

DATA-DRIVEN FINANCIAL SECTOR IN EUROPE EC ROUND TABLE

23 FEBRUARY 2015

NOTES

Some 30 stakeholders plus 6 persons from DG connect (head (Marta Nagy-Rothengass) & deputy head (Beatrice Covassi) of data value chain) and 1 person from DG internal market (FISMA) participated on this meeting. DG connect was establishing in 2015 meetings on this issue with all the relevant sectors (financial sector being one of these). The aim was to get the input so that that could be presented on Nov 16th 2015 in European data forum.

The meeting was under Chatham House rules, so no names are identified in these notes

10:00-10:30 **Towards a data-driven economy in Europe** Opening remarks by the European Commission

☐ Elements of the Commission's strategy on a data-driven economy

☐ New approach to interaction with the business sector: a Public-Private Partnership on (Big) Data

Some (Big data related) financial importance data from OECD and McKinsey 2011 was shown in the start. EC's main point seemed to be that European data ecosystem needs to be efficient. In EU, Data issues have been put to political priority in 2014. One important angle DG was emphasizing was the Public – Private partnership (PPP) as the model of co-operation they seemed to keep in key place. Also there was a discussion on possible ways of Funding; Lighthouse projects (for big projects) and innovation spaces (set up some databases). All-in-all EC seemed to want to have a set of actions on how this data driven framework will go forward.

10:30-12:15 **Emerging data ecosystems and business models**

Presentations by industry speakers

Deutsche Bank.

The view was that payment methods will change from cash & credit cards to apps, digital money, etc. and this will enable new players (non-banks & start-up's). Estimation was that banking market would not increase but as new players steps in many of the existing banks will stop practicing. Speaker person also argued that some of the future change can already be seen in other sectors (music industry etc.). One specific banking issue was that as self-employment is increasing (at least in Germany), these new firms are getting their funding from other channels than banks (which are not financing these anymore). The risk was that traditional banks are losing this game having less and less place in this market. Remark on data issues was that existing banks seemed to have their databases quite unstructured, and to make it usable (and structured) has a large cost.

Generali:

Generali representative said they started their 'Big Data project' switching from just looking on the products to trying to get more precise view of the customer (customer view). Their view was that more data scientist is needed in companies (as this couldn't be done in IT or actuary departments). The representative also talked about the customer journey, meaning ways to gather data of customer and analyze it. The customer view needed to be defined first and then a step taken to get from the existing database to this customer centric database. On the benefits of the 'Big data' project two points were raised; revenue generation (client segmentation, new services, customer loyalty) and cost reduction (manage claims, driving behavior, repair management). They saw also importance on how often data is been collected (e.g.

telematics dataflow), how new type of data needs to be started collecting and are insurers able to get the needed data from other sectors (autos, houses, social media etc.).

Consorzio CBI (Italy)

The representative talked about possible data co-operating among banks (what would profit everyone) and pointed out the structure of CBI (www.cbi-org.eu) which is an example of a consortium of banks (in Italy there is 600 banks under this structure). There was a common interest among participants towards this structure. The representative also brought up cyber risks as an embodiment of big data and gave an example of this from Feb 2015 on the Carnabak event where some 1 billion euro was stolen from banks.

Round table discussion on:

- ☐ Strategic relevance of data in your company
- ☐ Good practice cases of data analytics serving business strategies

Discussion started on the business models and what companies are doing with big data right now:

- In Italy telematics have been increasing a lot and this was probably because of the high insurance prices in history and how discounts are being offered now (for those using telematics).
- Insure the box (www.insurethebox.com) talked about how to collect and to use the data. It was emphasized that data can't be shared in other ways than promised to customer.
- Fintonic (<https://www.fintonic.com>) worked with some of the Spanish big banks and gets data from them. Said that this was working quite well.
- Generali was solving the customer based framework in country level and didn't see an urge to go outside country level in near future
- It was asked from DG connect how they are going forward with data sharing and PPP (public-private) interface. DG connect seemed to try to put effort on softer ways (like the PPP) in improving this and also clarified they are not trying to say companies they should open up their databases (for public).
- Part of the discussion was about the owner of the data. Here big IT companies, such as Apple, Samsung, Google were mentioned quite intensively, as these companies focus on collecting data and are getting very close to customers. It was also asked whether data owning issues should be dealt more with in European regulation.

13:15-15:15 A functional data ecosystem

Presentations by industry speakers

Credit Agricole Assurances:

Said they use big data mostly on digital marketing, technical performance, relational performance (new interactions to customers) and to improve internal processes. One of the challenges they saw was that big data will drive companies into more behavioral pricing (not anymore categorical). And here companies do lack the talents of handling data and actually being able to do this right now. One of the enablers was mentioned being the French compliance pack relating to data issues.

European banking federation:

The representative raised cybercrime and social media as two important issues. He asked also whether there could be cybersecurity standards to protect companies and if there was a way to access social media data. One problem they raised was that banks seemed to have data but still nowadays do little about it.

Round table discussion on:

- ☐ Enablers for a business-friendly environment:
 - o Regulatory (trust and privacy, IPR, security, data ownership)
 - o Non-regulatory (R&I, infrastructure, interoperability, skills)
- ☐ Challenges for the data-driven financial sector in the EU

Discussion on companies' data ecosystems and on who are the actors there

It was acknowledged that there's several department responsible on the data (depending mainly on the stage; gathering part, management (IT team), etc.) and the increases the complexity around it. It was discussed that as companies might lack the education, they could use people educated towards data scientist type skills and using of big data. I brought up here the developments in the actuarial education in UK, where actuary students could choose a more technical path on their actuarial studies and focus on more statistical and data related issues. It was also recognized that financial sector could benefit from an education to public of how to they can benefit from it and what this actually is.

Discussion on privacy issues

The general comment was made that privacy rules needed to be defined in different levels, e.g. health data has stricter rules than car data and this needed to be taken into account. Also in company level codes of conduct are needed (some of the companies represented had already these). On data ownership it was recognized that as insurance contracts might be very old the ownership of the customer information might not have been even. A comment how the market could change was made, pointing out that in near future there could be institutions based on just data issues (data brokers). Some country specific developments was also mentioned, as the electronic person identity number in Finland which could be used in other countries also and the German insurance cloud, which has helped on reducing costs.

15:15-15:45 Wrap-up and conclusions: towards an action plan for a data-driven economy in the EU

Next steps: FDG connect said they are very open with this topic and invited future ideas and thinking around this. They asked any comments and ideas to be sent afterwards. → FOR AAE? Could we have a position paper relating to this? EG connect also reminded that they will organize the European data forum on Nov 16th. Also all participants were encouraged to register in www.bigdata.eu.