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Vice-President
European Commission
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PEIF Comments on the EU Commission's consultation on FinTech

Munich, 14 June 2017

Dear Commissioner,

We welcome the EU Commission's FinTech consultation aiming at informing the Commission's policy approach regarding technology driven innovation in financial services. Also, we very much support the set-up of the FinTech Task Force coordinating and streamlining the discussion between all relevant services across the EU Commission. This multidisciplinary approach to FinTech reflects the need to achieve a consistent way forward.

We would like to make the following key observations on the FinTech consultation:

1. PEIF shares the Commission's aim to promote a striving and globally competitive European financial sector. As an industry, we are responding to customers wanting fast, simple and convenient products and services that integrate with their lives. In our experience, Fintech solutions lead to better products and services (e.g. lower prices by pricing according to individual risks and preventing risks as in the case of telematics tariffs). It has also the potential to expand access to insurance by making historically uninsurable risks insurable (e.g. diabetes insurance). PEIF members already started to bring innovative FinTech solutions to customers and are building their expertise in house, through collaborations (e.g., with start-up incubators) as well as acquisitions. FinTech opportunities are provided by e.g., connected devices, the internet of things, cognitive and automated computing, the sharing economy, etc. Tapping into those new opportunities requires an entrepreneurial and proactive approach from established insurers.
2. We are fully supportive of the three core principles put forward by the FinTech consultation encouraging policies to be technology neutral, proportional and integrity enhancing. In our view, the regulatory framework should be consistent and principle based and each specific risk should be addressed in a proportionate and adequate manner placing consumers and financial stability at the core. Moreover, the regulatory framework must ensure that the same business activity requires the same regulation. We also encourage a close dialogue with regulators on the implementation of existing regulatory requirements in the FinTech context to increase regulatory certainty. At this point in time, we do not believe that additional regulations are needed. Overall, a uniform implementation of existing legislation (e.g., GDPR) is essential to promoting innovative digital financial services by allowing firms to establish uniform processes across EU Member States. Finally, overly restrictive regulations will hinder innovation capabilities of companies and could mean that European insurers might fall behind those in other parts of the world.
3. Increased efficiency and bringing down operational costs will be driven by a variety of technologies. Self-service platforms (as existent in other industries), where customers can manage their transactions directly, will contribute to more efficiency while at the same time will enhance the customer experience. Software automation, which started to be deployed for knowledge work automation (e.g., claims handling through natural language processing) as well as for more repetitive tasks, such as the management of data bases (e.g., automated data transfer, inconsistencies controlling, cross checks) will also contribute to lowering operational costs. Another development which we are following is Distributed Ledger Technology (DLT), use cases are currently being tested including as part of the B3i initiative.

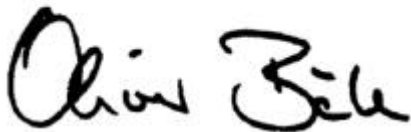
In the case DLT proves viable, it could contribute to the streamlining of paper work, reconcile reinsurance and insurance contracts and accelerate information and money flows, while greatly improving auditability.

4. Recently, we had the opportunity to provide our comments on issues around the free flow of data addressed by the EU Commission's consultation on the European data economy. In this context, we want to highlight that access to and use of complete and accurate raw data is fundamental to our ability to assess, manage, reduce and price risks and provide more adequate covers to customers. In summary, we believe that Europe should continue to ensure fair competition in the market to avoid inappropriate concentration of data at a certain point of the value chain (e.g. through platforms providers) that could therefore unduly prevent consumers from engaging directly and freely with their insurance coverage providers. Such access and portability right should, however, only apply to raw data, i.e. data which has either been provided or generated by a device user but not data which has been enhanced, enriched or aggregated by the device producer/data collector (e.g. by applying data analytics). Furthermore, the effective use of data is impeded by regulatory barriers, in particular the principle of data minimization under the GDPR as well as local data storage requirements and restrictions. We therefore encourage the EU Commission to take a broader approach by including competition law aspects into their analysis.
5. Lastly, effective and sustainable cyber security is a pressing priority and we welcome the EU Commission initiative to review its 2013 EU cyber security strategy as well as ENISA's mandate. The insurance companies play a vital role in incentivizing their customers to implement robust cyber security policies. As insurers, we require more information on "loss data" from private sector victims of cyber-attacks to improve awareness, risk management and resilience. In particular information on the attribution of a cyber-event is needed. In parallel, the policing, pursuit and prosecution of cyber attackers will have to improve upon through genuine cooperation between governments. Also, as the accumulation risk from cyber insurance may exceed market capacity, insurers and policymakers should consider the feasibility of government-backed reinsurance schemes similar to those addressing natural catastrophes and terrorism.

As outlined above, we are very supportive of the EU Commission's efforts to further define its approach and pro-actively promote FinTech innovation within the EU. Given the importance of FinTech for the future of EU consumers as well as insurers and financial services, we believe that this topic should remain in focus and be further promoted by the EU Commission.

We would welcome the possibility to discuss this important initiative in more detail with you.

Best regards,



Oliver Bäte
Chairman of the Pan-European Insurance Forum

About the Pan-European Insurance Forum (PEIF)

PEIF is an informal forum for the CEOs of major European insurers (Aegon, Allianz, AVIVA, AXA, Generali, MAPFRE, Munich Re, RSA, Swiss Re, UNIQA, and Zurich) to exchange and present views on policy and regulatory issues amongst themselves and with others. PEIF companies represent around two-thirds of the STOXX® Europe Insurance.

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EU Transparency Register: 03667978021-69