

## The Role of Digital Contracts in The Insurance Business and Their Relationships on Digital Signature Using PrivyID

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### Abstract

*Insurance is an agreement made by the insurer and the insurance cover. In terms of digital agreements or digital contracts in the insurance business, one of the aspects that support business legitimacy is a digital signature (digital signature). One of the digital signature providers is PrivyID. The chosen research method is descriptive analysis. While the type of research in this research is library research conducted through various reading materials. The results of the study state that the implementation of electronic signatures by PrivyID follows the provisions in the ITE Law which require the fulfillment of electronic document security aspects, namely authenticity (authentication), wholeness (integrity), and undeniable (non-repudiation). Privyid has a special insurance product by simplifying policy signing and digitizing workflows, with full legal guarantees, because insurance is a high-complexity business, involving several processes to manage current policies, updated policies, handle customer requests, and process claims. With the rapid growth and changes in the insurance industry, digitizing workflows is necessary to provide efficiency while providing a high level of trust and security in user onboarding.*

**Keywords** | digital contact, digital signature, insurance, private ID

### INTRODUCTION

The rapid development of the internet has led to the formation of a new arena which is commonly referred to as cyberspace. Here every individual has the right and ability to relate to other individuals without any restrictions that prevent it. These developments also have an impact on the social aspect, in which the way people interact also changes.

The contract law system in Indonesia is regulated in articles 1320 and 1338 BW (*Civil Code*) consists of a written contract and an oral contract. Classically, the preparation of business agreement contracts in Indonesia is a conventional contract (the preparation is done by signature and face-to-face meetings) with all its own advantages and disadvantages in the preparation (Latianingsih, 2012). However, legal developments that have been adapted to the development of technological civilization are not fully realized by the legal community, especially in Indonesia. Electronic contracts are a form of new contracts that receive special protection in Law Number 11 of 2008 concerning Information and Electronic Transactions (hereinafter referred to as the ITE Law), specifically through Article 1 number 17, electronic contracts are agreements between parties made through electronic system.

In this digital and practical era, of course everyone will need insurance to provide protection for themselves and their families. Insurance is an agreement made by the insurer as well as the insurance cover, the insurer is fully responsible for indemnifying, and or paying what is stipulated at the time of closing the agreement using a sum of money to the insurance cover, otherwise the insurance cover binds itself to pay the premium (Purwosutjipto, 1986).



In terms of digital agreements or digital contracts in the insurance business, one of the aspects that support business legitimacy is a digital signature (*digital signature*). One of the digital signature providers is PrivyID. This paper will discuss "The Role of Digital Contracts in the Insurance Business and Its Relation to Digital Signatures Using PrivyId".

## METHODS

The chosen research method is descriptive analysis, while the understanding of the analytical descriptive method according to (Sugiono: 2009; 29) is a method that functions to describe or give an overview of the object under study through data or samples that have been collected as they are without conducting analysis and making general conclusions.

The type of research in this research is library research conducted through various reading materials. Reading materials were obtained from library materials such as books, journals, documents and materials related to this research. The method used is document study, namely a study by studying data in the form of books, research reports, seminar papers, expert writings, and regulations related to research material.

## RESULT AND DISCUSSION

### The Role of Digital Contracts in Insurance Companies

Information technology or information technology (IT) has changed paradigms in activities, has created new types and business opportunities, and created new types of jobs and careers in human work (Sjahdeini, 2001). Insurance companies are also not free from this. The existence of insurance in Indonesia is regulated in a scattered manner in several laws including: the Civil Code (KUHPdata), the Commercial Code (KUHD), the Law of the Republic of Indonesia Number 2 of 1992 concerning Insurance Business. The definition of insurance (loss) is regulated clearly in Article 246 of the Commercial Code (KUHD) which states that insurance or coverage is an agreement, by which an insurer binds himself to an insured, by receiving a premium, to provide reimbursement to him due to a loss, damage or loss of expected profit, which may be suffered due to an unspecified event.

From the definition above, it is illustrated that there are several elements of insurance, namely:

1. It is an agreement;
2. There is a premium;
3. There is an obligation of the insurer to provide reimbursement to the insured;
4. There is an event that is not certain to happen.

Insurance companies also carry out digital transformation towards digital contracts, to keep abreast of IT developments. Johannes Gunawan (2003) argues that electronic contracts (*digital contract*) is a standard contract that is drafted, made, determined, duplicated and disseminated online *digital* via the internet site (*website*) unilaterally by the contract maker to be closed automatically *digital* also by the conclusion of the contract. This means that in an electronic contract as a legal act, it contains various terms of the agreement that have been determined in advance (unilaterally) by the contract maker which is provided in a technology-based facility for a specific purpose and purpose (Lubis, 2020).

Regarding the formation of an insurance agreement, Article 255 of the Criminal Code states that insurance must be made in writing in a deed called a policy. However, the policy is not an absolute requirement for an insurance agreement, but only serves as evidence (Gultom, 2018). Insurance companies in relation to digital contracts, issue insurance policies in conventional and digital forms.

According to Article 1 number 6 Financial Services Authority Regulation Number 23/POJK.05/2015 of 2015 concerning Insurance Products and Marketing of Insurance Products (“OJK Regulation 23/2015”), Insurance Policy is an insurance agreement deed or other document equivalent to an insurance agreement deed, as well as other documents that are an integral part of the insurance agreement, made in writing and contains an agreement between the company insurance and policyholders. Based on Article 21 of OJK Regulation 23/2015, Insurance Policies are issued in the form *hardcopy* or digital/ electronic. In the event that the Insurance Policy is issued in digital/electronic form, the company must obtain the approval of the policyholder, the insured, or participants. The company is required to submit the Insurance Policy to the policyholder, the insured, or participants in the form *hardcopy* or digital/electronic. In the event that the Insurance Policy is submitted in digital/electronic form, the part of the Insurance Policy in the form of a policy summary must still be submitted in the form *hardcopy*.

The characteristics of an electronic contract are:

1. It can occur remotely and even beyond the boundaries of a country via the internet;
2. The parties to an electronic contract never meet face to face (faceless nature), maybe they will never meet.

The advantages or benefits of electronic contracts, including:

1. Contracts run fast;
2. It doesn't cost much;
3. Contract decisions or agreements can be accepted immediately;
4. The agreement format is available and in written form, all you have to do is fill it in;
5. Payment for the agreed goods or objects is received more quickly;
6. Agreement results are received more quickly;
7. With the existence of sufficiently sophisticated technology, documents that are intentionally or accidentally deleted can be traced or returned.

In addition to the various advantages or advantages, electronic contracts also have weaknesses, namely:

1. Tracking the first party or debtor is difficult in the event of default;
2. Less efficient in communication;
3. Electronic contracts are very easy to duplicate so that the original data is no longer known;
4. Electronic contracts as evidence are feared to be falsified and later problems will arise regarding the authenticity of these electronic contracts (Roosdiyana, 2010).

Based on Government Regulation Number 82 of 2012 concerning Implementation of Electronic Systems and Transactions, electronic transactions are carried out based on electronic contracts/other contractual forms as a form of agreement made by the parties. In transactions made via the internet, or in other words referred to as transactions in cyberspace,



the signature used is also a signature in the form of electronic data, which is then known as an electronic signature (Harahap, 2015).

The validity of the agreement is not determined by the physical form of the agreement. Print and digital/electronic agreements, both oral and written, will be valid according to law if they meet the criteria of Article 1320 of the Indonesian Civil Code (“Civil Code”), namely meeting the terms of agreement, skills, specific objects, and legal reasons. What is meant by *digital signature* or *electronic signature* is not *digitized image of handwritten* or not a signature or an image, but by first creating a hash or message digest, in the form of a document *mathematical summary* to be sent through *cyber space* (Harahap, 2015).

Referring to Article 1 point 12 of the ITE Law, an electronic signature is a signature consisting of electronic information that is attached to, associated with, or related to other electronic information that is used as a means of verification and authentication. Many people are unfamiliar with the term electronic signature and think that an electronic signature is the result of a scanned printed document that has been signed and is in the form of a soft copy. In fact, the actual electronic signature is not obtained through this method. Article 11 of the ITE Law states that, "electronic signatures have legal force and legal consequences as long as they meet the following requirements:

- a. Electronic signature creation data is related only to the signatory (Authentication);
- b. The data for making an electronic signature during the electronic signing process is only in the power of the signatory (Authentication c. Any changes to the electronic signature that occur after the time of signing can be known (Integrity/Integrity);
- c. All changes to electronic information related to the electronic signature after the time of signing can be known (Integrity);
- d. There are certain methods used to identify who the signatory is (non-repudiation);
- e. There are certain ways to show that the signatory has given consent to the related electronic information (non-repudiation).

The essence of digital signatures is as follows:

1. As proof of identification of the parties. From the mechanism or working procedure for the birth of digital signatures through an encryption process with cryptographic techniques, a private key is born from one of the parties so that it can open the customer's private key from one of the parties who wants to enter into the agreement.
2. Meet the formality requirements. Involvement of certification authority institutions as trusted institutions to guarantee the confidentiality of digital signatures. The state is still trying to have an institution under the auspices of the Government to issue digital certificates.
3. Approval sign. The nature contained in a digital signature as a key to open an encrypted contract is also when the party who has the private key matches the public key belonging to the business actor, for example, when the party who has the public key knows the customer's offer, then at that time it is also a sign of approval of a legal event that will occur from both parties.
4. Efficiency. After the customer expresses his agreement by opening or decrypting the encrypted contract, and reading all the provisions that must be followed for the business



actor, the two parties expressly agree to comply with the provisions contained in the encrypted contract (Biondi, 2016).

### **Case Analysis of PT Privy Digital Identity (PrivyID) as Electronic Signature Provider**

The electronic signing process is carried out by involving electronic signature organizers. Article 1 point 21 PP PSTE defines an electronic signature operator as a legal entity that is credible and functions as a facilitator for making electronic signatures. For example, PrivyID, an electronic signature provider company. With an electronic signature provider, the process of verifying users and submitting purchases of goods at financial technology companies becomes more efficient.

PT Privy Identitas Digital (PrivyID) is a Certified Electronic Certificate Provider and Electronic Signature Provider company founded in Jakarta in 2016. PrivyID provides legally binding digital signature services and trusted digital identity for businesses and customers to connect directly. PrivyID operates with an international standard security system ISO 27001. The use of PrivyID's digital signature has been recognized by the Ministry of Communication and Information (KEMENKOMINFO), Bank Indonesia, and the Financial Services Authority. Apart from that, PrivyID is also an official partner of the Directorate General of Population Affairs and Civil Registry of the Ministry of Home Affairs. PrivyID provides services in three types of products; PrivyID, a digital signature application that allows its users to sign and request digital signatures anytime, anywhere; EnterpriseID, a digital signature application equipped with corporate personnel information system features, and Privy Login, an online customer onboarding service that allows Indonesian citizens to access various services without having to visit a service provider's branch office. All PrivyID products can be accessed via mobile phones or browsers on computers and laptops (KOMINFO, 2021).

The implementation of electronic signatures by PrivyID follows the provisions in the ITE Law which require the fulfillment of electronic document security aspects, namely authenticity (*authentication*), wholeness (integrity), and undeniable (*non-repudiation*). The signing process begins with registration on the electronic signature organizer platform. In this process, the user enters data including name, email address, cellphone number, and uploads a photo of the National Identity Card (KTP). In addition, users are required to upload selfies directly from different directions, as well as create signatures and initials by scraping their fingers or cursors. Then, the user waits for the registration confirmation email and verifies the validity of the identity document. This process is carried out to ensure that all data during the electronic signing process is in the power of the user (signer) only (Sulistio, 2019).

The next stage after registration and verification is that the user uploads the document he wants to sign. In the electronic signature organizer platform, three options will appear, namely 'sign', 'share', and 'sign and share'. The 'sign' option is selected if you want to sign only documents. The 'share' option is enabled when you want to share data with a second party. Meanwhile, the 'sign and share' option can be used to share documents with a second party to be signed after the user has signed them. In this signing process, there is an electronic



certificate that can show that all changes to the electronic signature that occur after the time of signing can be known. There is a description of the time when the electronic signature was affixed and the validity period (Sulistio, 2019).

In addition to information regarding changes to electronic signatures, users can also find out if there are changes to electronic information related to the electronic signature after the time of signing. The electronic signature organizer platform will display information regarding the validity of the signer's identity, the time of signing, and the condition of the original document being signed. Electronic certificates that can be accessed by users also display the identity of the signer of a document, so that the signer can be identified (Sulistio, 2019). When the user who organizes the electronic signature wants to sign, there will be a page containing the points to be approved. Through biometric authentication, the customer expresses approval of the electronic information signed by him. Thus, the entire electronic signing process can prove the identity of the signer and maintain the integrity of the contents of the document. Apart from that, corrections or changes to the contents of a document can be identified by the parties by using electronic signatures (Andalan, 2019).

PrivyID has a special insurance product that simplifies the signing of policies and digitizes workflows, with full legal guarantees. Insurance is a highly complex business, involving multiple processes for managing current policies, updated policies, handling customer requests, and processing claims. With the rapid growth and changes in the insurance industry, digitizing the workflow is necessary to provide efficiency while providing a high level of trust and security in user onboarding, as follows:

#### **1. Workflow automation and digitization**

Digital workflows help insurance companies and agents sign up more customers faster. No more time delays, and drastically reduce document requirements, reduce the number of incomplete documents, and speed up the entire signing process.

#### **2. Insurance Policy signing from only one application**

With the PrivyID application on Android or iOS mobile devices, customers can manage their insurance documents. Sign a policy registration easily without having to go to customer service.

#### **3. Safe and legal**

PrivyID's digital signature is legally binding, Privy ID also uses two-factor authentication and advanced encryption to securely sign and store insurance documents.

#### **4. Benefit Guarantee by Using PrivyID End-to-End Solution for Insurance**

Save the sales cycle for the process of submitting and registering new customers with digital onboarding. Faster processing and time approval of insurance policies or claims with reduced fraud and errors. Guaranteed security, legality and compliance, as every digital signature made using PrivyID is legal evidence before the law (Privy Digital Identity, 2020).

### **Benefits of Electronic Signature for Insurance Companies**

#### **1. Increase Employee Productivity**

Electronic signatures for insurance companies will have an impact on employee productivity. Especially when employees have to examine customer documents. In this phase insurance company employees can spend up to 60% of their time just checking files and documents, even though employees are required to be keen to know customers. The existence of electronic signatures is significant because document checking can be done quickly and accurately. Employees only need to match the electronic signature encryption code owned by a customer on a digital document whether it is valid or not. Thus, employee work becomes more accurate and their performance increases in providing the best service for customers.

## **2. Speed up Document Signing**

A fast signature process will make it easier for both the company and the customer. For example, when there are policy changes, filing claims and so on, the company and customers do not need to wait for the printing process, meetings and agreements. With an electronic signature, the process becomes shorter and instant.

## **3. Creating a Better Customer Experience**

Electronic signatures that are able to speed up the service process will make customers get a better experience when compared to other insurance companies. It is not impossible that if the customer is satisfied, the customer will convey his best testimony to others. Indirectly, when the company's image improves, other prospective customers will not hesitate to choose the company.

## **4. Electronic Signature Minimizes Errors**

Errors in verifying signatures and identities in insurance company services will damage credibility. The impact is that companies can experience financial losses while reducing the level of customer trust. The presence of an electronic signature can be a solution to minimize errors quickly because it has been integrated with the company's digital information verification system.

## **5. Electronic Signatures Cut Costs**

Based on the survey, the cost for one document and its various accessories costs around US\$20. Then, survey results from American Century stated that companies can save up to 90% on expenses when implementing online document filing. Cost efficiency can also be obtained from signing document files. Insurance companies no longer need to pay for paper, ink or printing machines because all documents are processed digitally (VIVA, 2021).

## **CONCLUSION**

Insurance companies carry out digital transformation towards digital contracts, to keep abreast of IT developments through digital/electronic contracts. An electronic contract as a legal action contains various terms of the agreement that have been determined in advance (unilaterally) by the contract maker which is provided in a technology-based facility for a specific purpose and purpose. Regarding the formation of an insurance agreement, an insurance must be made in writing in a deed called a policy. Insurance policies are issued in the form *hardcopy* digital/ electronic.



The validity of the agreement is legal according to the law if it meets the criteria for the terms of the agreement, skills, specific objects, and lawful causes. In this case a digital signature is required. *Ddigital signature orelectronic signature is notdigitized image of handwritten* or not a signature or an image, but by first creating a hash or message digest, in the form of a document *mathematical summary* to be sent through *cyber space*.

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