



Comments of the Center for Economic Justice
To the NAIC Innovation and Technology Task Force
Suggested Bulletin Directed at Insurtechs:
Why Insurance is Different from Other Consumer Products

April 19, 2019

During the Innovation and Technology Task Force’s meeting earlier this year, we listened with interest to the presentation by Plug and Play and to the questions and discussion that followed the presentation. We felt that the survey results presented by Plug and Play were too generic to provide actionable insights. Rather, information on what type of regulation presented what type of barrier would have been far more useful.

Some of the perceived barriers may be a result of Insurtech’s thinking that insurance is like any other consumer product, in spite of the fact that regulation of insurance is predicated on the fact that insurance is not like other consumer products. To educate Insurtechs to basic issues of insurance regulation, we suggest the ITTF develop a bulletin for Insurtechs entitled “Why insurance is different from other consumer products—a primer for Insurtechs.” Such bulletin might include discussion of the following topics to provide a context for Insurtechs to understand the purposes of insurance regulation and to help guide their efforts in support of the goals of insurance regulation. In no particular order:

1. Insurance is generally regulated on a state-by-state basis
2. Insurance has a limited exemption from federal anti-trust laws. Activities that might otherwise violate anti-trust laws are permissible if regulated by the state.
3. The nature of insurance products have resulted in particular statutory requirements and regulatory practices
4. Cost-based pricing is required by actuarial standards of practice and financial solvency. The requirement for cost-based pricing is to protect insurer financial condition and prevent intentional or unintentional unfair discrimination

5. States generally prohibit discrimination on the basis of specific consumer characteristics – such as race, religion or national origin – as well as require discrimination on the basis of other consumer characteristics be justified by differences in expected losses or expenses. Pricing practices – such as dynamic pricing or price optimization – are not permitted in personal lines insurance.
6. Some insurance is required either by law or by lenders requiring protection of home or vehicle collateralizing the loan.
7. An insurance contract is a promise for future benefits if an undesirable event occurs. If the product “fails” – the consumer learns the insurance policy won’t cover the loss – she is stuck and can’t purchase another policy that would protect her against a known loss.
8. Consumers have little or no information about the insurers’ performance.
9. There is profound public interest in broad coverage – failure or inability of consumers and businesses to access insurance has implications not just for individual families and businesses, but for taxpayers, communities and the nation.
10. State insurance regulators have resources to assist you to understand, navigate and develop products in compliance with the consumer protection goals of the state-based insurance regulatory system

We suggest that the proposed bulletin would provide a useful introduction to insurance regulation and provide a roadmap for innovation.