

Financial innovation for the benefit of consumers

Opening remarks by Gabriel Bernardino, Chairman, European Insurance and Occupational Pensions Authority

Meeting of the European Forum for Innovation Facilitators

SPEECH

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Introduction

It's my pleasure to welcome you today to this meeting of the European Forum for Innovation Facilitators.

I would like to extend a warm welcome to my colleagues from our fellow European Supervisory Authorities – the European Banking Authority and the European Securities and Markets Authority. It is always a pleasure to work on joint initiatives with them and I would like to thank the EBA for their excellent chairing of this forum over the last year. Rest assured that we will try our best to build on their progress.

Of course, I would have preferred to welcome you in person in Frankfurt but – like everyone else – we have had to adapt. Nonetheless, we can still enjoy a fruitful discussion, just this time in a virtual environment.

Even now, if we look back to the start of the Coronavirus disruption, I think that we already can see just how quickly people and businesses have been able to adapt and innovate and just how easy it has been for people to turn to digital solutions.

People have relied on technology to get them through their day. From chatting to friends and family to ordering shopping, even the most reluctant consumers have embraced the online world available at the touch of a smartphone button.

And of course, financial services are no exception.

Smartphone applications and robo-advice solutions enabling 24/7 access from everywhere, contactless payment cards or smart watches for payments, mobile banking, crowdfunding, peer-to-peer lending and insurance solutions, and insurers who will accept smartphone films from policyholders as a way of supporting claims. These are just some examples of how people are going digital.

And so while the impact of the Coronavirus may not yet be clear, one thing is certain: There is growing appetite and acceptance for financial innovation.

And our role is to make it happen.

But we have to make it happen in a way where the risks and opportunities are balanced. Where we take a sound approach ensuring a balance between enhanced financial innovation and well-functioning consumer protection and financial stability frameworks.

Financial innovation for the benefit of consumers

As consumers eagerly embrace digital technology, we must not let them down.

We must make sure that innovation is for the benefit of consumers.

Without question, digital technology is bringing opportunities for providers and consumers alike. Thanks to innovation consumers can benefit from a wider range of products and services that are tailored specifically to their habits and needs.

Take car insurance as an example.

Car telematics offer customers all sorts of benefits. Like premium discounts based on driving habits, preventive push-notifications or alerts in case of bad weather conditions, or road assistance in case of accident or car theft of the vehicle.

These are just some of the positive aspects of innovation.

But innovation also has risks.

The Internet of Things harnesses data to better understand customer needs and provide better customer service. The greater the capacity to process data, the more precise the products, policies and pricing that can be offered.

But increasingly we are seeing issues linked to fairness and consumers at risk of bias or exclusion.

And we need to find the right balance between enabling financial innovation and safeguarding consumer protection and financial stability.

And for me, one thing is clear: Consumer outcomes should always come first.

This is one of the reasons why EIOPA has set up its Consultative Expert Group on Digital Ethics in insurance.

The group is looking at three areas – fairness and non-discrimination; transparency and explainability; and governance – and will report back later in the year.

We are not reinventing the wheel, or working in isolation, but rather we are looking at the work done by the European Commission on artificial intelligence and other international standard setting bodies and we are adapting the general principles to the specificities of the insurance sector. We aim to provide guidance to the market in the operationalisation of digital ethics principles for insurance.

Because at the end of the day, if companies cannot demonstrate that they treat their customers' data responsibly, then customers will not trust those companies with their business.

And innovation will have no value.

The role of the European Forum for Innovation Facilitators in supporting innovation

So how do we foster trust in innovation?

The role of this forum is vital.

This forum enables a valuable dialogue between supervisors, innovation facilitators and innovators.

Innovators can get better understanding of the regulatory landscape while supervisors can stay ahead of the latest technological developments within financial services.

This forum also plays a unique role in fostering cross-border cooperation between facilitators.

Through this forum, national competent authorities can meet regularly to share experience and expertise with their innovation facilitators.

And through this forum we can contribute to reaching common views on the regulatory treatment of innovative products, services and business models.

Because, if Europe is to fulfil its potential and take a leading role in financial innovation, it is essential that there is a common approach to supervision and regulatory treatment of products and services.

And it's true that the Single Market can be difficult to navigate. The reality is that the current patchwork of national implementations of conduct rules makes it very difficult to scale innovative solutions cross-border. We should ask ourselves if this is for the benefit of European consumers. I don't think so.

The European Commission has recently consulted widely to shape its Digital Finance Strategy. In fact, we – along with EBA and ESMA – have contributed.

We should take advantage of the ambition of this strategy and appetite for innovation to renew our efforts to help innovators overcome the obstacles that they face in scaling up.

Because we need our firms to be able to compete worldwide in the field of innovation.

We have a good starting point. When we launched this forum in 2019 – on the basis of our report on regulatory sandboxes and innovation hubs – we set ourselves an ambitious agenda.

And we have made progress. I am pleased to say that since the inception of this forum there are now some 40 innovation facilitators in operation across Europe. This is double the number that we started with.

And – with commitment and cooperation – we can make more progress.

Because we really are at a point where financial innovation is taking off. The

Coronavirus crisis has accelerated the trend towards digital transformation and we cannot afford to be left behind. Nor can we afford to leave consumers behind.

So not only do we need to foster innovation, but we need to foster innovation that consumers believe in.

And our success will depend upon our ability to offer practical solutions that help create the right environment for financial innovators to succeed and the right environment for consumers to benefit.

In conclusion

Let me conclude by sharing with you my own vision: Firms that can scale up their innovative digital solutions within Europe, selling simple and value for money products on a cross border basis without facing any kind of obstacles, for the benefit of European consumers.

This vision demands two main elements:

- The development of a European 28th regime on the digital distribution of simple mass products that should include a set of distribution and disclosure requirements adapted to the lower risk of these simple products. These requirements should ensure a high level of consumer protection but at the same time significantly lower the current costs of distribution and compliance.
- Strong and intrusive European conduct supervision involving a network of National Competent Authorities to ensure that consumers of these products are indeed protected throughout Europe in a consistent manner.

In the meantime, I see the EFIF as a forum that can take important steps into the right direction. Our work matters and it matters all the more so during this current crisis.

Therefore I encourage you to continue the work with the same level of enthusiasm that you have all shown since the inception of the EFIF.

Let me conclude by stating the obvious: Innovation is here and it is here to stay.

We need to work with it, so that innovation works for businesses and for consumers.

Because we need consumers to have trust in innovation.

And consumers will only trust in innovation if they have trust in the innovators.

Innovation must empower consumers, but it must also protect them.

And we can make sure that it does. If we work together, we can build on the achievements of this forum to make a positive and valuable change across Europe.

And with that, I will leave you to a morning of fruitful and energetic discussion.

Thank you.