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Asia Pacific Guide for Investing in Insurtech Start-Ups

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Contents

Executive Summary	3	Corporate transactions	26
Investment criteria	4	09 Are there any restrictions or regulatory approval requirements on entering into a service contract with the insurtech start-up upon completion of the investment?	27
01 Are there any limitations or criteria on the type of start-up that an insurer can invest in? Does the start-up need to be registered with any authority?	5	10 Are there any regulatory requirements on the disclosure of the transactions and connected transactions thereafter between the insurer and the insurtech start-up?	29
02 What are the available options in terms of investments that an insurer can make in an insurtech start-up?	8	11 To what extent can the insurer provide operational support to the insurtech start-up?	31
03 What are the restrictions on investing in an onshore insurtech start-up?	10	Remuneration structure	33
04 What are the restrictions on investing in an offshore insurtech start-up? Is approval required from the regulators? What is the turnaround time for the approval?	12	12 In collaboration with an insurtech start-up, what type of remuneration is permitted for the insurer to offer to the insurtech startup? Is profit sharing permitted?	34
05 Is an insurer permitted to grant loans to an insurtech start-up? Under what conditions?	14	Intellectual property	36
Corporate approvals	17	13 How can the insurtech start-up transfer the intellectual property rights for its own innovations to the insurer?	37
06 What type of corporate approvals is required for an insurer to invest in an insurtech start-up?	18	Data privacy	39
Corporate governance	20	14 Are there any laws governing the collection, usage, storage, disclosure and transfer of personal data between the insurer and the insurtech start-up?	40
07 Are there any general minority shareholder protection mechanisms in your jurisdiction?	21	15 Are there any incentives that the government may provide for investment in insurtech start-up?	42
08 Are there any restrictions on the insurer in terms of appointing its own staff or management to join the insurtech start-up's board of directors or management team?	24	About us	44



Executive Summary

Asia Pacific hubs such as Hong Kong, Singapore and Sydney have been working hard to understand and harness the opportunities inherent in fintech, and this is quickly expanding to other financial services subsectors, with insurance becoming a prime focus. At the same time, emerging markets are also playing catch-up in the insurtech race, tapping into the growth potential from innovation.

Against this backdrop, insurance companies in Asia Pacific are increasingly looking to acquire or partner with non-insurance tech players. They are motivated to explore new distribution channels and product offerings, as well as risk assessment and management capabilities that are made possible by insurtech. Baker McKenzie sees insurtech innovation hubs, incubators and accelerator programs as key acquisition and joint venture targets for insurance companies in the region, and expects the industry to remain an exciting space for business tie-ups over the very near term.

As the insurtech sector continues to heat up, wide variations in the regulatory approach to insurtech investment and utilization exist. Insurance companies in Asia Pacific, from established players to new entrants, are facing a “labyrinth” of regulations as they increase investment in the insurtech space, particularly in areas such as telematics, biometrics and big data. In addition, they are challenged by other considerations in relation to data privacy, cross-border data transfer and intellectual property protection around insurtech investment.

The **2023 Asia Pacific Guide for Investing in Insurtech Start-ups** serves as a comprehensive handbook for insurance companies when contemplating an acquisition, partnership or joint venture in the insurtech space. The guide identifies and clarifies what makes or breaks a deal in relation to investment criteria, corporate approvals, corporate governance, connected transactions, remuneration structure, intellectual property and data privacy across 9 jurisdictions in Asia Pacific. It helps insurance companies steer through ambiguity and uncertainty, and gain visibility into what is possible in the region’s complex insurtech transactional landscape.



Asia Pacific Guide for Investing in Insurtech Start-ups







Investment criteria



Investment criteria





01 Are there any limitations or criteria on the type of start-up that an insurer can invest in? Does the start-up need to be registered with any authority?

 CHINA	<p>Direct Investment</p> <p>The insurer can invest directly in a start-up if the investment in the start-up is the financial investment which means that the insurer (with their affiliates) will not control the start up or jointly control with others. Where the investment constitutes a control or jointly control over the start up, it should be one type of the followings:</p> <ul style="list-style-type: none"> ■ Insurance entity ■ Financial entity (other than insurance entity) ■ Insurance related pension, medical and automobile service ■ Energy entity ■ Resource entity ■ Insurance related modern agriculture, new commercial circulation entity <p>The start-up also need to satisfy some requirements as stipulated in the relevant regulations.</p> <p>Indirect Investment</p> <p>Insurers can make investment into a start-up through private equity fund. Under such circumstance, the start-up can be any type of company as long as it satisfies the conditions stipulated in the relevant regulations.</p>
 HONG KONG	<p>Generally, there are no specific statutory limitations or criteria on the type of start-ups that an insurer can invest in. Insurers should, however, observe the Guideline on Asset Management by Authorised Insurers (“GL13”) in making its investments, and comply with the Guideline on Enterprise Risk Management (“GL21”) in considering, monitoring and controlling the investment risks associated with investing in start-ups.</p>
 INDONESIA	<p>Indonesia does not have any specific regulations for insurers investing in start-ups (insurers can invest in unlisted securities); however, in general, the OJK expects an insurer investing in a start-up to provide a business justification for why it is investing in a start-up, given the investment is funded from the insurer’s investment account, which is sourced from premiums paid by the insurer’s policyholders. There are no limitations or criteria on the type of start-ups that an insurer can invest in. The usual limitations on investments apply though (including meeting prudential requirements, amounts invested with any one party, none of which would likely be a concern for start-ups). If the insurer believes that the establishment of a subsidiary, or its shareholding in any company, could or would have a significant impact on the insurer’s business (perhaps unlikely with a start-up), the insurer must submit a report to the Indonesian Financial Services Authority (OJK). If the start-up falls within the insurance criteria, then it must be licensed accordingly.</p>
 JAPAN	<p>Investments in start-ups by an insurance company are subject to general investment limitations depending on shareholding ratio and business category of the target company.</p> <p>In respect of investments in fintech / insurtech start-ups, an insurance company is allowed to invest in a company which contributes or will be likely to contribute to the advancement of the insurers’ insurance business or to the improvement of convenience for the policyholders by using information and communication technologies and other technologies, subject to the approval of the Financial Services Agency (FSA).</p>



Investment criteria



01 Are there any limitations or criteria on the type of start-up that an insurer can invest in? Does the start-up need to be registered with any authority?

 MALAYSIA	<p>Yes, there is a restriction on the types of investments made by licensed insurers into any corporation. BNM's approval is required for among others, any direct or indirect acquisition or holding of a material interest in a corporation ("BNM Investment Approval Requirement"). BNM does not generally approve investments by licensed insurers into certain types of prescribed non-financial corporations, including investee corporations carrying on the direct selling of non-financial services and products to consumers ("Investment Restriction"). BNM also imposes an aggregate limit on non-financial investments by licensed insurers.</p>
 PHILIPPINES	<p>Subject to the conditions provided by the Insurance Code, an insurance company may purchase, hold and own the following:</p> <ul style="list-style-type: none"> ■ Real properties that serve as the main place of business and/or branch office ■ Bonds or other instruments of indebtedness of the Philippine government or its political subdivisions ■ Bonds or other instruments of debt of government-owned or government-controlled corporations ■ Bonds, debentures or other instruments of indebtedness of any solvent corporation or institution created or existing under Philippine laws ■ Common, preferred or guaranteed stocks of any solvent corporation or institution created or existing under Philippine laws ■ Securities issued by a registered enterprise under the Omnibus Investments Code ■ Certificates, notes and other obligations issued by the trustees or receivers of any institution created or existing under Philippine laws, which, or the assets of which, are being administered under the direction of any court ■ Equipment trust obligations or certificates that are adequately secured or other adequately secured instruments evidencing an interest in equipment wholly or in part within the Philippines ■ Any obligation of any corporation or institution created or existing under Philippine laws that is adequately secured and has qualities and characteristics wherein the speculative elements are not predominant ■ Other securities as may be approved by the Insurance Commissioner <p>An insurer is not allowed to have equity in an adjustment company.</p>
 SINGAPORE	<p>Investment activities by insurers are regulated under the Insurance Act and by the Monetary Authority of Singapore (MAS).</p> <p>A licensed insurer intending to obtain a major stake in a corporation must obtain the prior approval of MAS. A "major stake" means: (i) beneficial interest exceeding 10% of the total number of issued shares in the start-up; (ii) control of more than 10% of the voting power in the start-up; or (iii) any interest where the directors of the start-up are accustomed or required to act in accordance with the instructions of the licensed insurer.</p> <p>Licensed insurers seeking to invest in or develop insurtech activities must ensure that any new activities comply with the foregoing and do not breach any existing license conditions imposed by MAS.</p>
 TAIWAN	<p>The types of insurtech start-up that an insurer can invest in are limited to the following: big data analysis, interface design, software R&D, internet of things and wireless communication businesses.</p>



Investment criteria


01 Are there any limitations or criteria on the type of start-up that an insurer can invest in? Does the start-up need to be registered with any authority?

 THAILAND	<p>Generally, the investment by insurers in equity instrument of corporate entities is governed by the investment regulation. Investing in insurtech entities is specifically recognized by the investment regulation. The investment regulation provides opportunity for insurers to invest in 20% or more of the total equity instruments of an entity incorporated with main objectives for applying technology or innovation for developing insurance products, services relevant to the insurance business or businesses that support the insurance business (e.g., providing intermediary system or network that connects the insurers and the insureds, data management service, products and insurance-related services comparison service, data analytics service). This kind of investment does not require a prior approval from the Office of Insurance Commission (OIC) but the insurers need to notify the OIC within 30 days from the date that the insurers acquire shares in the insurtech entity.</p>
 VIETNAM	<p>There are no specific limitations or criteria on the type of start-ups that an insurer can invest in. However, there are restrictions or caps on the insurer's capital sources to be used for investment and how much an insurer can invest in other entities (including start-up) in general.</p> <p>In addition, if the start-up requires the establishment of an IT/technology-related company, it will be subject to the requirement for company registration with the relevant Department of Planning and Investment and other licensing procedures, depending on the nature of the business involved.</p>



Investment criteria





02 What are the available options in terms of investments that an insurer can make in an insurtech start-up?

 CHINA	The insurer can invest in an insurtech start-up either by direct or in direct equity investment as long as it satisfy the relevant requirements.
 HONG KONG	The insurer can invest in an insurtech start-up either as equity instruments or by the granting of loans.
 INDONESIA	<p>Subject to the investment limitations and the business justification test set out above:</p> <ol style="list-style-type: none">An insurer can invest in a start-up through equity or equity securities.An insurer cannot invest by granting loans (e.g., convertible instruments) given an insurer is prohibited from granting a loan if it is not secured by a land mortgage (which a start-up typically does not have). <p>The above options are calculated toward the insurer's investment and risk-based capital calculation and funded by the company's investment account, which is sourced from premiums paid by the insurer's policyholders.</p> <p>Alternatively, an insurer could grant a loan that is funded from the company's own fund (being the company's own profits, not being funded by the company's investment account and not being counted toward the company's risk-based capital calculation). This will be subject to the business justification test as well. An internal assessment needs to be done as shareholders may prefer to extract such fund as dividends.</p>
 JAPAN	An insurance company can invest in an insurtech start-up either as equity instruments or granting of loan.
 MALAYSIA	An insurer may acquire the equity interest or invest by way of a debt instrument in an insurtech start-up. However, in certain instances and based on specific thresholds, such investment may require the prior approval of BNM.
 PHILIPPINES	An insurer may invest in an insurtech start-up in the form of equity investment or granting of loan.



Investment criteria






02 What are the available options in terms of investments that an insurer can make in an insurtech start-up?

 SINGAPORE	An insurer can invest in an insurtech start-up via equity, debt or hybrid financing. However, the insurer must comply with the financial and valuation requirements prescribed under the Insurance (Valuation and Capital) Regulations. If the insurer is intending to experiment with insurtech solutions, it can also consider applying to enter into a regulatory sandbox and if approved, MAS may relax certain legal and regulatory requirements for a period of time.
 TAIWAN	An insurer can only make an equity investment.
 THAILAND	The insurer can invest in an insurtech start-up either in forms of equity instruments or granting of loan.
 VIETNAM	The insurer can invest in an insurtech start-up by buying shares or corporate bonds or contributing equity capital to the start-up.



Investment criteria






03 What are the restrictions on investing in an onshore insurtech start-up?

 CHINA	<p>There are no specific statutory restrictions on investing in an onshore start-up. Insurers should, however, observe the relevant regulations on insurance fund utilization especially equity investment related regulations in making its investments.</p>
 HONG KONG	<p>There are no specific statutory restrictions on investing in an onshore start-up. Insurers should, however, observe the Guideline on Asset Management (GL13) by Authorised Insurers in making its investments. Insurers should also comply with the Guideline on Enterprise Risk Management (GL21) in considering, monitoring and controlling the investment risks associated with investing in onshore start-ups.</p>
 INDONESIA	<p>Subject to meeting risk-based capital requirements, an insurer cannot invest more than 10% of its total equity and subordinated loans per account (e.g., general account and sub-fund) with affiliated entities and not more than 25% of its total investments in an unaffiliated group (excluding investment in sub-fund assets). Foreign investment restrictions may also apply as to what percentage a foreign-owned insurer can hold in a start-up (depending on the activities of that start-up). The business justification test set out above applies as well.</p>
 JAPAN	<p>An insurance company can only have subsidiaries or affiliated companies, which engage in specific businesses, listed under the Insurance Business Act ("Act No. 105 of 7 June 1995", as amended) (IBA).</p> <p>Amendments to the Banking Act, which relax restrictions on the scope of business and will facilitate banks' investment in fintech companies subject to the approval of the Financial Services Agency (FSA), became effective in April 2017. A similar relaxation of the IBA is expected.</p> <p>An insurance company needs to obtain approval from the FSA when it acquires a subsidiary engaging in such specific businesses.</p> <p>In principle, an insurance company and its subsidiaries in aggregate cannot acquire more than 10% of shares in onshore companies engaging in businesses not listed under the IBA.</p> <p>The aggregate amount of investment of shares and other form of investments or activities that provide credit listed under the Ordinance for Enforcement of the Insurance Business Act to be made to a specific person by an insurance company and its subsidiaries and affiliated companies in aggregate must not exceed 10% of the total assets of the insurance company and its subsidiaries and affiliated companies unless the FSA approves. This restriction does not apply in the case where an insurance company invests in shares in its subsidiary, which is an insurance company or holding company of which main subsidiaries are insurance companies.</p>
 MALAYSIA	<p>The investment is likely to attract a capital charge under the Risk-Based Capital Framework ("RBC Framework"), and such investment may be subject to the prior approval of BNM (which may have conditions attached to it).</p> <p>Philippines</p> <p>Investment in an onshore insurtech start-up is subject to the general restriction that the total investment must not exceed 20% of the net worth of the insurer or 20% of the paid-up capital of the insurtech start-up.</p>



Investment criteria







03 What are the restrictions on investing in an onshore insurtech start-up?

 PHILIPPINES	No.
 SINGAPORE	<p>A licensed insurer established or incorporated in Singapore must obtain the prior approval of MAS before obtaining a major stake in a corporation, which includes an onshore insurtech start-up (as well as other offshore corporations).</p> <p>A "major stake" means: (i) beneficial interest exceeding 10% of the total number of issued shares in the start-up; (ii) control of more than 10% of the voting power in the start-up; or (iii) any interest where the directors of the start-up are accustomed or required to act in accordance with the instructions of the licensed insurer.</p> <p>The insurer will also be required to comply with any existing license conditions imposed by MAS when seeking to invest in an insurtech start-up and ensure that any investment will not breach the license conditions.</p>
 TAIWAN	The insurer can only invest in an insurtech start-up, more than 51% of which annual operation costs or annual operation incomes come from the insurer or other financial institutions. If not, the insurer will be given a two-year grace period to adjust the ratio. Failing to meet the ratio, the insurer can only invest no more than 10% of the insurtech start-up's paid-in capital or total number of issued shares. Moreover, such insurtech start-up's main business scope shall not include hardware manufacturing, sales or leasing.
 THAILAND	The insurer will be subject to the general investment regulation on the equity instruments: (i) not exceeding 10% of the total equity instruments issued by a company (subject to prior approval from the OIC); or (ii) 20% or more of the total equity instruments issued in an insurtech entity (subject to post-notification requirement as mentioned in question 1).
 VIETNAM	<p>For the forms of buying shares or corporate bond:</p> <ul style="list-style-type: none"> ■ In the case of a life or health insurer or reinsurer, the maximum ratio of its total investment value in all other entities (including start-up) is 50% of its idle capital from reserves for insurance operations. ■ In the case of a non-life/general insurer or reinsurer, the maximum ratio of its investment value in all other entities (including start-up) is 35% of its idle capital from reserves for insurance operations. <p>For the form of contributing capital (equity ownership) to the start-up:</p> <ul style="list-style-type: none"> ■ In the case of a life or health insurer or reinsurer, the maximum ratio of its total capital contribution (equity ownership) value to all other entities (including start-up) is 20% of its idle capital from reserves for insurance operations. ■ In the case of a non-life/general insurer or reinsurer, the maximum ratio of its capital contribution (equity ownership) value to all other entities (including start-up) is 35% of its idle capital from reserves for insurance operations.



Investment criteria





04 What are the restrictions on investing in an offshore insurtech start-up? Is approval required from the regulators? What is the turnaround time for the approval?

 CHINA	<p>Offshore insurtech start-ups are not type of enterprise explicitly stipulated in the regulations which can be invested by the insurers. If an insurer would like to invest in offshore insurtech start-ups, it would be suggested to report to and consult the regulator which is not statutory requirement.</p>
 HONG KONG	<p>There are no specific statutory restrictions on investing in an offshore start-up. Insurers should, however, observe the Guideline on Asset Management (GL13) by Authorised Insurers in making its investments. Insurers should also comply with the Guideline on Enterprise Risk Management (GL21) in considering, monitoring and controlling the investment risks associated with investing in offshore start-ups.</p>
 INDONESIA	<p>Subject to meeting risk-based capital requirements, an insurer cannot invest more than 20% of its total investments offshore (including offshore investments from both general accounts and sub-funds). The business justification test set out above applies as well.</p>
 JAPAN	<p>As mentioned above, as a general rule, an insurance company can only have subsidiaries or affiliated companies which engage in specific businesses listed under the IBA and needs to obtain approval from the FSA when it acquires a subsidiary engaging in any such specific businesses.</p> <p>As an exception to such general rule, an insurance company is allowed to hold as its subsidiary a foreign company of which businesses do not fall within the scope of the specific businesses listed under the IBA for 10 years under certain circumstances including when it acquires a holding company or a foreign financial institution which has a foreign subsidiary engaging in businesses not listed under the IBA. If approved by the FSA Commissioner, an insurance.</p>
 MALAYSIA	<p>The Investment Restriction and BNM Investment Approval Requirement (as described in our response to Question 1 above), will apply to a licensed insurer looking to acquire or hold a subsidiary outside Malaysia. In any event, such an investment will attract a capital charge under the RBC Framework.</p> <p>Separately, Malaysia has foreign exchange administration rules that apply to investments abroad. If a resident (that is, a Malaysian insurer) or its group companies do not have domestic Malaysian ringgit borrowings, there is no restriction on the amount that it can invest in an offshore insurtech start-up. If a resident or its group companies have domestic Malaysian ringgit borrowings, there are limits on the amount of such investments, depending on the source of the funds to be invested ("Investment Limits"). In order to invest beyond such Investment Limits, BNM approval will need to be obtained.</p>
 PHILIPPINES	<p>Investment in an offshore insurtech start-up is subject to the general restriction that the total investment must not exceed 20% of the net worth of the insurer or 20% of the paid-up capital of the insurtech start-up.</p> <p>Investment in an offshore insurtech start-up is subject to the approval of the Insurance Commissioner. The approval process generally takes 30 working days from the submission of complete requirements.</p>



Investment criteria






04 What are the restrictions on investing in an offshore insurtech start-up? Is approval required from the regulators? What is the turnaround time for the approval?

 SINGAPORE	<p>A licensed insurer established or incorporated in Singapore must obtain the prior approval of MAS before obtaining a major stake in a corporation, which includes a foreign company. Accordingly, prior approval from the MAS must be obtained before a licensed insurer obtains a major stake in an offshore insurtech start-up.</p> <p>The insurer will also be required to comply with any existing license conditions imposed by MAS when seeking to invest in an offshore insurtech start-up and must ensure that any investment will not breach the license conditions.</p>
 TAIWAN	<p>Approval from the Financial Supervisory Commission (FSC) and the Investment Commission shall be obtained. The turnaround time would be two to three months, and one to two months, respectively.</p> <p>With regard to the application with the Investment Commission, if the investment amount is NTD 1.5 billion or less (approximately USD 50 million), a Taiwan insurer only needs to file a report with the Investment Commission within six months after completion of investment. If the investment amount is more than NTD 1.5 million, prior approval of the Investment Commission is required.</p>
 THAILAND	<p>The insurer can invest either up to 10% or 20% or more of the total equity instruments issued by the offshore insurtech start-ups. For the investment of up to 10% of the total equity instrument, the insurer needs a prior approval from the OIC (unless the start-up is a listed entity or being listed which does not need such an approval). For the investment of 20% or more, a prior approval from the OIC is not required, provided that all criteria is satisfied, but the insurer needs to notify the OIC within 30 days from the date that the insurers acquire shares in the insurtech entity.</p>
 VIETNAM	<p>The insurer can establish or contribute capital to establish an offshore insurer or an offshore branch of the insurer. However, the law remains unclear as to whether the insurer can invest in an offshore insurtech start-up.</p> <p>In any case, an offshore investment by an insurer will be subject to a specific approval by the Ministry of Finance. The law provides for a time limit of 30 days that the authority is required to issue the approval or denial from the date of its receipt of a sufficient and valid application dossier, but this process takes a longer time in reality.</p>



Investment criteria




05 Is an insurer permitted to grant loans to an insurtech start-up? Under what conditions?

 CHINA	Generally, it is not permissible for insurance companies to grant loans.
 HONG KONG	There are no specific statutory restrictions on granting loans to start-ups. Insurers should, however, observe the Guideline on Asset Management (GL13) by Authorised Insurers. Insurers should also comply with the Guideline on Enterprise Risk Management (GL21) in considering, monitoring and controlling the risks associated with granting loans to start-ups.
 INDONESIA	<p>Subject to the investment limitations and the business justification test set out above:</p> <ol style="list-style-type: none">An insurer can invest in a start-up through equity or equity securities.An insurer cannot invest by granting of loan (e.g., convertible instruments) given an insurer is prohibited from granting a loan if it is not secured by a land mortgage (which a start-up typically does not have). <p>The above options are calculated toward the insurer's investment and risk-based capital calculation and funded by the company's investment account, which is sourced from premiums paid by the insurer's policyholders.</p> <p>Alternatively, an insurer could grant a loan to the start-up that is funded from the company's own fund (being the company's own profits, not being funded by the company's investment account and not being counted toward the company's risk-based capital calculation). This will be subject to the business justification test as well. An internal assessment needs to be done as shareholders may prefer to extract such fund as dividends.</p>
 JAPAN	The aggregate amount of loan, guarantee and leased assets to be extended to a specific person by an insurance company and its subsidiaries and affiliated companies in aggregate must not exceed 3% of the total assets of the insurance company and its subsidiaries and affiliated companies unless the FSA approves.
 MALAYSIA	<p>An insurer is required to obtain the approval of BNM to grant loans to companies that the insurer, among others: (i) has any interests in as a controller, manager or agent; (ii) the insurer's directors have any interests in as director, partner, manager or agent; or (iii) has (or any one or more of its directors have) interest in voting shares of 20% or more. If the insurtech start-up does not fall within these categories, the insurer is permitted to grant loans to it without BNM's approval.</p> <p>Also, depending on the currency of such loans and whether the insurtech start-up is located within or outside Malaysia, the foreign exchange administration rules may apply.</p>



Investment criteria



05 Is an insurer permitted to grant loans to an insurtech start-up? Under what conditions?

 PHILIPPINES	<p>Subject to the restrictions imposed by the Insurance Code, an insurer is allowed to grant loans to an insurtech start-up, provided that such loans are secured by any of the following:</p> <ul style="list-style-type: none"> ■ First mortgages or deeds of trust of registered, unencumbered, improved or unimproved real estate ■ First mortgages or deeds of trust of actually cultivated, improved and unencumbered agricultural property in the Philippines ■ Purchase money mortgages, lease purchase agreements or similar securities executed or received by it on account of the sale or exchange of real property acquired pursuant to the Insurance Code ■ Bonds or other instruments of indebtedness issued or guaranteed by the Philippine government or its political subdivisions, or government-owned or -controlled corporations and instrumentalities ■ Obligations issued or guaranteed by registered universal banks, commercial banks, offshore banking units, investment houses or other financial intermediaries ■ Obligations issued or guaranteed by foreign banks or corporations with a net worth of at least USD 150 million or as may be prescribed by the Insurance Commission ■ Assignments of monetary instruments such as cash deposits, deposit certificates or other similar instruments of registered universal banks, commercial banks, investment houses or other financial intermediaries ■ Pledges of shares of stock, bonds or other instruments of indebtedness specified in the Insurance Code ■ Chattel mortgages over equipment not more than three years old ■ Such other security as may be approved by the Insurance Commissioner
 SINGAPORE	<p>If an insurer is carrying on or holding itself out in any way as carrying on the business of moneylending in Singapore, it will be required to hold a license, unless it is an excluded moneylender. For example, if an insurer lends money solely to corporations or limited liability vehicles (e.g., the insurtech start-up), it may be considered an excluded moneylender.</p> <p>A licensed insurer must not directly or indirectly grant any unsecured loans or advances to any of the following:</p> <ul style="list-style-type: none"> ■ A director of the insurer (including the wife, husband, father, mother, son or daughter of the director), exceeding the amount of SGD 5,000 at any one time ■ An employee of the insurer, exceeding one year's emolument of that employee <p>The insurer should also consider the requirements under the Insurance (Valuation and Capital) Regulations and any existing license conditions imposed by MAS when considering the grant of the loan.</p>
 TAIWAN	<p>Generally no, unless otherwise approved by the FSC because loans made by an insurance enterprise shall be limited to the following:</p> <ul style="list-style-type: none"> ■ Loans guaranteed by a bank or by a credit guarantee institution recognized by the FSC ■ Loans secured by personal property or real property ■ Loans secured by qualified securities as defined in Article 146-1 of the Insurance Act ■ For life insurance enterprises, loans secured by life insurance policies issued by said life insurance business



Investment criteria

05 Is an insurer permitted to grant loans to an insurtech start-up? Under what conditions?

 THAILAND	<p>Yes, there are two types of loans that the insurer can grant to insurtech start-ups:</p> <ul style="list-style-type: none">Loans with property mortgaged or pledged as collateral. The loan for each company shall not exceed 70% of the assessed price of the property, which the insurtech start-up mortgages or pledges as collateral.Loans guaranteed by financial institutions, foreign banks or international organizations that receive the credit rating of not lower than the investment grade.
 VIETNAM	<p>Yes, provided that the insurer has satisfied the relevant requirements under the Law on Credit Institutions and the regulations of the State Bank of Vietnam.</p>



Asia Pacific Guide for Investing in Insurtech Start-ups






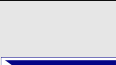



Corporate approvals



Corporate approvals




06 What type of corporate approvals is required for an insurer to invest in an insurtech start-up?

 CHINA	<p>There are no specific statutory requirements. Insurers should follow their internal investment process and usually, approval from the investment committee and board would be required.</p>
 HONG KONG	<p>There are no specific statutory requirements. Insurers should follow their internal investment process and usually, approval from the investment committee and board would be required.</p>
 INDONESIA	<p>Regulations do not stipulate what corporate approvals are required for investments. Any corporate approval requirements for the board of directors to conduct certain matters, including to invest, will be stipulated under the insurer's articles of association. The insurer's investment committee would need to approve the investment.</p>
 JAPAN	<p>The investment in insurtech start-ups must be approved by the board of directors if such investment constitutes an execution of important operations, the applicability of which depends on the sizes of the insurance company and the target company.</p>
 MALAYSIA	<p>Depending on the materiality of the investment, the investments will likely require the approval of the board of directors and (if applicable) the investment committee of the insurer. Under the Malaysian Companies Act (MCA), substantial acquisitions falling within prescribed thresholds will require shareholders' approval. Further, if the insurer is a publicly listed company, the listing requirements may similarly require the insurer to obtain shareholders' approval if the investment falls within prescribed thresholds.</p>
 PHILIPPINES	<p>Subject to the restrictions/limitations imposed by the Insurance Code and provided that the Articles of Incorporation (AOI) of the insurer does not expressly prohibit the same, a domestic insurer may invest in another corporation and enter into credit transactions with third parties upon the approval of the majority of its board of directors. Under the Corporation Code, an insurer may also invest its funds in another corporation or business or for any other purpose other than the primary purpose as stated in its AOI when approved by a majority of the board and ratified by the stockholders representing at least two-thirds of the outstanding capital stock.</p>
 SINGAPORE	<p>If an insurer intends to invest in an insurtech start-up, it must seek approval from the board of directors to establish an investment committee and formulate an investment policy. The insurer must also ensure that its investments are carried out in accordance with the approved investment policy as well as supervised or directed by the investment committee.</p> <p>General corporate law requirements should also be considered to determine whether other corporate approvals are required from the directors or shareholders, including requirements prescribed under the constitution of the insurer.</p> <p>The insurtech start-up may also be required to obtain the necessary corporate approvals in order for the insurer to invest. If the insurtech start-up is a Singapore incorporated company, it will also need to comply with general corporate law requirements under Singapore law, such as obtaining shareholders' approval in a general meeting if there is any issue of shares by the company.</p>



Corporate approvals

06 What type of corporate approvals is required for an insurer to invest in an insurtech start-up?

 TAIWAN	Investments in insurtech start-ups must be approved by the board of directors of the insurer. If this insurtech start-up is a related party of the insurer, this investment must be reviewed and approved by the audit committee (comprising of independent directors) before submission to the board of directors of the insurer for approval.
 THAILAND	This depends on the insurer's Articles of Association and investment charter. Generally, the investment regulation requires the board of directors' approval or approval of the sub-committee delegated by the board of directors. Whether an additional approval from the shareholders is required depends on the Articles of Association of the insurer.
 VIETNAM	Investments in insurtech start-ups must be subject to the charter of the insurer and, depending on the legal form of the insurer, approved by the board of directors (or the equivalent body) or the general meeting of shareholders of the insurer.



Asia Pacific Guide for Investing in Insurtech Start-ups








Corporate governance



Corporate governance





07 Are there any general minority shareholder protection mechanisms in your jurisdiction?

 CHINA	<p>Generally, yes. There are some general requirements on minority shareholder protection, such as the agreement of minority shareholder of the target company on the investment is needed in some investments by insurers.</p>
 HONG KONG	<p>The law provides for various avenues for the protection of minority shareholders, such as application to court for inspection of records of the company, petition to the court for relief for unfair prejudice or bringing a derivative action.</p>
 INDONESIA	<p>The protection includes the right to do the following:</p> <ul style="list-style-type: none"> ■ Ask for a shareholders' meeting ■ Lodge a claim if there are allegations of negligence or mistakes ■ Request an examination of the company by the district court if there are suspicions that the company or members of the boards of directors and/or commissioners have committed acts contrary to law that caused losses to the company or the shareholders or a third party ■ Submit to the GMS a request for the dissolution of the company <p>Otherwise, specific voting requirements are 66 2/3% to change the articles of association and 75% for matters such as winding up, bankruptcy, merger, consolidation or acquisitions, or securing or selling more than 50% of the company's net assets.</p>
 JAPAN	<p>There are various minority shareholders' rights such as right to request convocation of shareholders' meeting, make a proposal for shareholders' resolution, bring a derivative suit and bring an injunction suit for illegal actions by directors and so on, with varying shareholding ratio requirements.</p> <p>Also, if a person holds more than one-third of the shares in a company, the person will have blocking power on important shareholders' resolutions such as resolutions to amend the articles of incorporation, reduce the stated capital and implement entity conversions, mergers, company splits and share exchanges, as well as minority squeeze-outs.</p>
 MALAYSIA	<p>There are certain matters subject to statutory protection under the MCA. If a shareholder holds at least 25% of the shares in a Malaysian company, it will have veto rights on important shareholders' resolutions such as resolutions to increase or decrease capital, merge with other companies, amend the constitution of the company or wind up the company. The MCA also provides relief to minority shareholders against oppressive conduct by the directors of the company by entitling any shareholder of the company to apply to the Malaysian court for an order. Upon such an application, the Malaysian court may make any order it thinks fit, including directing or prohibiting any act, or cancelling or varying any transaction or resolution.</p>



Corporate governance

07 Are there any general minority shareholder protection mechanisms in your jurisdiction?

 PHILIPPINES	<p>All stockholders may exercise their appraisal right or their right to withdraw from the corporation, and demand payment of the fair value of their share, after dissenting from corporate acts involving fundamental changes in corporate structure, such as:</p> <ul style="list-style-type: none"> ■ Amendment to the AOI to the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence ■ The investment of corporate funds in another corporation or business or for other purposes than those stated in the AOI ■ In case of a sale or disposition of all or substantially all assets of the corporation ■ Mergers or consolidations
 SINGAPORE	<p>Yes. Minority shareholders holding 25% or more of the shares in the company are able to veto certain decisions that require special resolution (i.e., 75% approval).</p> <p>Minority shareholders may call for meetings. Two or more members holding not less than 10% of the total number of issued shares of a company (excluding treasury shares) may call a meeting of the company. In addition, members holding not less than 10% of the paid-up capital (excluding paid-up capital held as treasury shares), which carries voting rights at a general meeting, may requisition the directors of the company to convene an extraordinary general meeting within two months of the requisition.</p> <p>Minority shareholders have a right to be treated fairly and are entitled to personal remedies in cases of oppression or injustice by the majority shareholders. Minority shareholders also have a right to initiate statutory derivative action on behalf of the company for breach of directors' duties.</p> <p>Minority shareholders may also seek the just and equitable winding up of the company.</p>
 TAIWAN	<p>In case the procedure for convening a shareholders' meeting or the method of adopting resolutions thereat is contrary to any law, ordinance or the company's Articles of Incorporation, a shareholder may, within 30 days from the date of adoption of the said resolution, enter a petition in the court for annulment of such resolution. A shareholder holding 1% or more of the shares is entitled to (i) propose an agenda item in the annual general meeting of shareholders; (ii) if the company adopts the director nomination scheme, nominate director candidates to the general meeting of shareholders; and (iii) request the court to appoint an auditor to inspect the books and records of the company. Any shareholder who has continuously held 3% or more of the total number of outstanding shares of the company for a period of at least one year may request the board of directors to call an extraordinary general meeting of shareholders.</p>
 THAILAND	<p>If a person holds more than 25% of the shares in a company, that person would have veto rights on important shareholders' resolutions such as resolutions to increase and decrease capital, merge with other companies, amend the Articles of Association or Memorandum of Association of the company and dissolve the company. Other minority protections can also be designed and put in place in the shareholders' agreement and/or the Articles of Association.</p>



Corporate governance

07 Are there any general minority shareholder protection mechanisms in your jurisdiction?



VIETNAM

In a joint stock insurer, a shareholder or a group of shareholders holding 5% or more of the total ordinary shares for a consecutive period of six months or more, or holding a smaller percentage as stipulated in the charter of the company, has the following rights:

- Review and make an extract of the book of minutes and resolutions of the board of management, mid-year and annual financial statements and reports of the supervision board, transactions and contracts must be approved by the board of management and other documents, except for documents related to trade secret and business secret of the insurer
- Request the convening of a general meeting of shareholders
- Request the supervision board to inspect each issue relating to the management and administration of the operation of the company and other rights in accordance with the charter of the company

Additionally, a shareholder or a group of shareholders holding 10% or more of the total ordinary shares for a consecutive period of six months or more, or holding a smaller percentage as stipulated in the charter of the company, has the right to nominate candidates to the board of management and the supervision board/board of controllers.









In a limited liability insurer, any capital contributing member or a group of members holding 10% or more of the charter capital or a smaller percentage as stipulated in the charter of the insurer will have the following rights:

- Request a meeting of the members' council
- Inspect, review, or consult transaction monitoring records, books of account and annual financial statements
- Inspect, review, consult or copy the register of members, minutes of meetings and resolutions of the members' council and other files of the company.
- Request a court to cancel a resolution of the members' council within 90 days from the date of closing of a meeting of the members' council if the sequence, procedures and conditions of such meeting or the contents of such resolution are inconsistent with or do not comply with the law and the charter of the insurer. Where any capital contributing member of the limited liability insurer holds more than 90% of the charter capital and the charter of the company does not stipulate a smaller percentage, the other group of members automatically has the abovementioned rights.



Corporate governance



08 Are there any restrictions on the insurer in terms of appointing its own staff or management to join the insurtech start-up's board of directors or management team?

 CHINA	There are no restrictions on insurance companies in respect of appointing its own staff or management to join the board of directors or management team of its invested companies. On the contrary, the regulator requires that for major equity investments, the insurers shall be able to control the enterprise invested by appointing directors, supervisors, management or candidates for key positions.
 HONG KONG	Generally, there are no statutory restrictions, subject to any consideration on potential conflict of interest, and provided that it will not affect the fitness and propriety of the relevant management staff.
 INDONESIA	For expatriates, a work permit is required for a specific job in a specific company. For board members, there are limitations on the number of board positions that can be held (generally, a director can only be a commissioner of an insurance company in another insurance business line or a commissioner in a subsidiary and a commissioner as a commissioner in one other company). Other employees are not so restricted.
 JAPAN	Directors of insurance companies (in the case of companies with a committee governance structure under the Companies Act, executive officers) who work on a regular basis cannot work for other companies on a regular basis unless the FSA approves.
 MALAYSIA	There are generally no restrictions on the insurer in terms of appointing its own staff or management to join the insurtech start-up's board or management team, save for the appointment of the insurer's CEO to the insurtech start-up. An insurer's CEO is required to devote their entire professional time to the service of the insurer.
 PHILIPPINES	There is none. Generally, however, directors should avoid situations that would give rise to a conflict of interest.
 SINGAPORE	No, there are no regulatory prohibitions on appointing the insurer's own staff or management to join the insurtech start-up's board of directors or management team. This is subject to two additional considerations. First, issues relating to conflict of interest should be considered. The insurer's own staff or management acting as the insurtech start-up's director or management would owe fiduciary duties to the insurtech start-up (e.g., to act in the best interests of the company) and cannot place the interests of the principal (i.e., the insurer) before that of the insurtech start-up. Directors facing conflicts of interest should recused themselves from discussions and decisions involving the issues of conflict. Second, such persons must continue to meet any fit and proper requirements that may apply to them. The fit and proper criteria include: (i) honesty, integrity and reputation; (ii) competence and capability; and (iii) financial soundness. Where the insurtech start-up carries out any activities regulated by the MAS, further considerations may apply to the insurtech's appointment of its board of directors or management team.
 TAIWAN	If this insurtech start-up falls within the scope of the insurance-related enterprise, there are no statutory restrictions, subject to no conflict of interest and no violation of the insurer's internal control policies and procedures.



Corporate governance

08 Are there any restrictions on the insurer in terms of appointing its own staff or management to join the insurtech start-up's board of directors or management team?

 THAILAND	There are no restrictions on the insurer as regards appointing its staff to join the insurtech start-up's board of directors or management team. However, the insurer cannot appoint its management to join the insurtech start-up as a full time staff, unless the insurer's board of directors allows so.
 VIETNAM	There are no restrictions on the insurer as regards appointing its staff or management to join the insurtech start-up's board of directors or management team. Restrictions of Vietnamese law exist for the appointment from a local insurer to another local insurer only.



Asia Pacific Guide for Investing in Insurtech Start-ups








Corporate transactions



Corporate transactions






09 Are there any restrictions or regulatory approval requirements on entering into a service contract with the insurtech start-up upon completion of the investment?

 CHINA	<p>Service contracts concluded by an insurance company with its invested company whereby services are provided to the insurance company would be considered connected party transactions of the insurance company which should be satisfy some requirements</p>
 HONG KONG	<ol style="list-style-type: none"> There is none, assuming that the insurer is not a listed company and is not subject to listing rules. Depending on the type of services provided, the contract may be subject to the relevant regulatory requirements under the outsourcing regime and may need clearance from the Insurance Authority pursuant to the Guideline on Outsourcing (GL14).
 INDONESIA	<ol style="list-style-type: none"> There are no restrictions or regulatory approvals to enter into a service contract with the affiliated company. For private companies, there are no connected transaction requirements (although do note that directors/commissioners should declare any conflict of interest). The insurer would need to get internal investment committee approval. <p>Note that all contracts entered by the insurer will be subject to OJK audit, so enquiries may be raised by the OJK on the basis of the business justification test set out above.</p>
 JAPAN	<ol style="list-style-type: none"> An insurance company cannot enter into a service contract with a connected party on terms and conditions that are significantly different from those applied to normal transactions, unless there is any compelling reason stipulated under the Ordinance for Enforcement of the Insurance Business Act and the FSA approves such transaction. Please see section 9a regarding the approval from the FSA. <p>If entering into the service contract with the insurtech constitutes an execution of important operations, it needs to be approved by the board of directors.</p>
 MALAYSIA	<ol style="list-style-type: none"> Generally, there are none, as long as such transactions are bona fide and at arm's length. Material related-party transactions must be approved by the board of directors of the insurer. <p>BNM's approval is required if the transaction will result in a material gain for the insurer's directors or if the insurer's director has 20% or more equity interests in the insurtech start-up.</p> <p>Also, depending on the type of services provided under the service contract and the materiality of such outsourcing arrangement, the guidelines issued by BNM regulates outsourcing arrangements may apply, and may be subject to the prior approval of BNM.</p>



Corporate transactions










09 Are there any restrictions or regulatory approval requirements on entering into a service contract with the insurtech start-up upon completion of the investment?

 PHILIPPINES	<p>a. The following rules apply to connected party transactions:</p> <ul style="list-style-type: none"> • Overlapping interests in the insurance entity must be disclosed to the board and any material transaction involving such interests must be similarly disclosed. • Related-party transactions must be conducted in terms that are at least comparable to normal commercial practices to safeguard the best interest of the insurance corporation, its policyholders, creditors and claimants. • Related-party transactions should be disclosed fully to the board. Prior board approval must be obtained for related-party transactions that are material in nature. <p>b. In general, the board of directors must approve corporate policies in core areas of operations, specifically underwriting, investments, reinsurance and claims management. If the service contract with the insurtech start-up involves the insurer's core operations, then board approval is necessary.</p> <p>Further, depending on the nature of the service contract, the service contract may be subject to outsourcing regulations of the Insurance Commission.</p>
 SINGAPORE	<p>a. There is none, assuming that the insurer and the insurtech start-up are not listed companies.</p> <p>b. The investment committee of the insurer must ensure that all its investments are carried out in accordance with an investment policy that has been approved by the board of directors and must exercise added oversight to ensure that the interests and rights of policy owners are not compromised. General corporate law requirements should also be considered to determine whether the other corporate approvals are required from the directors or shareholders, including requirements prescribed under the constitution of the insurer.</p> <p>The insurer must also make sure it complies with the MAS Guidelines on Outsourcing in entering into a service contract with the insurtech start-up and can demonstrate observance with the guidelines. For example, the insurer must ensure that the oversight and governance of outsourcing arrangements, managing outsourcing risks, and implementing an adequate outsourcing risk management framework, continue to rest with the insurer and its board or senior management. If MAS is not satisfied that the insurer has complied with the guidelines, it may require the insurer to take additional measures to address the deficiencies.</p>
 TAIWAN	<p>a. Yes. There will be a limit to the value of a transaction an insurer has with an insurtech start-up which is a related party of the insurer.</p> <p>b. Approvals by the board of directors and the audit committee are required for an agreement/transaction with an insurtech start-up which is a related party of the insurer.</p>
 THAILAND	<p>This depends on the type of service provided by the insurtech start-up according to the OIC's outsourcing regulation. Certain core functions of the insurer cannot be outsourced and performed by a third-party service provider. Some can be outsourced with the OIC prior approval. Administrative and supporting activities can be performed by a third-party service provider without the OIC prior approval. Nevertheless, if the service provider's and the insurer's network are connected, allowing the service provider to access important information of the insurer (e.g., insureds' information), the insurer needs to notify the OIC 30 days in advance. Additional requirements are applicable if the insurer is a listed company.</p>
 VIETNAM	<p>a. There are no special restrictions applicable to insurers on entering into a service contract with the insurtech start-up upon completion of the investment.</p> <p>b. Subject to the charter of the insurer and the charter of the start-up, internal approvals from the board of members (or the board of directors or equivalent body) of either or both parties may be required.</p> <p>c. The investment in the insurtech start-up must be in accordance with the insurer's internal investment regime/regulation, and subject to such regime, internal approval by the investment committee or the board of members (or equivalent body) may be required.</p>



Corporate transactions

10 Are there any regulatory requirements on the disclosure of the transactions and connected transactions thereafter between the insurer and the insurtech start-up?

 CHINA	Yes, there are different regulatory requirements on the disclosure of the connected transactions depending on major connected transactions or general connected transactions.
 HONG KONG	There are none from the insurance regulatory perspective (assuming that the insurer is not a listed company and is not subject to listing rule), except for notification or approval requirements under the outsourcing regime.
 INDONESIA	From an insurance regulatory perspective, there are no disclosure requirements for related-party transactions assuming the insurer is not a listed company.
 JAPAN	From an insurance regulatory perspective, there are no disclosure requirements for related-party transactions.
 MALAYSIA	An insurer is required to disclose all related-party transactions in its financial statements in accordance with prescribed accounting standards and report to its board of directors on the nature and extent of all related party transactions entered into. It is also required to report its related-party transactions to BNM if such transactions are material or involve a consideration exceeding MYR 1 million in aggregate. As set out in our response to Question 9 above, unless exempted, material outsourcing arrangements must be approved by BNM.
 PHILIPPINES	Yes, insurance companies are required to adequately disclose their related party transactions in their annual reports and comply with certain related party transaction reporting requirements.
 SINGAPORE	There are none, assuming that the insurer and the insurtech start-up are not listed companies.
 TAIWAN	An insurer is required to disclose all related-party transactions in its financial statements in accordance with prescribed accounting standards. It is also required to disclose all related-party transactions in the Insurance Enterprise Information Disclosure Website established by the Insurance Bureau of the FSC.
 THAILAND	There are none, assuming that the insurer is not a listed company.



Corporate transactions

10 Are there any regulatory requirements on the disclosure of the transactions and connected transactions thereafter between the insurer and the insurtech start-up?



VIETNAM









If the insurer and the insurtech start-up are related parties, the parties' signatories must notify and send draft contracts or key terms of such contracts to the board and/or the general meeting of shareholders for approval before execution.

In addition, the general requirements related to transfer pricing issue, anti-money laundering and other general compliance requirements may apply.



Corporate transactions



11 To what extent can the insurer provide operational support to the insurtech start-up?

 CHINA	There are no restrictions on insurance companies providing operational support to their invested companies. If the provision of operational support by an insurance company would not result in transfer of economic interest from the insurance company to its invested company.
 HONG KONG	There is no specific statutory restriction. General principles will apply, such as it should be at arm's length, it should not affect policyholders' interest, fitness and propriety and the financial position of the insurer, or give rise to a potential conflict of interest situation.
 INDONESIA	As a general rule, an insurer must be a single-purpose entity and is prohibited from performing non-insurance related activities. What this means is that there could be enquiries from the OJK on whether the insurer has overstepped its permitted activities by providing support to the start-up company. Indonesia also has very strict rules on outsourcing (whether of work or sourcing of labor) and what is considered core and non-core activities is defined by industry associations, and if permitted, then agreements need to be registered with the Ministry of Manpower (the default being that employees could claim to be employees of the start-up company). Even then, regulators will require certain matters to be handled by the start-up depending on its activities.
 JAPAN	There are no specific limitations focusing on provision of operational support to insurtech start-ups by an insurance company. However, an insurance company is subject to general business scope restrictions and As long as the requirement explained in section 9a is met, there is no other restriction.
 MALAYSIA	An insurer may be required to seek the approval of BNM to provide such support, as the provision of operational support is not the authorized business of the insurer. Where the insurtech start-up carries on "financial services" and it is a related company of the insurer, the insurer can provide operational support to its related corporation (i.e., the insurtech start-up).
 PHILIPPINES	There are no limits under current insurance regulations regarding the extent to which an insurer can provide operational support to the insurtech start-up. However, the board must oversee the conduct of the company's business to ensure that the business is being properly managed. The board must also identify principal business risks and ensure the implementation of appropriate risk management systems to specifically manage the underwriting, reinsurance, investment, financial and operational risks of the company.
 SINGAPORE	The insurer can provide back-office services to the insurtech start-up, but in doing so, it must ensure that it continues to have effective control of its risk management framework and internal controls. For instance, the provision of such operational support should not prejudice the insurer's support for its own core functions.
 TAIWAN	Unless otherwise approved by the FSC, an insurer can only conduct life and non-life insurance businesses. Therefore, an insurer is generally not permitted to provide any operational support to the insurtech start-up.



Corporate transactions

11 To what extent can the insurer provide operational support to the insurtech start-up?

 THAILAND	The insurer can provide back-office services to the insurtech start-up. However, the provision of such operational support should not prejudice the insurer's support for its own core functions.
 VIETNAM	The insurer can provide operational support to the insurtech start-up. No specific restrictions or licensing and/or approval requirements from governmental authorities are required. However, such support or services must be within the licensed scope of the insurer's activities if the insurer will charge for the supporting services.



Asia Pacific Guide for Investing in Insurtech Start-ups











Remuneration structure



Remuneration structure



12 In collaboration with an insurtech start-up, what type of remuneration is permitted for the insurer to offer to the insurtech startup? Is profit sharing permitted?

 CHINA	There is no specific statutory restriction. General principles will apply, such as it should not transfer illegitimate benefits, etc.
 HONG KONG	There is no specific statutory restriction. General principles will apply, such as it should be at arm's length; it should not affect policyholders' interest, fitness and propriety and the financial position of the insurer; or give rise to a potential conflict of interest situation.
 INDONESIA	Please see our explanation in question 11 above. If permitted, all arrangements should be at an arm's-length basis. Profit sharing of itself would not necessarily be restricted. Any revenues received by the insurer will also be subject to the business justification test. The insurer is also prohibited from receiving non-premium revenues that count to 25% or more of the insurer's annual gross written premiums.
 JAPAN	Service fees payable by an insurance company are permitted unless the terms and conditions are significantly different from those applied to normal transactions. Subject to the said arm's-length requirement, profit sharing with an insurance company is not specifically prohibited.
 MALAYSIA	Reasonable arm's-length service fees payable by the insurer are permitted. The payment should not be linked to the premiums received by the insurer as it might raise questions on whether the start-up is carrying out an insurance business without a license.
 PHILIPPINES	The type of remuneration is not prescribed. However, the payment or remuneration to an insurtech company must not adversely affect the performance and financial condition of the insurer (including underwriting risk, reinsurance risks, investment risk, geographical risk, operational risk and legal risk).
 SINGAPORE	The insurer and insurtech start-up may enter into a service contract in consideration for a reasonable service fee to be paid by the insurer at arm's length. Profit sharing is not expressly prohibited under the Insurance Act. However, it would be necessary to consider whether the remuneration structure could give rise to any inference that the insurtech start-up is receiving remuneration in breach of the restriction as to receipt and payment of remuneration under section 86(1) of the Insurance Act.
 TAIWAN	There is no specific law or regulation governing the remuneration for the insurer to offer to the insurtech company. However, given the fact that the FSC is rather conservative, they might raise concerns about profit sharing or any payment tied to the premium received from policyholders because only an insurer enterprise can receive premiums and only a licensed insurance agent/broker/solicitor can receive insurance commission from an insurer.



Remuneration structure

12 In collaboration with an insurtech start-up, what type of remuneration is permitted for the insurer to offer to the insurtech startup? Is profit sharing permitted?

 THAILAND	<p>Reasonable arm's-length service fees payable by the insurer are permitted. The payment shall not tie to the premiums received from the insurer as it might raise questions on whether the start-up is an insurance intermediary without a proper license (if it appears that such start-up performs insurance brokerage activities).</p> <p>Profit sharing with the insurer may be problematic for the same reason as paying service fees tied to premiums received.</p>
 VIETNAM	<p>No specific restriction on the form of remuneration offered to the insurtech start-up exists. However, the insurer must be able to allocate such remuneration properly to one of the permitted types of expenses provided by the law for an insurer. Otherwise, such remuneration may not be recognized as deductible expenses for local tax purposes.</p>



Asia Pacific Guide for Investing in Insurtech Start-ups









Intellectual property



Intellectual property





13 How can the insurtech start-up transfer the intellectual property rights for its own innovations to the insurer?

 CHINA	Intellectual property rights are generally transferred through an assignment agreement.
 HONG KONG	Intellectual property rights are generally transferred through an assignment agreement.
 INDONESIA	<p>Intellectual property rights are generally transferred through an assignment agreement. The start-up must also ensure that its employees assign the rights to the start-up (unlike other countries, employees retain rights to matters developed even during their employment unless otherwise agreed). If an intellectual property in question is a registered intellectual property, such as trademarks or patents, an assignment agreement must also be recorded with the competent registrar. Start-ups would be able to license intellectual property rights, although usually, royalties are payable.</p> <p>From an insurance regulatory perspective in general, the business justification test will apply as well — as to why an insurer holds intellectual property rights of a non-insurance related technology. This can be addressed by stating that the acquired intellectual property rights supports the insurer's insurance business (e.g., enhancing the insurer's digital distribution capabilities).</p>
 JAPAN	Intellectual property rights are generally transferred through an assignment agreement. Transfer of certain intellectual properties such as patent right, utility model right, design right and trademark needs to be registered to take effect.
 MALAYSIA	Intellectual property rights are generally transferred through an assignment agreement. Transfer of certain intellectual properties such as patent right, utility model right, design right and trademark needs to be registered to take effect.
 PHILIPPINES	<p>Under Philippine law, intellectual property rights may be sold, assigned or licensed from one entity to another. Assignment/transfer of patents must be in writing, notarized and must be recorded with the Intellectual Property Office of the Philippines (IPO). Assignment/ transfer of trademarks and copyright need to be in writing and recorded with the competent registrar; it need not be notarized, but it is preferred.</p> <p>Contracts or agreements involving the transfer of intellectual property rights are known as Technology Transfer Arrangements (TTA). Republic Act 8293 enumerates certain prohibited clauses that should not be in the TTA. It also enumerates mandatory provisions that must be in the TTA. TTAs conforming to the requirements do not need to be registered with the IPO. However, noncompliance with these requirements renders a TTA unenforceable, unless it is approved and registered with the proper bureau of the IPO.</p>



Intellectual property

13 How can the insurtech start-up transfer the intellectual property rights for its own innovations to the insurer?

 SINGAPORE	<p>Intellectual property rights may be transferred from the insurtech start-up to the insurance company through an assignment agreement or licensing agreement.</p> <p>Generally, licenses have to be in writing to be effective. If the license involves trademarks, it has to be in writing and signed by or on behalf of the grantor. If the license involves patents, the license need not be entered in any particular form. If the license involves copyrights, the license must be in writing and signed by or on behalf of the owner or prospective owner of the copyright. Licenses for trademarks, registered designs and patents also need to be registered. For registered designs and patents, unregistered licenses will mean that the license is not effective against a person acquiring a conflicting interest.</p> <p>If the assignment involves patents or applications for patents, the assignment has to be signed by or on behalf of the parties to the transaction. On the other hand, if the assignment involves trademarks, designs and copyright, the assignment may be signed by or on behalf of the assignor. As a matter of practice, most assignments are also signed by the assignee even if it is not strictly required.</p>
 TAIWAN	<p>There is no specific law or regulation governing the transfer of intellectual property rights between an insurtech company and the insurer. Generally, the transfer can be done by assignment agreement or license agreement.</p>
 THAILAND	<p>Intellectual property rights are generally transferred through an assignment agreement. If an intellectual property in question is a registered intellectual property, for example, trademarks or patents, an assignment agreement must also be recorded with the competent registrar.</p>
 VIETNAM	<p>Intellectual property rights are transferred through a written assignment agreement. The assignment of any trademarks, patents, industrial designs or integrated circuit layout designs that have been filed or protected in Vietnam must be recorded with the local competent authorities. Rights to geographical indications cannot be assigned. Rights to trade name can only be assigned together with the assignment of the entire business establishment and business activities under such trade name.</p>



Asia Pacific Guide for Investing in Insurtech Start-ups









Data privacy



Data privacy





14 Are there any laws governing the collection, usage, storage, disclosure and transfer of personal data between the insurer and the insurtech start-up?

 CHINA	<p>Personal Information Protection Law and relevant laws and regulations governs the captioned matters.</p>
 HONG KONG	<p>The Personal Data (Privacy) Ordinance and the relevant codes and guidance notes issued by the Privacy Commissioner regulates the collection, use, retention, disclosure and transfer of personal data in Hong Kong.</p>
 INDONESIA	<p>Any use (very broadly defined, and includes collection, storage, transfer and disclosure) of personal data is subject to the data owner's prior written consent. Data privacy is an evolving area in Indonesia and specific advice should be sought.</p> <p>As an additional information, OJK Regulation No. 1/POJK.07/2013 on Consumers Protection in the Financial Service Sector (as amended) and OJK Circular Letter No. 14/SEOJK.07/2014 on Confidentiality and Security of Consumers' Private Information and/or Data ("OJK Circular Letter 14") provide that financial services companies that obtain personal data from third parties (including individuals and entities) and intend to use that data must obtain written statements from those third parties that those third parties have obtained written approval from their consumers consenting to the provision of that data. Any transfer of consumers' data to any third party can be done only with a prior written consent from the consumers, and when the financial services companies transfer these data to any third parties (based on the consumers' written consent), the financial services companies must ensure that the third parties receiving the data will only use the data for the agreed purpose. OJK Circular Letter 14 further provides that consumer personal information includes the following data: (i) for individual consumers: name, address, date of birth and age, telephone number and name of birth mother; and (ii) for corporate consumers: name of company, address, composition of directors and commissioners, including data of their identification documents such as passports, Indonesian identity card or stay permits; and shareholders composition.</p>
 JAPAN	<p>The main legislation is the Act on Protection of Personal Information ("Act No. 57 of 30 May 2003", as amended). In addition to this act, there are various guidelines issued by different Japanese government agencies and industry groups. The guidelines that apply to the insurance sector are the Guidelines for Personal Information Protection in the Financial Sector ("Personal Information Protection Commission and FSA Notice No. 1 of 28 February 2017", as amended) and the Practical Guidelines for Security Control Measures Provided in the Guidelines for Personal Information Protection in the Financial Sector ("Personal Information Protection Commission and FSA Notice No. 2 of 28 February 2017", as amended).</p> <p>The Comprehensive Guidelines for Supervision of Insurance Companies also have certain provisions regarding the management of customer information.</p>
 MALAYSIA	<p>The Malaysian Personal Data Protection Act (PDPA) generally governs the collection, usage, storage, disclosure and transfer of personal data between the insurer and an insurtech start-up.</p> <p>Pursuant to the PDPA, only the processing of personal data by a data user would be regulated and must comply with the seven core principles under the PDPA. In particular, the consent of the data subject (that is, the person whose personal data is being processed) is required in respect of, among others, the consent, disclosure and transfer of personal data from the insurer to the insurtech start-up. Additionally, a PDPA-compliant dual-language privacy notice in English and Malay is required to be issued to the data subject.</p>
 PHILIPPINES	<p>The Data Privacy Act of 2012 (DPA) and its Implementing Rules and Regulations (DPA-IRR) govern the processing (which includes collection usage, storage, disclosure, and transfer) of data from the data subject to a personal information controller (PIC), from a PIC to a personal information processor (PIP), and from one entity to another.</p>



Data privacy







14 Are there any laws governing the collection, usage, storage, disclosure and transfer of personal data between the insurer and the insurtech start-up?

 SINGAPORE	<p>The Personal Data Protection Act (PDPA) and the Personal Data Protection Regulations cover the collection, use, storage, disclosure and transfer of personal data in Singapore. Generally, an insurance company should ensure that the individual has given, or is deemed to have given, their consent for the disclosure of their personal data, and that any disclosure of personal information to the insurtech start-up falls within the purposes in which consent has been given. In this regard, an insurance company intending to transfer personal data to the insurtech start-up may also refer to the Personal Data Protection Commission's (PDPC) Guide to Data Sharing.</p> <p>If the insurance company intends to transfer personal data to an offshore insurtech start-up, it must ensure that the transferred personal data will be afforded a standard of protection that is at least comparable to that provided under the PDPA in Singapore.</p> <p>If the insurance company is a life insurer, it may also refer to the PDPC's industry-led guidelines, i.e., the Life Insurance Association (LIA) Singapore Code of Practice for Life Insurers and Code of Conduct for Tied Agents of Life Insurers. These industry-led guidelines clarify the duties, responsibilities and best practices of life insurers and tied agents of life insurers under the PDPA.</p>
 TAIWAN	<p>According to the Personal Information Protection Act (PIPA), the Taiwan government may prohibit an individual/entity from conducting cross-border transfer of personal data under one of the following circumstances:</p> <ul style="list-style-type: none"> ■ Where substantial national interests are involved ■ Where international treaties or agreements specify otherwise ■ Where the rights and interests of the data subject are likely to be damaged because the data recipient country does not have appropriate laws and regulations to protect personal data ■ Where the PIPA may be avoided because the personal data is transmitted or used by way of indirect transmissions to a third country or area <p>In addition, according to the Directions for Operation Outsourcing by Insurance Enterprises, an insurance enterprise must obtain the FSC's prior approval if it outsources its material business or operation systems which include natural person customers' data to an offshore service provider (such as a data center outside Taiwan).</p>
 THAILAND	<p>Thailand has already implemented the Personal Data Protection Act, B.E. 2562 (2019) that governs the collection, usage, storage, disclosure and transfer of personal data between the insurer and the insurtech start-up.</p>
 VIETNAM	<p>In case personal data is processed, such processing will need to comply with Decree No. 13/2023/ND-CP on personal data protection (PDPD) and relevant personal data protection regulations (such as the Law on Cyber Information Security, Law on Information Technology, Law on Consumers' Rights Protection), depending on whether such processing falls under their regulatory scope (e.g., whether the processing is carried out in Vietnam). When personal data is transferred cross-border, customer consent will be required, unless otherwise provided by laws. In addition, whenever transferring personal data of Vietnamese citizens overseas, the data transferor must conduct and file with a competent state authority an Overseas Personal Data Transfer Impact Assessment (OTIA), using a prescribed template, within 60 days of the transfer. The OTIA must include, among others, the data subject consent (which might be exempted) and a data transfer agreement with the offshore data recipient. For clarity, transferring personal data to a foreign country is defined by the PDPD as either (i) transferring personal data of a Vietnamese citizen to a location outside the territory of Vietnam or (ii) processing personal data of a Vietnamese citizen in a location outside the territory of Vietnam (e.g., in the case of a foreign entity directly collecting personal data of a Vietnamese individual locating onshore).</p>



Data privacy





15 Are there any incentives that the government may provide for investment in insurtech start-up?

 CHINA	<p>There are no specific incentives provided for insurtech start-ups but they can apply for applying to incentives to which general technical innovation enterprises would apply.</p>
 HONG KONG	<p>While the Hong Kong Government does not provide incentives directly for investment in insurtech start-ups, it provides numerous incentives to encourage the use and development of insurtech. Initiatives include the following:</p> <ul style="list-style-type: none"> ■ The Insurtech Sandbox (launched in September 2017 and extended in 2022 to cover insurance brokers), allowing pilots of insurtechs such as virtual onboarding, streamlined suitability assessment and automated claims processing to be conducted by insurers in a controlled environment with some flexibility in the supervisory requirements; ■ Fast-tracking applications for new insurers who own and operate solely digital distribution channels, expediting and streamlining the process for such insurers to apply for new authorizations. Four virtual insurer licenses have been granted under the fast-track scheme as of August 2023; and ■ Establishing an Insurtech Facilitation Team to enhance communication with insurtech businesses in Hong Kong; setting up the Future Task Force of the Insurance Industry to promote sustainable development of the insurance industry; and collaborating with other regulators in Hong Kong to promote the adoption of fintech.
 INDONESIA	<p>There are currently no special incentives specifically given to insurers that invest in insurtech start-up, given the lack of regulatory framework that deal specifically with insurtech matters.</p>
 JAPAN	<p>There is an open innovation tax incentive, which allows a domestic company or its domestic CVC to deduct from its taxable income 25% of the share purchase amount when it acquires newly issued shares from a start-up or a majority of shares of a start-up from its shareholders.</p>
 MALAYSIA	<p>There are potential tax incentives the licensed insurer may be able to leverage when investing into insurtech start-ups. Such incentives are generally under the purview of the Malaysian Investment Development Authority (MIDA) and includes claiming capital allowances on expenditure incurred on adopting the latest technologies, provided such investments constitute qualifying expenditure. Separately, BNM has recently issued a digital insurance and takaful operator (DITO) licensing and regulatory framework exposure draft, with an aim to issue up to five DITO licenses upon launching the DITO framework. Based on the current DITO exposure draft, there are reduced barriers to entry for DITOs, including lower capital requirements during the foundational phase, as opposed the requirements imposed on conventional insurers.</p>
 PHILIPPINES	<p>None, unless the nature of the proposed business or activity qualifies for registration with an investment promotion agency (e.g., Philippine Economic Zone Authority and the Board of Investments).</p>



Data privacy

15 Are there any incentives that the government may provide for investment in insurtech start-up?

 SINGAPORE	<p>MAS has introduced the Financial Sector Technology and Innovation (FSTI) Scheme, which consists of 6 tracks to provide support for the creation of a vibrant ecosystem for innovation. Of particular relevance are the Industry-wide Technological Infrastructure or Utility track and the Centre of Excellence track.</p> <p>The Industry-wide Technological Infrastructure or Utility track provides funding support for projects aiming to build industry-wide technology to improve efficiency and boost productivity in the financial services sector. The Centre of Excellence track seeks to attract the financial sector to set up centers of excellence in Singapore to test-bed innovative ideas, by providing funding support for workforce and rental expenses. The FSTI scheme is valid until March 2026.</p>
 TAIWAN	<p>No. The Taiwan government currently does not provide any incentives to insurers for their investment in insurtech start-ups.</p>
 THAILAND	<p>This depends on types of business in which the insurtech start-up will conduct. The Board of Investment (BOI) promotes certain business categories with incentives that the insurtech start-up may enjoy such as development of software platform for digital services or digital content.</p>
 VIETNAM	<p>The Government of Vietnam encourages the development and application of information technology into the insurance sector. However, there has not been any specific plan for any incentives that the Government may provide for the investment in insurtech start-up.</p> <p>Under the strategy of the Government to develop the insurance market with the vision to 2030, the Government aims to formulate regulatory sandbox for insurtech with the best practice and facilitate the development of new digital insurance services. However, there has not been any specific plan or draft of a regulatory sandbox for insurtech being available.</p>



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