

ACTUARIAL ASSOCIATION OF EUROPE

SUMMARY COMMENTS ON EC CONSULTATIONS ON:

- 1. DIGITAL SERVICES ACT PACKAGE: EX ANTE REGULATORY INSTRUMENT OF VERY LARGE ONLINE PLATFORMS ACTING AS GATEKEEPER**
- 2. NEW COMPETITION TOOL**

The Actuarial Association of Europe (AAE) submits its comments to two European Commission consultations on the [Digital Services Act package](#) and on a [New Competition Tool](#). The AAE sees the topics as important. Due to its role as a technical adviser on issues linked to actuarial expertise the AAE submitted comments only to a subset of the questions of the consultations.

The Commission is initiating the consultations as part of its evidence-gathering exercise, in order to identify issues that may require intervention through the Digital Services Act, as well as additional topics related to the environment of digital services and online platforms, which will be further analysed in view of possible upcoming initiatives, should the issues identified require a regulatory intervention.

We note that in insurance the logic of the business is that risk is mutualised: all insureds pay a premium reflecting their own risk and the sum of all these premiums is enough to cover risks materialising within the pool. This leads to the idea of differentiating between the risks in order to be able to determine the correct premium of each insured.

In mandatory social insurance this direct relation to individual risk can be broken and there can be cross-subsidisation between the risk groups. In voluntary insurance cross-subsidisation easily leads to adverse selection where only the high-risk insureds want to remain in the pool. This can dramatically reduce the benefits to the society from insurance. Therefore limits to differentiation in voluntary insurance should be used with utmost care.

When it comes to sufficiently guaranteeing nondiscrimination etc. there can be cases of purposeful or inadvertent discrimination. We feel that inadvertent discrimination is the more dangerous occurrence of this phenomenon. Undertakings should have strict governance practices to make sure no inadvertent discrimination happens.

We feel there is a need in financial services to have the resources for content moderation. This should not be a separate function but the issue should be included in the risk management of the undertakings. Financial services should be transparent about their policies etc. We feel that current regulation already incentivises undertakings to take care of this. Also the supervisors have tools to act when necessary. We would also like to point to the fact that financial services have so-called

know your customer rules and rules to identify the customers (to avoid money-laundering etc.). Therefore additional regulation to the financial services is not needed.

In insurance traditionally the insurer has more insights when it comes to statistical outcomes (e.g. population mortality, frequency of fires etc.) and the customer has more information on his/her specific situation. If/when more extensive datasets on consumer behaviour or use of social media etc. become available it will be possible for the insurer to know more of the insured than was possible traditionally. It can mean that the information asymmetry favors more the insurer in the future. To counterbalance this there need to be guidelines from EIOPA on the use of data. The guidelines should be principles based to remain valid with changes. There needs to be good governance on the use of data in the insurers. Actuaries as heavy users of data should have a dominant role in such governance. The role of actuaries is emphasised by the fact that as a profession they have a strong code of professional conduct forcing them to act responsibly in the use of data.

Actuaries have in all their history used algorithms with best available technology to analyse data. In the majority of areas algorithms are indispensable and work for the benefit of our societies. While maintaining everything that is good with algorithms we would like to point to two areas:

- algorithms need to be designed well so that the results they provide are correct. This needs good understanding, good modelling and good governance. Actuaries should have a central role to ensure this happens
- algorithms can also be used in the area called premium optimisation. While a modest amount of this is unavoidable, massive uses of this would not benefit our societies. Again, good governance is needed here. The code of professional conduct of actuaries limits the design of premium optimisation tools in the greater good of customers.

The supervisory authorities of the financial sector, i.t. EIOPA, EBA and ESMA already have strong tools to intervene when necessary. If another framework were created this could easily create overlapping structures that would be burdensome at best but could easily become contradictory. Therefore we do not support the creation of a new competition tool that would apply to the financial sector.

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