

**Baker
McKenzie.**

**ASIA PACIFIC GUIDE FOR INVESTING
IN INSURTECH START-UPS (2019)**



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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 **2019 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 11 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.

A hand holding a pen pointing at a financial chart on a screen. The chart shows a line graph with a green trend line and a yellow dashed line. The background is dark with some green and blue highlights.

Investment Criteria

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?

 AUSTRALIA	<p>Subject to an insurer meeting its ongoing Australian prudential obligations and controls (as stipulated by Australian Prudential Regulation Authority or APRA), there is no "per se" restriction on an insurer investing in a start-up organization.</p>
 CHINA	<p>Insurance companies are permitted to invest in start-up companies that satisfy the following conditions:</p> <ol style="list-style-type: none"> 1. The start-up is duly set up and registered and has legal person status. 2. The business activities of the start-up are compliant with the industry policies of the Chinese government, and the start-up possesses the requisite qualifications to conduct the relevant business activities. 3. The shareholders and the senior management of the start-up have good standing and sound creditworthiness records. 4. The start-up is at the growth or maturity stage or within strategically new industry(ies), or has a clear IPO plan and relatively high acquisition value. 5. The start-up has market, technology, resource or competitive advantage and potential room of value increase, and has a specific profit distribution mechanism. 6. The management team of the start-up possesses professional knowledge, industry experience and management capabilities that are compatible with their job responsibilities/ 7. The start-up is not involved in a major legal dispute and has complete and clean ownership of assets, and there is no legal defect in its shareholding or asset ownership. 8. There is no affiliation between the insurance company, the investment institution and professional advisor involved in the investment, unless otherwise permitted by the regulator and advance reporting/disclosure has been complied with. 9. Other prudential conditions required by the China Banking and Insurance Regulatory Commission (CBIRC) <p>Conditions (2), (4), (5) and (8) are not applicable if the investment in the start-up is also a regulated entity into the insurance industry. Start-up companies in which insurance companies are permitted to make direct equity investment must be: (i) regulated entities in the insurance industry; (ii) financial institutions in non-insurance sectors; (iii) entities whose businesses are relevant to the insurance business, such as pension, medical care, auto servicing; and (iv) energy enterprises, resource enterprises, and modern agricultural enterprises and new-type trading circulation enterprises that are relevant to insurance business, and such enterprises are compliant with the macro policies and industry policies of the Chinese government and have stable cash flows as well as good economic performances.</p> <p>Start-ups in which insurance companies are investors should be in any of the following circumstances:</p> <ul style="list-style-type: none"> • Its business is not in line with the industry policies of the Chinese government. • There is no expectation of stable cash return through the investment in the start-up or value increase in the start-up. • The start-up has high pollution or high energy consumption, fails to comply with the energy saving or environmental protection requirements, or has low technology value-add.

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?

 HONG KONG	<p>Generally speaking, 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.</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>There are no specific limitations focusing on insurtech start-ups. However, general limitations are applicable depending on shareholding ratio and business category of the target company.</p>
 MALAYSIA	<p>Any such investment will likely have to relate to the insurance business of the insurer. However, there is a likelihood that BNM will be issuing a guideline to require an insurer to seek prior approval from BNM if it intends to acquire or hold any direct or indirect material interest in an insurtech start-up if such investment will assist in realizing business synergies.</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>

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?

 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>
 THAILAND	<p>There are no limitations or criteria on the type of start-ups that an insurer can invest in.</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>

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

 AUSTRALIA	The insurer can invest in an insurtech start-up either as equity instruments or by granting of loans.
 CHINA	Insurance companies are permitted to indirectly make equity investments in an insurtech start-up via equity investment funds. However, it is not entirely clear for the time being whether an insurtech start-up falls within the scope of entities in which insurance companies can make direct equity investments. While it is not explicitly prohibited by published rules of the CBIRC, insurance companies generally are not able to provide loans to companies in which they make equity investments.
 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.
 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.

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

 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.

 AUSTRALIA	<p>Subject to an insurer meeting, its ongoing Australian prudential obligations and controls (as stipulated by APRA), there is no "per se" restriction on an insurer investing in an on-shore start-up.</p> <p>The Commonwealth Insurance Acquisitions and Takeovers Act 1991 regulates acquisitions and takeovers of general and life insurance companies. Its aim is to protect the public interest. In particular, it regulates the parties allowed to take control of insurance companies, and regulates the concentration of economic power in the insurance industry or financial system. The relevant minister considers takeover proposals and may make a temporary or permanent restraining order, or a divestment order.</p>
 CHINA	<p>Aside from the restrictions mentioned above, an insurance company must ensure the following:</p> <ul style="list-style-type: none"> • The value of its equity investment in one entity must not exceed 30% of its net asset value. • The total value of its equity investment must not exceed its net asset value. • The total value of the equity investments it has made via direct equity investment and via equity investment funds does not exceed 10% of its total asset as of the most recent calendar quarter.
 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 by Authorised Insurers in making its investments.</p>
 INDONESIA	<p>Subject to meeting risk-based capital requirements, an insurer cannot invest more than 10% of its total investments with affiliated entities and not more than 20% of its total investments in an unaffiliated group. 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") (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 any specific businesses listed under the IBA.</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 approved by BNM subject to specific conditions.</p>
 PHILIPPINES	<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>
 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	<p>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.</p>
 THAILAND	<p>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; or (ii) 20% or more of the total equity instruments issued in a company, provided that such company is established to operate a business that provides benefits to the insurance business in general. Both circumstances are subject to written approval from the Office of Insurance Commission (OIC).</p>
 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 startup) 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 startup) 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.

4

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?

 AUSTRALIA	Subject to an insurer meeting its ongoing Australian prudential obligations and controls (as stipulated by APRA), there is no "per se" restriction on an insurer investing in an offshore start-up.
 CHINA	It is not entirely clear if insurance is permitted to make an equity investment in offshore insurtech start-ups. Equity investments in offshore entities are included in the scope of an insurance company's overseas investment, the value of which must comply with the total asset percentage imposed by CBIRC.
 HONG KONG	There are no specific statutory restrictions on investing in an offshore start-up. Insurers should, however, observe the Guideline on Asset Management by Authorised Insurers in making its investments.
 INDONESIA	Subject to meeting risk-based capital requirements, an insurer cannot invest more than 20% of its total investments offshore. The business justification test set out above applies as well.
 JAPAN	An insurance company needs to obtain approval from the FSA when it acquires a subsidiary engaging in any specific businesses listed under the IBA. If an insurance company is to acquire a holding company or a foreign financial institution, which has a foreign subsidiary or affiliated company engaging in businesses not listed under the IBA, the FSA's approval can be granted on such acquisition despite the aforementioned restriction. However, it needs to take necessary measures for making such out-of-scope subsidiary or the affiliated company ceases to be a subsidiary or affiliated within five years from the acquisition date.
 MALAYSIA	The insurer must obtain the prior approval of BNM to acquire or hold a subsidiary outside Malaysia. In any event, such an investment will attract a capital charge under the RBC Framework. Also, 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. The approval above will take between four and six months to obtain, from the time a complete set of documents is submitted.

4

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?

 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>
 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 up to 10% of the total equity instruments issued by the offshore insurtech start-ups, provided that such start-up operates a business that supports the insurance business of the insurer.</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 21 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>

 AUSTRALIA	<p>The provision of a loan is heavily regulated in Australia. We note the following in relation to granting a loan:</p> <ul style="list-style-type: none"> • Banking legislation – Provided the insurer is not also taking any money on deposit, then it is unlikely that granting a loan to an insurtech start-up will be subject to this legislation. However, we note that carrying on a banking business in Australia (which consists of taking deposits and making advances) requires registration as an Authorized Deposit-Taking Institution (ADI) under the Banking Act 1951 (Cth) ("Banking Act") or an exemption from the requirement to be registered as an ADI. Any insurer contemplating the granting of a loan should consider this regulation. • National Credit Code – Provided the loan is not granted to a natural person or strata corporation and is not wholly or predominantly for personal, household or domestic purposes, or residential property investment, then it is unlikely that granting a loan to an insurtech start-up will be subject to this legislation. However, we note that a person who engages in credit activities to which the National Credit Code applies (for example, providing a loan to a natural person or strata corporation, that is provided wholly or predominantly for personal, household or domestic purposes, or residential property investment) requires an Australian credit license (ACL). Any insurer contemplating the granting of a loan should consider this regulation. • AML/CTF – Under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) ("AML/CTF Act"), providing a loan is a regulated service and will require the provider of the loan to register with the Australian Transaction Reports and Analysis Centre and comply with the obligations under the AML/CTF Act (for example, customer due diligence, having a compliance program in place and reporting certain things to the regulator). In some circumstances, it is appropriate to apply to the regulator for bespoke relief from the registration requirements. This is determined on a case-by-case basis. Any insurer contemplating the granting of a loan should consider this regulation.
 CHINA	<p>Generally speaking, it is not permissible for insurance companies to grant loans to its invested companies.</p>
 HONG KONG	<p>There are no specific statutory restrictions on granting loans to start-ups. Insurers should, however, observe the Guideline on Asset Management by Authorised Insurers.</p>

 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	<p>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.</p>
 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; and (iii) has 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>



PHILIPPINES

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:

- 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

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.

A licensed insurer must not directly or indirectly grant any unsecured loans or advances to any of the following:

- 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

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.

 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 competent authority • 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
 THAILAND	<p>Yes, there are two types of loans that the insurer can grant to insurtech start-ups (without OIC approval required):</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
 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>



Corporate Approvals

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

 AUSTRALIA	If the insurer is publicly listed in Australia, then usually it would simply require the consent of the board of directors. Given the relatively small size of start-ups, an investment in one would be very unlikely to trigger a requirement for shareholder approval under the relevant listing rules.
 CHINA	Equity investment in another entity must be approved by the shareholders' meeting or the board of directors of an insurance company, depending on the relevant requirements in its articles of association and/or its relevant rules of equity investment.
 HONG KONG	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.
 INDONESIA	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.
 JAPAN	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.
 MALAYSIA	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.
 PHILIPPINES	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.

6

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

 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>
 TAIWAN	<p>Investments in insurtech start-ups must be approved by the board of directors.</p>
 THAILAND	<p>Investments in insurtech start-ups must be approved by the board of directors and shareholders of the insurer.</p>
 VIETNAM	<p>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.</p>

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades, set against a dark, clear sky. The perspective creates a sense of height and scale. A white rectangular box is superimposed over the center of the image, containing the text.

Corporate Governance

7

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

 AUSTRALIA	Section 232 of the Corporations Act 2001 (Cth) provides protection to a shareholder who has been oppressed, or treated in an unfairly prejudicial way or unfairly discriminatory way.
 CHINA	Generally speaking, no.
 HONG KONG	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.
 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 would 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>
 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 in 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 propose an agenda item in the annual general meeting of shareholders. 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 at least 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.</p>
 VIETNAM	<p>In a joint stock insurer, 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 following rights:</p> <ul style="list-style-type: none"> • Nominate candidates to the board of management and the supervision board/board of controllers. • 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. • 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. <p>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:</p> <ul style="list-style-type: none"> • 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.

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?

 AUSTRALIA	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.
 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, CBIRC expects insurance companies making equity investment in other companies to have the ability to appoint its own staff or management to the invested companies' board of directors or management team.
 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 speaking, 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	<p>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. 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.</p> <p>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.</p>



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?

 TAIWAN	Yes. The chairman or general manager of an insurer, or a person holding a comparable position, may not serve as the chairman or general manager or hold a comparable position at a non-insurance-related business.
 THAILAND	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.
 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.

An aerial, top-down view of a modern meeting room. The room features a large, curved, light-colored wooden conference table. Several people are seated around the table, engaged in work. Some are looking at documents, while others are using laptops. The floor is made of dark, rectangular tiles. The overall atmosphere is professional and collaborative. A white rectangular box with a thin black border is superimposed over the center of the image, containing the text 'Corporate Transactions'.

Corporate Transactions

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

- a) Any connected party transaction restrictions?
- b) Any prerequisite approvals required from the regulators or from internal committees?

 AUSTRALIA	<ul style="list-style-type: none"> a. There are none. b. There are standard internal governance controls for making any asset investment by an insurer (for example, relevant investment committee, risk committee). In terms of regulatory controls, please see question 3.
 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.</p> <p>Depending on the absolute contract value and the percentage of the contract value to the net asset value of the insurance company as of the end of last financial year, a connected party transaction can be categorized as: (a) a major connected party transaction, which shall be subject to review by the affiliated party transaction control committee or the audit committee before being submitted to the board of directors for approval pursuant to relevant provisions, which must be approved by the board of directors or the shareholders' meeting of the insurance company, depending on the insurance company's articles of association and/or its relevant rules for connected party transactions and then be reported to CBIRC for recordal; or (b) a common connected party transaction, which shall be subject to examination and approval according to the internal procedures of an insurance company before being ultimately submitted to the affiliated party transaction control committee or the audit committee for record-filing or approval, which needs to be reviewed and approved in accordance with the insurance company's internal authorization process.</p>
 HONG KONG	<ul style="list-style-type: none"> a. There is none, assuming that the insurer is not a listed company and is not subject to listing rules. b. 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.
 INDONESIA	<ul style="list-style-type: none"> a. 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). b. 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	<ul style="list-style-type: none"> a. 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. b. 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>

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

- a) Any connected party transaction restrictions?
- b) Any prerequisite approvals required from the regulators or from internal committees?

 MALAYSIA	<ol style="list-style-type: none"> a. Generally, there are none, as long as such transactions are bona fide and at arm's length. b. Material related-party transactions must be approved by the board of directors of the insurer. 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>Also, depending on the type of services provided under the service contract, the guidelines issued by BNM regulating outsourcing arrangements may apply, and may be subject to the prior approval of BNM.</p>
 PHILIPPINES	<ol style="list-style-type: none"> a. The following rules apply to connected party transactions: <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. 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.
 SINGAPORE	<ol style="list-style-type: none"> a. There is none, assuming that the insurer and the insurtech start-up are not listed companies. 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>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>

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

- a) Any connected party transaction restrictions?
- b) Any prerequisite approvals required from the regulators or from internal committees?

 TAIWAN	<ul style="list-style-type: none"> a. Yes. There will be a limit to the value of a transaction an insurer has with an interested party. b. Approvals by the board of directors and the audit committee are required.
 THAILAND	<ul style="list-style-type: none"> a. There are none, assuming that the insurer is not a listed company. b. Investment in the insurtech start-up must be approved by the investment committee.
 VIETNAM	<ul style="list-style-type: none"> a. Yes, 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. b. 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.

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

 AUSTRALIA	<p>Financial services: There are no specific requirements to disclose transactions between the insurer and the insurtech start-up. That being said, where permitted by law, such disclosure may be required in order to satisfy Australian financial services license conditions (the insurer and insurtech company will likely hold this license). This will depend on the exact licensing arrangements of each party.</p> <p>AML/CTF: There are transaction reporting requirements imposed on entities that provide certain life insurance products. These transaction reporting requirements oblige the regulated entities to report transactions to the regulator and not to each other. Some customer due diligence outsourcing arrangements will require the parties to share/disclose transactions to each other.</p>
 CHINA	As mentioned, a major connected party transaction must be reported to CBIRC for recordal within 15 days of occurrence (approval) of such transaction.
 HONG KONG	There are none from the insurance regulatory perspective, 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	<p>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 report its related-party transactions to BNM if such transactions are material or involve a consideration exceeding RM 1 million in aggregate.</p> <p>As set out above, and unless exempted, material outsourcing arrangements must be approved by BNM.</p>
 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.

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

 THAILAND	There are none, assuming that the insurer is not a listed company.
 VIETNAM	<p>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.</p> <p>In addition, the general requirements related to transfer pricing issue, anti-money laundering and other general compliance requirements may apply.</p>

 AUSTRALIA	<p>Financial services: If operational support constitutes the provision of a "financial service" for the purposes of the Corporations Act, then the insurer can only provide such support if it is appropriately licensed or exempt from the licensing requirement. The operational support services will constitute a financial service if:</p> <ul style="list-style-type: none"> • the provision of financial product advice is involved (a person provides financial product advice if they provide a recommendation, statement of opinion or report on either of those things that is intended to influence a person or persons in making a decision in relation to insurance products or could reasonably be regarded as being intended to have that influence) • dealing in an insurance product is involved (a person deals in a financial service if they issue an insurance product, vary an insurance product, dispose of an insurance product arrange for another person to do any of the above things in respect to an insurance product) <p>If no "financial services" are involved in the operational support services, then the insurer can provide those services.</p>
 CHINA	<p>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, such transaction may not be considered a connected party transaction that is subject to the regulations of connected party transactions.</p>
 HONG KONG	<p>There are 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.</p>
 INDONESIA	<p>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.</p>
 JAPAN	<p>As long as the requirement explained in section 9a is met, there is no other restriction.</p>
 MALAYSIA	<p>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.</p>

 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.
 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.



Remuneration Structure

What type of remuneration is permitted for the insurer to offer to the insurtech startup? Is profit sharing permitted?

 AUSTRALIA	Financial services: Please note that there are conflicted remuneration provisions under the Corporations Act that ban commission-type or volume-based payments (with some exceptions). There is an exemption for general insurance products; however, insurers would need to ensure that the particular insurance product they wish to remunerate in relation to falls within that exemption.
 CHINA	There is currently no restriction on the form of remuneration for an insurance company to offer to its invested companies.
 HONG KONG	There are 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 is 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 is 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 35ZH 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 in profit sharing or any payment tied to the premium received from policyholders because only an insurance enterprise can receive premiums.

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**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.</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>

The background of the slide is a dark, blurred image of a person sitting at a desk, working on a computer. The person's hands are visible on the keyboard, and the glow of the monitor is faintly visible. The overall tone is professional and focused.

Intellectual Property

 AUSTRALIA	Insurtech companies can transfer or grant licenses to use intellectual property rights through agreements describing and implementing such arrangements. Registered intellectual property rights like patents, trademarks and registered designs will need to have their registration details updated in order to reflect any transfer of ownership, as these registers are the primary evidence of rightsholders' identities in such intellectual property.
 CHINA	Intellectual property rights of companies invested by insurance companies can be transferred, either through a transfer and assignment agreement or by way of exclusive license.
 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. 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.
 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>

 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.</p>



Data Privacy

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

 AUSTRALIA	The Commonwealth Privacy Act 1988 regulates the way personal information is collected and handled by both government and private organizations. Regulated organizations must handle personal information in accordance with the 13 Australian Privacy Principles set out in that act. There are also state-based regulations relating to information privacy, particularly relating to government agencies collecting, managing and disclosing personal information.
 CHINA	There are none, as long as the insurtech start-up complies with the general data privacy laws and regulations as well as the general data privacy rules contained in the Cybersecurity Law.
 HONG KONG	The Personal Data (Privacy) Ordinance and the relevant codes issued by the Privacy Commissioner regulates the collection, use, retention, disclosure and transfer of personal data in Hong Kong.
 INDONESIA	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.
 JAPAN	<p>The main legislation is the Act on Protection of Personal Information ("Act No. 57 of 30 May 2003"). 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") 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").</p> <p>The Comprehensive Guidelines for Supervision of Insurance Companies also have certain provisions regarding the management of customer information.</p>
 MALAYSIA	The Malaysian Personal Data Protection Act (PDPA) applies to the collection, usage, storage, disclosure and transfer of personal data between the insurer and an insurtech start-up. Any person processing personal data is required to 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 and a PDPA-compliant dual-language notice in English and Malay is required to be issued to the data subject.
 PHILIPPINES	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.

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 the 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 approving outsourcing to an offshore service provider (such as a data center outside Taiwan).</p>
 THAILAND	<p>Currently, there are none. However, there is the draft Personal Data Protection Bill that is currently under the consideration of the National Legislative Assembly of Thailand.</p>
 VIETNAM	<p>Vietnam does not have a single comprehensive law that addresses the protection of personal data. Relevant provisions are contained in the Civil Code, the IT Law, the Consumer Protection Law, the Penal Code, the Telecommunications Law, the Cyber Security Law and the Cyber Information Security Law, though these matters are addressed in fairly general terms, while implementing regulations contain more specific provisions. As a general principle, these laws protect information pertaining or belonging to individuals (to a lesser degree, organizations) that can serve to personally identify that individual. The collection, usage, storage, disclosure and transfer of personal data between the insurer and the insurtech start-up must be compliant with Vietnamese privacy-related laws.</p>



ABOUT US

THE BAKER MCKENZIE ASIA PACIFIC INSURANCE GROUP

With 17 offices in Asia Pacific, across major cities and emerging markets (including seven of the ASEAN economies), Baker McKenzie has a strong client service platform that few other firms can match in terms of geographical coverage and breadth of practice. Our long experience in Asia Pacific means that we have established experience and interaction with relevant regulators in each jurisdiction. The depth of our legal knowledge in the region is unrivaled as our lawyers combine local industry expertise and understanding together with international experience. We have worked with many major international and local insurers, insurance intermediaries and self-regulatory bodies across a spectrum of matters. We fluently apply our extensive industry experience to help develop innovative, compliant and value-driven products.

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