



15 December 2016

Mr Peter Harris AO  
Chairman  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601

Dear Mr Harris,

### **Submission to the Productivity Commission Draft Report on Data Availability and Use**

MLC Life Insurance welcomes the opportunity to comment on the Productivity Commission Draft Report on Data Availability and Use.

From the broad, economy wide perspective, ensuring data is available to and usable by consumers, the private sector, the public sector and researchers is a vital enabler of future growth and prosperity. On this basis we are a strong supporter of the general direction of the reforms recommended in the report.

From the more focused, commercial perspective of MLC Life Insurance, we strongly support many of the recommendations made in the report. In particular we wish to register our support for recommendations 6.2, 9.2 and 9.4. We have provided further explanation on pages three and four as to why we think these recommendations are particularly important for the life insurance industry.

We have also shared some high level findings of a new report into the benefits of Big Data in the life insurance, commissioned by us and soon to be publically released. The use of Big Data in the Australian life insurance industry is in its infancy and our report shows there are a number of benefits that could be obtained were its use to become more widespread. We will provide a full copy of the report once it is in the public domain.

Within the Australian life insurance industry MLC Life Insurance is leading the way in the use of Big Data, including by our award winning *MLC On Track* health and wellness program. The program uses fitness tracking technology to measure customer physical activity and rewards them with discounts off their insurance premium when they meet specific fitness targets.

### **About MLC Life Insurance**

MLC Life Insurance, founded in Australia in 1886, has 1.4 million customers and is still fulfilling its original goal: “to bring the security and protection of life assurance within the reach of every man, woman and child”.

With a market share of approximately 11%, we are Australia’s fourth largest life insurer. We offer a full range of group and individual life insurance products including Life Cover, Income Protection, Total and Permanent Disability, Critical Illness, Accidental Death and Business Expenses insurance. Our ambition is to become Australia's leading and most trusted life insurer, with life insurance products that are innovative, competitive and flexible.

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MLC Limited uses the MLC brand under licence. MLC Limited is part of the Nippon Life Insurance Group and not a part of the NAB Group of Companies.

We play an important role in protecting our customers, their families and businesses against the adverse financial impacts of premature death, illness, injury or disability. In the financial year to 30 September 2016, we paid over \$900m in claims for our customers and their families, in doing so reducing or removing the need for people to rely on Government support to manage their financial needs and responsibilities.

As customer needs are changing, we are changing with them. A growing segment of the market is demanding products to be available via new channels, including directly (without financial advice) and via superannuation funds. Responding to this customer-led demand, MLC Life Insurance is now available across all distribution channels.

### Acquisition by Nippon Life Insurance Company

On 3 October 2016 National Australia Bank Limited (NAB) completed its sale of 80% of its interest in MLC Limited (MLC Life Insurance) to the Nippon Life Insurance Company (Nippon Life). This has led to the creation of a dedicated life insurance business, MLC Life Insurance, in which NAB retains a 20% holding and Nippon Life an 80% holding. Going forward, Nippon Life will be investing further significant funds into MLC Life Insurance.

Nippon Life, founded in 1889 and based in Osaka, Japan, is a mutual company with 11 million customers worldwide and has a mission to “help create a secure future for its customers”. This mission aligns closely with MLC Life Insurance’s passion for its customers.

With the strong backing of Nippon Life, MLC Life Insurance is now poised to deliver even better value for its customers. This strategic partnership will enable us to invest significant capital to simplify and improve the customer, banker, adviser and our employee experience with the aim of ensuring our solutions are easy and simple to understand and administer. Digital channels and Data analytics form a key part of our strategy. We are investing to simplify our back-office systems, including sales, servicing, underwriting and claims, to make it easier and quicker for our stakeholders.

In a demonstration of our commitment to customers, MLC Life Insurance has featured prominently in industry independent awards in 2016. Most recently, in August 2016, we were recognised as ‘Life Company of the Year’ in the *Financial Review Smart Investor Blue Ribbon Awards 2016*. In October we were recognised as *Adviser Choice Risk Company of the Year* for the second year in a row at the 2016 Money Management Adviser Choice Risk Awards, highlighting the strength of our customer focus in the adviser sector. These awards are strong evidence that our philosophy of placing our customers at the heart of everything we do is presenting tangible results for customers, advisers and our business.

Should you require further information regarding any of the information contained in this submission, please contact in the first instance our Senior Consultant – Government and Policy, Mr James Connors, on 0484 083 208 or via email at [james.connors@mlcinsurance.com.au](mailto:james.connors@mlcinsurance.com.au).

Yours sincerely,



Andreas Vecchiet  
Head of Corporate Affairs  
MLC Life Insurance

**DRAFT RECOMMENDATION 6.2 - The private sector is likely to be best placed to determine sector-specific standards for its data sharing between firms, where required by reforms proposed under the new data Framework.**

MLC Life Insurance supports the principle that private sector entities are best placed to determine data sharing standards. We see strong benefits for the life insurance sector, and possibly in its interaction with other insurance sectors such as health insurance, where standards established to facilitate the sharing of certain key data.

For example, it would be of benefit to the vast majority of life insurance customers if life insurers were permitted to share data relating to claimants who attempt to deceive life insurers by way of false claims. While insurer claims processes are able to detect and decline many false claims, if appropriate standards were developed to share the identity of suspect claimants with others insurers, then insurers would be in a stronger position to reduce the financial risk associated with fraudulent claims by refusing cover earlier on, i.e. at the point of initial customer application.

By minimising such risks, the vast majority of policyholders, who are honest customers, would benefit. This is because life insurers would be able to reduce benefit outlays by the same amount as is spent on inadvertently paying out on fraudulent claims and pass these savings back to customers in the form of lower premiums.

In this example ensuring the integrity of data sharing standards may include the vetting of data by an independent external entity, such as the Financial Ombudsman Service, before the data is shared with other industry participants.

**DRAFT RECOMMENDATION 9.2 - Individuals should have a Comprehensive Right to access digitally held data about themselves.**

MLC Life Insurance supports the consumer rights described in Draft Recommendation 9.2, however we note the right for consumers to access their data already effectively exists under the Privacy Act and other legislation, and we question whether creating a new set of rights will have any material benefit.

That said, we do suggest consumers should have an additional right created, being the right for individuals in certain circumstances to request to link their own datasets with other datasets or with a service provider.

For example, a life insurance customer going through the underwriting or claims process should have the right and ability to link their own *My Health Record*, Medicare file or private health insurance claims records with their life insurer. This would allow for the continual gathering of data, rather than the current practice that requires the customer to provide data in a piecemeal manner. Such a continuous flow of data would allow for a streamlined underwriting process or faster claims processing, minimising waiting times for customers and their intermediaries. It would assist life insurers provide prompt early intervention to better support their customers returning to health and employment.

Concomitantly, individuals who opted to link data in such a way should also retain the right to delink them at any time of their choosing.

**DRAFT RECOMMENDATION 9.4 - The Australian Government, in consultation with state and territory governments, should establish a process whereby public and private datasets are able to be nominated and designated as National Interest Datasets (NIDs).**

MLC Life Insurance strongly supports Draft Recommendation 9.4 and submits that healthcare datasets are particularly strong candidates for designation as National Interest Datasets. Examples of healthcare

datasets that should be designated as an NID include de-identified Medicare and Pharmaceutical Benefit Scheme datasets, which could be analysed by life insurers to strengthen their actuarial modelling, leading to greater accuracy in pricing.

We also support calls for data regarding medical provider performance to be treated as an NID, so as to ensure it is more publically available and in a usable format. Greater visibility of medical provider performance data would benefit all Australians through decreased rates of clinical variation, increased levels of medical sector competition and greater medical innovation.

Intermediaries, including life insurers, could use medical provider performance data to recommend high performing medical providers to customers who are or may be intending to claim for Total and Permanent Disability, Income Protection, Group Salary Continuance and Critical Illness benefits, with the goal of improving their health status and returning them to gainful employment. This would advantage the customer directly by way of their improved health and standard of living, while also supporting lower life insurance costs and pricing.

### **Big Data usage in the life insurance industry**

MLC Life Insurance is an advocate for the benefits of Big Data in life insurance and we concur with the view expressed in the Draft Report that Big Data leads to improved insights and knowledge and enables more effective, better informed decision making. We therefore support policy measures which promote the usage of Big Data in useful ways in the private sector.

In an effort to demystify Big Data and encourage its usage, recently we commissioned research on the status of Big Data in the Australian life insurance industry. The research found usage of Big Data in the industry is in its infancy, especially compared to overseas, and greater use of Big Data represents an opportunity for both customers and life insurers. This survey is due for public release soon and we will be pleased to provide the Productivity Commission a copy once it is made public. The customer benefits associated with greater usage of Big Data in life insurance include:

- Improved customer experience:
  - Big Data will enable greater accuracy and faster processing – removing a key source of frustration for customers and intermediaries, such as financial advisers.
  - Customers will see reduced waiting times for receiving and accessing information, and a more streamlined underwriting process.
  - Quicker claims processing and minimised errors from manual information gathering.
- Innovation and product revamp:
  - Big Data can be used to structure products based on better understanding of the customer.
  - Using health data to create customer segments – if personal medical and lifestyle data becomes available to insurers, it could improve customer targeting, and lead to the development of personalized insurance premiums.
- Better engagement:
  - Across financial services and other industries, automation and self-servicing are becoming the norm and increasingly part of customer expectations – Big Data is a great enabler of this evolution.

For the life insurance sector, key opportunities include:

- A new perspective:

- Access to more information about customers, including their purchasing habits and lifestyles will allow insurers to re-think how products are structured, and when they would be likely to buy life insurance.
  
- Streamlining processes:
  - Increased knowledge will mean less manual administration when making a claim, or even in updating policy details, meaning customers can get paid more quickly and have easier interactions with life insurance companies.
  
- Improving risk understanding across the industry:
  - Life insurers will be able to gain a more complete picture of customers, including the information about the likelihood of making a claim, and thereby increasing the accuracy of risk assessments and pricing decisions.
  
- Effectively predicting the likelihood of claims:
  - Use of Big Data can improve and help streamline the claims process.
  - More accurate pricing structures could be a financial benefit for customers shown to be less likely to make a claim in the future.