



NATIONAL COUNCIL OF INSURANCE LEGISLATORS

Sound Public Policy In 50 States For 50-Plus Years

Financial Services & Multi-Line Issues Committee

Thursday, November 18, 2021

Scottsdale, AZ

Insurance Regulatory Sandbox Model Act

NC Regulatory Sandbox Act/H. 624/Session Law 2021-166.

Carolina Fintech Hub/NC Blockchain Initiative

Jeffrey M. Klein

Jeffrey M. Klein, PLLC



NC Regulatory Sandbox

- NC House 624 enacted as Session Law 2021-166, huge bipartisan support (House 111-0) and signed by Governor Cooper on October 15, 2021.
- Creates the NC Regulatory Sandbox Act (Financial Services).
- Three years in making; drafted at behest of Carolina Fintech Hub and NC Blockchain Initiative. NC at crossroads of financial services+technology.
- Will contribute to economic development and attract technologically innovative companies. Provide additional employment and support services for NC banks and insurers, which will help them remain competitive.
- Will enable participant/companies to test an innovative financial or insurance product and to receive a time-limited (“pilot”) authorization.

NC Regulatory Sandbox Act

Key Attributes:

- Covers **both** Fintech and Insurtech.
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- Preserves consumer protection and regulatory oversight.
- A rather unique “Innovation Council” composed of Insurance Department, Office of Commissioner of Banks; Secretary of State, Attorney General and public members.
- Key Roles: (1) Assign application to applicable state agency; (2) Issue Sandbox guidelines; study trends, promote innovation.
- Acknowledges consultative role of nonprofit/non-governmental organizations (NGOs) such as the CFH (which have to be approved). Can provide participants to receive technical assistance to support design/implementation of products/services; provide guidance re the regulatory framework.



NC Regulatory Sandbox

- Word to wise: to be successful, engage with number of partners and “interested parties”! We did with:
- NC Department of Insurance
- NC Justice Center
- Center for Responsible Lending
- NC Office of Commissioner of Banks
- Office of Secretary of State
- NC Bankers Association and NC Insurance Federation.



NC Regulatory Sandbox Initiative vs. NCOIL Model

- Many commonalities: application process, fees, business plan; financial security, evidence of need for innovation. Both allow for implementing regulation. Query whether the certificate of authority provisions in Model are appropriate.
- NCOIL Model is more granular. The NC Act in some respects, was broader. The NCOIL 'no action' letter sections (similar to federal concepts) are sound and more detailed/ superior to the NC innovation waiver provisions.
- NCOIL Model has an Insurance Department Innovation Office. That's fine and similar to existing practices in WI, CT and other states. No need for a multi-agency Council as in NC.
- What is anything, can/should we take from NC Act?:
- Consumer disclosures: NC act in Section 169-8, contains certain consumer disclosures, such as the product is issued in a testing environment; that NC nor any agency endorses the product; the consumer can contact the State AG or other agency to file complaints etc.
- Expanded Beta Test period (Model Section 6): should be expanded from 1-2 years. One year may not be enough. Capital commitments from investors in startups require more.
- NGO partners and Blockchain: Should include a role for NGOs/nonprofit insurtech advisers. Recognition of Blockchain initiatives and technology for future study.
- Reciprocity provisions. Recognition of participants in this and other states; ability to enter into reciprocal agreements, state or federal.
- Consumer protections: you can consider state by state, as in NC, whether to cite to specific statutes.



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- **Contact Information/Questions:**

- Jeffrey M. Klein, PLLC
- Jeffrey M. Klein
- Jmkregulatory@gmail.com
- Jklein@mcintyrelf.com.
- Mobile: 704.756.1916
- Also see www.CarolinaFintechHub.org for more information on the CFH.

