

CALIBRATING THE REGULATORY APPROACH ON NEW TECHNOLOGIES

7TH AIDA EUROPE CONFERENCE

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OVERVIEW

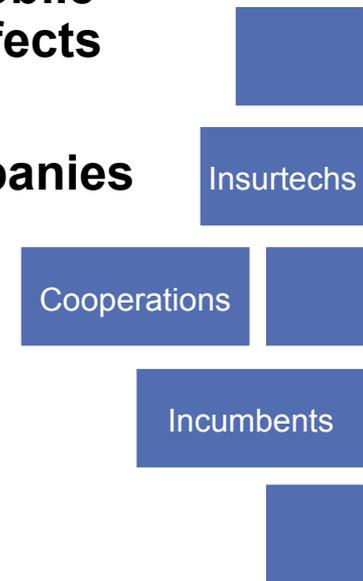
- **New challenges**
- **New supervisory and regulatory approaches developing**
- **Specific issues to be addressed**
- **Outlook**

The present slides reflect the personal views of the presenter, but not of any institution she was or is involved with.

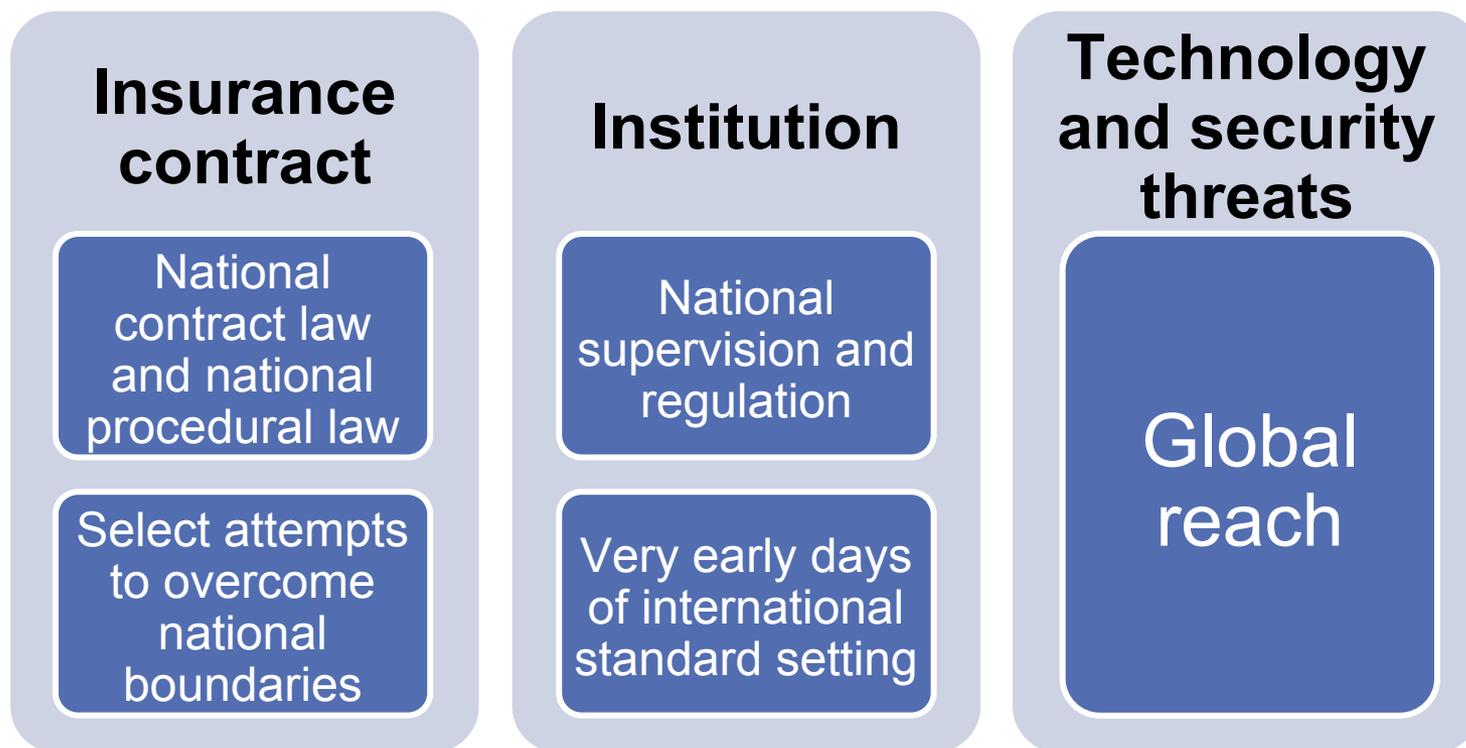
NEW CHALLENGES

NEW TECHNOLOGY AFFECTING THE ENTIRE VALUE CHAIN AND SET UP

- Progress in technology (Big data, AI, IoT, Blockchain, Mobile Tech, Robotics, Cyber threats and Cybersecurity etc.) affects all elements of the value chain
- New technology applied by independent InsurTech companies mainly in distribution
- Incumbent insurance undertakings cooperate with InsurTech companies to enhance the customer interface as well as the efficiency of their processes
- To date still relatively few new fully digital insurance undertakings
- Cyber threats affecting the entire value chain and all forms of cooperation, constantly growing



DIFFERING FRAMES OF REFERENCE FOR CONTRACT, INSTITUTION AND TECHNOLOGY



Financial Stability Board (FSB), Financial Stability Implications from FinTech, Supervisory and Regulatory Issues that Merit Authorities' Attention, 27 June 2017, p. 31

NEW SUPERVISORY AND REGULATORY APPROACHES DEVELOPING

SELECT SUPERVISORY PRACTICES DEVELOPING

- **General availability of supervisors for dialogue, while maintaining the goals of insurance regulations**
- **Categorizing of benefits and risks (e.g. FSB Financial Stability Implications from FinTech, 2017)**
- **Stocktaking (e.g. IAIS FinTech Developments in the Insurance Industry, 21 February 2017)**
- **Sandbox tests in a real life environment, formalized in cohorts by the FCA (with limited public access to results in some jurisdictions)**
- **FINMA ICO Application Guidelines**
- **Bilateral cooperations (e.g. FCA-Hong Kong Insurance Authority, FINMA –MAS)**
- **Intragovernmental and Government/Private Sector Cooperation regarding Cybersecurity (e.g. MELANI in Switzerland)**
- **Cybersecurity information campaigns (e.g. FCA)**

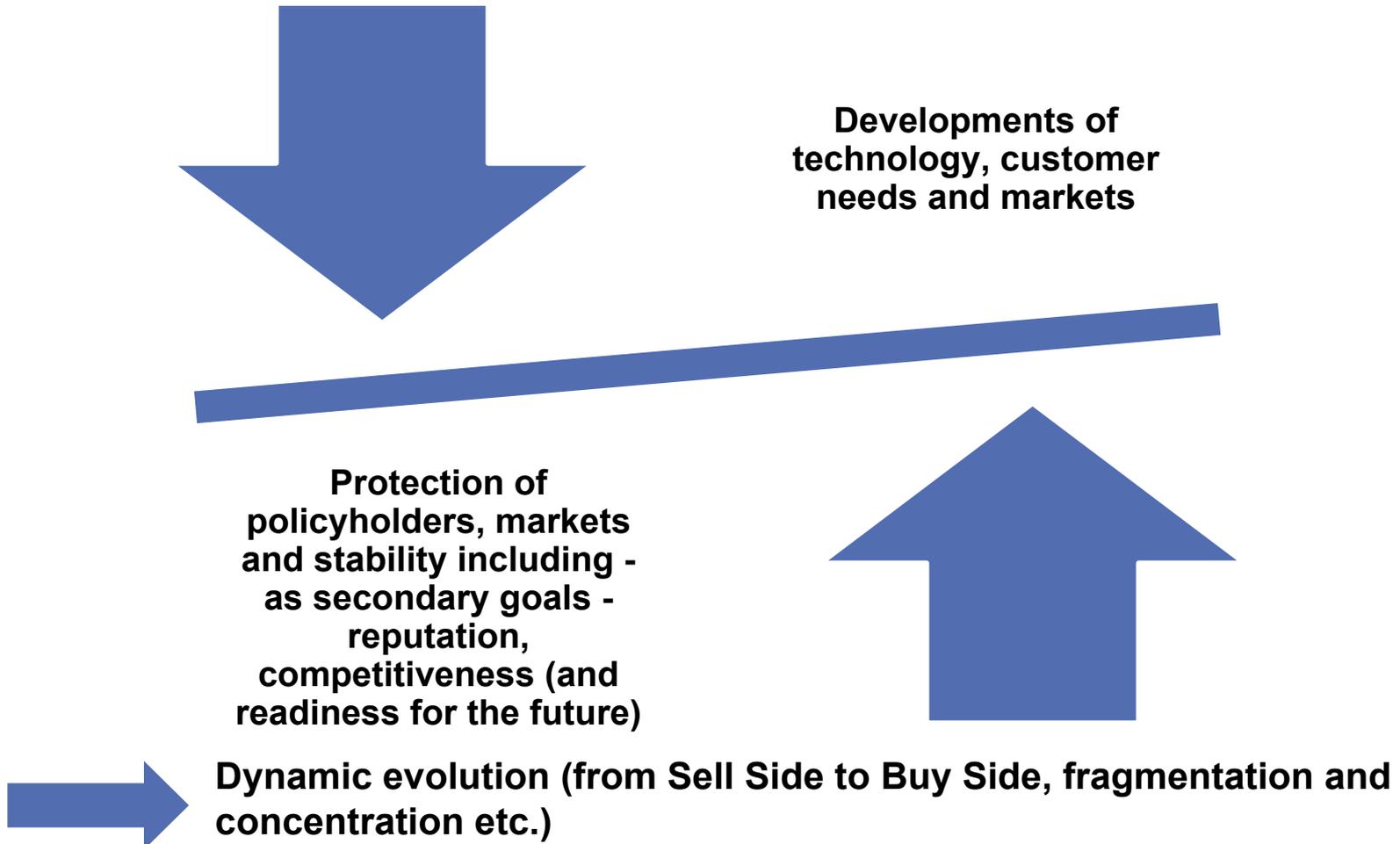


SELECT REGULATORY AND SUPERVISORY PRONOUNCEMENTS

- **Practically no new regulatory approaches regarding InsurTech to date in individual jurisdictions nor on a global standard setting level (slightly different in banking)**
- **More specific regarding Cybersecurity (e.g. NAIC Insurance Data Security Model Law 2017; FINMA Circular 2008/21 Operational Risks Banks; Risk Management requirements for insurers; FINMA Circular 2018/3 Outsourcing – banks and insurers)**
- **Pro-active approach also regarding identification of customers (FINMA Circular 2016/07 Video and online identification)**
- **Early insurance regulatory thoughts about special regimes for testing and limited specific rules or exemptions from licencing and/or select ongoing requirements etc. (in contrast to Swiss FinTech license for banks having been developed already)**

SOME ISSUES TO BE ADDRESSED

BALANCING FACTORS



CLUSTERING OF KEY ISSUES TO BE ADDRESSED



Scope of application (perimeter) of insurance regulations/Insurers to be allowed to do non-insurance business

Regulatory contents

Distribution

Information, form requirements, data protection and datafication, access to insurance

Forms of cooperation

Regulation of insurance risk carrier as a holistic risk management hub

Systemic risk



**Monitoring
Testing environment
Specific rules or exemptions
More comprehensive approach to a set of processes or across processes**

Regulatory methodology

RegTech

Cross-sectoral monitoring

International standard setting



**Separate InsurTech regulatory rules
Evolution of an InsurTech regime**

Effects on regulatory layers

Impact on traditional (insurance) regulations

Possible re-orientation of insurance regulation

OUTLOOK

IMPORTANT ELEMENTS TO BUILD THE FUTURE FRAMEWORK

- **Strong dialogue between industry and supervisors/regulators**
- **Furthering a supervisory approach using many tools**
- **Enhanced access to supervisory practice**
- **Review of scope of insurance regulation in a manner not to disadvantage incumbents (e.g. regarding prohibition not to do non-insurance activities)**
- **Technology neutral and proportionate supervisory practice and regulation to be developed, not hindering technological progress, but addressing risks associated with it**
- **Global standard setting as to InsurTech to be advanced in a technology friendly manner, not too much fragmentation in bilateral dialogues of governmental bodies**
- **Formalized and informal cyber defense activities across jurisdictions involving governments and firms**

FUTURE INSURTECH FRAMEWORK

