

11eight submission to

*Implementation of an
Economy Wide
Customer Data Right*

*Strategic Assessment
Consultation Paper
August 2021*

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[11eight](http://11eight.net)

11eight is a team of highly experienced and proven insurance executives who help companies to think differently about the future. Using our extensive experience, market knowledge and networks, we inject outside-in thinking into the strategy process and help leaders to think differently about the challenges and opportunities they face in a world which is seeing increasing disruption from technology, innovation, data and a plentiful supply of capital.

11eight is not a traditional consultancy - we're a team of highly experienced executives who have spent decades in corporate and start-up life learning and experiencing the challenges and figuring out practical real-world ways to solve those problems. We're not rich in slide decks or theoretical business models, but we do love to step in and help leaders find practical ways to move things forward. We work alongside and within the teams facing into these challenges, often focusing as much on how to navigate the internal processes as we do on the solution itself.

1. Introduction

The Treasury's Strategic Assessment Consultation Paper ("Consultation Paper") states the Consumer Data Right ("CDR") is an economy-wide reform that has been "designed to empower consumers to benefit from the data Australian businesses hold about them and in doing so strengthen competition, innovation, and productivity.... [with benefits including helping] consumers navigate important decisions and milestones in their lives, including through having access to better value and personalised products and services across sectors, and access to financial management and budgeting applications."¹

11eight is a supporter of the spirit and intent of CDR, and it welcomes the opportunity to make a submission to The Treasury in relation to the application of CDR to insurance.

The insurance industry is large, but by no means homogeneous. It spans life insurance, health insurance, and general insurance. The private sector, not-for-profits and mutuals are involved in the provision of insurance, as are Government entities. Product design, underwriting & pricing, sales and distribution processes and claims management varies across different types of insurance. Tens of billions of dollars are collected in premiums and paid out in claims every year. The regulation impacting the industry is broad ranging, spanning prudential requirements, consumer legislation and insurance-specific legislation.

It is widely accepted that the insurance industry is one of the most data driven sectors of the economy, and as a result, it is prima facie an ideal candidate for CDR. However, 11eight's view is that consumer insurance data has some unique properties that make the application of the CDR to insurance more complex than it is in some other sectors of the economy. These complexities will require Government to develop a clear policy framework, based on an assessment of whether the release of certain types of data will ultimately achieve the aims of CDR, i.e., to "strengthen competition, innovation and productivity, and... result in better value and personalised products for consumers."²

¹ "Implementation of an economy wide Consumer Data Right," Strategic Assessment, The Treasury, page 5

² *Ibid*

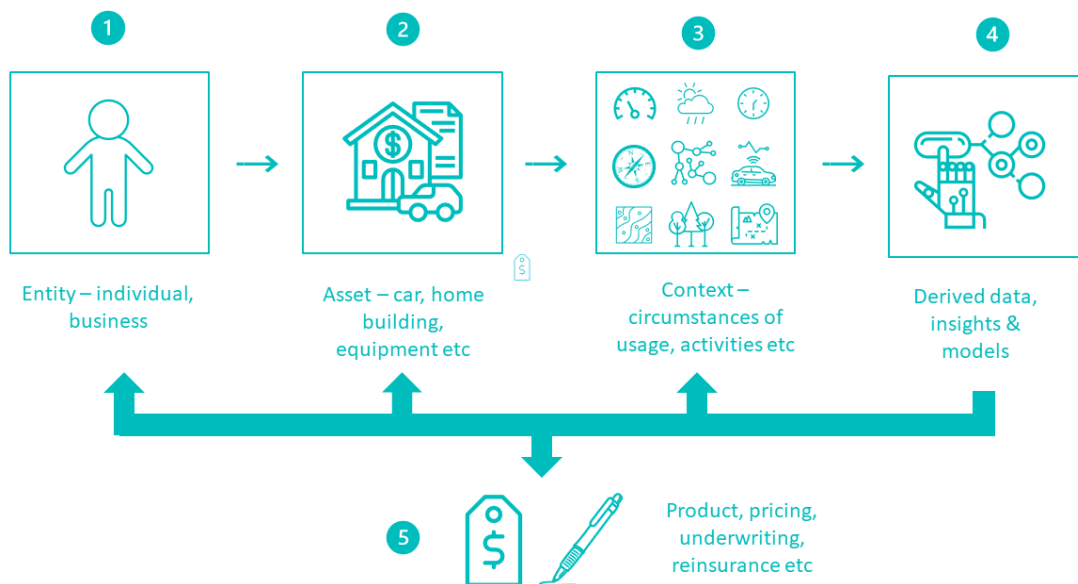
To assist the Treasury in its deliberations, 11eight has drawn on its deep knowledge and experience in the insurance industry in order to prepare this submission.

2. Unique properties of insurance data

Data, and data driven opportunities (and threats) figure prominently in the work 11eight does with Board's, Executive teams and early-stage businesses. There are four key, interrelated dimensions that help understand the nature of insurance related data (see Figure 1). They are:

1. Data about the entity
2. Data about the insured asset
3. Contextual data
4. Derived data, insights and models

Figure 1: **Stylised Categorisation of Insurance Data**



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To bring this model to life, the categorisation can be applied to a product like Home Building Insurance:³

1. *Data about the person:*
 - a. Name, address, products held, length of time products held, age, premiums paid information entered into a quoting engine by the customer etc.
 - b. The customer's claims history, whether an excess was charged during a claim, cost of the claim, whether the claim was disputed, whether the claims was flagged for potential fraud etc.

³ Examples of the type of data insurers collect have been provided. The list is not exhaustive

- c. Whether the person conducts business from the home, whether the person has taken out a mortgage etc.
2. *Data about the asset*: the address of the home, its value, its age, its construction - building materials used, whether it has pre-existing damage, is it being renovated etc.
3. *Contextual data*: whether the home is in a flood zone, whether the home is in an area that is prone to cyclones, whether the home is close to bushland and is therefore at increased risk of being involved in a fire, and whether the suburb (or the particular location of the home within a suburb e.g., being next to a train station) results in it being at increased risk of theft.
4. *Derived data, insights and models*: This covers information relating risk assessment, pricing, underwriting, actuarial, claims estimation, reserving models etc. In this case, how the cover the customer is seeking for the home is rated (i.e., data that is derived from the first three categories, which helps the insurer determine whether it is prepared to offer insurance cover, and if so the amount of premium that it will charge).

3. Issues and discussion

11eight's insurance data schema highlights the variety and type of data could be subject to CDR requirements. Each category in this schema includes either Consumer Data (which is defined in the Consultation Paper as, "...information about a particular customer and how the customer (both individual or business) uses the product or service", or Product Data, which is defined in the Consultation Paper as, "...information about the characteristics of a retail product or service", or both.

Insurers' customer and product-related data comes from various sources, including:

- Directly from their customers
- From third parties (e.g., government agencies, businesses and startups – some of which provide services that support the insurance industry - for example companies that provide aerial image data, or derive data from aerial images)
- Themselves, whether it is:
 - Original data that the insurer has created (e.g., from surveys of consumers, flood mapping, bushfire assessments etc.), or
 - Derived data that comes from linking, understanding, and analysing information from other data sources to create a new piece of data about the customer (e.g., a 'driving score' based on telematics data, development of actuarial models etc.).

Insurers (and other companies, including early-stage businesses) invest heavily in capturing, understanding, storing, enhancing and linking data, in a manner that complies with the law and in order to better understand risk. The investment, which occurs across *each* of the four parts of the 11eight data schema (although the investment typically increases as one moves from data that falls within category 1 to data that falls within category 4), drives innovation (both inside insurers and the startups and other companies that produce and/or analyse data that is ingested by their insurance clients). The constant exploration of data and its application to insurance not only increases innovation, it also generates competition that is ultimately beneficial for customers.

As a result, 11eight believes that while there are strong arguments relating to "...strengthening competition, innovation, and productivity," for certain insurance data to be made the subject of

CDR, as one moves from data set 1 towards data set 4 (using the 11eight framework) balancing the consumer benefits from releasing the data against the costs - in terms of reduced innovation and diminished competition - becomes significantly more difficult and complex. For instance, should insights from flood modelling that has been funded, developed and evolved by an insurer be portable? Or should a driver score that has been derived from analysing telematics data that has been accessed via a device that has been provided by an insurer be portable? Would making CDR applicable to data that is produced by third parties and used by insurers undermine its value and therefore reduce innovation and competition?

It is 11eight's view that policy makers need to gain a deep understanding of the data insurers access, create, capture and derive, and develop an appropriate framework to understand and categorise it. This will help ensure some of the unusual dimensions of insurance data are catered for when the CDR scheme is applied to insurance, and it will therefore ensure the reach of the CDR "...strengthens competition, innovation, and productivity," rather than stifling it.

4. Conclusion

In writing this submission, 11eight has tried to expose some of the complexity relating to CDR for insurance data. The case for releasing some forms insurance data will require careful consideration of the nature and role of insurance related data. 11eight believes it is critical that policy makers develop the 'appropriate guard rails' to assist it in delivering optimal customer outcomes from insurance CDR.