Opening Financial Data:

A Threat to Solidarity and Consumer Protection in Europe

How to ensure optimal protection at the fairest price and solidarity among insured individuals and the preservation of financial data confidentiality? The new FiDA regulation, proposed by the European Commission in the summer of 2023, clearly does not provide a reassuring answer to this issue. By undermining the principle of mutualization, which is at the heart of the insurance system, and European sovereignty, it poses major risks that urgently need to be widely exposed and questioned.

The opening up and sharing of data has always been at the heart of European policies, based on the principles **of transparency and free competition**. Just over a year ago, a new step was taken with the proposal for the **FiDA regulation for 'Financial Data Access'**. What is it exactly?

The European Commission wants to open access to all financial data, except for health at this stage. This would not only apply to data from banking institutions, but also from all financial services providers, including insurers. The stated goal is to **enhance competition** by encouraging new players to enter the market and allow consumers to compare contracts more easily, potentially leading to benefit from lower prices.

While the objective is commendable, it is based on some erroneous assumptions:

1) **Insufficient competition** while the insurance market is objectively highly competitive. In France, for example, In France, for example, the auto insurance market has more than a hundred players, each with diverse approaches to distribution and risk management (including capital insurance companies, mutual insurers, direct insurers, intermediaries such as brokers or agents, new web-based insurers, banks, car dealers, and tour operators). This ensures a particularly competitive French insurance market. In France, for example, policyholders can already cancel their auto or home insurance policies at any time.

2) **Standardized contracts.** FiDA assumes that insurance contracts are standardized products, when in fact they are tailored to each consumer's needs and personal circumstances, prepared by professionals bound by a regulatory advisory obligation. The risk with FiDA is that it promotes automated comparison and standardization, focusing exclusively on price, the easiest element to compare, at the expense of the quality of coverage. Insurance

contracts cannot be reduced to just their price! Additionally, coverage varies widely across Europe, and FiDA fails to consider these differences. For instance, assistance coverage is included in French auto insurance contracts but must be purchased separately in Belgium. In Italy, liability and damage risks are offered in two separate contracts. Regarding climate risks, while France has a natural disaster premium, climate risk coverage remains very heterogeneous across the EU.

Assuming that insurance is just a financial product like any other, proposing simplistic comparisons and excessive harmonization of contracts absolutely does not serve the European consumer. It does not guarantee them the optimal balance between a competitive price and an appropriate level of protection.

On the one hand, FiDA carries a severe risk of undermining the principle of pooling and
solidarity, potentially excluding the most vulnerable populations.

By making it easier for new entrants to focus exclusively on 'good risks', FiDA threatens to disrupt the balance and solidarity that are at the heart of the economic model of the insurance market, and more broadly of European integration, making this essential service less accessible and more expensive for many consumers, potentially excluding the most vulnerable populations. Indeed, certain policyholders, identified as having a 'bad' risk profile, could find themselves excluded from standard insurance offers or faced significant price increases. This would alter the current balance of prices and risk-sharing, which relies on the principle of mutualization. In a mutualized insurance system, risks and costs are spread across a wide range of insured individuals, keeping premiums affordable for everyone. If FiDA undermines this principle, the result could be a widespread increase in insurance rates. Pools of mutualization would become smaller and less diverse, as high-risk individuals would either be excluded or forced to pay much higher premiums.

Undermining this principle of mutualisation could also create systemic risks, making entire geographic areas or population segments uninsurable. As the impact of climate change is now undeniable, FiDA could make it possible to exclude clients due to aggravated risk based on their address (e.g., flood zones or high climate risk areas), vehicle registration (e.g., high-theft-risk vehicles), or their profile or previous claims history (e.g., young drivers or drivers over 70).

Examples of such disruptions already exist: insurers' inability to cover property risks in Florida, a 40% increase in young driver premiums in the UK in recent years, and destabilization of construction insurance in France following poorly regulated interventions by unreliable insurers operating under free provision of services. The likely consequences of FiDA are not hard to imagine. Some insured individuals are already experiencing them in Europe and around the world.

On the other hand, FiDA opens a new breach in the sensitive issue of personal data protection, which remains tightly regulated in Europe through the GDPR regulation.

Today, the protection of personal data remains at the heart of French people's concerns. According to a study conducted by ELABE for France Assureurs in March 2024, 67% of French people feel vulnerable to cybercrime, a figure that has increased by 17 points compared to 2023. With FiDA, the crossover between personal and financial data will be possible, raising legitimate concerns about whether non-European financial actors and tech giants will use the data in an ethical and scrupulous manner. FiDA, which applies to various activities in the financial sector, is on the verge of significantly expanding the number and variety of data that can be exploited by these actors. This is paradoxical for a text that claims to benefit European citizens and aims to strengthen the EU's economic dynamism.

Beyond these specific risks for consumers, this regulation raises broader issues, particularly the threat to European sovereignty.

FiDA opens the door to non-EU actors who are not subject to European regulations, such as 'gatekeepers'—that is, digital platforms like Alphabet, Amazon, Apple, ByteDance, Meta, or Microsoft—which already wield overwhelming power over data collection, control, and exploitation. While European regulations require data users to be established within the Union and authorized under a new status as financial information service providers, there is still ambiguity regarding the "gatekeepers." Unfortunately, FiDA does not propose to exclude them from this market to contain the security risks or uncontrolled data sharing.

It is now up to citizens to raise their voices to ensure solidarity and data protection.

At a time when the European institutions have been largely renewed (new mandate of the European Parliament, new European Commission), work on this regulation is progressing faster. Unable to move forward on other issues, the Hungarian Presidency seems to want to reach a compromise text as quickly as possible. While France's Directorate General for the Treasury, noting the many major problems raised by the text and which remain to be investigated, defending the need to give time to negotiations and maturation, the Hungarian Presidency shows the desire to finalize the work at the end of a final technical meeting on 30 September. The players in the sector, and especially mutual insurers have expressed their concerns widely and formally on the subject since the beginning of the discussions, pointing to the imprecision of the text and the unrealistic nature of the conditions for its implementation, while emphasizing the risks of exclusion that it poses for French and European citizens.

It is now vital and urgent to inform **consumers about the scope of this text.** Consumers must understand the implications of FiDA, which threatens their interests. Only by raising awareness about these concerns can we collectively give more weight to the actions undertaken over the past year. Our goal is clear: to protect policyholders and their data while continuing to offer them the most appropriate protection at the fairest price.

Our intention is clear: to protect policyholders and their data, and to continue to offer them the most appropriate protection at the fairest price. Requiring explicit and informed consent from the consumer, reducing the scope of data covered and demanding a strict definition of such data, obliging players entering the market to m have a permanent establishment in the EU in order to be subject to the same rules, or excluding non-life insurance, which varies too widely from one EU country to another, are some of the proposals that we urgently need to promote collectively. An objective impact study genuinely involving all stakeholders would also help to correct some of these obvious biases.

The new political balances resulting from the European elections, combined with an accelerating European timetable, mean that there are fears about the rapid adoption of this text, which still contains many gray areas and proven risks. Let's hope, however, that the European trialogue will make it possible to re-open the debate on this subject, which is so important to consumers. And that consumers will quickly mobilize en masse alongside mutual insurers to assert their rights, protect their data and preserve the mutualization that lies at the heart of solidarity between policyholders.

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