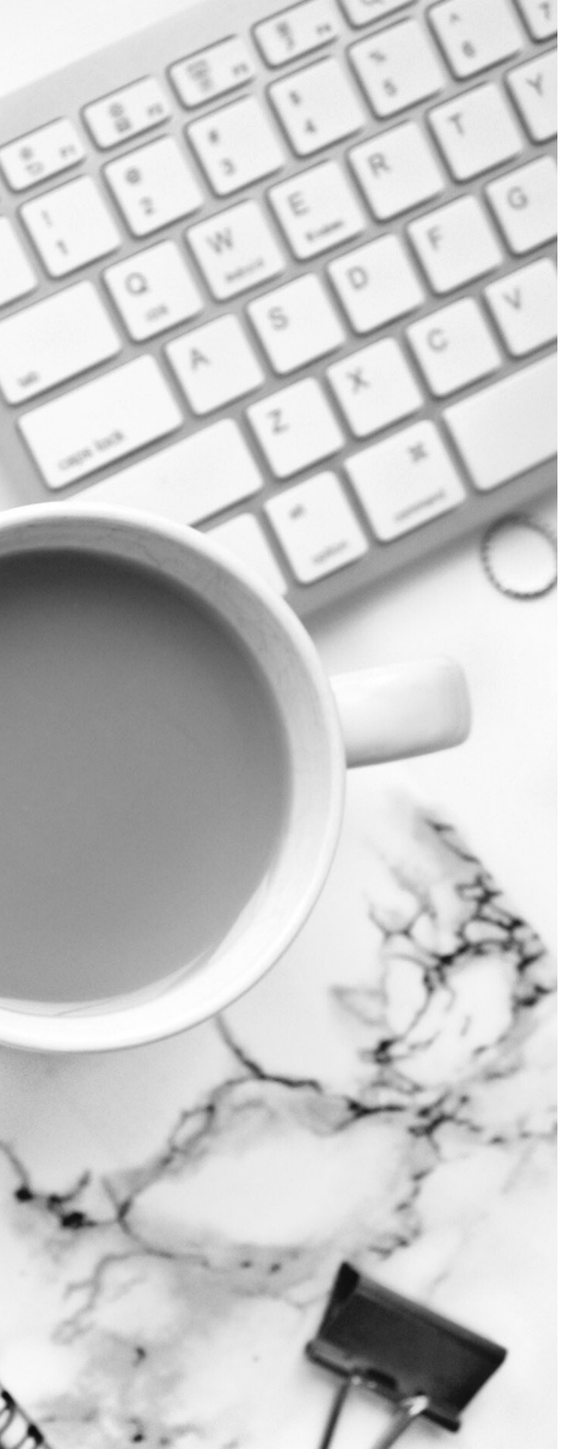


OTORITAS JASA KEUANGAN

Regulatory Sandbox in Indonesia - Insurance Innovation

Digital Finance Innovation Group
Otoritas Jasa Keuangan

OJK's Regulatory Sandbox Mechanism

OTORITAS JASA KEUANGAN

POJK No. 13./POJK.02/2018

Digital Financial Innovation is an activity to renew business models and financial instruments that provide new added value in the financial services sector by involving the digital ecosystem

Digital Financial Innovation Criteria

1. Innovative and forward-looking;
2. Using information and communication technology as the main means
3. Useful and can be widely use
4. Can be integrated with existing financial services
5. Using a collaborative approach
6. Pay attention to consumer protection and data protection aspects
7. Supporting financial inclusion and literacy

The Regulatory Sandbox is a testing mechanism conducted by the Financial Services Authority to assess the reliability of business processes, business models, financial instruments, and governance of the Operator.

1

Fintech Business Innovation

activity of updating business process, business model, and financial instrument which provides novel added value in the financial services sector by involving digital ecosystems.

2

Phase 1: Application (recording)

to Financial Services Authority by using the form listed in the Attachment in the POJK 13/2018 or GESIT (OJK Minisite)

3

Phase 2: Regulatory Sandbox

1. Recommended
2. Not Recommended
3. Correction

4 Registration

Phase 3: Registration / License

Submit registration /license application to the Financial Services Authority

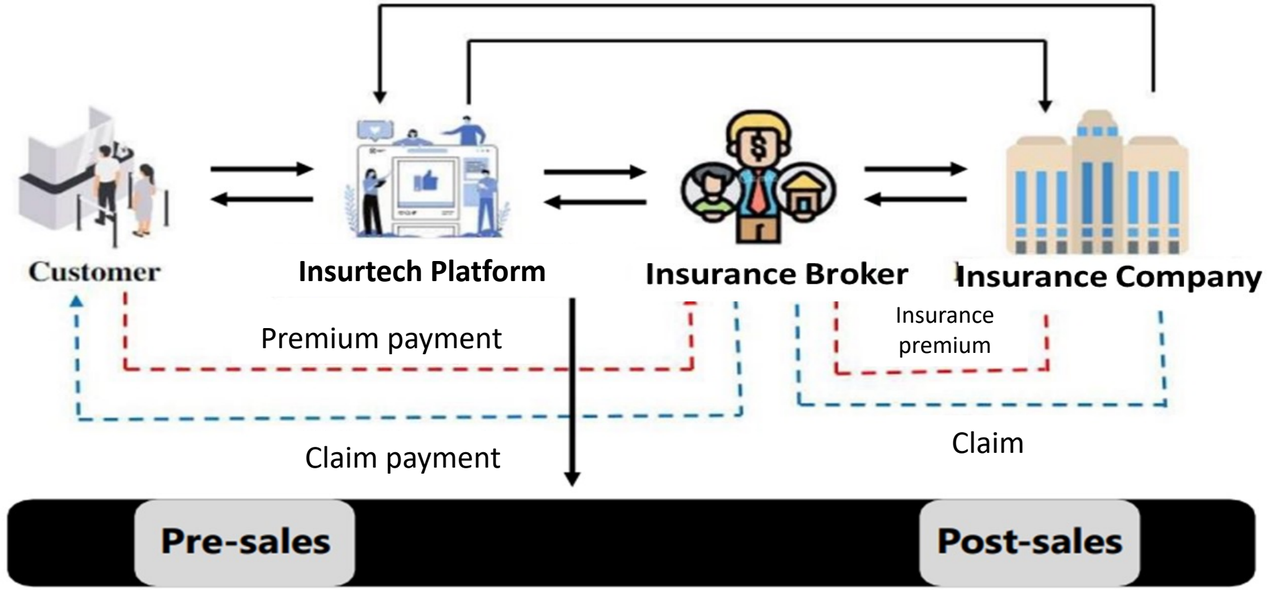
Aspects Considered in Regulatory Sandbox Testing

- legal and governance
- business models and processes
- information Technology
- risk management
- data and consumer protection
- business plan
- Anti money laundering (AML) and terrorism (CFT)
- Other aspects

infinity OJK FINTECH CENTER

InsurTech

Platform that collaborates with insurance brokers/insurance company to provide information services, purchase insurance products, and services for submitting insurance claims by customers/public online and speed up the claims process (pre-sales and post-sales activities)



No	Platform Name	Company Name
1	Qoala	PT. ARCHOR TEKNOLOGI DIGITAL
2	Yuk Takaful	PT. URUN DANA TAKAFUL
3	Rey	PT. VERTIKA TECHNOLOGIES NUSANTARA

INSURTECH - WHY IS IT BENEFICIAL?

Personalized and relevant insurance

Based on individual habits, utilizing big data and real-time data from wearable devices and smart homes.

Efficiency and lower cost

Reducing the reliance on human labor and physical infrastructure, utilizing innovative media and technology for sales and claims management.

Transparency

Easy access to information that allows them to compare different insurance products.

Potential broader insurance penetration

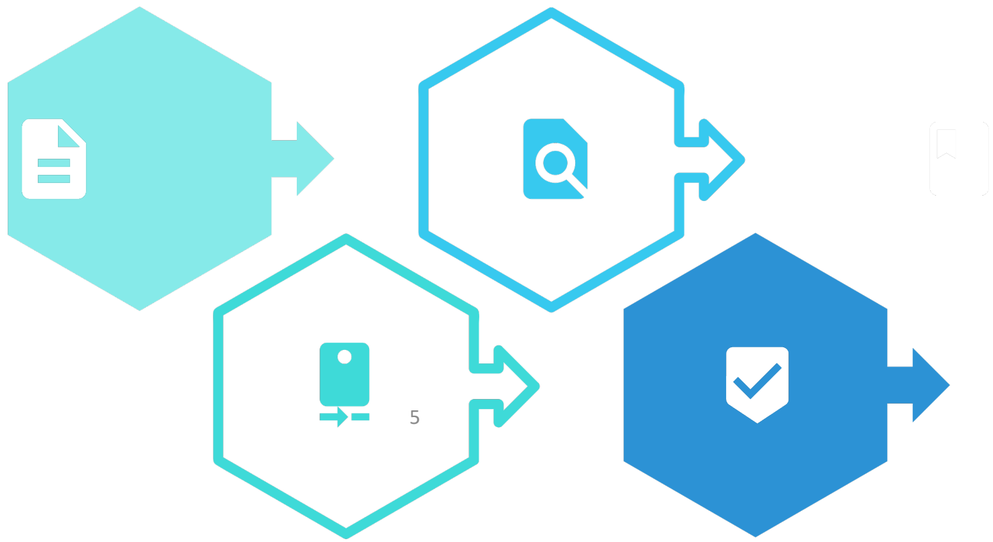
With insurtech features that utilize cutting-edge information, insurtech company have the advantage of wider market coverage and also a shorter time to penetrate

Source: AFTECH, Overview of Insurtech Business Model Implementation in Indonesia, 2023

INSURTECH - CHALLENGES (FINDINGS FROM REGULATORY SANDBOX)

1 - Low level of insurance literacy

People who are not familiar with insurance products and their distrust of insurance will hamper the process of the insurtech market which should be larger and more efficient.



2 - Uneven technology advancement

Based on BPS data, signal strength in the form of base transceiver stations (BTS) are not dispersed equitably across indonesia.

3 - Personal data security

Unsupported data protection and gadget security level, will be a concern for the insurtech sectors.

4 - Possible limitation of new regulation

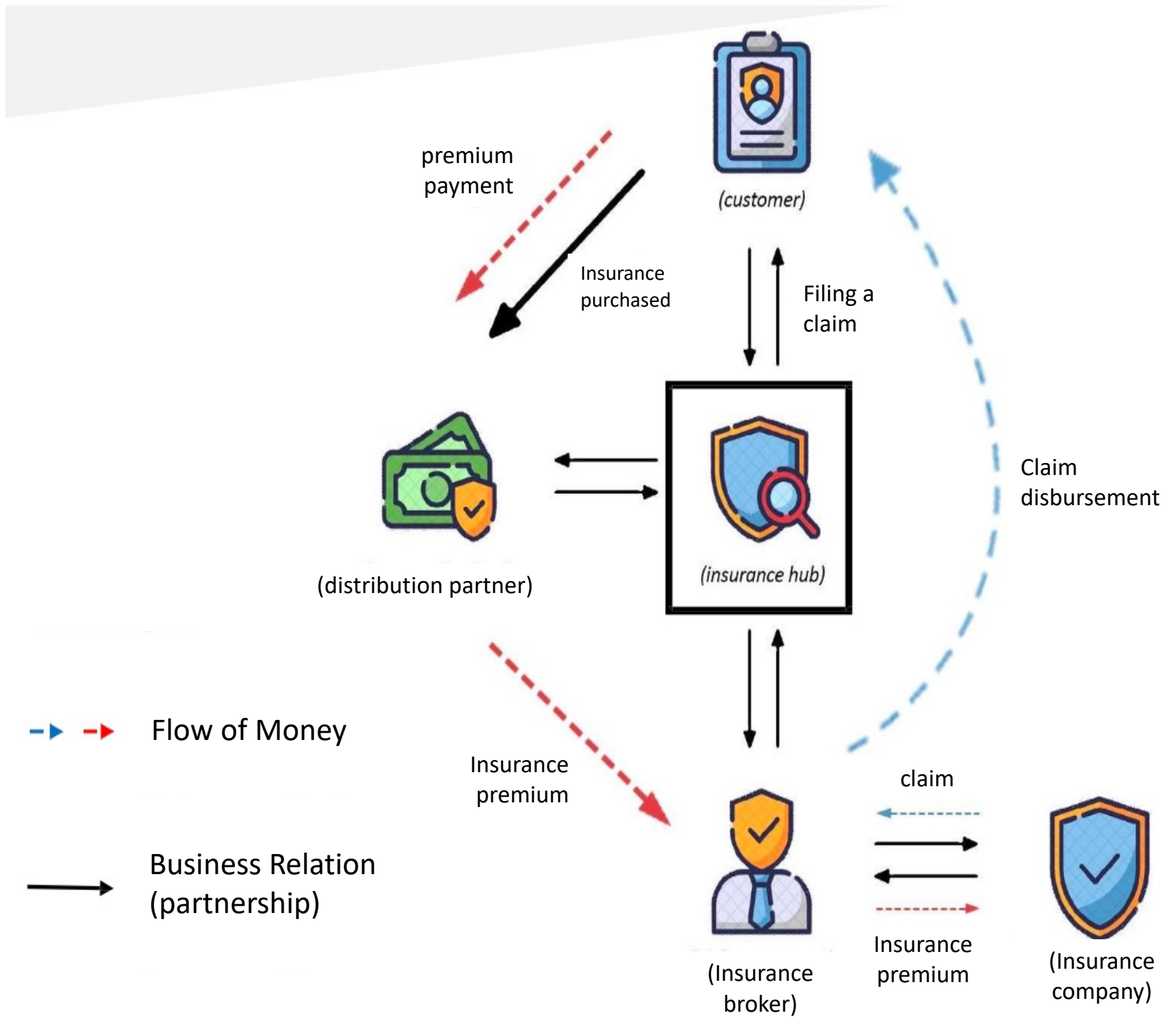
Based on the newly released POJK, the capital that must be owned by digital insurance brokers is much greater than traditional, this can be an obstacle and limitation.

Source: AFTECH, Overview of Insurtech Business Model Implementation in Indonesia, 2023

Insurance Hub

Insurance Hub is an infrastructure provider (tech enabler) in the insurance industry that can assist with insurance distribution and claims submission.

No	Platform Name	Company Name
1	Pasar Polis	PT. PASARPOLIS INDONESIA



THE UNTOLD STORY FROM INDONESIA' REGULATORY SANDBOX: BREAKTHROUGH INNOVATIONS IN PARAMETRIC INSURANCE

OTORITAS JASA KEUANGAN

Black Box Devices

These devices collect data on driving behavior, such as speed, acceleration, braking, and location. In the event of an accident, this data can be used to reconstruct the events leading up to the incident, helping insurers assess liability and determine the extent of damages.

Mobile Apps and Image Recognition

These apps often include features like photo capture, enabling users to take pictures of the damages. Image recognition technology can then analyze these photos to assess the extent of damage and generate an initial estimate.

Artificial Intelligence (AI) and Machine Learning (ML)

AI and ML algorithms can analyze large datasets to identify patterns and anomalies, helping insurers detect fraudulent claims or assess risk more accurately. These technologies can also be used in underwriting to evaluate policyholder profiles and set appropriate premiums.

Digital Insurance Brokerage Services

Digital Insurance Brokerage Services are Insurance Brokerage Business services where intermediary services in closing insurance or sharia insurance are carried out through Electronic Systems and internet networks which can be used directly by policy holders, insureds and/or participants.

There are 6 insurance brokers have received approval for digital insurance broker services from the OJK

No.	Company Name	Platform
1	PT Artha Bina Bhayangkara	https://www.asuransiku.id/
2	PT FOKUS SOLUSI PROTEKSI	https://www.cermati.com/
3	PT Kali Besar Raya Utama	https://jagain.com/
4	PT MITRA IBISNIS TERAPAN	https://www.premiro.com/
5	PT Proteksi Pradana	https://weplus.id/
6	PT Web Proteksi Solusindo	https://www.grab.com/id/

as of November 2023

Integrated Regulation of Financial Sector Technology Innovation (ITSK) After the Establishment of the P2SK Law

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Financial Sector Technology Innovation, hereinafter abbreviated as ITSK, is a technology-based innovation that has an impact on products, activities, services, and business models in the digital financial ecosystem. CHAPTER XVI About ITSK consists of 9 Articles that regulate points including the following:

Scope (Article 213)

- Payment systems
- Settlement of securities transactions
- Capital raising
- Investment management
- Risk management
- Raising and/or disbursing funds
- Market supporters
- Activities related to digital financial assets, including Crypto assets
- Other digital financial services activities

ITSK Organizing Party **(Article 215 paragraph 1)**

- Financial Service Institution
- Other parties carrying out activities in the financial sector

Forms of Legal Entities (Article 215 verse 2)

- Limited Liability Company
- Other legal entities

Scope of Regulation and Supervision of ITSK Implementation (Article 213)

a. provision of space and/or facilitation of trials/innovation development (sandbox);
b. Licensing;
c. monitoring and evaluation;
d. financial education;
e. Consumer Protection;
f. protection of consumer personal data;
g. institutional aspects; and
h. ITSK implementation, including activities carried out by third parties that support the implementation of ITSK

Principles of Regulation and supervision of the implementation of ITSK (Article 216 paragraph 2)

9

Bank Indonesia and the Financial Services Authority regulate and supervise the implementation of ITSK in accordance with the scope of their respective authorities.
Principles of Regulation and supervision of ITSK implementation
a.a balance between efforts to encourage **innovation** and **risk mitigation;**
b. integration of the **economy** and **digital finance**;
c. efficiency and sound business practices;
d. Consumer Protection; and
e.coordination of arrangements and supervision **between authorities**

Coordination between BI and OJK (Article 217 verse 2)

Bank Indonesia and the Financial Services Authority can coordinate in the context of regulating, supervising, and implementing ITSK, including:
a. Innovation Trial/Development (Sandbox)
b.development of a technology-based regulatory ecosystem and supervisory technology for the development of ITSK;
c. Exchange of data and/or information
d. discussion of emerging issues related to ITSK;
e. increase in human resource capacity; and/or
f. Other aspects deemed necessary