Position Paper

Insurance Europe response to the European Commission consultation on FinTech

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SECTION 1: Fostering access to financial services for consumers and businesses

Artificial intelligence and big data analytics for automated financial advice and execution

1.2 Is there evidence that automated financial advice reaches more consumers, firms, investors in the different areas of financial services (investment services, insurance, etc.) and at what pace? Are these services better adapted to user needs? Please explain.

Yes	No	Don't know/no opinion/not relevant

Insurance Europe is aware that automated financial advice is a growing area in the insurance sector that has witnessed a lot of recent developments and is receiving much attention from market participants across Europe. Automated advice can potentially help provide a more cost-effective way for some consumers to access advice, and may be considered as an option by some who might otherwise not be in a position to afford advice. Thus, it can have the effect of reaching more consumers and reaching new markets.

It is to be expected that automated advice will vary from full automated advice models with no involvement of a human advisor to hybrid advice models where the involvement of a human advisor is possible. Automated financial advice is available from insurers and advisers alike.

Digitalisation, generally, will reduce the search costs for consumers significantly. Some customers might also simply prefer online/digital services and interactions rather than traditional human advisor interactions restricted to regular office hours. In this sense, automated advice can be better adapted to user needs.

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Automated advice tools may afford consumers the possibility to take more time to process information, so as to better understand the advice that is being provided. Automated advice tools also help consumers to be more involved in the advice process, for example by assisting in uploading documents which are necessary for the advice to be provided. In some cases, a consumer's experience with automated advice will be a first step in the process, increasing the quality and depth of the following face-to-face or phone dialogue between provider and consumer. Given that automated financial advice is still in the early stages of development across the EU, there may be other benefits which we are unable to foresee at this stage.

As regards the pace of development in the insurance sector, we believe that the use of automated advice tools will increase as the market evolves. However, their use will not necessarily be uniform across all EU member states, so there should be a sufficiently flexible approach to regulation to allow for this. Future developments in artificial intelligence and cognitive computing may have the potential to enhance or improve automated financial advice. To facilitate positive evolution in this area, further development of automated tools should be encouraged and care should be taken not to impede growth or stifle innovation through regulation that is obstructive or that quickly becomes out-of-date. Regulators should also take into account the fact that some of today's consumers expect a fully digital experience. It would not be advisable to establish prescriptive measures aimed at standardising such tools and communications, particularly where companies are developing innovative, interactive and engaging ways to help consumers understand financial issues.

1.3 Is enhanced oversight of the use of artificial intelligence (and its underpinning algorithmic infrastructure) required? For instance, should a system of initial and ongoing review of the technological architecture, including transparency and reliability of the algorithms, be put in place? What could be effective alternatives to such a system?

Yes	No	Don't know/no opinion/not relevant

Insurance Europe does not believe there is a need for enhanced oversight.

In the insurance industry, drawing on extensive data and using highly sophisticated methods of data analytics has been commonplace for many years. Thus, comprehensive regulatory and self-regulatory safeguards are already in place. These established standards should also guide oversight activities in cases where algorithms using artificial intelligence are applied.

Human advisors need qualifications and exams, but robo-advisors will be compliant in a different manner. The standards in legislation should be the same — same activities must mean same rules — but the way to comply with these standards can differ.

Furthermore, all companies have to comply with the new General Data Protection Regulation (GDPR) which restricts fully automated decision-making and requires transparency. The data protection authorities can monitor and enforce these rules.

1.4 What minimum characteristics and amount of information about the service user and the product portfolio (if any) should be included in algorithms used by the service providers (e.g. as regards risk profile)?

Due to the wide range of potential uses of algorithms (e.g. different applications, products and services, different types of consumers), it is not possible to provide a general view on minimum characteristics.

1.5 What consumer protection challenges/risks have you identified with regard to artificial intelligence and big data analytics (e.g. robo-advice)? What measures, do you think, should be taken to address these risks/challenges?

With regard to robo-advice, many of the risks that are often identified are applicable to advice in general and are not specific to automated financial advice. Many risks are already mitigated by the existing framework of applicable EU and national legislation (eg Insurance Distribution Directive (IDD), PRIIPs, GDPR, etc). For example, as far as the insurance sector is concerned, automated financial advice tools are, we understand, within the scope of the new IDD, which applies rules whenever advice is provided, regardless of whether it is automated or not, and for all players involved in a distribution activity regardless of the distribution channel. Risks related to conflicts of interest and remuneration relate to all types of advice and not just to automated advice and these issues (risks) are already regulated under the respective pieces of financial services legislation (eg IDD, MiFID 2). Requirements such as to act in accordance with the best interests of customers or to make suitable recommendations or present information in a form that is fair, clear and not misleading are applicable whenever advice is provided, regardless of whether it is automated or not. Therefore, it would be advisable to await the full implementation of these requirements before assessing the need for further intervention in this field.

Although new technologies have the potential to increase financial inclusion by providing a new way for consumers to access advice and insurance products, especially those who may not otherwise do so, questions are often raised regarding potential exclusion. However, in most cases digitalisation increases the available options for consumers. Also, digital exclusion should, for example, be tackled by stimulating investment in IT infrastructure and digital skills and education in some member states, thus unlocking a greater potential for the use of automated tools. Enhancing digital literacy and the conditions in which it can flourish will contribute to further consumer engagement with such tools.

Sensor data analytics and its impact on the insurance sector

1.9 Can you give examples of how sensor data analytics and other technologies are changing the provision of insurance and other financial services? What are the challenges to the widespread use of new technologies in insurance services?

New technologies are likely to have an impact on the insurance sector, resulting notably in more accurate pricing, products better tailored to a client's specific needs and better risk prevention. One important challenge offsetting the new opportunities (e.g. making use of the internet of things) will be ensuring cyber security.
Examples of the use of sensor data analytics and other technologies:

In motor insurance

- Motor insurance premiums are calculated using basic information, including vehicle type, distance driven, driving behaviour, claims history and age of the driver. New technologies, such as telematics, with its real-time, wireless transmission of data, can give insurers a much better understanding of consumers' driving and help refine their risk profile (and therefore premiums). Indeed, insurers can improve risk segmentation and pricing thanks to data captured from vehicles about real-time driver behaviour. Consumers, on the other hand, can receive value-added services such as theft protection and discounts on their premiums for cars equipped with a telematics system.

- This technology, installed in many vehicles across Europe, already allows insurers to offer a wider range of products that are tailored to consumers. This includes policies based on the time consumers spend driving (pay-as-you-drive policies) or the way they drive (pay-how-you-drive policies). For some consumers — such as careful young drivers who lack experience — this often means lower premiums. This technology could result in lower claims frequency and a reduced accident rate (if the recorded data can be associated with the observed behaviour of the driver). It may also influence the motor insurance portfolio significantly, resulting for instance in improved risk assessment of drivers and more efficient claims management (by allowing rapid insurance intervention, if an accident occurs).

- These technologies also allow insurers to offer innovative services, such as driver coaching, theft notification and stolen vehicle recovery services, advanced roadside assistance services and location-based services.

- The quality and diversity of the services provided this way also has the potential to increase further as/if we move away from retrofitted devices, such as black boxes, to in-vehicle technologies.

In property insurance

- As with motor insurance, property premiums have traditionally been calculated based on information about a property's structure and its level of exposure to crime or weather-related events. Insurers are constantly expanding their sources of data and the analysis they apply to them to create increasingly sophisticated, predictive risk-modelling tools.

- Improved risk-modelling means insurers can advise customers more accurately about the risks to their property, so that they can take additional preventive measures to limit their exposure and ultimately increase the insurability of their properties.

- Insurers can also help homeowners prepare for impending weather-related events thanks to the use of early warning apps, which are available not only to policyholders but in many cases to the public at large.

- Connected devices in smart homes can be used for damage prevention, thus protecting consumers from damages and insurers from losses, thereby reducing costs for all insured. Devices include smart thermostats that turn up the temperature if there is due to be very cold weather, to avoid frozen pipes and subsequent water damage, or smart boilers that remind the owner when they need servicing.

1.10 Are there already examples of price discrimination of users through the use of big data? Can you please provide examples of what are the criteria used to discriminate on price (e.g. sensor analytics, requests for information, etc.)?

Yes	No	Don't know/no opinion/not relevant

Insurance Europe believes it is still too soon to assess the exact impact big data will have on insurance companies and their consumers, as the use of these tools by the industry is still in its infancy. However, it should be noted that data analytics and the use of predictive modelling are not new to insurers. Actuaries already analyse large sets of data to identify correlations and predict future events, for example mortality tables to price life insurance products.

This being said, Insurance Europe does not see any evidence that the use of big data will lead to discrimination of certain users. There are already some examples where the new technologies have resulted in an extension of risk segmentation, e.g. telematics products in motor insurance (see also answer to question 1.9). However, more individualised insurance pricing is by no means inconsistent with the collective principle of insurance and does not represent price discrimination in the sense of unfair and unjustified differentiation between customers. On the contrary, the use of big data can lead to improvements in risk assessment methods and the offer of tailormade policies and better risk prevention.

On the question of whether requests for information could lead to price discrimination for policyholders, it should be noted that consumers already have an obligation to disclose relevant personal information to their insurer when seeking an insurance contract. In the pre-contractual phase, the parties to a potential insurance contract are bound to give each other material information.

It should also be taken into account that there is already EU legislation in place to protect consumers. For example, the Insurance Distribution Directive has introduced extensive rules on product oversight and governance, to protect consumers from unfair treatment or unsuitable products.

Finally, even though the use of sensor analytics is still a relatively new phenomenon, the emerging trend is for insurers to make use of them not only to tailor policies, but also to help policyholders implement the most adequate prevention measures for their risk profile. Thus far, Insurance Europe sees no reason to believe that sensor analytics could lead to price discrimination, in the sense of unfair and unjustified differentiation between customers. The reason is that the use of this type of technology is normally part of a contractual proposition in which the use of sensor analytics is another option for the consumer, eg in order to benefit from additional services from their insurer.

Other technologies that may improve access to financial services

1.11 Can you please provide further examples of other technological applications that improve access to existing specific financial services or offer new services and of the related challenges? Are there combinations of existing and new technologies that you consider particularly innovative?

Given that much insurtech is still in its early stages of development across the EU, there may be other applications and uses that are still under development or that we are currently unable to foresee. It is difficult at this point time to consider how such applications may evolve, as technology is moving fast and reshaping the industry. It is important therefore to allow sufficient room for such innovation and development to take place.

Examples may include:

- Mobile computing and the increasing prevalence of smartphones that facilitate access to insurance (e.g. on-demand, short-term insurance).
- Voice technology or autonomous agents or virtual personal assistants
- Advanced machine learning
- Chatbots
- Internet of Things

For further examples of the use of technological applications in relation to telematics, please refer to the answer in Q 1.9.

SECTION 2: Bringing down operational costs and increasing efficiency for the industry

2.2 What measures (if any) should be taken at EU level to facilitate the development and implementation of the most promising use cases? How can the EU play its role in developing the infrastructure underpinning FinTech innovation for the public good in Europe, be it through cloud computing infrastructure, distributed ledger technology, social media, mobile or security technology?

Insurance Europe believes that the best way to support digital innovation at EU level is to ensure that the existing regulatory framework is digital-friendly, technologically neutral and sufficiently future-proof. This would benefit all players across all EU markets.

Member states have already adopted national approaches to provide regulatory tools and dialogues for innovative products and services. A more consistent approach at EU level would therefore contribute to the creation of a real digital single insurance market in the longer term. To achieve this, the EU authorities could:

- Encourage national supervisors/regulators to exchange information on and experiences with new regulatory tools aimed at supporting innovation, both at EU and international level.
- Assess the benefits and risks, both for consumers and market players, of different types of tools.
- Clarify the roles and responsibilities of the various EU authorities concerning innovation and the use of digital technologies, in particular regarding the use of data.
- At international level, engage with policymakers around the world to promote mutual understanding, consistency and convergence of policy solutions in order for the EU to take a leading role in international policy developments concerning innovation in the insurance sector.

Current and future EU legislation must be technologically neutral. This would preclude paper requirements in EU law, such as those in the new Insurance Distribution Directive.

2.3 What kind of impact on employment do you expect as a result of implementing FinTech solutions? What skills are required to accompany such change?

Technological developments and digitalisation are already transforming the insurance sector, with many companies embracing new technologies to provide new services and products to their clients, and also introducing changes to their working processes.

Digital transformation will require changes in the skills and competencies of employees. This will also lead to the creation of new types of jobs, for example data scientists or data protection officers. Digitalisation will also lead to a need for greater flexibility, open-mindedness and resilience in the workplace. Being aware of these opportunities and challenges, Insurance Europe has recently become a member of the European Digital Jobs and Skills Coalition. In addition, Insurance Europe and the other European social partners in the insurance sector adopted a joint declaration on the social effects of digitalisation in October 2016, promoting the following set of key principles for the social design of digitalisation:

- Applicable law as the basis
- Further training as a key
- Time and place of work
- Dealing in a social way with the digital structural change
- Leadership in the digital age
- Employees' representatives in the digital age

The joint declaration is available here:
https://www.insuranceeurope.eu/sites/default/files/attachments/Joint%20declaration%20on%20the%20social%20effects%20of%20digitalisation.pdf

RegTech: bringing down compliance costs

2.4 What are the most promising use cases of technologies for compliance purposes (RegTech)? What are the challenges and what (if any) are the measures that could be taken at EU level to facilitate their development and implementation?

We believe that RegTech has great potential to reduce regulatory burdens. The use of RegTech will allow for a more automated, cost-effective way of meeting current compliance and regulatory reporting needs. The simplification and standardisation of compliance processes will lead to cost benefits for companies, and reduce the reliance on manual checks.

RegTech may also facilitate innovation, as the sheer volume and complexity of new and existing regulation in the financial services sector has resulted in companies focusing significant efforts on compliance, rather than on innovation.

The key challenge therefore will be to ensure that RegTech can continue to play its role in enabling innovation, and thereby enhancing the overall customer experience, while at the same time avoiding the creation of any restrictions or barriers to its further development or use.

At the same time, it is crucial that RegTech does not become a barrier for small and medium-sized undertakings. This could be the case if regulatory requirements cannot be fulfilled without the use of RegTech or if it becomes a requirement in itself to use RegTech. The development of RegTech can be costly and many small and medium-sized undertakings may not have sufficient resources to develop RegTech applications themselves or to buy solutions. Therefore it must be ensured at EU level that the use of RegTech remains voluntary or that RegTech solutions are provided by supervisory authorities free of charge. The latter option would enable all insurance undertakings to benefit from its advantages.

Recording, storing and securing data: is cloud computing a cost effective and secure solution?

2.6 Do commercially available cloud solutions meet the minimum requirements that financial service providers need to comply with? Should commercially available cloud solutions include any specific contractual obligations to this end?

At European level it is necessary for regulators have one, single approach to the requirements for cloud computing. To make it easier for insurers to use cloud services, regulators and cloud service providers, together with the industry, could introduce EU model clauses as part of the European Cloud Initiative. These EU model clauses could in turn become the standards in international cloud computing agreements.

Disintermediating financial services: is Distributed Ledger Technology (DLT) the way forward?

2.9 What are the main regulatory or supervisory obstacles (stemming from EU regulation or national laws) to the deployment of DLT solutions (and the use of smart contracts) in the financial sector?

In different jurisdictions and at European level insurers are launching DLT or blockchain initiatives to explore the potential of DLT to better serve clients. It is expected that it is a viable technology that could benefit clients and the industry. Currently different insurers are working with use cases. The industry should be given time to complete its explorations before this technology is regulated. Any regulation should be based on continuous dialogue between insurers and regulators. One of the crucial factors for the successful deployment of DLT solutions will be to have continued cooperation between all the different stakeholders to avoid obstacles arising as a result of standardisation or interoperability issues.

The application of EU privacy and data protection rules must also not create unnecessary barriers to the deployment of DLT solutions in the financial sector.

One possible existing regulatory barrier might be legal norms requiring paper records of transactions that could become a hindrance for transferring a process to DLT. As DLT virtually documents, concludes and verifies transactions, producing additional paper records could contradict the simplification it provides.

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Outsourcing potential to boost efficiency

2.10 Is the current regulatory and supervisory framework governing outsourcing an obstacle to taking full advantage of any such opportunities?

Yes	No	Don't know/no opinion/not relevant

In practice, and as referred to in the consultation text, reducing costs is the main economic reason behind the decision to outsource. Nonetheless, it is not the only reason. Outsourcing also enables insurance undertakings to focus on their core business by simplifying their operating framework and boosting processing speed. Furthermore, intra-group outsourcing is a way to build efficient group structures, for example by centralising functions within the group.

The supervisory regime for European (re)insurers (Solvency II) imposes a set of obligations on (re)insurance undertakings that seek to outsource functions or activities to a service provider, ranging from due diligence in the selection of the service provider to notification requirements prior to the outsourcing of critical or important functions or activities. However, these requirements apply to all outsourced services, including FinTech applications, in the same way (under the overarching Solvency II principle of proportionality).

Insurance Europe believes that the general outsourcing requirements under Solvency II are excessive and prevent (re)insurers from reaping the benefits from outsourcing. They should be simplified and reduced. This is particularly true for intra-group outsourcing where the requirements are on a par with external outsourcing. A more simplified framework, allowing insurers to outsource more easily, and a reduction in the number of areas that (re)insurance undertakings need to consider would therefore make it possible to take full advantage of the outsourcing opportunities offered by FinTech.

2.11 Are the existing outsourcing requirements in financial services legislation sufficient? Who is responsible for the activity of external providers and how are they supervised? Please specify, in which areas further action is needed and what such action should be?

Yes	No	Don't know/no opinion/not relevant

Yes, the existing requirements regarding outsourcing are sufficient.

As mentioned in Q2.10, Insurance Europe believes that the general outsourcing requirements for European (re)insurers under Solvency II are excessive and should therefore be simplified and reduced. Additional requirements would be likely to introduce an even higher barrier to (re)insurers taking full advantage of the outsourcing opportunities offered by FinTech.

The ultimate responsibility lies with the outsourcer. The general rule under Solvency II is that insurance and reinsurance undertakings remain fully responsible for discharging all of their obligations when they outsource functions or any (re)insurance activities.
As mentioned under Q2.10, (re)insurance undertakings are, for example, expected to conduct appropriate due diligence when choosing which service provider will be appointed to carry out critical outsourcing activities. Undertakings need to take into account a large set of areas to comply with this due diligence.

Moreover, the Solvency II framework establishes that (re)insurers must ensure that the service provider has adequate contingency plans in place to deal with emergency situations or business disruptions.

Supervised entities are the (re)insurers who bear the ultimate responsibility as the outsourcer. In individual cases supervisors may, however, decide to include the service provider in their supervisory remit (eg by reviewing service level agreements or extending on-site measures).

Insurance Europe would advocate the Solvency II requirements being eased, not least to ensure that (re)insurance undertakings are able to take full advantage of the outsourcing opportunities offered by FinTech. Insurance Europe is aware of the regulator's concern regarding what it considers to be excessive reliance by undertakings on outsourcing activities that are critical to the ongoing viability of a regulated entity. However, Insurance Europe believes that the regulator's concerns are mitigated by the requirement for (re)insurance undertakings to set up comprehensive and clear outsourcing policies, and negotiate appropriate outsourcing contracts.

SECTION 3: Making the single market more competitive by lowering barriers to entry

3.1 Which specific pieces of existing EU and/or Member State financial services legislation or supervisory practices (if any), and how (if at all), need to be adapted to facilitate implementation of FinTech solutions?

Regulation and supervision must be activity-based to ensure that consumers are effectively and equally protected both when they purchase their insurance products from established insurers or from new market entrants. This means that the comprehensive EU consumer protection rules applicable to insurance activities and distribution, such as the Solvency II Directive, the Insurance Distribution Directive, the future PRIIPs Regulation, the Data Protection Directive (soon to be replaced by the General Data Protection Regulation) as well as their applicable Level 3 measures, should apply equally to established insurers and new market entrants/start-ups where they carry out the same activities.

Rather than automatically introducing new regulation for the digital age, policymakers at EU and national level should review how the application of existing rules and policy approaches might be adapted to meet digital developments without incurring major regulatory change. It is crucial therefore that the EU regulatory and supervisory framework for insurance should be conducive to innovation and allow consumers, established companies and new market entrants/start-ups to benefit from the opportunities digitalisation can offer. This is currently not the case. There are still regulatory barriers to providing insurance to consumers online, for example with paper requirements being introduced in the Insurance Distribution Directive. Such requirements hold back innovation and the provision of the online services consumers expect to be available and easy to use.

Care should also be taken that supervisors do not introduce guidelines where the legislators had not intended to introduce rules. This could have a harmful impact on innovation and would restrict the possibility to fully benefit from the opportunities that new fintech solutions can offer.

It is crucial that policyholders enjoy the same level of protection, regardless of whether they are served by incumbent insurers or new entrants/start-ups. All elements of the insurance value chain are sufficiently regulated and serve the regulatory objective of policyholder protection. New insurtech start-ups should be brought within this regulation; there is no need for any additional, specific regulation for new insurtechs. The average customer does not differentiate between an incumbent insurer or an insurtech start-up. In both cases, the customer should be equally protected.

3.2 What is the most efficient path for FinTech innovation and uptake in the EU? Is active involvement of regulators and/or supervisors desirable to foster competition or collaboration, as appropriate, between different market actors and new entrants. If so, at what level?

Regulators and supervisors should be encouraged to take initiatives or set up tools to support market players' innovation that benefits consumers. These initiatives and tools should be made available to both new market entrants/start-ups and established insurers that are trying to develop innovative products or services. The innovative approaches that have already been taken by national regulators in collaboration with both established insurers and new market entrants, for example by allowing experiments, demonstrate the importance of maintaining a level playing field for traditional players and new entrants and of striking the right balance to encourage innovation and protect consumers.

Insurance legislation, rules or guidelines also needs to be digital-friendly, technologically neutral and sufficiently future-proof to be fit for the digital age and encourage digital innovation. In addition, the policymaking and regulatory processes may themselves need to adapt to keep up with technological and market developments. Producing a stream of highly detailed technical rules and guidelines risks overwhelming both policymakers and business with requirements that are already obsolete by the time they are adopted.

FinTech has reduced barriers to entry in financial services markets… But remaining barriers need to be addressed

3.3 What are the existing regulatory barriers that prevent FinTech firms from scaling up and providing services across Europe? What licensing requirements, if any, are subject to divergence across Member States and what are the consequences? Please provide details.

Most insurance markets are to a large extent national markets, so the same is true of insurtech start-ups. However, this is not due to regulatory barriers. Insurance products are designed to suit the environment of the country in which the products are to be sold, e.g. national legal frameworks, risk exposures or consumer preferences.

Insurance Europe's general views as regards regulation and supervision is presented in response to question 3.1.

3.4 Should the EU introduce new licensing categories for FinTech activities with harmonised and proportionate regulatory and supervisory requirements, including passporting of such activities across the EU Single Market? If yes, please specify in which specific areas you think this should happen and what role the ESAs should play in this. For instance, should the ESAs play a role in pan-EU registration and supervision of FinTech firms?

Yes	No	Don't know/no opinion/not relevant

Regulation and supervision must be activity-based to ensure that consumers are effectively and equally protected both when they purchase their insurance products from established insurers or from new market entrants. This means that the comprehensive EU consumer protection rules applicable to insurance activities and distribution, such as the Solvency II Directive, the Insurance Distribution Directive, the future PRIIPs Regulation, the Data Protection Directive (soon to be replaced by the General Data Protection Regulation) as well as their applicable Level 3 measures, should apply equally to established insurers and new market entrants/start-ups where they carry out the same activities.

3.7 Are the three principles of technological neutrality, proportionality and integrity appropriate to guide the regulatory approach to the FinTech activities?

Yes	No	Don't know/no opinion/not relevant

Insurance Europe supports these three principles to guide the Commission's regulatory approach to fintech activities. In addition, any legislation, rules or guidelines should be digital-friendly and sufficiently future-proof to be fit for the digital age and encourage digital innovation.

In addition to these principles, Insurance Europe believes the EU regulatory and supervisory framework for insurance should be conducive to innovation and allow consumers, established companies and new market entrants/start-ups to benefit from the opportunities digitalisation can offer. This is currently not the case. There are still regulatory barriers to providing insurance to consumers online, for example with paper requirements being introduced in the Insurance Distribution Directive. Such issues hold back innovation and the provision of the online services consumers expect to be available and easy to use. The policymaking and regulatory processes may themselves need to adapt to keep up with technological and market developments. Producing a stream of highly-detailed technical rules and guidelines risks overwhelming both policymakers and business with requirements that are already obsolete by the time they are adopted.

3.8 How can the Commission or the European Supervisory Authorities best coordinate, complement or combine the various practices and initiatives taken by national authorities in support of FinTech (e.g. innovation hubs, accelerators or sandboxes) and make the EU as a whole a hub for FinTech innovation? Would there be merits in pooling expertise in the ESAs?

While there should be no unnecessary barriers to insurtech start-ups having market access as new entrants, it is also important that existing insurers likewise have the opportunity to develop innovative products and services to benefit consumers, and have access to supervisory tools supporting innovation.

These innovative supervisory tools can also be of value to regulators and supervisors in helping to identify where existing regulations hinder innovation. However, when discussing innovative supervisory practices, it would be helpful to ensure consistency and clarity in the terminology used. Regulatory sandbox is just one innovative tool that may have a different meaning or scope depending on the jurisdiction in which it is used. To avoid divergent interpretations, policymakers should aim for a clear description of the type of tool to which they refer.

Member states have already adopted national approaches to provide regulatory tools and dialogues for innovative products and services. A more consistent approach at EU level would therefore contribute to the creation of a real digital single insurance market in the longer term. To achieve this, the EU authorities could:

- Encourage national supervisors/regulators to exchange information on, and experiences with, new regulatory tools aimed at supporting innovation, both at EU and international level.
- Assess the benefits and risks, both for consumers and market players, of different types of tools.
- Clarify the roles and responsibilities of the various authorities at EU and member state level concerning innovation and the use of digital technologies, in particular regarding the use of data.
- At international level, engage with policymakers around the world to promote mutual understanding, consistency and convergence of policy solutions in order for the EU to take a leading role in international policy developments concerning innovation in the insurance sector.

Insurance Europe believes that the best way to support digital innovation at EU level is to ensure that the existing regulatory framework is digital-friendly, technologically neutral and sufficiently future-proof to be fit for the digital age. This would benefit all players across all EU markets.

Yes	No	Don't know/no opinion/not relevant

Irrespective of whether players in the insurance sector are newcomers or established insurers, EIOPA should be the sole supervisor at European level. While exchanging views may make sense on cross-sectoral issues, e.g. in the Joint Committee of the ESAs or the ESRB, regulation and supervision must match the business models, products and risks in question. Therefore, it is vital that the responsible European supervisor has independent expertise in the field of insurance.

3.9 Should the Commission set up or support an "Innovation Academy" gathering industry experts, competent authorities (including data protection and cybersecurity authorities) and consumer organisations to share practices and discuss regulatory and supervisory concerns? If yes, please specify how these programs should be organised?

Yes	No	Don't know/no opinion/not relevant

We do not have a clear understanding of the aim of the proposed "Innovation Academy". We assume that the expert group would make it possible for stakeholders to discuss and recommend ways to help boost innovation.

Insurance Europe's views on how the European Commission could support national supervisors and market participants are listed in response to question 3.8.

3.10 Are guidelines or regulation needed at the European level to harmonise regulatory sandbox approaches in the MS? Would you see merits in developing a European regulatory sandbox targeted specifically at FinTechs wanting to operate cross-border? If so, who should run the sandbox and what should be its main objective?

Yes	No	Don't know/no opinion/not relevant

Insurance Europe believes that the use of innovative solutions such as sandbox approaches or innovation hubs run by national supervisory authorities should be supported and encouraged. However, we do not consider that guidelines or regulations are needed to harmonise regulatory sandbox approaches in member states.

We also believe that national supervisory authorities are best placed to run the appropriate solution that works best for their market. There may, however, be scope at European level for mapping exercises to look at what might be good practices.

In that respect, we encourage the European Commission to engage in further dialogue with stakeholders to determine the most appropriate way forward and ensure that member states can continue fostering innovation effectively. In any event, we would not support the introduction of a solution or tool solely dedicated to new fintech start-ups as it would raise level-playing issues. Finally, Insurance Europe believes that the best way to support digital innovation at EU level is to ensure that the existing regulatory framework is digital-friendly, technologically neutral and sufficiently future-proof to be fit for the digital age. This would benefit all players wherever they operate across the EU.

3.11 What other measures could the Commission consider to support innovative firms or their supervisors that are not mentioned above? If yes, please specify which measures and why.

Member states have already adopted national approaches to provide regulatory tools and dialogues for innovative products and services. A more consistent approach at EU level would therefore contribute to the creation of a real digital single insurance market in the longer term. To achieve this, the EU authorities could:

- Encourage national supervisors/regulators to exchange information on, and experiences with, new regulatory tools aimed at supporting innovation, both at EU and international level.
- Assess the benefits and risks, both for consumers and market players, of different types of tools.

- Clarify the roles and responsibilities of the various EU authorities concerning innovation and the use of digital technologies, in particular regarding the use of data.
- At international level, engage with policymakers around the world to promote mutual understanding, consistency and convergence of policy solutions in order for the EU to take a leading role in international policy developments concerning innovation in the insurance sector.

Challenges: Securing financial stability

3.15 How big is the impact of FinTech on the safety and soundness of incumbent firms? What are the efficiencies that FinTech solutions could bring to incumbents? Please explain.

The new Solvency II regulatory regime is a state-of-the-art regime which provides appropriate levels of supervisory scrutiny to ensure the safety and soundness of the insurers and to safeguard their obligations to policyholders.

For insurers, the digitalisation of insurance markets is a fundamental development with great potential but also big challenges. Insurers have to adjust their strategies to the digital world. One important consequence is their increasing use of fintech applications. In this adaptation process, insurers are faced with new customer expectations and new market players.

One important area in which new technologies can increase insurers' efficiency is process optimisation and automation. Apart from efficiencies of fintech solutions, fintech also benefits insurance companies by providing scope for growth and product innovation (for example cyber insurance products, on-demand insurance products, combining insurance with innovative services, e.g. in the case of accidents).

SECTION 4: Balancing greater data sharing and transparency with data security and protection needs

Storing and sharing financial information through a reliable tool

4.2 To what extent could DLT solutions provide a reliable tool for financial information storing and sharing? Are there alternative technological solutions?

DLT solutions have the potential to transform the way in which financial information is stored and shared. However, at this time specific uses are only at an exploratory stage. Especially for B2B transactions, DLT might provide a suitable and promising technical basis for future use as it makes possible efficient, completely digital and secure transactions. Increased efficiency and automatisation with fast processes, which are digital throughout, could in turn help to provide customers with even better service.

4.4 What are the challenges for using DLT with regard to personal data protection and how could they be overcome?

Insurance Europe believes that the General Data Protection Regulation (GDPR) can adequately address issues stemming from new technologies, including DLT. Consumers rights are considerably strengthened, enabling them to get better control and access to information related to their personal data, while companies are subject to strict accountability rules and substantial fines if rules are not respected.

Cybersecurity

4.8 What regulatory barriers or other possible hurdles of different nature impede or prevent cyber threat information sharing among financial services providers and with public authorities? How can they be addressed?

Insurance Europe believes that voluntary information-sharing between the private and public sectors should be encouraged and facilitated to make member states more cyber resilient. Such voluntary information-sharing could take the form of public-private partnerships.

The General Data Protection Regulation (GDPR) and Network Information Security (NIS) Directive, which impose data breach/cyber incident reporting requirements on businesses under their scope, are also likely to encourage information-sharing on cyber threats. However, the extent to which information will be shared will largely depend on how they are implemented/transposed pending their entry into force in 2018. Sharing of the information gathered by the relevant authorities through the GDPR/NIS Directive will be crucial to gain better understanding of how to prevent and mitigate cyber attacks.

This question of access to adequate information is especially important for the insurance industry, which is involved in the fight against cyber risks in several ways. First, as businesses become more aware of their cyber-security needs, they will look to insurance to take care of the residual risk. Beyond risk transfer, insurers help policyholders in implementing adequate protection measures and in mitigating the effects of a cyber attack.

The limited information currently available on cyber risks hampers the insurance sector's ability to offer cyber risk cover and related services. Access to the data gathered by the relevant authorities (as a result of the requirements mentioned above) will be key to insurers' ability to increase their understanding of cyber risks and thus their ability to underwrite those risks more effectively, as well as help their clients better understand their cyber risks and how to prevent them.

Insurance Europe is therefore calling on the European Commission, the Article 29 Working Party and ENISA (the European Network Information Security Agency) to take into account during the implementation of both the GDPR and NIS Directive the need for insurers to be given access to relevant cyber-related data in an aggregated and anonymised format.

Insurance Europe is the European insurance and reinsurance federation. Through its 35 member bodies — the national insurance associations — Insurance Europe represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers generate premium income of €1 200bn, directly employ 985 000 people and invest nearly €9 900bn in the economy.