

Regulating Inclusive Digital Insurance

Hannah Grant

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Proportionality Principle and Inclusive Insurance

- IAIS's **Insurance Core Principles** (ICPs), are Principle Statements, Standards and Guidance, are a globally accepted framework for insurance supervision. For inclusive insurance, these are **expected to be implemented and applied in a proportionate manner**.

Proportionality in Inclusive Insurance

Protection of consumers with little income to spare and limited insurance experience

Enabling regulatory environment for innovation, scale and commercial sustainability

Nascent or small insurance market and low underwriting capacity

Examples of proportionate regulations to enable digital inclusive insurance

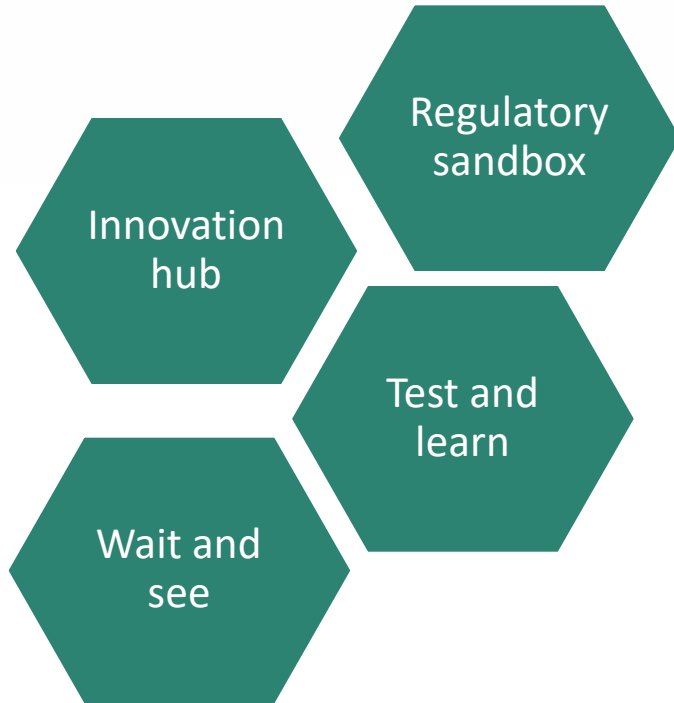
- Use of e-signatures
- Contracts and disclosures in multiple formats – digital formats, emails, smses
- Market conduct frameworks for specific models (e.g., Mobile insurance market conduct framework in Ghana)

Regulating Digitised Insurance Models

- Insurtechs and insurers are leveraging innovative technology with enhanced data analytics to be more customer - centric and inclusive
- Regulators face the dual challenge of
 - not stifling innovation (while ensuring a level-playing field)
 - Ensuring consumer protection and Financial Stability
- For the emerging digital models, Supervisors also need to coordinate their approaches with the wider set of regulations that supervise the overall digital ecosystem in their jurisdiction

Regulating for Innovations is Cross-Cutting

Regulatory tools and approaches



Laws and regulations



Two Popular Tools

Sand-boxing

- Regulatory sandboxes are test areas established for a limited time, covering a limited area, in which innovative technologies and business models can be tried out in real life.
- These allow for live experiments in a controlled environment under a regulator's supervision.
- Jurisdictions experimenting through sandboxes UK, Spain, Netherlands, India, Malaysia etc.

Innovation Hubs

- Innovation hubs are dedicated points of contact where firms can raise queries with and seek non-binding guidance from the regulator and conduct non-binding discussions regarding the conformity of proposed models, processes and technology with regulatory requirements.
- In practice in 21 EU member states
- A2ii runs an innovation lab as well!

Digitising Regulators and Supervisors

RegTech: "Regulatory Technology is a sub-set of FinTech that focuses on technologies that may facilitate the delivery of regulatory requirements more efficiently and effectively than existing capabilities".

Financial Conduct Authority (FCA UK) 2015

SupTech: Supervisory Technology is a sub-set of FinTech that uses of innovative technology to support supervision. It helps supervisory agencies to digitize reporting and regulatory processes, resulting in more efficient and proactive monitoring of risk and compliance at financial institutions.

Bank for International Settlements (BIS) 2018



The value of such technologies is twofold:

- *Enhancing operational efficiency*
- *Insightful market and business conduct supervision*

Way Forward

- The role of regulators remains of ensuring fair, safe, and stable insurance market that are increasingly inclusive, even in the emerging technology driven era
- Regulators have the task of being dynamic yet proportionate when designing regulatory framework for emerging digital business models
- Emerging technologies that enable regulatory and supervisory efforts of supervisors will help them strike the right balance

Thank you.

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