4 trillion compared with the industry’s total GWP of IDR 113.6 trillion. This position established Askrindo as a significant player in the general insurance market, ranking sixth in terms of GWP and outperforming several of its peers within the IFG holding group. However, Askrindo’s market share declined in 2025 compared with the previous year, when the company held an estimated market share of 5.1% and ranked fourth in the industry.

Figure 1 General Insurance 2025 Market Position

Source: AAUI

An overview of Askrindo's stand alone financial results from 2020 to 2025 reveals that the company's Gross Written Premium (GWP) has fluctuated, peaking at IDR 7.3 trillion in 2023 before declining to IDR 5.6 trillion in 2024 (-23% yoy) and IDR 4.4 trillion in 2025 (-20% yoy). The company's combined ratio has steadily expanded from 60% in 2020 to 112% in 2025, meaning that technically, Askrindo is losing money on its core operations as claim loads and operating expenses exceeding net premium income. This performance dissociated from industry benchmarks, where according to OJK data, the general insurance industry recorded a 3% GWP growth in 2025, with the combined ratio effectively managed at 71%. Askrindo's GWP and Combined Ratio trends (2020–2025) are presented in the following diagram:

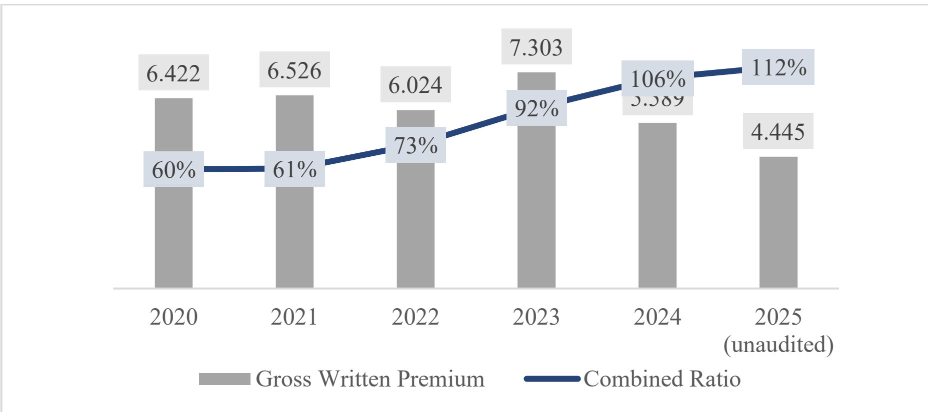

Figure 2 Askrindo GWP and Combined Ratio Trends 2020 – 2025

Source: Askrindo

Askrindo's portfolio is currently dominated by Credit Insurance, a core component of the financial lines LOB. These financial lines segment represents a dominant share of the company's portfolio, accounting for 88% of the corporate GWP structure in 2025. Askrindo's 2025 GWP composition is presented in the following figure:

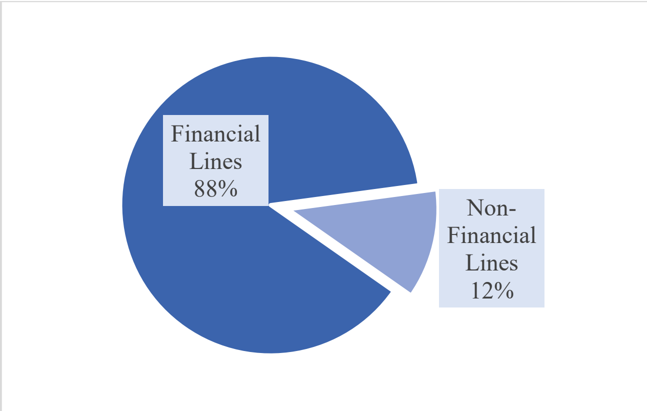

Figure 3 Askrindo GWP Composition per LOBs 2025
Source: Askrindo

A deeper analysis of each Line of Business (LOB) in 2025 reveals distinct performance differences relative to the broader market. In Credit Insurance segment, Askrindo's GWP growth lagged behind the industry average, while its claim ratio worsened significantly above the market benchmark (Killingsworth et al., 2021). Conversely, the Suretyship LOB demonstrated excellent technical performance, posting GWP growth that outpaced the industry alongside a well-maintained claim ratio that remained below market levels. Meanwhile, the Non-Financial Lines generally demonstrated superior GWP growth compared to industry peers, though this expansion was accompanied by elevated claim ratios that exceeded the market average.

One of the company's strategic objectives is to deliver comprehensive insurance products aligned with market demands. This goal is attainable through market share expansion and the development of non-financial lines. This approach is important for the company's line of businesses diversification to optimize revenue streams and enhance its competitive advantage. Askrindo's 2030 GWP composition is presented in the following figure:

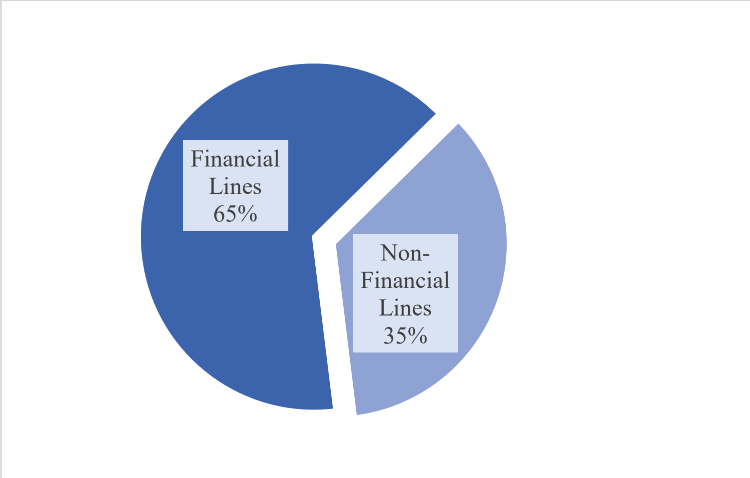

Figure 4 Askrindo GWP Composition per LOBs 2030 (Future State)
Source: Askrindo

Corporate expansion and revenue optimization are often driven by product diversification as a core business strategy. In the general insurance sector, product diversification not only addresses evolving market demands but also supports growth in gross written premiums (Mas Suroto, 2019). Furthermore, previous studies suggest that strategic diversification enables insurers to capture broader market segments, thereby strengthening overall financial performance.

Furthermore, Danantara's plan for the insurance sector aims to fundamentally streamline Indonesia's fragmented state-owned enterprise (SOE) insurance landscape by consolidating approximately 16 insurance entities into three major holding companies, potentially categorized into Life Insurance, General Insurance, and Credit Insurance/Guarantee sectors (Puspadini, 2026). For Askrindo, which is currently part of the Indonesia Financial Group (IFG), this consolidation may result in deeper operational integration with other credit guarantee and/or insurance companies to establish a larger Credit Insurance/Guarantee or insurance entity (Pratama, 2026). This consolidation is expected to strengthen capital capacity and underwriting capabilities; therefore, Askrindo must optimize its core lines of business and product portfolios to generate added value throughout the integration process.

According to Sheen (2013), mergers generally generate synergies that enable two separate entities to increase their combined value when integrated into a single organization, which serves as one of the fundamental motivations behind corporate acquisitions. These synergies can be realized through revenue enhancement, such as market expansion and product innovation, or through cost efficiency improvements resulting from operational integration. Tischhauser et al. (2016) noted that successful insurance mergers depend on strengthening product value propositions and leveraging digital technologies to reduce customer acquisition costs. In line with this operational transition, Steif et al. (2024) highlighted that product portfolio finalization is a critical foundation for system integration, requiring the temporary suspension of new product sales on legacy systems and the transition of existing renewals to a unified production platform.

The novelty of this research lies in its integrated approach, combining financial performance analysis with AHP-based strategic selection within the specific context of SOE insurance consolidation. Although previous studies have applied AHP to various insurance decision-making contexts and examined insurance diversification and performance, this study uniquely integrates these approaches to support LOB development priority determination during the consolidation of state-owned insurance companies. This research contributes to both the academic literature on strategic insurance management and practical insights for insurance SOEs undergoing consolidation.

Based on these conditions, Askrindo needs to proactively prepare its LOB development strategy in response to the insurance SOE consolidation agenda. This assessment focuses on determining which LOBs and key products should be prioritized for development, followed by the formulation of strategic initiatives to support LOB expansion and optimization.

RESEARCH METHOD

To address the research questions, this study employed a mixed-methods research approach by integrating qualitative and quantitative evidence to provide a comprehensive understanding of the research problem (Creswell, 2018; Santos et al., 2017; Tashakkori et al., 2020). A purposive sampling strategy was applied to select participants who could provide relevant expert insights. The respondents consisted of Askrindo's top management representatives (Division Heads) to obtain strategic perspectives regarding the company's vision, future challenges, and the rationale behind key decisions (Clark, 2019).

Data were collected through a two-stage questionnaire process. The first stage assessed the key factors influencing product or Line of Business (LOB) expansion and identified the specific products or LOBs considered for further development. Following the initial data analysis, the second-stage questionnaire was conducted to prioritize the selected LOBs for future development. A pairwise comparison approach was applied to obtain quantitative inputs required for the Analytic Hierarchy Process (AHP).

RESULTS AND DISCUSSION

The Analytic Hierarchy Process (AHP) was utilized to determine the priority of Lines of Business (LOB) for further development. To execute this framework, a decision hierarchy was first established, delineating the specific criteria and alternatives derived from a survey conducted among six members of Askrindo's top management (at the Division Head level). The detailed breakdown of the hierarchy formation, criteria, alternatives, and the resulting analytical outcomes are provided in the following sections.

Analytic Hierarcy Process (AHP) Criteria

The criteria for the Analytic Hierarchy Process (AHP) were derived from the questionnaire and semi-structured interview. Based on the survey results, the criteria employed to determine the priority lines of business (LOBs) are specified below:

1. **Market opportunity**
   The evaluation of LOB development must be anchored in market potential, including industry premium growth, penetration rates, competitive intensity, and the availability of viable distribution channels. Precise execution of this assessment is intended to reinforce the company's position as a top-tier industry leader.
2. **Financial feasibility**

Financial feasibility remains a pivotal criterion for LOB selection. Chosen LOBs are expected to generate sustainable profits, thereby strengthening the Risk-Based Capital (RBC) ratio as a core indicator of enterprise sustainability and regulatory compliance. Furthermore, the selected LOBs should support portfolio rebalancing efforts by reducing the organization's high dependency on financial lines, particularly credit insurance. The analysis also integrates macroeconomic factors, as consumer purchasing power and behavior directly influence revenue and operational overheads.

3. **Technical requirement**

   Technological integration is a critical technical pillar for LOB expansion. The prevailing digital shift in the insurance sector necessitates a strong IT infrastructure to enhance customer access and experience. Additionally, product selection must account for stringent regulatory frameworks, particularly regarding licensing and corporate governance. Finally, the development of in-house human capital is essential, as the company requires specialized technical competencies in underwriting and risk assessment to manage new LOBs effectively.

Analytic Hierarcy Process (AHP) Alternatives

Based on the primary data collected from Askrindo's top management (Appendix A3 – A4), the following LOBs and product alternatives have been prioritized for potential development:

1. **Suretyship – Surety Bond/KBG**
   - Description: Surety Bond/KBG provide guarantees to the employer (obligee) against default arising from the employer's (principal's) failure to perform its obligations for a work (construction/non-construction) within the period specified in the contract.
   - Justification: Suretyship is a cornerstone LOB for supporting national infrastructure development. Given the company's established ~30% market share, the strategy focuses on deepening our competitive advantage by strengthening technical underwriting capabilities and driving digital process integration.
2. **Miscellaneous –** ***Asuransi Mikro*** **(Micro Insurance)**
   - Description: Insurance products specifically designed to protect low-income households against risks, adhering to the SMES (*Sederhana* (Simple), *Mudah* (Accessible), *Ekonomis* (Economical), *Segera* (Immediate)) framework as stipulated in OJK Circular Letter 9/SEOJK.05/2017.
   - Justification: Micro Insurance serves as a strategic vehicle to capture ~70% of the population that remains uninsured. This aligns with national financial literacy mandates, particularly for the MSME sector, while reinforcing Askrindo's commitment to fostering entrepreneurship and creative industry growth.
3. **Property – Property All Risk (PAR)**
   - Description: Providing protection against damage to buildings or property caused by fire, lightning, explosion, aircraft crash, smoke, typhoon, storm,

flood, landslide, earthquake, strike, riot, malicious acts of others, and other risks.

- Justification: The property segment presents substantial untapped potential with relatively low current penetration. Property All Risk aims to scale by leveraging distribution networks through banking partners (e.g., mortgage collateral) and MSME ecosystems. Digital channel integration will further facilitate portfolio diversification with highly measurable underwriting risk.

4. **Personal Accident – PA Xtra**
   - Description: Providing protection against the risk of death, permanent disability, care costs and or medication directly caused by an accident.
   - Justification: While PA Xtra is currently featured on Askrindo's digital platform (digiAsk), current penetration remains suboptimal. Given the segment's well-defined risk profile, the objective is to drive mass-market adoption through aggressive digital distribution and targeted marketing campaigns.
5. **Engineering – Contractor's All Risk (CAR)**
   - Description: Providing protection against damage or loss during construction or installation projects.
   - Justification: In the context of construction project ecosystems, Engineering (CAR) serves as a logical complement to Suretyship. Promoting CAR alongside our guarantee products provides contractors with a robust risk-mitigation framework, which in turn fosters greater continuity and stability in the delivery of national infrastructure projects.

Analytic Hierarchy Process (AHP) Results

Following the selection of criteria and alternatives, the resulting decision hierarchy is structured as follows:

Figure 1 Decision Hierarchy

To streamline the computational process, the AHP framework was developed using SuperDecisions software. Individual scoring was conducted for each respondent, with the detailed output provided in Appendix B-G. Subsequently, it was necessary to aggregate the divergent priority perspectives gathered from the participants. While Forman and Peniwati (1998) indicate that either the geometric or arithmetic mean can be employed for aggregating individual priorities, they further contend that the geometric mean yields superior consistency for both judgments and final priorities within the AHP framework.

AHP summary results of criteria importance ratings can be shown as following table:

Table 1 AHP Summary Results of Criteria Importance Ratings

CRITERIA	R1	R2	R3	R4	R5	R6	GeoMean
Financial Feasibility	0.249	0.644	0.594	0.558	0.644	0.558	**0.517**
Market Opportunity	0.594	0.271	0.249	0.320	0.271	0.320	0.322
Technical Requirement	0.157	0.085	0.157	0.122	0.085	0.122	0.118

Based on the table above, Financial Feasibility is the primary parameter among the criteria considered in prioritizing LOBs, with a score of 0.517 (51.7%). This indicates that the selected LOBs are expected to generate sustainable profits, thereby maintaining the company's financial health. The subsequent criteria in order of priority are Market Opportunity (32.2%) and Technical Requirement (11.8%).

AHP summary results for prioritizing LOB can be shown as following table:

Table 2 AHP Summary Results of LOBs Comparison

LOB	R1	R2	R3	R4	R5	R6	GeoMean
A. Suretyship	0.385	0.297	0.262	0.419	0.232	0.271	**0.304**
B. Miscellaneous	0.191	0.449	0.364	0.261	0.433	0.421	**0.338**
C. Property	0.276	0.094	0.241	0.156	0.205	0.125	**0.171**
D. Personal Accident	0.089	0.040	0.078	0.060	0.079	0.060	0.065
E. Engineering	0.058	0.121	0.055	0.104	0.052	0.124	0.080

The validity of the AHP results is reflected through the Consistency Ratio (CR), which must be below 0.1. Based on SuperDecisions software, all CRs are <0.1, so the AHP results provide acceptable results, with the following summary:

Table 3 AHP Consistency Ratio for LOBs Comparison

Items	R1	R2	R3	R4	R5	R6
Criteria Importance Rating	0.052	0.052	0.052	0.018	0.052	0.018
LOBs Comparison Related to Market Opportunity	0.025	0.095	0.012	0.015	0.019	0.048
LOBs Comparison Related to Technical Requirements	0.008	0.089	0.035	0.007	0.017	0.010
LOBs Comparison Related to Financial Feasibility	0.022	0.090	0.015	0.024	0.065	0.037

Drawing upon the analysis presented in the AHP summary results table, the top three priority Lines of Business (LOBs) identified for future strategic development are as follows:

1. Miscellaneous through Micro Insurance product (33.8%).
2. Suretyship through Surety Bond/KBG product (30.4%).
3. Property through Property All Risk product (17.1%).

Among the top three priority Lines of Business (LOBs), Suretyship (classified under financial lines LOB) remains a core focus for strategic development. This is considered a strategic necessity because, despite the corporate plan’s objective to recompose the financial lines segment from 88% in 2025 down to 65% in 2030, absolute growth in this category is still projected at a CAGR of 2% (2026–2030). Within this broader segment, Suretyship is specifically forecasted to act as a growth driver, maintaining 14% CAGR with 9% to 12% portion of total GWP.

Meanwhile, the Miscellaneous (microinsurance) and Property LOBs are expected to serve as revenue drivers to ensure the success of the company's strategy to expand the non-financial lines portfolio composition (Grishunin et al., 2022; Simon et al., 2015). With the right development strategy, these selected LOBs are expected to generate profits that support the sustainability of the company's financial health (Njuguna, 2019).

CONCLUSION

This research successfully identified priority LOBs for development at Askrindo using the Analytic Hierarchy Process (AHP) based on criteria derived from top management’s strategic perspectives. The findings showed that Financial Feasibility was the most important criterion in LOB selection, with a weighting of 51.7%, followed by Market Opportunity (32.2%) and Technical Requirements (11.8%). The AHP analysis identified three priority LOBs for further development: Miscellaneous through microinsurance products (33.8%), Suretyship through Surety Bond/KBG products (30.4%), and Property through Property All Risk products (17.1%). Suretyship, which is categorized as part of the financial lines of business (LOB), remained a strategic focus due to its established competitive advantage and strong financial performance. Meanwhile, Miscellaneous (microinsurance) and Property LOBs were expected to support revenue growth and facilitate the company’s strategic transition toward a greater proportion of non-financial lines within its portfolio. The current concentration of 88% of the portfolio in financial lines presented a significant concentration risk amid ongoing macroeconomic uncertainty and the consolidation of state-owned enterprises (SOEs). Portfolio recomposition toward non-financial lines was therefore essential to strengthen underwriting profitability and maintain competitive advantage as Askrindo prepared for integration within the Danantara ecosystem.

The limitations of this study included its single-case focus on Askrindo, which may restrict the generalizability of findings to other insurance companies; the relatively small sample size of six top management respondents, which reflected the strategic decision-making context but limited statistical generalization; and the static nature of the AHP analysis, which represented a point-in-time assessment and might not fully capture future market dynamics. This research recommends that Askrindo prioritize the development of microinsurance products through investment in product innovation, distribution channel expansion, and customer education; continue strengthening Suretyship capabilities through enhanced technical underwriting expertise and digital process integration; accelerate Property Insurance development by leveraging banking distribution partnerships and MSME ecosystems; and align all LOB development strategies with the broader Danantara consolidation roadmap. Future research should conduct longitudinal studies to evaluate the implementation and performance of prioritized LOBs to provide empirical evidence regarding the effectiveness of AHP-based selection. Comparative studies involving other insurance companies facing similar consolidation challenges are also recommended to validate the applicability of the findings. Furthermore, future studies incorporating sensitivity analysis could examine how changes in evaluation criteria weights influence LOB prioritization and support strategic contingency planning. Research on specific implementation challenges for each prioritized LOB would provide practical guidance for execution, while studies assessing the impact of Danantara consolidation on Askrindo's LOB development strategy could provide valuable insights for future SOE restructuring initiatives in Indonesia and other emerging economies.

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