

ASSAL-IAIS REGIONAL TRAINING SEMINAR FOR INSURANCE SUPERVISORS OF LATIN AMERICA

REGULATION AND SUPERVISION OF INSURETECH.

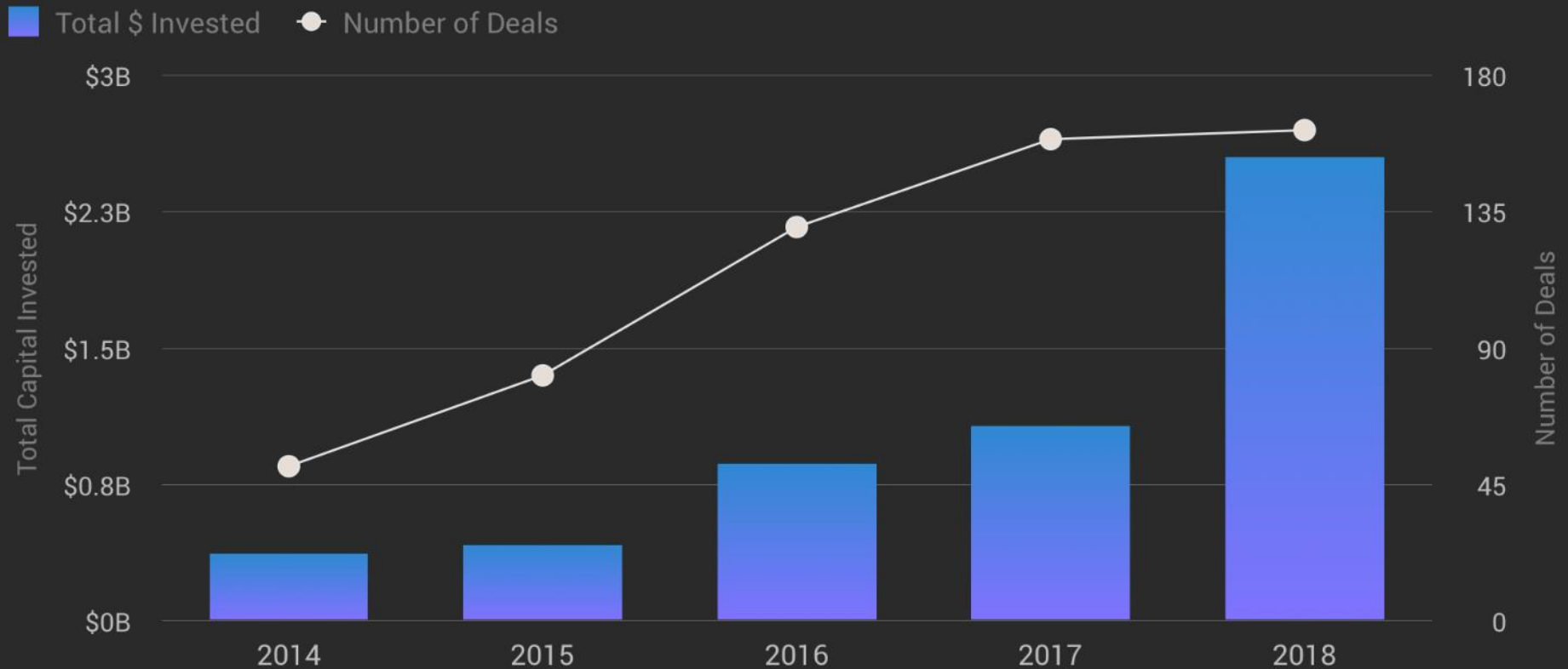
Dean Cameron, NAIC Secretary-Treasurer and
Director, Idaho Department of Insurance

WHAT IS “INSURTECH”?

- Split off from “Fintech” several years ago
- Innovative use of technology in insurance
- Coined by the industry as “disruptors” to traditional insurance business models; now viewed as “transformative”
- Trend is to “transform” as opposed to “disrupt”
 - Very few “full stack” start-ups
 - Incumbents actively “shopping” startups and TSPs that offer solutions to identified gaps and business problems/opportunities
 - Incumbents also creating internal “innovation” subsidiaries or divisions to develop innovations through technology internally

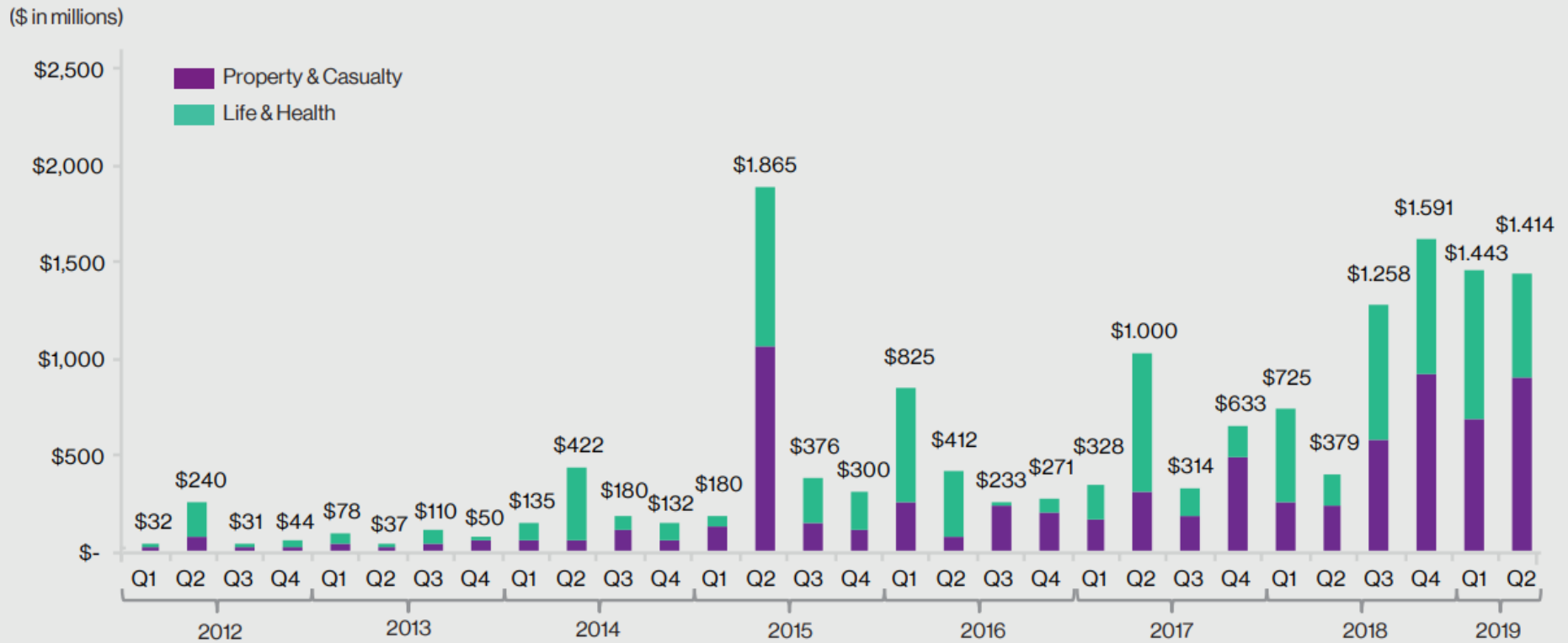
Venture Investment In U.S. Insurance & Insurance Technology Companies

Based on reported venture funding data in Crunchbase. Dollar volume is based on the sum of rounds with known dollar amounts; deal counts account for all transactions, regardless of known dollar amounts. The 2018 figures include rounds raised by Cambridge Mobile Telematics and excludes a round raised by Moda Health. Our 2014 figures exclude a round raised by Ironshore. Data is current through mid-March 2019.



INSURTECH FUNDING

Quarterly InsurTech funding volume – all stages



Deal Count

P&C:	5	3	4	4	5	4	12	9	10	7	16	8	17	13	16	21	44	18	33	29	26	37	29	44	45	45	40	41	57	49
L&H:	8	6	7	9	15	8	9	4	9	15	14	15	11	19	15	20	16	17	6	13	17	32	21	10	23	27	17	22	30	20

EVOLUTION OF INSURTECH

- Phase 1 – Tackling market inefficiencies
- Phase 2 – Marketing and selling insurance by online brokers
- Phase 3 – Tackling the backend of the value chain

INSURTECHS FOCUSED ON:

- Distribution & Customer Engagement
- Products, Pricing & Underwriting
- Policy Admin, Claims & Back Office Efficiencies
- Data & Analytics

TECHNOLOGY ENABLERS

- Wellness Related – Device/Technology
 - Genetics, Health diagnostics, Medical Device, Telehealth, Wearables, Biotechnology, Biometrics
- Smart Home / Telematics
 - Home security, Sensor, Smart building, Smart home, In vehicle intelligence, Onboard vehicle sensors, Telematics, Vehicle safety
- Data, Analytics and Business Intelligence
 - Big data, Data integration, Big data standards, Predictive analytics, Business intelligence, Analytics data intelligence, Data mining, Geospatial
- Artificial Intelligence
 - Artificial intelligence, robotics, machine learning, natural language processing, Automatic speech recognition, Chat bots
- Infrastructure
 - Blockchain, Blockchain standards and consortia
- Cybersecurity / Enterprise Risk Management

AUTONOMOUS VEHICLES

- Insurance Implications
 - Applicability of the current tort system
 - Assumes a person will be driving and assignment of blame to a driver
 - Who is at fault if a person is not driving?
 - Default to product liability?
- Insurance “Company” Implications
 - If 94% of accidents are “driver error” claims will be drastically reduced
 - Will not happen overnight; will be gradual
 - Will it start with commercial fleets and TNCs?
- Way Forward?
 - Take the opportunity to lead
 - NAIC CIPR facilitate forums for stakeholders to collaborate such as DOT, NHTSA, IIHS, law enforcement, DMV, insurers, regulators, consumers

BLOCKCHAIN TECHNOLOGY

- Insurance benefits
 - Smart contracts
 - Anti-fraud
 - Claims handling
 - Impenetrable cryptography
 - Transparency
 - Real time
- Proof on Concepts
 - FNOL, Proof of Insurance, Parametric, Subrogation, Statistical Data Access

INNOVATION MEETS REGULATION

- Often innovations are at the demand of consumers
- Consumer protections/regulations must be top of mind
- When it makes sense, do not want to impede or slow down
- Regulators have kept pace through proactively initiating and facilitating educational opportunities and dialogue with stakeholders

NAIC INNOVATION AND TECHNOLOGY (EX) TASK FORCE CHARGES

- Provide a forum for the discussion of innovation and technology developments in the insurance sector
- Educate state insurance regulators on how these developments impact consumer protection, privacy, insurer/producer oversight and marketplace dynamics
- Develop regulatory guidance as appropriate
- Discuss regulatory issues that arise with the development of autonomous vehicles
- Discuss emerging issues related to companies or licensees leveraging new technologies to develop products for on-demand insurance
- Monitor developments in the area of cybersecurity, including the implementation of the Insurance Data Security Model Law and consider what, if any, additional consumer disclosures related to cybersecurity might be necessary and effective

NAIC INNOVATION AND TECHNOLOGY (EX) TASK FORCE FOCUS

- Established and published Innovation and Technology state contacts: https://www.naic.org/cmte_ex_ittf.htm
- Legal research related to state laws and practices:
 - Rebating
 - Notice of cancellation/renewal
 - E-signatures
- Guidelines and Best Practices
 - Sharing state processes and procedures related to innovation and technology insurance products and services
- Recent Topics
 - Deeper Dive with Specific Anti-Rebating Issues
 - Bundling of insurance and non-insurance products
 - Use of Surplus Lines Market to Expedite Market Entry
 - Regulatory Sandbox – Continued
 - Definitions

QUESTIONS/COMMENTS