

IAIS Report: FinTech Developments in the Insurance Industry

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Background

Objectives

Overview of FinTech developments relevant to the insurance industry - description, drivers, investment landscape.

Analysis of potential impacts to the insurance landscape and to supervisory approach, based on three scenarios.

FinTech Task Force
Brazil, France, Mexico, US, UK, IAIS Sect.

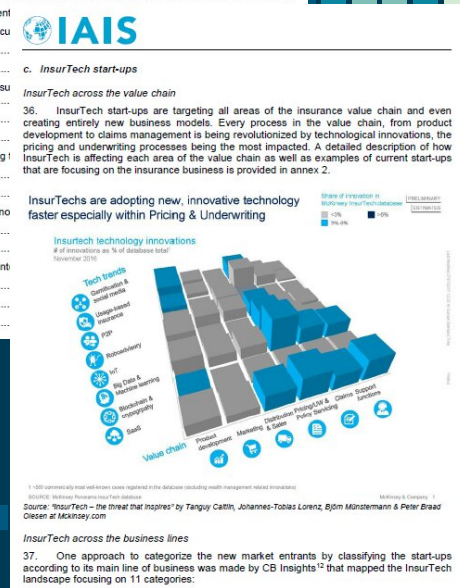
Roundtable Meetings Research

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Overview: innovations in the value chain



friendurance

Slice *metromile*

Usage based
Behavioural based
On demand
P2P

nest ScoreData
*Praedi*cat

Connected devices (IoT)
Drones
Predictive Analytics
Cloud computing

oscar Goji
policygenius

Mobile & online
distribution, aggregators,
comparison sites.

Lemonade[™]

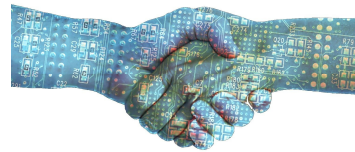
ETHERISC

Drones
DLT/Blockchain
Artificial
Intelligence

Scenario Analysis



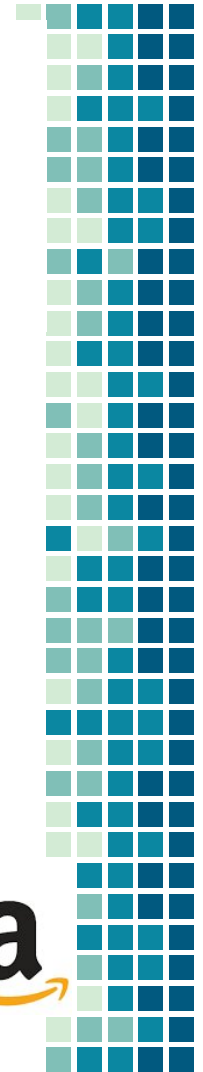
Incumbents successfully maintain the customer relationship



Fragmentation of insurance value chain; incumbents no longer in control



Big technology firms squeezing out traditional insurers



Scenario Analysis

Competitiveness

Consumer choice

Interconnectedness

Regulatory oversight

BM Viability & Cap. Req.

Conduct of business

Data ownership

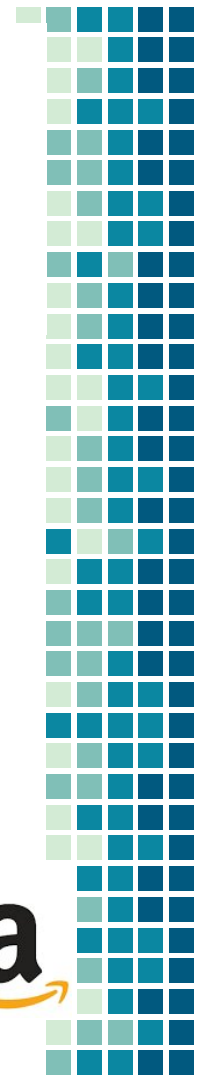
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Analysis & supervisory considerations (SC)

Competitiveness

Expected to **reduce in long term**.

Consumer choice

Expected to **reduce** -extent varies by scenario.



SC: how to do more to encourage or accommodate competition and new entrants?

SC: how to ensure that the ability to compare products between providers is not compromised as segmentation of customers increases?

Analysis & supervisory considerations (SC)



SC: how to include in current regulatory reports additional information in order to monitor potential risks of interconnectedness?

SC: how to reassess the regulatory framework in order to ensure consumers' adequate protection and to continue to monitor market trends?

Interconnectedness

Expected to **increase**.

Ability of regulatory oversight

Expected to **reduce**.

Analysis & supervisory considerations (SC)

Business model viability & Cap. Req.

Resilience of current business model expected to **reduce**.

Conduct of business

Potential **increase** in risk of reflecting **firm's objectives** rather than consumer's.



SC: how to adjust the regulatory capital framework to include new business models and changes in risk profile changes of insurers?

SC: how to require a minimum level of transparency for consumers that highlight the potential conflicts of interest?

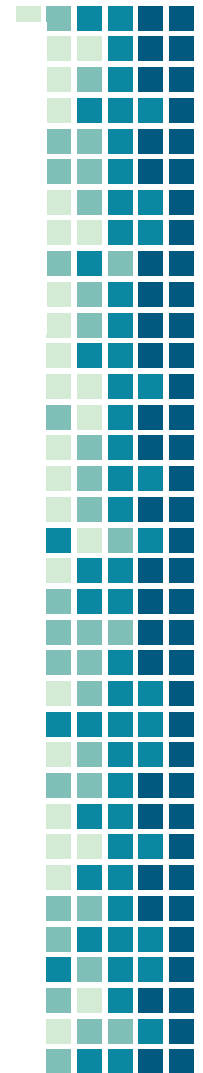
Analysis & supervisory considerations (SC)

Data ownership

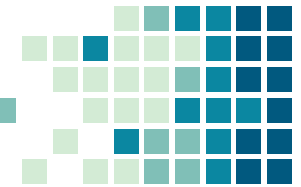
Potential **increase** in risk of unauthorized access, use or transfer of personal data.



SC: how to strengthen regulatory provisions regarding data access, use and transferability between providers, as well as provisions related to IT management, cyber security and internal controls for outsourcing technical services?



Other legal & regulatory considerations



- The regulatory status of P2P insurance providers, which may have the characteristics of insurance firms, agent/brokers or reinsurers;
- The legal certainty and enforceability of smart contracts;
- Jurisdictional aspects of Autonomous Decentralised Organisations (DOAs) that - for example using smart contracts on blockchains - may (seem to) exist as virtual insurers.

Conclusions

- **FinTech developments** are potentially **disruptive**.
- Currently **uncertain** to oversee and understand how the **insurance market** and its **supervision** will be **affected**.
- Scenario analysis and possible implications for supervision can **assist** in shaping the **future strategic direction** of supervisors and IAIS.
- Report presents relevant **challenges** that **insurance supervisors** may face in the **near future** when addressing FinTech innovations.



Thanks

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