



Cool or Creepy

DATA USAGE AND THE PRINCIPLES OF DATA ETHICS
IN THE INSURANCE AND PENSION INDUSTRY

**Insurance
& Pension**

Data usage and the principles of data ethics in the insurance and pension industry



Data ethics in the insurance and pension industry



The insurance and pension industry has always used data to fund and assess risks. As we have gone from using a few data points in the past to many more at present, in a few years we will be able to use far more.

Data that matters so that you can better secure yourself from injury, accident, sickness and old age is growing explosively, and data is a resource that creates business for the companies and provides you with financial security.

In the insurance and pension industry, data about your age, housing situation, children, health, job situation, etc. are used already to determine the risk of injury and give you a better overview of your financial situation and coverage in the future. That information is important because we can separately try to improve the risks that can be affected and jointly get those who have suffered an accident back on their feet.

However, not everything that is possible is necessarily good. Thus, Insurance & Pension Denmark put focus on the importance of data usage and data ethics in the insurance and pension industry at its annual meeting in 2018. And with the publication 'Towards a common data ethics', we embarked towards an idea of what good data ethics is within the insurance and pension industry. Data ethics might be a candidate for word of the year, and there is good

reason for the continued focus on data ethics. Digitalisation allows many more possibilities to collect data points about you, but when is it cool and when is it creepy?

Data ethics in the insurance and pension industry is about the interaction between ethics, innovation and business, but in order for data ethics to be more than a thin varnish of good intentions, there is a need to focus on what data ethics means in practice.

It is a difficult exercise, because how does one on the whole establish ethical principles in a field like digitalisation? Digitalisation and data are perhaps the area where the normative is moving with the greatest speed. Our boundaries and attitudes are constantly shifting, and over a short period of time there can be major changes in what is perceived as normal or reasonable.

Ethics is about people, and the point of reference is that there is a natural interaction between digital opportunities and human adaptation. The principles try to capture this balance as best as possible, but it is also a given that the principles of data ethics will never be carved in stone and that there will be a continuous need for further development. Enjoy your reading!

Per Bremer Rasmussen
CEO, Insurance & Pension Denmark

Ethics is not only GDPR

The current legislation sets a clear framework for the collection of data about you by insurance and pension companies.

For example, more data cannot be collected than is necessary for the purpose for which the information is being collected; not even if you have given consent. There are already a number of comprehensive requirements in the legislation of personal data processing, duty of nondisclosure and confidentiality when companies process your personal data. In addition, there are rules of good practice for financial companies. In other words, there are already comprehensive and complex rules that regulate the behaviour of the companies towards you.

The ethics primarily concerns normative principles that derive from human conscience and the stance on how one fundamentally behaves in society.

These are values and norms that are either the basis of the legislation or precede the legislation and have not yet affected the laws. Ethics and legislation are therefore not contradictions to each other, but factors that mutually

influence one another. An example of this is the EU General Data Protection Regulation (GDPR), which derives from rightsbased ethics.

Although the starting point is that the insurance and pension industry is one of the most heavily regulated industries, it is important to note that data ethics within the insurance and pension industry is not simply about complying with GDPR.

GDPR establishes a clear framework for the use and storage of personal data, but in no way removes the difficult ethical choices and dilemmas that increased digitalisation entails. When the industry makes a living by providing security, it is crucial to continuously discuss the data usage of the industry.



Why is data ethics so important?

The insurance and pension industry wants to collaborate with authorities, politicians and, last but not least, customers on why and how we can and should use data. Otherwise, we run the risk of shutting down opportunities we have not yet fully understood or conversely loose important quality of life in our eagerness to get the next new data product or service.

Therefore, the industry has developed a number of principles of data ethics that is to set the standard for the industry. The principles relate to the relationship with our customers and focus on

the data processing that is specific for insurance and pension companies. The principles, on the other hand, do not focus on the companies' use of data in connection with traditional marketing to potential customers, since we do not differ here from other industries. Similarly, data processing in connection with the investigation of insurance fraud is already regulated by Insurance & Pension Denmark's "Insurance Fraud Code" from 2016.

The goal of the principles is to provide clarity on what data ethics means to you in practice.

Transparency

Transparency is a key principle for the insurance and pension industry. Transparency about data usage allows you to control for yourself what your data is used for and whether the data being used is correct.

It must be clear what you say yes to, why and how your data has an impact on the price, why and how your data is stored and what the data is used for. At the same time, the companies must explain openly how they work with data ethics. This can be done, for example, in their annual report, as part of their CSR policy or on their website.

Of course, there will also be areas that are not immediately transparent. Fraud investigations are important to safeguarding the interests of the community, but can only be transparent after the investigation is finished, and there is no transparency at a very detailed level such that it hampers competitiveness on the market.

Insurance and pension companies are subject to comprehensive rules, which include, among other things, how their business should be organised and how they should treat their customers and members. The requirements also apply

when the industry uses new technology, including artificial intelligence. This means, for example, that the legal requirements for justification and appeal also applies when decisions in your case are based on algorithmic data processing. Thus, it makes no difference whether a decision is made by a machine or a human being.



What does it mean in practice?...

- The company facilitates transparency about the types of data that affect how the company determines the price and terms of insurance or pension schemes, including any exceptions in coverage.
- You must have the possibility to get information on what data the company has about you when they affect your individual price, terms and the company's case management.
- The company facilitates transparency about who the company shares your data with. It can be business partners and public authorities.
- The company is particularly mindful of informing you about how it collects and uses data when you are offered products that involve continuous data collection, such as driving data, smart home data or health data.
- The company explains openly how it works with data ethics and which data ethical choices have been made.

Personalisation and prevention

Data can allow for individually tailored products and more accurate counselling.

The increased amount of data points available about you can be used to more effectively determine the risk of insuring you and your property, and give you a more accurate price. It can benefit young drivers who drive better and safer than their peers. Here, digital solutions are found that monitor your driving and allow you to get a price for the insurance that better fits the overall risk profile of the individual.

However, it is a basic principle in the insurance and pension industry that everyone should have access to insurance on reasonable terms, and that there are also solutions to the particularly vulnerable who may be affected by exclusion due to increasing personalisation and individual prices.

There may be concern that personalisation entails that the solidarity of insurance plans disappears, so that one suddenly ends up with an A-team and a B-team. Here, it is important to remember that solidarity in insurance is about the massive redistribution that occurs from those who have not suffered accidents to those who have. Solidar-

ity in insurance is not about whether you pay EUR 400 or EUR 600 for your insurance, but about the redistribution that occurs from those who have not suffered accidents to those who do suffer accidents.

At the same time, the increased digitalisation means that the opportunities for prevention are moving closer to you and making it easier to create incentives to better protect yourself against injuries. This happens, for instance, in intelligent home solutions that switch off the water on its own in case of a burst pipe or alert the fire department in event of a fire.

The opportunities to influence your behaviour increase as data becomes more accessible and can be used to read patterns about you and your risk profile.

Therefore, it is also important that the individual company makes ethical choices and ensures that behavioural impact upon the use of data is in the interest of customers and members, for example to prevent injuries or make the right choices easier.



What does it mean in practice?

- The industry has a responsibility to ensure that everyone has access to insurance on reasonable terms. Also those who opt out of insurance with particularly advanced data usage.
- When data is used to individual customisation of the user experience, it must always be in the interests of customers or members. No digital solutions are used that entice you to do something that is solely in the best interest of the company.
- It should be obvious when the company uses data to influence your behaviour to avoid or minimise injuries.

Data security

The insurance and pension industry is a critical sector for Danish society, and data security is a prerequisite in order to discuss data ethics.

For this reason, the industry is constantly working towards having a very high level of security and security culture, so that we take care of you and your data in the best possible manner. You must be sure that your data does not fall into the wrong hands. There are no Danish insurance or pension companies where sales of your data are included as part of their business model. This does not include situations where the company refers you to a partner, for example a bank with which the company has a cooperation agreement.

The industry works closely with the authorities to best equip the individual companies against the threat of cyber attacks.

The industry shares highly sensitive personal data with the authorities – often in connection with actions for damages – and works actively to ensure that the infrastructure between the industry and the authorities is as modern, fast and secure as possible.

But just as important, the industry will also work here towards data minimisation. The industry does not want to share as much information as possible, but merely to share the right information safely and quickly in the situations where it matters most to you.

At the same time, the companies have a responsibility to ensure that the data they collect and use in the relationship with customers are of high quality to ensure correct decisions to the customers. It also means that the industry has a responsibility to ensure that third-party data has high validity and quality.



What does it mean in practice?

- IT systems must be developed with the clients' and members' data security in mind and at the same time include ethical considerations regarding the use and disclosure of data.
- The companies collaborate and share knowledge on data security with each other and relevant authorities to raise security levels and counter the threat of cyber attacks.
- If a critical data leak or the like occurs, the company must communicate quickly and clearly to relevant authorities and parties.
- The industry will work towards a secure, fast and data minimising infrastructure for sharing of information with the authorities.
- The companies place high demands on the validity and quality of the data used in the relationship with customers.

Three positions on data ethics

Prior to the preparation of 'Cool or Creepy, Data usage and the principles of data ethics in the insurance and pension industry', Insurance & Pension Denmark has considered three archetypal data positions within data ethics. The insurance and pension industry is based on the progressive position 2.

For the insurance and pension industry, data ethics is about finding the balance between the difficult dilemmas. It's about creating a culture where data ethics is in focus. Instead of digging trenches, we want to take the lead in an open approach to what we do with the vast amount of data we all currently generate.

It is inevitable that difficult ethical choices and dilemmas will arise, but they will not disappear by ignoring them. The best way to handle them is from a clearly defined position on data ethics.

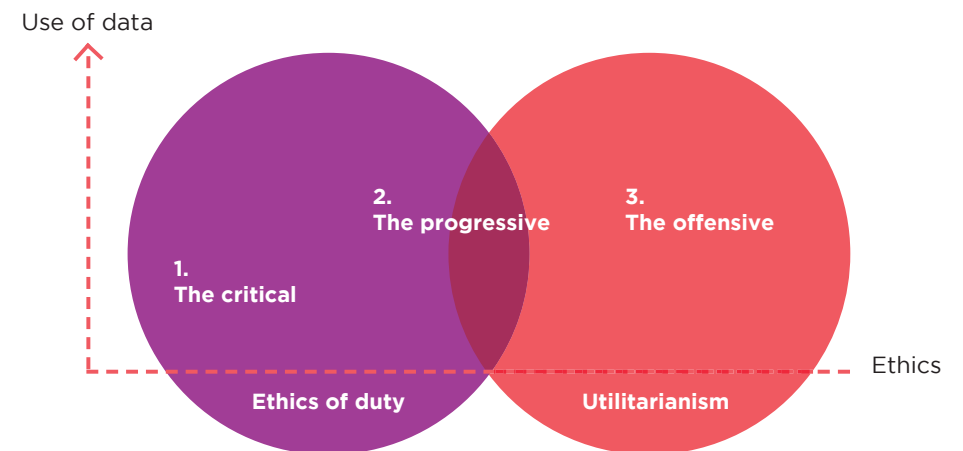
If we minimise the collection

and use of data

One can achieve ethically sound goals by not using data, minimising the amount and anonymising existing data. This reduces the risk that data may end up in the wrong hands or be used against you. Unfortunately, this impacts value creation, as data that can provide value to you, for example, does not come into play.

If we maximise the collection and use of data

The insurance and pension industry can also achieve ethically sound goals by using more data across systems and databases. It can make your experience a lot better and yield more opportunities for new knowledge for the common good. Together, the issues on data and ethics constitute three different positions on data ethics.



Position 1

The critical – The individual must own all data and we must be very careful
Here, individuals and companies will argue to limit data collection and delete data out of respect for the privacy of the individual.

Position 2

The progressive – The individual can benefit greatly from putting their data into play
Here, the individual will take ownership of their data and create value for themselves by means of their data, and the company will support this for the benefit of the customer and the company.

Position 3

The offensive – A good society is based on the fact that we use everyone's data for the common good
Here, for instance, the company wants data to benefit innovation and society. The most important thing is not that the individual takes ownership and can put data into play, but rather that data benefits as many as possible. The common benefit will often be managed by a community institution, such as a research unit, but can also be managed by a private company.

