

Big Data under the spotlight: FCA seeks views on the role of Big Data in retail general insurance

On 24 November 2015, the Financial Conduct Authority (the FCA) published a [Call for Inputs](#), seeking views and information from insurance firms and consumers on the role of Big Data in the retail general insurance sector. The FCA is looking to understand how Big Data is used in relation to retail insurance products – in particular, private motor insurance and home contents insurance. Interested parties have until 8 January 2016 to make representations to the FCA.

What is 'Big Data'?

'Big Data' is broadly defined as new or expanded datasets, including data from less conventional sources, such as social media. The increased volume, variety and velocity of such data require new technologies to generate, collect and store data, sophisticated analytical techniques and advanced data processing technologies.

What kind of input is the FCA seeking?

The FCA had already announced its intention to review the use and impact of Big Data by insurance firms in its 2015/2016 Business Plan. Through this Call for Inputs, the FCA is seeking to obtain views (including examples and evidence) of the actual and likely impact of Big Data on consumers of retail insurance products. It is also looking to understand whether and to what extent the current regulatory framework may restrict developments in Big Data and/or innovation which could be considered beneficial to such consumers.

The Call for Inputs focuses on three main areas:

- Does the use of Big Data affect consumer outcomes?

Does Big Data enhance insurance firms' ability to estimate risk at a more granular level? If so, what is the impact of Big Data on pricing practices and consumer behaviour?

- Does the use of Big Data foster or constrain competition?

Does Big Data improve or hinder consumers' ability to access information and make choices about general insurance products? How does the existence of Big Data affect insurance firms conduct towards, and relationships with, suppliers and consumers?

- Does the FCA's regulatory framework affect developments in Big Data in retail general insurance?

How can the regulatory framework be improved to both protect and promote consumer welfare, and enhance innovation in insurance products?

The FCA acknowledges that insurance firms are reliant on data in order to determine consumer risk profiles, set appropriate premiums and create sustainable business models.

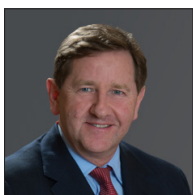
What happens next?

The FCA is aiming to publish its findings from the Call for Inputs and announce its decision as to next steps in the middle of 2016. The FCA states that it is also interested in meeting insurance firms, consumer groups, industry bodies and other interested parties in order to obtain further relevant information; it invites stakeholders to bring to its attention areas which have not been covered in the Call for Inputs.

The FCA notes that this Call for Inputs represents an important first step in its broader engagement with stakeholders, and will allow the FCA to determine whether a more far-reaching market study of the sector is required. (A Call for Inputs is often used by the regulatory bodies in the competition field as a precursor to launching a market study.)

However, a market study represents only one option in the FCA's regulatory toolkit: for example, the FCA could also make policy adjustments and/or issue guidance. It is also important to be aware that in April 2015 the FCA obtained new powers to enforce the competition rules. As a result of information received by the FCA, it could therefore also decide to initiate enforcement proceedings against individual firms, using those new powers.

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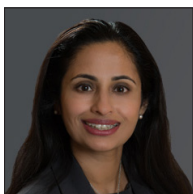


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