

Die Sicht des Regulierers auf Big Data mit Fokus auf den Verbraucherschutz

Big Data in der Versicherung, 21 Kölner Versicherungssymposium,
3. November 2016

What is Big Data?



- Data is the “**raw material**” of insurance undertakings
- The **availability of data** has exponentially increased (e.g. Social Media, Internet of Things, etc.)
- The **capacity to store and process data** has also multiplied (e.g. cloud computing, powerful processors etc.)
- Some talk about a **third industrial revolution** driven by digital data, computation and automation
- **European Commission:** *Big Data refers to large amounts of different types of data produced with high velocity from a high number of various types of sources processed by powerful IT tools to make predictions*

- **Data protection**
 - Personal data
 - Right to be forgotten
 - Portability
 - Ethical aspects

- **Financial legislation** technology neutral
 - SII governance: sound and prudent management
 - IDD:
 - acting honestly, fairly and professional in accordance with the best interests of the customer;
 - information fair clear and not misleading

Impact of Big Data on quality of processes and services



- Better / **innovative products and services**
- Consumers have **greater insight into and control** over their financial situation
- Improved regulatory compliance ("**regtech**")
- Risks related to **flaws** in the functioning of Big Data tools / algorithms

Benefits and risks linked to more granular segmentations (I)



- Big Data enables more **risk-based pricing** → in some MS such as NO postal codes are being replaced by residential ID's
- More **personalised products and services**, adapted to consumer's needs and demands
- **Reduced comparability** of (individualised) products vs. PRIIPS's and IDD key information documents
- Issues around the **consent and awareness** of consumers, as well as the **portability** of data (e.g. car telematics data)

- **Risks of exclusion / access to insurance** for some consumers (and vice versa)
 - o In the Netherlands the insurance industry has developed a “**solidarity monitor**” to regularly assess the impact of Big Data
 - o Flood Re has been created in the UK to **ensure the availability and affordability** of household insurance for people living in areas highly exposed to flooding
 - o The UK government concluded with the Association of British Insurers a **voluntary agreement not to use predictive genetic analytics in insurance underwriting**

Impact on revenues



- Lower costs derived from cost-effective processes / **internal efficiencies**
- **More stable client base** → enable firms to engage better and more often with consumers
- Improved **fraud prevention**
- **New competitors** (e.g. InsurTechs)
- **Budget and human capital** challenges
- Impact on **claims settlement/complaints handling practices** → could algorithms predict consumers more likely to lodge a complaint or accept claim settlement offers?

Reputational, legal and cybersecurity issues



- **Reputational risks** and issues around customer confidence in the use of personal information could also emerge.
- **Increasing exposure to cyber risk:** Insurance undertakings handle sensitive information (e.g. health insurance)
- Risks related to **liability allocation / outsourcing:** several actors may be involved in the data collection, aggregation, storage, analysis or usage

Summary of opportunities and challenges



Addresses information asymmetry/transparency

Empowerment

Better customer experience

Personalised products based on own behaviour

Incentives to behave well/ healthyly

Enhanced competition: reduced premiums

Opportunities for consumers

Challenges for consumers

Data protection issues

Who owns the data?

Exclusion

Non-digital population left behind

Behavioural economics: information overload?

Less comparability of (individualised) products

Enhanced risk management via new types of real-time algorithmic data ('5V')

Targeted and individualised advertising

Enhanced transparency and competition

Improve their customer's experience

Innovation

Cost efficiency

Fight against fraud

Opportunities for industry

Challenges for industry

Solidarity model to be re-thought?

Risk of concentration

New competitors: defeat or ally?

Disruptive technology

Revamping existing distribution channels

Cyber risk

Access to data from other sectors

New types of risk

What is EIOPA doing on Big Data?



- EIOPA is currently **assessing the opportunities and challenges** linked to the use of Big Data by financial institutions
- This is being done **jointly with the EBA and ESMA** due to the cross-sectoral nature of the phenomenon (e.g. credit card information in banking)
- A **public consultation** will be launched before the end of 2016
- The objective is to **promote a well-functioning consumer protection framework while incentivising financial innovation** and equal competition in the markets.



Thank you for your attention

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