



# FRONTIER ECONOMICS

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## Digital world

- Many estimate that about 90 percent of all the data in the world today has been created in just the past two years.
- International internet bandwidth has doubled on a global level between 2016 and 2018, largely driven by the free flow of data across country borders.
- Half of the world's population is now connected to the internet.
- Our smartphones have more computer power than all of NASA back in 1969 when it placed two astronauts on the moon.
- A fifth of British adults spend more than 40 hours a week online. Most say that they are dependent on their digital devices - a recent Ofcom report says that the average British adult checks their phone every 12 minutes of the waking day.





# Insurance in a digital world



Processing data is at the heart of many insurance products. It is used to:

- Underwrite and price all kinds of risks
- Assess and process claims
- Share intelligence, knowledge and insight
- Anticipate and understand risks
- Develop new and innovative products and services
- Minimise and mitigate risk of loss to society
- Provide reassurance and protection to companies and individuals
- Help people, businesses and communities recover in times of need





## Insurance industry: international & innovative

For more than 300 years, the insurance industry has been at the forefront of new ways of doing business in a rapidly changing world:

- **pioneering new forms of protection**
- **exchanging insights,**
- **sharing and mitigating risk,**
- **building relationships across the globe**
- **developing innovative ideas**
- **helping to create a more resilient world.**



*Lloyd's Coffee House, London. Established 1688*



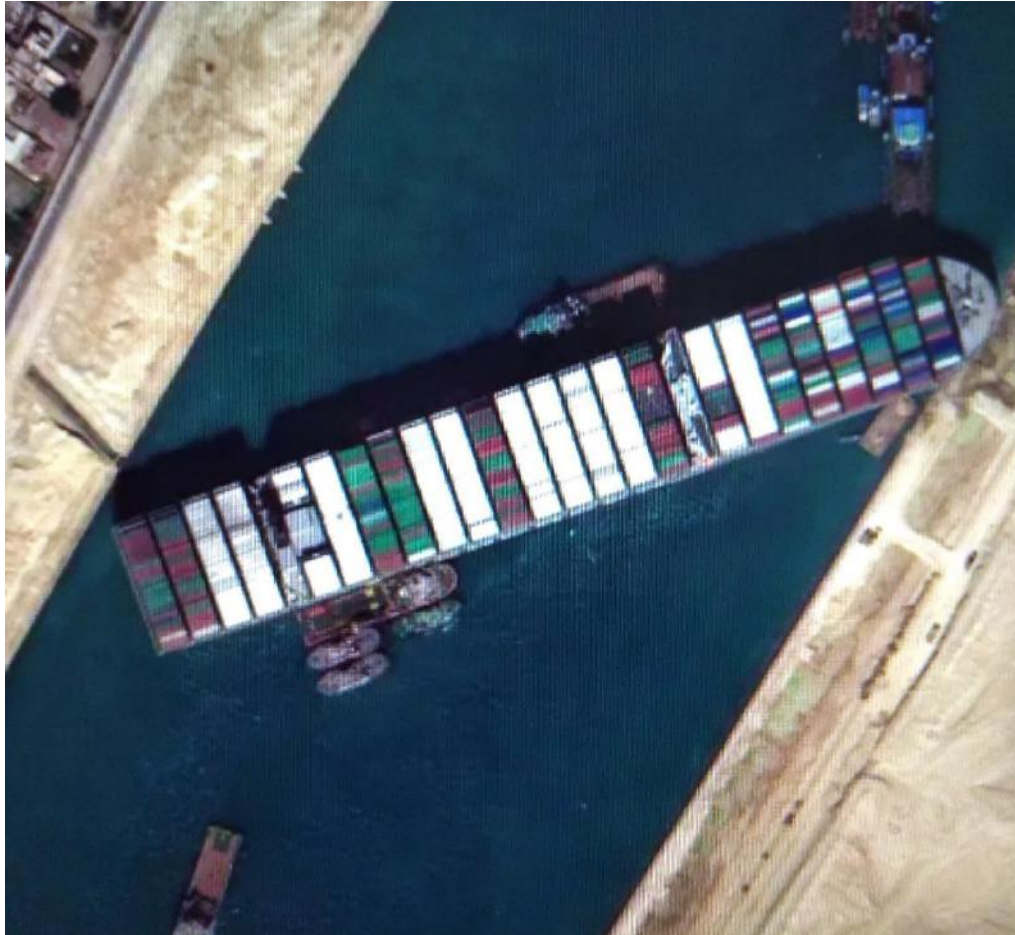
## Insurance and international data transfers

Insurance and long-term savings firms transfer data across borders for a range of reasons, for example:

- within a multinational group operating across a number of jurisdictions
- as part of an outsourced function
- as part of a reinsurance arrangement
- as part of data storage arrangements
- between insurance companies and intermediaries
- to an international organisation, as defined in GDPR Article 4: “an organisation and its subordinate bodies governed by public international law, or any other body which is set up by, or on the basis or, an agreement between two or more countries”.



## Data localisation



Data localisation is a term used to describe a variety of different types of restrictions and requirements (e.g. an obligation, prohibition, condition, limit or other requirement) imposed by national governments and regulators.

It is not the solution for cross-border protection of data and should be resisted.

*Digital barrier to cross border transfers*



# Data localisation: Effects on insurers and their customers

## **Operational inefficiencies, e.g.**

- Cost of extra storage facilities and infrastructure
- Cost of extra staff and labour, e.g. IT, security and data protection specialists
- BAU costs of running replication

## **Legal and compliance complexity, e.g.**

- Conflicting legal regimes and requirements
- Incompatibility with some GDPR data protection principles, e.g. data minimisation and purpose limitation
- Additional legal and compliance requirements
- Constant review/monitoring of and interpretation/integration of additional layers of law, regulation and guidance

## **Communications complexities e.g.**

- Challenges where data localisation requires explicit consent – processes, forms and communications with customers
- Challenges regarding transparency and ability to provide clear, concise and easy to understand customer communications



## Some potential consequences of data localisation

- **Close down operations/move business elsewhere:** Firms may be forced to seek alternative relationships with different providers.
- **Less innovation, limited choice:** The potential for data localisation may result in a less competitive and less innovative environment, where consumers cannot ultimately benefit from a greater range and choice of third party services offered by firms based in other jurisdictions.
- **Less oversight, less transparency:** Potential for lower levels of security and privacy of data





## Navigating next steps towards a trusted and vibrant international digital economy

- Close engagement and cooperation at an international level
- Mutual recognition of similar, high standards
- Harmonised, flexible framework with high level of protection



## CONTACT DETAILS

[lucy.ashton@abi.org.uk](mailto:lucy.ashton@abi.org.uk)



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