



29 June 2018

# Big Data thematic review – Consumer Associations Survey

## Information about the Consumer Association

Name of the Consumer Association:

Country:

Date of submission:

## Introduction

### Objective

On 15 March 2018 the Joint Committee of the European Supervisory Authorities (ESAs) published a report on the use of Big Data by financial institutions.<sup>1</sup> The ESA's report identified a wide array of potential benefits arising from Big Data Analytics (BDA), both for the industry as well as for consumers. However, new regulatory and supervisory questions do also emerge requiring more in-depth analysis and supervisory oversight going forward.

The objective of this thematic review is therefore to find answers to some of these questions and to gather better understanding about the implications of the use of BDA in decision-making processes, emerging business models and the different stages of the insurance value chain.

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<sup>1</sup> Report on the use of BDA by financial institutions, Joint Committee of the ESAs, 15 March 2018, <https://eiopa.europa.eu/Publications/Other%20Documents/JC-2018-04%20Joint%20Committee%20Final%20Report%20on%20Big%20Data.pdf>

## Scope

The present thematic reviews covers the use of BDA by insurance undertakings.

### Instructions on how to fill the survey

The survey should be completed on a “best efforts” basis, i.e. in case you do not have exact information immediately available to reply to a specific question, it is possible to use estimations or approximations. We are aware that some questions might not have a straightforward answer so please respond to the questions to the best of your knowledge.

The survey uses deliberately a broad definition on BDA given the varied range of definitions and views about the topic. Indeed there is often not a common approach to clearly delineate the term "Big Data" from other expressions such as "data analytics", "data science", "artificial intelligence" or "machine learning". Some consider that you cannot separate one from the other. For this reason, the references to BDA in this survey should be understood in a broad sense.

## Glossary

BDA Analytics (BDA)* <sup>2</sup>	Large volumes of data that can be generated, processed and increasingly used by digital tools and information systems for the purpose of making predictive, descriptive and prescriptive analysis. This capability is driven by the increased availability of structured data, the ability to process unstructured data, increased data storage capabilities and advances in computing power
Predictive analysis	Making future predictions by studying recent and historical data
Descriptive analytics	The use of data aggregation and data mining to provide insights into the past and answer what has happened
Prescriptive analytics	The use of data aggregation and data mining to provide recommendations of one or more courses of action and showing the likely outcome of each decision

## Consumer complaints

*NB: If your receive consumer complaints, please disregard this section of the survey and move to Q4.*

*To help you respond to this part of the survey the first question includes some examples of possible situations where BDA could have motivated the complaint of the consumer. Please tell us if you have received similar complaints and how these types of complaints have evolved over time.*

1. Have you received any consumer complaints relating to the use of BDA by insurance undertakings in 2017 (e.g. undesirable profiling and risk segmentation of consumers, use of social media comments for marketing campaigns, high-risk consumers being denied access to insurance coverage, complaints relating to motor insurance Pay-As-You-Drive (PAYD) products or other telematics-based insurance products, consumers challenging the automated methodology on which a claims settlement offer was based, etc.).

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<sup>2</sup> The terms with an \* are based on the definitions used in the report Implications of fintech developments for banks and bank supervisors, BIS, February 2018, <https://www.bis.org/bcbs/publ/d431.pdf>

- Yes
- No
- No information available / not applicable

If yes, please explain the main causes of the complaints related to BDA

2. What percentage do the complaints related to BDA approximately represent of the total number of complaints received by your consumer association in 2017?

- 0%-10%
- 11%-20%
- 21%-30%
- 31%-40%
- 41%-50%
- 51%-60%
- 61%-70%
- 71%-80%
- 81%-90%
- 91%-100%
- No information available / not applicable

Please explain your response

3. To the best of your knowledge, how has the number of consumer complaints related to the use of BDA by insurance undertakings broadly evolved in the last 3 years:

- Increased<sup>3</sup>
- Increased considerably
- Decreased
- Decreased considerably
- Remained unchanged
- No information available / Not applicable

Please explain your response, and if possible specify what was the cause of complaints that increased / decreased the most

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<sup>3</sup> Increased = approximately +1% to +30%, and increased considerably if increased over 30%. Idem for decreased and decreased considerably

## Financial inclusion / exclusion

4. Have you identified situations where consumers have increasing / better access to insurance products because of BDA?

- Yes
- No

Please provide examples

5. Have you identified situations about consumers having increasing difficulties to be offered / obtain affordable insurance cover because of BDA?

- Yes
- No

Please provide examples

## Price optimisation and data accuracy issues

6. Is the price consumers pay for their insurance premium in your country affected by the use BDA to estimate their price elasticity (i.e. the probability that he/she will shop around as a result of an increase or decrease in the price), based on variables such as his / her credit scoring, job stability, wealth, level of education, comments made in social, or social media network?

- Yes
- No
- No information available / not applicable

Please explain your response

7. In case the price consumers pay was affected by the use of variables such as the ones described in the previous question, do you believe they should be informed about this?

- Yes
- No
- No information available / not applicable

Please explain your response

8. Do you believe that the use factors such as consumer’s credit scoring, job stability, wealth, level of education or comments made in social media for pricing purposes in insurance could impair the obligation of insurance undertakings to act honestly, fairly and professionally in accordance with the best interests of their customers?

- Yes
- No
- Depends

Please explain your response

9. Have you identified any data accuracy / data interpretation issues (e.g. “correlation is not causation”) regarding the use of BDA by insurance undertakings in your country?

- Yes
- No
- No information available / Not applicable

Please explain your response and provide examples

### Impact of BDA in the insurance value chain

10. What are the main potential benefits and risks arising from new insurance products such as Pay-As-You-Drive (PAYD) and Pay-How-You-Drive (PHYD) in motor insurance, Pay-As-You-Live (PAYL) in health insurance or other telematics-based insurance products?

Please explain your response

11. What are the main potential benefits and risks arising from the use of BDA by insurance undertakings for sales and distribution purposes?

Please explain your response

12. What are the main potential benefits and risks arising from the use of BDA by insurance undertakings in claims management, fraud prevention and post-sales services?

Please explain your response

### Benefits and risk of the use of BDA in insurance

13. What are in your opinion the main potential benefits for consumers arising from the use of BDA in insurance (please rank from 1 (less important) to 7 (most important))

- Personalised products and services
- Better customer experience
- Customer empowerment
- Financial inclusion
- Reduced premiums
- Risk mitigation and prevention
- Other

Please explain your response

14. What are in your opinion the main risks for consumers arising from the use of BDA in insurance (please rank from 1 (less important) to 7 (most important))

- Financial exclusion
- Privacy issues
- Non-digital population left behind
- Less comparability of (individualised) products and prices
- Unfair treatment of consumers
- Data accuracy and spurious correlations
- Other

Please explain your response

### Other issues

15. Are there any other issues that you would like to highlight in relation to the use of BDA by insurance undertakings?