

Draft: 9/19/23

Innovation in Technology and Regulation (H) Working Group
Virtual Meeting
August 29, 2023

The Innovation in Technology and Regulation (H) Working Group of the Innovation, Cybersecurity, and Technology (H) Committee met August 29, 2023. The following Working Group members participated: Jason Lapham, Chair (CO); Dana Popish Severinghaus and C.J. Metcalf, Co-Vice Chairs (IL); Matt Walsh, Co-Vice Chair (OH); Sarah Bailey (AK); Erick Wright (AL); Letty Hardee (AR); Lucy Jabourian (CA); Anthony Francini (CT); Dana Sheppard (DC); Tim Li (DE); Travis Grassel (IA); Weston Trexler (ID); Rachel M. Davison (MA); Sandra Darby (ME); Chad Arnold (MI); Cynthia Amann (MO); Colton Schulz (ND); Connie Van Slyke (NE); Cass Brulotte (NM); Brian Fjeldheim (OR); Eric Lowe (VA); Ned Gaines (WA); Rebecca Rebholz and Timothy Cornelius (WI); and Juanita Wimmer (WV).

1. Adopted its April 27 Meeting Minutes

Gaines made a motion, seconded by Grassel, to adopt the Working Group's April 27 minutes (*see NAIC Proceedings – Summer 2023, Innovation, Cybersecurity, and Technology (H) Committee, Attachment Two*). The motion passed unanimously.

2. Heard Updates from Global Insurance Accelerator and InsurTech NY

Lapham opened the next agenda item first discussing the initial intention of the working group. He said that the working group initially intended to launch an InsurTech Forum at the NAIC's Insurance Summit. The working group commissioned a volunteer group to design the program which was later opened to InsurTech companies. However, the program did not receive enough interest to proceed as planned. Instead, the working group decided to pivot meeting with InsurTech groups to learn about what they are doing and with the working group later revisiting its own programming ideas.

Lapham next thanked the volunteers who helped design the initial forum idea which were: Matt Walsh of Ohio, CJ Metcalf of Illinois, Shannen Louge of Pennsylvania, Chad Arnold of Michigan, Kory Boone of Maryland, Chris Aufenthie formerly of North Dakota, Gary Sullivan of the American Property Casualty Insurance Association, Chanda Brady formerly of the American Council of Life Insurers.

Lapham next welcomed the speakers for the call, Dan Israel of the Global Insurance Accelerator (GIA) and David Gritz of InsurTech NY (ITNY). Israel and Gritz started by introducing themselves and discussing the programming that each organization offered with both running programs that assist startups in the process of working through the business life cycle from concept to connecting with expert resources and sources of capital.

Lapham asked Israel and Gritz about trends among InsurTechs with Gritz talked about life insurance companies increasingly providing wellness programs and running into issues regarding the rules limiting factors that can be considered related to life insurance policies. Gritz said that startups occasionally struggle to propose or explain their ideas given their lack of experience working with regulators. Gritz said that proactive engagement with InsurTechs can help InsurTechs understand regulatory expectations. Israel discussed the diligent search requirement needed for surplus line writers to offer certain coverages which can be challenging for InsurTechs to complete in a way that meets regulator expectations. Regulators setting clear expectations for InsurTechs could be beneficial to aid in addressing that difficulty.

Lapham next asked about roadblocks with Israel pointing to the lack of access to data to allow InsurTechs to prove their ideas given that many carriers are reluctant to share their data. Gritz agreed that access to data was a challenge and specifically addressed claims data can make it difficult to determine the profitability of new products or ideas. Both Gritz and Israel discussed access to capital being a new challenge with Israel noting that reinsurers have grown conservative in the current business cycle.

Lapham next asked about what regulators can do to support InsurTechs noting that there is a learning curve to have the proper discussions. Israel noted that the GIA has a really great relationship with the Iowa Insurance Division who meet with the founders involved in the GIA's programs and help the founders receive questions they may not have otherwise considered. Israel said that regulators need to show up and provide a good message letting InsurTechs know they want to see their products but that they want those products to be brought in a way that preserves the protection of policyholders. ITNY tries to facilitate panels to allow founders to hear from regulators. Israel and Gritz encouraged regulators to get involved and learn about what the InsurTech community can offer and to learn about how technology is being used in other industries to understand the potential for value in the insurance industry.

Lapham next asked if there were any aspects of InsurTechs that were often misunderstood. Israel noted that many InsurTech founders don't come from the insurance industry and therefore at times struggle to bring good ideas to life. Therefore the GIA tries to help the InsurTech community understand the highly regulated space they are entering. Gritz noted that time matters more to InsurTechs. Waiting an extra month can be a really significant event to InsurTechs that could result in a founder not taking a salary for a month. Additionally, many InsurTechs are not risk bearing entities with many wanting to play a role as a producer or underwriter. He also suggested that regulators take a wholistic view of InsurTechs including consideration of their reinsurance stack as opposed to narrowly focusing on their capital at the legal entity level.

Lapham next asked about success stories as well as examples of InsurTechs that were unsuccessful. Gritz talked about InsurTechs who have written policies for less than a year that could be adjusted as the # of employees in a company fluctuates but that run into difficulties where such a product is prohibited. At times, InsurTechs have been able to engage with regulators to articulate why rules should be changed and have had some success. One other idea that hasn't succeeded has been related to direct to consumer life insurance sales where some companies have found that although it is possible to innovate, there remains an important need for people to be involved in helping consumers navigate their choices. Israel talked about InsurTechs being successful in cyber insurance helping companies understand their cyber risk exposure leading to customized cyber insurance coverage. Another unsuccessful idea was the use of telematics which are still used but hasn't solved enough of a problem for consumers to lead to meaningful adoption.

Lapham closed the discussion with a question about examples of InsurTechs and regulators working together. Israel and Gritz talked about positive experiences with state and international regulators. Grassel noted that the Iowa Insurance Division continues to learn from its engagement with regulators and noted the importance of relations to help drive InsurTechs forward. Lapham agreed that conversations are important and can help regulators appreciate the constraints InsurTechs operate under.

Brulotte asked how regulators and InsurTechs can balance competing objectives with regulators trying to protect consumers and InsurTechs trying to derive profit. Israel noted that mentoring groups such as his try to bring in mentors that represent all aspects of the insurance life cycle. If InsurTechs reduce expenses for carriers that can likely lead to benefit for consumers. He noted that InsurTechs can also help improve the service provided. Gritz noted that InsurTechs may help find areas where new products are needed to help address underserved markets and can help innovate leading to beneficial pricing changes.

Having no further business, the Innovation in Technology and Regulation (H) Working Group adjourned.

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