



Insurance Council
of Australia

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Strategic Assessment Team
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The Treasury
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PARKES ACT 2600

Submitted via email: data@treasury.gov.au

To whom it may concern

CONSUMER DATA RIGHT: STRATEGIC ASSESSMENT

The Insurance Council of Australia (ICA) thanks Treasury for the opportunity to provide a submission to the consultation paper, [Implementation of an Economy-Wide Consumer Data Right: Strategic Assessment](#) (the consultation paper). The ICA has previously made submissions on data-sharing, including to the Productivity Commission *Inquiry into Data Availability and Use Issues Paper*¹ and the subsequent *Draft Report*.²

The ICA is the representative body of the general insurance industry in Australia and represents approximately 95 percent of private sector general insurers. As a foundational component of the Australian economy the general insurance industry employs approximately 60,000 people, generates gross written premium of \$53.9 billion per annum and on average pays out \$166.2 million in claims each working day (\$41.5 billion per year).

The ICA understands that this consultation will inform Treasury's analysis and advice to Government about how the consumer data right (CDR) should be implemented across the economy at large. Should Government consider designating the general insurance sector in future, it will conduct a separate sectoral assessment.

Our comments below provide some initial thoughts from an industry perspective. For the purposes of this submission, we have assumed that references to "general insurance" in the consultation paper include motor vehicle and home insurance, which are the lines of general insurance typically purchased by consumers. We have not provided comments on more commercially oriented lines of general insurance, such as professional indemnity insurance. Including more complex insurance products within the current scope of the CDR roll-out would dramatically expand the complexity of any future CDR designation. For a range of reasons, the ICA and its members see no compelling case for expanding

¹ Insurance Council of Australia (July 2016), *Submission to the Productivity Commission Inquiry into Data Availability and Use: Issues Paper* ([link](#))

² Insurance Council of Australia (December 2016), *Submission to the Productivity Commission Inquiry into Data Availability and Use: Draft Report* ([link](#))

CDR to professional indemnity and other commercial lines of insurance, particularly given a lack of any meaningful value it would offer to consumers and businesses in this context.

In moving forward, we suggest that work proceeds by developing and evaluating use cases. As this submission discusses below, there are key differences between the data held within the insurance sector and data held in other sectors.

Data in General Insurance

As an industry grounded on pricing risk, insurers collect a wealth of data from various sources. This includes personal information provided by consumers, natural hazard data, claims history among other things. However, while insurance is a data-rich industry, it is important to recognise that the types of data held is not necessarily analogous to the other sectors. Below, we have outlined some of the key differences with other sectors and potential implications for CDR:

- **Frequency of Data Collection.** Compared to the sectors that have been designated to date, insurers generally do not possess “up-to-the-minute” transactional consumer data. For example, banking data is frequently updated as consumers purchase items, pay bills and mortgage payments, make transfers and so on. Insurance products are quite different. Consumers do not interact with their insurance policies on a regular basis. After the product is purchased, insurers do not generally ask customers for additional data except in specific cases. For example, via prompts at time of renewal to review the accuracy of previously provided information. This may have implications for data portability use-cases as customers would need to re-validate data and be prompted to do so.
- **Differences in Information Collected.** Different insurers will have different underwriting rules and therefore may collect different information from customers. As with the example above, this may have implications for portability as customers will likely need to provide additional information.
- **The Role of Intermediaries.** Intermediaries such as brokers play a significant role in the customer relationship, and they often hold the relevant consumer data. However, intermediaries are often small businesses, meaning that their readiness would need to be assessed.
- **Diversity of Insurance Products.** Insurance products are often more diverse, complex and tailored than products in other designated sectors. This may pose challenges for some use cases, such as product comparison. However, the ICA notes that some sub-sectors have standard or minimum coverage requirements, which of themselves diminish the utility of product comparisons.
- **Data Related to Assets.** Insurer data often relates to the insured asset rather than an individual, meaning that it remains relevant to that person only while they retain that asset. For example, in providing home insurance an insurer will consider the location of the dwelling to assess natural hazard risks (such as riverine flooding, cyclones, bushfires) among other factors. However, the data would not remain relevant should the customer move to a new house.
- **Data Collected by Government.** In some instances, such as where data relates to workers compensation or compulsory third-party cover, insurers are merely custodians of the data to enable processing of outsourced claims or other services on behalf of government. Our view is that it would not be appropriate for insurers to be required to provide this data directly to consumers or other parties as they are bound by the terms of their engagement with Government.

- **Pricing and Risk Management Data.** As noted above, the insurance industry is foundationally based on assessing and pricing risk based on a broad cross-portfolio understanding augmented with commercially acquired data. As in other sectors, this information is the result of substantial business investment. The sharing of this data between competitors would stifle competition, investment and innovation and hence is not appropriate for inclusion within the scope of the CDR.
- **Sensitive Personal Data.** Where insurers do collect personal data, this is often of a sensitive personal nature and collected in very specific circumstances relevant to issuing policies, assessing claims and assisting customers experiencing vulnerable circumstances. For example, motor vehicle insurers may request personal medical information, or a customer may request deferral of payment of an invoice due to financial or personal hardship. Our view is that this data is generally not relevant to the purposes of changing insurance providers or comparing effectiveness of insurance policies and should be an excluded data set. We further note that this sensitive personal data, if shared incorrectly or de-contextualised, may inadvertently “red flag” consumers.
- **Vulnerable Customers.** Customers who are more digitally savvy will be better able to leverage the benefits of the scheme over those who are less able to use digital means to participate. Consideration will need to be given to impacts on less vulnerable customers, including on pricing and coverage.
- **Interaction with Other Legislation.** Any implementation of CDR in insurance would need to consider possible interactions and conflicts with recent regulatory reforms, such as the deferred sales model for add-on insurance and anti-hawking provisions. Such consideration would need to be undertaken early in any process of deeper exploration.

Next Steps

Australia remains at an early stage in understanding how insurance data can be leveraged for the purposes of the CDR. We are happy to work with Treasury to improve our mutual understanding of the potential uses – and limitations – of insurer data. We suggest that a path forward is to elaborate and test consumer use cases in light of the data actually possessed by insurers.

For example, one consumer benefit that has been suggested is decreasing rates of non-insurance. However, given that non-insured individuals are outside of the insurance sector deeper consideration will be needed to see how these benefits could be realised. Similarly, product comparison use cases will be much more complex to apply within insurance, given the diversity of products on offer. Any such use case will need to consider how to best capture product diversity and allow scope for innovation, as well as considering potential impacts on consumer behaviour. Additionally, product switching will need to account for the fact that different insurers collect different data from consumers and any transferred data will require re-validation.

We do not suggest that these challenges are insuperable, but rather that CDR requires deeper consideration, both (a) in the light of the data possessed by insurers, (b) to clearly test potential consumer benefits, and (c) to identify whether any novel use cases may present themselves. We therefore suggest that a path forward is to elaborate and test consumer use cases in light of the data actually possessed by insurers. This could also assist consideration of cross-sectoral designations.

Finally, the ICA recommends that further work be undertaken in conjunction with industry to assess industry's overall readiness as many key data-holders within the industry (intermediaries) are smaller entities. This may require a more detailed data mapping exercise.

If you have any questions in relation to our submission please contact Aparna Reddy, ICA General Manager, Policy – Regulatory Affairs, on 02 9253 5176 or areddy@insurancecouncil.com.au.

Yours sincerely



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