



Insurance Council
of Australia

21 December 2023

General Manager
Macro and Industry Insights
Australian Prudential Regulation Authority

By email: dataconsultations@apra.gov.au

Dear sir/madam,

General Insurance Discussion Paper – Insurance Data Transformation (IDT)

The Insurance Council of Australia (**Insurance Council**) welcomes the opportunity to provide a submission in response to the IDT Discussion Paper. Discussions with our members have highlighted the importance of pilot collections and clear articulation of the use case to enable effective collaboration between APRA and ASIC (**the Agencies**) and industry. We reiterate our strong interest in and support for the establishment of technical working group(s) comprising members of regulated entities and the Agencies to develop the proposed collection.

We understand you will receive more detailed submissions from some members raising individual company concerns. In the meantime, we provide the following broad industry comments.

Scope

Our members welcome the opportunity to uplift data capabilities as they seek to continually improve industry practices and insights that can be gleaned from data. Members also note the significant value of the benefits of a central agency collecting data. We acknowledge that richer data insights will strengthen the Agencies' supervision of the general insurance industry and provide the opportunity to streamline the efforts of the industry who currently respond to similar requests for data from multiple agencies at any time.

We note that the breadth and depth of the proposed data collection includes many items that are not currently collected by our members, and will require significant uplift to existing systems, processes and governance frameworks to implement. The design and development phase of IDT will further strain resourcing and add to existing cost pressures as it is expected to coincide with the implementation of the Financial Accountability Regime and *Prudential Standard CPS 230 Operational Risk Management*. It will be paramount for our members to understand the nature of insights the Agencies wish to collect to co-design a fit-for-purpose regime that will not impose undue regulatory burden on the general insurance industry.

This is a particularly pressing issue for many of the medium and smaller industry members who may not have the resources available to deliver the sorts of uplifts in data collection, systems and process redesign and implementation, and resulting changes to business operations in the timeframes required. As such, our members are eager to collaborate with the Agencies to agree on the roadmap, data to be sourced, use and purpose of the data, phases of the collection and what products to incrementally introduce, and the data dictionary. This will be best facilitated and governed by a technical working group to ensure the success of IDT.

The nature of the data being submitted (policy-level de-identified, or not, regional/post code-level, frequency of collection) will need to be thoughtfully considered as it will have implications on security risk, size of the dataset, level of resourcing and timeframes required to prepare for its submission. We strongly recommend data be collected annually given most policies have a duration of 12 months.

Depth of data collection

IDT contemplates the collection of transaction-level data, which has varying implications on direct writers and reinsurers. It is challenging to provide a reasonable estimate of the volume of data produced by insurers without a definitive indication of the granularity required. The granularity of the proposed collection and differing portfolio mixes across the industry will also have a flow-on impact on the timeframes required to collate the data.

Additionally, regulated and non-regulated reinsurers may provide coverage to various local insurers that seek to transfer excess individual or aggregated risks in exchange for a premium. IDT will not support the Agencies in attaining a comprehensive market view as it does not capture non-regulated reinsurers. Reinsurers may not hold a portfolio of insurance policies or receive the granularity of policy or claims information proposed in the enhanced National Claims and Policies Database (NCPD) due to the treaty and facultative nature of reinsurance, which poses challenges to providing transaction-level data. Further, the syndicated approach to reinsurance may result in potential duplication of reporting, on any one reinsured portfolio, by multiple reinsurers.

Finally, it will be critical for the Agencies to consider third party underwriting agencies and brokers who facilitate insurance transactions. Whilst some service providers are domiciled in Australia, much of this work is starting to move into international markets, and many of the operators are not APRA-regulated. As such, getting a clear picture of the data landscape may be challenging.

Breadth of data

There is an opportunity to reconsider the classes of business in existing data collections and we agree with the phased approach proposed by the Agencies. We propose that products are incrementally introduced over several phases, such that learnings can be applied to subsequent phases to ensure a smoother implementation.

We particularly recommend the review of 'Houseowners/Householders' defined under *Prudential Standard GPS 001 Definitions* which is currently inclusive of contents, personal property, arson and burglary. This class of business, as it stands, captures both home insurance for detached dwellings and strata insurance. The characteristics of the two property classes including the associated risks and insurance coverage are distinct and we strongly encourage the Agencies to treat strata insurance as its own class of business to better track and respond to any protection gap in this market.

Prioritisation of Public Liability Insurance

We are concerned that data collection around Public Liability Insurance is being prioritised when much of this is collected in the NCPD dataset as an established practice. We note that the NCPD dataset is currently somewhat error prone given inconsistent use of ANZSIIC classifications. As such, we suggest that any change in the collection of Public Liability Insurance data be considered in light of the need to review, update and standardise ANZSIIC classifications for both liability and professional indemnity lines, with the intent to amalgamate and streamline this data collection. We propose that the enhanced NCPD be absorbed into the standardised data collection rather than remain as a standalone collection.

Regulatory burden

Our members welcome government agencies' commitment to improving data sharing by forming the Multi Agency Data Committee. The ACCC currently collects insurance data that are likely to overlap with IDT proposed collections and we strongly recommend harmonising data definitions across data collections to reduce duplication or the need for re-work to meet reporting requirements. Further, we note that there is often significant overlap between data requests and submissions requested by various agencies including the National Emergency Management Agency, the Australian Bureau of Statistics, and the Australian Climate Service. While we understand it may not be possible to align all data collection requests made by other government agencies, it would be helpful for all Agencies to examine existing data sets or data collection processes on foot when designing monitoring or policy projects, and consider how those existing resources can be used prior to making additional requests.

The volume of recent and expected regulatory change puts significant demand on existing staff and industry will be further challenged by potential tight timeframes, competing priorities and limited talent pools. Following the implementation of IDT, we recommend the review of other APRA and ASIC reporting requirements that currently overlap with data collections to further minimise duplication.

Data governance and security

The ability to collect once and share across government agencies will significantly reduce regulatory burden but will require support from strengthened data security risk management. The breadth and depth of publicly released industry statistics should be carefully considered with input from industry. Public disclosure, particularly at a transaction/policy-level, would undermine the commercial sensitivity of the data of each insurer given the proposed depth and breadth of the collection. Whilst we encourage further segregation of certain classes of business, we are mindful that enhanced granularity of data particularly in industry-aggregated or entity-level statistical publications can inadvertently publish niche insurers' market share, capacity and performance.

Any breach of cyber/information security on the Agencies' systems would impact consumers' confidence in the insurance industry and regulators, with the consequences further amplified if insurers are to submit policy-level data. Our members seek to understand the roles and responsibilities relating to data loss or exfiltration and how this can be managed in collaboration with the Agencies and other agencies likely to receive shared data. De-identifying policy-level data prior to or after submission will place significant burden on insurers and the Agencies alike. As such, the Insurance Council continues to recommend that the data collection be restricted to summarised level by regions/post codes, which will reduce the volume of data collected and administrative burden of de-identification yet be able to provide the Agencies, industry and consumers sufficiently granular insights to support policy development, government initiatives, regulatory reform and good consumer outcomes.

We welcome ongoing engagement as consultation and data collection development progresses. Please contact Alexandra Hordern, General Manager, Regulatory & Consumer Policy, at ahordern@insurancecouncil.com.au or on 0411 281 790 if you have any queries regarding this submission.

Kind regards,



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