

## Strengthening Competitiveness Strategy Of PT RAR In Facing Challenges Of Financial Literacy, Digital Transformation, And Competition In The General Insurance Industry In Indonesia

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Article Info	ABSTRACT
<b>Keywords:</b> Financial Literacy, Digital Transformation, Competition, General Insurance	This study analyzes the main challenges faced by PT RAR in the general insurance industry in Indonesia, namely low public financial literacy, suboptimal digital transformation, and intense market competition. Using a descriptive qualitative approach, the study employs Prospect Theory and Porter's Five Forces to evaluate the company's issues and strategies. The findings indicate that low financial literacy hinders market penetration, limited digital transformation reduces operational efficiency, and competition necessitates product differentiation. Recommendations include financial literacy campaigns, digital technology optimization, and product innovation based on local needs. These strategies are expected to enhance PT RAR's competitiveness and growth in the Indonesian insurance market.
This is an open access article under the <a href="#">CC BY-NC</a> license 	<b>Corresponding Author:</b> Sitti Rakhman Jl. Jenderal Ahmad Yani No.85, Kayu Putih, Kec. Pulo Gadung, Kota Jakarta Timur, Jakarta, Indonesia. <a href="mailto:trisaktirahma@gmail.com">trisaktirahma@gmail.com</a>

### INTRODUCTION

The general insurance industry plays a strategic role in supporting the social and economic stability of a country. By providing protection against various risks such as natural disasters, accidents, or other financial losses, general insurance offers a sense of security for individuals and corporations in carrying out their activities. In Indonesia, the general insurance industry continues to grow despite facing challenges such as low market penetration, suboptimal financial literacy, and adaptation to ongoing digital transformation. One of the companies actively involved in this industry is PT RAR. Established in 1969 under the name PT Asuransi Beta, the company was acquired by the Bosowa Group in 1999 and renamed PT RAR in 2014. PT RAR offers a variety of insurance products such as motor vehicle insurance, fire insurance, accident insurance, health insurance, and guarantees, with a commitment to providing professional, innovative, and customer-oriented services. However, like the insurance industry in general, the company faces significant challenges, including low financial literacy and inclusion in Indonesia.

Research from the Financial Services Authority (OJK) (2022) shows that insurance literacy in Indonesia remains at 19.4%, while insurance inclusion is at 13.15%, reflecting a

gap between the understanding and use of insurance products among the population. This low literacy level directly impacts the low market penetration of insurance, requiring insurance companies to adapt with more intensive and effective educational strategies. Additionally, advancements in digital technology compel insurance companies to undergo transformation in providing faster, more efficient, and more accessible technology-based services to consumers. Digital transformation is becoming a key factor in improving a company's competitiveness and efficiency, as highlighted by PwC (2021) in their report on the global insurance industry. Insurance companies that fail to adopt digital technology risk falling behind in an increasingly competitive industry, particularly in terms of delivering practical and personalized services to consumers.

In addition to digital transformation, consumer behavior in making decisions related to risk also needs to be considered. The Behavioral Economics theory introduced by Thaler and Sunstein (2017) suggests that human decisions are often irrational and influenced by perceptions of gains and losses. This is relevant to the behavior of insurance consumers who often delay or even avoid purchasing insurance policies due to the perception that risks will not affect them. Understanding this is crucial for designing marketing and educational strategies that can positively influence consumers' risk perceptions. According to research by Deloitte Insights (2020), the digitalization and personalization of insurance services have become key trends in enhancing consumer engagement and expanding the insurance market share. This study indicates that insurance companies capable of leveraging technologies such as artificial intelligence (AI) and big data to optimize risk analysis and product personalization are better positioned to respond to dynamic customer needs and increase their loyalty.

On the other hand, external risks such as climate change, natural disasters, and global economic uncertainties also impact insurance companies' operations. A study by the Swiss Re Institute (2022) highlights digital transformation and the enhancement of financial literacy as key strategies for increasing insurance penetration in developing countries, including Indonesia. This aligns with a World Bank (2020) report emphasizing the importance of product innovation and financial literacy to promote insurance inclusion in developing nations. Thus, PT RAR has significant opportunities to enhance its competitiveness through product innovation, digital transformation, and improved insurance literacy. This study will explore relevant strategies to support PT RAR's transformation, the challenges it faces, and policy recommendations to enhance the company's competitiveness and sustainability in addressing the challenges of the general insurance industry in Indonesia.

This study aims to analyze PT RAR's strategies in addressing various challenges within Indonesia's general insurance industry, focusing on product innovation and digitalization, identifying key challenges, and providing strategic policy recommendations to support the company's future growth. Drawing on risk management and consumer behavior theories, as well as the latest findings from journals and industry reports, this research explores strategic measures to enhance the company's competitiveness.

The study examines PT RAR's product innovation strategies, including the adoption of digital technology to improve market penetration and operational efficiency. Based on

Schilling's (2020) innovation management theory and PwC's (2021) digitalization approach in the insurance industry, leveraging technologies such as big data, artificial intelligence (AI), and digital platforms is identified as essential for reaching a broader customer base and strengthening competitiveness amidst industry rivalry. This aligns with Deloitte Insights (2020), which highlights that insurance companies that swiftly adapt to digital technology are better equipped to respond to dynamic market needs.

Furthermore, the study identifies the primary challenges faced by PT RAR, including low financial literacy among the Indonesian population, intense industry competition, and the evolving technological landscape. Data from the Financial Services Authority (OJK) (2022) reveals that financial literacy in Indonesia remains low, directly impacting insurance penetration rates. Meanwhile, the World Bank (2020) emphasizes the necessity of product innovation tailored to local needs to improve insurance inclusion, especially amid the growing competition from companies that are quicker to adopt digital technology and expand their services through digital platforms.

In response to these challenges, the study offers strategic policy recommendations to support PT RAR's growth and sustainability. Referencing Dorfman's (2021) risk management theory, the company is encouraged to adopt a proactive approach in managing operational, technological, and market risks. Additionally, Thaler and Sunstein's (2017) consumer behavior theory is utilized to provide deeper insights into public risk perceptions and their impact on insurance purchase decisions. The recommendations include enhancing financial literacy through digital education programs and optimizing operational efficiency with adaptive technologies such as AI and predictive analytics, as suggested by the Swiss Re Institute (2022). These strategies are expected to bolster PT RAR's competitiveness and sustainability in Indonesia's general insurance industry.

## METHODS

This study employs a descriptive qualitative approach to explore the strategies and challenges faced by PT RAR in adapting to changes in Indonesia's general insurance industry. This approach was chosen as it enables an in-depth exploration of the company's internal context and external dynamics, including its responses to the challenges of digitalization and low financial literacy. The research integrates primary and secondary data to produce a comprehensive analysis.

Primary data were collected through semi-structured interviews with PT RAR's senior management, insurance agents, and customers. This method offers flexibility in uncovering perspectives and experiences related to product innovation, digitalization, and customer risk perceptions, in line with consumer behavior theory by Sunstein and Thaler (2017). Secondary data were gathered from internal company documents, annual reports, and industry publications, such as reports from the Swiss Re Institute (2022), PwC (2021), and financial literacy data from the Financial Services Authority (OJK) (2022). Additionally, recent academic journals on risk management and insurance digitalization were utilized to strengthen the theoretical foundation of the study.

Data triangulation was conducted to ensure the validity and reliability of the research findings. Source triangulation compared information from interviews with secondary data, while methodological triangulation combined interviews and document analysis to obtain a more holistic understanding. Furthermore, theoretical triangulation incorporated various analytical frameworks, including risk management theory by Dorfman (2021) to assess risk management strategies, digitalization and product innovation theory by Schilling (2020) to explore digital transformation strategies, and consumer behavior theory to understand risk perceptions in insurance decision-making.

Data analysis was carried out using the thematic approach by Braun and Clarke (2006), which facilitates the identification of patterns and key themes from interview data and documents. This process involved familiarization with the data, initial coding based on themes such as innovation, digitalization, financial literacy, and risk management, identifying and categorizing main themes, and presenting the findings. The thematic analysis results were used to understand PT RAR's strategies and challenges and to formulate strategic policy recommendations that support the company's competitiveness and sustainability. This approach provides in-depth insights into the strategic steps required to navigate the dynamics of Indonesia's insurance industry.

## RESULTS AND DISCUSSION

### Financial Literacy

Low financial literacy remains a major challenge for PT RAR in its efforts to increase market penetration in Indonesia's general insurance sector. Despite some progress, the financial literacy level among Indonesians has yet to reach an optimal level. According to the 2024 National Survey on Financial Literacy and Inclusion (SNLIK) conducted by the Financial Services Authority (OJK) and the Central Statistics Agency (BPS), the financial literacy index stands at 65.43%, while the financial inclusion index is at 75.02%. Although these figures represent an improvement from previous surveys, approximately 34.57% of Indonesia's population still lacks adequate understanding of financial products and services, including insurance (OJK, 2024).

Specifically, insurance literacy in Indonesia remains low compared to literacy levels for other financial products. While people may have a basic knowledge of finance, their understanding of insurance products remains very limited. A study by Gorsy et al. (2021) reveals that a lack of insurance literacy is one of the main factors contributing to low insurance penetration in many developing countries, including Indonesia. This highlights that although awareness of the importance of insurance is increasing, a lack of understanding of insurance products and their benefits hinders public interest in purchasing policies, especially general insurance products such as motor vehicle insurance and fire insurance.

Individuals tend to focus more on potential losses than on benefits when making decisions involving risk. In the context of insurance, those with limited understanding of the benefits of insurance products are more likely to avoid risk by not purchasing policies, as they fail to see the immediate value of paying premiums (Sunstein & Thaler, 2017).

Research by Beck et al. (2020) confirms that in countries with low financial literacy, a preference for avoiding financial risk often leads to low demand for insurance products.

### **PT RAR's Educational Strategies to Enhance Insurance Literacy**

To address the challenge of low insurance literacy, PT RAR must implement a sustainable and structured educational strategy. The following steps can be taken:

1. Financial Literacy Campaigns.

Recent research by Lusardi & Mitchell (2021) emphasizes that systematic financial literacy campaigns can significantly improve public understanding of financial products, including insurance. PT RAR can conduct educational programs specifically designed to raise awareness about the importance of insurance as a risk mitigation tool.

2. Collaboration with Educational Institutions

According to Chen et al. (2022), incorporating financial literacy into educational curricula can have a long-term impact on individuals' financial behavior. PT RAR can partner with schools and universities to integrate insurance literacy into educational programs, ensuring that younger generations develop a better understanding of the role of insurance in financial protection.

3. Utilization of Digital Media

In the digital era, leveraging social media and other digital platforms is crucial for disseminating financial education. Research by Li et al. (2021) shows that digital literacy campaigns can expand the reach of educational efforts to broader segments of society. PT RAR can use social media to distribute interactive and accessible educational materials, enabling a wider audience to engage with insurance-related topics.

4. Insurance Agent Training

Insurance agents play a vital role in providing direct education to potential customers. Training agents to enhance their communication and educational skills about insurance products is key to improving public understanding (McKay, 2023). By focusing on developing agents' educational capabilities, PT RAR can ensure that their agents are well-equipped to effectively explain the benefits of insurance products to prospective clients.

### **Digital Transformation**

Digital transformation has become a global trend across various sectors, including the insurance industry, aimed at improving operational efficiency, expanding market reach, and enhancing customer experience. However, PT RAR continues to face challenges in fully adopting technology. According to the 2023-2027 Indonesian Insurance Development and Strengthening Roadmap published by the Financial Services Authority (OJK), only 55% of insurance companies in Indonesia have focused on digital marketing channels, while 38% have yet to prioritize digitalization in their strategies. This indicates that many companies are still suboptimal in implementing digital strategies.

A study by Swiss Re Institute (2021) highlights that insurance companies in Asia that successfully adopt digital technology can increase efficiency by up to 30% and customer satisfaction by up to 20%. Digital transformation has proven to be a key factor in enhancing

competitiveness in the digital era; however, its implementation is not without challenges. Research by Westerman et al. (2019) emphasizes that digital transformation requires significant investment in technological infrastructure, data security systems, and human resource training. Financial constraints and limited human resource capacity often pose major obstacles for insurance companies, especially those at the medium and small-scale levels.

Additionally, the Head of Product, Risk Management, and Good Corporate Governance from the Indonesian Life Insurance Association (AAJI) stated that one of the main barriers to driving digitalization in Indonesia's insurance industry is the limited technological infrastructure and the high costs required to establish a robust digital ecosystem. This is supported by research from Andersson & Matt (2020), which shows that the development and integration costs of new technologies such as Artificial Intelligence (AI), big data analytics, and the Internet of Things (IoT) are among the biggest challenges for insurance companies with limited resources.

In addition to internal factors, the adoption of digital technology among the public also poses challenges, particularly in regions with limited internet access. While digital payments and the use of e-commerce platforms have grown rapidly in major cities, remote areas still face obstacles in accessing the same technology. Research by the OECD (2022) indicates that unequal access to technology in certain regions can hinder the penetration of digital insurance products, ultimately slowing the overall growth of the sector.

### **Digital Transformation Strategy**

PT RAR must develop a comprehensive digital transformation strategy to remain competitive in an increasingly challenging market. This strategy involves:

1. Investment in Technological Infrastructure

Choudhury et al. (2020) emphasize that insurance companies must invest in robust technological infrastructure to support the digitalization of business processes, including customer data management, claims handling, and digital marketing. Technologies such as cloud computing and machine learning can enhance operational efficiency and provide deeper insights into customer behavior.

2. Employee Training

Research by Tarafdar et al. (2019) highlights that one of the key factors for successful digital transformation is the ability of human resources to adopt new technologies. Therefore, PT RAR needs to allocate time and resources to train its employees, ensuring they can efficiently utilize technology and understand how it can improve productivity and customer service.

3. Collaboration with Technology Providers

To reduce the cost of developing digital infrastructure, PT RAR can establish partnerships with technology providers to create innovative solutions tailored to the Indonesian market. Pramanik et al. (2021) argue that strategic collaboration between insurance companies and technology providers can accelerate the adoption of new technologies and enable more flexible business models.

4. Improving Technology Access and Education for the Public

To address the challenge of low technology adoption in certain areas, PT RAR can actively participate in digital literacy programs for communities with limited exposure to technology. According to Farooq & Vij (2022), community-driven digital education can accelerate technology adoption, enhance understanding of digital insurance products, and ultimately increase insurance penetration in broader market segments.

By implementing these strategies, PT RAR is expected to enhance its digital capabilities and address the challenges of digital transformation more effectively. Successful digital transformation will provide maximum protection for customers and ensure the sustainability of the business in an increasingly technology-driven future.

### **Competition in the Insurance Industry**

The general insurance industry in Indonesia is experiencing increasingly intense competition. With over 70 general insurance companies operating, as reported by the Financial Services Authority (OJK) in 2023, the market is highly competitive, especially as many companies offer similar products. Competition arises not only from local companies but also from multinational firms with extensive resources, vast networks, and advanced technology. To navigate this competitive landscape, PT RAR must develop strategies that distinguish itself from other market players.

According to Porter's Five Forces framework, five key factors influence the intensity of competition in the industry: buyer power, supplier power, the threat of new entrants, the threat of substitute products, and rivalry among competitors. Each of these factors contributes to the competitive dynamics faced by PT RAR.

#### **1. Buyer Power**

Buyer power in the insurance industry has increased due to the ease of access to information through digitalization. Consumers can easily compare premiums, benefits, and services across companies via digital platforms, thereby strengthening their bargaining power. Lovelock & Wirtz (2020) emphasize that in situations where buyer power is high, insurance companies need to create added value and product innovations to attract customers. PT RAR must develop strong differentiation through product innovation, improved service quality, and a more personalized approach to customers.

#### **2. Supplier Power**

In the insurance industry, suppliers include skilled human resources, actuarial data, and technology partners. According to research by Singh & Bahl (2021), large companies have an advantage in attracting and retaining high-quality talent and accessing comprehensive data for risk analysis. PT RAR needs to establish strategic partnerships with technology and data providers to improve operational efficiency and competitiveness in an increasingly challenging market.

#### **3. Threat of New Entrants**

Barriers to entry in the insurance industry are lower due to digital technology and platform-based distribution. Insurtech companies like Qoala and PasarPolis have disrupted the market by offering simpler purchasing processes, competitive pricing, and

better customer experiences. Taiminen & Karjaluoto (2022) highlight that traditional companies slow to adapt to digital innovation risk losing their market share. PT RAR must accelerate its digital transformation to compete with newer, more flexible, and innovative entrants.

#### 4. Threat of Substitute Products

The threat of substitute products in the insurance industry has increased with the emergence of alternative financial products such as digital emergency savings and community-based services offering informal risk protection. Moser & Roijakkers (2021) note that many consumers with limited understanding of insurance benefits tend to choose simpler financial products, even though they do not provide optimal risk protection. PT RAR needs to strengthen consumer education on the importance of insurance as a unique financial protection tool that cannot be replaced by substitutes.

#### 5. Rivalry Among Competitors

Rivalry among competitors in the insurance industry includes price wars, product innovation, and service efficiency improvements. Deloitte (2022) reports that multinational insurers such as Allianz and AXA benefit from economies of scale and advanced technology, while local companies have an advantage in understanding domestic consumer needs. PT RAR must highlight its strengths in the domestic market by leveraging its deep understanding of local consumer needs and behavior while striving to enhance service efficiency through technology adoption.

Amid intensifying competition, PT RAR faces significant challenges in maintaining and expanding its market share. Swiss Re (2023) reports that companies unable to adapt to technological advancements and market dynamics risk losing their market share in the coming years. Therefore, PT RAR must innovate and improve operational efficiency to compete effectively with multinational firms such as Allianz and AXA, which excel in technological innovation, and with local companies like Asuransi Central Asia (ACA) and Tugu Pratama, which have a deeper understanding of the domestic market. Kim & Mauborgne (2020) propose the blue ocean strategy as an alternative for companies aiming to create untapped market spaces free from competition. PT RAR can adopt this approach by developing innovative insurance products distinct from those offered by competitors and providing services that cater specifically to the unique needs of local customers.

By enhancing product innovation, expanding the use of technology, and sharpening its understanding of consumer behavior, PT RAR can strengthen its position in a competitive industry. The adoption of technologies such as big data analytics and artificial intelligence (AI) can help the company increase efficiency and deliver a superior customer experience, aligning with global industry trends.

### Strategies to Enhance Competitiveness

#### 1. Product Differentiation

PT RAR can implement a product differentiation strategy by developing innovative and tailored solutions to meet the needs of specific market segments, such as Sharia-based insurance products or hybrid products combining health and financial protection.

Differentiation focused on adding value for customers can create a competitive advantage that is difficult to replicate. In the insurance context, product innovation may include additional services like online health consultations or preventive benefits. According to Kumar et al. (2020), innovation-based differentiation strategies enable companies to stand out in saturated markets.

## 2. Strengthening Branding

Strong and consistent branding is a cornerstone for building customer trust and loyalty. PT RAR can leverage digital branding strategies, including the use of social media, influencer-based marketing campaigns, and enhancing corporate image through collaborations with local communities. Research from Edelman (2021) indicates that customers are more likely to choose insurance companies they perceive as trustworthy and reputable. Strong branding also improves brand recognition and creates a lasting positive impression in consumers' minds (Buil, Catalán, & Martínez, 2019).

## 3. Digital Transformation

The adoption of digital technology in insurance business processes can enhance customer experience and operational efficiency. By offering online claims services, mobile applications, and 24/7 chatbot features, PT RAR can significantly improve customer interactions. Research by Venkatesh et al. (2016) in the Unified Theory of Acceptance and Use of Technology (UTAUT) highlights that technology adoption is heavily influenced by users' perceived ease of use and benefits. Technology implementation can also reduce costs and accelerate service delivery, ultimately boosting the company's competitiveness.

## 4. Operational Efficiency

Automating back-office processes and leveraging data analytics to make timely and accurate decisions can enhance PT RAR's operational efficiency. Automation can be applied across various areas, from underwriting and claims processing to risk assessment. According to a KPMG (2022) report, insurance companies that adopt data analytics and artificial intelligence (AI)-based technologies to predict customer risks and trends have achieved up to 20% greater accuracy in underwriting while reducing operational costs. Automation can also improve response times in customer service, increasing customer satisfaction.

## 5. Collaboration with Insurtech

Instead of competing with insurtech startups, PT RAR can harness the potential of collaborating with these companies to expand product distribution and develop advanced technologies. Such collaborations enable companies to enhance product innovation, reach broader markets, and adopt new technologies more quickly. According to McKinsey (2023), insurance companies partnering with insurtechs often experience faster business growth, leveraging insurtechs' ability to offer more flexible and technology-driven solutions.

## 6. Enhancing Customer Service

Focusing on improving customer service quality can be a critical competitive advantage for PT RAR. The company can provide intensive training for insurance agents to ensure they deliver service that meets customer expectations. Additionally, implementing service evaluation systems and customer feedback mechanisms can help the company monitor and improve service quality continuously. A PwC (2022) report shows that 86% of customers are willing to pay more for a better customer experience, emphasizing the importance of service enhancement as a key factor in increasing customer retention.

### CONCLUSION

Based on the problem analysis, PT RAR faces three main challenges affecting its performance and competitiveness in the general insurance industry. First, the low level of financial literacy among Indonesians, particularly regarding general insurance, poses a major barrier to market penetration. Data from OJK (2023) shows that while national financial literacy has reached 49%, insurance literacy remains at only 25%. This lack of understanding, influenced by cultural, economic, and risk perception factors, has resulted in limited awareness of insurance as a risk mitigation tool. PT RAR needs to address this obstacle through digital education campaigns, collaboration with educational institutions, and training for insurance agents to enhance public awareness and trust in insurance products. Second, PT RAR's limited digital transformation hinders operational efficiency, market reach, and customer experience. Although digitalization is a key trend in the insurance industry, the constraints of technological infrastructure and high implementation costs pose significant challenges for medium-sized companies. Furthermore, low technology adoption in areas with limited internet access exacerbates these issues. To tackle this, PT RAR must develop an integrated digital strategy, including mobile applications, AI-based chatbots, and accessible online claim services, complemented by intensive employee training in digital technology. Third, intense market competition from over 70 insurance companies requires PT RAR to differentiate itself through innovative products and services. Community-based or Sharia-compliant products, supported by strong digital branding, can help strengthen the company's position. By focusing on product personalization, customer data analytics, and enhanced digital services, PT RAR can boost customer loyalty and competitiveness in an increasingly complex market. These strategies aim to address key challenges while driving the company's long-term growth.

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