

# Which Rules Should Insurtech Break?



## **Summary:**

*Disruptors? natural and essential super-confidence in themselves can translate into overconfidence in the ethical correctness of their decisions.*

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There's a lot of attention being given at the moment to the startup firms that are entering the insurance market in the hope of grabbing attention and business by disrupting the established ways of doing things. And some of these insurtech startups are indeed introducing new and exciting ideas to the market. Disruptive thinking has its upside, and customers will benefit from it. Does it have a downside as well, though? There's a view that, to be successful, disruptors need to "delight in breaking rules, but not rules that matter." This view can lend startups a certain piratical air, yet it can also cause them to see the rules that get in their way as the rules that don't matter. That's why we've seen some high profile insurtech startups crashing into regulatory brick walls: Zenefits is a [classic example he pointed out](#) that "big data is not a game played by different rules." **See also: [An Eruption in Disruptive InsurTech?](#)** I'm also not asking for insurtech startups to occupy the high moral ground, but I am saying that they cannot reinvent "doing business" in ways that sidestep the ethical values that consumers expect firms to uphold. Nailing business values like "innovative" and "disruptive" to your piratical mast won't stop inconvenient winds like "honesty" and "fairness" from pushing your exciting voyage toward the hard rocks of reality. It is with terms such as honesty and fairness that customers often describe what a "good financial services firm" feels like. Yet insurtech start-ups are often being urged to disrupt customer expectations, seeing them as a quaint left-over from an old way of doing things. The future is instead said to lie in insurance providers getting closer to their customers in all sorts of ways. Yet isn't business success more reliant on customers wanting to get closer to firms? It's the latter that leads to the former, not the other way around. The danger is that disruptors' natural and essential super-confidence in themselves is translated into overconfidence in the ethical correctness of their decisions and judgments. And there's then the tendency for them to believe that other people think the same way as they do. Both are fairly normal traits that we all exhibit in some form or other in our everyday lives. I certainly do, and my daughters have pulled me up short with one or two of the decisions I've made. **See also: [The State of Ethics in Insurance](#)** And that sort of challenge, that sort of "knowing you but through different eyes" is vital for insurtech startups. While insurance needs disruptive startups, they in turn need disruptors of group think, of the wrong sorts of



overconfidence. As the folklore of startups fills with tales of disruptors being told they're not being overconfident enough in their business plans, let's put out a marker of hope for 2017, that it will see tales of disruptors being told they're not being ethical enough in their business plans, that they're not doing enough to earn the trust of consumers. It's very possible, if the market and those advising them want it.



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