

## Stellungnahme der AFPA zur EIOPA Konsultation „Open Insurance“

### Chapter 2 | OPEN INSURANCE DEFINITION

1. Do you agree with the definition and the approach to open insurance highlighted in the Discussion Paper? If not, please describe what aspects would be essential to consider additionally?

Yes / No / I don't know

**AFPA:** Open insurance needs to be defined in the broadest possible sense, covering accessing and sharing insurance-related personal and non-personal data usually via APIs and be looked on from all three inter-linked angles: consumer, industry and supervisor. Therefore, we fully agree on the given definition. However, we want to highlight that given such a broad definition, the implementation should be conducted in several small steps instead of one “big bang”.

### Chapter 3 | OPEN INSURANCE USE CASES IN THE EU INSURANCE MARKET

2. In addition to those described in this paper, including in Annex 1, do you see other open insurance use cases or business models in the EU or beyond that might be worth to look at further from supervisory / consumer protection perspective?

Yes / No

**AFPA:** It is absolutely correct that very different use cases have already emerged and will continue to emerge in the various sectors and niches. These use cases may have different motivations for automated interaction and may also have different parties that are interacting.

Based on the definition in the broader sense, it makes sense from our point of view to put together the aforementioned uses cases and all other potential use cases into a holistic picture of the future.

In this picture, we see a cockpit that takes care of all the financial issues of an individual. Here, the individual has an overview of all financial topics and related data, such as (for example):

- income and expenses
- customer and contract data
- liquidity over the next months
- credits / loans
- short-, medium- and long-term investments
- retirement provisions (separated by pillars)
- insurance cover across all lines (but focusing on risks and the coverage rather than insurance lines of business and concrete products)

We think we should have this picture of the future in mind when we talk about open insurance. In this sense it is also very important that we combine open insurance with open banking to a real and uniform open finance framework.

*3. Do you think regulators/supervisors should put more focus on public comparison websites where the participation is compulsory for undertakings? What lines of business could be subject for that? What risks, benefits and obstacles do you see?*

Yes / No / I don't know

**AFPA:** We can't see that it is the task of the regulator / supervisor to establish a kind of controlled and mandatory marketplace for insurance. We have doubts that this is possible from a legal perspective. Further potential issues: Liability? Costs? And finally, what are the benefits? By the way, Open Insurance needs to be fully implemented before thinking about such an idea.

We want to highlight that we are convinced that there is still a need for decent advice in the future. Advisory cannot be replaced by a transparent and standardized processing of all information on products.

*4. Please describe your own open insurance use case/business model and challenges you have faced in implementing it, if any.*

**AFPA:** We have described our master use case under item 2.

#### **Chapter 4 | OPEN INSURANCE AND SUPTECH**

*5. In addition to those described in this paper, do you see other open insurance use cases in RegTech/SupTech that might be worth to look at further from supervisory/consumer protection perspective?*

Yes / No

**AFPA:** We see a lot of areas of a kind of “real-time” measurement of risks and a “real-time” disposition of information. We could think about a real-time balance sheet, real-time underwriting review, real-time loss-ratios and so on. In addition, we could think more general about product risks and their assessment, e.g., in terms of modern guarantee products.

We are questioning if the processes and calculation routines currently in place and especially the given infrastructure on insurers side will ever allow such a “real-time” perspective. Just think about how long it currently takes to provide Solvency II figures and to update PRIIP KID key figures.

Not to mention the question, if such an information would then be accessible, processable and usable by the different stakeholders in a useful and timely way.

I think it would make sense to start small and on a decent set of risk indicators while thinking big and having a clear vision on the long-term target state.

*6. Please describe your own open insurance use case/business model in RegTech/SupTech and the challenges you have faced in implementing it, if any.*

-

## Chapter 5 | RISKS AND BENEFITS OF OPEN INSURANCE

7a. Do you agree the potential benefits for the consumers are accurately described?

~~Strongly agree / Somewhat agree / Neither agree nor disagree / Somewhat disagree / Strongly disagree~~

7b. Do you agree the potential benefits for the industry are accurately described?

~~Strongly agree / Somewhat agree / Neither agree nor disagree / Somewhat disagree / Strongly disagree~~

7c. Do you agree the potential benefits for the supervisors are accurately described?

~~Strongly agree / Somewhat agree / Neither agree nor disagree / Somewhat disagree / Strongly disagree~~

8. Are there additional benefits?

Yes / ~~No / I don't know~~

**AFPA:** We have to highlight that the potential benefits for all three mentioned and inter-linked stakeholders are well described and elaborated. We think the holistic benefits of a financial cockpit for a consumer could be much more appreciated.

We further assume that some additional benefits and opportunities might show up in the future. The list of benefits is probably not exhaustive, which is from our perspective not a shortcoming for the time being.

9. What can be done to maximise these benefits?

**AFPA:** We can only answer this generic question generically: Key will be a well-balanced approach that reduces the major risks while maximizing the benefits – for all three parties. One-sided benefits should be outside the action space. From our perspective, we should more focus on the benefits and win-win-win situation.

By the way, we would like to encourage the regulator to conduct an analysis with respect to PSD2. What are the experiences so far? How is it used? Have new risks & benefits emerged? What is the balance between risks and benefits so far? We believe that such an analysis may bring insights to help to adjust “open banking” and to establish a balanced open-insurance.

Here, we want to highlight, that PSD2 is pretty much different than Open Insurance. This will be captured later in more depth.

10a. Do you agree the potential risks for the consumers are accurately described?

~~Strongly agree / Somewhat agree / Neither agree nor disagree / Somewhat disagree / Strongly disagree~~

10b. Do you agree the potential risks for the industry are accurately described?

~~Strongly agree / Somewhat agree / Neither agree nor disagree / Somewhat disagree / Strongly disagree~~

10c. Do you agree the potential risks for the supervisors are accurately described?

~~Strongly agree / Somewhat agree / Neither agree nor disagree / Somewhat disagree / Strongly disagree~~

11. *Are there additional risks?*

Yes / No / I don't know

**AFPA:** We have to highlight that the potential risks for all three mentioned and inter-linked stakeholders are well described and elaborated. We think the risks of market concentration should be more emphasised.

In addition, we would also assume that a fully installed open insurance framework will foster and accelerate a market shakeout among insurers – which is not necessarily all bad.

However, Open Insurance will enable BigTechs (Google & friends) to leverage their knowledge and tools. Today's insurers are vastly inferior to these giants. Thus, Open Insurance might not only pave the way for the BigTechs but also a furious takeover of the entire financial market by a handful of BigTechs.

And what is the point of view of the intermediaries, who are currently often the link between insurers and customers?

In Austria alone, Open Insurance affects thousands of self-employed intermediaries and thousands of employees in their companies. Broker organizations fear that the Open Insurance project and the associated data query option will not help the customer or the broker. But on the contrary, the big data companies such as Amazon, Google and Co.

On the one hand, because they have already collected a lot of information from and about their customers and thus, they possibly know better than the customers themselves that the customer needs any insurance.

On the other hand, their great financial strength is useful for programming extremely expensive (artificial intelligence) software in order to automatically offer customers the – hopefully really – suitable product.

An additionally, thanks to their financial strength the market price can be undercut at any time in order to make the customer's own insurance product more attractive.

Many intermediaries, who currently make a living from personal advice, doubt whether this really serves the customer, i.e., whether the customer is really offered the right, suitable product after an independent advice. Therefore, the impending loss of thousands of jobs – probably tens of thousands across Europe – should be considered as a realistic consequence of the opening insurance data project.

Small companies in particular will then no longer have a chance in the battle with the big giants. If the greed-is-greedy trend has also taken hold in the insurance sector, i.e., only cheap insurance and not the suitable insurance will be bought online, then consumer protection has been trampled on.

We further assume that some additional risks and new issues might show up in the future. The list of risks is probably not exhaustive, which is from our perspective not a shortcoming for the time being.

12. Do you consider that the current regulatory and supervisory framework is adequate to capture these risks? If not, what can be done to mitigate these risks?

Yes / No / I don't know

**AFPA:** By its nature, progress is faster than regulation and supervision.

We therefore repeat our credo to start small but think big. However, independent from the initiatives among open finance we highly encourage the regulator / supervisor to simplify the regulatory framework. Otherwise, the clash of the current regulatory framework and the future-oriented open finance vision might end up in a nightmare for all involved parties and stakeholder.

## Chapter 6 | REGULATORY BARRIERS IN RESPECT OF OPEN INSURANCE

13. Do you agree with the barriers highlighted in chapter 5?

Strongly agree / ~~Somewhat agree~~ / ~~Neither agree nor disagree~~ / ~~Somewhat disagree~~ / Strongly disagree

**AFPA:** We can see that the “medal” of open finance also has its dark side. Exclusion is a severe issue. However, on a global perspective we currently have about two billion humans without access to a savings account. So, we are already living in a world full of exclusion. Open finance should facilitate access and lower those barriers. The European Union has the opportunity to become a role model for open finance with the consumer in the centre.

Regarding regulatory barriers, we understood that legal uncertainty is definitely a concern that needs to be taken very seriously.

We would also like to highlight that a successful open insurance framework requires a more simple and more harmonized regulatory and technical basis within the European Union. We assume that the current basis in the insurance area is pretty much more fragmented and patchier than the status in the banking area at the time when discussions among PSD2 started. This needs to be incorporated when defining the first step and the corresponding timeline.

At this stage, we have to state that the insurance landscape is much more complex than a simple cash transfer. This needs to be considered when defining the first step and the corresponding timeline, too.

However, we would like to encourage the regulator to conduct an analysis with respect to PSD2. What are the experiences so far? How is it used? Have new risks & benefits emerged? What is the balance between risks and benefits so far? We believe that such an analysis may bring insights to help to adjust “open banking” and to establish a balanced open-insurance.

Finally, we would like to impress that the alleged patch work in the European Union has its good reasons. The insurance business adapts to local conditions and needs, such as social security system and individual risk exposure. It is probably comparable to the culinary diversity in the European Union. This diversity is not all bad and needs to be protected from blanket leveling.

14. *What additional regulatory barriers do you see?*

**AFPA:** We assume that the current technological status at most insurers are a big hurdle and a barrier for a PSD2-similar approach of open insurance within the next few years. It will probably take quite a long time until the majority of the insurers are ready to fulfil minimum requirements and standards.

In addition, there is persuasion in insurer side to be done in order to reveal the full potential and motivation to walk towards Open Insurance.

## **Chapter 7 | POSSIBLE AREAS TO CONSIDER FOR A SOUND OPEN INSURANCE FRAMEWORK**

15. *What are your views on possible areas to consider for a sound open insurance framework highlighted by EIOPA in chapter 6? Are there additional underlying aspects or other aspects under concrete areas to consider for a sound open insurance framework?*

**AFPA:** We would like to highlight some idioms: “less is more” and “keep it simple”. It seems to us beneficial, if Open Insurance is introduced in several steps and the first step is a decent but manageable one, e.g., starting with simple customer and contract data.

16. *What are the key differences of between banking and insurance industry which are important to consider in light of open insurance implementation? (e.g. higher variety of products, more data, including sensitive health data in insurance).*

**AFPA:** We assume that variety of products, especially local specifics, and the larger scale of data are a big difference. In the light of ecosystems, we have to keep in mind that OPEN INSURANCE will affect more or less all other industries, too. This probably requires a hand in hand work of different regulatory frameworks, supervisions and state authorities on a local level as well as on European level.

We assume that the current technological basis in the insurance area is pretty much more fragmented and patchier than the status in the banking area at the time when discussions among PSD2 started. This needs to be incorporated when defining the first step and the corresponding timeline.

As well highlighted in the discussion paper, we have to keep always in mind that the impact of a data breach can have a far more serious impact when happening in Open Insurance context.

17. *What are the ‘lessons learned’ from open banking that might be relevant to consider in open insurance?*

-

18. *Do you think open insurance will develop without any regulatory intervention? (e.g. without PSD2 type of compulsory data sharing provisions)*

Strongly agree / ~~Somewhat agree~~ / ~~Neither agree nor disagree~~ / ~~Somewhat disagree~~ / Strongly disagree

**AFPA:** As already highlighted in the discussion paper, there have been in the past between eligible parties already a (huge) data exchange. It is quite natural, that given the current path

of digitization, that this will increase. Just think about the increase of efficiency of processes and automated interaction between insurers and sales channels.

We already have several insurance carriers, especially the so-called neo insurers, that fully interact with their partners via APIs. When asking them about this, they state that they have for different partners different APIs in place. Even on this micro level a uniform approach seems to be not possible.

However, since there is no market standard each cooperation cluster (“Ecosystem”) will use its own interfaces and definitions – creating barriers for other stakeholders and customers.

So, yes, open insurance will develop, however, neither uniform nor controlled.

From our perspective, this patchwork should be avoided as it might increase the overall risk while limiting the overall benefits.

*19. Do you think open insurance should be driven voluntarily by industry/private initiatives or driven by regulatory intervention?*

~~Driven by private initiatives / Driven by regulation / A mix of the two options above~~

**AFPA:** A uniform and harmonized open insurance framework will only develop if it is driven by regulation. Otherwise, different habitats with different rules and standards will emerge, which – amongst other – will heavily impair supervision and customer protection.

Our preferred mantra: Open Insurance should be driven by regulator reflecting sound input from industry experts and with a technical definition that is developed by experts from the market, too.

*20. Do you have views on how the EU insurance market may develop if some but not all firms (e.g. based on different industry-wide initiatives) open up their data to third parties?*

**AFPA:** We see here the following scenarios:

1. The pioneers are the winners and it will be difficult for the others to catch up.
2. The pioneers burn a lot of money and are dissatisfied by the results and thus scrub the initiative.
3. The pioneers are the trailblazers for the BigTechs, which take it all, finally.

*21. What datasets should be definitely included in the scope of a potential open insurance framework? What data should be definitely excluded from the scope of open insurance framework? Are there any data sets you currently do not have access or do not have real-time access or where you have faced practical problems, but you consider this access could be beneficial? This could include both personal and non-personal data (e.g. IoT devices data, whether data, sustainability-related data, data on cyber incidents etc.). Please explain your response providing granular examples of datasets.*

*Data that should be included:*

**AFPA:** We assume that, different to PSD2, the open insurance framework will develop over several opening steps. We can't oversee yet the different steps and the corresponding data sets. However, we would like to popularize to start with data regarding retirement products, in order to allow the development of a pillar-overarching perspective of an individual's retirement provisions.

In any case, as a first step, we propose to focus on a comprehensible set of customer and contract (policy) data.

Data that should be excluded: In the long run: none.

*22. In your opinion, which regulatory/licensing approach would be best for the development of sound open insurance framework (e.g. unlocking the benefits and mitigating possible risks)? Could an increased data sharing require revisions in the regulatory framework related to insurance data?*

~~Compulsory data sharing inside the regulated insurance industry / Compulsory data sharing inside the regulated insurance industry and with third parties with bespoke licensing approach / Compulsory data sharing in certain lines of businesses and/or amongst certain products / Compulsory data sharing covering only IoT data/sensor data / Self-regulatory approach to data sharing (no regulatory intervention in addition to the GDPR data portability rules) / a mix of the approaches / Other~~

**AFPA:** Depending on the niche and the use case, the list of parties will be different as well as the type and the sensitivity of the data.

*23. Could you provide information which helps to evaluate the cost of possible compulsory data sharing framework (e.g. based on your experience on PSD2 adoption)?*

-

*24. In the absence of any compulsory data sharing framework in insurance as it is currently the situation, how do you see the role of EIOPA and national supervisors to guarantee proper market oversight and consumer protection?*

-

*25. This Discussion Paper highlighted some of the ethical issues relevant to open insurance (e.g. price optimisation practices, financial exclusion, discrimination). Do you see additional ethical issues relevant in light of open insurance?*

Yes / No / I don't know

-

*26. What functions and common standards are needed to support open insurance and how should they be developed? Please consider this both from self-regulatory angle and from possible compulsory data sharing angle.*

-

*27. What existing API/data sharing standards in insurance/finance in the EU or beyond could be taken as a starting point/example for developing common data sharing standards in insurance?*

**AFPA:** We recommend to not start from an existing local standard. Besides some animosities and due to local differences, slipping over a local standard would be that difficult. We have to keep in mind, that we have not yet even implemented a universal language throughout the European Union.

In any case, we have to prevent a “Open Insurance by Market Power”.



Austrian Financial & Insurance Professionals Association

However, it might be helpful to have a closer look at current initiatives in order to learn from them. We would like to encourage EIOPA together with some market experts to conduct an analysis on potentially existing standards. What are the differences? What is similar? What are lessons learned? This could be a very helpful for defining the first step of Open Insurance in Europe.

*28. Do you believe that open insurance only covering insurance-related data could create an un-level playing field for incumbent insurance undertakings vis-a-vis other entities such as BigTech firms Please explain your response*

~~Yes / No / I don't know~~

-

*29. How do you see the market will develop in case the data sharing is extended to non-insurance/non-financial data? What are the biggest risks and opportunities?*

-

*30. Do you have any comments on the case studies in Annex 1?*

-

*31. Are there any other comments you would like to convey on the topic? In particular, are there other relevant issues that are not covered by this Discussion Paper?*

-

**Für Rückfragen steht Ihnen unser Chairman, Johannes Muschik gerne zur Verfügung:**

Kontaktdaten:

**Austrian Financial and Insurance Professionals Association, AFPA**

Albertgasse 35/1, 1080 Wien

Telefon: +43 (0)1 36 16 900

Mobiltelefon: +43 (0)676 7743290

E-Mail: [jm@afpa.at](mailto:jm@afpa.at)

[www.afpa.at](http://www.afpa.at)