November 6, 2017

InsurTech Innovators Roil Staid Sector—Regulators Work Overtime to Keep Pace with Transformative Changes

For its November issue, Metropolitan Corporate Counsel interviewed Akin Gump litigation partner Shawn Hanson and counsel Nick Gregory, who discussed how startups, established insurers, regulators and other insurtech industry players are exploring and pursuing innovative ways to handle risk.

Among the topics discussed by Hanson and Gregory:

- **New York City as the insurtech capital**: “New York is at the center of the insurance world. Large, established players like AIG, MetLife and Marsh call New York home, and you’re in close proximity to Hartford and Newark, which are also insurance hotbeds. New York happens to be at this unique intersection of the established insurance world and the startup world.” (Gregory)

- **Regulation of insurance and the fast pace of insurtech**: “The answer to some of this…is called a ‘sandboxing’ approach, which offers a way to work with regulators to permit private companies to experiment with new programs and concepts within defined confines. Within certain sandbox boundaries, a company can go to regulators and say, ‘This is the innovation I’m proposing. Within these boundaries, let me experiment and see how it goes.’… At a more macro level, insurance regulation is going to have to recognize the modern social norms of sharing and leveraging data. That is going to be a challenge.” (Hanson)

- **The role of customer engagement innovation**: “There are insurance regulations that affect the marketing you can do. It will be interesting to see how, as companies try to make the user experience more interesting, that’s going to track with those regulations, which are fairly formulaic – even rigid – about how you market to consumers. There are hoops you have to jump through to sell an insurance product in most states…That’s a business challenge for the creative people, and there are a lot of them out there. It’s also going to be a challenge for their in-house lawyers and compliance people.” (Hanson)

- **Blockchain technology and the insurance sector**: “What blockchain can give you is the potential to reduce the amount of litigation surrounding disputes over things like chain of custody. When you have a blockchain that everyone buys into and agrees is an objective record, the opportunity to reduce those kinds of disputes is immense.” (Gregory).

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