Position Paper on Digitalisation

Digitalisation has never been more important for the insurance industry than it is today. It covers a broad array of areas and technologies. The Nordic countries have chosen to highlight their shared positions on a number of areas where common European steps such as industry guidelines, standards and other non-binding instruments are needed. These areas are cloud outsourcing, artificial intelligence, data ethics, cybersecurity and cyber insurance.

Cloud outsourcing

Cloud outsourcing has many advantages and the insurance industry is adapting to this development. In doing so the industry meets some challenges. These are mainly due to legal constraints on the outsourcing processes and difficulties with the major cloud service providers, who offer standard contractual terms with limited possibilities for oversight and audit rights. As rules and guidelines on cloud outsourcing are European in nature and the cloud service providers operate on the global market, many of the issues with outsourcing need to be addressed at a European level.

Industry position

The industry is investing in the use of cloud technology and is currently spending a significant amount of time and resources on establishing infrastructure based on cloud solutions.

Proposal for solutions

- Cloud outsourcing for the insurance industry is already regulated in the Solvency II regulation. It is important that supervisory authorities do not apply the EBA guidelines on cloud outsourcing on insurance companies if these rules are overly burdensome on the sector. Furthermore, it is important to make sure that EIOPA's future guidelines on cloud outsourcing are not merely an adaptation of EBA's guidelines, but actually address the specific situation of the insurance industry.

- Standardised contractual terms for cloud service providers would require fewer resources from the companies who deal with the service providers. It is important that the Commission develops a common European set of standard contractual clauses, as promised in the Commission's Fintech Action Plan.

- We need to develop common European industry-set standards for cloud outsourcing in relation to certification of cloud service providers, and an industry standard on the switching of cloud service providers.

Artificial intelligence (AI)

Machine learning as a technology is developing fast. However, the area needs a balanced approach from the European legislators. Customers should be able to trust in fair algorithmic decision-making. Therefore, an ethical approach to the use of algorithms in decision-making is needed. Excessive regulation in this area could hinder further developments, however, so it is essential to strike a balance.

Industry position

Artificial intelligence is a transformative technology, and many companies are at the moment integrating the technology into their core business.

Proposal for solutions

- Balanced ethical principles on the use of algorithms in decision-making at EU-level.

- Industry-set guidelines on the governance and accountability of AI systems.

Data ethics

The field of insurance is traditionally based on the use of data. However, the amount of data and data points which insurers can use in all aspects of their business is growing rapidly. The question is where to draw the line to secure a sustainable relationship between the industry and its customers. How do we provide the customer with the best insurance product and use the available

customer data in a balanced way? There are important distinctions to consider, for instance between the use of data for fraud prevention and the use of personal health data for risk prevention.

Industry position

With tech giants such as Amazon entering the insurance market with much more data points on their customers than an average insurance company, the industry is at a crossroads and has to make important decisions on how much and which specific types of data about their customers they want to use in the future.

Proposal for solutions

- Development of a set of common European ethical principles on the use of data in the insurance industry.

- Avoiding discrimination while maintaining the possibility of sufficient differentiation of risks.

Cybersecurity

Cyberattacks are a growing threat to the insurance industry, which is particularly data-oriented due to the large volume of data it handles. In order to secure resilience against cyberattacks, the insurance industry must enhance its own cyber risk management and response capabilities.

Industry position

Cybersecurity is of the utmost importance to protect the core business in the insurance industry. Many companies are investing heavily in cybersecurity at the moment in response to the growing threat of cyberattacks. Some cases require guidelines, standards and other non-binding recommendations instead of new regulation.

Proposal for solutions

- Tightening co-operation between the insurance industry and the national and international cybersecurity centres.

- Increasing EU-level information sharing on cyber incidents between the insurance industry and the authorities.

- Improving risk awareness within the insurance industry.

- Strengthening the relationship with collaboration forums, such as national and Nordic CERT organisations, to exchange and share information about cyberattacks.

- Establishing contact with national cybersecurity centres and the Information Sharing and Analysis Centres (ISACs) operating in the financial sector.

Cyber insurance

An increasing number of non-life insurance companies are providing coverage against cyber threats with products and services that typically include compensation and risk transfer, measures for risk prevention, specialist third party services in the event of a cyberattack, and measures for raising awareness of cyber risks.

Industry position

It is extremely important for insurance companies to have access to a comprehensive set of loss data to assess the risks adequately. We are in favour of creating a terminology for cyber products and services at EU level. Harmonisation at the product level is not necessary and should be avoided to maintain flexibility in the provision of cyber insurance products for different kind of customers and needs.

Proposal for solutions

- Consistent use of common terminology for cyber insurance products and services.

- Advanced information sharing between the authorities and the insurance sector to create a comprehensive information base for underwriting and loss prevention purposes at EU level.

- At industry level, identification and development of good loss prevention practices for buyers of cyber insurance products and services.