

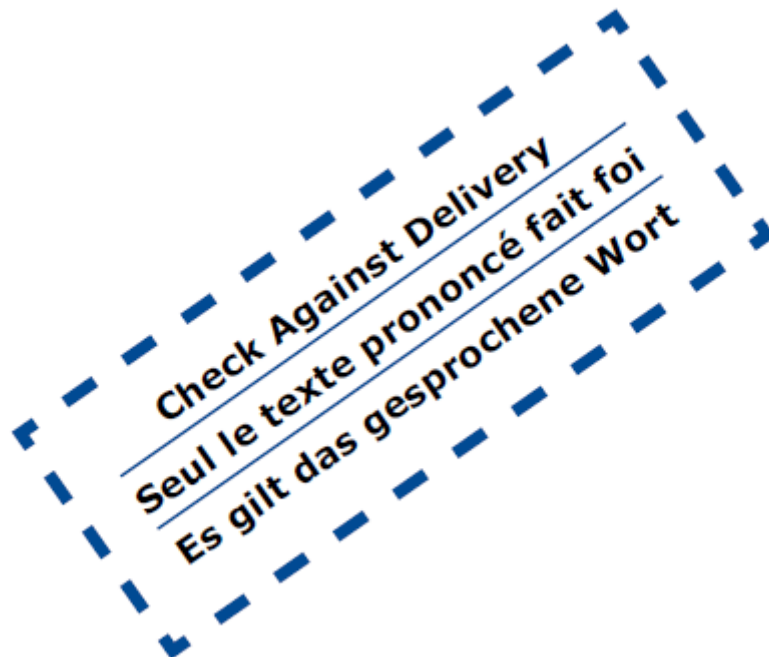


**Gabriel Bernardino**

Chairman

European Insurance and Occupational Pensions Authority

**KEYNOTE SPEECH  
MOBILITY AND MOTOR INSURANCE: AN EVOLVING  
LANDSCAPE**



**Brussels, 16 October 2019**

Ladies and Gentlemen

It's a pleasure to address you at the end of this conference. We have had a day of extremely interesting discussions and I have thoroughly enjoyed listening to all the different points of view.

Two things are clear for me from today's discussion:

- Transport is evolving and that means that the motor insurance must adapt; and
- The sector's approach to data and data analytics is one of the most important parts of the motor insurance puzzle.

Part of that puzzle is making sure that we embrace the opportunities that innovation and big data bring, but that we remain sensitive to any associated risks and, above all, that we ensure that consumers stay protected while reaping the benefits of innovation.

In my remarks today, I will touch upon:

- How the mobility sector is changing and how this affects the motor insurance sector
- How regulation also needs to adapt
- The importance of balancing the positives and risks that innovation brings; and
- Principles of digital responsibility in insurance.

## **A changing mobility sector**

To get to this conference today, I could choose from many different options: The bus or metro, which are very old fashioned. I could have gone to a taxi stand on the street, or hired or shared one using an app on my phone. I could have rented a bike or an electric scooter. If I had a hover board, I could have used that. Luckily, I don't have one so, in fact, I chose to walk.

But you see my point, the way we get from A to B is changing.

Ride sharing, car clubs, bike and scooter schemes are becoming common place in towns and cities across Europe.

In the future I will probably add connected cars or self-driving cars in my list of options.

**Innovation in the mobility sector is evolving at an incredible pace** and all these changes have a direct impact on the insurance sector.

We can already see that the new players that have entered the mobility sector are also becoming more relevant in the insurance sector. Some of them are partnering with existing insurance companies; others are entering the market as competitors.

**It is important that the insurance sector keeps pace.**

The motor insurance sector cannot stand still. Instead, it needs to adapt to this changing environment. Otherwise, it risks becoming a secondary player and letting others set the **'rules of the game'**.

We have already seen the introduction of motor insurance policies based on the time spent driving — **'pay as you drive'** policies — or adapted to the driving habits — **'pay how you drive'** policies. Indeed, as cars become increasingly connected and as we see the progressive introduction of **5G mobile technology**, the penetration of these policies are also expected to increase.

Earlier this year, EIOPA published a **thematic review on Big Data Analytics** in motor and health insurance. The review showed that the current level of penetration of usage-based insurance, or UBI, in Europe is still low; only 15% of the European motor insurance firms have currently some UBI products (less than 10% of their total gross written premiums, or GWP).

However, in the next three years, 50% of motor insurance firms expect these products to represent up to 10% of their total GWP.

## **Adapting regulation**

So we can see that the sector is adapting. **Regulation also needs to adapt.**

The **Motor Insurance Directive** is currently under legislative review and we expect trilogue discussions to start in Q1 2020.

**The Directive should reflect the new realities of the mobility sector** and also be forward looking so as to be adaptive and flexible to an ever changing environment. It should also take into account the new liabilities arising from the use of technology.

**Data and the General Data Protection Regulation (GDPR)** also play a fundamental role. Article 20 of the GDPR already recognises that the **consumer is the owner of his data** and has the right to take his data from one provider to another.

However, the current legislative framework established by the GDPR is not sufficient to prevent the **emergence of data oligopolies** stemming from the platform economy or the Internet of Things.

For example, large platforms could engage in orchestration practices, i.e. defining the 'rules of the game' based on information biases or favouring certain products in the ranking criteria of their websites.

In the area of the Internet of Things, providers could also engage in gatekeeping practices, namely by controlling the parties that can access the data from connected cars, which could **effectively represent a barrier to innovation in the motor insurance sector**.

The GDPR should therefore properly **reflect the role of technical and operational standards** to ensure the effective portability of data across the national and European market. For example, by establishing a minimum set of data with a common format in order to guarantee its full circulation and transfer in a timely manner.

Looking ahead, will we move from **Open Banking to Open Insurance? Or to Open Finance? Will we see data reciprocity or data sharing across sectors (including Big Tech)?** These are open questions.

It is clear, however, that when it comes to car telematics data, an urgent response is needed. One that provides new measures allowing the consumer to effectively become the owner of his data.

## **Striking the right balance to benefit from innovation**

The Big Data Analytics thematic review also showed how changes stemming from digitalisation are impacting the **whole value chain** – from improved product design and development processes to more accurate underwriting techniques or more efficient claims management and fraud detection procedures.

Innovation can **reduce operational costs, frictions and bottle necks** in the production and delivery of insurance products and services. It has the potential to increase efficiency and competition in the markets, narrows information asymmetries, and broadens access to financial services.

Thanks to innovation **consumers can also benefit from a wider range of products and services**, often conveniently accessible from any location and at any time, and tailored manner to such an extent that would have been difficult to imagine not so long ago.

Car telematics also allow the possibility to move from risk prevention to risk mitigation, by offering consumers a number of different services. These include premium discounts based on driving habits, preventive push-notifications or alerts in case of bad weather conditions or road assistance in case of accident or car theft of the vehicle.

These are just some of the positive aspects of innovation.

**But innovation has risks and we need to strike a balance.**

There are risks to consumers and **investor protection and risks to financial stability** and market integrity.

We need to find **the right balance** between enabling financial innovation and safeguarding consumer protection and financial stability. **Consumer outcomes should always come first.**

But **we must not be complacent**. We should also be willing to take some risks and acknowledge the positive aspects of innovation for the European citizens and the European economy.

In finding the right balance, it is also important to place **European values** at the core of the debate. Fundamental rights like privacy, fairness and non-

discrimination should be the basis for a trustful innovation framework. This is a societal issue, as well as a technical and supervisory issue.

For instance, we do not in Europe have an appetite for practices such as mass social scoring surveillance systems, as have been reported in other continents.

Instead, we should develop our own innovation model, within which our values should be our strength and what sets us apart. This is how we can build trust among citizens in innovation and the use of data.

## **Promoting the principles of digital responsibility**

We will only gain this trust if we can demonstrate that data is used fairly and that the holders of the data act responsibly.

This is one of the reasons why EIOPA has set up a **consultative expert group on digital ethics in insurance**. This group will assist us in the development of principles of digital responsibility in insurance, which should have European values at their core.

The principles should also **recognise the important role that insurance plays in our economy and also in our society**, which is reflected in the principle of solidarity that characterises the insurance sector.

This group will help shape the principles and identify the issues to be addressed, including those that should not be touched on now.

From the outset it seems that they be underpinned by **three pillars**:

- **Fairness and non-discrimination** – including data biases and the fairness around the use of price optimisation practices
- **Transparency and explainability** – assessing the trade-offs with accuracy; and
- **Governance** - including accountability, security and resilience

Ladies and gentlemen, innovation is happening. We will continue to see new means of mobility and the motor insurance sector will have to adapt or it will be left behind.

But evolution should not lead to poor outcomes for consumers.

**And consumers will only trust in innovation if they have trust in the innovators.** Innovation must empower consumers, but it must also protect them.

Consumers will only trust in providers and products if they know how their data is used, if they know that their data is used with respect and, above all, that their data is safe.

Ladies and gentlemen, I said at the beginning of my speech that the sector's approach to data and data analytics is one of the most important parts of the future motor insurance puzzle. Above all, the *most important* part of the puzzle is trust.

Thank you.