



Are CEE insurers ready for GDPR?

As regulators across Europe struggle to bring themselves up to speed with the GDPR, there is likely to be a bit of breathing space for insurers, but they must use the time wisely



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With the EU's General Data Protection Regulation (GDPR) coming into effect in three months, a clearer picture is beginning to emerge of how regulators in different countries are approaching implementation.

Insurance organisations are increasingly aware of the implications of the GDPR, including how it could affect their operating model and what financial consequences the new regulations will have on enterprise-wide strategy and operations.

While the larger insurers within the central and eastern Europe (CEE) region may be better prepared to accommodate the processes and costs associated with GDPR compliance, many mid-size or smaller firms are likely to have to absorb relatively higher impacts to cost base when the regulations come into force on May 25.

Fines for GDPR breaches are severe – enough to put some insurance companies, particularly those in the CEE, out of business

– which is why insurers in the region are paying close attention. Companies that do not comply face fines of 2% of global annual revenue or €10m (\$12.3m), whichever is greater, and the amount can be doubled for significant breaches.

Taking into consideration the significant fines for failing to comply with new regulations, insurers will need to pay much more attention to their security and compliance procedures. Some CEE insurers may be obliged to appoint a data protection officer (DPO) and accommodate the necessary costs associated with the range of activities to ensure compliance.

Creative solutions

The expense factors may even lead companies within the region to find more creative ways of dealing with GDPR requirements; for example, via cross-industry arrangements, whereby organisations will look to collaborate, pool resources and perhaps even appoint shared DPOs to comply with regulations.

Another example of what will drive the cost even further for all organisations – and particularly for insurers in the CEE – is article 17 of the GDPR, also known as Right of Erasure (or the Right

to be Forgotten). This provision allows individuals to request any data held on them to be deleted. Accordingly, by May 25, insurers will need to understand the data identification/management implications of Article 17 and how this provision stacks up against industry-level data retention regulations and national-level legislative requirements.

Understanding each country's specific implementation laws becomes a critical factor for companies operating in Europe, but especially within CEE, where cost-efficiency drives the majority of business decisions.

Nevertheless, insurers must become prepared for the task of identifying and potentially deleting all data objects across their organisations, inside various systems and within paper files that contain information about each individual invoking the right of erasure.

How the GDPR will change the insurance industry landscape within the CEE region is highly dependent on the in-country regulations which, in many instances, are still pending. In Poland, for example, last month the Ministry of Digital Affairs summarised the outcome of public consultations on the GDPR implementation

law. Even though the majority of amendments were rejected by the ministry, the final version of implementation law is now before the Polish parliament.

Adding to the complexity

Interestingly, the Data Protection Authority in Poland also maintains the website for the CEE data Protection authorities. One would expect regulators to take advantage and communicate methodically and consistently with business organisations through this site, but the reality is less optimistic and sobering: the most recent change on the site's news section is dated May 2017. While there has been ongoing communication in Poland between the business community and regulators, the Ministry of Digital Affairs has refused most of the amendments suggested by business. Unfortunately, the impasse in Poland adds to the complexity and puts additional pressure on the insurance sector regarding GDPR implementation guidelines.

As the May deadline looms, studies show an alarming lack of preparedness among businesses in parts of the EU. A survey in December from the Callcredit Information Group found 76%

of UK organisations have yet to review their products to ensure they are GDPR-compliant. Just one in five (20%) of those businesses surveyed had set up teams to lead GDPR initiatives, and only 32% had contracted third-party technical support to inform their GDPR decisions.

These are worrying trends for businesses in general. The re/insurance industry, in particular, deals with extraordinary amounts of very complex data, meaning it is one industry that should be more anxious than most it might not be able to meet the exacting new standards of the GDPR in a timely and cost-effective manner.

While it is understandable that many companies are apprehensive, they can take some comfort from the fact regulators across the EU are not up to speed with the GDPR either. With just three months before GDPR comes into effect, many regulators have still not issued guidelines, so companies have a little breathing space – but they must use it wisely. There is still time to get the GDPR process properly on track. ■

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