

Productivity Commission
Data Availability & Use, Draft Report

12 December 2016

Attn: Peter Harris, Commissioner
Submission: Data Availability & Use, Productivity Commission Draft Report

iSelect Limited (ABN 48 124 302 932) welcomes the opportunity to submit its views on the Productivity Commission's draft report *Data Availability & Use* ("Draft Report").

Introduction

iSelect's focus of this submission centres on the first element in the Commission's framework for change: *Giving individuals power in data held on them*.

iSelect has been an advocate of open data policies since its inception, with one of our core goals being to assist consumers navigate their way through complex purchase decisions. Our fundamental belief that consumers will benefit more as they gain greater access to both their own data and broader information sources is based on our 16 years' experience of serving customers using data-rich digital technologies. During that period, the Company has built impressive data mining capabilities. These capabilities, when combined with access to information-rich data sources, are leveraged by iSelect in its day-to-day activities to provide consumers with more options; an increased competitive environment; and an enhanced purchasing experience – both online and over the phone with an adviser.

Over our sixteen years of operations, we have encountered numerous occasions where businesses have used high levels of industry jargon, excessive complexity in product development and marketing and strategies around frustrating access to data which, under the nebulous guise of customer 'retention', we believe is tantamount to anti-competitive behaviour.

The overlap between iSelect's business activities and the Commission's Draft Report are almost universal. In its private sector section, the Draft Report calls out as its major focus the main business areas that iSelect operates in, namely, personal finance, energy, telecommunications and insurance.

iSelect has a customer base that extends across the breadth of the Australian population, is a company that operates across highly regulated business segments and is one that prides itself on the quality of its technical capability and data analytics ability. As a result, we believe iSelect is very well placed to provide insights and commentary to enhance the debate on *Data Availability and Use*.

Background

iSelect is a publicly-listed Australian company founded in 2000. It originally commenced operations as a comparison website enabling Australians to navigate the hugely complex private health insurance market, and to choose and buy an appropriate private health insurance policy. Since its founding, iSelect has grown its offering into ten business segments spanning insurance, energy, telecommunications and personal finance products.

These product segments collectively fall within what we describe as a customer's "life admin".

As Australia's life admin store, iSelect provides a valuable service to millions of Australians who seek expert advice each year on some of life's most important purchase decisions. In the year ending June 2016, our website received nine million unique visits, we performed over six million comparisons and sold 400,000 life admin products to Australians.

The mission of the company was at the outset, and remains today, to help consumers make complex purchase decisions with confidence and connect them with the 'right' product for their needs. We aim to do this while also delivering a truly effortless customer experience.

Comparing online is only the first step in iSelect's personalised comparison and expert advisory service; around 90% of our customers choose to purchase products after speaking over the phone with one of our 500 highly-trained expert advisers. iSelect offers consumers the choice to purchase over 12,500 products from our partner group of more than 100 companies, offering over 150 different brands.

Consumers' Access to their Data

iSelect is a firm believer that consumers should be able to access, as and when they want to, their "own" data held by companies and other entities that they interact with. The consumer's access to their own data should include the ability for consumers to securely authorise third parties' access as well.

We acknowledge the Commission's proposed new framework for the access and uses of data, and agree with the view that current regulatory frameworks around data management do not suffice.

The proposed "Comprehensive Right" to provide individuals with greater control over data collected on them has significant merit (Draft Recommendation 9.2).

We believe that this access needs to be provided in machine-readable formats and preferably with a mandated secure access mechanism for real-time data transfer. Our recommended and preferred model for such access would be via secure Application Programming Interfaces ("API's" – see below).

Effects & Benefits of Providing Access to and Portability of Consumer Data

Our view is consistent with the Commission's that the provision of an individual's consumer data in easily accessible and machine readable (i.e. "portable") format will further empower the consumer in their ability to interact with third parties. This would potentially provide consumers access to a greater range of products and foster competition between providers of those products.

An obvious example of the success of data portability is evident in our mobile phone market. A customer's mobile phone number is effectively their "own" data. Following the mandating of mobile number portability, consumers were immediately offered and able to access a plethora of competitive products that otherwise would have been "too hard" to access (due to customers having to change mobile telephone numbers).

iSelect believes that Australian consumers currently suffer from "institutionalised apathy" due predominantly to the belief that shopping around and changing providers is time consuming and difficult. This apathy results in consumers paying what is termed the "lazy tax" – staying with an incumbent provider and effectively paying more than they have to for products or services due to perceived lack of easily accessible and viable competitive choices.

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The quantum of this “lazy tax” was estimated by Queensland University of Technology as \$11.6 billion per annum, in a 2015 study¹. The QUT study concluded, amongst other things, that the main reasons for consumers’ apathy “*are switching costs and the lack of information on different service providers*”. The report also stated, “*These observations suggest that if people have more information on the conditions offered by different service providers, they would make better choices.*” Providing consumers access to their own data would enable competitors and intermediary companies like iSelect to provide viable alternatives to customers, and to enable ‘painless’ switching between products to save money.

iSelect also believes that product providers actively frustrate consumers’ attempts to switch to an alternative product in what effectively amounts to anti-competitive behaviour. An example of such activity is to so delay the provision of customer data to a customer or competitor that the customer eventually ‘finds it too hard’ and stays with the original provider. These “retention mechanisms” have in the past been determined to be so detrimental to consumers that the Government has mandated legal sanctions: under the Private Health Insurance Act 2007 (Cth) it is now an offence for a private health insurance fund to delay the provision of a customer’s “transfer certificates” beyond the mandated 14 days. Prior to such relief, consumers and competitors were frustrated in their attempts to switch providers, with the result being lessened competition and, ultimately innovation.

Allowing third parties access to consumer data will promote nimble new entrants (eg. Fintech companies) to enter and innovate in markets that may otherwise be uncompetitive for them to participate in. For example, by opening securely their history, financial services customers would be able to more easily shop around to find a product which better suits their needs. This is especially important in the home loans area, where the major banks still control more than a 70 per cent market share.

Perceived privacy issues could be overcome by ensuring the regulatory framework clearly empowers the consumer with the ability to provide informed consent to the transfer of their data. This consent would be provided to trusted third parties that have a relationship with the consumer.

Application Programming Interfaces

Secure API’s provide companies with the ability to transfer data efficiently and without manual intervention. The efficiency of API’s, which allow software programs to communicate with each other, also alleviates the problem that will no doubt be alleged by the larger, more established institutions that their “legacy” systems prevent them from economically sharing consumer data with third parties.

iSelect has substantial experience in building API’s across numerous different provider platforms. We currently uses API’s to connect with our partner companies’ systems when establishing new clients for the partner company. While there is an initial one-off set up cost for establishing the API, this is a minimal amount – between \$10,000 and a maximum of \$50,000 in our experience (depending on the complexity of product and the provider’s platform) with most around the \$20-\$25,000 mark. iSelect has developed the API’s using the industry leading Mulesoft platform. These initial costs are far outweighed by the ongoing benefits and efficiencies provided, as well as the vastly enhanced customer experience by directly on-boarding the new client.

¹ *Australians’ switching behaviour in banking, insurance services and main utilities*, Sept 2015
<https://www.heritage.com.au/news/2015/october/save%20by%20switching>

Secure API's utilise the highest levels of data encryption and security and can provide third parties access to consumer data in a similar manner, for example, as banks use communicating between their own systems and their clients' web logins or mobile apps. The privacy and security of data transfer via API's is an issue some will use as a deterrent to their adoption, however such concerns are largely unfounded with the current affordable technology.

iSelect recommends that the new data framework incorporates the mandating of an open API system for banks and other organisations to securely share their consumer data, and be subject to strict customer consent parameters.

Definition of Consumer Data

iSelect supports the Draft Report's definition of consumer data in Draft Recommendation 9.1:

- personal information as defined in the *Privacy Act 1988* (Cth)
- all files posted online by the consumer
- all data derived from consumer's online transactions or Internet-connected activity
- other data associated with the transactions or activity that is relevant to transferring data to a nominated third party.

We also agree with including a separation or identification of what is the consumer's own data as opposed to information created by the company or other entity when transacting with a consumer (termed in the Draft Report as being 'transformed' by the entity).

An example of 'consumer' versus 'transformed' data would be; the transactions in a customer's account which were created by the customer's own actions of purchasing, etc. (being 'consumer data'); and the information created by the bank when it uses this data to create a rating of the customer's credit-worthiness – the latter being 'transformed' data/information.

Transformed information would arguably form part of the IP of the company/ entity and should be treated as such. This would also have the effect of reducing the potential for companies' resistance to such proposed changes.

Mandating Provisions – fixed timeline for implementation

iSelect recommends that requirements for the provision of data transfer facilities be mandated to be implemented from a specified date, for example mid-2018. iSelect does not believe that the provisions should be optional or voluntary.

We note that this approach is similar to the main elements that are being implemented in both the UK and Europe for banks/financial institutions in relation to the transfer of customer data to third parties. In the UK, the Midata program originated as a voluntary scheme to enable data to be downloadable by consumers. Midata, and the subsequent voluntary Open Banking Standard API implementation did not produce the desired outcomes of innovation or competition, and the UK is now mandating an open API standard for banking be implemented by 2018.

Data Portability in all Sectors

While the focus on data portability often centres on banking and financial institutions, iSelect agrees with the Draft Report's assertion that there are benefits to be realised in a number of other industries.

iSelect operates in the life, health and general insurance sectors, as well as the energy and telecommunications sectors.

Energy & Telecommunications

In jurisdictions where smart meters are available, iSelect believes that energy retailers should make usage data available to consumers in a machine-readable format which can be accessed by third parties. This usage data could then be used by companies like iSelect and others to compare different customer offerings using real-time information. It is our experience that when this kind of information is accessible, providers are more likely to innovate and offer competitive products better suited to individual customer segments.

As in a number of industries, the telecommunications providers have created an environment of consumer confusion around their product offerings. iSelect and similar companies provide valuable services to consumers by cutting through the noise and complexity of offerings by simplifying information for consumers to enable more informed decision making. As with energy, if a consumer's telecommunications usage data were available in real-time, for example via an API, then that decision making would be further enhanced. Accurate, competing product comparisons would then be possible, including the potential for product tailoring to the individual customer level.

Health & Life Insurance

As noted in the Draft Report, the health industry has a large amount of data about individuals which is not consistently available for their benefit. This is also true of the private health insurance industry. Third party access to a consumer's historical health information, held by their current insurer, when deciding on the most appropriate private health insurance product would enable a separate provider or intermediary to suggest the most appropriate inclusions in their hospital cover and potentially an extras policy.

Similarly, a life insurer with access to the consumer's historical health information, and potentially their medical records, would be able to more accurately price the consumer's cover, based on the risk profile of the individual. As detailed in the Draft Report, the emergence of numerous wearable devices like Fitbit and Apple Watch has the potential to provide a plethora of data points for the health industry. We believe these data points could also apply to the underwriting of life insurance policies.

The level of confusion amongst consumers in the life insurance industry suggests also that the level of transparency in that industry could be improved. A recent Galaxy Research study² found of the 33% of adult Australians have life insurance, more than half have only the insurance included in their superannuation and the majority of those have only either a 'vague idea' or 'no idea' of the cover they hold. In addition, the level of income protection insurance coverage is 43% of those who hold any life insurance – in our view a very low figure, across the population.

Secure Consumer Data Ecosystem

While we have focussed on the private sector in this submission, we agree with the Commission's assertions that there is a large role that the Government can and should play in the maintenance of centralised data sets.

² In October 2016 iSelect commissioned a nationally representative consumer research study with Galaxy Research to assess the attitudes of over 1,000 Australian adults towards life insurance.

In addition to the numerous examples of de-identified data sets outlined in the Draft Report, we suggest that the Government adopt an even more proactive approach to open data for consumers. The creation of secure consumer data ecosystems where consumers can easily upload their own personal data in, for example, the financial sector (bank records, etc.) and other spheres (energy usage history, etc.), would provide consumers the power to decide what information they share with whom and when. The My Health Record initiative is an excellent example of such an ecosystem and iSelect will watch with great interest to see the improved effectiveness as it matures further. My Health Record should not only provide consumers with a convenient method of disseminating their history to assist with medical treatment, if used appropriately it would also enable them to gain access to better advice and the most appropriate products in the private health insurance and life insurance markets.

Conclusion

In summary, iSelect is in favour of the Government mandating a 'Comprehensive Right' to provide consumers greater access and control over their 'own' data. This right would enable consumers to receive a copy of the data on them in machine-readable format, or the ability for them to allow a third party to access this data – with confirmed consent by the consumer.

We believe that the most effective method for data transfer is via API's, as API's provide a secure and efficient avenue for data portability.

iSelect proposes that the reforms be mandated in legislation with fixed timelines for delivery by companies and other entities which control consumers' data – for example mid-2018. We do not believe that these provisions should be optional or voluntary.

Further Discussion

iSelect thanks the Commission for its consideration of our submission and welcomes the opportunity to discuss these issues and any further questions you may have.

Kind regards,

Scott Wilson,
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