



**eiopa**  
EUROPEAN INSURANCE

AND OCCUPATIONAL PENSIONS AUTHORITY

# EIOPA's InsurTech activities

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FinTech HO2020 Workshop, 1 February 2019, Pavia

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- 1. How technology and data are reshaping the insurance landscape?**
- 2. EIOPA's approach to InsurTech**
- 3. EIOPA's InsurTech activities**

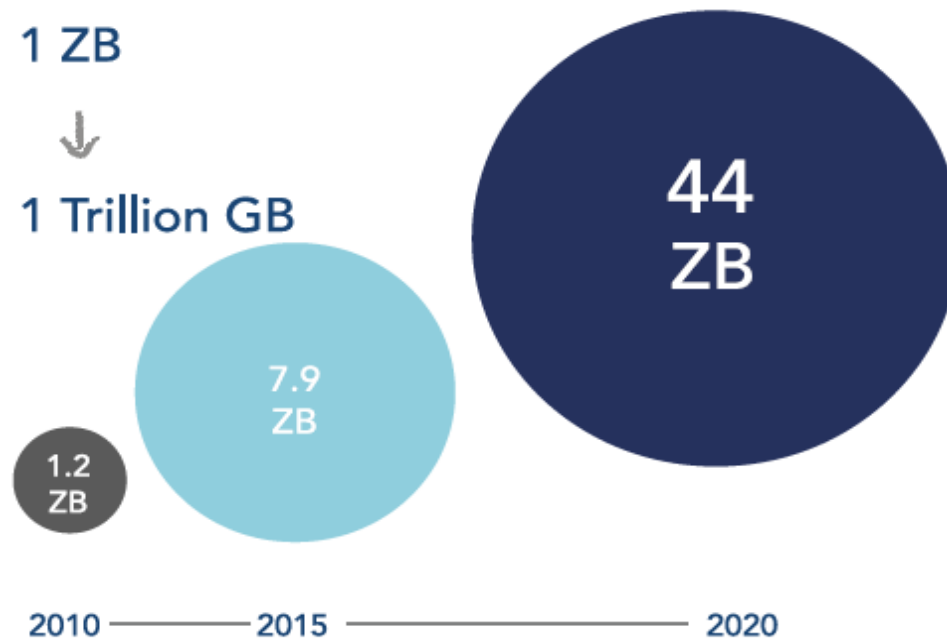
# Exponential growth of data

Active Growth of Global Data  
zettabyte

1 ZB



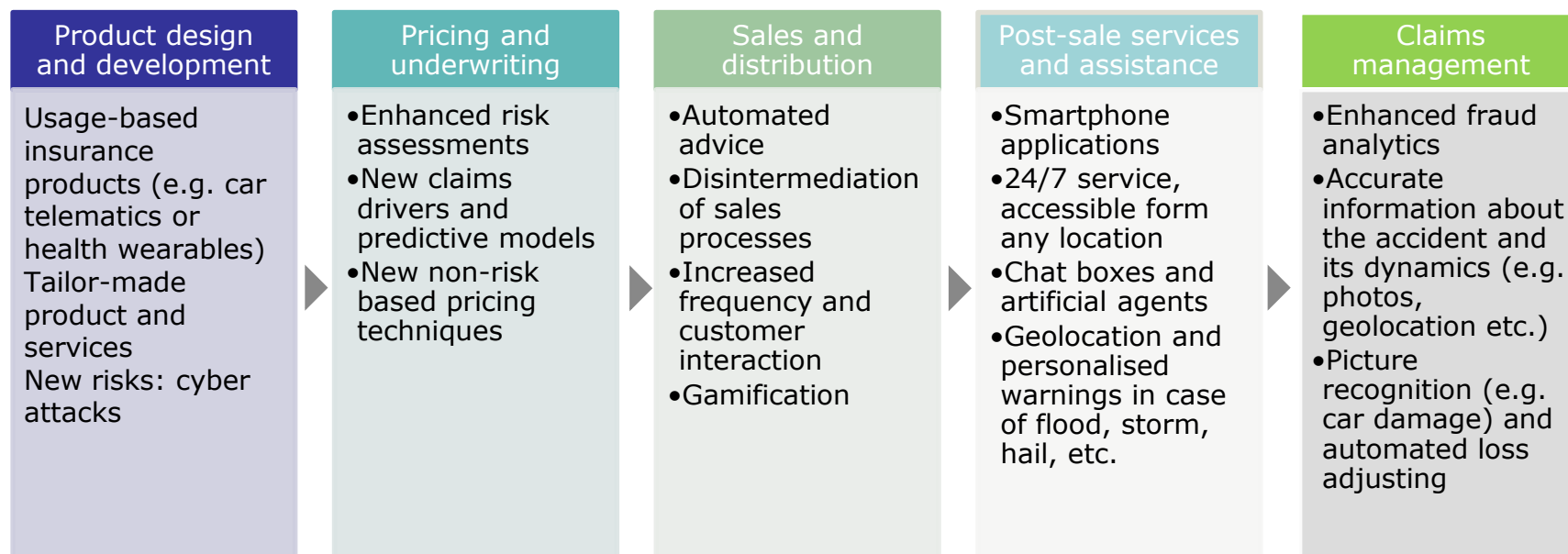
1 Trillion GB



Source: CSC, IDC.

Source: Institute of International Finance

# InsurTech impacts all the stages of the insurance value chain



# Key opportunities and challenges arising from InsurTech



**Personalised products and services based on own needs and characteristics**

**Better customer experience**

**Empowerment**

**Addresses information asymmetry/transparency**

**Enhanced competition: reduced prices**

**Risk mitigation and prevention**

## **Opportunities for consumers**

## **Challenges for consumers**

**Financial inclusion or exclusion?**

**Price optimisation: fair treatment of consumers?**

**Data accuracy and spurious correlations**

**Privacy issues and data ownership**

**Non-digital population left behind**

**Less comparability of (individualised) products and prices**

**Supervision of algorithms**

**Cost efficiency**

**Enhanced risk assessments**

**“Regtech”**

**Targeted and individualised advertising**

**Improve their customer’s experience**

**Direct access to customers (disintermediation)**

**Fight against fraud**

## **Opportunities for industry**

## **Challenges for industry**

**New competitors: defeat or ally?**

**IT Flaws**

**Cyber risk**

**Access to data**

**Employment**

**Legacy issues**

**Insurance business model to be re-thought?**

**Fragmentation of the value chain**



## What do we want to achieve?

- **Protection of policyholders and beneficiaries and financial stability**
- **Promotion of sound financial innovation**
  - level playing field / technological-neutrality
  - understand shifting risks of new technologies and business models
  - strengthen supervision and cooperation between NCAs
- **Multistakeholder approach:** EIOPA InsurTech Roundtables
- **Multidisciplinary approach:** EIOPA InsurTech Task Force

## Overview of 2018

### **Deliverables under EC FinTech Action Plan**

- Licensing requirements and principle of proportionality
- Innovation facilitators (ESAs joint work)
- Monitoring the evolution of crypto assets in insurance
- Explore the need for cloud outsourcing guidelines
- Cyber Risk

### **Additionally**

- Big Data Thematic Review
- Regulatory barriers to InsurTech

# Best practices report on licencing requirements, P2P insurance and principle of proportionality



## **Preliminary conclusions**

- InsurTech market in Europe is at an early stage, but evolving
- Most NCAs have limited experience and/or don't differentiate "digital" business
- InsurTech not challenging fundamentals of current regulatory framework
- But good to reflect now on some best practices
- Aim at starting a more systematic approach to InsurTech and more consistent and effective supervisory practices within NCAs



- EIOPA mapped together with other ESAs innovation facilitators set up by the different jurisdictions in the area of InsurTech/FinTech, with a view of establishing efficient and effective supervisory practices in the form of best practices
- Some scope for enhancing cooperation and information flows at the European level

# Regulatory barriers to InsurTech



- Based on the input collected from NCAs and stakeholders via an online survey, the following **regulatory barriers to InsurTech** have been identified:
  - Paper requirement by default
  - Outsourcing requirements
  - Capital Requirements
  - Restrictions in the scope of (re)insurance activities
  - Lack of specific P2P insurance legislation
  - Restrictions in the processing of personal data and Big Data Analytics tools
  - Access to data, data oligopolies and the Internet of Things
- Some of the barriers require **legislative changes**, but most can be addressed by the issuance of **guidelines** and/or the application of the **principle of proportionality**
- **Some barriers justified in view of regulatory outcomes.** Important to always assess in view of these outcomes.

- **Joint ESAs warning** to consumers in February 2018
- EIOPA has identified **26 million euro investments** in 9 MSs, mainly in two countries, and predominantly via unit-linked life insurance products.
- Comprehensive data not available. Market exposure small.
- Currently assessing how this would affect the **prudent person principle and POG requirements**, as well as if crypto assets could be used to pay premiums and claims.

- EIOPA received input from **222 insurance undertakings and intermediaries**, 24 NCAs and 2 consumer organisations
- Based on a **preliminary analysis**, key issues are:
  - **Ethical/fairness issues**, including claims and price optimisation practices
  - **Black-box AI algorithms**
  - **Data vendors**
  - **Transparency**
- Final results expected to be presented in Q1 2019.

- The Commission requested the ESAs to explore the need for **guidelines on outsourcing to cloud** service providers by Q1 2019.
  - In preparation EIOPA has analysed **impacts** and **risks of cloud outsourcing**
- Main conclusions appear to be:
  - Solvency II provides **a sound framework for** managing outsourcing, including cloud outsourcing
  - Further supervisory **convergence** and cross-sectoral **harmonization** are needed – possible work on guidelines
  - **Insurers** must stay “**in control**” of their providers
  - **Goal** – add clarity and not additional complexity

## 2019 and beyond

- **Fragmentation of the value chain and new business models (2019)**
- Supervision of **algorithms (2019)**
- **Next steps on facilitating innovation (2019)**
- **Work on cloud outsourcing (2019)**
- **SupTech** (planned initially for 2020, kick-off in **2019** EIOPA Strategy Day)
- Distributed ledger technology / **Blockchain (2020)**



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# Thank you

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