**Fair Value : Jurnal Ilmiah Akuntansi dan Keuangan**
Volume 4, , Spesial Issue 4, 2022
P-ISSN: 2622-2191 E-ISSN : 2622-2205
Open Access: https://journal.ikopin.ac.id/index.php/fairvalue


# Analysis study of New Business Models (Insurance Technology) in Indonesia

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**Info Artikel**

**Sejarah artikel:**
Diterima 3 Februari 2022
Disetujui 20 Februari 2022
Diterbitkan 25 Februari 2022

***Keywords :***
*Pandemic COVID-19; Information technology; Digital marketing; Insurtech*

**ABSTRACT**

*With the COVID-19 pandemic in Indonesia, several insurance companies need a sales strategy for marketing their products. Especially in health insurance products, in addition to health insurance, which has become a trend that is needed by the community, the global epidemic makes people safer if they have health insurance. Digital channels are indeed an opportunity for insurance marketing during the pandemic, although the portion is still small compared to agencies, banks, and telemarketing. Based on OJK data, the total premium recorded by the insurtech platform during 2020 reached Rp. 811.7 billion. AAJI noted that the premium from digital distribution channels in 2019 only reached Rp. 13.6 billion. This figure will more than double in 2020 to IDR 31.5 billion. In terms of its contribution to the total premiums of the life insurance industry, the portion is still very small, which is still below 0.1 percent. The new business model in insurtech has not been able to contribute to profits for insurance companies in general. This is due to many factors that influence it.*



## INTRODUCTION

With the COVID-19 pandemic in Indonesia, several insurance companies need a sales strategy in marketing their products. Especially in health insurance products, apart from the fact that health insurance has become a trend that is needed by the community, the global epidemic makes people safer if they have health insurance. While the development of information technology makes every activity of people's lives increasingly dependent on this technology, it is recognized that technology can make people's activities and activities more effective and efficient. But apart from making life better, technology can also be used as a liaison between business people and the community as the target of the business process.

Within decades, digital technology has changed our lives. At any time, we can access almost unlimited amounts of information just as we can produce, process and store large amounts of data. We can continuously interact with, and connect with, one another using digital tools and social media. Coping with the demands of everyday life and pursuing pleasure in recreational activities seems inconceivable without the use of smartphones, tablets, computers and access to Internet platforms. Currently, more than 4.57 billion people, 59% of the world's population, use the Internet according to the latest estimates (31 December 2019), ranging between 39% (Africa) and 95% (North America). According to a landmark report on the impact of the “smartphone decade”,3 the average person in the UK spends 24 hours a week online, with 20% of all adults spending as much as 40 hours, and those aged 16 to 24. an average of 34.3 hours a week. Britons check their smartphones every 12 minutes on average. In the US, teens average screen time more than 7 hours a day, excluding time for homework. Digital technology has become ubiquitous and interwoven with our modern lives. As Richard Hodson concludes in his Nature Outlook on the 2018 “Digital Revolution,” “the explosion in information technology is changing the world, leaving some aspects of society untouched. In the span of 50 years, the digital world has grown to be critical to the functioning of society.”4 This period of societal transformation has been considered “the last long wave of the socio-economic evolution of mankind”. As a "meta-paradigm of modernization of society based on technological change" caused by the transformation of information, it replaces the previous period of the technological revolution based on the transformation of materials and energy, respectively, which lasted for more than 2 million years (Hilbert, p 189) . in this matter)

The use of digital technology has changed, and continues to change, our lives. How can this affect the human brain and behavior, both negatively and positively? Apparently, the ability of the human brain to adapt to any changes plays a key role in producing the structural and/or functional changes caused by the use of digital devices. The most direct evidence for the effect of frequent smartphone use on the brain is provided by demonstrations of changes in cortical activity (Korte, p. 101 in this issue). Touching the screen repeatedly – the average American user touches it 2,176 times a day10 – induces an increase in cortical potential allocated to tactile receptors in the fingertips, leading to enlargement, that is, reorganization of the motor and sensory cortex. It remains to be determined whether this re-establishment of cortical sensory representation occurs at the expense of other motor coordination skills. The process of neuroplasticity is very active in the developing brain, especially during the dynamic brain growth stage in early childhood

Based on the illustration above, it makes a breakthrough for the industry in this case insurance to be able to take advantage of the potential that exists in the digital world to develop products and offer solutions that are needed by the community as service users. Utilization of information technology is no longer a trend but will be the key in achieving and realizing today's business goals. Apart from the fact that information technology has become a breakthrough and a need that is currently a trend, solutions for using technology in terms of sales, promotions and how to get the characteristics of business process users are very important. because the profile and adaptation to the behavior and needs of customers and customers from the insurance industry will be easier to obtain and according to their needs if using needs analysis and adaptation of consumer behavior.

## Definition And Concept

## Creative Agencies

From its roots in economics, agency theory has been used by scholars in several different disciplines, including organizational behavior (Eisenhardt, 1985), law (Lan & Heracleous, 2010), marketing (Bergen, Dutta, & Walker, 1992), health (Jiang, Lockee, Fraiser, 2012), accounting (Reichelstein, 1992), and family businesses (Tsai, Hung, Kuo, & Kuo, 2006). The lens offered by agency theory usually hinges on principal-agent problems (principal agent research) or governance mechanisms (positivist research). In essence, agency theory stems from an economic view of risk sharing (Eisenhardt, 1989), which occurs between two parties, the principal and the agent, but each of the two parties may have a different approach to solving problems (Jensen & Meckling, 1976). The principal's appetite for risk sharing is of concern because the principal has assigned certain responsibilities to agents to achieve like-minded goals. This cooperative behavior (Barnard, 1938) is expected to produce the results determined by the principal. However, the crux of the agency problem lies in the concern for self-interested behavior that can induce overzealous agents not to act in the best interests of the principal (Burnham, 1941). In the eyes of the principal, this difference creates problems and changes agency costs (Fama, 1980). When a principal-agent relationship begins, agency costs are obvious to the principal. However, when the agent takes actions that are contrary to the agreement, the principal feels that he has assumed more risk. And so, the first agency problem (i.e., risk-sharing shifts) arises. The second agency problem stems directly from the first. Agency theory suggests that when agents have equity in the firm, they are more likely to embrace the actions desired by the principal as their own (Fama & Jensen, 1983). Eisenhardt (1989) goes a step further by theorizing that when the action is outcome-based, the agent is more likely to behave in the principal's interest. However, if there is perceived injustice, the agent is likely to engage in self-serving behavior. When the agent engages in self-serving behavior, information asymmetry is created in which the principal cannot properly monitor the agent's behavior. Measuring outcomes (Anderson, 1985) thus becomes elusive, which leads to another problem - the behavior of monitoring agents. Given the nature of the two agency problems, governance mechanisms are needed to help align risk and monitor agent behavior, which brings us back to the positivist perspective of agency theory.

### Social Media Marketing

Social media has profoundly changed the way people interact and communicate and is able to offer marketers a greater ability to connect with target customers. Social Media is a form of marketing in which media technologies, channels, and software are used to create value for customers and satisfy their wants and needs. In addition, according to Gay, Charlesworth, & Esen, (2007) Social media marketing has the same goals as overall marketing, but the main difference is that marketing is done online, and more specifically on social media platforms. This includes all types of web-based software and services that enable users to get together online and communicate, communicate, exchange, and take part in various forms of digital social interaction. Social media opens up opportunities for marketers as a broad tool that allows them to reach consumers directly (Lee, J.E., & Watkins, B. (2016).

Social media marketing has gone from a 'great to have' to a 'must have' for every business today. From appearing in front of your audience to striking a deal, social media covers all steps of the buyer's journey. In addition to publishing organic content and engaging with followers, insurance businesses can use social media to reach new audiences through advertising. Social media advertising helps you increase brand awareness, generate leads and do more based on your goals. Most social media platforms also help you reach your website visitors and people who have engaged with your social media updates, using retargeting ads. The purpose of ad retargeting is to remind your audience of your business and motivate them to come back.

Additionally, you can target specific audiences based on demographics, interests, behaviors, etc. You can even use your current customer database and target people who share similar characteristics. Influencer marketing through social media is also one of the popular insurance marketing ideas today, which will get higher exposure and reach for your brand.

**Influencer Marketing**

Influencer Marketing is seen as one of the best strategies to bring in potential customers when using social media marketing by leveraging the mass owned by Influencers, an influencer can create a better brand and product image at a lower cost than using an endorser artist brand or public figure who has been among the top artists. They are considered spokespeople in efforts to support products and increase brand awareness and consumer engagement (Nordqvist, 2018). Influencers are “a series of third parties who have influence over the organization and potential customers” (Peck et al., 2013). Influencer marketing can also be considered as a form of product placement as it involves intentionally incorporating a brand message in media content (Vodák et al., 2019). With the increasingly massive use of social media, influencer marketing utilizing social media reflects the unique and relatively different and novelty of this marketing strategy (Belanche, D., Casaló, LV, Flavián, M., & Ibáñez-Sánchez, S. 2021 ). If you look at the reputation of influencers, it seems as if it comes from content posted on all their social media and sometimes in collaboration with their followers (Hu, Min, Han, & Liu, 2020). This seems to be a pattern for people who use social media to see influencers from the number of followers. It should also be seen that consumer fit when looking at influencers is also seen from follower behavior, this match can make followers imitate or accept influencer suggestions (Casalo et al., 2020). utilizes social media influencers to showcase and advance protection items and administrations. A brand collaborates with confided in bloggers, online life clients, and others to help advance protection items and offer guidance to per users and supporters.

Benefits of Influencer Marketing in today’s scenario

- Niche Targeting
- Customizing According To Latest Trends
- Easy Accessibility For Customers
- Less Cost Endeavour
- Admissible Lead Generation
- Transparent Public Engagement Online

**Machine Learning**

Machine learning is behind chatbots and predictive text, language translation apps, Netflix suggested shows, and the way your social media feeds are served. It powers autonomous vehicles and machines that can diagnose medical conditions based on images. When companies today use artificial intelligence programs, they are very likely to use machine learning - so much so that the terms are often used interchangeably, and sometimes ambiguously. Machine learning is a subfield of artificial intelligence that gives computers the ability to learn without being explicitly programmed. Machine learning is a subfield of artificial intelligence, which is broadly defined as the ability of machines to

*P-ISSN: 2622-2191 E-ISSN : 2622-2205*

imitate intelligent human behavior. Artificial intelligence systems are used to perform complex tasks in a manner similar to how humans solve problems. Some data is removed from the training data for use as evaluation data, which tests how accurate the machine learning model is when new data is presented. The result is a model that can be used in the future with different data sets.

## INSURTECH

Insurtech is a combination of insurance and technology, with the development of internet technology and information systems. Therefore, technology penetration to assist effective business processes, in this case the insurance industry, both life and non-life insurance is very much needed. The public as insurance consumers can also be helped, to find out the right insurance profile and according to their needs. In addition, insurance companies are more effective and efficient in utilizing this facility as a means of good marketing and the right agency will automatically increase revenue and absorption of the products offered.

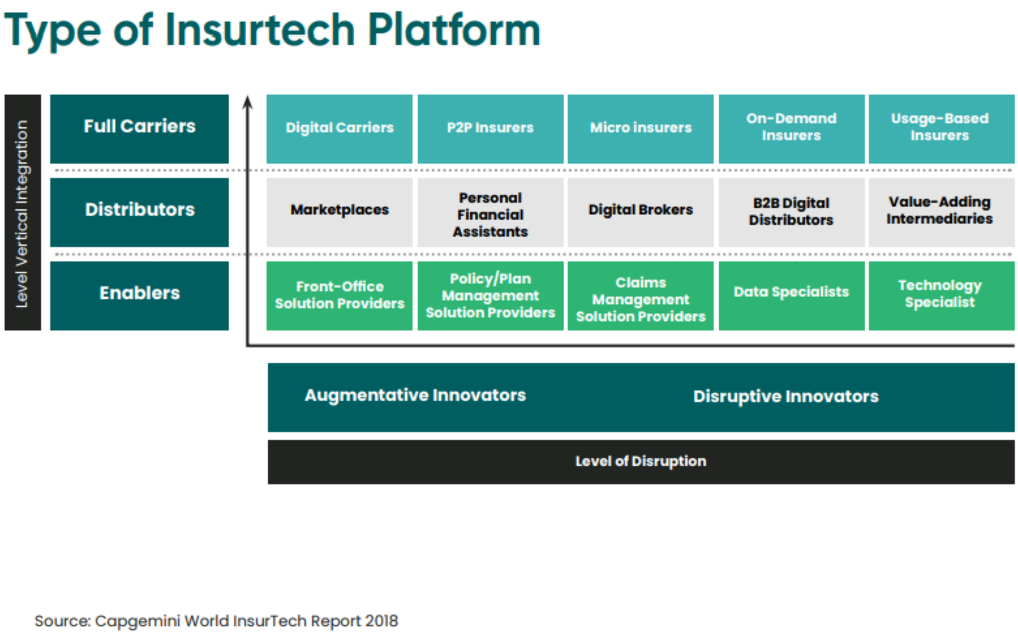


**Figure 1 Insurtech Platform**

## CASE STUDY

Michael Rolfe from Swiss RE said that the outlook for COVID-19, consumer sentiment regarding mental health and their adaptation to digital risks will be the drivers of digital trends in the insurance industry. "Indonesian consumers are at least open to using digital technology in buying insurance products online and they also still need offline support to be able to communicate at important times while helping to overcome the main problems in buying insurance online," said Michael, as reported in the broadcast, press, Friday (12/11). Unlike Michael, Tek Yew Chia from Oliver Wyman delivered material on Three Waves of Digital Insurance Innovation that Drive Business Evolution.


***Figure 2 insurance company in Indonesia***

The three waves consist of; improvement of technology-based services, system integration between online ecosystems and insurance service providers, and expansion of technology as a service solution in the insurance industry.

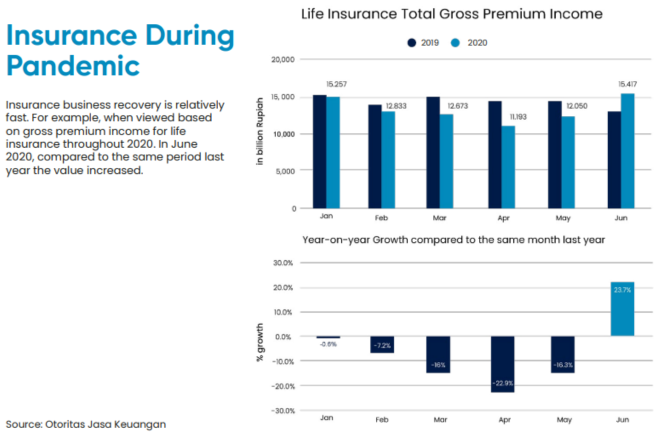


**Figure 3 Insurance during pandemics**

Digital channels are indeed an insurance marketing opportunity during the pandemic, although the portion is still small compared to agencies, banks, and telemarketing. Looking at the records of the Indonesian General Insurance Association (AAUI) in the first semester of 2021, the value of premium income from digital marketing channels increased 0.6% compared to the achievement in 2020 which was 0.1%. experienced an increase of 12.7% to Rp 4.84 trillion compared to the achievement in 2020 of 11.4%, and the current portion of bancassurance channels is 4.2%.

Based on OJK data, the total premium recorded by the insurtech platform during 2020 reached IDR 811.7 billion. So that insurtech's contribution to the total premium from the insurance industry reaches 1.06%. conventional insurance," said Head of the Financial Services Authority IKNB 1B Supervision Department Heru Juwanto in a virtual event. AAJI noted that the premium from digital distribution channels in 2019 only reached Rp. 13.6 billion. This figure has more than doubled in 2020 to IDR 31.5 billion. Meanwhile, throughout the first semester of 2021, premiums from digital distribution channels have reached Rp24.17 billion. In terms of contribution to the total premiums of the life insurance industry, the portion is still very small, which is still below 0.1 percent.

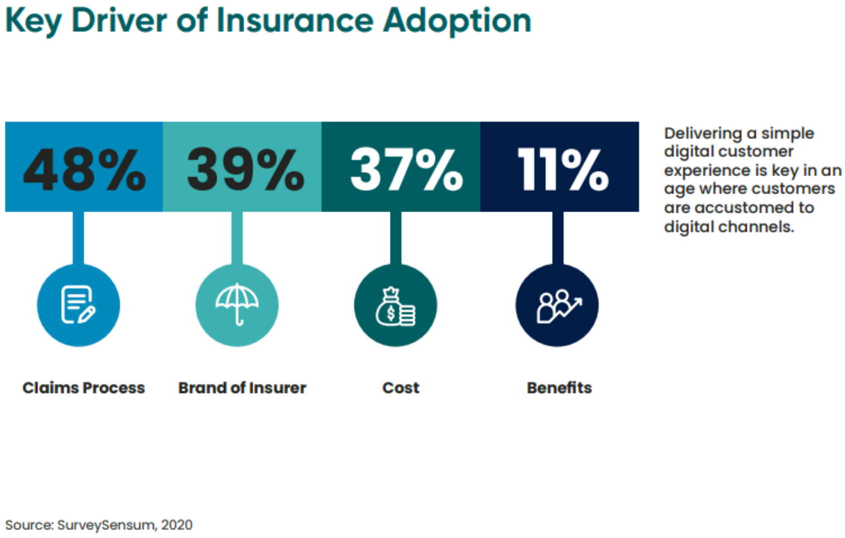


**Figure 4 Insurtech adoption insurance**

While for the general public, digital insurance marketing channels are still not a trend, many general people are not familiar with these digital channels or are even familiar with insurance digital channels. In general, this report describes that of the total 1,500 respondents in this survey, knowledge related to various types of fintech, awareness of the insurance marketplace platform is relatively small, only 28.8 percent of the total respondents. Not surprisingly, this is driven by many insurance companies which usually have developed their own digital channels. In addition, other digital platforms are also busy starting to become aggregators of insurance products. For example, GoSure belongs to Gojek, DANA Siaga belongs to DANA, and OVO | Protection carried out by OVO.

Meanwhile, from the awareness of each platform, Lifepal (PT Lifepal Technologies Indonesia occupies the first position because it is recognized by 39.9 percent of respondents. Lifepal is listed as the organizer of the Digital Financial Innovation (IKD) aggregator cluster registered with the Financial Services Authority (The difference is slightly below PasarPolis). namely Cekpremi (34.6 percent), JAGADIRI (32.5 percent, Qoala (31.7 percent), RajaPremi (31.3 percent), and ArrangeDuit (30.5 percent). Others, namely Futuready only 21.7 percent, WE+ is only 16.9 percent, and finally FUSE which is only recognized by 12.9 percent of the total respondents.

The report also reflects that insurtech may only be recognized by a handful of respondents as ad relevance and related ad visibility only reached 4.1 percent of respondents' awareness. Far from penetrating fintech ads in other clusters. Finally, in terms of the media that has the most influence on interest in trying fintech products, the most dominant is through social media which touches 60.3 percent of respondents. Others, namely TV (20.3 percent), articles on the internet and online media (11.1 percent), and word of mouth recommendations (3.3 percent).

**Regulation**

The Financial Services Authority (OJK) clarified the rules of the game related to digital financial innovation by issuing three OJK Circular Letters (SEOJK). The issuance of the circular letter is in accordance with the mandate of OJK Regulation (POJK) Number 13/POJK.02/2018 concerning IKD in the Financial Services Sector. The chairman of the OJK Digital Financial Innovation Group, Triyono Gani, said the three circulars included SEOJK Number 20/SEOJK.02/2019 concerning Procedures for IKD Registration and SEOJK Number 21/SEOJK.02/2019 concerning Regulatory Sandbox.

First, the SEOJK concerning the IKD (Digital Financial Iteration) Registration Mechanism contains four important points. According to him, this rule requires every IKD organizer to apply for registration of an innovation being developed, unless it has obtained a registered and licensed mark from the OJK. further research on the application through the panel forum," he explained. Furthermore, organizers who have registered will continue to be monitored, especially through performance reports submitted on a quarterly basis. However, the operator's registered status can be canceled or revoked if it does not meet the conditions.

Second, the SOJK regarding the Regulatory Sandbox also contains four important points. He explained, the application of the regulatory sandbox to ensure IKD operators meet the criteria as stipulated in POJK 13/2018. be used as a reference in reviewing similar business models," he said. In addition, his party will also determine the results of the sandbox regulation with several criteria ranging from recommended (to apply for registration), not recommended (must stop business activities), and repairs, this applies to all operators in the same cluster. Furthermore, the regulatory sandbox will be carried out at the OJK Innovation Center for Digital Financial Technology or other places recommended by the regulator with a maximum time limit of one year. can also be extended for a maximum of six months for repair status.

Third, SEOJK concerning Appointment of IKD Organizer Association. Triyono revealed, to get an appointment from the regulator, the association of IKD organizers must submit an application according to the procedures regulated in the SEOJK. organization, membership regulations and database of members, as well as plans for activities of associations organizing IKD. In addition, they must also have adequate facilities and infrastructure. In this case, there are several duties, authorities and reporting obligations for the organizing organization that has been appointed by the OJK as regulated in the SEOJK. The appointment of the IKD management can be revoked if it does not meet the provisions. According to Triyono, this circular letter will come into effect on the date of its stipulation. As of October 2019, there have been 61 IKD Operators, 40 Regulatory Sandbox prototypes, and one designated IKD organizer association, the Indonesian Fintech Association.

## CONCLUSION

Indonesia during this pandemic has tried to use new business models in effective marketing in the insurance industry, with digital iteration and involving technology in insurance called insurtech. but in reality, in the field of digitalization marketing has not been able to make a real contribution in terms of insurance company profits, many factors influence including public perception and understanding about insurance, about digital technology and about security in digitization. This makes a penetration process that must be carried out not only to generate profits but also to understand the wider community, doubts and confusions that must be answered by digital iteration providers, government and academia. in the form of campaigns, outreach and advertisements through offline and online media.With these steps, it will be able to raise public awareness and knowledge that digital iteration is safe, and guaranteed by the government for all risks, and people need not be afraid to transact and use digital iteration to fulfill all activities in the insurance sector, both living and non-living.

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