

## DIGITAL FINANCE: KEY PRIORITIES



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## The trend towards the increasing digitalisation of the insurance sector

Over the past years, an increasingly important role has been assigned to digitalisation as a way to enhance the design, development and distribution of innovative insurance products and services through new digital platforms, ecosystems and other digital distribution channels. The digitalisation of the European insurance sector is currently varied and, in most cases, still at an incipient stage. There is a wide range of practices in the market and the level of digitalisation can substantially differ from one insurance undertaking to another and can evolve quickly.

However, it is clear that leveraging on the increasing availability of data and new technologies such as Artificial Intelligence, Open Finance, Blockchain or Internet of Things, digitalisation offers a wide range of new opportunities for insurance undertakings, insurance distributors, consumers, and supervisors. Digitalisation and innovation also bring new challenges—frictions between market practices and regulation that was not designed with these in mind, alongside new risks for consumers and the market.

A Europe fit for the digital age has been one of the key priorities of the current Commission. The aim has been to empower people with a new generation of technologies and to make this Europe's "Digital Decade" by strengthening digital sovereignty and EU standards, rather than following those of others. The focus is on data, technology, and infrastructure.

The insurance sector has been heavily impacted by this strategic priority over the past years. In 2020 the Commission adopted a digital finance package, including a Digital Finance Strategy, setting out how Europe can support the digital transformation of finance, while regulating its risks.

The strategy set out four main priorities: removing fragmentation in the Digital Single Market, adapting the EU regulatory framework to facilitate digital innovation, promoting a data-driven finance, and addressing the challenges and risks associated with the digital transformation. The latter includes enhancing the digital operational resilience of the financial system.

The strategy was accompanied by proposals on DORA, MICA, and DLT Pilot Regime. Furthermore, proposals were published on the Data Act, Digital Markets Act, Common Data Spaces, Digital Services Act and Data Governance Act, European Single Access Point (ESAP), AI Act and Financial Data Access (FIDA).

The pace of innovation has created an urgent need for such a regulatory framework. The very recent uptake of generative AI is an example. The same speed has also made it challenging to complete policy cycles and to take the time necessary for implementation.

Today, more and more financial services policy making happens through cross-sectoral proposals. This is the case for the AI Act, the Data Act, the Digital Markets Act, the Digital Services Act and others. This trend is expected to continue. Going forward, it is important to thoroughly consider the impact of cross-sectoral legislation on insurance and to engage with the insurance and supervisory communities early on in the process. This way, sector specialties can be considered and the whole regulatory framework can fit together well.

In addition, it is important to consider diversity and inclusiveness when making policy, by listening to Member States for practical examples on digitalization, including the smaller ones. Regulation needs to remain fit for purpose, proportionate, and forward-looking, and at the same time, allow for benefits to materialize. This is important for the European insurance sector in order to remain globally competitive without hindering our common values.

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**Forward-looking regulation can help the European insurance sector remain globally competitive.**

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The trend towards an increased digitalisation of the insurance sector is expected to progressively continue in the years to come. In this process, EIOPA will continue to support the supervisory community and the industry to mitigate the risks and seize the opportunities of the digital transformation, including by further promoting a data-driven culture. This is indeed one of EIOPA's key priorities, as recently published in our Digital Strategy.

In implementing the strategy, EIOPA will consider the best interest of consumers first, adopting a technology neutral approach. EIOPA also aims to be flexible to keep pace with innovation, without compromising its mission. EIOPA's role will range from monitoring developments, facilitating and promoting innovation, contributing to digitalisation of National Supervisory Authorities and implementing its own digital transformation.