TECHNOLOGY AND NEW INSURANCE ACTIVITIES

in collaborazione con

HYBRID SEMINAR

INSURANCE BEYOND INSURANCE

5 novembre 2021

(Ore 15:00 – 17:00)

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Ania

Associazione Nazionale
fra le Imprese Assicuratrici

Agenda

- InsurTech: Risk and opportunities for the industry and consumers
- Digital Agenda in the Regulation
- Conclusions

InsurTech: Risk and opportunities for the industry and consumers

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InsurTech: Risk and opportunities for the industry

Opportunities (Efficiency and Innovation)

- More accurate pricing of risks - Possible costs reduction
- Differentiation opportunities for the company – Product development cycles can be faster with external partners
- Better consumer experience and reduced price could lead to better consumer satisfaction
- More efficient claims handling and fraud prevention - Possibly reduced claims through preventive measure

Risks (Increased/Unfair Competition)

- Increased competition - Threats to the sustainability of incumbent business models
- Loss of market power as technology firm holds relationship - Potential for loss of internal know-how - Information oligopolies can develop
- Uncertainty related to new and untried technology/business models - Potential conduct risks could arise
- Reputational risk, cyber risks, data protection, IT security, legal risk - Potential new types of fraud - Issues related to outsourcing/oversight

Source: EIOPA "Discussion paper on the (re)insurance value chain and new business models arising from digitalisation!", aprile 2020.

InsurTech: Risk and opportunities for consumers

Opportunities (Better Services)

- Increased competition
- Better risk assessment - Less damage through preventive measures
- Better quality of services and users experience
- New and tailor-made products and services - Possibility of covering new risks, improving inclusion

Risks (Privacy and Exclusion)

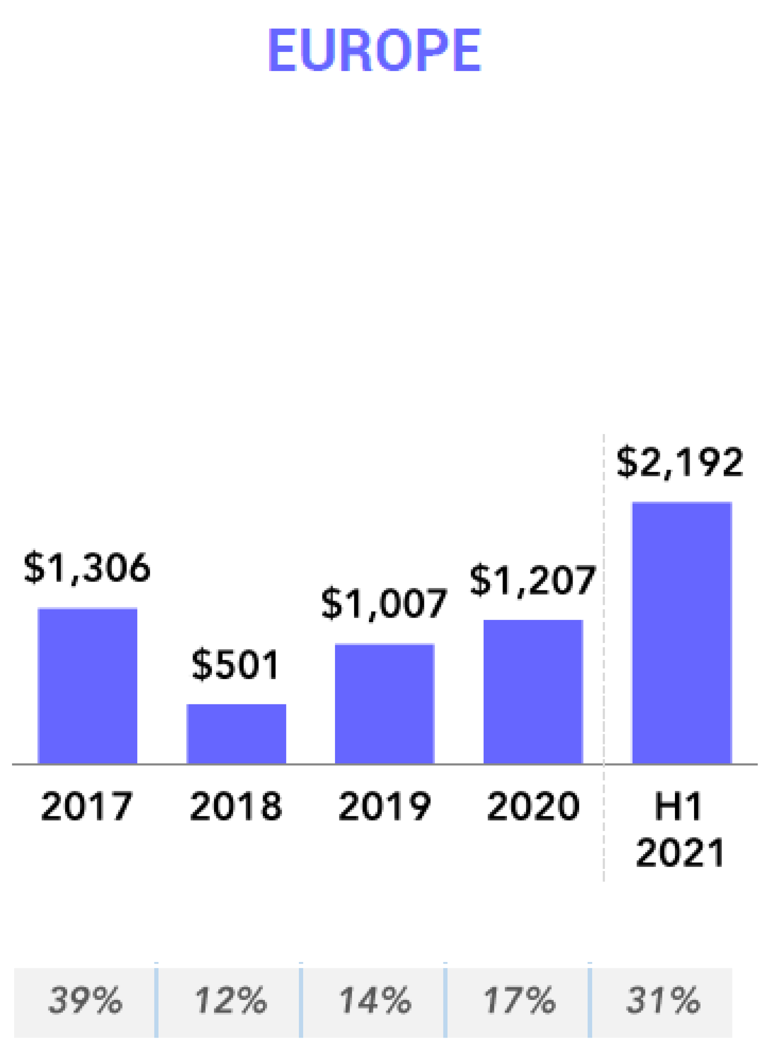
- Data protection and privacy
- Discrimination/financial exclusion - Lack of transparency
- Focus on price instead of coverage
- A monopoly position of the platform provider - Increased IT-risks/cyber-risks

Source: EIOPA "Discussion paper on the (re)insurance value chain and new business models arising from digitalisation!", aprile 2020.

Investment into InsurTech

In the first mine months of 2021, InsurTechs have raised \$10.5 billion – surpassing the \$7.1 billion raised for all of 2020

A major driver of funding is the growth in mega-rounds and in Europe



Source: FT Partners Research | August 2021

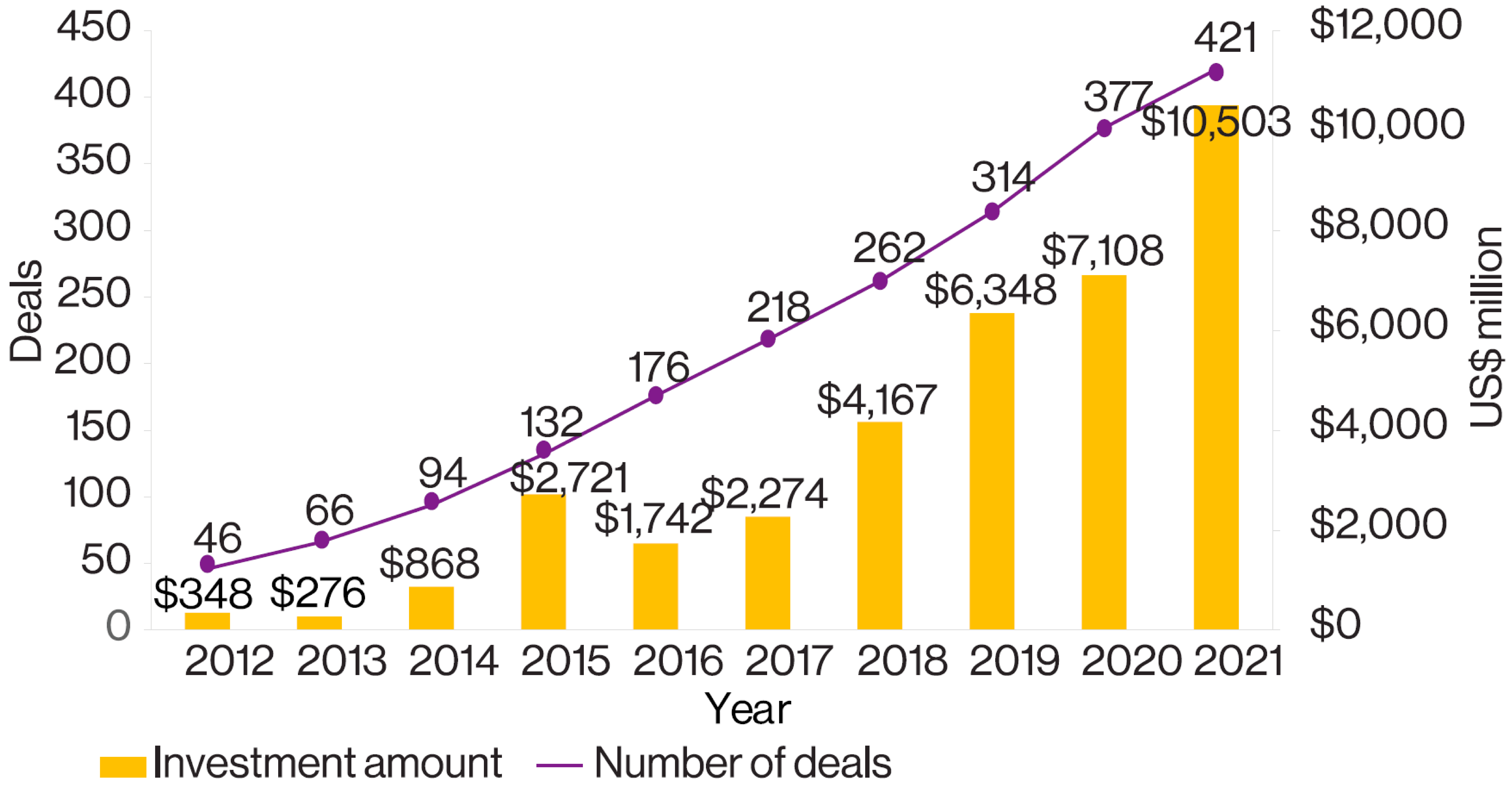


Figure 3: Annual InsurTech funding trends, including transaction volume and dollar amount, 2012 – Q3 2021

Source: Quarterly InsurTech Briefing Q3 2021 - Willis Towers Watson

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Digital Agenda in the Regulation

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What drives regulation on Digital Agenda (1/3)

To reverse widening inequality, keep a tight rein on automation

Daron Acemoğlu

https://www.imf.org/external/pubs/ft/fandd/2021/03/COVID-inequality-and-automation-acemoglu.htm

Automation accounts for much of the loss of shared growth, along with such factors as globalization and the declining power of labor relative to capital (Acemoglu and Restrepo 2019)

With the next phase of automation rapidly unfolding, driven by machine learning and artificial intelligence (AI), the world's economies stand at a crossroads

- AI could further exacerbate inequality. Or, properly harnessed and directed through government policies, it could contribute to a resumption of shared growth

Despite new machines and algorithms, the US economy today generates very low total factor productivity growth

The government should provide incentives that tilt the composition of innovation away from an excessive focus on automation and more toward human-friendly technologies that produce employment opportunities

What drives regulation on Digital Agenda (2/3)

Brussel effects

Anu Bradford of Columbia Law School

When the European Union comes up with some new tech regulation, it can quickly spread around the world

The example for the “Brussels effect” is the eu’s General Data Protection Regulation (gdpr), which went into force in 2018 and swiftly became the global standard

Digital services are, often “indivisible”. It would be too expensive for big tech firms to offer substantially different services outside the EU

As a result, most have adopted the General Data Protection Regulation, Europe’s strict privacy law, as a global standard

EU has technology but no significant digital platforms

- It accounts for less than 4% of the market capitalisation of the world’s 70 largest platforms (America boasts 73% and China 18%)

At the same time, the EU is a huge market, with a population of more than 500m

- It contributes about a quarter of the revenues of Facebook and Google.

The Brussels effect may be less effective than in the past

- US Congress failed to come up with any data-protection legislation and did not co-operate with EU. This is changing with the Biden Presidency

What drives regulation on Digital Agenda (3/3)

“we have what we call the GAFA [Google, Apple, Facebook, Amazon] in the US, the BATX [Baidu, Alibaba, Tencent, Xiaomi] in China and GDPR in Europe” Emmanuel Macron

The case for the EU proposal on AI: ***Since online platforms play a central role in society and democracy at large, said Thierry Breton, commissioner for the internal market, “we are organising our digital space for the next decades.”***

The EU’s proposals on AI focus on the riskiest applications of AI

- Some will be banned outright, including services that use “subliminal techniques” to manipulate people
- Others, such as facial recognition and credit scoring, are considered “high-risk” and so subject to strict rules on transparency and data quality
- All high-risk services must be tested for legal conformity, but this can often be done by the provider itself

Penalties for violations are stiff: up to €30m ($36m) or 6% of global revenues, whichever is higher

Member states are encouraged to create regulatory “sandboxes”, in which firms can try out novel services without fear of being hit by a penalty

The legislative process will take years, but the potential implications are huge

Conclusions

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Conclusions (1/2)

Digital economy and finance should go hand in hand with fairness and inclusion

Post-financial crisis regulation has increased the compliance obligations of banks and insurance companies

Regulation can at times be a powerful stimulus to innovation but, generally, tends to hamper innovation

- Ensure innovation-friendly, tech-neutral approach based on principle of “same activities, same risks, same rules” and a true level playing field
- Sandboxes

Conclusions (2/2)

Insurance specificity should be taken into account

- There is a role for self regulation (e.g. AI)

Insurers are now able to carry out more accurate risk assessments, allowing them to offer more competitive rates or to offer insurance for risks that were previously uninsurable

Thus, insurtech might be a driver to fill the the protection gap of the Italian economy

- A precondition is that it should help for enriching the relationship between the insurance industry (companies and distribution) and customers