

Digitalisation of the insurance sector in Belgium

FSMA

FINANCIAL
SERVICES
AND
MARKETS
AUTHORITY

Congress Akkermans & Partners

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Introduction

- Belgian supervisors consider FinTech (and InsurTech as a subset of FinTech) as another **evolutionary step** in the long history of financial innovation, not as an abrupt disruption.
- FinTech has **key economic and technological drivers** (for example, cost-cutting may spur innovation (e.g. DLT reducing settlement cycles), idem with lower hardware and software costs or internet developments (cloud computing, etc.))

FinTech represents a challenge for supervisors

- **What are we talking about?**

- Crucial to understand the service at stake in order to be able to
 - qualify it: is it a regulated service or not?
 - identify potential risks linked to either the service as such or the way it is provided

- **Who are we talking to?**

- Dealing with regulated firms is not the same as dealing with FinTech start-ups
- Intensify contacts
- Understanding FinTech requires new skills from supervisors

Digital innovation: examples

- Digital distribution: Bought by Many, Go Bear,...
- Untapped markets: Bima
- Time-to-market : Lemonade
- Self-insurance /P2P: Guevara, Otherwise,..
- Smart segmentation: Traity
- On demand insurance: Trov
- Parametric claims contracts: DLT/smart
- Automated actuary: BigML

Digital innovation?

	<u>Human</u>		<u>Machine</u>
Distribution	Limited channel	=>	Multichannel
Space	Office / local	=>	Mobile / International
Time	Office hours /weeks	=>	24*7*365 / seconds
Data	Structured static	=>	Unstructured dynamic
Impact	Small scale	=>	Large scale
Institution	Insurer / Intermediary	=>	Fragmentation / Telco/DLT
Technology	Professionals	=>	Anybody
Trust	Institutions	=>	Communities

Supervision of innovation (1)

- Insurance supervisors may be perceived as ‘conservative’, but:
- Little political appetite for supervisory failure (crisis 2008);
- Little technical experience with the creative use of ICT;
- Many traditional legal criteria, such as:

Supervision of innovation (2)

Insur

Tech

Size: de minimis /proportionality

↔ exponential/interconnected

Financials: solvency/profitability

↔ potential market value

Approach: stability/experience

↔ experimental/new

Subjects: insurers/intermediaries

↔ integrated/mixed operations

Supervision of innovation: hopes and concerns

	Insurtech	Supervisors
Hopes	<p>Supervisors deemed necessary:</p> <ul style="list-style-type: none"> - consumer trust - regulatory risk/clarity - access to funding - ... 	<p>Insurtech deemed necessary:</p> <ul style="list-style-type: none"> - consumer services - dynamic competition - data availability - local business - ...
Concerns	<p>Reluctant towards supervisors:</p> <ul style="list-style-type: none"> - long time-to-market - conservative legalism - ICT competence - ... 	<p>Reluctant towards Insurtech:</p> <ul style="list-style-type: none"> - resources/skills - compliance concerns - speed of mass-market intro - exclusion of consumers - interconnectedness - unpermissioned technology - market paralysis - ...

Joint NBB-FSMA contact point available since April 2017

- Information is shared between supervisors
- Start-up firms do not have to ask themselves: «which supervisor do I need to talk to?»
- Reaction is given within 3 business days (usually even quicker)

PENSIONS CROWDFUNDING FINTECH MORE...

FINTECH CONTACT POINT

Belgian financial regulators FSMA and NBB have identified FinTech as an important focus of their supervisory activities. FinTech (Financial Technology) refers to start-ups or established firms that use technology to offer innovative processes, products or services in the financial sector.

Enabling
Processing
Transferring
Distributing
Storing
...

Payments
Savings
Investments
Credit
Insurance
Pensions
...

Examples are: [crowdfunding](#), distributed ledger technology, [virtual currencies](#), APIs (application programming interfaces) or alternative distribution models.

As the regulatory framework plays a key role in accommodating both innovation and safety within this industry, the FSMA and the NBB offer FinTech companies (whether start-ups or established firms) the opportunity to enter into direct contact with them via the button below. The FSMA or the NBB aim to get back to you within 3 business days.

General information about our tasks and powers, specific supervisory rules and authorisation procedures can be found on the [FSMA](#) and the [NBB](#) websites.

i FINTECH CONTACT FORM

FSMA FINANCIAL SERVICES AND MARKETS AUTHORITY National Bank of Belgium Eurosystem

Conclusions

- There is no formal “sandbox” but rather a “sound box” approach
- Main advantages of a sandbox are still available
 - Personalized contact with supervisor (transversal FinTech teams and specialized operational services)
 - Proportionality principle (which is key element in sandboxing) is present in Belgian legislation
- We still expect that companies that contact us have made their homework
 - basic knowledge of financial regulation
 - project has reached a certain level of maturity
 - business plan with description of the planned business activities and diagram detailing the financial and informational flows
- We do not offer legal advice

Conclusions

- While in favor of innovation, supervisors still look at potential risks that could arise
- Some questions raised by digitalization/FinTech and that should be considered are:
 - Are consumers well equipped to make decisions in a digitalized instantaneous world?
 - Are all players armed against potential cyber-attacks?
 - Is there a risk that some consumers are left behind?
 - What about business continuity?
 - Potential increase of profitability/solvency risk for incumbent players
 - Multiple aspects of operational risk both internally and because of increased outsourcing and reliance on algorithms
 - ...