



EIOPA-IRSG-16-12

## **IRSG Feedback statement to EIOPA Questionnaire on the Consumer Trends Report**

EIOPA is required under its Regulation to collect, analyse and report on consumer trends. To date, EIOPA has produced Four Consumer Trends Reports.

The term “consumer trend” is not defined in the EIOPA Regulation. EIOPA therefore devised the following working definition:

“Evolutions in consumer behaviour in the insurance and pensions markets related to the relationship between consumers and undertakings (including intermediaries) that are significant in their impact or novelty”.

The term “Trends” is understood in a broad sense; it means, for example, evolutions in volume, evolution in the way the relationship between customers and undertakings/intermediaries is determined, or also new insurance products and financial innovations that are being introduced into the market. The trend may already be consolidated for a number of years, but it may also be only emerging and can potentially become significant in the future.

Insofar the report aims to inform EIOPA in the identification, prioritisation and development of targeted policy proposals; EIOPA seeks to identify possible consumer protection issues arising from such trends. Nevertheless, positive trends shall also be identified and highlighted.

Similar to previous exercises, EIOPA has requested the **IRSG** to provide informal input to the work on the **Consumer Trends Report**. In February 2016, the IRSG in his previous composition was asked **to give input on the trends** in the areas of consumer protection that Members have observed in 2015 while the new IRSG has been invited to contribute in April 2016.

The informal input provided by the IRSG will be taken on board in the data collation and analysis together with data collected from Member State authorities and other relevant sources for identifying trends.

**Members' input was required** on the following:

- how the demand and/or offer for different types of insurance products has evolved during 2015
- any financial innovations or developments in the market environment, as well as any possible arising consumer protection issues.

In addition, **input was also requested** on the following:

- Development by insurance undertakings of **mobile phone applications** ("apps") to provide services to their customers
- Usage of **geocoding/ geolocalisation/ technology in household insurance** and any impact on the market or possible consumer protection issues arising from it
- The main or more novel techniques used by insurance undertakings to **fight against fraud** and any possible consumer protection issues arising from them
- Impact of **Big Data** upon the principle of solidarity in the insurance sector.

## A. Background

In December 2015, EIOPA published its **Fourth Consumer Trends Report**.

The report includes a description of the trends that have been identified in several Member States and possible consumer protection issues that could arise from such trends, insofar the report aims to inform EIOPA in the identification, prioritisation and development of targeted policy proposals.

The Fourth Consumer Trends Report has identified a series of recurring consumer trends that have been already reported in previous years. This would be the case for **certain shortcomings with the financial advertising and disclosure of contractual information of insurance products**, such as consumers not always being provided sufficiently clear and understandable information about their insurance coverage. Certain issues also continue to exist with the **management of claims**, in particular in the motor insurance sector, which is the most important non-life insurance line of business in terms of GWP in the majority of Member States. **Cross-selling and add-ons** were once again reported as a significant trend in the insurance market, being particularly relevant in this field the new transparency and selling requirements for these practices introduced by the recently politically agreed Insurance Distribution Directive. The level of **financial literacy of consumers** continues to be reported as low in some Member States. Furthermore, in a context of low interest rates environment in Europe, insurance undertakings increasingly offer their customers life insurance products with reduced guarantees and to switch from life insurance guaranteed policies to policies without guarantees, with NCAs carefully monitoring how the information is disclosed to their customers. Moreover, the insurance sector continues to become **more digitalised**, which indeed offers number of opportunities for consumers, but which may also originate new consumer protection issues to be carefully monitored going forward.

New or emerging trends have also been identified in the report:

- **The relationship between customer analytics and Big Data**, which leads to the development of more customised products and innovative segmentation and pricing techniques.
- **Financial innovation in insurance is often accompanied with an increasing degree of complexity**, which may not always be easy to understand for the average consumer. In relation to this last point, an increasing focus is placed by supervisory authorities on the management of potential conflicts of interest.

- As far as the pensions sector is concerned, the report analyses, from a consumer protection perspective, **the shift from Defined Benefit to Defined Contribution schemes**. It also analyses the issue of **transferability of pension rights and its implications for members, beneficiaries and policy holders**, which has gained relevance in the context of developments such as the EU enlargements or the recent financial crisis. Important changes in the decumulation phase that are taking place or are expected to take place in a number of EU Member States, which offer individuals the possibility to choose amongst different pay-out options.

## B. General comments / suggestions

- EIOPA's efforts in further developing the scope and complexity of the Consumer Trends Report was appreciated. The increasing overall importance of this document highlights the role that consumers play.
- The fact that the Fourth Consumer Trends Report is more nuanced in its wording than the previous version and in that sense better reflects actual practices was also appreciated. Some stakeholders also welcomed the fact that the report acknowledges some of the positive, innovative and consumer-focused initiatives undertaken by insurers across Europe. The suggestion is that a similar approach for the next report should be taken.
- The fact that EIOPA looked into insurance fraud and its impact on consumers was appreciated by the same stakeholders. Insurance fraud is estimated to account for approximately 10% of all insurance claims. Given that insurers paid out €943bn in claims and benefits in 2014, the scale of this problem is clear. This, in turn, negatively impacts honest policyholders, who can see their premiums rise as a result.
- A stakeholder expressed his views stating that European insurers are making continuous efforts to innovate and improve the products and services they offer to their consumers; as a suggestion this could be reflected even more in future reports to ensure a comprehensive picture of the insurance industry in its relationship with its customers.
- Statistics used in the Report, such as the ones related to the number of complaints, have to be put in perspective – according to industry representatives. The total number of complaints referred to by EIOPA in the 2015 edition of the Report represents 0.2% of all insureds in Europe. This is particularly important when it comes to identifying trends because if there is an increase or decrease in number of complaints then whether or not this is associated with an increase in total contracts should impact how this is interpreted. However, other stakeholders representing consumers appreciated have strongly supported EIOPA's decision to introduce more statistics in the Consumer Trends Report (especially those regarding the number of complaints) especially since there are Member States in which the percentage of complaints out of all insured is much higher than the European average. In addition to this, each individual policyholder that has an issue with an insurance product has to be taken

into account very seriously. Most important: historically, not paying attention to a relative limited number of complaints on a certain topic one year might have led to an increase in that particular problem the following year, in example.

- As mentioned in the IRSG Feedback Statement submitted to EIOPA in preparation of the Fourth Consumer Trends Report - as regard to complaints and redress procedures, even though [...] they represent a small percentage in comparison to the global insurance activity, one must bear in mind that they always indicate the trends and that a sole case mishandled can, through media, ruin all efforts. There are issues that have to be addressed, even though their complexity or relevancy can be different throughout the EU. In other words, the topic of consumer trends topic goes far beyond filling templates and ticking boxes.
- A stakeholder stressed the fact that it is remarkable that EIOPA again highlights the issue of mobile phone insurance in preparation of the Fifth Consumer Trends Report, as the issue of cross-selling is now address by the IDD. The stakeholder wonders about the reasoning behind this: as EIOPA does not attend with guidelines for cross-selling, mobile phone insurance-related issues can be addressed at the national level.
- On the topic of Robo-advice / automated advice: EIOPA published a discussion paper in the beginning of 2016. A stakeholder from the Netherlands supports the initiatives of EIOPA aimed at making make Robo-advice possible and emphasised on the fact that it is important that legislation that prevents Robo-advice should be adjusted, as on an EU level this has huge advantages to make advice more accessible at lower costs. On the other hand advice should never be mandatory no matter the form.

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## **C. Developments in demand / offer / financial innovations / market environment / consumer protection for different product categories**

### **I. Life insurance - with profit**

#### **Bulgaria**

This is the main type of life insurance. As in previous years, its sale is quasi compulsory as its main marketing channel is as obligation bundled to mortgage loan. On a standalone base the number of policies sold is rather negligible. Apart from an increase of approx. 10% YoY there is no major development. The 2015 aggregate data for all life products is accessible here:

<http://www.fsc.bg/d.php?id=17002>

#### **Spain**

The offer of life insurance with profit (very low interest rate guarantees + participation in benefits) has increased in Spain due to the low interest rate environment.

#### **Slovenia**

There is a constant increase in termination of long-term or life-long life insurance contracts due to worsening financial condition of consumers and of higher unemployment rates. Consumers face financial difficulties, cannot afford to pay the premiums, or need money instantly. A portion of terminations occur because of consumers disappointment – high profit rates advertised turned into little or no profit due to the state of financial markets. There are still aggressive practices in sales of life insurance where consumers are not presented with the right information about the product – a common issue is that the products are presented as saving products. Another common issue is stealing customers between insurance companies. Insurance representatives persuade consumers that another product is better for their situation, “forcing” them to terminate an existing contract and conclude a new one, obviously leaving them at loss due to early termination of the existing contract. The demand for profit (investment) life insurance unfortunately still remains high, while demand for simple life insurance only products (including only the insurance component) remains relatively low, regardless of the fact that for most consumers this would be a more viable solution than unit-linked or investment products.

#### **Poland**

The situation remained unchanged during 2015.

#### **Germany**

There still exists a significant demand for these products, often as a replacement

for savings accounts - due to interest rate environment.

### **Romania**

According to official statistics, at the end of 2015 life insurance lines in Romania have recorded an overall growth in GWP of 10.8%, to EUR 408.1 million, the segment's share in the market portfolio increasing by some 0.5pp, to 20.7%. Other than that there are no significant developments.

## **II. Life insurance – unit-linked**

### **Bulgaria**

Here again an increase of approx. 30% has been observed but it is mainly due to two factors - low initial base of reporting and the almost zero interest rates offered by the banks which is basically pushing customers in the direction of this product type.

### **Netherlands**

In the Netherlands insurers continue to activate their customers to evaluate their current situation and assess what options they have available to rectify it. All the actions taken by insurance companies and intermediaries are part of a program that focusses on (dealing with) the consequences (and prevent future cases) of mis-sold investment-linked insurance products to consumers in the past (consumers were sold products where the [high] fees were not transparent and they have received poor advice).

### **Slovakia**

In general one can observe that sales of unit-linked products are on the decline during the last several years and that individual term insurance products have a slightly increasing trend.

### **Spain**

The offer of unit-linked life insurance has increased due to the low interest rate environment.

### **Slovenia**

As previously mentioned, a constant increase in termination of long-term or life-long life insurance contracts due to worse financial condition of consumers and higher unemployment rates has been observed.

### **Poland**

A change in the form of insurance sold to consumers - from group insurance that in 2012 were over 98% of the contracts, into individual contracts – in 2015 over 83% of unit-linked products were sold as individual contracts preserving the rights of consumers.

Also, the provisions on unit-linked products sold by banks changed. However, in



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Poland there was no supervisory action taken against banks/insurers that delivered unfavourable products or mis-sold them. The result is that many consumers lost their money and all they can do is file a complaint into court (this requires payment of the court fees and attorneys' fees), wait 3-4 years to get the judgment and then receive their money back. There has been no encouragement for the insurers/banks to resolve disputes arising from these products and there was no penalty for their actions. Although the products have been changed and the procedures of selling unit-linked has improved, consumers that have been abused by insurers and banks have not been compensated yet.

### **Germany**

Sales volumes rise due to continued low interest rate environment.

### **Romania**

In 2015, Unit-Linked insurance products saw the highest gross written premium growth rate, of 12.8%. As in many other markets, consumer trust has been affected by the effects of the 2008 financial turmoil but now things are starting to change for the better.

## **III. Other life insurance**

### **Bulgaria**

Regarding "accident" and "illness" insurance there is not so much of a difference in the results between 2014 and 2015. As a whole, the life insurance market has a volume of less than 200 mln EUR and the figure is almost flat during the last years +/- 10% signalling that a borderline has been reached.

### **Spain**

The offer/demand of guaranteed life insurance has decreased due to the low interest rate environment. As of December 13, 2015 the new Spanish regulation on the calculation of the expected return on life insurance operations came into force. The purpose of incorporating this regulation regarding the insurance sector's duty to inform on the expected return seeks to guarantee greater transparency and effectiveness in insurance markets, while protecting savers and insurance policy holders by providing investors with an element of comparison that they can use as a reference when deciding on investing in products currently available on the market. For life insurance contracts in which the policyholder does not bear the investment risk, the policyholder shall be informed of the expected returns on the insurance operation, considering all the costs.

The duty to inform on the expected return will apply to life insurance contracts in which the policyholder does not bear the investment risk, with the following

exceptions: a) Temporary contracts including solely benefits in case of death or invalidity, or other complementary risk guarantees. [Pure protection contracts]  
b) Annuities. The expected return on the insurance operation is the annual interest rate that equals the present value of the expected benefits (net of any cost) that could be paid in the insurance operation for all concepts and present value of the expected premium payments. Benefits will include the expected cash flows corresponding to the death and survival benefits.

### **Slovenia**

As per above.

### **Poland**

Life insurance contracts are often used in Poland as Payment Protection Insurance as there is no official and standard PPI product in Poland. The most common problems arising in this area are disputes regarding the death of the insured person that might have been affected by previous medical conditions. The exclusion of insurance liability in case the event was caused by previous medical conditions is a standard term in life insurance contracts. This standard term however is not preceded by any medical assessment.

Beneficiaries are often denied payment of the death benefit as the insurer claims the death was caused by a medical condition that occurred somewhere in the past life of the insured person. There are often no limitations as to when in the past the condition was identified (10-30 years ago). When death occurs the insurer is empowered to receive medical documentation from each and every medical unit where the insured was treated any time in his life. When analysing the medical documentation insurers often interpret some medical conditions as influencing the death of the insured person, but that is the interpretation of the insurer - not the family or objective medical experts. Sometimes this interpretation goes far beyond what is reasonable. In other cases, if examined by insurer before signing the insurance contract, the insured would be diagnosed with medical conditions of high risk that should either result in denial of insurance or in broadening the insurance protection and increasing the premium. However, consumers that are ill are signing the insurance contract that does not provide any coverage to them.

### **Ireland**

Pensions - there is ongoing consideration of the need for greater private pension provision in light of - lack of sustainability of State pension and - low level of private provision. Options under consideration to address this issue include compulsory pension contribution and automatic enrolment.

### **Germany**

Multi-tier hybrids are on the rise to accommodate the capital market and interest rate regime.

## **Romania**

There are no significant changes in this regard.

## **IV. Payment Protection Insurance**

### **Bulgaria**

In Bulgaria there is no data collected on this line, as the results are reported as "negligible amount".

### **Spain**

In Spain the industry has developed the "Good Practices Guide for insurance contracts including payments protection guarantees in case of unemployment or temporary disability". This Guide is a specific enlargement of the "Good Practices Guide on Transparency in the Insurance sector", also produced by the sector, which aims to promote well-structured and homogeneous prior information document, so that the customer can know in an accessible form, before purchasing a policy, the guarantees, exclusions and other essential elements of the insurance contract.

### **Slovenia**

The market has not experienced a larger emergence of specific PPI products, as common practice to insure loans and credits remains that they are secured by general life insurance products. The only recent increase in supply (and demand) is evident in unemployment insurance products – consumers seeking to secure their financial obligations due to the uncertain employment conditions on the market. Based on recent research into the subject this type of insurance products offer a very limited coverage and leave consumers under the false impression that their financial status will remain untouched even if they face a job loss.

### **Poland**

A change in the form of insurance sold in banks has been observed - from mainly group insurance to individual contracts. In 2015 56% of PPI was sold as individual contracts preserving the rights of consumers. New provisions of the law on insurance sold by banks, new recommendations of the supervision authority on how to sell properly that type of insurance are now in place. At this time it is too early to estimate how these new provisions will change the market.

### **Germany**

No significant changes to previous year.

### **Romania**

There are no significant changes in this regard.

## V. Health insurance

### Bulgaria

With written premiums of approx. 20 mln EUR in the last couple of years this insurance has also reached some sort of "peak penetration".

### Latvia

Social and Employment Matters Committee of the Latvian Parliament agreed to form a work group that will address matters related to obligatory health insurance in Latvia (as it is planned to be enforced from 2017). The government works on this matter on two levels – with ministers and experts. While Parliament does its part and work on proposals submitted by deputies it also cooperates with patient organizations and other NGOs. More information is available here: <http://www.irlv.lv/2015/10/1/straujuma-no-2017-gada-butu-jaievies-obligata-veselibas-apdrosinasanas-sistema>

### Spain

As of February 1, 2015, there is a new version of the Spanish market's "Good Practices Guide on health insurance underwriting". This Guide is intended to provide consumers with the ability of making comparisons among different types of health insurance prior to underwriting through a standardized information document. This Guide also contains a commitment by the health insurance undertakings to resign their insurance policy non-renewal ability (the renewal term of these insurance contracts is annual) in case of: - Serious illnesses, if they arise during the insurance cover and for - People older than 65 years, as long as they have been at least a five-years permanence concerning the insurance contract.

### Slovenia

No significant changes in 2015.

### Poland

This insurance class is still evolving in Poland and therefore is not yet developed.

### Ireland

Private health insurers are moving into wider product areas including life insurance. Customers are showing signs of returning to the private health insurance market following reduction in numbers after the financial crisis. Customers appear to be more educated as to options open to them in the market (which is community rated) and the level of information and customer engagement available from providers has grown.

### Germany

Employer-offered health insurance became more attractive for companies as

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incentive and for insurers, too. Often this is seen as reaction to saving needs in the public systems.

### Romania

Health insurance is still developing in Romania and there have been numerous public discussions in the last 10 years in what concerns the introduction of a private health insurance system.

On the other hand, a significant change regarding deductibility in the fiscal legislation is expected to offer consumers and employers fiscal incentives when purchasing private health insurance. This is expected to represent a boost to the markets' overall development in the future.

2015 therefore saw an increase in the number of health insurance products being launched on the local market.

## VI. Motor insurance

### Bulgaria

This is main insurance class in the Bulgarian market. In 2015 motor hull (CASCO) and MTPL have surpassed the 70% threshold on the non-life sector, mainly due to stagnation and declining results in the other lines of insurance.

### Latvia

Due to a number of different information campaigns to promote road safety the number of car accidents caused by owners of uninsured cars in Latvia had reduced last years.

However, in accordance with data provided by the Latvian Insurers Association there are registered attempts when drivers plan accident schemes in order to get compensation from the MTPL (OCTA) and voluntary motor vehicle insurance (CASCO). Defrauded compensation amount is at an average of 10% of all insurance claims paid. Planned car accidents involving innocent drivers are becoming a problem for innocent drivers, law enforcement authorities and insurers alike.

Most such accidents involve older cars (as they are harder to sell) and new and expensive cars that turned out to be damaged or were once involved in an accident, so owners often wish to dispose of them. More information available here: <http://www.laa.lv/apdrosinataji-autovaditaj-neklusti-par-krapnieku-upuri/>

### Spain

In the Spanish market there is also available a "Good Practices Guide for motor insurance contracts". This Guide is a specific enlargement of the above mentioned "Good Practices Guide on Transparency in the Insurance Contract". This guide has been recently modified to include "Insurance Europe Guidelines on information for motor insurance claims history declarations for cross-border use".

## Slovenia

Most common issue remains the claims settlement procedure and determining the compensation amounts. Consumers complain that insurance companies offer too little in case of damage or total damage of the vehicle, often leaving them no other option than to get involved in a lengthy and costly court procedure to determine a fair amount of compensation.

## Poland

Most common problems in Poland refer to the denial of compensation for a courtesy car; issues relating to the calculation of compensation in the case of a total loss of a vehicle etc. These problems have been the same for the last 15-years or more. However, there is another aspect in 2015 that should be reflected and that is the net loss of insurers selling motor insurance (MTPL insurance): Polish Supervision Authority reported that the annual net loss of insurers on MTPL insurance was 1017,09 mln PLN (240 million Euro) in 2015. Insurers paid out over more in compensation than premiums collected. During the last years there was a "premium war" that resulted in offering low premiums for MTPL insurance. This is most probably the cause of many unjustified denials of compensation and has caused a problem of solvency for some insurers in Poland.

## Ireland

Motor prices are increasing following a long period of reduction. Losses across the market have materially accelerated the rate of increase. Some development of multi-annual policies. Increasing evidence of buyer interface with digital media, but with purchase completion generally still involving human contact. Also increasing volume of ongoing transactions, e.g. cover additions or address changes, being completed via digital media.

## Germany

More and different riders (like "rebate savers") are on the rise, combined with a still experimental phase on telematics solutions.

## Italy

The success that motor telematics is experiencing confirms that insurers are improving the understanding of the market and are meeting the expectations of customers. In fact, Italy is one of the most developed markets in telematics with early solutions being adopted as early as 2011, according to stakeholder input received. Different telematics solutions have also been implemented by the same undertaking into other markets (such as Spain and Slovakia).

The new series of telematics products impact the insurance business as well as on clients and the civil society, and include several benefits, such as:

- reducing the cost of insurance for clients who adopt safe driving practices
- increasing the probability of recovering stolen vehicles

- providing fast assistance on the scene of accidents and accurately reconstructing the dynamics of accidents for a fairer claims settlement
- speeding up the claims payment
- promoting virtuous driving styles aiming at reducing traffic and, as a consequence, fuel consumption as well as greenhouse gas emissions.

### **Romania**

There have been improvements in the overall consumer landscape in what concerns motor insurance, especially MTPL, following strong regulatory action during 2015 targeting insurance undertakings that did not comply with capital requirements, as pointed out by the two Balance Sheet Review exercises conducted at the initiative of EIOPA in the country.

At the same time, there is an ongoing debate in the society regarding pricing on MTPL, as premium levels have been reviewed by undertakings during 2015. Nevertheless, in 2016 a new MPTL law is expected to come into force but its impact is still to be determined.

On the other hand, significant market changes did not occur in what Motor hull insurance (CASCO) is concerned.

## **VII. Household insurance**

### **Bulgaria**

A main market driver is the Fire and allied perils insurance class, with approx. 20% of the market, although no separate data for household insurance is available. This creates a somewhat distorted picture

### **Latvia**

From the complaints received by Latvian National Association for Consumer protection (LNACP) one can conclude that when there is an accident and the consumer wants to use the cover of the household insurance it is confronted by the insurance company that, given its contractual exclusions, states that the risk was not covered. Therefore the consumer cannot get the compensation (e.g. for the typical cases of the water damage [burst pipe, water supply damage etc.] in a block/multifamily house.

### **Spain**

The industry has also promoted a "Good Practices Guide for property damage insurance contracts" covering household, community of neighbours, shops, industries, etc. This Guide is a specific enlargement of the mentioned "Good Practices Guide on Transparency in the Insurance Contract". An agreement to manage reimbursements of property damage claims between insurance companies has been developed. This will allow the decrease of judicial claims and their cost.

### **Slovenia**

Low insurance sums (caps), limited coverage and specific exclusions remain an issue. Claims settlement procedure can be too long and compensations lower than expected or lower than the actual damage.

### **Poland**

The situation has remained unchanged during 2015 .

### **Germany**

No significant changes to previous year.

### **Italy**

A large undertaking has launched an Internet of Things project which enables clients to monitor their homes remotely thanks to a series of smartphone-based services. Thanks to a special app, it is possible to check if doors and windows are shut, to set the heating thermostat (not just to contain costs but also to reduce greenhouse gas emissions), and to check energy consumption and lighting (thanks to a device that also enables you to avoid electrical overloads).

### **Romania**

Household insurance penetration in Romania stands, at this moment, at around 17-18%, while the country's exposure to earthquake and floods is significant. Therefore, a law making household insurance mandatory for all home owners is currently active in Romania but only targets earthquakes, landslides and floods within a EUR 20,000 limit. For full coverage, including insuring the house at the real value and getting protection for other types of risks, a facultative insurance contract is needed.

2015 marked a 6.5% increase in the number of mandatory household insurance policies although there are concerns that facultative policies have lost ground because of this.

## **VIII. Travel insurance**

### **Bulgaria**

Evolution of travel insurance is constant during the last years with slightly above 10% market share.

### **Latvia**

Most insurance complaints received during 2015 in Latvia were submitted by consumers after their trips to Italy, Spain and USA. Practice shows that travel insurance is most often bought prior to the trip. Most often travellers are getting compensation for expenses related to medical care, lost baggage, theft, delayed and cancelled flights. More information accessible here: <http://bnn-news.com/insurance-compensations-paid-trips-italy-spain-133984>



## **Slovenia**

The issue with travel insurance remains the limited validity geographically and exclusions and limitations to the coverage (very limited insurance sums, for example in case of lost/stolen luggage). Issues arise with different coverages in case of medical insurance in travel insurance products depending on the country of destination. Claims settlement procedure and assistance on the spot tend to be long and often consumers need to pay the expenses in advance only to get them reimbursed months later.

## **Poland**

Possible arising consumer protection issues refer to: - Denial of claims based on previous medical conditions clause, and - Low insurance caps that do not cover expensive medical treatments.

## **Germany**

No significant changes to previous year.

## **Romania**

There are no significant changes in this regard.

## **IX. Mobile Phone Insurance**

### **Bulgaria**

In Bulgaria there is no data collected on this line, as the results are reported as "negligible amount".

### **Netherlands**

In the Netherlands this year an IPID (Verzekeringskaart) for mobile phone insurance will be introduced.

### **Latvia**

In accordance with the study "Are mobile phone insurance policies worthwhile?" of DECO (Portugal) and Austrian Chamber of Labour there are a number of evidences when mobile phone insurances don't work in the favour of the consumer due to exclusions from cover.

The terms and conditions of an insurance policy contain a large number of widely varying exclusions from cover as well as obligations. For instance, in case of theft, many insurance policies require that the policyholder keeps the phone safely on him / her. One insurance policy even explicitly states that insurance protection is lost if the mobile phone is set down or laid down unattended even for a short period of time. In the case of events, meetings or all types of human gatherings, cover does not exist if the device is not kept safe in one's pockets, close to the body or on the body.

Burglary of a phone from a car is covered by many insurance policies only if it

verifiably took place between 6 a.m. and 10 p.m. There is generally no protection for a mobile phone being left behind, forgotten or lost. Liquid damage from the effects of weather is also frequently excluded from insurance cover.

### **Slovenia**

Mobile phone insurance has not yet raised major concerns in Slovenia due to the fact that we currently have only two mobile phone insurance providers (two similar products) on the market. A recent study conducted at the beginning of 2016 shows that the majority of issues with products currently available are: high deductibles (or an unproportionately higher price if eliminating deductibles), high amortization percentages giving older phones basically no protection anymore and a questionable cost-benefit ratio. This type of insurance is also subject to many exclusions and limitations. Consumers in Slovenia currently don't purchase very often this type of insurance. We have not noticed an increase in demand for this kind of products in 2015.

### **Poland**

Mobile phone insurance in Poland is still developing - no issues identified so far.

### **Germany**

No significant changes to previous year.

### **Romania**

Mobile phone insurance has not yet raised major concerns in Romania. The product is a niche one but developing steadily.

## **X. Other non-life (please explain)**

### **Bulgaria**

After a booming period until 2008 there was a steep slowdown of financial lines until current levels of up to 4 mln EUR.

### **Netherlands**

In the Dutch market there are about 60 codes of conduct and governance principles (self-regulation) that recently have been audited. Good example of a code of conduct is the code that says that insurance contracts on the non-life side can have a maximum contract period of 1 year at the beginning. After 1 year the contract can be cancelled by the consumer every month/day. A recent audit pointed out that all insurers are compliant with this code of conduct. Also, Dutch insurers have signed about 8 safety deals in the last 3 year. Insurers have lots of expertise on prevention and risk management. A safety deal is a declaration or contract with other institutions (public/private) in which insurers together with the other organizations set safety goals on which they want to work together. Safety deals help consumers, companies, governments etc. with

realizing goals on safety that each party on his own cannot realize. It concerns safety in and around the household and safety in traffic. The safety deals are part of the security policy in the Dutch market.

### **Slovakia**

At the beginning of this year the Act on Insurance with regulatory requirements stemming from Solvency II Directive came into force. The big issue in the insurance sector during 2015 was finalizing preparations for the Solvency II and PRIIPs & KID. Insurance companies will consider their approach to unit-linked products (because of high administrative costs and lack of the time to prepare it) but there are still several open questions.

### **Spain**

The industry has just developed in March 2016, Guidelines on complaints-handling for insurance undertakings. The aim of these Guidelines is to reduce from 2 months to 1 month the legal deadline to respond to the complaint, which results in benefit for the consumer. In Spain there is a specific regulation on complaints which requires both insurance undertakings and intermediaries to have an internal department within the organization, or an external one - or even both of them - whose aim is to deal and try to solve the complaints submitted by its clients. It is a first step that must be taken prior to submitting a complaint before the supervisor.

### **Ireland**

More information on the availability / cost of flood insurance is accessible at the following links:

<http://www.westerngazette.co.uk/Flood-scheme-begin-providing-affordable-flood/story-28949154-detail/story.html>

<http://www.thejournal.ie/flooding-insurance-ireland-2536974-Jan2016/>

More about how insureds should be compensated for the failure of a cross-border insurer can be found here:

<http://www.independent.ie/business/personal-finance/latest-news/sp-slates-central-bank-over-insurance-failures-34362964.html>

<http://www.irishtimes.com/business/financial-services/mibi-moves-to-appeal-setanta-insurance-judgment-1.2567978>

Information on the escalating cost of liability awards is available here:

<http://www.insuranceireland.eu/>

<https://www.centralbank.ie/press-area/press-releases/Pages/NonlifeinsuranceindustryclaimscostsgrowingaccordingtoCentralBankinspection.aspx>

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## XI. Consumer Innovation

### Netherlands

The Dutch association has launched an 'Insurance lab' in 2015. The purpose of the insurance lab is to offer an inspiring environment with the latest digital technology to insurers to have brainstorming sessions, break-out sessions etc. with teams for product development, innovation etc.

In 2016 the Dutch market started a new project: Youth and Innovation Pilot on innovation, a fresh look and young talent. The mission: young employees come up with innovative ideas to improve customer focus. 18 young insurers took the challenge and went to work. The result: four different concepts in the areas of pension, communications and services. In June they will present their ideas. Possibly these ideas will be adopted by the Dutch market.

The Dutch Association has undertaken extensive research on enhancing the user-friendliness of product information on insurance products. Policy terms and conditions remain largely unread by customers due to the complexity and extension of product information. Long blocks of text and excessive use of jargon are daunting for consumers and can create misunderstandings on insurance coverage. Therefore, the Dutch Association introduced leaflets for insurance products early 2009. These leaflets summarized product information in "plain" language only using text. However research on the effectiveness of the leaflets showed that they were hardly read:

Only 26% of the Dutch customers actually used the leaflets to find product information. The majority did find the leaflets helpful (54%). Whereas 35% responded they could not find the information they were looking for: information on coverage. Furthermore, the leaflets were too extensive, customers preferred layered information. Throughout the orientation phase concise information on the basic product features is considered sufficient. After purchase, more detailed information is wished for.

In addition, insurance products should rather be simple and comprehensible than standardized. And product information should be transparent, logical and easily accessible. The findings of the leaflet research were used to improve the product information disclosure process further. This resulted in the DPID which was developed in 2014 and early 2015. Some effective key improvements were made, confirmed by customer research. The Dutch PID (Verzekeringskaart) is developed in a flexible central application, which makes it possible to respond to new laws and regulations. The DPID already for 90% meets the requirements laid down in the IDD.

The DPID:

- can be used as an online tool (although the information offered is printable) is an enormous improvement. Customers considered having access to the DPID on a tablet or iPhone to be an absolute precondition
- offers information in a succinct manner by using a minimum of text blocs,

presenting product information in a simple format on one single page. By clicking the information buttons, more detailed information can be found (layered information). Consumers quickly found the information they were looking for (in-/exclusions in coverage).

- provides a clear overview of the content due to the use of icons. In online communication using icons is essential since there is limited space for text. Icons draw the reader's attention, making the DPID more attractive to read, provide structure and therefore help in identifying particular features making it easy to take in information quickly. Customers used the DPID intuitively.

- is expected to be effective in various phases of the customer journey. Customers intend to use DPID to find general information on product X during orientation. They also expect to use DPID during or after purchasing a product to find more detailed information on coverage in case a certain question arises or event takes place.

- offers an overview of the key features of product X offered by insurer Y at a glance. Therefore DPID is expected to be helpful in comparing products amongst providers. Mid 2016 there will be 35 different PID's for products in both life and non-life. This summer a first impact assessment will take place.

## **Poland**

The basic problem for consumers in Poland is to receive redress from insurers. When an insurer denies a claim or compensation, the consumer may use ADR, however most probably the insurer is not going to settle the claim on a voluntary basis. The only way for the consumer to receive compensation/benefit is to file a complaint in court. The court procedure lasts about 2-3 years and to start the procedure consumer needs to pay fees (at minimum - the court fee - 5% of the compensation, usually also attorney's fees). Many consumers give up and do not take any actions in case of a denial. Insurers are aware of that and are more willing to deny claims even in cases where it is quite obvious that the compensation should be paid.

## **Italy**

At least a major insurance undertaking is developing a series of innovative insurance products leveraging on connectivity, that range from motor insurance to home or health insurance, to ensure a simpler and smarter customer experience. Such products are based on advanced telematics services aimed at reducing risk through prevention and raising clients' awareness of their responsible behaviour and attention to the environment.

The same insurance undertaking is using a new Transactional-Net Promoter Score initiative. Through this methodology, they are measuring the customer's willingness to recommend a company's product or service to his/her family or friends. The initiative is said to reflect a deeper engagement on the part of the insurer: according to the customers feedback, it is possible to change and

modify processes and services on the basis of the result of regular surveys, increase the number of touch points and improve the knowledge of the customers' demands and needs, as well as the relation with them. This will allow the company to better understand their preferences and expectations and provide a comprehensive overview of where the process inefficiencies are. The importance of the T-NPS project lies in the behavioural change that the insurer is currently adopting to improve listening skills, with continuous involvement. A tendency which can be found in most insurance undertakings is the implementation of insurance/financial literacy, by issuing newsletters and information leaflets to clients and consumers to make it easier to understand the terminology related to the industry, main types of insurance cover, basic financial instruments and new regulations. In addition, some companies have created dedicated microsites and online videos which, in a spirit of edutainment (education and entertainment), explain the benefits of insurance coverage in all lines of business and offer tips on how to safely deal with everyday life.

### **Romania**

There are ongoing projects of insurance undertakings aimed at implementing smart/connected home insurance products. Telematics is another topic of interest to both consumers and the industry but currently such products are not yet available.

## **XII. Consumer empowerment**

### **Netherlands**

Since 2010 Dutch insurers have on a yearly basis a customer satisfaction survey and publish the result on an individual basis yearly. This way consumers can see which insurance company has the most satisfied clients. In 2016 this survey has been renewed. The results will be placed on a general public website, where all results of the 51 participating companies will be shown on an individual basis on subjects like trust, customer contact, satisfaction, clearness of information etc. The results of this new survey will be presented for the first time on the 30th of June this year.

Dutch insurers have developed a 'Customer-Oriented Insurance Quality Mark. This quality mark is maintained and developed by an independent foundation. Insurers who want to have this quality mark need to comply with very high standards on their internal processes, customer communication, response times to calls/emails etc. This quality mark is not easy to get. 42 of the 200+ insurers have this quality mark. The Dutch supervisor on conduct (AFM) is positive on Customer-Oriented Insurance Quality Mark.

### **Latvia**

Continuation of development of financial literacy activities within the framework

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of the fourth *FINANCIAL EDUCATION WEEK in Latvia* March 14–20 ([www.finansunedela.lv](http://www.finansunedela.lv)) traditionally held simultaneously with other financial literacy activities elsewhere in the world: The Fifth Global Money Week of Child and Youth Finance International (CYFI) and The Second European Financial Week held on the initiative of the European Banking Federation.

Within the financial literacy/capability initiatives framework awareness campaigns are quite effective way to engage consumers in order to provide awareness of planning finances, services, associated risks and security aspects, be capable of comparing various services to make the most suitable choice. At a EU level there are good initiatives that are being developed in interaction with consumer movement:

- Consumer Champion (capacity building activities addressing various areas of expertise including e-learning course "Financial services");
- Consumer Classroom, theme: Financial Literacy (a community website for teachers bringing together an extensive library of consumer education resources from across the EU, along with interactive and collaborative tools to help prepare and share lessons with students and other teachers).

### **Poland**

Another issue in Poland is the problem of including unfair contract terms in insurance contracts. There are thousands of General Terms and Conditions on the Polish Market. None of them are free of unfair contract terms. So far, only 128 insurance clauses have been registered as unfair in the Register of Unfair Contract Terms. However, the Register itself includes over 2,000 terms and so the courts do not only judge on insurance clauses but also other terms and conditions (mobile, electricity, travel contracts etc.). There are contradictory interpretations as to what happens when the term is registered as an unfair - some courts in Poland decide that such term cannot be used by any other insurer in any other contract, but still there are courts that say the opposite - that term is unfair only in the contract used and should not be used only by insurer to whom the court procedure was directed.

### **Romania**

In terms of information campaigns - October unofficially became Romania's Household Insurance Month as it hosts for the fourth year in a row a national campaign aimed at increasing the public's awareness about how insurance products can help protect their homes.

The campaign is co-organized by APPA - The Romanian Insurance Promotion Association, PAID - the Romanian Natural Catastrophe Insurance Pool and Radio Romania and has been also mentioned by the fourth EIOPA Consumer Trends Report. A brochure containing detailed information about household insurance, what it covers, how it works, where it can be found, as well as the legal framework governing it stands as the main vector of getting the public's

attention. This brochure is being distributed in some 20 major cities of Romania both by promoters and as inserts in newspapers and is accompanied by news, radio spots, a social media campaign and a dedicated website.

Also, APPA is now co-producer of a weekly radio talk show on RFI-Radio France Internationale, with an aim of educating the general public in urban areas in the area of insurance.

On the other hand, ASF - the Romanian regulator, has started a number of successful projects aimed at educating consumers and has strongly developed the activity of its dedicated Consumer Protection Department. More details here: <http://asfromania.ro/en/consumers/consumers-protection>

There are also several initiatives of ISF-The Institute for Financial Studies regarding the improvement of professional training level of sales personnel and beyond that we would like to welcome and highlight. More details are available here: <http://www.isfin.ro/>

Another topic that related to the improving consumer landscape is the introduction of a Romanian ADR scheme which will be operational in 2016. It is expected that this will also be highly beneficial to consumers.



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## D. Questionnaire

1. Insurance undertakings are reportedly developing **mobile phone applications** ("apps") to provide services to their customers. Please briefly explain what are the main characteristics and features of these mobile phone applications and any possible consumer protection issues arising from them.

### Bulgaria

Local companies are still reluctant in developing such software. Probable reasons: poor internal software systems, poor internal procedures, lack of understanding of consumer trends. It is likely that a single insurance company has developed such a solution (Generali Bulgaria).

### Netherlands

Motorists involved in road accidents are regularly struggling to properly fill in all data on the European damage form (amicable report). One in three car owners argues that after an injury is it inconvenient to fill out such a form. A similar number believe that the completed form is not legible. The new Mobile Damage Reporting app that the Dutch Association of Insurers, police and traffic engineering ICT agency VIA launched this spring, is allowing users to report damage easier and faster and should remove these inconveniences. The app automatically fills in many details. Also, the hassle with drawings is over: photos are sufficient. In addition, it is also possible to register all types of collisions. So one can now also report cyclists and pedestrians in case of damage and a report can be given whenever there are wounded persons (injury). The Dutch Association of Insurers, Police and VIA together with other interested parties expressed their joint ambition to always register all accidents and collisions fully and correct, including injury to cyclists and pedestrians. When all accidents are reported correctly, emergency services and public authorities - from policy to road management - hope to bring down the number of deaths and injuries again. More details here: <https://www.mobielschademelden.nl>

### Slovakia

Few insurance companies use mobile applications, usually big one. Several thousand clients downloaded these applications but clients are still not that aware of this.

With the mobile applications a client can:

- Get insurance cover – allows client to get selected types of insurance (e.g. travel insurance, mountain insurance)
- Make a report about an occurred claim (e.g. traffic accident, flood, broken key in the lock)
- Document the insured event (e.g. traffic accident), adding information on all

injured parties and pictures. Finally, the client can report the message direct to the insurance company. By this concrete application some insurance companies offer a map to the nearest service station and also information about the status of the insured event.

Additionally, bigger insurance companies offer extra functionality in the form of a QR Code in the case of travel insurance. Mobile applications are used to transmit current data (on policyholder and insured person) directly to the phone. The possible consumer protection issues arising from using mobile applications are the same like obtaining insurance cover through the internet.

### **Latvia**

Whilst being offered a broader choice, consumers are faced with an information overload, which often complicates decision making. Consumers therefore look for "shortcuts" to help them compare various offers and find the best deal.

However, not every app for a smartphone or tablet is for free. Even more, Android applications can be distributed and commercialized in a variety of ways. Consumer find terms and conditions in apps too complicated, too long or not so easily to find. Many services require a user account to use them. Therefore it is unclear what happens with data when consumers stop using a service.

### **Spain**

In Spain two apps have been developed recently:

IDEA (2015): this allows motor insurance clients to complete the minimum necessary information needed by the insurer in order to settle the claim when a road accident between two vehicles occurs in Spain. The app is integrated in CICOS, the system that manages the Direct Claims Settlement System for Motor Third-Party Liability Insurance in Spain. From July 2016 all the entities operating MTPL insurance in Spain must join this system by law. Up to now, and since its launch in September 2015, 48.000 downloads of the app have been registered and more than 1,100 claims have been declared by means of it. In 86% of the cases the liable driver has recognised his fault, and the non-labile driver has been compensated.

BAREMO (2016): following the recent approval of the Law for the assessment of personal injuries due to road accidents (a.k.a "Baremo"), the insurance sector has developed an app in order to make easier for the users (mainly: lawyers, judges, insurers, victims, etc.) the assessment of the injuries suffered by a victim of a road accident, according to this Law.

### **Slovenia**

One such app that emerged on the market in 2015 is linked to motor insurance. The app allows consumers to track their drives, assesses their driving skills and based on the assessments consumers can get discounts on their chosen motor insurance product. Recent analysis of personal data safety of app users and

found significant shortcomings, including collection of data not relevant for the purpose.

### Poland

These apps are not popular in Poland.

### Ireland

Mobile phone applications are being used by life insurers to support the service proposition, e.g. providing real time policy values and also to advance the business to business proposition (manufacturer to distributor), e.g. by facilitating life assurance underwriting.

### Italy

A large undertaking has launched an Internet of Things project which enables clients to monitor their homes remotely thanks to a series of smartphone-based services. When they are out, thanks to a special app, it is possible to check if doors and windows are shut, to set the heating thermostat (not just to contain costs but also to reduce greenhouse gas emissions), and to check energy consumption and lighting (thanks to a device that also enables you to avoid electrical overloads). In addition, the policy also covers early return from holidays, safety measures in the event of serious damage to the property, and a 24/7 emergency service with expert professionals.

*2. How extended is the use of **geo-coding/geo-localisation technology in household insurance**? Please explain briefly how this innovation has impacted or may impact the market and any possible consumer protection issues arising from it.*

### Bulgaria

To the best of the stakeholders' knowledge nobody is using this technology for household insurance in Bulgaria. Possible threats in this case relate to: data leak or other breach of security that may be used by criminal groups for better orientation in burglary cases.

### Netherlands

Geo-coding/geo-localisation is slowly picking up in the market for car-insurances. Early 2016, there seemed to be around 5-10 companies that issue pay-how-you-drive car-insurance solutions: some smaller companies, but also some larger ones. In some cases, these insurances are still pilots. The number of customers is unknown, but at the moment this type of products are considered a niche-products.

In property insurance, the first initiatives where insurance companies share data on damages due to rainfall with municipalities/home owners are currently being

deployed. With this information, municipalities/home owners can learn to reduce their risk. A large insurance company took part in this project for example, based in Amsterdam: <https://youtu.be/GhU78f6hMwA>

**Block chain:** Social insurance: Examine how and to what extent, block chain technology through smart contracting, helps in facilitating mutual insurance communities. Central focus is on trust, transparency and self-organization. Experimental, potentially large impact on the market, but none tested with production data (happy flow only).

**Know Your Customer (KYC):** Examine how and to what extent, block chain technology, through the Tradle app helps in sharing of customer information on a trusted, customer-centric way in a trusted network. This project is being developed jointly with S & I, Obvion, Rabobank and Tradle (start-up). Compliance, Risk and legal are involved. Rabo involves the AFM / DNB about regulation and legislation.

**Internet of Things:** A Usage Based Insurance Pilot will start at FBTO customers, this pilot project was launched in cooperation with supplier Chip-in and research partner University RUG. During this pilot drivers will understand their behavior. The pilot has an investigative character.

## Slovakia

Geo-localization technology is currently used by only a few insurance companies (the biggest ones with big portfolio of contracts), especially for flood risk through flood maps.

## Spain

Insurers geo-coding/geo-localisation technology:

- Provides more accurate information, at lower cost, which strengthens the mechanisms of analysis and risk assessment and underwriting, reducing costs and adjusting premiums to real risk characteristics
- Helps to better detect clusters of risk (important for calculating CAT risk sub-module in Solvency II)
- Allows a better localization of losses (especially those of great intensity, such as collapses, gas explosions, etc.)
- Benefits consumers as they are better protected against a loss. The premium is better settled to the risk to which it is exposed. In addition, the insurer can provide them with information about the characteristics or conditions of the property (for example, the type of soil) and measures that could be taken to reduce or mitigate the risks.

## Slovenia

There are no stakeholder reports that certify that insurance companies in Slovenia widely implemented such technologies in the field of household

insurance.

### Poland

Not popular in Poland.

### Ireland

The use of geo-coding is widespread in Ireland and has been for at least 5 years. Its use is affecting the availability of home insurance to flood exposed customers. This has become a significant political issue. Cover is now being provided in some places which are flood exposed but where permanent flood defences have been installed.

*3. Please briefly explain the main or more novel techniques used by insurance undertakings to **fight against fraud** and any possible consumer protection issues arising from them.*

### Bulgaria

The newest development are the so-called "Mobility groups" employed by certain Motor insurers. They are representative of the Insurer/s who are to be summoned in case of traffic accidents in order to help with the case. Thus the insurers are protecting themselves from fraudsters and, as side effect, they help the insureds. Although not new (about 5 years old), this practice is widely used.

### Netherlands

The Dutch market has adopted a protocol in order to reduce insurance fraud and (organized) crime by allowing insurers uniformly work on the prevention, detection and handling of frauds. Included in this protocol are specific measures against fraud:

- The Dutch Association of Insurers and the Association of Health Care Insurers in the Netherlands, in their more detailed documentation, adopt a consistent policy with respect to the settlement of any insurance fraud established. The guiding principles in this are proportionality and subsidiarity
- Registered persons in conformity with the guidelines in the Protocol Incidentenwaarschuwings systeem Financiële Instellingen
- Instigate recourse proceedings against the fraudster with respect to the internal and external investigation and consultancy costs
- Claim back wrongfully made payments
- Take proportional action against the fraudster. For more information:  
[https://www.verzekeraars.nl/overhetverbond/zelfregulering/Documents/Protocol len/Insurance%20and%20Criminality%20Protocol.pdf](https://www.verzekeraars.nl/overhetverbond/zelfregulering/Documents/Protocol%20len/Insurance%20and%20Criminality%20Protocol.pdf)

Traditionally, there are two moments when fraud detection is at play. The first moment is during client onboarding, the second moment is during claim

handling.

First of all, each prospect is checked against the central Dutch fraud database. In this database, all people found guilty of having committed insurance fraud are mentioned. Secondly, the industry is moving from plain business intelligence with static reports towards initiatives to develop predictive analytics assessing the chance of fraudulent behavior based on prospects' input during onboarding. The techniques include statistical modelling and machine learning. Keeping in line with the Dutch legislation the industry only uses external 'Big Data' at this stage that is not directly related to a unique person, but only groups of people. For instance, data of the National Statistics Bureau. Prospects with a high risk on fraudulent behavior will be monitored, see fraud detection during claims handling.

Currently, predictive analytics models assessing claims info, client info and external, contextual information are being developed to create signals for the fraud investigation team. The major goals of the predictive analytics models is to decrease the false positive rate of current signals (decreasing process interruptions) and to find claims currently not identified as fraud (false negatives). These models will also combine the results of risk assessment during client onboarding with signals in claims. Next steps are to further fine-tune the fraud detection model and process, to a situation where front office employees will be supported with real-time information during claims administration. This support could be for instance to show additional questions to ask the client during the phone call when the fraud detection model gives back a high chance of fraud (prescriptive analytics). During both client onboarding and claims handling, predictive models will be supportive to the fraud investigation team: only the fraud investigator will ultimately decide to investigate a fraudulent case. Secondly, during the development of the predictive models and the implementation of these models within fraud detection processes, procedures are in place to make sure that good behaving clients will not negatively be affected.

### **Slovakia**

According to the local legislation, the insurance company should perform its activities in a prudent manner which poses no threat to the interests of their clients.

Prevention in the fight against fraud should be implemented in all processes: - hiring and training of new employees; - introduction of new insurance products and procedures; - identification and verification and - control of the contract documentation.

### **Spain**

The International Association of Insurance Supervisors (IAIS) clearly states as an obligation to insurance undertakings to have effective policies to prevent and

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fight against insurance fraud, money laundering and terrorism financing (CPs 21 and 22). In regard to this general approach, one important evolution concerning insurance fraud must be stressed: the growing importance of "opportunistic" or "amateur" fraud, i.e. those defrauding attempts that are not committed by criminal persons or organisations, but by common consumers who try to get a fairly modest amount of money through their unfair acts. This situation implies that attempted fraud against property insurance (mainly that related to dwellings) is becoming as important as fraud attempted against motor insurance, which has been the traditional epicentre of insurance fraud. In Spain fraud costs could be close to 700€ mil per year, corresponding to approximately 435,000 attempts. In what concerned the Spanish experience, the fraud prevention strategy can be described in four basic steps:

Step 1: Setting up individual fraud policies in each undertaking or group.

Nowadays one can assure that almost all insurance undertakings in the market (specifically those operating in non-life branches) have proper and specialized fraud-prevention units, usually embedded to claims management structures.

Step 2: Setting up shared databases for fraud prevention, i.e. industry-wide Big Data projects where information about claims and contracts is uploaded and generates pre-defined alarms (the most basic, claims repetition in different undertakings). For data protection purposes, at least in Spain these are not databases of fraudsters, but undertakings do upload information of all claims and contracts. Nowadays, only one of these projects is running, the so-called FPTRI, a database on total motor losses. This practice is explicitly recognized and regulated in article 99.7 of present Law 20/2015, on Insurance Solvency and Supervision (LOSSEAR).

Step 3: Discussing and signing protocols and agreements with different police forces, in order to channel all the questions and data requests made by the Police (also Courts) to insurance undertakings involving presumably illegal defrauding practices under judicial scrutiny and investigation. Police forces are expressly authorized to make this kind of consultations by the Spanish Data Protection legislation. Otherwise, the above mentioned LOSSEAR (Article 100), explicitly approves the fact of concluding such agreements between the insurance sector and the Police forces.

Step 4: this last step combines Steps 3 and 4. Because the insurance sector is building up databases with a lot of information about claims and contracts (Step 2); and because direct access to these databases would be utterly effective to Police forces in their daily work (Step 3), both sides are presently studying the possibility of setting up some sort of direct interconnection of Police forces with insurers shared databases.

## **Slovenia**

No new information on this matter.

## Poland

Insurers should direct all the necessary means to identify insurance frauds and to punish defrauders. However, these actions should not affect each and every consumer. Insurers often say they increase protection as regards to insurance fraud but fair consumers are encountering problems receiving compensation they are entitled to. If the insurer has knowledge or understanding that paying a claim is related to a fraud – necessary criminal procedure should be started immediately and the beneficiary should be informed about submitting a complaint to the police or to competent authorities. If a criminal procedure is not initiated – beneficiary should not be treated as a defrauder.

## Italy

We strive to suppress all internal activities that may be defined as fraudulent, working in accordance with the law and internal regulations but also the highest ethical standards, promoting the spread of a culture of legality and moral integrity and adopting the most suitable organizational and operating methods. Fighting against insurance fraud is obligation of the insurance business to take care of the interests of the big majority of honest customers. Therefore, Generali Group worldwide is actively fighting against fraud. Within a community of experts from 24 countries and regions, Generali developed and launched a Global fraud fighting program, covering people, processes and tools. The Generali Fraud fighting program contains a fraud fighting model for implementation in all business units of Generali worldwide with a cohesive strategy. Complexity of insurance fraud and cross border perpetration are demanding advanced techniques and skilled people to counter fraud efficiently in the interest of honest customers. Protection of the customer from financial, contingent, uncertain loss in the most economic usage of premiums paid, demands strategies for active fight and prevention against unwarranted and criminal utilization of insurance payments and services provided. Generali Fraud fighting program with a clear strategy of guidance, instructions and collaboration enable the local business units to counter fraud effectively. New methodologies, like a dedicated Platform for sharing information and experiences, trainings with Group Academy and advanced techniques are part of the Group program to counter fraud, also according to new trends and developments.

## Sweden

Insurance Sweden has a subsidiary company, GSR AB, which manages a claims register. Almost all insurance claims – both life and non-life claims – are recorded in the claims register. The register can be used by the insurance companies in order to avoid multiple payments of the same insurance claim as well as to provide a “red flag” for further investigation of insurance claims of clients with an unusual number of claims. The existence of the register is likely to prevent the number of attempted insurance fraud.



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Insurance Sweden also has a subsidiary company, Larmtjänst AB, which provides services to the insurance companies with the view to combat insurance-related crime, i.e. thefts and insurance fraud. Larmtjänst collects statistical information from the insurance companies on all detected fraud cases. On the basis of this information, Insurance Sweden and Larmtjänst publish an annual report on insurance fraud. The report contains statistics as well as discussion on current trends and on initiatives to counteract fraud. The report is also used as a basis for attracting media cover on the negative consequences of insurance fraud.

*4. How does **Big Data** affect the principle of solidarity in the insurance sector? Please explain the implications of Big Data for insurance undertakings and consumers, in particular as regards risk management, customisation of products, pricing techniques and access to insurance.*

### **Bulgaria**

According to the input received, it seems like the topic of "Big Data" is not a priority on the agenda of Bulgarian insurers.

### **Netherlands**

In the Netherlands, there is quite a debate on the risks of the use of Big Data analyses by insurance companies for solidarity and privacy. Some people claim that privacy will only be for the rich, when insurance companies give a discount on products when the insured is willing to share data for usage based insurance. Mainly poor people will be willing to trade in their privacy for this deduction, is the assumption. The insurance industry understands these risks, but is of the opinion that the benefits will outnumber the risks. By using Big Data, insurance companies will be able to help customers reduce risks, expedite claims handling, create better suited products and give Robo-advice, to name just a few of the many advantages.

When adopting new technologies, risks are sometimes exaggerated out of fear for the unknown. As long as there is no real proof the aforementioned risks are actually happening, it would be unwise to proactively forbid the use of Big Data analyses in insurance. On the other hand, it would be wise for insurance companies to adopt Big Data cautiously – this being the reason for which the industry will do research into the drafting of more effective privacy statements. In the case of 'pay how you drive insurance', it may be possible to have a trusted third party do the analysis of the data, giving the insurance company only a figure, by which it can calculate the premium. The industry will also do a yearly check (the Solidarity Monitor) to see whether prices for differing customers (high and low risks) are differentiating too much. By doing this research yearly, reporting openly about it and discussing the findings with

consumer rights organizations, we want to give shape to our belief that it is possible to use and profit from Big Data analytics, without causing new problems, like insurability for high risk groups.

**Innovation and digitalization** is a trend that's been going on longer and can get all the product categories. It is important to balanced highlight both positive and potentially negative aspects of digitization. Digitization offers many opportunities for the market and thus to consumers. Initially, especially in non-life insurance and commodities. EU regulators should be expected to take steps to promote innovation. Laws should be technology neutral. Digitization also new risks entail. It is still unclear what risks should be identified, further analysis is needed, however, regulators should be reluctant to introduce rules and guidelines before a thorough analysis has been made and any risks have revealed. It is important to ensure high degrees of consumer protection.

**Innovation and digitalization:** The Dutch insurers publicly announced their ambition to develop a 'my space' environment (website) for the consumers in which they can find all their individual policies from all different insurers: working title: 'A policy-safe'. In 2015 the industry starts building this website and it is the ambition to be completely live in 2017. With this personalized website consumers have always the latest information of their policies. It is helpful to organize the personal finance and easy to get personal advice. Consumers can also choose to give others, for example their children, access to their own policy safe so that children know, that when a parent dies, that there is a funeral insurance.

### Slovakia

In general, the stakeholders are of the opinion that the impact of Big Data can be large. To have enough information about the client enables more accurate and precise calculation but on the other hand, it will interfere with the privacy of individuals. With Big Data should be treated cautiously with respect to ethics. A certain degree of anonymity should be preserved and respected. Only big insurance companies have already started to implement large data projects but there is no discussion about Big Data at the moment.

### Spain

Using Big Data reinforces the principle of solidarity of insurance. The processing of Big Data enables entities to study their entire portfolio, rather than having to work with a sample of it, significantly reducing the margin of deviation rate calculations. In this way, the entity refines its databases and uses all the information available to it, so that it can know more accurately what the risk factors of their rate are, appropriately applying them to each policy. It also allows entities a vision of the customer and its risks as a whole, not individually by product.

**Slovenia**

No new information on this matter.

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