

20 December 2016

Ms Tracey Horsfall
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Dear Ms Horsfall

Data Availability and Use: Draft Report

The Insurance Council of Australia¹ (the Insurance Council) appreciates the opportunity to provide a submission in response to the Productivity Commission's (the Commission) draft report, *Data Availability and Use* (the Draft Report). The Commission recommends wholesale change to the way data is viewed and governed in the economy. While the detail of the reforms will be developed through legislation if implemented, the Insurance Council is in-principle supportive of a shift in the governance of data to better enable its potential as an asset in the digital economy to be fully realised.

Like other participants in an increasingly data-driven economy, data presents the general insurance industry with immense opportunities. The increasing availability of data will drive innovation and help the industry to design products targeted at meeting individual consumer needs. Technological advancements also provide an opportunity for consumers to access and use data to more effectively inform choices and decision-making.

In order to harness the opportunities presented by data, the Insurance Council agrees with the Commission's finding that it will be critical for governments and businesses to maintain a social license for the collection and use of data. The overriding objective of reform should be to embed trust in Australia's data management framework.

The Insurance Council concurs with the Commission's assessment that greater control by individuals over the data that is collected about them will generate trust in how data is collected and used throughout the economy. The proposed Comprehensive Right for individuals to access, correct and opt-out of datasets will provide individuals with greater control over data than that currently enabled under the *Privacy Act 1988* (the Privacy Act).

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. September 2016 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$44.1 billion per annum and has total assets of \$120.5 billion. The industry employs approximately 60,000 people and on average pays out about \$124.6 million in claims each working day.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

The Commission also proposes to incorporate, within the Comprehensive Right, a right to transfer consumer data to individuals and authorised third parties. From our perspective, the objective of this specific right differs (from that of providing consumers with greater control over their data) in seeking to facilitate enhanced consumer choice by making it easier to consider alternative products or services in the market. This element of the Comprehensive Right is more difficult to apply to the general insurance context, given the limited transaction or risk-specific data that could be used productively by consumers. The Insurance Council submits that, rather than a broad economy-wide application of this right to transfer, an assessment should be made on a case-by-case basis of the ability of consumers to benefit from access to their data.

The other key points in our submission include:

- The Insurance Council is in-principle supportive of a nationally consistent data management framework.
- Legislation must balance data access with protection of commercial intellectual property.
- Commonwealth and state-based privacy legislation should also be streamlined.
- Reform should only be pursued where most, if not all, of the proposed criteria are met.
- Each assessment of data access needs to be made on the basis of whether access would actually be useful to the end-user.
- The right to opt-out of data collection may have implications for the ongoing viability of an insurance contract.
- The definition of “consumer data” should not include value-added data that is the result of modelling conducted by insurers.
- An individual’s transaction and claims history data is unlikely to assist them to make more informed decisions in the context of purchasing general insurance products.
- The Insurance Council will conduct a review in 2017 of product comparability options in the general insurance industry, including potential use of consumer data.
- Natural hazard, building standards and mental health data should be designated as NIDs.

The Insurance Council’s submission comments on the Commission’s proposed new legislative and institutional framework for the governance of data; the proposed framework for access to data; consumer access to data; and data that should be designated as National Interest Datasets (NIDs).

1. Governance of data as an asset

The Commission proposes comprehensive change to the way data is viewed and governed to enable its potential as an asset in the digital economy to be fully realised. Data is a critical input to identifying, measuring and pricing risk. The use of data in all facets of the insurance product life cycle, from product design, to underwriting, to claims handling places the insurance industry in a unique position to understand the vast potential uses of data in the modern economy.

Even for an industry where the use of data has always informed efficient underwriting, the increasing proliferation of data and growing sophistication of data analytics is triggering disruption and innovation to the way products are designed and sold to the benefit of consumers. The Insurance Council is supportive of a change to the way data is governed, in order to not only ensure robust risk management, but also to enable and encourage innovative uses of data through the economy.

The Commission proposes a new *Data Sharing and Release Act* (the new Act) which will establish a nationally consistent legislative framework governing the collection, storage and use of data in the public and private sectors. The new Act will require government agencies to share and release data with other government agencies and sectors; strengthen individual rights to access, correct, cease collection of and transfer data about them; and establish NIDs for open access and sharing with trusted users.

While our submission comments further on the proposed content of the new Act, the Insurance Council is in-principle supportive of a nationally consistent data management framework.

Submission 1: The Insurance Council is in-principle supportive of a nationally consistent data management framework.

We agree with the Commission's finding that the legal and policy framework pertaining to the collection and use of data is currently ad hoc and unlikely to be adequate in encouraging the more innovative uses of data. Importantly, the new Act will complement the risk management framework provided by the existing Privacy Act with greater legislative certainty in releasing data as permitted.

If implemented, it will be critical that the legislation is designed to reflect the Commission's intent that access to data is adequately balanced with the need to ensure protection of commercial intellectual property and preserve incentives to collect and add value to data. From an insurance perspective, there is also a need to balance the benefits of access to data against an insurer's ability to conduct their business, including underwriting functions, risk assessment and claims management, and fulfil their various statutory obligations.

Submission 2: Legislation must balance data access with protection of commercial intellectual property.

In addition to the new national legislative framework for data access, the Insurance Council submits that the Commonwealth and state-based privacy legislation should also be streamlined.

Submission 3: Commonwealth and state-based privacy legislation should also be streamlined.

General insurers are regulated under the Commonwealth Privacy Act. However, the data collected under statutory classes of insurance, such as workers compensation insurance, falls within the purview of state privacy legislation. Having to navigate the Commonwealth and six other state-based privacy legislation is not only inefficient from a compliance perspective but unnecessary given the policy objectives behind privacy legislation should not

differ from state to state. The Insurance Council submits that streamlining the separate pieces of legislation should be recommended by the Commission.

The Commission also makes recommendations on a number of new institutional arrangements as part of the governance framework. This includes the establishment of an Office of the National Data Custodian (NDC) to have overall responsibility for the implementation of data management policy. The NDC is proposed to have oversight of the designation of NIDs and Accredited Release Authorities (ARAs), which will have expertise in determining sectoral level data and the level of access that should be accorded to specific datasets. The Insurance Council is supportive of coordinated institutional arrangements for the governance of data, particularly in the context of critical datasets such as natural hazards where there are multiple public sector data custodians.

2. Framework for access to data

The Commission proposes nine criteria in assessing options for improving data availability and use:

- i) It must deliver net benefits to the community.
- ii) It must increase the availability of data.
- iii) It must increase the usefulness of data.
- iv) It must engender community trust and confidence in how data is used.
- v) It must enable individuals to understand, access, use and benefit from their data.
- vi) It must preserve commercial incentives to collect, maintain and add value to data.
- vii) It must promote transparency and accountability of governments¹.
- viii) It must address potential risks to privacy.
- ix) It must establish adaptability in policy settings/processes to account for different data types, different data users and changes that innovation will bring.

While the Insurance Council is supportive of the criteria as proposed, we submit that reform should only be pursued where most, if not all, of the criteria are met.

Submission 4: Reform should only be pursued where most, if not all, of the proposed criteria are met.

The criteria are comprehensive, however, only if considered as a whole. For example, a reform option that only meets criterion two is unlikely to deliver optimal outcomes unless criterion three is also met. Merely increasing the availability of data, without regard to how useful that data is, will not facilitate any productive use of the data. This is particularly relevant to consumer data, where saturating the market with data that would not facilitate effective decision-making would be futile.

In relation to criterion one, the Commission's commentary on the need to consider the potential impacts on compliance and administrative costs is important. This is particularly the case for access to private sector data, where potential benefits from enhanced consumer choice needs to be balanced with the cost of providing access to data. Ultimately, any

benefits may be negated by increased costs of products to consumers if providing access, and any mandated form of access, is prohibitively expensive.

The Insurance Council strongly agrees with the importance of preserving commercial incentives to collect, maintain and add value to data. The Commission has recognised that protection of commercial-in-confidence data is essential to competitive markets; particularly given commercial incentives have driven much of the innovative collection and use of data. The Commission suggests that where the risks associated with release of data cannot be effectively mitigated, then the data should not be released.

What is “genuine” commercial-in-confidence data will differ according to the specific characteristics of the data and the centrality of that data to a business’ operations. Insurers hold detailed and sophisticated data in order to underwrite a range of risks faced by consumers and businesses. Underwriting data is a commercial asset for insurers, and it is also the basis on which insurers compete against each other. It is essential that any requirement to release data does not compromise the underwriting models used by individual insurers to assess and price risk. The Insurance Council concurs with the Commission’s observation that there is no evidence of a need, from a competitive perspective, for government to mandate release of data from business-to-business.

In considering the scope of the reform options, the Draft Report’s commentary makes a distinction between regulated and unregulated sectors. It is suggested that commercial entities subject to comprehensive regulation, due to the relatively higher barriers to new market entrants, may face weaker incentives to provide access to consumer data. While the Commission acknowledges that this distinction will not apply perfectly, it is suggested that it provides a useful starting point in considering whether there is a public policy need to balance the interests of commercial entities and those subject to their data collection. The Insurance Council submits that such a distinction is not useful, and does not provide a valid perspective into behaviours in the private sector where these are shaped significantly by complex regulatory systems.

In the general insurance industry, commercial entities are not just subject to insurance-specific legislation referenced in the Draft Report (including the *Insurance Act 1973* and *Insurance Contracts Act 1984*), but also the suite of financial product and service regulations under the *Corporations Act 2001* and *ASIC Act 2001*. This broad regulatory framework significantly shapes the way entities access and release information, much more so than any incentives (or lack of) produced by barriers to market entry. In the general insurance industry, we have long-argued that the currently regulatory framework surrounding the provision of financial advice unnecessarily constrains its ability to provide simple product and risk information.

Criterion seven is an important one, given the potential of data to not only aid transparency and accountability of government, but also inform evidence-based policy making. This criterion should also be relevant to regulator accountability and transparency, particularly in the financial services sector where most of the costs of regulation will soon be industry funded.

Importantly, from our perspective, any reform option must be capable of assessing and balancing the risks and benefits of data use across a diversity of circumstances, institutions and users. While a whole-of-economy approach to the governance of data is beneficial in

ensuring consistency and coordination, particularly in relation to NIDs, a one-size-fits-all approach should be avoided. The industry's experience with such approaches to regulation is that it tends to produce distorted outcomes and stifles innovation.

Using this criteria in assessing reform options, the Commission recommends a scaled approach to determining access to data, ranging from open, trusted user to individual access. While this broad framework provides a useful starting point in assessing the range of non-personal, de-identified and identifiable data, the Insurance Council submits that each assessment of data access needs to be made on the basis of whether access would actually be useful to the end-user. The Commission acknowledges that up to 80 percent of data generated globally has no value; opening access to a plethora of useless information is not only wasteful of resources but could be detrimental by making it more difficult to identify data that is of value.

Submission 5: Each assessment of data access needs to be made on the basis of whether access would actually be useful to the end-user.

Using the proposed criteria and a scaled approach to assessing reform options, the Commission recommends a governance framework with the following four elements:

- i) giving individuals more control over data held on them;
- ii) enabling broad access to datasets that are of national interest;
- iii) increasing the usefulness of publicly funded identifiable data amongst trusted users; and
- iv) creating a culture in which non-personal and non-confidential data gets released by default for widespread use.

The remainder of our submission comments on the first two elements as proposed.

3. Access to consumer data

The Commission recommends significant reform to enable individuals to access data collected about them by private sector commercial entities. The objective of enabling access is to provide individuals with greater control over the data that is collected about them, and to facilitate the exercise of choice and informed decision-making. The Insurance Council agrees that access to data has the potential to transform consumer choice and decision-making. However, simply providing access to data will not achieve these objectives. As acknowledged in the Draft Report, the overriding object should be to facilitate access to data where consumers can actually make productive uses of that data.

In considering how data can be productively used by consumers, it is important to note the varied and multifaceted drivers of consumer decision-making, as evidenced by the growing field of behavioural economics. Initial findings from research commissioned by the Insurance Council into insurance pre-purchase consumer behaviour has confirmed that there is no single pathway to purchase, and the use of information in decision-making is highly varied. It is important that implementation of the Commission's recommendations, if that is the Government's decision, leverages the rich insights that are emerging from the field of behavioural economics.

3.1. *Comprehensive Right to data*

The Commission proposes to introduce a Comprehensive Right for individuals to access digitally held data about themselves. This Right will enable individuals to access the data provided directly by the individual, collected in the course of other actions (and including administrative datasets), or created by others, for example through re-identification. The Right will enable individuals to request edits or corrections for reasons of accuracy; be informed about the intention to disclose or sell data about them to third parties; and appeal automated decisions.

The requirement for data holders to inform individuals about their intention to disclose data to third parties will need to be clearly defined in the legislation. Insurers need to make disclosures to many third parties in the course of their everyday business operations; such as for claims administration and reporting to regulators. Data holders should not be required to inform the individual every time that they make a disclosure; not only would this create a high administrative burden for data holders, but would be a source of irritation to individuals receiving numerous notices.

It is unclear, in the context of insurance, what “automated decisions” would capture. Every insurance application involves the insurer determining, based on statistical or actuarial data and/or other factors, an applicant's risk profile. This underwriting process is often done using automated systems. If automated underwriting is considered “automated decisions”, this would have a significant impact on insurers and it would be practically unworkable to address appeals to everyday underwriting decisions. This is particularly the case if the definition of “consumer data” captures a broad range of underwriting data.

The Comprehensive Right, as proposed, will also enable individuals to opt-out of a data collection process, subject to a number of exceptions. As acknowledged in the Draft Report, where an individual requests cessation of data collection, this will inevitably have implications for the continued delivery of a service or product. This is particularly the case for general insurance products, where data is not only essential to the underwriting of risk at the point of sale, but also to the handling of claims should an insured event occur.

Even though it is proposed that the right to cease collection would not give individuals the capacity to prevent the use of data collected up to the point of cessation, insurers are required to validate that an insured event has occurred when a claim is made, and this would require collection of data. It is important that product and service providers are able to make data collection a condition of continued delivery of the product or service to the individual, and there are adequate exceptions for the performance of contracts. In most cases, we would envisage a request by an individual to cease data collection within an insurance context as triggering a termination of the insurance contract; this could produce significant negative consumer outcomes where it results in non-insurance. There are also implications for insurers in contexts where they have various statutory obligations around the provision of insurance.

Submission 6: The right to opt-out of data collection may have implications for the ongoing viability of an insurance contract.

If the Comprehensive Right is introduced, the Insurance Council is supportive of the Commission’s proposal to not extend this right to delete information. Data collected by

insurers in the course of underwriting insurance products and paying out claims becomes actuarial data which is essential to the pricing of future applications for insurance. Enabling individuals to delete data collected about them will have a severe detrimental impact to the sustainability of the industry.

The Commission also proposes to incorporate into the Comprehensive Right the ability for individuals to direct commercial entities to copy data in a machine readable form, either to the individual or to a nominated third party. It is proposed that this right to transfer, as with the Comprehensive Right as a whole, will apply to all industries.

The Insurance Council understands the rationale for such a right is to facilitate consumer choice and decision-making. However, we are concerned that such a broad application of the right does not enable an adequate assessment of how consumers can actually benefit from data from industry to industry, and from product to product. Even within the financial services industry, how a consumer can use data in a banking context will differ significantly to how data can be used in an insurance context.

The Insurance Council submits that, rather than a broad economy-wide application of this right to transfer, an assessment should be made on a case-by-case basis of the ability of consumers to benefit from access to specific types of data.

Submission 7: Rather than a broad economy-wide application of the right to transfer, an assessment should be made on a case-by-case basis of the ability of consumers to benefit from access to their data.

This approach would be consistent with criterion nine, for any reform option to establish adaptability in policy settings/processes to account for different data types, different data users and changes that innovation will bring. Absent this approach, the Insurance Council is concerned that mandating access to information that consumers cannot practically use to inform choice or decision-making will refocus industry attention away from more worthwhile initiatives to improve consumer outcomes.

For the general insurance industry, this includes the major work program currently being led by the Insurance Council to improve consumer pre-purchase decision-making. The Insurance Council has commissioned research into how product information is currently being used by consumers to inform product comparisons and decision-making.

This research will inform insurer trialling of innovative disclosure practices. Some insurers are already trialling the provision to renewing customers of the previous year's premium. The rationale for disclosing the previous year's premium is that any significant increase in premiums is transparent to the consumer, and would encourage consumers to shop around.

The Insurance Council will also be leading work in 2017 on options to facilitate product comparisons in the general insurance industry. Unlike other products and services where there is no limited term, general insurance products are usually offered for defined periods (commonly an annual term), where initiatives to encourage consumers to shop around are more likely to be effective.

The Commission suggests that merely enabling consumers to download their data may have limited benefits, given the average consumer is unlikely to be skilled in determining specific

data that may be of value to competing product providers. The Commission proposes that the right to transfer enables data to be provided directly to third parties, including allowing authorised third parties to direct transfers on behalf of the consumer. The Insurance Council submits that enabling transfers to third parties requires the concept of “consumer data” to be carefully scoped to ensure that commercial intellectual property is protected.

3.2. *Defining consumer data*

The definition of consumer data is central to the Comprehensive Right, and will determine the types of data that will fall within its scope. The Commission recommends a definition of consumer data that includes:

- personal information, as defined in the Privacy Act;
- all files posted online by the consumer;
- all data derived from consumers’ online transactions or internet-connected activity; and
- other data associated with transactions or activity that is relevant to the transfer of data to a nominated third party.

This definition of consumer data is very broad, and could potentially include not just data collected about the individual but also the asset that is being insured (e.g. home building). This definition could also capture insureds’ claims history that has been disclosed to the insurer. It is proposed that consumer data should be limited to data that remains substantially unaltered; this will allow entities who transform data and hold it in a way that does not identify or link back to an individual to continue to do so without impeding innovations that may flow from that data. However, while insurers substantially transform data provided by individuals in the course of assessing risks, much of the data held would remain identifiable.

The Insurance Council is concerned that, if not adequately refined, the definition of consumer data would include underwriting data used by insurers. For the industry, this data is not just an incidental part of the business, but forms the very foundation upon which products are designed and priced. Underwriting data is a source of intellectual property, and should not be included in the definition of consumer data; particularly if such data will be required to be released to third parties including competitors.

Submission 8: The definition of “consumer data” should not include value-added data that is the result of modelling conducted by insurers.

The Commission notes that, for consumer data to deliver an individual the ability to benefit from competitive offers amongst different market participants, it is likely to be a mix of some personal information and other transactional and technical standard data relevant to the service currently or previously received by the individual. Identifying data that is likely to assist consumers to assess the value provided by alternative general insurance products is not a simple task.

Unlike other products that are “consumed”, insurance transaction data is unlikely to assist consumers to make more informed decisions. A consumer making a claim against a policy might be considered to be the only point at which the product is consumed, and most

consumers purchase insurance without an insured event occurring and triggering this point of consumption. This can be compared to a banking transaction product, for example, where bank records on everyday transactions and larger purchases, and the fees incurred for those activities, might provide useful information to consumers in considering alternative products.

The Commission notes that an individual's claims data may be helpful within the context of health insurance products but the case for greater accessibility to such data for general insurance products is not as strong. The Insurance Council concurs with this finding, given most general insurance consumers purchase products without ever making a claim. An insurer's knowledge of a consumer's claims history will also be limited by the claims made to that insurer, or what has been disclosed by the consumer. While sharing of claims data between insurers may be useful from an insurer's perspective by facilitating transparency, a consumer with a history of declined claims is unlikely to want such information to be transferred.

Submission 9: An individual's transaction and claims history data is unlikely to assist them to make more informed decisions in the context of purchasing general insurance products.

From a general insurance point of view, consumer knowledge about their own risks, and the different options available in the market for covering that risk, represents the most valuable information to a consumer. However, access by individuals to detailed insurer risk data collected about them is unlikely to be useful in making consumption decisions. This is because individual insurers will use different data and have varied assessments of risk depending on their underwriting models. From a consumer's point of view, accessing risk data that will differ from insurer to insurer is unproductive.

As noted in the Insurance Council's submission to the Issues Paper, natural hazard data provides a good example of the limited utility to consumers of insurer-held risk data. Most of the data for flood, fire, cyclone and earthquake hazards is held by the various levels of government. Individual insurers combine this data with their own actuarial data for use in underwriting. Each insurer will apply different methods for measuring risk and this can result in diverging assessments of the same risk. Essentially, there is not a single "source of truth" in assessing a consumer's specific natural hazard risks.

In the case of natural hazard data, while the provision of some information to inform consumers of their risks is likely to be beneficial, access to insurer data may well lead to consumers receiving inconsistent and conflicting information from different insurers. The provision of inconsistent natural hazard data to consumers will create confusion, rather than be informative. For this reason, the industry believes that the Commonwealth Government is in the best position, and has a responsibility, to provide natural hazard data to the public.

In summary, it is unclear what type of general insurance consumer data will be captured by the Comprehensive Right. The Insurance Council submits that there are limited transaction or risk-specific data that would better assist consumers to exercise choice by considering alternative products in the market. As noted at part 3.1 of this submission, the Insurance Council is implementing a suite of initiatives to improve consumer decision-making at the point of sale. As part of this work, the Insurance Council will be conducting a review in 2017 of product comparability options to identify methods of improving consumer understanding of coverage differences between products. The Insurance Council suggests that this review will

provide the opportunity to consider consumer data that is more relevant to the general insurance industry.

Submission 10: The Insurance Council will conduct a review in 2017 of product comparability options in the general insurance industry, including potential use of consumer data.

4. National Interest Datasets

The Commission recommends that the Australian Government, in consultation with state and territory governments, should establish a process whereby public and private sector datasets that are able to be nominated and designated as NIDs. The criteria proposed in assessing whether a dataset should be a designated NID are:

- the data is of interest to a broad range of users and its use would be likely to generate broad economic and social benefits beyond those accruing to data users, holders and contributors;
- the dataset can be used as a basis for comparison between states and territories; and
- the dataset has a national focus.

The Insurance Council is supportive of a national approach to identifying and designating datasets that would generate community-wide net benefits. The Insurance Council's submission to the Issues Paper identified several public sector datasets that would benefit from wider availability to the public. We submit that natural hazard data, building standards data and mental health data should be considered in designating NIDs.

Submission 11: Natural hazard, building standards and mental health data should be designated as NIDs.

As acknowledged in the Draft Report, facilitating discovery of the range of public sector data that is available would aid identification of datasets that should be made more accessible. The Insurance Council is supportive of the Commission's recommendation that all Australian Government agencies should create comprehensive, easy to access data registers. These registers would also assist in identify datasets from across the economy that would benefit from linking.

4.1. *Natural hazard data*

Currently, most of the data for flood, fire, cyclone and earthquake hazards is collected and held by the various levels of government (federal, state and local). Local and state governments, and government-funded research agencies are particularly important sources of foundational and hazard data. Key sources of public sector data include the Bureau of Meteorology, Geosciences Australia, CSIRO and state and local governments for bushfire and flood mapping.

The users of natural hazard data are also diverse, from local government and building authorities to emergency services and community groups. Ultimately, adequate access to, and use of, data ensures that communities, planners, emergency services, individuals,

property owners and insurers understand the natural hazard risks that they face, and that effective risk mitigation measures can be undertaken.

Insurance consumers generally have limited access to natural hazard data. This is problematic in a number of ways. First, consumers with poor understanding of their exposure to natural hazard risks will be hindered from making informed decisions about the insurance coverage they require and the policies that would best meet their needs. Importantly, individual households and the community in general will not have the required information to take appropriate action to mitigate the natural hazard risks to which they are exposed. The need for more useful public engagement on natural hazard risks is particularly acute for those in high hazard regions, such as bushfire zones. Meaningful information can positively influence decision-making and adaptation at an individual household level.

The Commission, in its Natural Disaster Funding Inquiry, recommended that all levels of government should make new and existing natural hazard data publicly available. Critically, datasets that can be used by many stakeholders for multiple purposes should be the first datasets considered for open access. Foundation datasets that would contribute in this fundamental way, if made openly available, include a nationally consistent geocoded address file, topography data, climate data, demographic data, jurisdictional data and infrastructure data. Open access to this data should be a high priority for the Government.

While several states are now publishing hazard-related data in portals that can be accessed by the public, there is little consistency in what data is available, how it is developed, licensing conditions and how it is made available.

Designating natural hazard data as a NID would:

- assist communities to understand the hazards that may impact them;
- identify areas where duplication of effort between and within jurisdictions can be reduced;
- improve the efficient transfer of relevant hazard-related information between governments, insurers and communities; and
- better enable the Government to coordinate and prioritise resilience activities across relevant departments and levels of government.

The Australian Business Roundtable for Disaster Resilience and Safer Communities estimated that providing wider access to accurate, relevant natural disaster data and research could increase government savings by between \$500 million and \$2.4 billion in present value terms, over the period to 2050. Data and research which facilitates targeted and prioritised investment has the potential to deliver higher overall total savings to government of between \$12.7 and 14.6 billion over this period.²

Insurers also hold natural hazard data used in the course of underwriting. It is important that access to commercially sensitive private sector data that is incorporated into a NID is limited and not shared with competitors in the market.

² Australian Business Roundtable for Disaster Resilience and Safer Communities (July 2015), *Building an Open Platform for Natural Disaster Resilience Decisions*.

4.2. *Building standards*

In recent years, the insurance industry has worked to provide greater guidance to consumers purchasing home building insurance on the potential cost of rebuild in the event of a total loss (for example, a home is completely destroyed by a bushfire). Having an accurate estimate of the potential costs of rebuild is essential to determining a policy's sum insured, which is the total amount that will be paid out by an insurer in the event of total loss. We have seen the impacts that underinsurance can have on households and community as a whole after a natural catastrophe, such as the Blue Mountains bushfires in 2015.

However, the accuracy of insurer rebuilding estimates is inhibited by a lack of information about the rebuilding standards applicable in each specific location and the reality that these change over time. For example, where bushfire is a prevalent hazard, the local council may introduce new standards on specific land parcels (when building or rebuilding). This information is neither consolidated by local government bodies nor presented in a uniform fashion. With over 500 local councils across Australia, consolidating this data into calculators presents a significant and costly challenge for the industry. Many property owners themselves report they are unaware of changes to applicable standards.

Many calculators now generate increased sum insured estimates to address additional rebuilding costs that may result from new building standards. However, in the absence of a greater level of coordination between local government bodies in communicating changes to building code standards, the industry will struggle to provide comprehensive information to consumers specific to their properties.

Designating building standards data as a NID would centralise and make it more accessible to insurers and the general public.

4.3. *Mental health data*

The increasing reported incidence of mental illness in Australia and its impact on individuals, families and communities is an important public policy issue. In Australia, it is estimated that 45 per cent of people will suffer from a mental health condition in their lifetime³. In recent years, there has been an increasing demand for the coverage of general insurance products to be expanded for people suffering from a mental health condition.

Notwithstanding the vast array of public sector data currently collected and published on mental health, there are significant limitations, including:

- there are no 'neat' data sets; the data is in silos but connections can be seen;
- the classification of mental health conditions differ;
- the datasets do not count individuals but, for example, admissions; and
- datasets are not available over long time periods.

In order to create the right conditions for improved access to general insurance for those with a mental illness, more granular data is essential to accurately assess the risk of providing

³ Australian Bureau of Statistics (2008), *National Survey of Mental Health and Wellbeing: Summary of Results*, 2007, Cat. No. 4326.0.

cover for mental illness related claims. Designating mental health data as a NID would facilitate the development of consistent data standards across the range of data custodians, and make the data currently collected more useful for a range of users.

Importantly, enhancements to available data would also contribute to the public's understanding of mental health issues and government policy making. This would be consistent with the Government's objective to further develop the evidence base on mental health conditions, as stated in its response to the National Mental Health Commission's review of mental health programme and services.

5. Other issues

The Commission recommends that the Australian Government should adopt a minimum target for voluntary participation in Comprehensive Credit Reporting (CCR) of 40 percent of accounts. The Commission suggests that if this target is not achieved by 30 June 2017, the Government should circulate draft legislation to impose mandatory reporting by 31 December 2017.

The Insurance Council supports this recommendation. As providers of lenders' mortgage insurance (LMI) take on the same risk as lenders, initiatives that support CCR can significantly improve an LMI provider's ability to accurately assess risk and provide LMI for the benefit of borrowers (particularly first home buyers or borrowers with low incomes or low levels of equity).

LMI has been a critical component of the Australian housing market since 1965, facilitating home ownership and accessibility to credit for millions of borrowers. LMI enables those who would otherwise have difficulty obtaining a home loan to satisfy responsible lending criteria and purchase a home. LMI providers also play a significant role in promoting market discipline and act as a second set of eyes, scrutinising the quality of credit in the Australian mortgage market; LMI providers therefore help reinforce prudent lending standards and support a more resilient and stable financial system. Indeed, direct access to all available credit information on a borrower is fundamental to the business model of all LMI providers.

If you have any questions or comments in relation to our submission, please contact John Anning, the Insurance Council's General Manager Policy, Regulation Directorate, on (02) 9253 5121 or janning@insurancecouncil.com.au.

Yours sincerely



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