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PEIF Comments on the ESA's Discussion Paper on the Use of Big Data by Financial Institutions

Dear Chairmen of the European Supervisory Authorities,

We very much welcome the initiative of the ESAs to better understand the use of Big Data by financial institutions and are happy to engage in active dialogue. However, taking the Discussion Paper as a whole, we are concerned that the ESAs are approaching this issue from a potential 'need-to-regulate perspective' and would thus like to make the following points in connection with this:

1. The introduction of new regulation at a time when the insurance industry is still in the early stages of adapting and integrating Big Data and associated new technologies – and on the basis of limited cases – risks impeding innovation on uncertain grounds. For insurers and their customers the opportunities of Big Data outweigh the risks. Our industry experience is that a greater knowledge about risks leads to better products and services (e.g. lower prices by pricing according to individual risks and preventing risks as in the case of telematics tariffs). It has also the potential to expand access to insurance by making historically uninsurable risks insurable (e.g. diabetes insurance), less cross subsidies, and a reduction in fraudulent claims.
2. In our view the Paper points to a number of purported risks of Big Data without (i) indicating possible evidence of such risks actually being present in the market (which should be the prerequisite for any regulatory action) or (ii) to which extent potential risks are based on improbable scenarios which in any event are already adequately covered by existing technologically neutral legislation (e.g. in addition to the laws identified by the ESAs, the equal treatment directives or genome testing regulation in health).

3. We agree with the tentative conclusion of the ESAs that current legislation adequately covers any possible risks and there is no evidence for specific new additional regulation for the financial services sector. Accordingly, it follows that additional steps at Levels 2 and 3 would be unnecessary. The risks cited in the Paper (such as errors in the quality or veracity of data) are not unique to the financial sector. However, as the Paper notes, the financial sector is already subject to technology neutral regulation appropriate to address the potential risks of Big Data and in our view the supervisory authorities have the required competences.
4. We would highlight the fact that access to and use of complete and accurate data is fundamental to our ability to assess, manage, reduce and price risks. However, its effective use is impeded by: (i) regulatory barriers (in particular the principle of data minimization under the GDPR, local data storage requirements and restrictions to transfer and use) but also (ii) non-regulatory barriers (such as factual data monopolies by certain market players, or an unsettled legal framework on data ownership and exploitation rights). We appreciate that the European Commission has started to look into these aspects in greater detail in the context of its European Data Economy consultation and we will work with them to help address these issues.
5. We reiterate that our industry has since its origins relied on data and sought to act responsibly and prudently with its use. We acknowledge without reservation our responsibility to use Big Data not only in compliance with legal and regulatory requirements but also in a transparent and ethical manner to the best interest of our customers. It is in the interest of the insurance industry to provide affordable coverage even for existential risks in life, health and property. Current practice in natural hazard lines of business shows that consumers are now provided coverage at still affordable conditions even in the highest zones of exposure (e.g. by considering soft facts/underwriting assessments, self-retentions and other risk management measures).

As outlined above, it is crucial that the technology neutral approach of current financial sector regulation is maintained and that the sector's competitiveness is not impeded by the introduction of additional regulation that would put us on an unequal footing with other sectors.

We would welcome the opportunity to discuss these issues in more detail with you.

Best regards,

A handwritten signature in black ink, reading "Oliver Bäte". The signature is written in a cursive, flowing style with a large initial 'O'.

Oliver Bäte

Chairman of the Pan-European Insurance Forum

About the Pan-European Insurance Forum (PEIF)

PEIF is an informal forum for the CEOs of major European insurers (Aegon, Allianz, AVIVA, AXA, Generali, MAPFRE, Munich Re, Prudential Plc, RSA, Swiss Re, UNIQA, and Zurich) to exchange and present views on policy and regulatory issues amongst themselves and with others. PEIF companies represent around two-thirds of the STOXX® Europe Insurance.

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