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AMICE Response to ESAs' Discussion paper on the use of Big Data by financial institutions

General comments

AMICE, the voice of the mutual and cooperative insurance sector in Europe welcomes the opportunity to respond to the ESAs' Discussion paper on the use of Big Data by financial institutions which seems to be a very complete and comprehensive description of the phenomenon and its regulatory landscape.

The Big Data phenomenon is not totally new given that the insurance industry's core functions historically used large volumes of data to assess and price risk and predict future claims experience. Nevertheless, profiling data based on detailed observation of consumer's behaviour could be seen as a new element.

Mutual and cooperative insurers recognise the potential of the use of Big Data. We believe that the list of potential benefits for consumers and respectively financial institutions and potential risks are accurately described. Nevertheless, we think that there are two elements missing in the description: prevention and solidarity.

The mutual and cooperative insurance industry is unique in that its clients have an integral role as members, who have an ownership/governance relationship with the risk carrier. Benefits derived by the business are shared with the member-policyholders in various ways, and there is an intrinsic commitment to values such as long-term relationships, democratic governance, social responsibility, resilience and stability. In this regard, mutual and cooperative insurers enjoy significant loyalty from their members and have a greater responsibility in prevention. Big Data can play an important role in this respect, by allowing insurance companies to track down patterns in claim data, which can help them inform consumers to prevent claims or reduce their risks. This can also be done through statistics and insurers have always been doing so. However, statistics can never help identify risks for specific customers: it will only identify that a certain risk is higher. This information will only lead to very generic tips. With Big Data, insurance companies might be able to go much further. Enabling insurance to be more proactively used as a risk management and prevention tool, rather than just as a mechanism for retrospectively covering the costs of an incurred risk event, is in all stakeholders' best interests.

The discussion paper only notes this effect on the behaviour of consumers in the final pages, when it refers to ethical considerations linked to the use of Big Data. Consumers might change their behaviour and consumption pattern when they become aware that their data is being monitored. That does indeed have its limits, but prevention also has positive effects for consumers.

Regarding product development, Big Data tools will help insurers to better ensure that the interests, objectives and characteristics of consumers can be much more precisely taken into account. Big Data provides better means to avoid potential consumer detriment and helps first to minimize conflicts of interest. Big Data will assist in designing and bringing to the market products with features that truly meet the interests, objectives and characteristics of the particular target market. Furthermore, distribution channels can be better optimized based on Big Data insights. Additionally, Big Data will make testing and monitoring products and their performance much easier, faster and even more reliable.

AMICE is of the view that the existing regulatory framework adequately addresses the risks mentioned in the discussion paper. With the introduction of new robust data protection requirements under the GDPR, there is no need for further regulation to preserve the rights of consumers or financial services in a Big Data context.

Given the potential risks, we suggest a cautious approach where regulators, financial companies and other stakeholders keep a watchful observance on market developments. If indeed the use of Big Data causes products to become too expensive for less-desirable consumers, then there might be need to intervene. But at the same time, we believe that imposing any regulatory actions on top of the GDPR and all the existing regulatory framework such as the recently published free flow of data initiative, might hamper innovation and might also be redundant.

Finally, we believe that the regulators should ensure a level playing field between financial institutions using Big Data processes and those not using them or between established financial institutions and potential new entrants (i.e.g. car manufacturers, big tech companies, fintechs etc.) using Big Data processes.