

European data protection rules could hinder fight against fraud

Brussels, 22 October 2014: The EU Data Protection Regulation currently being discussed by the EU institutions has the potential to hinder the fight against insurance fraud, according to Insurance Europe, the European insurance and reinsurance federation.

The rights to be forgotten and to withdraw consent would prohibit companies from processing people's personal data. This could make it impossible for insurers to identify potential insurance fraudsters, because they will no longer be able to identify the volume and type of claims a person has made in the past. In order to avoid this, EU institutions should consider caveats that allow insurers to retain and process the data in certain circumstances.

William Vidonja, Insurance Europe's head of single market and social affairs commented: "The protection of people's personal data is of the utmost importance. It is also necessary, however, to ensure that rules do not prohibit insurers from carrying out an essential function in identifying criminals committing fraud. Detected and undetected fraud is estimated to represent up to 10% of all claims expenditure in Europe. This is why the new EU Data Protection Regulation should include an explicit legal basis allowing data processing for fraud prevention and detection purposes.

"It is equally important that rules regarding withdrawal of consent and the right to be forgotten allow for data retention when necessary for use in insurance contracts, and data processing for compliance with regulatory and anti-fraud requirements. This would help insurers to protect honest consumers from paying for fraudsters, through higher premiums."

The ability to process data is a fundamental component of underwriting, where insurers use a process called "risk-based pricing" to determine how much a policy should cost, depending on the risk the policyholder wishes to cover. For example, the ability to process health data is imperative for insurers, and so the legal grounds to do this should remain proportionate, minimizing any unnecessary administrative burden for insurers.

Vidonja added: "Risk-based pricing offers policyholders the fairest deal because it ensures that the price of their insurance policy reflects the cost of providing the insurance cover. If insurers cannot process the data necessary for the calculation of the risks they are taking, they will not be able to offer risk-based pricing. This could result in significantly higher premiums and stifle innovation, because insurers won't be able to tailor policies to individual policyholders' needs."

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Notes for editors

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