ICIR Digital Insurance Forum
InsurTech enabled business models – Sustainable regulatory responses

Introducing the forum and its overall discussion points, Monica Mächler highlighted the importance of InsurTech in relation to the entire insurance value chain, including distribution, underwriting and many other activities. From the perspective of John Carolin, the CEO of B3i, the InsurTech company's idea is to enable frictionless risk transfer by enabling an ecosystem that allows innovation along the value. Many problems in the industry arise not within the boundaries of individual companies, but within the interactions amongst themselves. Jörg Asmussen, the CEO of the German Insurance Association, went on to describe the difficulties InsurTech startups face, the majority of which stem from issues of acquiring insurer licenses due to high capital and expertise requirements. According to a survey, common uses of InsurTechs include loud solutions such as exploration into blockchain, and increased cooperation between market players, with a particular growth in cooperation with outside industries.

Still, the core business model of insurance has remained unchanged. This is due to there being no inherent tendency towards a 'winner takes all' attitude with respect to risk coverage. There is great potential for further development of tech-enabled markets, but there is a precondition of acquiring the correct regulatory and supervisory framework. Regulators and supervisors should be evolving alongside the insurance industry; they should maintain high consumer protection standards but should be innovation-friendly to support new solutions. InsurTechs, then, are paving the way for *evolution*, but less so for a *revolution*. Regulators and supervisors must therefore evolve alongside the development of the insurance market. The speed of the tech evolution, however, is incompatible with the lengthy process required to revise and create regulative legislation.

On the subject of standalones, a differentiation between InsurTechs where the customer is insured and InsurTechs where the customer is the insurer was made clear. The former is more likely to evolve into stand alone companies - but only after having partnered with incumbents in order to acquire core capacities - whilst the latter is far less likely to partner with incumbents as ownership can often taint them.

The panel then discussed the importance of technology within the insurance market. Technological development will push the incumbent under the pressure of the start-up, which can boost value chain efficiency. Efficiency will be a key driver, meaning supervisors need to be more attentive to evolution. The key starting point to this must be consumer satisfaction, and the awareness that technology brings both opportunities and risks. In terms of easing regulatory hurdles for InsurTechs, the capital requirement is unlikely to be lowered and the areas in which entry barriers could be lessened have yet to be defined.

Although technology has the potential to significantly reduce administrative burdens, the most important aspect of the evolution is customers. The digitally native customer will expect insurance to change; decentralised finance, for example, is a response to financial services not being consumer-centric. So, the changing of consumer behaviours will ultimately determine what the right breakthrough technologies are to enable insurance products to meet their needs.