

INSURTECH

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Issue: The very nature of the business of insurance is transforming, driven by technological advancements and socio-economic trends. Emerging technologies—like [big data](#), the Internet of Things (IoT), mobile technology, [artificial intelligence \(AI\)](#), wearable devices and [blockchain](#)—are revolutionizing the insurance industry and changing consumer expectations and preferences. Moreover, consumer habits are evolving rapidly. According to the U.S. Census Bureau, millennials (ages 18-34) now outnumber baby boomers (ages 51-69) as the largest living generation. The millennials are well versed in new technologies and looking to take a more hands-on approach when it comes to managing their finances and purchasing insurance products.

Consequently, technology-enabled innovations in the insurance industry, or “InsurTechs,” have emerged to offer simpler products and streamlined customer experience, catering to a growing generational shift toward millennials. While the InsurTech industry is still in its infancy, the sector is gaining momentum and garnering increased attention from venture capitalists (VC’s), as well as established insurers. The NAIC Innovation and Technology (EX) Task Force was established in March 2017 to help insurance regulators stay informed on key developments, including new products and services from startup companies, as well as established insurance industry players. This marks an important step in state insurance regulatory efforts to increase engagement in new and innovative technologies.

Background

The term “InsurTech” can be described as the innovative use of technology in insurance. InsurTech is a subset of “FinTech,” or financial technology. FinTech has transformed the banking world (e.g., Square, one of the most recognized FinTechs, offers mobile payments with innovative smartphone card swiper technology) and now InsurTech is beginning to alter the business models and competitive landscape of the insurance industry.

Changing social and technological trends have created an opportunity for tech-savvy entrepreneurs. An increasing number of insurance startups, or InsurTechs, are leveraging new technology to address existing insurance challenges and opportunities. InsurTech activity has increased significantly over the last few years and continues to attract significant attention. Oxbow Partners estimates there are currently more than 1,500 InsurTech startups. According to CB Insights, total funding to insurance startups in 2016 hit \$1.69 billion, the second consecutive year investment dollars topped \$1 billion.

InsurTech innovation is occurring across the entire insurance value chain—from distribution and marketing, product design, underwriting, claims management and balance sheet management and across all lines of insurance—property and casualty, life and health. Distribution is the area of highest focus. InsurTechs are reaching new customers through new distribution mediums—addressing generational shifts in the way people communicate, access information and make decisions—while not disturbing traditional channels. For example, according to a Gallup poll, millennials are more than likely to purchase policies online instead of through an agent.

InsurTechs are catering to these preferences by providing user-friendly platforms. For example, InsurTech startup Trov allows a consumer to insure their personal belongings using an app. Coverage can be swiped “on” or “off” if a consumer wants coverage or not. Some InsurTechs combine digital ease with the human touch, often using technology such as AI, machine-learning and robotics. Other InsurTechs are using wearables and monitors to provide usage-based products integrated with customers’ lives in a way not usually associated with insurance.

Status: InsurTechs are expected to bring fundamental change to the insurance industry. The NAIC Innovation and Technology (EX) Task Force was established in March 2017 to help insurance regulators stay informed on key developments, including new products and services from startup companies, as well as established insurance industry players. This marks an important step in state insurance regulatory efforts to increase engagement in new and innovative technologies. The Task Force has met several times to learn more about innovative insurance solutions. Task Force members and other regulators also participated in a variety of settings to further the dialogue including the 2017 InsureTech Connect conference, where NAIC members played a prominent role, a visit to Google to learn more

about their autonomous vehicle project, Waymo, first hand and Silicon Valley to again meet with innovators and participate in a cybersecurity symposium.

The NAIC, Center for Insurance Policy and Research (CIPR) hosted an Innovation Program during the 2017 NAIC Insurance Summit in Kansas City. The June 2018 [NAIC Insurance Summit](#) will also feature many innovative topics. The CIPR also recently conducted a webinars on Blockchain Technology and Wearable Technology. Replays are available on the [CIPR website](#).

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