Insurance Ireland's
Contribution
To

The European Commission consultation on a new digital strategy for Europe / FinTech Action Plan

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General statement

A more innovation-friendly EU single market for financial services is one of the three core pillars of Insurance Ireland's vision for the future of the EU marketplace. Therefore, we greatly appreciate and support the European Commission's initiative on a new digital finance strategy and a review of the fintech action plan. On 3rd April 2020 the European Commission launched a consultation to seek stakeholders' views on core aspects of digital finance.

Insurance Ireland and its members welcome the opportunity to contribute [link to our contribution]. Digital finance is not a purpose in itself. The ambitions of our members to innovate aim at improving consumer-experience as well as more effective and efficient processes. Therefore, a strong focus of the digital finance strategy needs to be on the interaction of digital solutions and regulation. Overall, we favour a technology-neutral and innovation friendly EU Financial services regulatory framework which considers ever increasing role of data in financial services. In addition to the regulatory framework, we will have to enhance the digital operational resilience of the single market.

Our submission to the European Commission's consultation focuses on all aspects of digitalisation including its role, usefulness and challenges. We believe that the key aspects of the new digital finance strategy are:

1. Balance the pace between increased regulation and digitalisation that poses challenges to innovation;
2. Enhance regulatory consistency as overlapping legislation at domestic and European levels hinders the realisation of the full opportunities offered by innovative technologies, especially with a view to servicing the single market,
3. Facilitate the development of tech-specific expertise in supervisory authorities to ensure effective, efficient and consistent supervision and consumer protection,
4. Create an EU regulatory sandbox to help progressing digitally innovative financial services products to consumers across the whole single market,
5. Enhance financial and tech-related literacy and education to allow consumers to fully embrace increasing consumer choice and benefit from more efficient processes, i.e. on ever-growing cyber risks,
6. Improve data sharing in a transparent manner which is compliant with all relevant regulations, such as GDPR and e-Privacy, to ensure that data can be used to its full value for the society and economy.

The recent consultation is only one step towards a more innovation-friendly and integrated EU single market for financial services. Together with our members, we are committed to work with EU-institution, supervisors and all other stakeholders to support best outcomes for the future EU digital finance strategy.

Please find our detailed answers below.

[Note: This is a provisional version. We will upload the final input as soon as it is available.]

Question 1. What are the main obstacles to fully reap the opportunities of innovative technologies in the European financial sector (please no more than 4) ? Please also take into account the analysis of the expert group on Regulatory Obstacles to Financial Innovation in that respect.

Please type answer here (max 5000 characters):

Insurance Ireland fully support a more digitalised financial sector. We believe it would; offer an enhanced user experience for consumers, introduce many efficiencies for established market operators and provide for a more conducive environment for new market entrants. However, members have identified a number of obstacles to fully realising the range opportunities presented by increased digitalisation.

- Feedback has indicated that the regulatory framework operates as a major impediment to increased digitalisation. Overlapping and contradictory legislation at a domestic and European level has been identified as a hinderance to the realisation of the full opportunities offered by innovative technologies. This is an issue which effect all providers. In particular it makes it more difficult for providers to successful launch a product available in across markets.

  In addition to this, members have found that the current regulatory environment of ever changing and increasingly demanding regulatory requirements create a major barrier to innovation. This is compounded by the review process of regulation, which is at times ineffective. We point to the ongoing review of the PRIIPs Regulation as an example. Providers of PRIIPs put in place significant systems changes to ensure compliance with the Regulation as implemented in 2016. Following the identification of major concerns as to the effectiveness of the Regulation a review of the level 2 measures was commenced. This level 2 review is separate to the formal review in accordance with Article 33 of the Regulation. Providers of PRIIPs may have to make significant changes to systems to comply with amendments stemming from level 2 review and then potentially additional changes from the formal review in a short space of time. It is extremely challenging for providers to keep pace when the goal posts continue to shift, making for an uncertain regulatory framework. For this reason, we believe that the current regulatory environment operates as a major barrier to increased innovation.

- An absence of specified knowledge of technology in financial services supervision presents a major challenge for providers who want to launch digital and technology focused solutions. We feel that supervisors should be more informed on how specific technologies work to allow them better understand the opportunities and risks, including cyber risks, associated with offering more digital solutions on the market. We feel well-informed supervision would allow for suitable risk mitigation while fully realising the benefits of more digital financial services market.

- Feedback highlighted the risk posed by legacy systems to digital security as there exists extensive diversity in legacy systems across financial services providers due to a significant activity in mergers and acquisitions.

- Given the wide range of diverse financial services providers across the EU in addition to the cost associated with launching more digital solutions we feel lack of a regulatory sandbox infrastructure at an EU level prevents smaller providers from developing and offering more digital solutions to customers. This impacts the range of products available to customers by restricting access to those providers who have the necessary resources to launch a more product across different markets. Provision of an EU regulatory sandbox would make available the necessary infrastructure and access to markets to majority increase access by customers to more digitally innovative financial services products.

Question 2. What are the key advantages and challenges consumers are facing with the increasing digitalisation of the financial sector (please no more than 4) ? For each of them, what if any are the initiatives that should be taken at EU level?

Please type answer here (max 5000 characters):

Advantages:
1. Reduced cost for the consumer in the form of reduced transaction cost and advice cost given the high level of readily available information online.

2. Increased availability of products to customers across different markets. This has allowed for customers gain access to more suitable and tailored products.

3. Digitalisation has allowed for more customers to communicate more effectively and efficiently. New apps and trackers have enhanced the claims process in insurance, allows queries to be dealt with more efficiently and provides for quicker and cheaper access to necessary advice for example the availability of medical digital platforms has allowed patients avail of advice from medical professionals in a timely fashion from the safety of their own homes.

4. Digitalisation has significantly increased the availability of information to customers which has allowed for improved understanding and better financial decision making in some instances. However, the dramatic increase in availability of online information, in particular mandatory regulatory disclosures can overwhelm and overload the customer by providing sometimes contradictory information. We point to the PRIIPs KID as an example of provision of contradictory information. It is important the customer takes into account relevant and necessary information. We point to IDD's IPID as a good model for providing necessary information to customers in a concise and understandable manner.

Disadvantages:
1. Increased digitalisation has increased the risk for customers when engaging in transactions. Given the vast access to customers across markets for digital providers we feel there should be a method for customers to verify reputable and trusted digital financial providers, including fintech and insurtech firms. We feel such an approach is necessary given the increased vulnerability to cyber risks for all customers.

2. Ability of customers to keep pace with digitalisation. As technology develops at a rapid pace it can be difficult for customers who are less tech savy to be aware of opportunities and risks presented by these developments. Increased digital literacy for customers should be a key agenda item for the European Commission. Given the new and complex concepts introduced by the increase in digitalisation and AI there continues to exist an information gap for many customers as to how new technologies work. We feel the European Commission should strive to keep customers aware of developments in the digitalisation of the financial sector. In addition to this the adoption of more uniform terminology in relation to technology would aid consumer understanding and transparency.

Question 3. **Do you agree with the choice of these priority areas?**

Please type answer here (max 5000 characters):

Yes

Question 3.1. Please explain your answer to question 3 and specify if you see other areas that would merit further attention from the Commission.

Please type answer here (max 5000 characters):

The priority above promotes an appropriate balance between interests of consumers, regulators and operators in the market.

Section I: Ensuring a technology-neutral and innovation friendly EU financial services regulatory framework

Question 4. Do you consider the existing EU financial services regulatory framework to be technology neutral and innovation friendly?

Please type answer here (max 5000 characters):

Regulation across EU policy areas impacts directly and indirectly on the financial regulatory framework. For example, Solvency requirements, data protection requirements, intellectual property rules, marketing requirements, disclosure requirements and anti-money laundering rules all impact the regulatory framework for financial services. As the EU is at different stages of convergence across a variety of policy areas, requirements that financial services providers must meet are constantly changing and sometimes could be viewed as contradictory. This provides a challenging and difficult environment to foster and promote digital innovation.

On this basis we do not believe that the existing EU financial services regulatory framework is neither technology neutral nor innovation friendly.

We point to comments set out in response to question 1 above regarding the regulatory framework which outlines concerns relating to; the overlap and contradiction of regulation, constant regulatory changes and the uncertainty created by the current review process.

Feedback has indicated that the reporting requirements currently in place have made it increasingly difficult to foster innovation. All providers, ie incumbents and new InsurTech start-ups, would benefit from reduced complexity of supervisory provisions. In particular, rules which have proven to be unnecessary or overly burdensome need to be identified and revoked. One example of overly burdensome provisions are excessive reporting requirements as stipulated under Solvency II. Undertakings have to submit reports for numerous reference dates. Additionally, submitted reports can comprise a large number of data sets, eg 120 000 data fields for quarterly reporting and up to 330 000 data fields for annual reporting.

Insurance Ireland therefore recommends reducing the current overly burdensome and excessive reporting requirements, and engaging in dialogue with the industry on how technology could be used to improve and streamline the reporting process, for example by analysing the total scope of the supervisory reporting requirements in order to remove duplications and overlaps.

Question 4.1 If not, please provide specific examples of provisions and requirements that are not technologically neutral or hinder innovation:

Please type answer here (max 5000 characters):

The IDD and the PRIIPs Regulation require pre-contractual information to be provided to consumers by default on paper. It may only be provided another way — such as on a website or in another digital format — "by way of derogation". This is highly unsuitable in this digital age. Moreover, the additional disclosures that must be provided (from the Solvency II Directive, GDPR, Distance Marketing Directive for financial services, eCommerce Directive, etc.) do not make the disclosures, such as the KID, digital-friendly. Such paper requirements will prevent further development of the internet as a distribution channel for insurance products. They fail to recognise that consumers are increasingly demanding and using online services.

In contrast to the IDD and PRIIPs, the PEPP Regulation takes a more digital-friendly approach. It allows the electronic distribution of PEPP information from the outset, while still permitting consumers to request the information on another durable medium, such as paper. The PEPP Regulation also permits the layering of information when the PEPP KID is provided in an electronic format, for example through pop-ups or through links to other layers.

Certain GDPR rules and the guidelines adopted by the European Data Protection Board (EDPB) also appear to be at odds with fast-evolving technology. Automating processes can enable insurers to serve consumers better, faster and at a lower cost — such as real-time insurance offered through mobile phone applications — but EDPB guidelines create legal uncertainty that may discourage insurers from introducing new automated processing and profiling techniques.

Again, we point to comments set out in response to question 1 above regarding the regulatory framework which outlines concerns relating to; the overlap and contradiction of regulation, constant regulatory changes and the uncertainty created by the current review process.

Question 5. Do you consider that the current level of consumer protection for the retail financial products and services established by the EU regulatory framework is technology neutral and should be also applied to innovative framework is technology neutral and should be also applied to innovative ones using new technologies, although adapted to the features of these products and to the distribution models?

Please type answer here (max 5000 characters):

No, please see answer to question 4.1 detailing specific consumer protection measures that are not technology neutral. We believe the current consumer protection framework for financial services not to be consumer friendly, it is unduly burdensome and overly complex making it difficult to understand and therefore negatively impacts consumer decision making. We would warn against adopting a similar model for the EU's innovation framework.

Question 5.1 Please explain your reasoning on your answer to question 5, and where relevant explain the necessary adaptations:

Please type answer here (max 5000 characters):

Please see our answer to question 4.1.

Question 6. In your opinion, is the use for financial services of the new technologies listed below limited due to obstacles stemming from the EU financial services regulatory framework or other EU level regulatory requirements that also apply to financial services providers? Please rate each proposal from 1 to 5 (with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant)

DLT:
Cloud Computing:
AI/Machine learning:
Internet of Things:
Quantum computing:
Other:

If other please type answer here (max 5000 characters):

n/a

If you see other technologies whose use would be limited in the financial services due to obstacles stemming from the EU financial services legislative framework, please specify and explain:

n/a

Question 6.1 Please explain your answer to question 6, specify the specific provisions and legislation you are referring to and indicate your views on how it should be addressed:

Please type answer here (max 5000 characters):

One of the crucial factors for the successful deployment of DLT or blockchain technology solutions in the future will be to have continued cooperation between all the different stakeholders to avoid obstacles arising as a result of standardisation or interoperability issues. It will also be crucial to ensure that the application of EU privacy and data protection rules does not create unnecessary barriers to the deployment of blockchain technology solutions in the financial sector. The underlying principles of blockchain technology already raise certain questions with regard to compatibility with existing legislation, particularly concerning the use of personal data. The General Data Protection Regulation (GDPR), for example, sets out numerous rights for the data subject, such as the right to be forgotten and the right to rectification, as well as requiring data to be kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the data is processed. This needs to be reconciled with the fact that blockchain technology is designed to be an immutable and permanent record of all transactions.

Question 7: Building on your experience, what are the best ways (regulatory and non-regulatory measures) for the EU to support the uptake of nascent technologies and business models relying on them while also mitigating the risk they may pose? Please rate each proposal from 1 to 5 (with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant):

- Setting up dedicated observatories to monitor technological and market trends (e.g. EU Blockchain Observatory & Forum; Platform Observatory): 5
- Funding experimentation on certain applications of new technologies in finance (e.g blockchain use cases) 5
- Promoting supervisory innovation hubs and sandboxes 5

- Supporting industry codes of conduct on certain applications of new technologies in finance 5
- Enhancing legal clarity through guidance at EU level for specific technologies and/or use cases 4
- Creating bespoke EU regimes adapted to nascent markets, possibly on a temporary basis 3
- Other

Please specify what are the other ways the EU could support the uptake of nascent technologies and business models relying on them while also mitigating the risks they may pose:

If other please type answer here (max 5000 characters):

Further deployment of blockchain technology could be stimulated via lighthouse projects by the public and private sector. Joint projects in the area of e-government, for example, could propel the technology by helping overcome uncertainties often faced by early adopters. In this respect, blockchain technology offers an opportunity to connect public and private bodies in a safe and cost-efficient manner.

In addition, it is important to facilitate the creation of a suitable blockchain infrastructure. For the development and implementation of blockchain use cases, highly specialised IT professionals are needed. Further effort is therefore required to ensure that individuals with the appropriate skills and training are available EU-wide. Moreover, a modern, high-speed communication infrastructure is required to ensure that data in blockchain applications can be synchronised without any delay. Insurance Europe therefore welcomes initiatives by the Commission concerning 5G and high-speed internet.

Question 8. In which financial services do you expect technology companies which have their main business outside the financial sector (individually or collectively) to gain significant market share in the EU in the five upcoming years? Please rate each proposals from 1 to 5 with 1 being very low market share below 1%, 2 low market share, 3 neutral, 4 significant market share, 5 very significant market share above 25%

- Intra European retail payments:
- Intra European wholesale payments:
- Consumer credit provision to households with risk taking:
- Consumer credit provision to households with partnered institution:
- Mortgage credit provision to households with risk taking:
- Mortgage credit provision to households with partnered institution;
- Credit provision to SMEs with risk taking:
- Credit distribution to SMEs with partnered institution:
- Credit provision to large corporates with risk taking;
- Syndicated lending services with risk taking;
- Risk taking activities in Life insurance products: 4
- Risk taking activities in Non-life insurance products; 4
- Risk taking activities in pension products; 4
- Intermediation / Distribution of life insurance products; 4
- Intermediation / Distribution of nonlife insurance products; 4
- Other insurance related activities, e.g. claims management; 4
- Re-insurance services; 4
- Investment products distribution; 4
- Asset management; 4

- Others

Please specify in which other financial services you expect technology companies to gain significant market share in the EU in the five upcoming years:

If other please type answer here (max 5000 characters):

n/a

Question 8.1 Please explain your answer to question 8 and, if necessary, describe how you expect technology companies to enter and advance in the various financial services markets in the EU Member States:

Please type answer here (max 5000 characters):

We expect there will be a growth in online insurance companies in the life and non-life sector, similar to business models whereby customers go online and purchase their insurance within minutes with a minimal amount of questions being asked. There are options offered for all types of cover with different exclusions and co-payment for certain plans.

We also expect an increase in financial services providers outsourcing to technology companies to provide digital services such as telematics and smart contracts.

Question 9. Do you see specific financial services areas where the principle of "same activity creating the same risks should be regulated in the same way" is not respected?

Please type answer here (max 5000 characters):

We support consistent consumer protection across both incumbent providers and new entrants to the market.

Question 9.1 Please explain your answer to question 9 and provide examples if needed:

Please type answer here (max 5000 characters):

Insurance Ireland agrees that regulation and supervision should be activity-based (ie "same activities, same rules") to ensure that customers are effectively and equally protected both when they purchase their insurance products from established insurers and from new market entrants, whatever their business model. 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 PRIIPs Regulation and the General Data Protection Regulation, as well as all their respective Level 2 and 3 measures, should apply equally to established insurers and new market entrants/start-ups, where they carry out the same activities. This being said, the rules should also be applied in a proportionate and pragmatic manner (for example, to ensure that the IDD rules also work in a paperless environment).

The crucial issue is to ensure that customers enjoy the same level of protection, regardless of whether they are served by incumbent providers or new entrants to the market, where they may be small start-ups or established BigTech companies. All elements of the insurance value chain are sufficiently regulated and serve the regulatory objective of policyholder protection. New entrants to the insurance market should therefore be brought within insurance regulation. The average customer does not differentiate between an incumbent provider or a new entrant. In both cases, the customer should be equally protected.

Question 10. Which prudential and conduct risks do you expect to change with technology companies gaining significant market share in financial services in the EU in the five upcoming years? Please rate your answer 1 to 5 with 1 being significant reduction in risks, 2 reduction in risks, 3 neutral, 4 increase in risk, 5 significant increase in risk.

- Liquidity risk in interbank market (e.g. increased volatility)
- Liquidity risk for particular credit institutions;
- Liquidity risk for asset management companies
- Credit risk: household lending;
- Credit risk: SME lending;
- Credit risk: corporate lending;
- Pro-cyclical credit provision;
- Concentration risk for funds collected and invested (e.g. lack of diversification);
- Concentration risk for holders of funds (e.g. large deposits or investments held in a bank or fund);
- Undertaken insurance risk in life insurance;
- Undertaken insurance risk in non-life insurance;
- Operational risks for technology companies and platforms;
- Operational risk for incumbent financial service providers;
- Systemic risks (e.g. technology companies and platforms become too big, too interconnected to fail);
- Money-laundering and terrorism financing risk;
- Other:

Please specify which other prudential and conduct risk(s) you expect to change with technology companies gaining significant market share in financial services in the EU in the five upcoming years:

If other please type answer here (max 5000 characters):

As outlined in response to question 9.1 we support consistent consumer protection irrespective of the provider. New entrants to the financial services and in particular to the insurance market will need a strong understanding of the current regulatory framework to ensure the consumer is adequately protected and no additional economic risks materialise due to entrance of non-traditional providers.

Question 10.1 Please explain your answer to question 10 and, if necessary, please describe how the risks would emerge, decrease or increase with the higher activity of technology companies in financial services and which market participants would face these increased risks:

Please type answer here (max 5000 characters):

Unregulated industries or industries not previously heavily regulated would need to adjust to the regulatory environment in the market they plan to enter. New market entrants would need experienced staff and senior management with experience of regulatory requirements in the areas of solvency and liquidity- prudential, conduct, consumer complaints and data protection.

Question 11. **Which consumer risks do you expect to change when technology companies gain significant market share in financial services in the EU in the upcoming next 5 years? Please rate each proposal 1 to 5 with 1 being significant reduction in risks, 2 reduction in risks, 3 neutral, 4 increase in risk, 5 significant increase in risk.**

- Default risk for funds held in non-banks and not protected by Deposit Guarantee Scheme;
- Liquidity risk;
- Misselling of insurance products;
- Misselling of investment products;
- Misselling of credit products;
- Misselling of pension products;
- Inadequate provision of information;
- Inadequate complaint and redress process and management;
- Use/abuse of personal data for financial commercial purposes;
- Discrimination e.g. based on profiles;
- Operational risk e.g. interrupted service, loss of data;
- Other

Please specify which other consumer risk(s) you expect to change when technology companies gain significant market share in financial services in the EU in the five upcoming years:

If other please type answer here (max 5000 characters):

Risks to personal data of customers might increase where data is transferred to different entities and stored in various servers/clouds would.

Adequate disclosure on marketing document would also need to be adhered to.

Question 11.1 If necessary, please describe how the risks would emerge, decrease or increase with the higher activity of technology companies in financial services and which market participants would face these increased risks:

Please type answer here (max 5000 characters):

Risks would increase from lack of experience of staff from previously unregulated industries.

Question 12. Do you consider that any of the developments referred to in the questions 8 to 11 require adjusting the regulatory approach in the EU (for example by moving to more activity-based regulation, extending the regulatory perimeter to certain entities, adjusting certain parts of the EU single rulebook)?

Please type answer here (max 5000 characters):

Transitioning to a more activity-based regulation would be beneficial and allow for more certainty in the market. More targeted requirements would make compliance easier and more straightforward especially for new entrants to the market.

Question 12.1 P**lease explain your answer to question 12, elaborating on specific areas and providing specific examples:**

Please type answer here (max 5000 characters):

Regarding activity-based regulation Insurance Ireland agrees that regulation and supervision should be activity-based (ie "same activities, same rules") to ensure that customers are effectively and equally protected both when they purchase their insurance products from established insurers and from new market entrants, whatever their business model. This means that the comprehensive EU regulatory framework applicable to insurance activities and distribution, such as the Solvency II Directive, the Insurance Distribution Directive, the PRIIPs Regulation and the General Data Protection Regulation, as well as all their respective Level 2 and 3 measures, should apply equally to established insurers and new market entrants/start-ups, where they carry out the same activities.

The crucial issue is to ensure that customers enjoy the same level of protection, regardless of whether they are served by incumbent providers or new entrants to the market, where they may be small start-ups or established BigTech companies. All elements of the insurance value chain are sufficiently regulated and serve the regulatory objective of policyholder protection. New entrants to the insurance market should therefore be brought within insurance regulation.

Question 13. Building on your experience, what are the main challenges authorities are facing while supervising innovative/digital players in finance and how should they be addressed? Please explain your reasoning and provide examples for each sector you are referring to (e.g. banking, insurance, pension, capital markets):

Please type answer here (max 5000 characters):

Main challenges faced by supervisors of financial services in the age of increased digitalisation is keeping pace with developments and being able to correctly assess the benefits and risks associated with these developments. It is important that supervisors have a strong understanding of the full functionality of technologies and are familiar with the characteristics of the target market.

A major challenge faced by regulators is engagement and cooperation with other regulators. As financial service providers are subject to a host of policy and regulation it is not always clear who the relevant competent authority is for a given issue. In addition to this some regulatory requirements overlap or contradict. We would recommend an in-depth review and evaluation of measures applicable to financial services providers.

Question 14. According to you, which initiatives could be put in place at EU level to enhance this multi-disciplinary cooperation between authorities? Please explain your reasoning and provide examples if needed:

Please type answer here (max 5000 characters):

We would point to the 'one stop shop' mechanism contained in the GDPR as an instructive guide to how the Commission might approach the issue of multi-disciplinary cooperation between authorities. In addition to this it would be beneficial for supervisors across all policies areas which impact on financial services to be part of a European forum to ensure consistency and certaintyfor overlapping or connected regulatory spheres.

Section II. Removing fragmentation in the single market for digital financial services

Question 15. According to you, and in addition to the issues addressed in questions 16 to 25 below, do you see other obstacles to a Single Market for digital financial services and how should they be addressed?

Please type answer here (max 5000 characters):

Harmonised or joined up of regulation impacting financial services providers would need to be achieved to fully realise a European wide functioning single market for digital financial services for example conduct, prudential, competition and data protection.

Question 16. What should be done at EU level to facilitate interoperable cross-border solutions for digital on-boarding? Please rate each proposal from 1 to 5 with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant:

- Harmonise rules governing customer due diligence requirements in the Anti-Money Laundering legislation:
- Harmonise rules governing the acceptable use of remote identification technologies and services in the Anti-Money Laundering legislation;
- Broaden access for obliged entities to publicly held information (public databases and registers) to enable verification of customer identities;
- Provide further guidance or standards in support of the customer due diligence process (e.g. detailed ID elements, eligible trusted sources; risk assessment of remote identification technologies);
- Facilitate the development of digital on-boarding processes, which build on the e-IDAS Regulation;
- Facilitate cooperation between public authorities and private sector digital identity solution providers;
- Integrate KYC attributes into eIDAS in order to enable onboarding through trusted digital identities;
- Other:

Please specify what else should be done at EU level to facilitate interoperable cross-border solutions for digital on-boarding:

If other please type answer here (max 5000 characters):

n/a

Question 17. What should be done at EU level to facilitate reliance by financial institutions on digital identities gathered by third parties (including by other financial institutions) and data re-use/portability? Please rate from 1 to 5 with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant:

- Make the rules on third party reliance in the Anti-Money Laundering legislation more specific;
- Provide further guidance relating to reliance on third parties for carrying out identification and verification through digital means, including on issues relating to liability;
- Promote re-use of digital identities collected for customer due diligence purposes in accordance with data protection rules:
- Promote a universally accepted public electronic identity;

- Define the provision of digital identities as a new private sector trust service under the supervisory regime of the eIDAS Regulation:
- Other:

Please specify what else should be done at EU level to facilitate reliance by financial institutions on digital identities gathered by third parties (including by other financial institutions) and data re-use/portability:

If other please type answer here (max 5000 characters):

n/a

Question 18. Should one consider going beyond customer identification and develop Digital Financial Identities to facilitate switching and easier access for customers to specific financial services? Should such Digital Financial Identities be usable and recognised throughout the EU? Which data, where appropriate and in accordance with data protection rules, should be part of such a Digital Financial Identity, in addition to the data already required in the context of the anti-money laundering measures (e.g. data for suitability test for investment services; data for creditworthiness assessment; other data) ? Please explain your reasoning and also provide examples for each case you would find relevant.

Please type answer here (max 5000 characters):

The creation of digital financial identities would be useful to facilitate switching and easy access for consumers as it would make it easier to on-board customers in an online environment while providing the verification needed for compliance requirements. However, more detail would need to be shared to allow us comment fully on the concept.

Question 19. Would a further increased mandatory use of identifiers such as Legal Entity Identifier (LEI), Unique Transaction Identifier (UTI) and Unique Product Identifier (UPI) facilitate digital and/or automated processes in financial services? If yes, in which framework(s) is there the biggest potential for efficiency gains?

Please type answer here (max 5000 characters):

A unique set of common identifiers can only be beneficial when it comes to doing business in the Financial Services industry. Digital Contracts with consumers, service providers, insurance and reinsurance partners would be greatly assisted by an identifier to facilitate a more automated and digital process.

Question 20. In your opinion (and where applicable, based on your experience), what is the main benefit of a supervisor implementing (a) an innovation hub or (b) a regulatory sandbox as defined above?

Please type answer here (max 5000 characters):

Insurance Ireland is supportive of the implementation of both innovation hubs and regulatory sandboxes by supervisors. We feel such an approach would boast innovation in the financial services sector as testing would be able to be carried out in a controlled environment ahead of being brought to the market. This allows for adequate consumer protection measures to be identified and put in place at an early stage. It would mitigate risks associated with launching new business models, products and services as it allows providers to think through business risks inherent to the model in real time.

It is equally important that existing financial institutions have the opportunity to develop innovative products and services aimed to benefit consumers and have equal access to supervisory initiatives and tools supporting innovation. These initiatives and tools should therefore be made available to both new market entrants/start-ups and established companies that are trying to develop innovative products or services to ensure an effective level-playing field and to further encourage innovation.

Innovation hubs and regulatory sandboxes would be positive step in testing out viability of business models before committing to costly and resource intensive prudential and conduct compliance requirements.

In addition to established companies and new market entrants, the use of innovation facilitators can be of equal value to regulators and supervisors in helping to identify where existing regulations hinder innovation, and in striking the right balance to encourage innovation and protect consumers. Insurance Europe would further encourage national supervisors and regulators to exchange information on, and experiences with, new regulatory tools aimed at supporting and facilitating innovation, both at EU and international level. This would also facilitate learning for supervisors as they would become more familiar with concepts being presented by firms. In addition to this it would increase consumer trust in these new technologies as it would have received authorisation for the regulator.

Question 21. In your opinion, how could the relevant EU authorities enhance coordination among different schemes in the EU? Please rate from 1 to 5 with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant:

- Promote convergence among national authorities in setting up innovation hubs and sandboxes, through additional best practices or guidelines;
- Facilitate the possibility for firms to test new products and activities for marketing in several Member States ("cross border testing");
- Raise awareness among industry stakeholders;
- Ensure closer coordination with authorities beyond the financial sector (e.g. data and consumer protection authorities);
- Promote the establishment of innovation hubs or sandboxes with a specific focus (e.g. a specific technology like Blockchain or a specific purpose like sustainable finance);
- Other;

Please specify how else could the relevant EU authorities enhance coordination among different schemes in the EU:

If other please type answer here (max 5000 characters):

n/a

Question 21.1 If necessary, please explain your reasoning and also provide examples for each case you would find relevant:

Please type answer here (max 5000 characters):

n/a

Question 22. In the EU, regulated financial services providers can scale up across the Single Market thanks to adequate licenses and passporting rights. Do you see the need to extend the existing EU licenses passporting rights to further areas (e.g. lending) in order to support the uptake of digital finance in the EU?

Please type answer here (max 5000 characters):

We believe that the principles of Freedom of Services and Freedom of Establishment as currently set out provide sufficient to support the uptake of digital finance in the EU.

Question 23. In your opinion, are EU level initiatives needed to avoid fragmentation in the Single Market caused by diverging national measures on ensuring non-discriminatory access to relevant technical infrastructures supporting financial services? Please elaborate on the types of financial services and technical infrastructures where this would be relevant and on the type of potential EU initiatives you would consider relevant and helpful:

Please type answer here (max 5000 characters):

Fragmentation is a challenge faced by providers who operate across markets as laws may differ in Member States when providing the same product or service. Feedback has indicated that operators would benefit from a co-ordinated set of practice notes or guidelines for EU states to follow on certain topics such as the use blockchain, automated processing, consumer rights with new technologies and data carve outs.

Question 24. In your opinion, what should be done at EU level to achieve improved financial education and literacy in the digital context? Please rate from 1 to 5 with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant:

- Ensure more affordable access at EU level to financial data for consumers and retail investors 3
- Encourage supervisors to set up hubs focussed on guiding consumers in the digital world; 5
- Organise pan-European campaigns and advisory hubs focusing on digitalisation to raise awareness among consumers; 5
- Collect best practices; 5
- Promote digital financial services to address financial inclusion; 5
- Introduce rules related to financial education comparable to Article 6 of the Mortgage Credit Directive, with a stronger focus on digitalisation, in other EU financial regulation proposals 4
- Other;

Please specify what else should be done at EU level to achieve improved financial education and literacy in the digital context:

Please type answer here (max 5000 characters):

n/a

Question 25: If you consider that initiatives aiming to enhance financial education and literacy are insufficient to protect consumers in the digital context, which additional measures would you recommend?

Please type answer here (max 5000 characters):

We feel increased understanding and education of supervisors would greatly benefit the provision of more digital financial services. We recommend sharing knowledge and best practice across EU regulators of financial services.

III. Promote a well-regulated data-driven financial sector

Question 26: In the recent communication "A European strategy for data", the Commission is proposing measures aiming to make more data available for use in the economy and society, while keeping those who generate the d a t a i n c o n t r o l . According to you, and in addition to the issues addressed in questions 27 to 46 below, do you see other measures needed to promote a well-regulated data driven financial sector in the EU and to further develop a common 38 data driven financial sector in the EU and to further develop a common European data space for finance?

Please type answer here (max 5000 characters):

n/a

Question 27. Considering the potential that the use of publicly available data brings in finance, in which areas would you see the need to facilitate integrated access to these data in the EU? Please rate from 1 to 5 with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant:

- Financial reporting data from listed companies;
- Non-financial reporting data from listed companies;
- SME data;
- Prudential disclosure stemming from financial services legislation;
- Securities market disclosure;
- Disclosure regarding retail investment products;
- Other;

Please specify in which other area(s) you would see the need to facilitate integrated access to these data in the EU:

Please type answer here (max 5000 characters):

n/a

Question 28. In your opinion, what would be needed to make these data easily usabel across the EU? Please rate from 1 to 5 with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant:

- Standardised (e.g. XML) and machine-readable format
- Further development of the European Financial Transparency Gateway, federating existing public databases with a Single EU access point;
- Application Programming Interfaces to access databases;
- Public EU databases;
- Other;

Please specify what else would be needed to make these data easily usable across the EU:

If other please type answer here (max 5000 characters):

n/a

Question 29. In your opinion, under what conditions would consumers favour sharing their data relevant to financial services with other financial services providers in order to get better offers for financial products and services?

Please type answer here (max 5000 characters):

Feedback has indicated that customers are increasingly willing to share data in exchange for more personalised and tailored services. Our members ensure that when personalisation is made available to customers that data sharing is transparent and fully compliant with all relevant regulatory requirements including the GDPR and the E-Privacy Regulation.

Question 30. In your opinion, what could be the main benefits of implementing an open finance policy in the EU? Please rate from 1 to 5 with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant:

- More innovative and convenient services for consumers/investors, e.g. aggregators, comparison, switching tools; 5
- Cheaper traditional services for consumers/investors; 5
- Efficiencies for the industry by making processes more automated (e.g. suitability test for investment services); 5
- Business opportunities for new entrants in the financial industry; 4
- New opportunities for incumbent financial services 1 2 3 4 5 N. A. 43 firms, including through partnerships with innovative start-ups;
- Easier access to bigger sets of data, hence facilitating development of data dependent services; 4
- Enhanced access to European capital markets for retail investors; 5
- Enhanced access to credit for small businesses; 5
- Other;

If you see other benefits of implementing an open finance policy in the EU, please specify and explain:

If other please type answer here (max 5000 characters):

n/a

Question 31. In your opinion, what could be the main risks of implementing an open finance policy in the EU? Please rate from 1 to 5 with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant:

- Privacy issues / security of personal data; 5
- Financial exclusion; 5
- Poor consumer outcomes (e.g. unfair pricing strategies); 5
- Misuse of consumers’ financial data; 5
- Business confidentiality issues; 5
- Increased cyber risks; 5

- Lack of level playing field in terms of access to data across financial sector activities; 5
- Other

If you see other risks of implementing an open finance policy in the EU, please specify and explain:

If other please type answer here (max 5000 characters):
Another potential risk would be that open finance could grant big tech access to insurance data, without granting insurers access to data procured by big tech. This is an important lesson that can be learned from PSD2 and it should not be repeated.

Question 32. In your opinion, what safeguards would be necessary to mitigate these risks?

Please type answer here (max 5000 characters):
Build and develop systems to detect and mitigate risk outlined in question 31.

In relation to the potential impact on access to data the Commission should establish a framework for data sharing that enables all parties to benefit from data sharing.

Question 33. In your opinion, for which specific financial products would an open finance policy offer more benefits and opportunities? Please rate from 1 to 5 with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant:
- Savings accounts;
- Consumer credit;
- SME credit;
- Mortgages;
- Retail investment products (e. g. securities accounts); 5
- Non-life insurance products (e.g. motor, home…); 5
- Life insurance products; 5
- Pension products; 5
- Other;

If you see other financial products that would benefit of an open finance policy, please specify and explain:

Please type answer here (max 5000 characters):

n/a

Question 33.1 Please explain your answer to question 33 and give examples for each category:

Please type answer here (max 5000 characters):

n/a

Question 34. What specific data (personal and non-personal) would you find most relevant when developing open finance services based on customer c o n s e n t ? To what extent would you also consider relevant data generated by other services or products (energy, retail, transport, social media, e-commerce, etc.) to the extent they are relevant to financial services and customers consent to their use? Please explain your reasoning and provide the example per sector:

Please type answer here (max 5000 characters):

n/a

Question 35. Which elements should be considered to implement an open finance policy? Please rate from 1 to 5 with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant:

- Standardisation of data, data formats;
- Clarity on the entities covered, including potential thresholds;
- Clarity on the way data can be technically accessed including whether data is shared in realtime (e.g. standardised APIs);
- Clarity on how to ensure full compliance with GDPR and ePrivacy Directive requirements and need to ensure that data subjects remain in full control of their personal data;
- Clarity on the terms and conditions under which data can be shared between financial services providers (e. g. fees)
- Interoperability across sectors;
- Clarity on the way data shared will be used;
- Introduction of mandatory data sharing beyond PSD2 in the framework of EU regulatory regime;
- If mandatory data sharing is considered, making data available free of cost for the recipient;
- Other:

Please specify what other element(s) should be considered to implement an open finance policy:

Please type answer here (max 5000 characters):

n/a

Question 36: Do you/does your firm already deploy AI based services in a production environment in the EU?

Please type answer here (max 5000 characters):

Our members offer a range of AI based services including automated claims processing, symptoms checker, mobile apps and telematics.

Question 36.1 If you/your firm do/does already deploy AI based services in a production environment in the EU, please specify for which applications?

Please type answer here (max 5000 characters):

Our members offer a range of AI based services including automated claims processing, symptoms checker, mobile apps and telematics.

Question 37: Do you encounter any policy or regulatory issues with your use o f A I ? Have you refrained from putting AI based services in production as a result of regulatory requirements or due to legal uncertainty?

Please type answer here (max 5000 characters):

There are significant restrictions in place in relation to the use of medical and genetic data therefore that data cannot be accessed or used by providers, regardless if information would have a positive or negative impact.

Separately, certification mechanisms approving new AI methodologies would be helpful in enhancing consumer confidence.

Question 38. In your opinion, what are the most promising areas for AI applications in the financial sector in the medium term and what are the main benefits that these AI-applications can bring in the financial sector to consumers and firms?

Please type answer here (max 5000 characters):

The main benefit of the use of AI applications is an enhanced consumer experienced due to a more efficient and transparent consumer journey.

Cost saving for providers is also another main benefit of employing AI based technologies.

Question 39. In your opinion, what are the main challenges or risks that the increased use of AI based models is likely to raise for the financial industry, for customers/investors, for businesses and for the supervisory authorities? Please rate from 1 to 5 with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant:

1. Financial Industry:
- 1.1. Lack of legal clarity on certain horizontal EU rules;
- 1.2. Lack of legal clarity on certain sector-specific EU rules;
- 1.3. Lack of skills to develop such models;
- 1.4. Lack of understanding from and oversight by the supervisory authorities;
- 1.5. Concentration risks
- 1.6 Other

Please specify what other main challenge(s) or risk(s) the increased use of AIbased models is likely to raise for the financial industry:

If other please type answer here (max 5000 characters):

2.Consumer/Investors:
- 2.1. Lack of awareness on the use of an algorithm;
- 2.2. Lack of transparency on how the outcome has been produced;
- 2.3. Lack of understanding on how the outcome has been produced;
- 2.4. Difficult to challenge a specific outcome;
- 2.5. Biases and/or exploitative profiling;
- 2.6. Financial exclusion;
- 2.7. Algorithm-based behavioural manipulation (e.g. collusion and other coordinated firm behaviour) ;
- 2.8. Loss of privacy'
- 2.9. Other

Please specify what other main challenge(s) or risk(s) the increased use of AIbased models is likely to raise for customers/investors:

If other please type answer here (max 5000 characters):

2. Supervisory authorities
- 3.1. Lack of expertise in understanding more complex AI-based models used by the supervised entities;
- 3.2. Lack of clarity in explainability requirements, which may lead to reject these models;
- 3.3. Lack of adequate coordination with other authorities (e.g. data protection) -3.4. Biases;
- 3.5. Other;

Please specify what other main challenge(s) or risk(s) the increased use of A Ibased models is likely to raise for the supervisory authorities:

If other please type answer here (max 5000 characters):

n/a

Question 40. In your opinion, what are the best ways to address these new issues? Please rate from 1 to 5 with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant:
- New EU rules on AI at horizontal level;
- New EU rules on AI for the financial sector;
- Guidance at EU level for the financial sector;
- Experimentation on specific AI applications under the control of competent authorities ;
- Certification of AI systems Auditing of AI systems;
- Registration with and access to AI systems for relevant supervisory authorities
- Other;

Please specify what other way(s) could be best to address these new issues:

If other please type answer here (max 5000 characters):

n/a

Question 41. In your opinion, what are the main barriers for new RegTech solutions to scale up in the Single Market? Please rate from 1 to 5 with 1 being irrelevant, 2 rather not relevant, 3 neutral, 4 rather relevant, 5 fully relevant:

Providers of RegTech Solutions:
- Lack of harmonisation of EU rules
- Lack of clarity regarding the interpretation of regulatory requirements (e.g. reporting)
- Lack of standards Lack of real time access to data from regulated institutions
- Lack of interactions between RegTech firms, regulated financial institutions and authorities
- Lack of supervisory one stop shop for RegTech within the EU Frequent changes in the applicable rules
- Other

Please specify what are the other main barrier(s) for new providers of RegTech solutions to scale up in the Single Market:

If other please type answer here (max 5000 characters):

Financial Service providers:
- Lack of harmonisation of EU rules
- Lack of trust in newly developed solutions
- Lack of harmonised approach to RegTech within the EU
- Other

Please specify what are the other main barrier(s) for new Financial service providers solutions to scale up in the Single Market:

If other please type answer here (max 5000 characters):

n/a

Question 42. In your opinion, are initiatives needed at EU level to support the deployment of these solutions, ensure convergence among different authorities and enable RegTech to scale up in the Single Market?

Please type answer here (max 5000 characters):

Increased harmonisation of the financial services framework would address inconsistencies in the regulatory framework across domestic markets which would in turn improve the ability of RegTech to scale up in the single market. Currently regulatory fragmentation across Member States impedes the rolling out of innovative technological solutions across markets as compliance with local requirements often present different barriers depending on the Member State in question.

In addition to this increased clarity around the roles and responsibilities of each regulatory stakeholder would create a more conducive environment to scale up RegTech to scale in the Single Market.

Question 42.1 Please explain your answer to question 42 and, if necessary, please explain your reasoning and provide examples:

Please type answer here (max 5000 characters):

n/a

Question 43. In your opinion, which parts of financial services legislation would benefit the most from being translated into machine-executable form? Please specify what are the potential benefits and risks associated with machine-executable financial services legislation:

Please type answer here (max 5000 characters):

Feedback has indicated it would be beneficial to have certain elements of financial services legislation translated into a machine-executable format for example general good requirements as this would provide clarity around nuances across markets.

Question 44. The Commission is working on standardising concept definitions and reporting obligations across the whole EU financial services l e g i s l a t i o n . Do you see additional initiatives that it should take to support a move towards a fully digitalised supervisory approach in the area of financial services? Please explain your reasoning and provide examples if needed:

Please type answer here (max 5000 characters):
Insurance Ireland welcomes a consistent approach to reporting obligations in the form of standardisation of concepts as the current fragmented implementation of regulation creates a significant challenge for companies operating across different markets in the EU.

Question 45. What are the potential benefits and drawbacks of a stronger use of supervisory data combined with other publicly available data (e.g. social media data) for effective supervision? Please explain your reasoning and provide examples if needed:

Please type answer here (max 5000 characters):

n/a

IV. Broader issues

Question 46. How could the financial sector in the EU contribute to funding the digital transition in the EU? Are there any specific barriers preventing the sector from providing such funding? Are there specific measures that should then be taken at EU level in this respect?

Please type answer here (max 5000 characters):

Feedback has indicated a contribution to funding the digital transformation could be facilitated by a tax incentive scheme. We recommend the Commission should consider how local laws and other regulation could be amended to allow for such a scheme.

Question 47. Are there specific measures needed at EU level to ensure that the digital transformation of the European financial sector is environmentally sustainable?

Please type answer here (max 5000 characters):

n/a

Brussels/Dublin, 26th June 2020