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Access to Insurance Initiative

A global programme for sound regulatory and supervisory frameworks

IAIS-A2ii Consultation Call: November 24, 2016

Privacy Challenges in Mobile Insurance

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Privacy Challenges in Mobile Insurance

1. Introduction to Mobile Insurance
2. Data Protection Challenges in Mobile Insurance
3. Considerations for Supervision
4. Conclusion

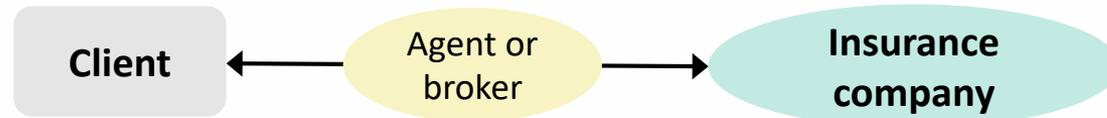




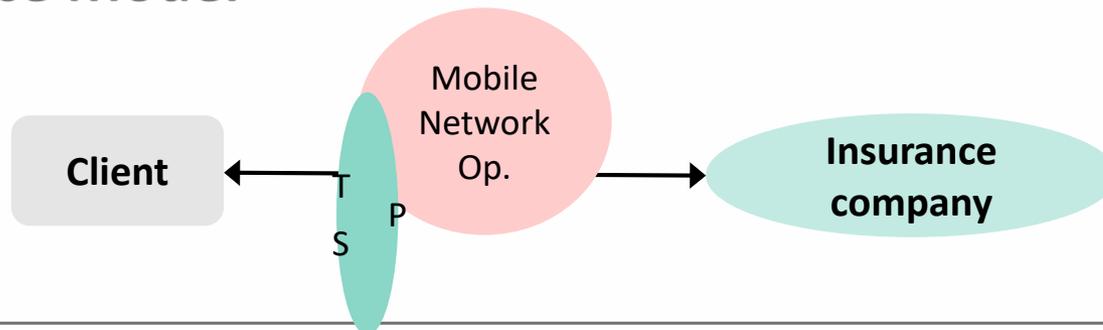
1. Introduction to Mobile Insurance

“A microinsurance product that relies on mobile phone system and infrastructure to support functions of the insurance process.”

Traditional Insurance Model



Mobile Insurance Model

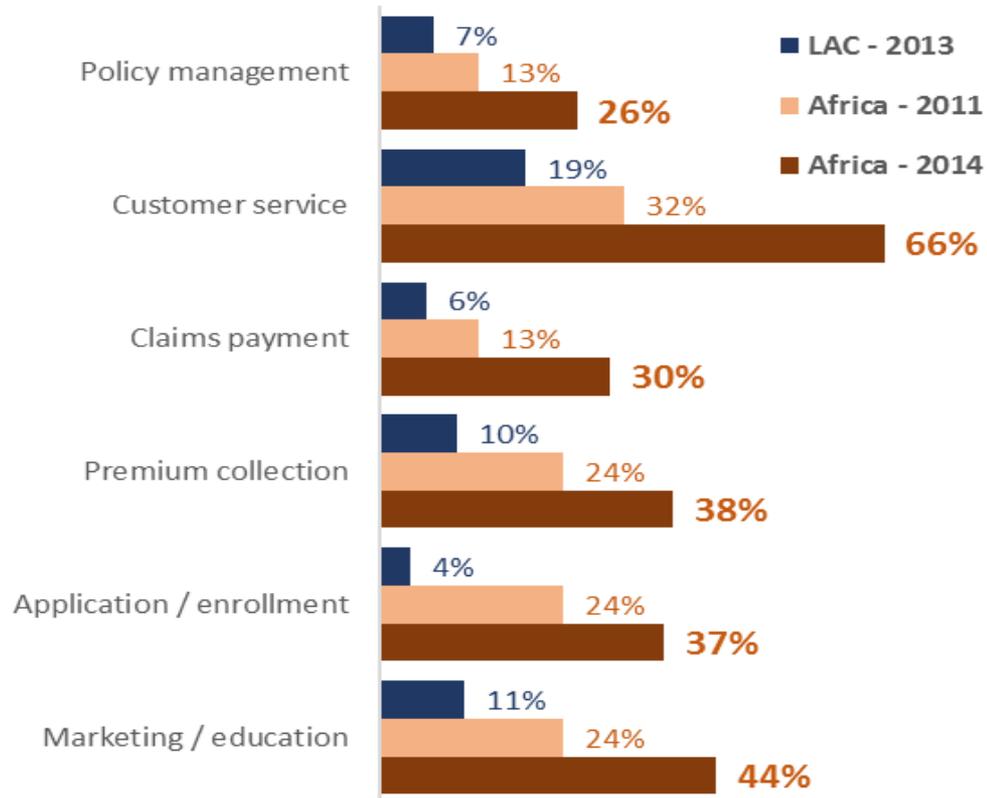




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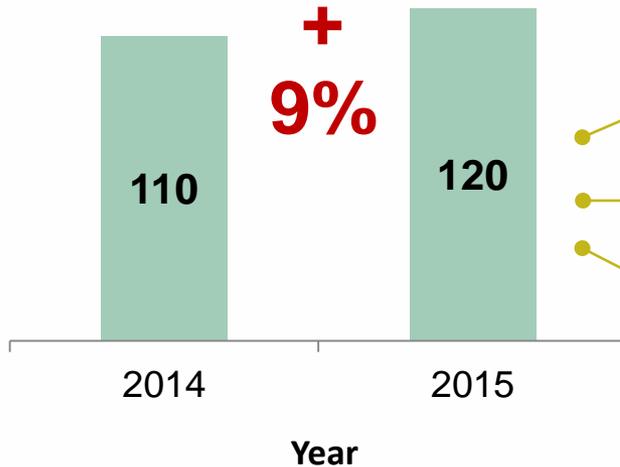
1. Introduction to Mobile Insurance



All steps of the insurance value chain can be paperless

1. Introduction to Mobile Insurance

No. of live mobile insurance services worldwide



31 million active policies

Asia mid-2016: 40 million lives covered*

*through MicroEnsure and BIMA only

33 emerging markets

- Sub-Saharan Africa (58%)
- South Asia (19%)
- East Asia & Pacific (18%).

2/3 of new 2015 services offer non-life products

Growing mobile insurance coverage and product diversification driven by MNOs



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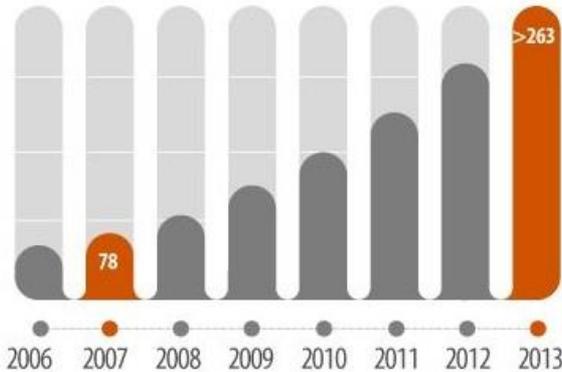
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1. Introduction to Mobile Insurance

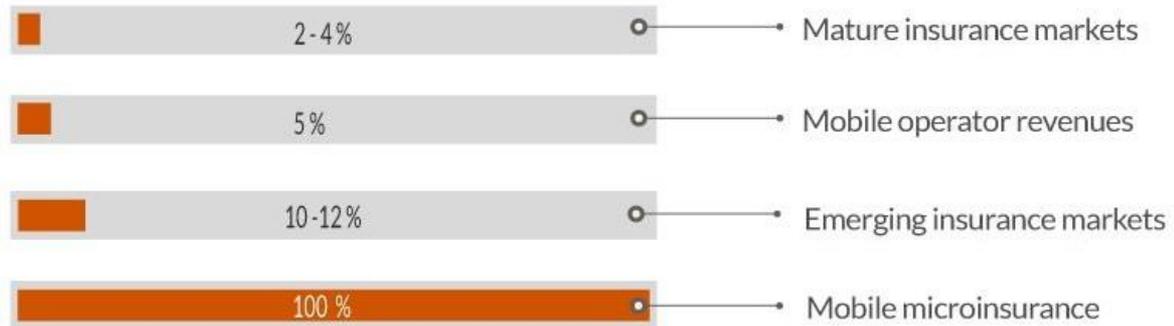


Microinsurance growth

million clients



Annual growth rates



“It takes one year to insure 1m lives via MNOs vs. 40 years for a typical insurance market”



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1. Introduction to Mobile Insurance

Potential of Microinsurance

- Great potential of micro-insurance (lowering transaction costs)
- Provisioning of services over **mobile phones** (e.g. life, non-life insurance)
- Goes hand in hand with **Big Data analysis & Big Data business models**

Environment of increased **interconnection and information sharing** creates new challenges in terms of privacy and data protection





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1. Introduction to Mobile Insurance

High & Rising level of Concern regarding Privacy

- **55% of consumers** worldwide decided against buying something online, because of privacy concerns (KPMG Survey in 2016)
- Over **66% of consumers** are not comfortable with Apps using their personal information (KPMG Survey in 2016)
- Somewhat/much more concerned than 1 year ago (CIGI/IPSOS 2016)
 - **LatAm 64%**
 - **APAC 59%**
 - **MiddleEast/Africa 60%**





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1. Introduction to Mobile Insurance

Customer Relationship Management

Customer acquisition & distribution

- Propensity to take up offer
- Propensity to pay or WTP
- Result: Acquisition costs fall

Product design

- Tailoring of product
- Preferences mapped in SN
- Affordability

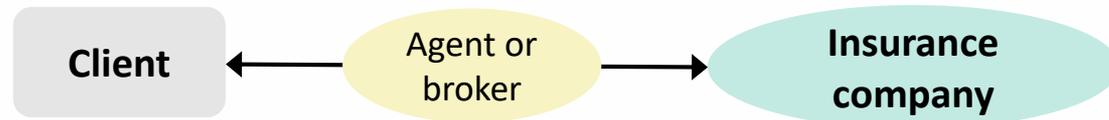
Customer management

- Model the risks
- Conduct risk-based pricing
- Advanced fraud estimation (profiling, prediction)

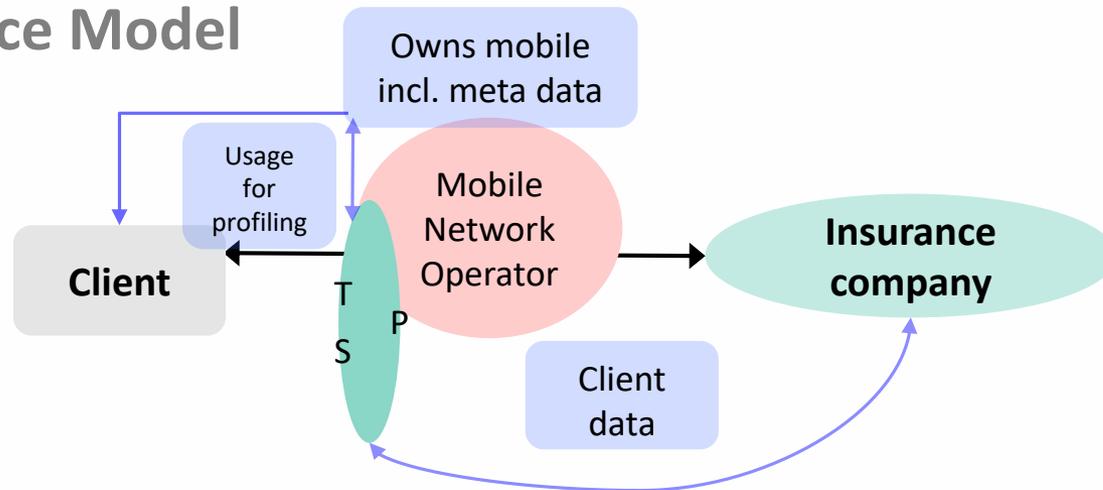


2. Data Protection Challenges in Mobile Insurance

Traditional Insurance Model



Mobile Insurance Model





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2. Data Protection Challenges in Mobile Insurance

Specific Challenges 1: Fundamental Shifts

Increase of information asymmetries

... between customers and firms

... between firms and supervisors

Pricing in of customers

Consumer welfare increases

Market Expansion

Personalized prices

Personalized products

Consumer welfare decreases if WTP

Market Saturation



2. Data Protection Challenges in Mobile Insurance

Specific Challenges 1: Fundamental Shifts

Change in competitive strategies of firms

- Micro-targeting & pre-selected sign-up
- Product tailoring & tailored pricing

Consumer protection: Non-transparency of data processing, consent and calculus of trade-offs, basic consumer rights (knowledge, action of redress)

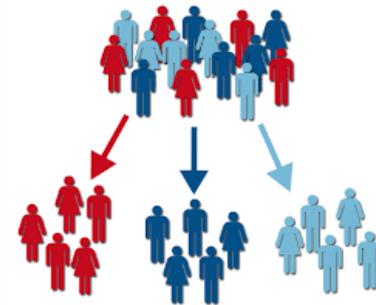


2. Data Protection Challenges in Mobile Insurance

Specific Challenges 2: Privacy

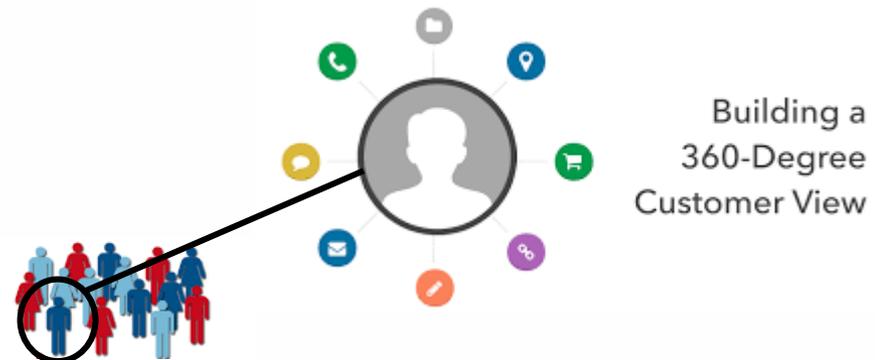
Traditional insurance

- Customer segmentation
(demographics, behavior)



Mobile insurance

- Hundreds of variables
- Personalized targeting



Considerations for Supervisors: Regulatory Framework

Data Protection Law

- Data protection provisions regarding collection, processing, analysis and transfer of personal data, tasks for data controllers and right of data subjects (individuals)

Telecommunication law

- Confidentiality clauses on keeping the customer's data and business matters private

Insurance law

- Confidentiality clauses on keeping the customer's data and business matters private

Credit reporting law

- Data protection provisions as well as conditions of transfer of insurance client data to credit reporting agency





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3. Considerations for Supervisors

Considerations for Supervisors: Other Aspects

- Clear legal framework (status & registration of TSPs)
- Legal compliance: Clarification with TSP
- Registration of companies
- Product review before mass roll-out
- Harmonized approach & intense coordination of supervisors
- Preservation of most fundamental customer rights





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4. Conclusions

Conclusions

Mobile insurance is a **very important development** with potentially great benefits

Benefits must be **balanced with challenges**

- Supervision and regulation
- Customer protection





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Thank you!

For more information please visit www.a2ii.com or
send us an email at consultation.call@a2ii.org





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South Africa: Risks and challenges in mobile insurance

Eugene du Toit
FSB, South Africa





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MNO insurance partner structures and main risks

1. Mobile Network Operators (MNO): Different structures of operating in the insurance industry:

Registered insurer part of the MNO Group

Cell captive arrangements

Brand arrangements

2. **Main risks** identified in the South African mobile insurance market:

Data protection and data privacy

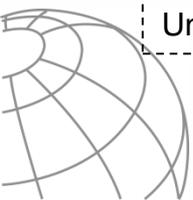
Increased interconnectedness;
Information symmetry;
Unauthorised use of data

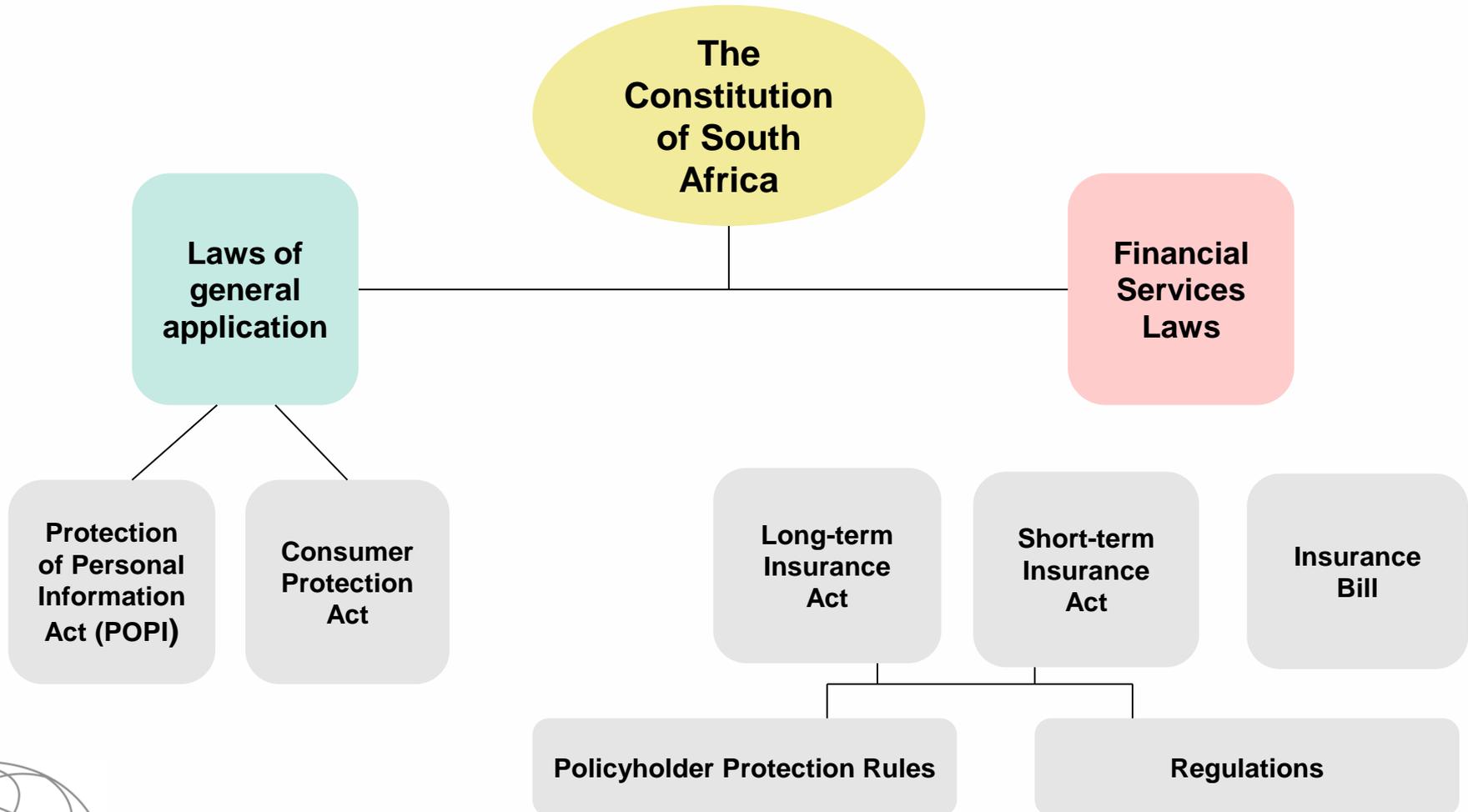
Abusive marketing practices

Negative option marketing;
Lack of identification of insurer;
Lack of information relating to pivotal contract terms

Operational risk, specifically outsourcing and partnership risk

Lack of oversight and data;
Insurer at risk and results in inappropriate consumer protection throughout the life cycle of the product
Prevalent in cell captive and binder agreement structures





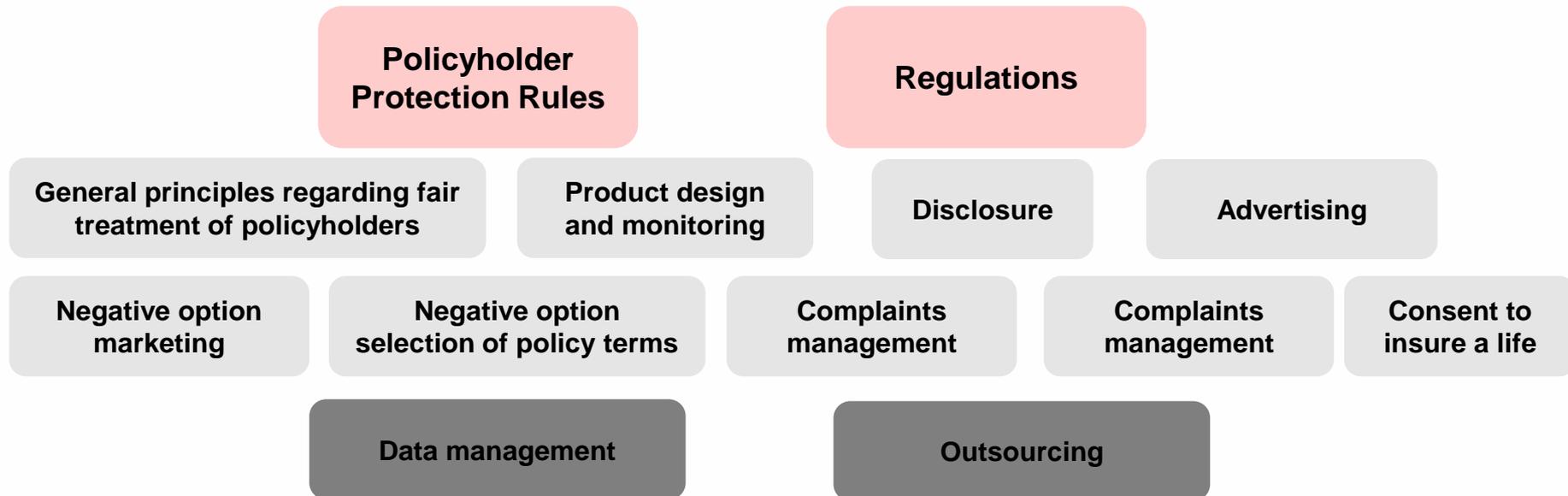


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Risk mitigating actions

1. Proposed amendments to legislation



2. Targeted supervisory approach

- Targeting of mobile insurance through a focussed / theme based supervisory approach

