

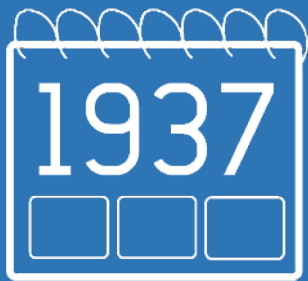
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“Calibrating the regulatory approach on new technologies”

Some reflections from an intermediary perspective

Warsaw , AIDA Conference, 12 April 2018

Nic De Maesschalck, BIPAR Director

1. ***THE APPROACH***

InsurHybrids

Technology is an integral component for insurance intermediaries in the customer-insurer relationship. (to this interaction they may add the human factor.)

From : IAIS , 2017, “Fintech Developments in the insurance sector”

“the variety of emerging **technologies** and **innovative business models** that have the potential to transform the insurance business is referred (throughout this document) as “InsurTech”.

Technology: Artificial intelligence, Distributed Ledger, robo advice

*Fintech business models: are based upon these technologies,
peer to peer, etc.*

Calibrating the regulatory approach
on **new technologies**

...

Calibrating the regulatory approach
on **innovation**

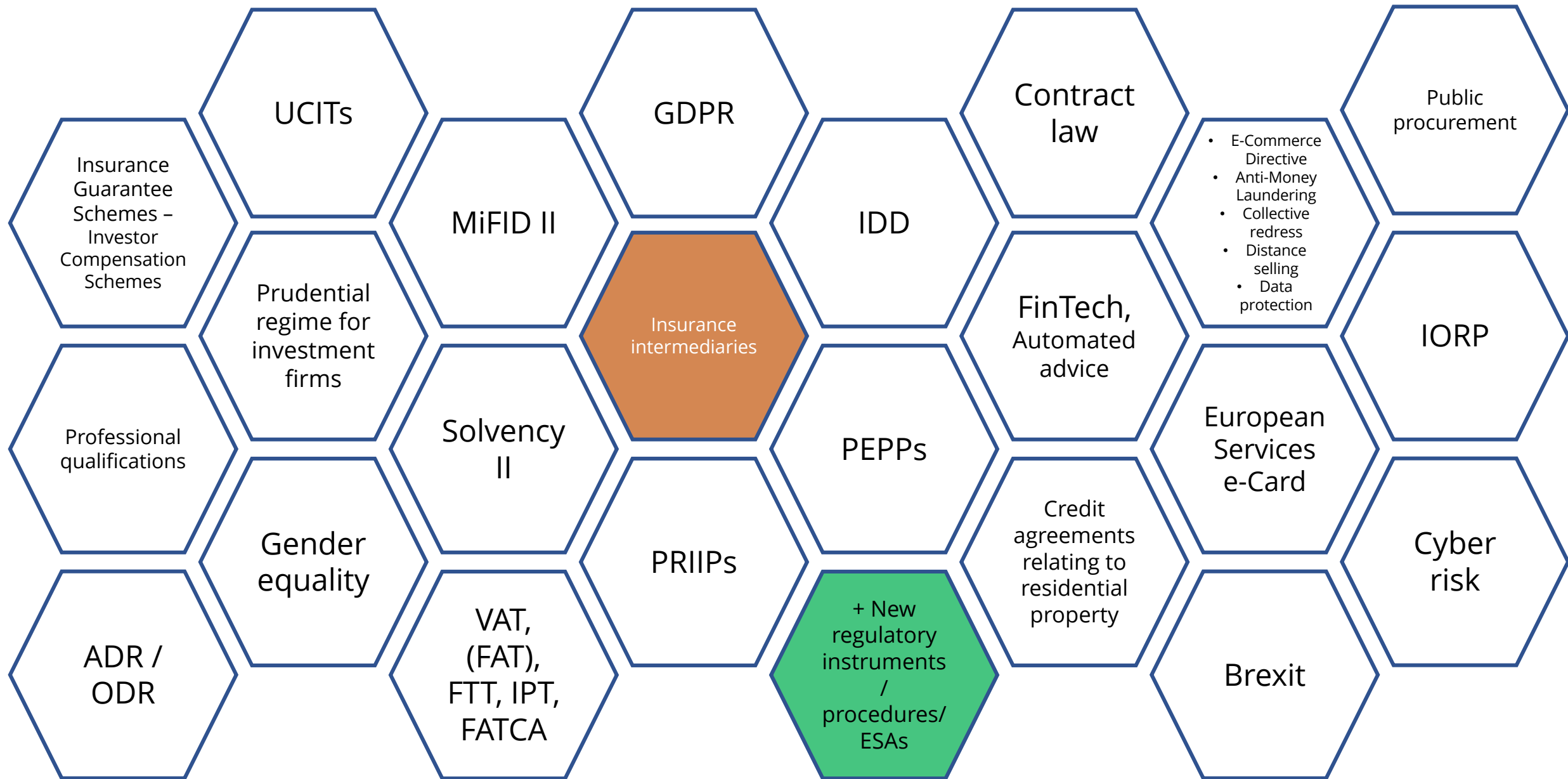


Some **starting points**...

- There should be a constant search for a balanced regulatory approach that does not stifle innovation (while protecting consumers)
- The search for unnecessary overregulation should not be limited to those elements which would be a barrier for Fin/insurTechs in their development.
- A regulatory level playing field should be the basis of every regulatory initiative.

Do we not **all** need/deserve a
“sandbox” multidisciplinary approach
in the insurance intermediation sector ?

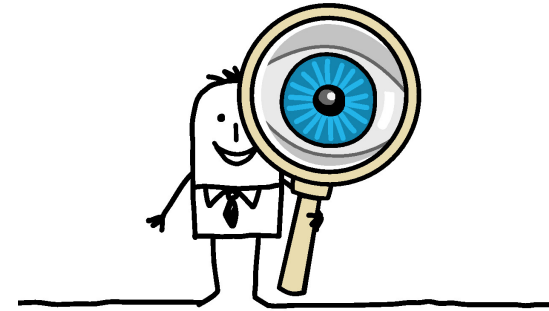
Overview of topics under discussion, revision, implementation in Europe, with a potential impact on intermediation



2. CHALLENGES IN THE CALIBRATION...

What is the **main mission** of the regulator/ supervisor ?

Traditionally, the mission of insurance supervisors:



to maintain or develop fair, safe and stable insurance markets
for the benefit and protection of policyholders and
to contribute to (global) financial stability.

Based upon IAIS mission statement

What is **insurance** ?

- In a quickly changing world do supervisors supervise the right (all) activities ?
- Do they have the mandate ?
- For example: guarantees embedded in a product

Multidisciplinary approach both in **business** and in **regulation/ supervision**

Big data

Data protection

Cross selling

Cybersecurity

Gender equality

Terminology in the rules... and know-how

- Consumer experience
- Peer to peer
- Internet of Things (IoT)
- Telematics
- Big Data
- Robo advisors
- Artificial Intelligence (AI)
- Distributed Ledger Technology
- Usage Based and On Demand Insurance
- ...



How to calibrate the **prudential approach**?

New risks and new insurances for the new risks

- BUSINESS INTERRUPTION, INTERRUPTION OF OPERATIONS ▪ DATA AND SOFTWARE LOSS ▪ FINANCIAL THEFT AND/OR FRAUD ▪ CYBER RANSOM AND EXTORTION ▪ INTELLECTUAL PROPERTY THEFT ▪ INCIDENT RESPONSE COSTS ▪ BREACH OF PRIVACY [COMPENSATION] ▪ NETWORK SECURITY/SECURITY FAILURE [LIABILITY] ▪ REPUTATIONAL DAMAGE ▪ REGULATORY & LEGAL DEFENCE COSTS ▪ FINE AND PENALTY ▪ LEGAL PROTECTION – LAWYER FEES ▪ ASSISTANCE COVERAGE – PSYCHOLOGICAL SUPPORT ▪ PRODUCTS LIABILITY ▪ DIRECTORS AND OFFICERS LIABILITY ▪ TECHNOLOGY ERRORS AND OMISSIONS LIABILITY ▪ PROFESSIONAL INDEMNITY ▪ ENVIRONMENTAL DAMAGE ▪ PHYSICAL ASSET DAMAGE ▪ BODILY INJURY AND DEATH

Dilemma?

Pooling or **segmentation**?

What is in the interest of the consumer?

- BIG data on risk or customers enables segmentation .
- Risks to undermine conventional risk pooling that is common to insurance.
 - Exclusion.
 - Affordability

Dilemma ?

Innovation versus **stability** ?

3. DOES THE IDD ALLOW FOR CALIBRATION?

Regulatory calibration in IDD ?

- Services and value chain may be unbundled or offered together
- Thinking in terms of processes rather than service provider
- Activity-based
- Distinction B to B / B to C



Possible **practical** challenges (distribution)

- Scope : when is a (innovative) activity in/out scope ?
- Boundaries sometimes difficult to identify (because of unbundled processes)
- IDD : activity based – wide scope – but some exclusions (ancillary intermediaries)

- Information – **transparency** - disclosures:

- Pre-contractual info
- Demands ad needs test
- Suitability test ...
- IPID / KID



IDD : information requirements are clear and of high quality

Product Oversight and Governance

Should be applicable to **all** B to C products in particular to those which are sold without regulated intermediation.

Traceability

IDD

Solvency II



- **Audit-style** supervision versus “**individual** approach”
- Sandboxes for **all**?



Provisional Summary

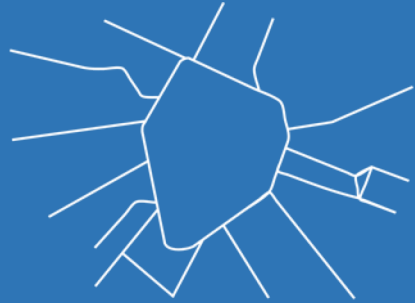
- Level-playing field (**fair** markets)
- No polarization (processes)
- Insurance is **trust**... reputation
- **Know-how** and multidisciplinary approach

“Calibrating the regulatory approach on...
innovation”

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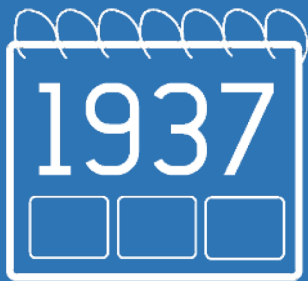
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