



Department for Business, Energy and Industrial Strategy and Department for Digital, Culture, Media and Sport Smart Data: Putting consumers in control of their data and enabling innovation

Response from AXA UK

AXA UK

1. AXA UK (AXA) is part of the AXA Group, a worldwide leader in financial services. AXA Group operates in 61 countries with over 170,000 employees and 105 million customers. AXA has around 11 million customers in the UK and operates through specific operating companies – AXA Insurance and AXA PPP healthcare.

Executive summary

2. The opportunity to submit to this consultation is welcome as AXA believes in putting our customers at the centre of what we do, especially vulnerable customers. As a leading UK insurer, AXA recognise the potential benefits Smart Data could have to improve consumer outcomes and facilitate innovation across the industry.
3. AXA is committed to developing and supporting innovation and does so through a number of initiatives including the Health Tech & You awards, a programme launched in 2014 which supports health technology innovators to develop and promote personalised healthcare solutions and AXA's €100m InsurTech incubator Kamet, which supports a number of start-ups across the UK.
4. AXA firmly believes that approaches to Smart Data needs to be fair and inclusive for all consumers, particularly vulnerable consumers. Comprehensive consideration must also be given to the unintended consequences of data driven innovation measures such as reductions in consumer choice and market place competition. Moreover, AXA believe the Government should give consideration to an insurance hub, similar to the pensions dashboard, where all customer insurance products are held in one place as an initiative to provide greater ease for consumers.

Enabling data driven innovation in consumer markets

Question 1

Do you agree with the proposed objectives and expected benefits of Open Communications? Are there any other benefits or risks that we should consider?

5. AXA is in agreement with some of the proposed objectives of Open Communications. However, there are certain elements that rely solely on the significant advancement of Smart Data. Therefore, AXA believe that companies are likely to be required to agree on data fields and definitions. This collaborative approach has several risks attached, not only for insurers, but



for the market as a whole. With regard to insurers, if underwriting definitions become homogenised this may have a negative impact on the consumer. Any approach associated with Open Communications must consider the potential consequences to the consumer, such as a reduction in consumer choice and a loss of market place competition as many firms end up offering the same product.

6. Furthermore, approaches to Open Communications must consider how data sharing will be fair to specific consumers such as vulnerable customers, customers that opt out from sharing their data and those that have a significantly lower data footprint. AXA also believe that further consideration must be given to the availability and accessibility of technological solutions made available to vulnerable customers. Ultimately, AXA is supportive of an approach that is fair to all consumers.

Question 2

What is the most effective approach to implementation to ensure the success of Open Communications in enabling innovation and delivering the best consumer outcomes?

7. AXA believe that to ensure a successful implementation of Open Communications, the Government will need to conduct a review process that includes pilot groups. The outputs of the pilot projects then should be shared, if successful, to a wider group for evaluation.
8. AXA would also welcome the appointment of a designated body to manage the implementation of Open Communications. AXA propose that the designated body should be supported by an industry trade body, such as the Association of British Insurers, that can provide a voice for the range of views across industry. It is important to emphasise that the appointed body must be comprised of experts from the data, prudential and consumer-facing world.
9. Moreover, AXA believe that a universal and uniform security standard will need to be implemented to ensure the success of Open Communications. A standard accreditation will assist the industry in outlining what security standards are required. By implementing a standard, it will also align the multitude of existing security measures that companies may use depending on their maturity. Moreover, this will eliminate any areas of inconsistency within the market.

Question 3

Are there any further actions we should take to enable consumers to benefit from Smart Data in regulated markets?

10. AXA believe it will be necessary to consider the practicalities of firms' ability to provide data. Many insurers have a suite of IT systems that have been developed over several years. In the industry, there are a multiplicity of cases where larger firms have acquired smaller firms who



have different existing systems in place. Incorporating different IT systems together often leads to further challenges and would ultimately have an adverse effect on data extraction.

11. AXA believe that the Ofgem initiative to look at data and provide customers with a better proposition may need some adjustment for the insurance market. With the implementation of GDPR in May 2018, insurance companies are prepared to exercise their responsibilities under Article 20, the 'Right to data portability'. To date, there has been limited take-up of this right, rather current customer preference is to access aggregators as a means to access insurance. Firms should always be encouraged in the first instance to consider and offer their own products.
12. However, AXA would agree that for industry to survive and remain innovative, Smart Data needs to be implemented regardless of the system limitations that companies may face.

Question 4

In which other markets, outside of the regulated and digital markets, would there be the greatest benefits from Smart Data initiatives? Please explain your reasoning.

13. AXA recognise that the use of Smart Data within the healthcare industry will be invaluable to both consumers and the industry. Big data and the use of Smart Data initiatives may help customers with their overall healthcare for example big data algorithms that identify early health interventions and patient health tracking through the use of wearables. As technology continues to develop it is inevitable that insurance firms will move beyond traditional insurance offerings to start to become lifestyle companies increasing their service offerings and products.

Question 5

What other roles might industry find it useful for Government to perform in addition to it acting as a facilitator for Smart Data?

14. AXA believe that for this initiative to succeed there will need to be further co-ordination through international alliances, especially in countries that are implementing measures to harness the power of technological industries and innovators.
15. Moreover, AXA would welcome action from the Government to take steps to encourage individuals to come to the UK to share their expertise and co-operate with innovators.
16. Furthermore, AXA believe that there should be steps taken to promote innovation through initiatives provided by industry regulators. There are two good examples of these types of initiatives. First, the Financial Conduct Authority's regulatory sandbox highlights how regulators can help to provide scope for innovative businesses to test fintech products and services in the real market. Second, the sandbox opened by the Information Commissioner's



Office (ICO) to support organisations using personal data to develop products and services that are innovative and have demonstrable public benefit.

Question 6

Do you agree that we should establish a cross-sector Smart Data Function with the proposed responsibilities set out above?

17. Yes, AXA is in agreement with the proposed responsibilities, provided that the right controls are in place for those that care for others and data security is prioritised.

Question 7

What would be the best form for the Smart Data Function to take? Should it be, for example, a new body, part of an existing body or some other form?

18. If the purpose is multifunctional then AXA believe it should be a new body that coordinates with all relevant parties. If the new body was to instead sit within an existing body, such as the Financial Conduct Authority, then this may not satisfy the medical sector. AXA believe it would be better for the body to be an independent, hybrid and multifaceted group, comprised of experts from each industry as well as regulatory experts in the consumer, prudential and technology sector.

Question 8

How can we ensure that the costs of Smart Data initiatives are shared fairly between the participating businesses?

19. AXA believe that the Smart Data initiatives could effectively spread its costs by implementing a fee for membership of the new body. It could also take a percentage of existing company taxation payments, regulatory fees and levies and put these funds towards the establishment of a new body. Government support could also be provided with tax breaks for companies that actively use Smart Data.
20. AXA would emphasise that costs should be adequately dispersed in a way that would not penalise smaller firms that can often be the most innovative. By restricting such firms, we run the risk of jeopardising the workforce who have the propensity to inject and catalyse innovation within the industry.



Using data and technology to help vulnerable consumers

Question 9

What other actions could the Government or regulators take to support the use of data and innovative services to improve outcomes for vulnerable consumers?

21. AXA believe that the regulator could consider using an insurance hub, similar to that of the pensions dashboard, where all customer's insurance products are held in one place. Customers would be able to upload changes of address, contact details etc. and would only need to inform the hub rather than going direct to each insurer.
22. Theoretically, this data could be utilised across multiple sectors, including but not limited to banking, insurance, pensions and investments. AXA believe that this should be the primary aim. Other examples include carers being able to notify power of attorney information which should then be tied into relevant sectors. In this case, the Office of the Public Guardian provides a check to verify the information, rather than an individual supplying a separate power of attorney to each firm.
23. Nonetheless, AXA recognises there continues to be a nervousness in the industry when it comes to utilising vulnerable customer data and sensitive personal data (particularly where combined with innovative technology). The industry lacks guidance on this and it would be beneficial if the regulator, including the ICO, or government provide best practice examples and further guidance to aid the industry and its consumers.

Question 10

Should we strengthen the powers of sector regulators to enable them to use consumer data to improve their understanding of the challenges faced by vulnerable consumers and to intervene to improve outcomes?

24. AXA consider it to be too early to provide a thorough answer to question 10 and to give a firm agreement to regulation in this area. Until the formatting of data has been agreed upon and it is known what is readily available, the regulator should consider other methods to improve the outcomes of vulnerable consumers, such as asking insurers to automatically switch consumers to a better product if there is one available after a consumer spends three consecutive years with the same insurer.

Question 11

How can we ensure that the Smart Data Function improves outcomes for vulnerable consumers? Do we need to consider any further actions?

25. To recognise progress of the Smart Data Function, firms would be required to provide Management Information that identifies improvements of its treatment of vulnerable



customers. To do this, AXA believe that firms would be required to flag vulnerable customers on its systems and identify how many complaints from that group of customers.

26. However, it should be noted that consistency, uniformity and accessibility, remain key for this to be a reasonable solution. If a firm is not confident of the reliability of its data, the smart element and the use of data becomes irrelevant.

Protecting consumers and their data

Question 12

Do you agree these protections for when TPPs use Smart Data are needed? Are there others we should consider?

27. Yes, AXA is in agreement with the proposals. TPPs should be accredited in order that regulatory action may be taken if they do not adhere to the rules. This accreditation should be to a standard which provides confidence and assurance on capability, integrity and security.

Question 13

How should our proposed approach to accreditation operate in practice if it is to effectively ensure that consumers' data are protected and minimise burdens for TPPs?

28. AXA would welcome an approach to accreditation similar to the same regulatory regime as approved persons, fit and proper checks of individuals and company accounts for financial stability.
29. AXA also believe that greater regulatory interaction should be instilled from its infancy (Smart Data) to avoid any element of outsourcing abuse.

Question 14

What are the advantages of introducing a cross sectoral general authorisation regime for TPPs?

30. AXA consider that the introduction of a cross sectoral general authorisation regime would allow firms to use the same TPPs that have been approved and this could create synergies within the TPP market and for the firms that use them. Moreover, only regulated TPPs would be able to access the market. AXA believe that a standard accreditation should be applied, as a UK industry standard would be a stamp of authorisation and will instil confidence on the use of TPP's. Additionally, the implementation of a cross-sectoral regime will maintain independence and bias from any one sector.



Question 15

What other options should we consider to ensure that consumers are protected when using TPPs?

31. AXA believe that a TPP register could be implemented with licensing and formal permissions (similar to those granted by the FCA and validated by the ICO to provide confidence and assurance for largescale data processing) applied. Moreover, AXA would welcome the provision of regulatory tools that should be implemented for TPPs e.g. Crystal (Lloyds access to international regulatory and taxation requirements) which would not only assist start-ups by reducing the burden of regulatory obligations that would be passed on to TPP via due diligence/ contractual controls from each regulated entity the TPP engages with, but will also ensure and provide comfort to regulated entities in the TPP validation, which will foster trust and allow innovation.

If you have any questions regarding this submission, please contact AXA UK's Public Affairs Executive, Jonathon Murphy, on jonathon.murphy@axa-uk.co.uk or 07866 032309.