

Insurers driving digital products and services in Europe



While bringing benefits, digitalisation cannot remove all barriers to increasing cross-border insurance

Insurance Europe welcomes the European Commission's efforts to strengthen the internal market for retail financial services to benefit consumers, insurers and the economy as a whole.

It is important to ensure that consumers have access to financial service products that best fit their individual needs. Moreover, conditions should be in place for businesses to be able to move and operate within the EU single market.

In its response to the Commission's Green Paper consultation on retail financial services, Insurance Europe notes that the offering of cross-border insurance is functioning well, with over a third of insurance premiums written by foreign-controlled subsidiaries or branches. Insurers are also delivering an ever greater volume of digital products and services, while continuing to innovate in order to meet consumers' constantly evolving needs and demands.

Cross border barriers: no silver bullet

Consumers access more products and services online than ever before. While digitalisation is shaping the way insurers innovate, distribute and interact with their customers, it cannot remove all barriers to increasing the volume of cross-border insurance.

This is because the design of insurance products reflects the regulatory and socio-economic environment of the country in which they are sold. In addition to product design, risk pricing, claims handling and support are all influenced by the local market and regulatory conditions, and in turn affect the level of premium. These conditions vary greatly between, and even

within, EU member states. This can also make the portability of such products difficult.

The expansion of cross-border insurance within the EU is and should remain market-driven and based on demand. An insurer may take a commercial decision to offer cross-border products based on the extent of consumer demand to justify the launching of a product in a foreign market, and the insurer's ability to meet that demand, considering the resources and expertise required to adapt insurance cover to country-specific factors. However, insurers already widely operate under the freedoms provided for by the EU treaties and through networks.

It should also be noted that retail insurance products are complex, with distinct features distinguishing them from other financial products. Regulation must therefore fully take into account the unique characteristics of insurance.

Digital services benefit consumers and businesses

In its consultation response, Insurance Europe outlines how insurers are delivering an ever greater volume of digital products and services, while continuing to innovate in order to meet consumers' constantly evolving needs and demands.

Digital services can provide benefits for consumers and insurers, such as:

- More sophisticated risk data to predict claims.
- More efficient claims handling.
- Easier identification of customers and verification of fraudulent claims.

- More comprehensive information for consumers about insurance requirements in other countries.
- Increased comparability of products.

For example, by using data generated by vehicles, insurers are able to underwrite motor policies more accurately and provide drivers with more tailored products. The information gathered by insurers also enables them to understand risks better, which in turn helps insurers to be even more active in their goal of prevention.

Ensuring clear information and access for all

While it is vital for insurers to remain at the forefront of digital services to meet the needs of an increasingly digitalised society, it is also important that consumers understand and trust products they are purchasing, in particular in a digitalised environment.

The newly adopted regulatory framework for the distribution

of insurance products is expected to strengthen consumer trust in retail insurance products through standardised and understandable information to consumers. Regulators should, however, consider the cumulative impact of disclosure requirements across pieces of legislation to ensure that consumers are not overloaded with often duplicative information.

Moreover, insurance services and products should remain available to people who are not able to access digital services. For this reason, the regulatory environment needs to ensure that access to both digital and non-digital services remains available, to avoid discriminating against people who prefer to use traditional means to purchase insurance products.

For any additional information, please contact Rosa Armesto, head of public affairs & communications at Insurance Europe (tel: +32 894 30 62, armesto@insuranceeurope.eu).

Support for EU action

In its consultation response, Insurance Europe also indicated that it would welcome action by the European Commission in certain areas that can strengthen the internal market for retail financial services and consumer protection.

These include:

- Ensuring that consumers and businesses have access to information on insurance requirements in other member states to facilitate cross-border activity.
- Removing existing obstacles, such as information overload and duplicative disclosure requirements, as well as paper requirements.
- Supporting insurance education to allow consumers to make informed decisions about their insurance needs.
- Developing an EU-wide compliance standard for electronic identification (e-ID). Uniform rules might facilitate identification of foreign customers and may, at the same time, strengthen legal certainty with respect to digital business transactions.
- Raising awareness about FIN-NET for the flexible, cheap and fast settlement of cross-border insurance disputes.
- Retaining the Insurance Block Exemption Regulation (IBER) to support insurers in accessing information and gaining the experience to cover risks. This would further ensure a variety of products and coverage available to consumers at lower prices.
- Reviewing the general good rules to facilitate cross-border activity.
- Ensuring consumers can decide who has access to their data and for what purposes. Access to certain types of personal data is of paramount importance in designing insurance policies that fit the insured's risk profile.
- Raising awareness about insurance premium taxes in member states could reduce insurers' administrative burden and costs, and make it easier for them to offer their products and services cross-border.

To read more, Insurance Europe's response to the European Commission's consultation is available on its website, www.insuranceeurope.eu/response-retail-financial-services-consultation