

OPINION



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OPEN INSURANCE

Open with care

The right framework is paramount if an EU initiative on data sharing is to positively impact both consumers and insurers

Data has always been key for the insurance sector. Insurers require access to relevant data to carry out risk assessments, to assess the likelihood of an event occurring and to calculate the premium to be paid by the insured. The digitalisation of insurance services and processes has made significant progress over recent years, enabling a new seamless customer experience, new products and fast claims settlement. Cross-sectoral data sharing has the significant potential to further enhance insurers' capabilities in this regard, as the amount of data increases and becomes more accurate.

Greater availability and access to data allows insurers to improve risk monitoring and assessment, and to offer a better customer experience. It also helps to increase innovation and competition in the insurance sector.

A growing focus by policymakers on enhancing data sharing and availability demonstrates their recognition of its importance across the entire economy. Given the potential benefits, the insurance industry is supportive of efforts to facilitate effective data sharing in the EU. The European Commission's plans for an initiative on open finance could have a significant impact in this field and the insurance industry stands ready to actively participate in any discussions on this topic. Open finance, if designed with the right framework, has the potential to positively impact both consumers and insurers.

It is, however, important to get the framework right, so that this potential can truly be achieved. Risks need to be addressed. Consent of, and value for, the customer must be guaranteed. A level playing field must also be ensured between the different market players so that consumers can trust that everybody is subject to the same rules.

Data sharing within the insurance sector (and indeed more broadly within the financial sector) is not new and is, in fact, something from which Allianz and its customers already benefit. Indeed, the insurance industry has ample experience of standardisation and the electronic exchange of data. For many intra-group and intra-industry use cases there are already data-exchange mechanisms in place, which have been implemented by the industry on a voluntary basis.

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For example, in motor insurance, claims experience and the amount of time without an accident are important risk factors for setting tariffs. Therefore, both insurers and policyholders have an interest in migrating this value if a motorist switches insurer. The insurance industry is already accommodating this need with the exchange of claims history information. Similar mechanisms exist in other areas of insurance, such as property insurance.

Here is a concrete example from German motor insurance. The type of vehicle model has a major influence on the premium level for motor insurance. The assignment of vehicle types to type class is solely based on their statistically measured claims history. This data is shared among all German motor insurers, thereby providing a strong base even for models that have lower volumes in the market. At the same time, new vehicle models are assessed via standardised crash tests and technical data for their initial classification. This system has a major influence on vehicle manufacturers and their vehicle designs as they optimise their new models to obtain competitive insurance premiums and total cost of ownership. From a consumer perspective

Putting drivers in control of their data

The number of connected cars is expected to increase significantly in the coming years. For example, it has been estimated by Statista¹ that by 2025 44% of the vehicles on European roads will already be connected. As cars are becoming computer networks on wheels, there is a huge potential for new services.

However, independent/direct access rights to the vehicle data are a prerequisite to leverage the full potential of data-driven innovation. Today, most telematics-based insurance solutions are based on smartphones as a sensor, sometimes in combination with additional aftermarket devices such as crash sensors.

We expect that data-driven products and services can be brought to a new quality level by making use of in-vehicle data. For example, today's "pay how you drive" insurance products will be extended with data from the use of advanced driver-assistance systems and automated driving functions.

This can help to increase road safety as well as to arrive at risk-adjusted premiums. Another important area will be active claims management in the case of a collision. Immediate and automated notifications of loss can help to trigger the rescue chain or, for lower severity collisions, assistance to the customers.

In-vehicle sensors can not only measure the severity of a collision. An AI solution will also help to understand the amount of damage and the repair needs of the vehicle. This data will also serve as a basis for accident research and to gain a fundamental understanding of new safety and automation features that would not be possible without aggregated accident information.

The EU Data Act is a very important step in this direction. It should, however, be supplemented by sector-specific legislation on access to in-vehicle data and resources to make available crucial data and access modes (see motor article on p50).

¹ [Statista](#), January 2022



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this means lower insurance premiums. That holds true across Europe and beyond, keeping in mind that other markets like the UK, Korea and China already use a similar approach.

Cross-sectoral data sharing, however, offers an opportunity for even greater benefits to be realised by going beyond the financial industry and including car manufacturers, the energy sector, etc. This is where we see great potential for the insurance industry, and where we believe consumers can directly benefit from new and innovative data-driven products and services. One good example of this is facilitating access to in-vehicle data.

Work of the EC Expert Group

Open insurance has the potential to positively shape the insurance sector. However, the design of framework conditions is crucial. In this context, I welcome the

opportunity to participate in the Expert Group on the European Financial Data Space as a representative of Insurance Europe and to bring the insurance industry's perspective to the discussion.

The group provides advice and expertise to the EC in relation to the preparation of legislative proposals and policy initiatives in the field of data sharing in the financial sector, to further the establishment of a common financial data space in the EU. The assistance provided to the EC in the preparation of legislative proposals and policy initiatives is a very collaborative effort, with the EC carefully considering the various aspects of data sharing in the financial sector.

Moving forward

Over recent years, business strategies and offerings in the insurance market have become more diverse. We believe that this trend will continue, with different approaches co-existing in the market. For consumers, this means a broader choice between innovative and more traditional offers. In light of the intense competition in insurance markets, incentives for open insurance solutions are also high. However, with market-driven open insurance, new data sharing partnerships and models will need to prove their ability to add value for customers in the competitive process. ■