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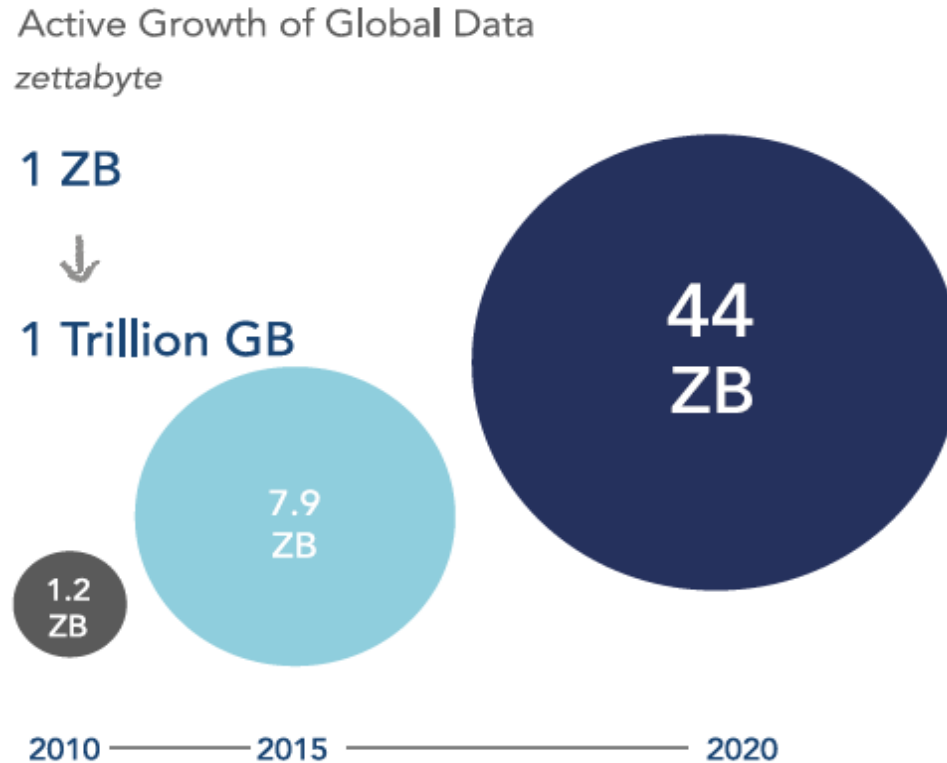
Will InsurTechs innovate regulation & supervision in insurance?

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13 September 2018

INSURANCE IN A DIGITAL FUTURE
AZN Insurance Conference, Ljubljana

Exponential growth of data: Estimated up to nearly 40fold in 10 years



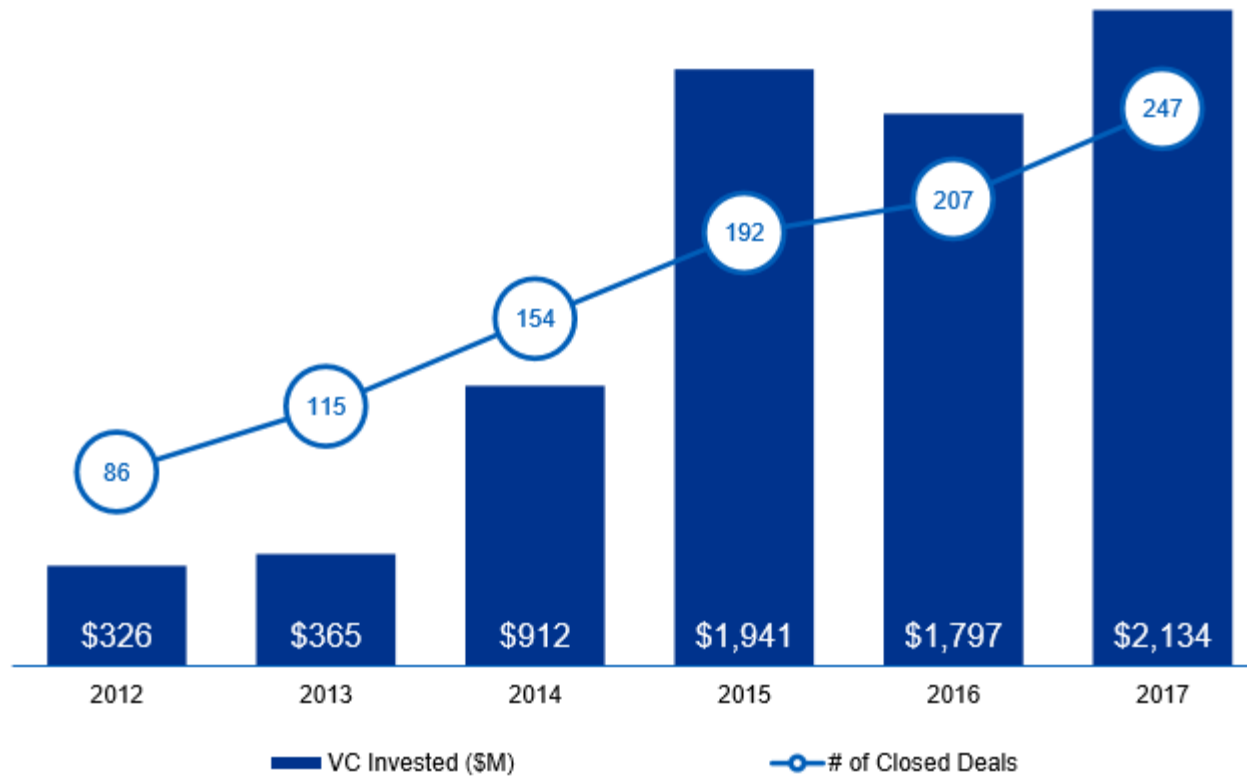
Source: CSC, IDC.

Source: Institute of International Finance

InsurTech venture capital investments multiplied to nearly 7fold in only 5 yrs



Global venture activity in insurtech
2012 – 2017



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

InsurTech impacts all the stages of the insurance value chain



Product design and development

- Usage-based insurance products (e.g. car telematics or health wearables)
- Tailor-made product and services
- New risks: cyber attacks

Pricing and underwriting

- Enhanced risk assessments
- New claims drivers and predictive models
- New non-risk based pricing techniques

Sales and distribution

- Automated advice
- Disintermediation of sales processes
- Increased frequency and customer interaction
- Gamification

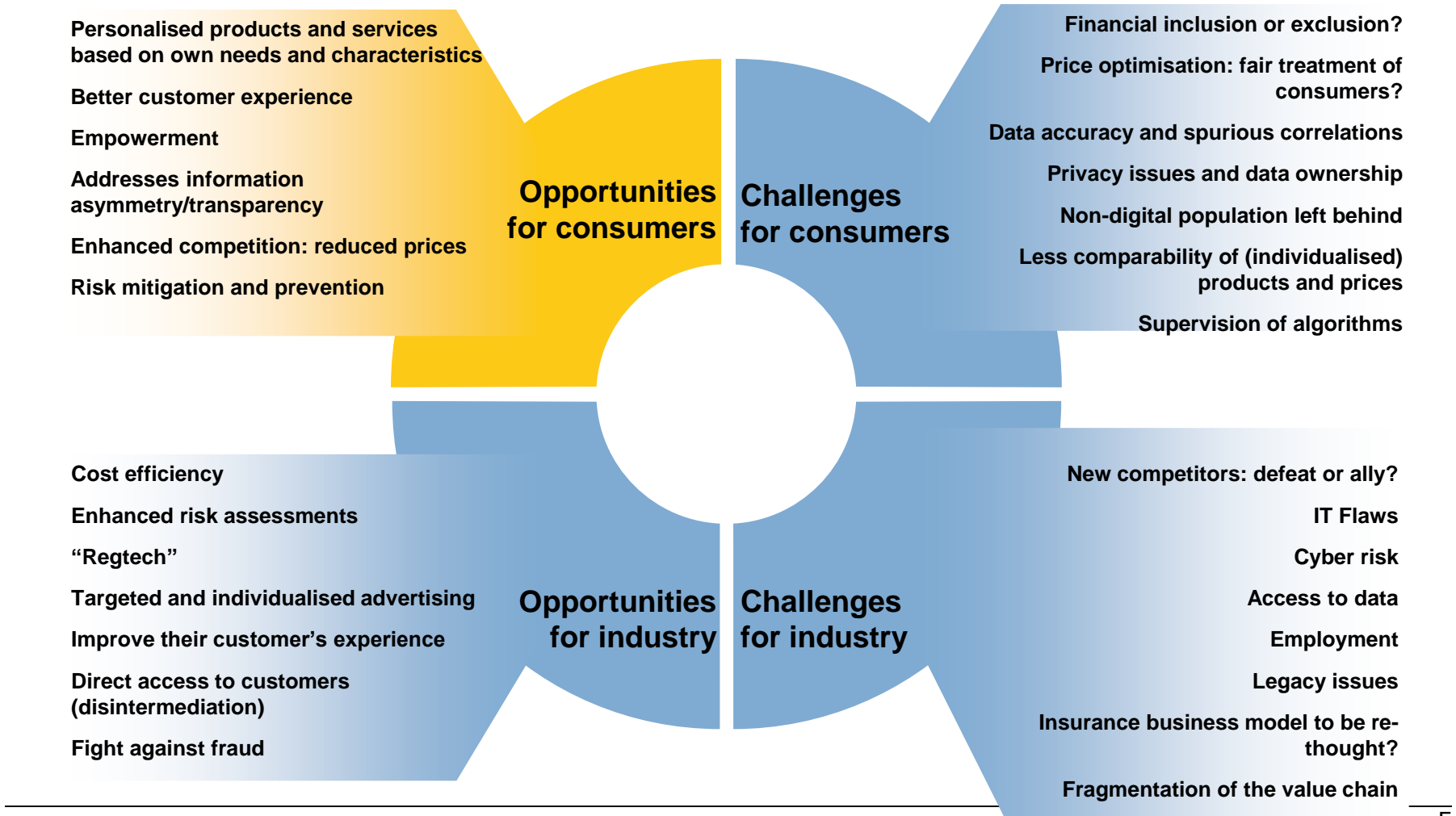
Post-sale services and assistance

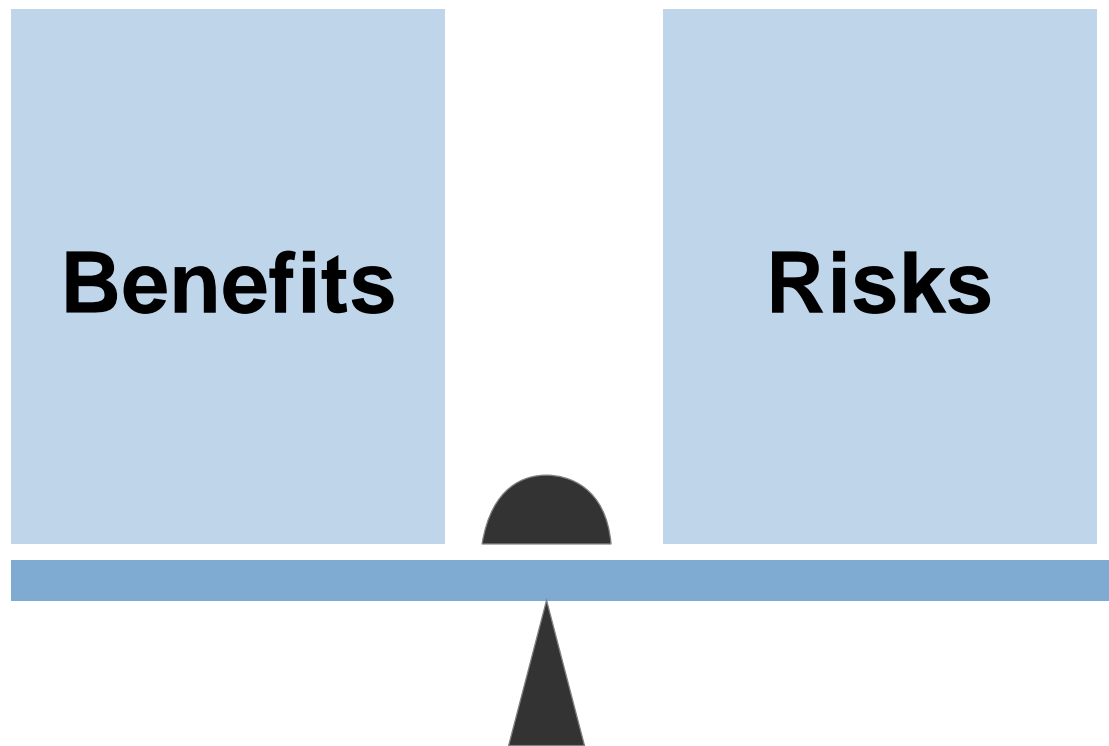
- Smartphone applications
- 24/7 service, accessible from any location
- Chat boxes and artificial agents
- Geolocation and personalised warnings in case of flood, storm, hail, etc.

Claims management

- Enhanced fraud analytics
- Accurate information about the accident and its dynamics (e.g. photos, geolocation etc.)
- Picture recognition (e.g. car damage) and automated loss adjusting

EIOPA's view: Key opportunities and challenges arising from InsurTech





EIOPA's approach to digitalisation

“Strike a balance between enhancing financial innovation and ensuring a well-functioning consumer protection framework and financial stability”

- Regulation and supervision must be **technology neutral**
- **InsurTech roundtables:** strong collaboration with all stakeholders
- **InsurTech Task Force:** multidisciplinary working group

2016 and 2017

- Opinion on **sales via the Internet**
- Best practices report on **comparison websites**
- Joint Committee report on **automation of advice**
- Joint Committee report on the use of **Big Data** by financial institutions

EIOPA's InsurTech activities in 2018



Thematic review on Big Data

Gather empirical evidence on:

- Benefits and risks on pricing, underwriting, sales, and claims.
- Financial inclusion and exclusion
- Consumer segmentation and fair treatment of consumers

Cyber Risks

- Cyber insurance policies and accumulation of risks
- Supervisory practices around ICT security and governance requirements
- Consider developing possible cyber resilience testing framework for significant market participants

EIOPA InsurTech Task Force

Supervisory approaches to InsurTech

- Sandboxes and innovation Hubs
- Licensing requirements and principle of proportionality
- Identify barriers to financial innovation

Cloud Computing

- How to assess the materiality of cloud outsourcing
- Supervisory authorities' right of physical access to the premises
- Contingency plans and exit strategies

Beyond 2018

- **(Re-)insurance value chain** and new business models
- Supervision of **algorithms**
- **Innovation Hub**
- **RegTech** (including RegTech for supervisors)
- Distributed ledger technology / **Blockchain**

Current conclusions

*“... the three European Supervisory Authorities decided that **any legislative intervention at this point would be premature**, considering that, the existing legislation should mitigate many of the risks identified.*

*Furthermore, we will **continue to closely monitor any future developments** in this area and call upon financial firms to develop and implement good practices on the use of Big Data.”*

Supervisory considerations regarding evolving role of technology in insurance

- **Competitiveness:** encourage / accommodate competition and new entrants despite potential of technology to reduce the number of players in the long-term ?
- **Consumer choice:** product comparability not to be compromised despite even smaller segmentations due to new technology; potential legislation on data transferability between providers
- **Interconnectedness:** reporting refinements to capture additional information to monitor potential for increasing interconnectedness (e.g. data storage providers)
- **Ability for regulatory oversight:** reassessment of regulatory perimeter to ensure adequate consumer protection; ability of regulators to monitor market trends
- **Business model viability & prudential capital requirements:** regulatory capital framework needs to continue to adequately capture the changing risk profile
- **Conduct of business:** transparency / conflict of interest
- **Data ownership:** data transferability; prudential and organisational obligations related to IT management, cyber security and internal controls for outsourcing services



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Thank you for your attention !
