InsurtechAustralia
INSURANCE INNOVATION + COLLABORATION

Implementation of an economy wide Consumer Data Right

RESPONSE TO STRATEGIC ASSESSMENT CONSULTATION PAPER

PREPARED BY THE
INSURTECH AUSTRALIA WORKING GROUP

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INTRODUCTION

We appreciate the opportunity to respond to the Strategic Assessment into the Implementation of an Economy Wide Consumer Data Right (**CDR**). We appreciate that whilst theCDR framework has been designed to apply to the whole Australian economy and is being activated sector-by-sector, that different industry sectors will require sector specific frameworks and rules under the same principles.

Our submission aims to support CDR for the general insurance sector and to provide a high level assessment of the insurance and insurtech industry and its data sets and insights as to the application of the CDR to the sector. We see a huge opportunity for consumers to benefit significantly from the introduction of CDR to the insurance sector which ultimately could contribute to prioritisation of this sector over and above some others.

INTRODUCTION IN RELATION TO THE KEY POLICY OBJECTIVES

1. BENEFITS FOR CONSUMERS

Many significant decisions and events in a consumer's life are linked to a form of insurance and improving the insurance process can help impact these life events in a positive way. Extending the CDR to insurance could unlock major benefits for consumers including access to better services and products, removing friction from the insurance process and making it more efficient and transparent whilst providing the ability for consumers to compare, switch and better understand coverage levels, policy inclusions and exclusions as well as helping tackle the issue of underinsurance. We also see areas where at a community level, the CDR would help to address major industry challenges such as underinsurance and consumer protection for Australian insurance buyers. There is a growing acceptance that consumers should have greater access to the data collected about them and the ability to make this portable on a permissioned basis. In an industry such as insurance where Insurers still source a great deal of their data directly from the consumer, this could have a major benefit for industry competition and for consumer benefit.

2. ENHANCED COMPETITION & EFFICIENCY OF RELEVANT MARKETS

The introduction of CDR into the insurance industry could help tackle the issue of limited competition by overcoming some of the barriers new entrants have in accessing data sets. Rather than paying a premium for loyalty, consumers can make better informed decisions by accessing and using their own data to compare and move to products and services that represent better value for them with much greater ease. Insurance transaction costs are currently high and increasing competition may have the effect of driving incumbents to become more efficient and deliver a higher quality customer experience as a point of difference. Many insurance incumbents/insurance companies are currently going through digital transformation meaning they are primed to build in structures in relation to their data sets to allow for efficiency of sharing in the future.

3. CREATE OPPORTUNITIES FOR DATA DRIVEN INNOVATION

The combination of data sets from different sectors has the ability to allow the insurance industry to innovate in the pricing, product design and distribution of insurance and to create whole new business models. For example tailored and personalised insurance offers which incorporate the customer's requirements or give them a greater degree of flexibility and choices based on the data they have shared. It also has the capacity to improve current insurance products and services, bringing even further benefits for consumers across for example banking, superannuation, wealth management and insurance in an 'open finance landscape'. Australia has the ability to be seen as a global leader in the introduction of CDR into insurance and other financial services and this will drive innovation and technological productivity.

4. SAFER AND MORE SECURE DATA SHARING; CONSUMER PROTECTION AND PRIVACY

Insurers hold significant amounts of data about their customers. Setting up a regulated framework to share data, make use of accredited data recipients, designate security standards and put in place appropriate and explicit consent frameworks will provide the benefits of sharing data whilst ensuring that the consumer is always protected. There are additional practices in insurance such as price scraping which is similar to what occurs in banking but data recipient and CDR data sharing will promote the development of safer and more effective ways of sharing data.

CONSULTATION QUESTIONS:

Considerations:
Our responses relate predominantly to consumer insurance products in the general insurance industry.

1. Are there examples of use cases of particular life events or key consumer activities where access to consumer data within or across sectors could significantly improve consumer experience and outcomes? If so, how should such use cases be prioritised?

Most major life events for consumers are linked to insurance in some way including buying a home or car, having children, getting a pet, travelling, starting a business, having a medical procedure or operation, leasing a property or otherwise caused by unforeseen and unfortunate events resulting in a claimable incident, including weather events like bushfires, floods, cyclones or calamitous events, like a burglary, accident or illness. Consumers will purchase insurance to protect their assets and their family in response to life events and to guard against catastrophic events. When they are seeking protection, they need to be able to easily understand what they are covered for and compare similar products to determine which protection suits their needs and budget. Data sharing also promotes the ability for consumers to make changes to their insurances as their circumstances change due to life events.
In some cases, there is information asymmetry because consumers cannot get access to relevant data and information about the risk but this information is held by insurers or available to the insurance industry. Improving access to consumer data can allow them share their data with more than one insurer, refine the data and use it to source the products and services they need and select a provider that they want to purchase insurance from. For example, consumers may not know enough about the claims they have made historically and this may put them at a disadvantage when dealing with a different provider. By allowing that information to be shared with others, more accurate pricing based on risk can be an outcome for the consumer. There are industry constraints in relation to sharing information about claims which is one of the reasons why the CDR is so important for promoting innovation in the sector.

One of the most significant issues in the Australian insurance market is underinsurance, which is a much larger issue than non-insurance. This is driven by a number of factors including a lack of consumer understanding about insurance, including how to identify the replacement costs of insured items, the corresponding impact of deciding whether to insure certain items in the context of the impact on the cost of insurance and the ability to appropriately budget for it. Underinsurance arises quite often because consumers cannot accurately calculate how much insurance is needed to fully insure their property, despite the existence of insurance calculators. Consumer data sharing, product innovation and better consumer use of technology solutions could significantly change this outcome for consumers. For example, if customers could link their purchases to their home contents insurance policy, this could more accurately inform them and the insurer when levels of insurance may need to be increased.

Consumers are often at a disadvantage, despite regulatory requirements for insurance providers to give clear, concise and effective disclosure of insurance features and exclusions and the lengthy time for consumers to find appropriate insurance means often there is no ability to find a product that suits their needs best because of the manual nature by which they have to access quotes from various providers. Aggregation and comparison services are not widely used and they are limited in scope to certain policy types with a smaller range of providers who are willing to compare their products and compete for the consumer's business.

This is compounded with a lack of transparency as to what is covered by various insurance policies and a lack of trust in the industry that claims will be paid. Trust in the insurance industry has also been hindered by the offer of 'junk insurance' policies and this is a problem uncovered during the Royal Commission into the financial services industry.

Consumers are also faced with differing prices and pricing models making it different to compare products, a range of products covering different risks, a number of insurance providers, regulatory documents such as Financial Services Guides, Product Disclosure Statements (**PDS**) and Key Fact Sheet, complex policy documents and definitions, creating a minefield when consumers look to secure coverage that is relevant to their needs.

A priority use case for CDR that would benefit consumers would be for an ability to make accurate product comparisons through a third party site/provider by importing the consumer's data held by their current insurer, a service that is currently very limited. This would also vastly increase the consumer's understanding of the coverage that is available and ensure they are making useful like for like product comparisons and the same datasets would be used by insurance providers to price and present an insurance offer for comparison purposes. Insurers are then given an opportunity to differentiate more through customer service and risk reduction support and strategies as opposed to just levels of coverage and price. The consumer is in the driver's seat in terms of telling insurance providers what they require and they can share the data held by their insurer to accurately disclose information about their prior claims history and other information relevant to the risk.

Consumers could also use their data to potentially seek assessment from a third party regarding underinsurance and what is an appropriate level of coverage for the replacement of their insured items. Expert advice like this could also be based on current re-building and replacement costs using real time data so consumers are not at a disadvantage when calculating how much insurance they need. It would

allow them to make an informed decision about how much insurance to purchase and to budget for it. Some of the key factors that drive underinsurance are lack of understanding of the policy coverage and how the value of replacement of the insured items can increase or decrease.

Many personal lines of insurance (such as home and contents, travel and motor vehicle) are quoted on an individual basis and rely heavily on the individual user's data set. For example kilometre based usage for motor vehicle insurance or user pays pricing. This means insurance providers are collecting more and more data from consumers using things like telematics, artificial intelligence and the internet of things (IOT). When data is collected by an insurance provider and it relates to a particular consumer, the consumer should be able to share that data with other providers, when they are seeking alternative financial or insurance products or if they want to make disclosures about the risk of insuring them. As we see the progression of product development and innovation in insurance, this will become more and more important for consumers.

2. Are there particular important datasets that have cross-cutting benefits and could support a range of important use cases both within and across sectors.

The Farrell Report categorises data as:

a) Customer-provided data— information provided directly by customers;
b) Transaction data—data generated as a result of transactions made on a customer's account or service;
c) Value-added customer data—data that results from effort by a data holder to gain insights about a customer; and
d) Aggregated data sets—created when banks use multiple customers' data to produce de-identified, collective or averaged data across customer groups or subsets.

The insurance industry, insurtechs and consumers will gain immediate benefits from the CDR in particular in the initial stages when access to customer-provided data (personal information and other relevant information provided by a consumer) and transaction data can be shared with insurtechs and new entrants. This will improve the ability for consumers to more easily substitute a current product for a new one and share information that may be relevant to prevent underinsurance and might result in more accurate pricing.

Value-added customer data and aggregated data sets may be considered an insurers' intellectual property and would not necessarily be required to gain the benefits of the CDR. We can see a situation where insurers may resist sharing value added customer data because it provides insights into how an insurer might rate the risk and price the premium. Insurers may consider this to be proprietary information and commercially sensitive. However we think there is merit in having some of this data shared across the industry as it would produce better consumer outcomes in terms of more competitive pricing for products and greater product innovation. Those providers who can use the data effectively to produce better outcomes for consumers may win more business. Currently access to aggregated data sets across the industry is limited to members of the Insurance Council or those who can access limited data sets from the Insurance Reference Service. This prevents insurtechs from having access to data unless they can partner with an insurer who is a member. It also creates a 'closed-shop' environment which inhibits competition.

Access to insurance product data including transaction data including claims history and what has been insured by policies previously held by the consumer would be necessary to produce accurate quotes for comparison purposes and comparable PDS data would also be important to ensure accuracy of comparison. This is an important feature of the use case because currently insurers are not required to present data to each other in a format that allows the consumer to readily and effectively compare quotes from the insurers that the consumer would like to deal with. None of the major insurers participate on comparison websites in Australia like comparethemarket.com and consumer-directed comparison tools are not available because there is no framework for the industry to share transaction data.

Claims data is important when accurately pricing as well as in reducing fraud.

Access to driving records and history through government sources would be a helpful data set in pricing motor vehicle policies but also have the side benefit of fraud reduction. This information is currently accessible by insurance providers in a number of jurisdictions globally, for example the UK. Another interesting data set has emerged with the rise of IoT/telematics devices in motor vehicles and navigating how and when this data is shared for the benefit of consumers and insurance providers will be important as these products become more commonly available in Australia.

In the case of health insurance, life insurance, TPD and income protection, access to health and medical information would make the insurance application process more efficient and could have a significant impact on tackling underinsurance in these sectors. The extraordinary degree of information and data that consumers have to share every time they consider changing their health or life insurer is part of the reason why there is a reluctance or inability for consumers to easily find products of this type that might offer better value for money. Being in a position to share recent information from medical practitioners including blood tests and medical examinations with more than one insurer would help the consumer to make a number of applications for insurance. By giving them greater convenience and shortening application times on the journey to deciding which product to buy, there is less likelihood of un-insurance or underinsurance.

3. What are the top consumer issues that improved access to consumer and product data could help with? In other words, what are some of the significant or innovative use cases in an economy-wide CDR? Why are they important? For example, are there use cases which would improve the welfare of, or ability to access services and improve participation by vulnerable or disadvantaged consumers?

“Open finance” or an economy wide CDR has the potential for numerous consumer benefits including consolidation, efficiency, convenience, greater transparency, greater choice and ability to switch and products potentially better suited to their financial situation. This could also carry across to third party providers such as wealth managers that might be able to better manage their customer’s financial situation through more of a single view.

There could also be interesting use cases when major life events occur and improved data access makes the process more efficient and consumer friendly. For example in the case of a home purchase:

- A consumer looking to purchase a property;
- A consumer accesses publicly available information on that property such as associated risks/weather related risks/soil related risks in the area (including information like flood mapping data and information);

- A consumer accesses banking information around loan opportunities available for the loan required;
- Prior to the purchase, a consumer can obtain insurance related information relating to the property and its risks and investigate insurance options provided so the consumer understands ongoing costs. At this time, insurtechs working alongside insurers can help to reduce the adverse impact of property related risks and reduce risks for consumers including underinsurance or un-insurance for relevant risks; and
- Consumer purchases property as a better informed customer with a clear understanding of the risks associated, and insurance and banking costs associated.

In relation to vulnerable customers, there are ongoing issues currently with difficulties in identifying customers experiencing vulnerability and forcing customers to continually disclose their vulnerability. This often prevents customers from accessing the 'extra care' that is available. The General Insurance Code of Practice imposes obligations upon insurers to provide 'extra care' to customers experiencing vulnerability and in respect of financial hardship. This extends to the embarrassment of forcing a customer to repeatedly divulge the circumstances of their vulnerability whenever they deal with an insurer. This also extends to family violence situations where the person(s) impacted may be prevented by others from divulging their vulnerability and they may be presented with limited opportunities to explain their situation.

Larger insurers have better resources (technology and human) to identify customers experiencing vulnerability, however we are of the belief that it is unfair that the assistance provided to vulnerable people is dependent upon who you are insured with. The identification of the vulnerability is a critical factor in providing 'extra care' or support. Such support includes translating services, national relay services for the hearing impaired, financial hardship support, family violence support, mental health assistance, access to external specialist services etc. CDR could assist the individual by preventing a situation where this information has to be disclosed on multiple occasions so where it is collected once and recorded as customer data, each data recipient will be able to understand the circumstances of how the vulnerable customer has been supported previously and activate similar services to support that individual. Of course sharing very sensitive information like this may require additional protections for privacy and personal information.

4. What consumer or product data is required to bring these use cases to life?

Please see our responses to the previous questions.

5. Would prioritising access to a particular sector or dataset facilitate faster adoption or improve efficiency of expansion of the CDR? Are there sectors where significant data sharing is already occurring? If so, would applying the CDR improve this or provide additional benefits such as greater standardisation?

Currently, insurance is not an area where there are significant levels of data sharing particularly customer data. Customer data is often held as proprietary information by each insurer as it is used for pricing and is incorporated within algorithms and actuarial modelling (including potential loss values and risk to the asset). Limited customer data is anonymised and aggregated and provided in some part by the Insurance Council of Australia, however this information can only be accessed by members of the Insurance Council, and membership does not extend to insurtech players. Whilst there are a number of similarities in the data collected by insurers there is also a great deal of variation. For CDR to be effectively rolled out

to the industry we would suggest the initial step of data standardisation and standard definitions across the industry including risk inclusion and exclusion terms and potentially even standardisation of minimum levels of coverage. A more standardised approach to PDS wording and presentation would also greatly assist consumers in being able to make accurate product comparisons and build greater understanding of coverage, particularly if this promotes the use of technology so consumers can more easily compare insurance providers using their personal data to obtain insurance quotes/terms. The industry may move to innovate in this direction and compete if they can access consumer data and transaction data more easily from incumbent insurers.

The current CDR rules outline that firms disclose product data (also referred to as 'product reference (generic) data') in a standardised form for example: Price, features and benefits and T&Cs.

ACORD (Association for Cooperative Operations Research and Development) is the global standards-setting body for the insurance and related financial services industries and could be used as a starting point to provide a standardised framework for data sets as part of applying CDR to insurance in Australia. We are aware that brokers and insurers in Australia use this standard for digital transactions on a B2B basis, so it may be appropriate.
Some insurers require a larger set of data than others in order to assess the risk level, calculate a premium, and even understand whether insurance can be offered. There is a potential issue, where if for a given product we take a "lowest common denominator" approach to data use, it's going to reduce the value of the CDR significantly. A minimum data set requirement which reasonably represents the data which most insurers commonly require to price a policy could help avoid this issue.

6. What are the more useful datasets for designation or examples of specific compelling datasets which providers across sectors could especially benefit from? Are there richer opportunities for consumer benefit where datasets from multiple sectors are combined?

In addition to the data sets already outlined, there are data sets which are currently used by the insurance industry but only provided on a paid basis and in some cases only accessible by certain insurers (for example those that are ICA members) and not for example to insurtechs or new entrants. A potential issue in relation to this revolves around fairness and access to information to increase competition and the CDR could potentially work to resolve this by making much of this paid information accessible directly by consumers. This information includes:

- Insurance Reference Services (**IRS**) Information - a claims database comprising motor, home and travel claims information accessible by ICA members only. The registry is not able to be accessed by consumers themselves and is currently not regulated.
- Insurance Council of Australia data globe (weather/building attribute data);
- PDS comparison tool via LMI;
- Council information for properties (not shared currently in Australia but shared in NZ);
- Geoscape (However, the GeoScape data is released for a fee, substantial enough to deter its use for insurance purposes);
- Core Logic data; and
- Credit scoring data.

7. Is the CDR the appropriate path to support these various potential use cases, or are there other solutions available?

The CDR could be an appropriate path to support the majority of use cases. Access to some data sets may be out of scope for example actuarial businesses that provide certain paid data sets.

8. Are there sectors with competition issues which would more readily benefit from reductions of data-related barriers? For example, to facilitate providers responding to competitive pressure by improving products and services, new market entries or increased transparency.

Consumer trust levels in the insurance sector are traditionally one of the lowest of any industry, in part driven by the lack of transparency of product information and difficulty in understanding coverage and making accurate comparisons between products and providers.

There is currently a highly concentrated market share held by few insurers, limited competition and multiple barriers to new entrants in the insurance sector. This limits the innovation around products and services in addition to limiting the options available to consumers. Data sets are not openly available to insurtechs or new entrants to assist in pricing or rating and understanding risk. Lack of competition and transparency results in consumers simply staying with current providers because they are unaware of better suited coverage or deals or simply don't have the time to find them.

The CDR would act to provide a framework to improve competition and options for consumers and better access to comparison and coverage information.

9. Which sector market's efficiency could be improved by making consumer and product data readily transferable to other providers? Are there sectors where there is currently a high transaction cost to release and disperse this data that the CDR could address?

The transaction costs in the insurance industry are currently high and more so for new entrants that don't have access to the same data sets. The CDR would give new entrants a better opportunity to reduce these costs. Cost savings would be passed on to consumers.

10. Are there other steps we could take to strengthen or develop the CDR regime to enhance the economy-wide roll-out?

In principle, the overarching framework of the CDR as designed for the Open Banking regime should apply with minimal modification for insurance.

11. Are there any datasets or kinds of data that may or may not be suitable for Consumer Data Right designation (e.g. due to privacy concerns)? Why?

Some of the data sets that may prove more sensitive in a data sharing environment include:

- Declination of policy and declination of claim;
- Criminal history information; and
- Certain health and medical history eg. pre-existing medical conditions for travel insurance.

Having access to the number of claims and policy declinations as well the reasons would assist new insurers with understanding the insured and may in the event that a claim was denied due to lack of coverage assist in ensuring a new customer is not underinsured and has coverage for what they need.

Criminal history information would help in identifying whether certain customers have a previous history of fraud or dishonesty which would significantly impact the decision to provide coverage. It also may be relevant when providing certain insurance where criminal history may impact the insured. However there are privacy concerns that having access to this information might impact on civil liberties.

Additionally, having access to certain health information could be used to discriminate against particular insureds or segments of the community who become 'uninsured' if this information is not used fairly, sensitively and intelligently when deciding how to price insurance or whether to insure someone. This may lead to outcomes that do not support consumers. We believe the benefit of the use cases outweighs the potential to disadvantage consumers.

12. Are there global trends or good examples internationally of where consumer data is being used to drive better consumer and/or social outcomes? How has this informed that jurisdictions' approach to rolling out comparable data regimes?

Organisations are being developed in some regions to help research insights and action eg. in London: https://openinsurance.io/ and Italy:
https://www.insurtechitaly.com/membership/-open-insurance-observatory

Pingan and AXA in Singapore and China:
https://insuranceblog.accenture.com/how-are-insurers-opening-up-in-asia-the-case-of-ping-an-and-axa
CGI in Canada: https://iis.cgi.com/rapidweb/en/
Discovery in South Africa: https://www.discovery.co.za/vitality/how-vitality-works

BACKGROUND

Insurtech Australia was established in October 2017 as a national not-for-profit organisation, run for the benefit of our members and partners across all corners of Australia with a vision to create a world leading insurtech ecosystem. Initially born as a division of Fintech Australia, our growth and development of objectives specific to our industry led us to become an independent organisation in June 2019. Insurtech Australia operates under a Board of Directors and is supported by an Advisory Committee made up of a number of senior industry representatives, many coming from our platinum partnership base. The community is made up of insurtech startups and scaleups, insurers, re-insurers, insurance brokers, actuaries, legal and consulting firms, co-working hubs and investors. We collaborate with key stakeholders and foster an environment where Insurtech can thrive and grow in Australia. Our membership has grown to support over 75 insurtech organisations and 29 corporate partners.

In February 2021, the Open Insurance Working Group was established and it is jointly led by The Fold Legal and Insurtech Australia and included representatives from the Insurtech Australia membership base. The overarching purpose of the group is to represent the insurtech industry in early stages of policy development as the Consumer Data Right is expanded from banking to other financial services including life and general insurance. This Working Group aims to coordinate Insurtech Australia members and focus its efforts to influence progress and positive policy and regulatory outcomes for consumer data access rights enabling consumers to access a diverse range of services offered by our sector. It also aims to support the broader initiative of supporting Australia to be a global leader in relation to Open Insurance.

The working group consists of representatives from organisations including Agile Underwriting, FreightSafe, Friendsurance, Finder, KOBA Insurance, Open, Picnic, Stella Insurance, Reask, TrueLayer, The Fold Legal and uBind.

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