



Open finance: key considerations for any future framework

On 24 September 2020, the European Commission announced its intention to set up an open finance framework by 2024 as part of its Digital Finance Strategy. Its aim is to promote “business-to-business data sharing in the EU financial sector and beyond”.

Open finance, if designed with the right framework, has the potential to have a positive impact on both consumers and insurers.

However, it is crucial to get the framework right, so that the potential can truly be achieved.

Level playing field

There must be fair and equal access to data based on a true level playing field between insurers and new market players (eg, big tech companies) and the principle of “same activity, same risks, same rules”.

Consumers should enjoy the same level of protection, whether they are served by established providers or new entrants. This can be achieved by bringing all new market entrants within the scope of the existing rules.

In the insurance sector, Article 18 of the Solvency II Directive limits the types of products and services that insurers can offer only to those related to core insurance business. To avoid being put at a competitive disadvantage, such restrictions should be removed to allow insurers to compete digitally with other market players and engage in other digital business activities.

There should be a fair allocation between all market players of the costs of developing a new, cross-sectoral data-sharing infrastructure.

Consent-based data-sharing

Consent-based data-sharing can create added value for consumers in the form of new and innovative digital financial services. However, the focus should always be on the consumer’s willingness to share their data.

Given the sensitive nature of insurance data, consumers, as data subjects, should have absolute confidence in the security of their data, full control over the data being shared and the right to determine for which services and under what conditions their personal data will be used.

The scope of a customer’s consent must be clear, specific and verifiable, while the purpose of the data-sharing also needs to be clear.

Lessons from PSD2

There should be no copy across from the payment services framework to open finance. Rather lessons should be learned from a comprehensive review of the revised Payment Services Directive (PSD2) that examines its impact, and its costs versus its benefits.

Appropriate consideration should be given to the particular features and complexities of the insurance sector and the data it uses that would make any open data-sharing framework more challenging than for payments.

Scope of data-sharing

The data sets subject to data-sharing should be clearly defined (eg, personal data that is directly supplied and controlled by the consumer, as opposed to proprietary company data).

Insurers should not be obliged to share trade secrets, business-sensitive information or proprietary data that they have generated and enriched themselves (eg, building risk profiles or underwriting and claims performance models). This type of data is an important factor in driving competition and innovation.

Cross-sectoral data-sharing

Data usage, access and sharing should be considered in a broad context looking at all sectors of society and not solely the financial sector, with a focus on where consumers would benefit from cross-sectoral data-sharing.

Cross-sectoral data-sharing that goes beyond the financial industry and includes, for example, vehicle manufacturers or the energy sector could bring greater benefits to consumers by resulting in new and innovative data-driven products and services.

Example: Access to in-vehicle data

From an insurance perspective, a specific framework for the sharing of in-vehicle data could bring benefits. The data would include that collected by insurers themselves (eg, through telematics devices in vehicles) and that collected by third parties (eg, manufacturers of self-driving vehicles).

A framework could help increase legal certainty and address challenges around in-vehicle data operability, while making it possible for insurers to offer innovation, data-based products and services. Such a framework could make use of API (application programming interface) standards and set out how the data should be accessible and interoperable by insurers, device providers and vehicle manufacturers.



For more on Insurance Europe's views on open finance, please visit the digitalisation section of www.insuranceeurope.eu or contact Arthur Hilliard, senior policy advisor (hilliard@insuranceeurope.eu, tel: +32 2 894 30 56).