

Open for business

A clear business case is needed for any open insurance initiatives

By Geeke Feiter, chair of the GFIA Disruptive Technology Working Group

In a world in which the value of data is on the rise, interest in data-sharing should not come as a surprise. Open finance frameworks are being implemented in some countries and, while the focus was initially on the banking sector, several are now expanding their frameworks to insurance.

Open insurance could have a major impact on the insurance industry. It could facilitate innovative products and services and potentially lower costs. And opening application programming interfaces (APIs) to those outside the industry could stimulate competition and allow newcomers to challenge products and services offered by insurers. Risks are involved, though, in terms of data security and consumer protection, particularly where sensitive personal data is concerned.

The IT infrastructure is not yet fully in place for open insurance in many countries in terms of APIs and the standardisation of data, and the related regulatory requirements are also not yet there. Nevertheless, initiatives are already underway in some jurisdictions and have been proposed in others, so GFIA considered it timely to draw up some dos and don'ts. The hope is that these are used in discussions with regulators and supervisors and that they lead to well thought-through open insurance initiatives. They were published in January 2023 and relate to:

- the purpose of any data-sharing;
- control over data;
- the scope of the sharing and the appropriateness of any framework;
- the need to ensure a level regulatory playing field; and,
- data security.

What is open insurance?

GFIA paper: Dos and don'ts of open insurance



“The IT infrastructure, standardisation of data and regulation for open insurance are not yet fully in place in many countries.”

Brazil became the first country to publish guidelines for the implementation of an open insurance system in 2021, while in the EU the European Commission has said it plans to have an open finance framework in place in 2024 and it published in June 2023 a proposal that covers the entire financial services industry. Meanwhile, at international level, the FinTech Forum of the International Association of Insurance Supervisors (IAIS) is closely following developments and is preparing a report on APIs and open data that is expected to be published before the end of 2023 (see article [here](#)).

Purposeful planning

Data-sharing is costly. So, any data-sharing or open insurance initiative needs to be purpose-driven. There needs to be a very clear business case and value for customers. Any initiative should then be closely monitored and measured to see whether it is meeting its objectives.

Since banking and insurance are such totally different sectors of the financial services industry, any open insurance initiative also needs to be designed specifically for the sector to ensure it achieves the right results and avoids any unintended consequences.

Valuable interactions

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One of the values of GFIA is the opportunities it provides to share experiences and best practices between national associations and to interact with international counterparts. Nowhere is this more valuable than in the fast-moving world of disruptive technologies, where lessons can be shared and new challenges discussed.

Externally, for example, we have been pleased to meet the IAIS FinTech Forum to discuss its work and GFIA's papers on open insurance and the use of technology by supervisors (suptech).

It is reassuring — and, of course, unsurprising — to see the increased interest of supervisors in technology issues and their own adoption of new technologies. This has, in turn, led to more interactions and engagement between GFIA members and supervisors as we all shift gears on technology, build capacity and prepare for future developments.

Internally, GFIA held a lively workshop for members on artificial intelligence alongside its General Assembly in Paris in June 2023. We discussed AI applications that are already being implemented in the insurance value chain and the fact that generative AI is also becoming accessible to smaller companies as its use is democratised.

Both the industry and its supervisors need to be mindful that where we see benefits in terms of optimising processes, increasing efficiency and personalising product offerings, consumers and their champions can sometimes fear a widening information asymmetry or data-security issues. GFIA's work is therefore vital in terms of sharing best practices across the global industry and liaising with regulators and supervisors to create the optimum environment for the use of disruptive technologies.



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Open insurance

“Open insurance” refers to accessing and sharing insurance-related personal and non-personal data, usually via application programming interfaces (APIs).