

## How data-driven innovation can enhance financial inclusion and benefit policyholders and society

Data is a crucial driver for innovation and financial inclusivity. A larger volume of data and advanced analytical techniques can enable insurers to gain deeper insights into the risks they cover, leading to more precise risk assessments when evaluating consumer applications. This can offer substantial benefits to consumers and promote greater financial inclusion.

For instance, insurers can use this data to better tailor their products and services to individual needs, making coverage more **accessible and affordable**. Access to new types of data allows insurers to assess and cover risks that were previously considered uninsurable due to limited or insufficient availability of data.

### Better risk assessment, risk prevention and mitigation

Access to data can enable insurers to offer personalised risk prevention and mitigation strategies that **encourage risk reduction** and allows for greater financial inclusion.

For example, by leveraging data from smart home devices, insurers can offer personalised advice to consumers on how to improve home safety. If data indicates a high risk of fire or burglary, the insurer can recommend specific safety measures such as installing smoke detectors or security systems. This could help prevent incidents which, in turn, makes homes more insurable.

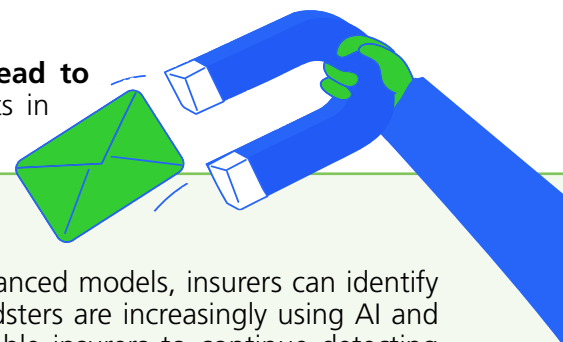
In the health area, data about the health status of the individual allows for the creation of tailored insurance policies that meet specific needs, such as those of chronically ill or elderly individuals. For instance, a consumer with a chronic condition like diabetes can receive a plan that includes regular check-ups, medication coverage, and wellness programmes.

These data-driven services not only **improve health outcomes and lead to lower premiums**, but they also help to reduce overall healthcare costs in society.

### Fraud detection

By analysing patterns and anomalies, using data and advanced models, insurers can identify and prevent fraud more effectively. At a time when fraudsters are increasingly using AI and new technologies, access to large datasets is key to enable insurers to continue detecting fraudulent claims. Insurance fraud is not a victimless crime. It is often linked to serious organised crime and can fund the wider activities of criminal organisations. The bill for insurance fraud also is picked up by honest customers. Detecting and preventing it is key to keep the premiums down for consumers.

More availability of data can also empower insurers to contribute to **key EU policy objectives**, such as help building resilience in the face of increasing cyber and climate risk.



## How insurers can leverage data to improve sustainability

Insurers can use data and use their underwriting approach to motivate policyholders to reduce their risks by investing in adaptation and prevention measures or to reduce their **carbon footprints** by opting for green/energy-efficient alternatives.

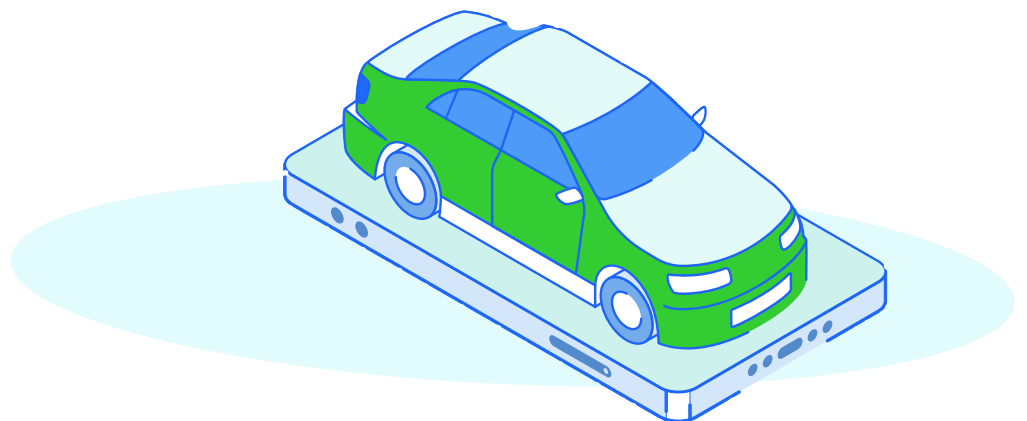
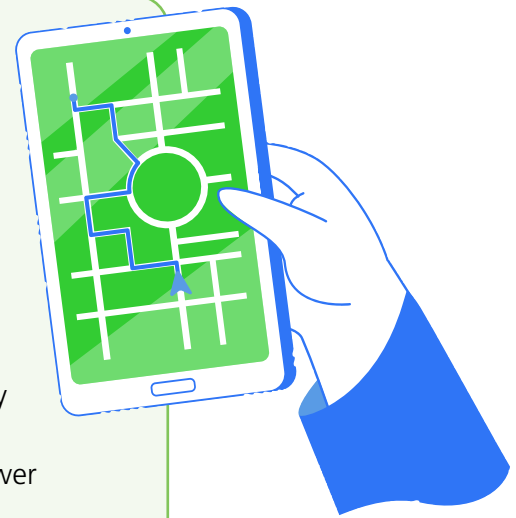
For example, insurers can use data on vehicle emissions and fuel efficiency to offer eco-friendly vehicle insurance products. These products may provide premium discounts for electric and hybrid vehicles, encouraging consumers to choose environmentally friendly transportation options. This not only reduces carbon emissions but also supports the growth of the green vehicle market.

Insurers can also take account of the connected devices in smart homes to offer personalised risk prevention solutions. Examples include smart thermostats that turn up the temperature if there is due to be very cold weather, to avoid frozen pipes and subsequent water damage, or smart boilers that remind the owner when they need servicing.

### Less emissions, safer roads

Usage-based motor insurance schemes, like “Pay-as-you-drive” and “Pay-how-you-drive” are a type of car insurance cover that allows the policyholder to reduce the premium based on the actual mileage driven and/or driving behaviour. As such, they can benefit anyone who wants to take control of their insurance costs. Pay as/how you drive policies often go hand in hand with driver coaching, further incentivising safe- as well as sustainable driving. These data-driven services can:

- Benefit young and inexperienced drivers who would otherwise pay higher premiums.
- Contribute to road safety by rewarding low-risk drivers with lower premiums.
- Reduce insurance costs for drivers who drive less frequently, thereby both improving road safety and helping to cut greenhouse gas emissions.
- Encourage drivers to lower emissions by maintaining a consistent speed and minimising sudden acceleration or braking through coaching.
- Greatly reduce the length of the claims process and deter fraudulent claims.



## How insurers can leverage data to increase cyber resilience

The insurance industry has a key role to play to increase cyber resilience, not only in providing insurance cover, but also in helping their clients avoid cyber risks and mitigate their impact when they materialise.

By accessing data, insurers can assess, understand, model and ultimately cover cyber risks, which in turn enables them to:

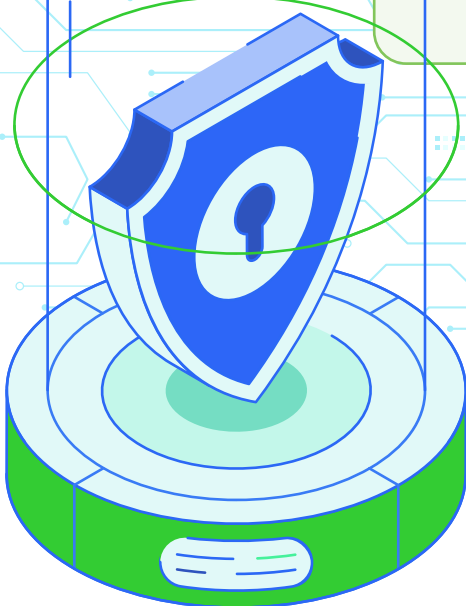
- Support companies to put in place effective protective measures to mitigate cyber risk.
- Support business continuity by helping companies swiftly recover from cyberattacks.
- Increase citizens' and companies' awareness of the cyber risks they face.
- Advise European and national policymakers on emerging cyber risks and how they can be better managed and mitigated.

Without data, however, insurers would not be able to assess and cover new and emerging risks, such as cybersecurity risks. Lack of available data on cyber risks is one of the primary barriers to the development of the cyber insurance market and increase cyber resilience.

### Cyber insurance

Cyber insurance coverage varies depending on the needs of the policyholder and type of risks. A cyber policy often covers a variety of the consequences of cyber risks, such as a phishing attack, business email compromise, data breach, malware or ransomware that can affect companies. A cyber-insurance policy can cover:

- Business interruption costs, damage to digital assets, incident response costs.
- Privacy and confidentiality-related liabilities (eg data breaches)
- Risk exposure assessments, response assistance with technical, legal and public relations assistance



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