

# Seeing Clearly

Adapting to change is important as insurers and regulators try to understand new technology and how it will affect the industry in the future.

Remember M. Night Shyamalan's movie, *The Sixth Sense*? Everyone who's seen it remembers the young boy Cole (played by Haley Joel Osment) declaring "I see dead people." According to Cole, they're around all the time, but it's a world most of us can't see into.

Like the world of dead people, the end result of current dramatic technological changes on the insurance industry is unknown to those of us on this side of the divide. Some things seem to be getting clearer. For example, we now see that financial services institutions are more likely to be investors, partners, and acquirers of fintech startups rather than competitors.

But questions remain. The threat of some huge, resource rich, information savvy, tech company figuring out how to disrupt the insurance market is still a concern. Even more pressing may be the issue of regulation's effect on innovation. Here, two very different recent publications should give the industry hope.

My colleague at Deloitte and former colleague at the New York State Insurance Department, Andy Mais, recently published a white paper, *Insurance Regulators in an Era of Advanced Technologies: Challenges and Opportunities in Oversight*. In it, Mais and his co-authors analyzed the results of a survey they conducted on the attitudes of state insurance regulators toward increased technology use, both by insurers and regulators.

They found that while state regulators did have concerns about advanced technology use by insurers, especially in personal lines, 57% of the state regulators surveyed thought such technology use



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would be a positive for personal lines consumers on balance, with only 5% considering it a negative.

Another heartening result is that 86% of state regulators in the survey somewhat to strongly agreed that collaboration between different stakeholders—where insurtech startups, insurers, consumer protection groups and regulators come together to share information about emerging technologies and/or test them in a safe environment—would help in creating and/or strengthening the regulatory framework. Eighty percent of responding regulators somewhat to strongly agreed that this collaboration would help promote innovation.

Mais notes, "In a regulated industry like insurance, supervisors bear a fair share of responsibility for ensuring a level playing field while maintaining an openness to innovation." This is why the NAIC's new strategic plan, *State Ahead*, makes me optimistic. In the foreword, the NAIC's officers say, "Our system of regulation must keep pace with a rapidly evolving marketplace fueled by seismic shifts in consumer behavior, huge technological advances, and a dynamic policy and

regulatory environment. Our state-based system of insurance regulation has faced change before, but never on the scale we are currently experiencing. This is a watershed moment. We cannot falter."

In *The Sixth Sense*, Cole explained why the dead people he saw were unable to move on: "They only see what they want to see."

That is a recipe for stagnation. The NAIC's new strategic plan and the results of Mais's survey point to a much happier ending, with state insurance regulators recognizing the need to see, understand, and adapt to change, and to lead the sector—as they have with cybersecurity—to the light of a bright new day.

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