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IAIS: FinTech Trends Prompt Assessment of Insurance Supervisory Practices and Skills

Report cites potential sector impacts including market competitiveness and consumer choice

Basel – In a report released today, the International Association of Insurance Supervisors (IAIS) highlights the potential impact of innovative financial technologies (“FinTech”) on insurance sector competitiveness, consumer choice, interconnectedness, business model viability and regulatory oversight. The report, entitled “FinTech Developments in the Insurance Industry”, also examines the challenges and opportunities insurance supervisors face in this rapidly changing insurance environment.

“FinTech innovations have the potential to change fundamentally the way the insurance sector serves policyholders”, stated Victoria Saporta, Chair of the IAIS Executive Committee. Ms. Saporta added: “Because of both the scope and pace of change, insurance supervisors must be alert to new developments and make necessary adjustments in their supervisory practices and skills”.

The IAIS analysed the potential impact of FinTech based on three scenarios:

- Incumbents successfully maintaining the customer relationship.
- The fragmentation of the insurance value chain with incumbents no longer in control.
- Big technology firms squeezing out traditional insurers.

Among the report’s findings, FinTech may disrupt the insurance sector by reducing insurance market competitiveness over the long term; cause traditional insurers to exit the market; result in more individualised insurance products which could affect (price) comparability and consumer choice; increase insurance sector interconnectedness due to the use of a limited number of technology platforms; and lead to changes in insurer business models if profit margins come under pressure. In addition, FinTech may increase the focus on improving the customer experience and affect the treatment of customers, possibly creating issues of affordability of insurance products or even increased financial exclusion. It may also create issues concerning the use, ownership and protection of data.

The report points to several challenges for insurance supervisors, including:

- Balancing the risks and benefits of innovations and creating an environment that fosters innovation through approaches such as regulatory sandboxes or innovation hubs.
- Evaluating and, if needed, adjusting the prudential regulation framework.
- Considering the adequacy of current reporting requirements in monitoring trends and the potential build-up of risk connected to new technologies.
- Understanding how innovations work and are applied to ensure adequate assessment of new product and business models.

The report contains a stocktake of financial innovations such as the Internet of Things, Telematics, the use of Big Data, Robo advisors, Distributed Ledger Technology, Blockchain and Smart Contracts. The full 45-page report is available on the IAIS website by clicking [here](#).

About the IAIS: The IAIS is a global standard setting body whose objectives are to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders; and to contribute to global financial stability. Its membership includes insurance regulators and supervisors from more than 200 jurisdictions. For more information, please visit www.iaisweb.org.