

## CLIENT ALERT

### Insurance Innovation Finds Support from Newly-Announced North Carolina Regulatory Sandbox and New York FinTech Innovation Lab

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#### North Carolina Regulatory Sandbox Act of 2021

In North Carolina, Governor Roy Cooper recently signed the “North Carolina Regulatory Sandbox Act of 2021” into law (the “Act”). The [legislation](#) creates a regulatory sandbox program for innovation in insurance and financial services, adopts a “taxonomy related to blockchain, smart contracts, and other emerging technologies,” and establishes the North Carolina Innovation Council.

Among its legislative findings, the Act states that “the banking and insurance industry is a major economic driver” for North Carolina. The Act defines InsurTech as “[c]ertain innovative products or services that support the provision of insurance services.” It finds InsurTech and FinTech are important to North Carolina’s economy, and are “undergoing a transformational period” in which the industries “are providing greater automation, connectivity, transparency and opportunity for related products and services.”

The legislative findings conclude that “existing legal and regulatory frameworks are restricting innovation” because they were established when technology was not a fundamental component of banking and insurance “industry ecosystems.”

The legislation features a regulatory sandbox that allows people and entities in North Carolina to temporarily test an “innovative financial or insurance product or service and make it available to consumers on a limited basis without being subject to certain licensing or other regulatory obligations imposed under applicable state law.”

The newly-created North Carolina Innovation Council will determine whether to admit an entity into the regulatory sandbox program. Of the 11 council members, the 7 public members must have a background in at least one or more of these areas: financial services, insurance, blockchain, FinTech, InsurTech, or entrepreneurship. The Council must consider several factors when determining admission to the sandbox, including: “[t]he nature of the innovative product or service proposed to be made available to consumers”; “[t]he methods that will be used to protect consumers and resolve complaints during the sandbox period”; and “[w]hether the entity’s management has the necessary expertise to conduct a pilot of the innovative product or service during the sandbox period.”

If admitted into the program, the entity will have 24 months to test their innovative product or service. After the two-year period, the sandbox participant and applicable State agency may extend the period “by mutual agreement.”

North Carolina’s newly-established sandbox for InsurTech is one of only a few in the U.S. and is similar to the regimes in [Kentucky](#) and [West Virginia](#).

## **FinTech Innovation Lab New York**

FinTech Innovation Lab New York is accepting applications for its 2022 FinTech Innovation Lab. A joint venture run by the Partnership Fund for New York City (an investment arm of Partnership for New York City, a New York business organization) and Accenture, the Lab is a 12-week program that includes an InsurTech track which aims to help “insurtech entrepreneurs to elevate their technologies to leaders within the industry.” The Lab provides these entrepreneurs a mentorship program, workshops, mini-conferences, and its international FinTech network. Selected entrepreneurs can partner with senior-level bank, insurance and wealth management executives.

Applications for the 2022 class are due by December 1. The 2022 Lab seeks applicants from several major technology areas, including Blockchain, Data and New Insurance Products. Chief technology officers and senior technology executives from participating financial and insurance institutions will select companies to participate in the 2022 Lab.

North Carolina’s new regulatory sandbox and the New York FinTech Innovation Lab’s focus on InsurTech reinforce the momentum being shown by government and the private sector for innovation in the insurance space.

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