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Chairman - EU Standing Committee BIPAR



Adfiz

bipar

Platform Zakelijke Markt

Maarssen, 20 September 2017

InsurTech (Robo advice)

Chou En-lai (Zhou Enlai)

During Richard Nixon's visit to Beijing in 1972, the Chinese premier, Zhou Enlai, was asked about the impact of the French Revolution. Speaking of an event that took place nearly two centuries previously, Zhou famously commented that it was **'too early to say'**. The witticism quickly became a way of emphasising the Chinese ability to take the long view in history.



Agenda

- Bipar
- Start with “advice”
- The “reference papers”
- What and When
- Threads
- Comments

Established in Paris in
1937
Headquartered in
Brussels since 1989

bipar

European
Federation of
Insurance and
Financial
Intermediaries

53 member associations
in 32 countries

Represents the
interests of
intermediaries with
European
institutions

Single voice of the
profession at EU level

Member of WFII (World
Federation of Insurance
Intermediaries)

BIPAR policy on the relationship between intermediaries and digitalisation

INSURANCE INTERMEDIARIES AND TECHNOLOGY

BIPAR welcomes the attention of European institutions and European policymakers for FinTech and InsurTech. Technology brings new opportunities and new risks.

As many intermediaries are in a leadership position in the development of technology-driven business models, BIPAR in coordination with its national associations and the intermediation sector in general, participates in the debate on how to best take the opportunities and how to mitigate the risks in a quick and drastically changing world.

The starting point of the sector in this debate is the following:

- 1.** The search for unnecessary overregulation in the financial services sector should not be limited to those elements which would be a barrier for FinTechs in their development. Where there is overregulation, it should be streamlined.

In our sector, many thousands of mainly smaller firms and their hundreds of thousands of local employees interact daily with millions of consumers. They comply with a series of regulations which protect the consumers and act in competition with financial institutions which are often defined as FinTechs. Therefore, a regulatory level playing field should be the basis of every regulatory initiative in relation to FinTech.

- 2.**
- 3.** In the insurance value chain, for years insurance intermediaries have harnessed technology to optimise the speed, fluidity, efficiency and traceability of the transactions. For many years most insurance intermediaries have been "*InsurHybrids*". Although technology is an integral component for intermediaries in the customer-insurer relationship, to this interaction they add the human factor.

Insurance intermediaries are specialised in managing customer relationships in the insurance process. Depending on several parameters regarding the customer (type, generation, situation) they offer life cycle-related or assets-related protection solutions



Start with Advice

- “the word ‘advice’ means the provision of a personal recommendation to a customer either upon their request or at the initiative of the insurance distributor, in respect of one or more insurance contracts”

Article 2 (15) of the Insurance Distribution Directive.



The “Reference Papers”

- EU Parliament Green Paper on Retail Financial Services (2016)
- EU Parliament ECON committee report on FinTech - May 2017
- Joint Committee of ESA’s report on automation in financial advice – December 2016
- IAIS 2017 paper on FinTech Developments in the Insurance Industry – February 2017

- Digital Platforms → Short-term
- Internet of Things → Medium
- Telematics → Short/Medium
- Big Data & Data Analytics → Short/Medium
- Comparators & Robo advisors → Medium
- Machine Learning & AI → Medium
- DLT/Block Chain → Long
- Peer to Peer → Short

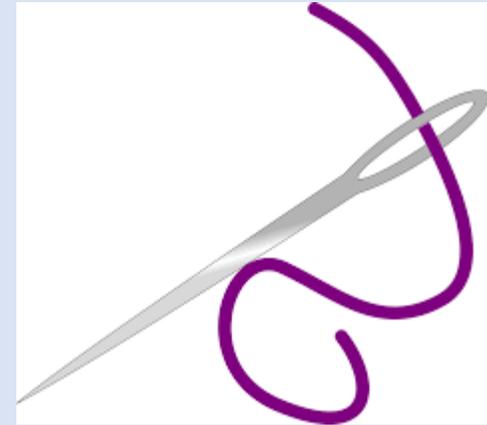
What & When



source: IAIS - FinTech Developments in the Insurance Industry, 21 February 2017

- **Cost** -high initial costs – economies of scale (distinct advantage). Market cautioned against too high expectation regarding price reductions (ESAs).
- **Access** – improvement in access overstated.
- **Innovation** – “sandboxes” seen as useful
- **Quality of service** – potentially more constraint – easier to track – accuracy depends on the algorithm + quality of information provided.
- **Risks** – ROB – interference/hacking – systemic issues – issues in relation to liability
- **Hybrids** – norm - automated advice is not widespread.
- **Data Issues** –significant – ownership of – access to – privacy – cyber security issues

Threads



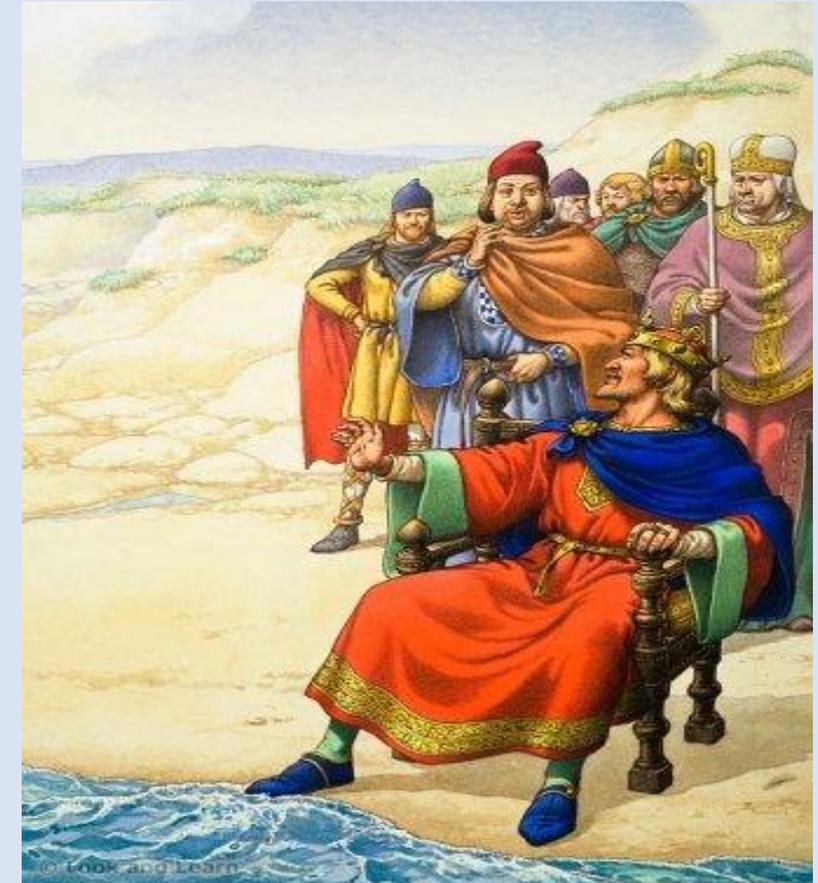
Comments

- Advice is central to the debate and does persuasion have a role?
- Personal interaction will remain the optimum form of communication.
- Different, more consistent, more accessible – but not necessarily cheaper.

- The principles enunciated by ECON (EU Parliament) are very useful;-
 - a. Same services and risk: **same rules**, regardless of the type of legal entity
 - b. Technology **neutrality** in all levels of legislation
 - c. Risk-based approach, taking into account **proportionality** and materiality

Conclusions

- It's happening and cannot be stopped
- Intermediaries are at the centre of developments
- It is the function of BIPAR is to shape the regulatory environment to ensure a level playing field in terms of consumer protection.
- Its new tools of distribution rather than new forms of distribution.



“Go raibh maith agaibh”

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