

Statement of BiPRO e.V. on the Topic of “Standardisation” related to the Development of an “Open Finance Framework” by the European Commission DG FISMA B.4

BiPRO e.V. – AG Open Insurance – 08.02.2023

BiPRO e.V. – Business Institute for Process Optimisation

The registered society BiPRO e.V.¹ was founded in 2006 and is the leading standardisation organisation for the insurance industry in Germany and Austria. BiPRO e.V. is a neutral non-profit organisation with over 300 members, including over 90 insurers, over 70 intermediaries and intermediary associations, as well as numerous software producers, service providers and consultants. BiPRO e.V. has developed process and data standards for all essential processes in the insurance sector: Quotation, offer, application, policy, contract management, claims and benefits, premium, commission and claims settlement, broker mandate, data and document transfer, authentication. The standards describe both the business semantics of the processes and data elements as well as the technical specification of the API interfaces.

The members of BiPRO e.V. have implemented more than 800,000 interfaces based on BiPRO standards in the past years and invested more than one billion euros for this purpose. Thus, the BiPRO e.V. standards have been successfully established as the basic technology for the digitalisation of the German and Austrian insurance sector.

EU Initiative “Open Finance Framework”

The EU “Digital Finance Strategy” announced a proposal on “Open Finance”, which refers to the access and re-use of customer data with customer consent for different financial services.²

This “Open Finance” initiative aims to enable data sharing and third party access for a wide range of applications in the financial sector, in compliance with data protection and consumer protection regulations. It is based on the principle that financial services customers own and control the data they provide and the data created on their behalf.

The European Commission DG FISMA B.4 plans to further develop this initiative into an “Open Finance Framework” and to publish it in the second quarter of 2023 in accordance with the Commission Work Program 2023.³ An Expert Group was set up to develop proposals for an “Open Finance Framework” and a public consultation⁴ was carried out. BiPRO e.V. took part in this consultation.⁵

¹ BiPRO e.V., Marienburger Straße 28, 40667 Meerbusch, Germany, <https://bipro.net/>

² https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13241-Open-finance-framework-enabling-data-sharing-and-third-party-access-in-the-financial-sector_en

³ https://commission.europa.eu/publications/2023-commission-work-programme-key-documents_en

⁴ https://finance.ec.europa.eu/regulation-and-supervision/consultations/finance-2022-open-finance_en

⁵ <https://bipro.net/bipro-e-v-beantwortet-umfrage-der-eu-kommission-zum-open-finance-framework/>

“Report on Open Finance” of the DG FISMA Expert Group

The “Expert Group on European Financial Data Space” of DG FISMA B.4 presented its report “Report on Open Finance”⁶ on 24.10.2022, which summarises the discussion results of the Expert Group. The report highlights various relevant topics (including data access, data and consumer protection, standardisation, liability, costs) and possible use cases for Open Finance. Since the group’s experts represent very different stakeholders, the report also presents partially controversial views.

Comment by BiPRO e.V. on the “Report on Open Finance”

The members of BiPRO e.V. represent very different market participants in the German and Austrian insurance market. BiPRO e.V. will therefore not comment on any positions presented in the “Report on Open Finance”, which are subject areas on specific business models of the stakeholders or purely legal issues.

However, the essential core interest of all members of BiPRO e.V. concerns the topic of “standardisation of processes and data”. BiPRO e.V. formulates the following statements on this topic and contributes them to the discussion on the EU Commission’s “Open Finance Framework” and thus also to the concept for “Open Insurance”⁷ discussed by EIOPA.

Statement 1:

Standardisation of processes and data is an important prerequisite for a functioning and fair insurance market

For all use cases that digitally connect a large number of market participants with each other, a comprehensive standardisation of the APIs, i.e. both the processes and the data elements, is an important prerequisite to enable efficient and cost-effective communication (“plug-and-play”). Only standards used throughout the market ensure a “level playing field” for all market participants, especially also for SMEs (small and medium-sized enterprises) and end consumers.

In a market-wide use case without standards, where all insurers grant other partners access to data, each insurer (“data holder”) would implement individual APIs for data access (as is currently the case with personal data portability according to GDPR Article 20). In this case, each user (“data user”) would be forced to implement the different interfaces to all insurers (several hundred in Germany alone). Only the large companies (large insurers, large brokers, BigTechs) can finance the associated costs for set-up and maintenance. SMEs would be excluded from this use case or would have to use a service provider (“data intermediary”). However, there would be a risk that the data intermediaries would achieve a dominant position in the market. A level playing field for all market participants would not be guaranteed. In addition, the end user would ultimately have to finance the increased costs for the multitude of interfaces to be implemented through increased product and service costs.

⁶ https://finance.ec.europa.eu/publications/report-open-finance_en

⁷ https://www.eiopa.europa.eu/browse/digitalisation-and-financial-innovation/open-insurance_en

Statement 2:

Standardisation of processes and data must take place on the business and technical level

The “Report on Open Finance” postulates that standardisation should in principle only take place on the “business rules” level, but not on the technical implementation level. However, this approach would not enable efficient and cost-effective communication (“plug-and-play”), as only the technical interfaces enable and guarantee digital interoperability.

The justification often given for a refusal of technical standardisation is that data communication technology is rapidly evolving and technological progress should not be slowed down. Yet there are already proven concepts of standardisation on the business as well as on the technical level. For example, in the standardisation of the digital European Invoice, the European Norm EN 16931 as the business standard (“semantic level”) is supplemented by several technical standards (“syntax level”), which implement the technical standard in different technologies.⁸ In this way, another technical standard can easily be developed for a new technology in the future.

Statement 3:

Standardisation by the stakeholders of the market

The EU Regulation 1025/2012⁹ defines the basis of European standardisation. In this regulation, it is essential that all market players, including SMEs and consumers, are involved in the standardisation process. And it specifies that standards are developed by the established European standardisation organisations (CEN, CENELEC, ETSI).

In addition to the direct market participants, the national standardisation organisations that have developed and implemented the currently used process and data standards for their respective market should also be involved in the development of European standards. These organisations have great competence both in their market segment and in the application of relevant standardisation technologies. BiPRO e.V. as established standardisation organisation with more than 800,000 interfaces based on BiPRO standards, for which industry stakeholders have invested more than one billion euros, is ready for the financial services sector in Germany and Austria to participate in the European standardisation for an “Open Finance Framework”.

Statement 4:

European standard based on established national standards

In many European countries, successful national standards already exist for all essential digital processes in the insurance industry. These standards already include functions that also support relevant use cases for Open Finance / Open Insurance. In particular, access to personal, contract, product and loss-related data is already standardised and is established in the respective markets through high investments by market participants.

⁸ <https://ec.europa.eu/digital-building-blocks/wikis/display/DIGITAL/Obtaining+a+copy+of+the+European+standard+on+eInvoicing>

⁹ <http://data.europa.eu/eli/reg/2012/1025/2015-10-07>

The development of a European standard as part of an “Open Finance Framework” should therefore be based on the existing national standards. For this purpose, an interoperability standard could be developed at the European level that can be mapped on the business and technical level to the national standards. In this way, successful digital communication links will continue to be used and the European standard creates the prerequisite for additional cross-border communication links.

The development of a completely new standard (greenfield approach), on the other hand, would take much longer and the implementation would require considerable investments by all market participants, which in turn would disadvantage SMEs and consumers would have to finance through higher prices for products and services.