

# How Innovative Insurance Ideas are challenging Traditional Regulations

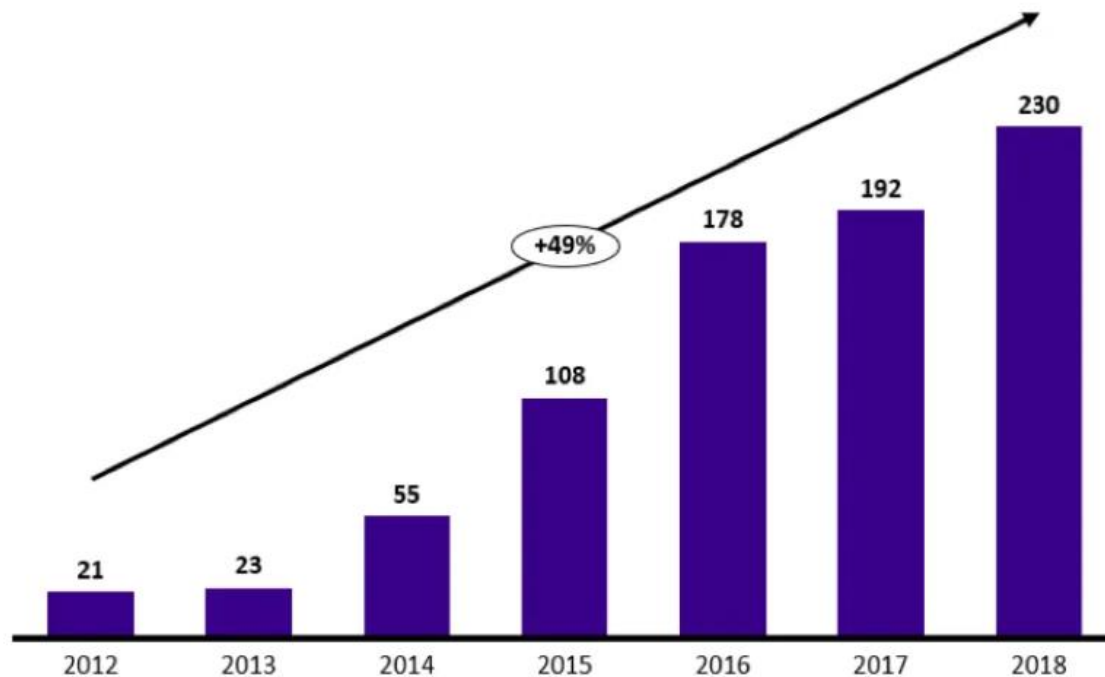
**HUSAIN FEROZ ALI**



# INSURTECH REVOLUTION

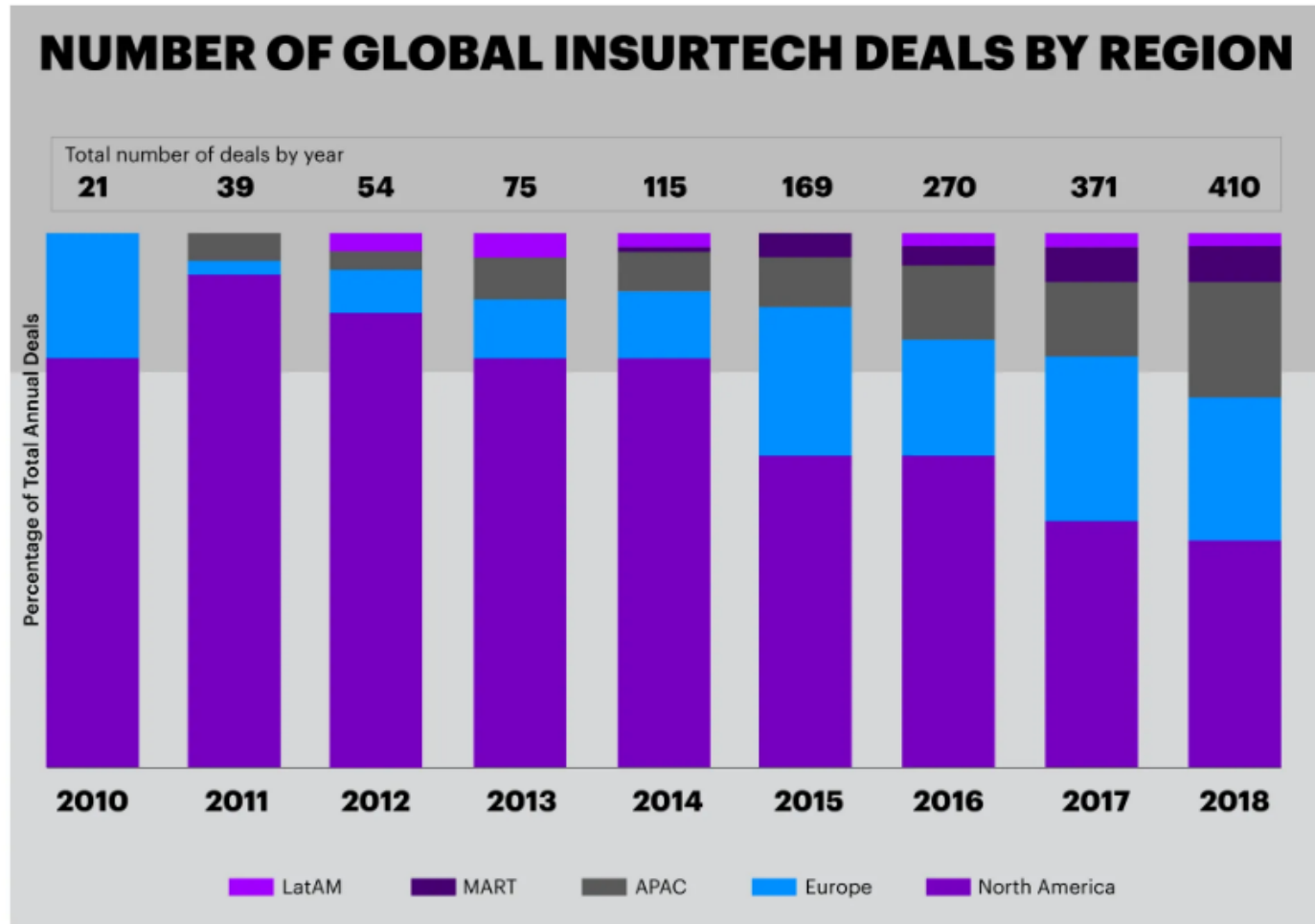
In 2018, Insurtech attracted around USD 4.4bn of global investment, an increase of 98% compared to previous year

# OF DEALS IN TECHNOLOGY-RELATED COMPANIES WITH BROAD  
INDUSTRY APPLICATIONS WHERE **AT LEAST ONE INSURER**  
**PARTICIPATED AS INVESTOR<sup>1</sup>**...



(1) Analysis based on a pool of 92 global insurers

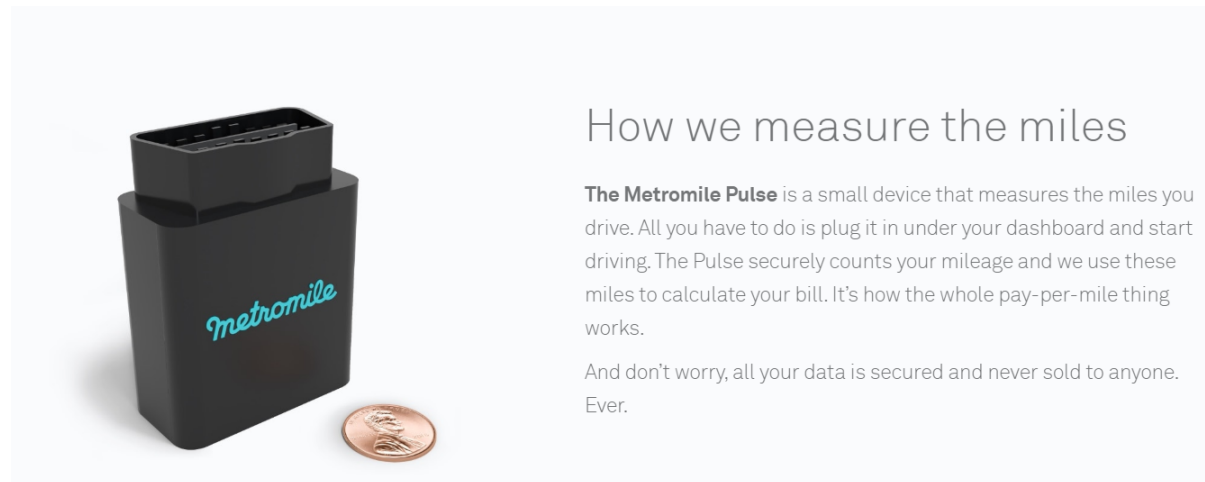
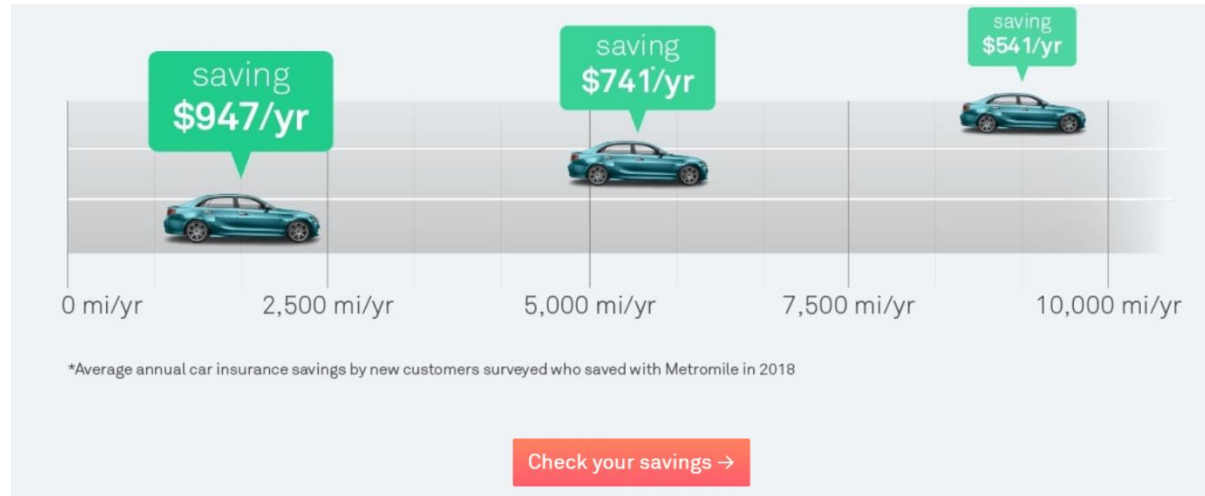
# INSURTECH – GLOBAL EXPANSION



# INSURTECH EXAMPLES



Metromile is a digital insurer founded in 2011 offering auto insurance to low mileage drivers through a telematics device installed on your vehicle that measures the miles you drive.



## How we measure the miles

**The Metromile Pulse** is a small device that measures the miles you drive. All you have to do is plug it in under your dashboard and start driving. The Pulse securely counts your mileage and we use these miles to calculate your bill. It's how the whole pay-per-mile thing works.

And don't worry, all your data is secured and never sold to anyone. Ever.

# INSURTECH EXAMPLES



This app-based freelancer insurer enables freelancers to match their insurance to their on-demand working lives, something they have previously found difficult to do.



Hourly on-demand car insurance available in UK

## Insurtech Startup Cuvva Smashes One Million Policies Sold Barrier

by The Fintech Times © July 19, 2019

*UK-based short-term insurance startup Cuvva has sold over one million policies via its mobile app, and has experienced roughly 750 per cent growth in policy sales in the last two years.*

Since selling its first policy in 2016, the startup has sold over 32 million hours of motor insurance alone, providing a solution for the UK's sharing economy. Challenging the insurance sector, Cuvva was the first to provide both hourly motor insurance and insurance via an app in the UK.

# INSURTECH EXAMPLES

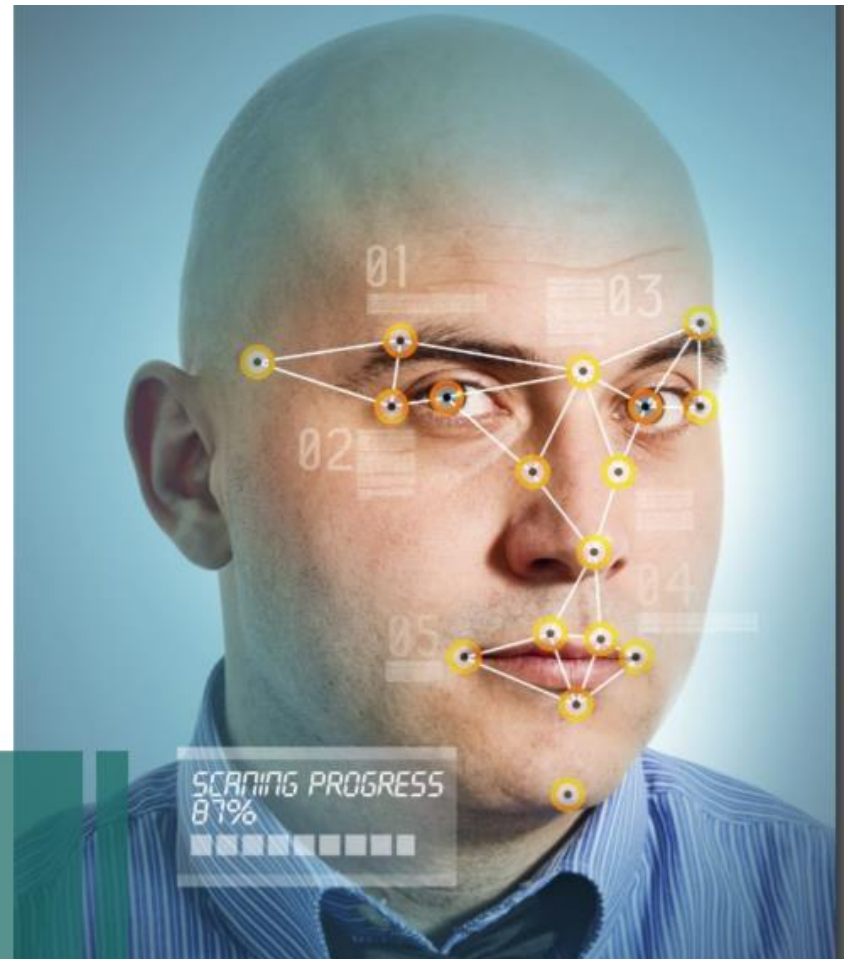
## SELFIES SET TO REVOLUTIONIZE LIFE INSURANCE UNDERWRITING?

### **FACIAL ANALYTICS** DELIVERS NEW INSIGHTS INTO KEY FACTORS INFLUENCING INDIVIDUAL LONGEVITY.

The rate at which we age chronologically is very different from the way we age biologically. The insurance industry has long used chronological age for actuarial purposes and while it is a generally reliable way to estimate lifespan, it doesn't take into account individual differences based on both acquired and genetic traits.

**CHRONOS'** facial analytics technology extracts information on the biological, genetic and behavioral traits of an individual insurance applicant and links these traits to variations in mortality risk. The result is a more accurate and reliable estimate of individual lifespan relative to metrics based exclusively on chronological age.

Two people of the same chronological age rarely experience the same rate of biological aging. You know this intuitively just by attending your high school reunion.



# BANKING INDUSTRY HAS BEEN DIGITIZED





# BANKING INDUSTRY HAS BEEN DIGITIZED



- ❑ Online only banks are also known as neo-banks, challenger banks, virtual banks and digital-only banks
- ❑ Most major banks around the world have gone digital to some degree.
  - ❑ Virtual banks – more disruptive form of banking as they exist only online
- ❑ Hong Kong
  - ❑ 8 digital/ virtual bank licenses issued in 2019
  - ❑ Virtual banks can be owned by non-financial institutions such as technology firms whereas conventional banks are required to be majority owned by regulated financial institution

# BANKING INDUSTRY HAS BEEN DIGITIZED



- ❑ Monetary Authority of Singapore announced in Sep 2019 to grant 5 virtual bank licenses by the end of year
  - ❑ Technology firms and non-banking financial institutions can apply
  - ❑ Two-stage process; Restricted Digital Full Bank (lower minimum paid up capital requirement of S\$15 million). Digital Full Bank (paid up capital requirement increased to S\$ 1.5 billion)
- ❑ Taiwan issued its first virtual banking license in July 2019
- ❑ Malaysia- draft virtual banking framework is anticipated by end of the year
- ❑ Australia grant two digital-only bank licenses in 2019



# RATING AGENCIES SHIFTING FOCUS ON INNOVATION



- ☐ AM Best plans to add “innovation” component as part of their rating process
- ☐ AM Best now believes that the pace of innovation in the insurance industry is accelerating and that an insurer’s ability to innovate is increasingly critical to its long-term financial strength.
- ☐ Ratings won’t be affected initially due to innovation assessment. The innovation score will not be published also
- ☐ Companies to be categorized into the following depending upon the assessment results:
  - ☐ Non-innovator
  - ☐ Reactor
  - ☐ Adopter
  - ☐ Innovator
  - ☐ Innovation Leader

# VIRTUAL INSURANCE LICENSES



- ❑ Hong Kong
  - ❑ Launched First track approval scheme for online-only license in 2017
  - ❑ Bowtie Life Insurance received first virtual life insurance license
  - ❑ Avo Insurance received first virtual general insurance license
  - ❑ Only online license firms will not be able to sell through banks or agents
  
- ❑ China - Zhong An is online only insurance company established in 2013

# USE OF SOCIAL MEDIA

- ❑ New York's Department of Financial Services (NYFS) has released new guidelines in 2019 that will allow life insurance companies to use data from customer's social media posts and other non-traditional sources as long as it does not unfairly discriminate
- ❑ Some insurance companies in UK denied several claims for home insurance who posted their photos on social media while abroad
  - ❑ Customers are required to take "reasonable care" in keeping their property safe

# REGULATORY SANDBOX MODEL

- ❑ A testing environment in which to analyze innovative business models, products and technology without requiring full compliance with existing regulatory framework
- ❑ Live testing of innovative ideas under the supervision of regulator for which regulator may permit certain relaxations for limited time period.
- ❑ Innovation friendly regulatory environment was established creating an environment of eased regulations for testing new product-based and technology based innovations
- ❑ Benefits are start up friendly regime, allow limited scale testing of innovative ideas before a wide scale launch
- ❑ A regulatory sandbox introduces the potential to change the nature of the relationship between regulators and financial services providers toward a more open and active dialogue.

# REGULATORY SANDBOX MODEL

- ❑ First launched in UK in 2015
- ❑ Currently more than 20 regulators have either implemented or exploring the concept

## COUNTRIES HAVING AN ESTABLISHED SANDBOX MODEL OR WORKING TOWARDS IT

Australia	Hong Kong	Malaysia	Republic of Korea	UAE (Abu Dhabi)
Bahrain	India	Mauritius	Sweden	UK
Brazil	Indonesia	Mexico	Switzerland	USA
Brunei	Japan	Netherland	Taiwan	
Canada	Jordan	Russia	Thailand	
China	Kenya	Singapore	Turkey	



# INDIAN REGULATORY SANDBOX

## AN EXAMPLE



- ☐ One month window for applications between Sep 15, 2019 to October 14, 2019
- ☐ Regulator has set a cap of 10,000 policies or Rs. 5.0 Million total premium for experiment in the sandbox environment
- ☐ Application Categories:
  - ☐ Insurance distribution
  - ☐ Insurance products
  - ☐ Underwriting
  - ☐ Policy and claim servicing
- ☐ Initial six-months approval along with a possibility of extension for another six months
- ☐ Prior consent from customer is required, data security is the responsibility of the applicant

# UAE MARKET



- ❑ The ADGM RegLab is a specially-tailored regulatory framework which provides a controlled environment for FinTech participants to develop and test innovative FinTech solutions. As the first RegLab in the region and the world's second most active FinTech sandbox, the RegLab is designed to foster innovation within the UAE financial services market for both new market entrants and existing financial institutions.



In May 2017, DFSA launched an “[Innovation Testing License](#)” for fintechs, allowing firms to test their concepts within DIFC’s territory. 45 fintechs total are brought into the sandbox in cohorts; 7 of those just adopted in January 2019.

# CONCLUSION

- ❑ InsurTech companies either through partnerships or stand-alone basis, introducing innovative ideas
- ❑ Similar to Banking industry, insurance sector is opening up to digital-only licenses
- ❑ Rating agencies to quantify innovation efforts for rating purposes
- ❑ Regulators are offering innovative framework such as sandbox model to keep up with exponential technological growth

THANK YOU

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