



Proposed Legislation:

Attracting the Innovative High-Tech Insurance Jobs of the Future

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InsurTech holds great promise

Innovative new insurance technologies, products and services hold great promise for improving:

- Understanding and mitigation of risk
- Efficiency and cost of insurance transactions
- Speed of claims payments, and
- Overall customer satisfaction

InsurTech is growing rapidly

Willis Towers Watson Quarterly InsurTech Briefing – Q4 2017

- 2017 InsurTech investment = \$2.3 billion, a 36% increase year over year
- Insurers of senior level insurance executives = 76% believe their company is moderately to extremely at risk of disruption
- As a result, incumbent insurers have become big InsurTech investors
- Majority of new investments are focused on enhancing the current value chain and not on market “disruption” or producer disintermediation

How to attract more InsurTech investment?

To date, no State has adopted a regulatory sandbox

- First mover advantage
- 2018 legislation has been introduced in four states – AZ, HI, IL & MA
- These bills do not reflect a uniform approach
- Another three states have existing laws that may provide state insurance regulator sufficient flexibility to establish a sandbox – FL, IA, MO

Other jurisdictions sense an opportunity

U.K. Financial Conduct Authority (FCA) launched its regulatory sandbox in June 2016

- 162 applications
- 60 firms accepted into sandbox
- 10 insurance firms accepted

Other jurisdictions sense an opportunity

Australian Securities & Investments Commission (ASIC) launched a regulatory sandbox in December 2016

- Applies to insurance for home contents and personal property, but pending legislation proposes to expand the eligible types of business
- ASIC also has entered into fintech cooperation and information sharing agreements with regulators in China, Singapore, United Kingdom, Ontario, Hong Kong, Japan, Malaysia and Abu Dhabi

Other jurisdictions sense an opportunity

Monetary Authority of Singapore (MAS) launched its regulatory sandbox in June 2016

- >30 firms applied into the first cohort
- First “graduate” from MAS sandbox was an insurance broker with a mobile app for customers to manage all of their policies digitally in one place
- That graduating firm is now a licensed insurance broker

What do those sandboxes have in common?

Regulators are actively promoting the development of innovative ways to meet evolving customer needs and expectations by

- Providing a supervised process for pilot testing and experimentation with new insurance products, services and technologies
- Where needed, relaxing specific legal and regulatory requirements that act as hurdles to the testing or implementation of new innovations

Proposed Legislation: State-Based Sandbox

A successful State-based regulatory sandbox will require

- Reasonable degree of regulatory flexibility
- Regulator focus on maintaining consumer protection and risk mitigation
- Clear protections for trade secrets
- Measures designed to maintain a level playing field



Insurance Innovation Regulatory Variance or Waiver Act

Based on existing laws in FL, IA & MO

Would create a legislative foundation for a State-based regulatory sandbox

- Insurance regulator may grant variances, waivers or no-action letters with respect to the application or enforcement of rules that would discourage or prohibit the introduction of innovative new insurance technologies, products or services
- Applicant for relief must demonstrate that the purpose of an underlying law or regulation has been or will be achieved by alternative means
- Regulator authorized to attach conditions needed to protect consumers or mitigate risks
- Protects trade secret information and sensitive information



Insurance Innovation Regulatory Variance or Waiver Act

Maintains level playing field by

- Prohibiting relief from certain essential laws and regulations, including laws governing
 - Solvency and investments
 - Licensing and certificates of authority
 - Participation in residual markets and guaranty funds
 - Application of taxes and fees
 - Any other law or regulation the regulator deems ineligible for relief
- Transparency
 - Publishing certain information at the time the regulator receives an application for relief and at such time as any relief is granted
 - Requiring annual report from regulator to the Legislature as a vehicle for informing lawmakers as to the extent and results of using this legislative grant of authority

Insurance Innovation Regulatory Variance or Waiver Act

Examples of relief that could be considered

- **Market withdrawal plans** – Pilot testing a product may involve a pre-planned pause and assessment – should this be considered a market withdrawal?
- **On-demand insurance** – How would coverage reduction/cancellation notice requirements apply?
- **Parametric insurance** – Definitional issues, extent of indemnity, nonrenewal laws, non-traditional claims process
- **Rebating** – If an insurer wants to install or give sensors to policyholders that are yet untested but might prove effective in preventing losses, could pilot testing be done even if the sensor/installation cost exceeds current dollar limits in anti-rebating laws?