Go-Jek, Traveloka and Tokopedia in talks to invest in PasarPolis

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Indonesia's unicorns Go-Jek, Traveloka and Tokopedia are in advanced discussions to invest in insurance tech (insurtech) startup PasarPolis, according to three people aware of the development. PasarPolis claims to be one of the first online portals in Indonesia to provide varying insurance options covering health, vehicle, accident, property, travel and life. It allows users to compare, select and buy insurance policies offered by around 30 leading insurers, including AXA, AXA Mandiri, Lippo Insurance and Zurich.

In addition, it has partnered with government-backed workers' insurer BPJS Ketenagakerjaan to allow workers to register for the programme. Go-Jek offers its drivers insurance in partnership with PasarPolis. Go-Jek, Traveloka and Tokopedia are expected to pick up a small stake in PasarPolis, which is currently valued at $12 million, industry sources said. DEALSTREETASIA's email queries to the three unicorns and the insurtech startup about the funding had elicited no response at the time of publishing. PasarPolis is seen to follow a similar business model as ZhongAn, China's first online-only insurance technology company.

Backed by Ant Financial, Tencent and Ping An, it sells all its insurance products online, along with handling claims. Financial services, in general, and digital payments, in particular, have emerged as the new battlefield for startups and financial institutions alike in Indonesia. The market remains largely untapped — less than half of adults in the country have a bank account, while less than a tenth have credit cards. Technology is seen as a big enabler in this area with the country's internet population set to grow to 145 million by 2020. Go-Jek claims to be Indonesia's leading digital wallet provider, with over 100 million monthly transactions processed through its platform as it offers an array of on-demand services, including transportation, logistics, food delivery and payments.

CEO Nadiem Makarim has said that expansion of its Go-Pay digital payments services will be a key priority in 2018. This includes offering payment services beyond the Go-Jek ecosystem. In December, Go-Jek announced the acquisition of three fintech firms – offline payments processing company Kartuku, online payment gateway Midtrans, and Mapan, which facilitates saving and lending for communities that lack access to traditional banking services. The acquisitions were further testament to Go-Jek's ambitions to become a leader in the payments space. Online travel portal Traveloka joined the unicorn club in July last year by raising $350 million from Expedia.

It also disclosed bagging an additional $150 million from JD.com, East Ventures, Hillhouse Capital Group and Sequoia Capital. Last year, Traveloka and Go-Jek were both reported to have placed a bid to buy payments firm Fusion Payments but a deal failed to materialise as the two unicorns and other bidders – Singapore-headquartered Grab and Indonesia's Emtek – pulled out. Online marketplace Tokopedia raised $1.1 billion last year in a funding round led by China's Alibaba. Modeling itself after Alibaba's Taobao, the unicorn also has big ambitions for Tokocash, its digital wallet that was launched last year. It was reported to be eyeing an expansion of the digital wallet beyond its own platform, including a potential tie-up with Uber for payments.

Source: https://www.dealstreetasia.com/stories/indonesia-go-jek-traveloka-tokopedia-pasarpolis-93364/

Circular letter on RBC for insurance companies

(MKK insurance team, research by Adit Putera Muchtar)

A Circular Letter (CL 24) has been issued in connection with Risk Based Capital (**RBC**), based on POJK 71/05/2016, article 4 paragraph (3), regarding Financial Soundness of Insurance and Reinsurance Companies. The CL is meant to stipulate implementing guidelines to calculate the minimum RBC for insurance and reinsurance companies. CL 24 specifies the details on how to calculate RBC based on five risk categories:

1. Credit risk combines risk linked to asset default and reinsurance risk;
2. Market risk covers the risk of fluctuations in market value, foreign exchange and interest rates, among others;
3. Insurance risk takes into consideration the risk of the company not meeting obligations to policyholders;
4. Catastrophic risk calculates the reserves for catastrophic risk;
5. Operational risk means risk in the administration of unit-linked products.

In addition, technical reserves are elaborated in more detail, and the following explanation is given:

- A carrier's technical reserves include reserves for premiums, reserves for Investment-Linked Insurance Products (**PAYDI**), reserves for claims and reserves for disaster risk (catastrophe reserves);
- PAYDI reserves are defined as reserves for non-guaranteed PAYDI, reserves for guaranteed investments and protection and other benefits of PAYDI, among others;
- With regard to claims, technical reserves are the total amount of reserves for claims that are currently being settled, reserves for claims that have occurred but not reported and reserves for claims that were approved but for which payment has not yet been made; and
- Disaster risk is also included and calculated if a carrier has not obtained Natcat reinsurance coverage.

Class action under Indonesian law

(*MKK corporate team)*

Law No. 8 of 1999, regarding Consumer Protection (**Law 8**) provides a legal basis to file a class action lawsuit (*gugatan perwakilan kelompok*) for a group of consumers who have suffered damages. Under Article 46 of Law 8, a class action can be based on consumer protection. A civil lawsuit against a company can be brought forward by a group of consumers with similar interests. A class action lawsuit is therefore recognized under Law 8.

Class action is recognized under the following laws, among others:

- The Consumer Protection Law
- The Protection and Management of the Environment Law
- The Forestry Law
- The Construction Services Law

With the exception of the Construction Services Law, these laws do not specifically stipulate procedural law on filing a class action claim. The Supreme Court enacted a regulation in 2012 on procedural law for class action claims. Under *Supreme Court Regulation No. 1 of 2002 regarding Class Action Procedures* (Class Action Procedures), a class action is filed by a group of people that have the same interests in a lawsuit based on similar facts or legal basis, and they are represented by one or more members of the group who do not need to be authorized by way of a power of attorney. The representatives in the class action must be members of the group.

The term "collective lawsuit" is recognized in *Law No. 2 of 2004, regarding Settlement of Industrial Relations Disputes*, which stipulates that a lawsuit can be submitted collectively if there are many plaintiffs, only if the representative is authorized to do so by a power of attorney. Thus, the definition of "collective lawsuit" in Law No. 2 of 2004 is different from the term "class action" in other laws (see above), as it requires authorization by a power of attorney to represent a group of plaintiffs.

OJK regulates mutual insurance

(MKK insurance team with research by Adit Putera Muchtar)

The Financial Services Authority (**OJK**) issued *POJK number 1/POJK.05/2018, regarding Mutual Insurance Companies (***POJK1***).* Unlike a conventional insurance company, in a mutual insurance company, the policyholders are effectively the shareholders, sharing both the risk and rewards.

In its stipulation of rules and guidelines for the operation of mutual insurance companies, POJK1 pays special attention to the parameters of financial soundness; to wit, a mutual insurance company shall comply with the requirements of financial soundness as measured by solvency, the amount of technical reserves, investment adequacy, liquidity and the guarantee fund. In addition, POJK1 goes into great detail to define what constitutes approved investments to prevent any possible abuse of policyholder funds.

POJK1 does not specify a minimum equity level for mutual insurance companies, such as has been done for a conventional PT-entity insurance company, and the amount of the guarantee fund is set at only 2 percent of premium reserves, greatly different from the 20 percent required of conventional PT-entity insurance companies.

As to the minimum liquidity level, a mutual insurer shall maintain a solvency level of at least 100 percent in terms of Risk Based Capital (**RBC**). Forced demutualization is an option in the event of insolvency or failure to meet minimum RBC levels. Article 47 of POJK1 stipulates that carriers that do not meet the internal solvency and/or liquidity levels are obliged to submit a financial restructuring plan to the OJK and are prohibited from distributing dividends or financial benefits of any kind to policyholders.

In addition, OJK may also order a mutual insurance company to transfer all or part of its portfolio to other companies in the event that it fails to meet the solvency and liquidity levels.