

The Investor



Founded in 2007, LeapFrog is an impact-focused private equity investor supporting businesses that provide financial services or healthcare solutions to emerging consumers in South Asia, Southeast Asia and Africa. LeapFrog has raised three funds to date and invested in 35 countries. The firm estimates that its portfolio companies, which have grown at an average annual rate of over 26% since investment, have created more than 130,000 job opportunities.

FUND NAME

LeapFrog Emerging Consumer Fund III

FUND SIZE

USD743 million

TOTAL AUM

USD1.8 billion

The Company

PasarPolis

PasarPolis is an insurance technology (insurtech) company that connects individuals and businesses to insurance providers. Founded in 2015, the licensed insurance broker of primarily micro-insurance products targets first-time buyers such as delivery couriers, drivers and online shoppers in Indonesia, Thailand and Vietnam. To date, PasarPolis has provided insurance to 35 million people, with 90% of its customer base being insured for the first time.

WEBSITE

www.pasarpolis.io/en

INDUSTRY/SECTOR

Insurtech

LOCATION

Southeast Asia

DATE OF INVESTMENT
SEPTEMBER 2020

AMOUNT
APPROXIMATELY
USD28 MILLION

INITIAL
PARTICIPATION/STAKE
MINORITY

INSURANCE IS A CORE FOCUS for impact private equity firm LeapFrog Investments because of the role it plays in protecting families from poverty should a breadwinner lose a job or become ill. LeapFrog had been closely monitoring Southeast Asia's digital insurance sector as rising e-commerce and greater mobile internet usage were expected to fuel an expansion in the region's digital economy to USD300 billion by 2025. After evaluating all the insurtech companies operating in the area, it narrowed in on PasarPolis in 2019.

The Indonesia-based startup was the region's largest digital insurance distributor, issuing between 50 million and 70 million policies per month. The company's robust technology platform could deliver affordable products to even the most remote communities, making it uniquely positioned to scale. LeapFrog was also impressed by the company's values – PasarPolis is careful not to automatically push policies that are not meaningful to individuals, as opposed to many of its competitors that require customers to opt out of insurance. PasarPolis will furthermore proactively discontinue products that are not serving its customers well as evidenced by a lack of claims being made.

LeapFrog invested in PasarPolis in September 2020 as part of the company's USD54 million Series B alongside Japanese venture capital firm SBI Investment, Chinese electronics maker Xiaomi and the venture arm of Indonesia's technology platform Gojek. Investing at such an early stage was atypical for LeapFrog. However, PasarPolis' innovative digital-first approach created the opportunity for dramatic growth in returns and impact, seeing insurance delivered at scale to key emerging consumer markets for the first time.

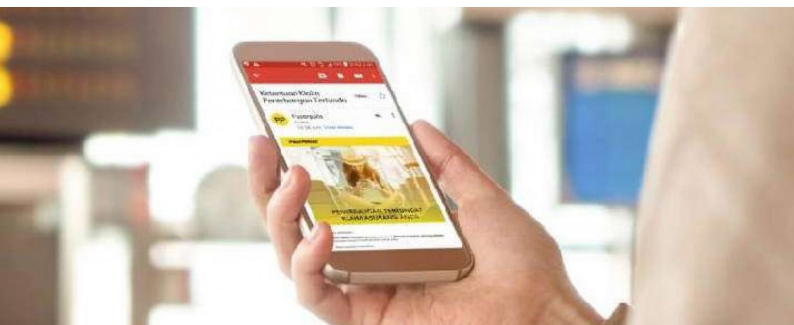
PasarPolis has grown rapidly since LeapFrog's investment. The number of full-time employees has risen by 60% to 230 as of June 2021, while its platform expanded to include over 40 digital distribution partners and more than 20 insurance partners. The company has served 35 million to date in Indonesia, Thailand and Vietnam, approximately 90% of whom had never previously purchased an insurance policy.



The Deal

PASARPOLIS began as a comparison site to help consumers evaluate various online insurance options but gradually changed its business model to better reach Southeast Asia's fragmented markets. It formed strategic partnerships with some of the region's largest digital platforms such as Gojek, Kredivo, Shopee, Tokopedia and Traveloka to distribute microinsurance products primarily through mobile apps. These partners — many of which have invested in PasarPolis — have given the company access to a customer base of over 100 million active users. Examples of the types of policies issued include short-term travel insurance, health and accident coverage for rideshare drivers and passengers, and protection against damaged or missing products for small businesses and online shoppers.

With a team of data scientists and engineers stationed across India and Indonesia, PasarPolis leverages technology to help customers select highly customized products while keeping production costs low. Part of the Series B proceeds went toward further developing the company's technology infrastructure, including its artificial intelligence-based claims automation platform. The ease of use and product affordability is demonstrated by PasarPolis' high customer engagement — on average, one customer purchases up to four policies per quarter and nearly 60% of all policyholders purchase two or more policies per month.



Outlook

AS THE ONLY private equity firm in a venture capital-dominated investor group, LeapFrog foresees playing an active role in PasarPolis' next financing round. LeapFrog's near-term priorities include helping the company become an insurance underwriter and supporting the hiring of more underwriting, actuarial and capital management talent to deepen PasarPolis' in-house insurance expertise.

LeapFrog also intends to work closely with PasarPolis to create and appropriately price new products related to gadget, automobile, health, property and life insurance. Both parties believe that graduating the company's customer base from microinsurance to more meaningful higher-ticket items will lead to greater scalability and impact in Southeast Asia.

Leapfrog's Consumer Insights group assisted PasarPolis in completing a customer journey mapping exercise to strengthen the company's product and operations quality, which led to several improvements in user experience; including a reduction in claim turnaround times from 10 days to four, and a 25% increase in total loss damage policies. In the first quarter of 2021, the company also formally integrated an Environmental & Social Management System to better monitor stakeholder grievances. By the end of June 2021, PasarPolis' reported complaint ratio was its lowest of all time at 0.1%.

Demand for health insurance has increased due to the global pandemic. To provide a safety net for rideshare drivers and merchants, PasarPolis launched COVID-19 health and life insurance products across its partners' platforms. The company also created a new employee benefits business line in 2021 to sell group policies to large corporations. Employees are provided with a health insurance app through which they can make claims, find doctors, manage chronic diseases and more. These new initiatives, coupled with a surge in policies related to e-commerce, digital lending and food delivery, contributed to PasarPolis' revenues rising 260% and active customers growing 95% year over year as of June 2021. In June alone, the company served more than 4 million new customers.

Providing supplemental income opportunities for emerging consumers

IN 2020, PasarPolis developed an onboarding platform called PasarPolis Mitra, which encourages people to become insurance agents and start their own businesses. These agents, which total 10,000 as of October 2021, meet with PasarPolis' customers to help them pick policies and process claims. The company partnered with PT Aplikasi Karya Anak Bangsa, owner of the Gojek technology platform, to specifically engage Gojek drivers in the distribution of healthcare insurance. In addition to giving these drivers a new avenue to generate income and offset losses resulting from the COVID-19 pandemic, PasarPolis has also provided them with training and insurance.

Having a local agent network throughout Indonesia, which is home to over 17,000 islands, has helped PasarPolis extend its reach — particularly in rural communities with low insurance literacy. Approximately 40% of the company's policyholders are informal sector workers such as drivers, couriers or small online businesses, while 60% live on less than USD10 (purchasing power parity) per day.