

Insurtech Australia backs extension of CDR to insurance

10 May 2021

<https://www.insurancenews.com.au/insurtech/insurtech-australia-backs-extension-of-cdr-to-insurance>

Insurtech Australia has endorsed a government plan to extend the Consumer Data Right (CDR) regime to the insurance industry.

CDR was introduced first to the banking industry in July – more commonly known as Open Banking – with energy next, followed by other sectors such as telecommunications and insurance.

It aims to give consumers greater say over the access and use of their personal information by businesses and may allow consumers to access specified data held about them by insurers, and to authorise the secure disclosure of that data to third parties.

“We would welcome insurance to be included on the roadmap,” an Insurtech Australia Open Insurance Working Group submission to Treasury shared with insuranceNEWS.com.au says.

“Our overarching position is one of support for the expansion of the CDR principles for the benefit of consumers and the industry.”

Earlier this year, the Open Insurance Working Group was established – led by The Fold Legal and Insurtech Australia – to represent insurtechs in the early stages of policy development as the CDR is expanded to life and general insurance.

A Treasury consultation into the “Inquiry into Future Directions for the CDR” released in February focused on banking and Insurtech Australia says there are “parallels and trends which are common to general and life insurance”.

Insurtech Australia – which represents 70 insurtechs and 28 corporate partners – says its members are “most interested in how CDR will support the data economy and empower customers to better use and share their data as between incumbents and innovators”.

“Insurtechs are conscious of the importance of entrenching consumer safeguards but also streamlining the process of data sharing to create efficiencies,” the submission says.

It comprehensively details the use of data in insurance, saying data is “powerful in the insurance sector because of the actuarial application of the data and its ability to affect pricing and risk decisioning”.

“Unlike banking, insurers use pricing data as a commercial point of difference and as a tool to gain competitive advantage. Insurers are reluctant to engage in any form of data sharing with competitors or with insurtechs in a manner that grants access to their proprietary data,” it says.

Data is not openly available to insurtechs or new entrants to assist in pricing or rating and understanding risk.

“Fairness is a factor in terms of protecting consumers and insurance participants such as incumbents as data used by insurers is also proprietary intellectual property,” the submission says. “There may be challenges in drawing the line between aggregated data which is used by the industry for pricing and anonymised data which can be shared industry-wide.

“These considerations will create tensions for consumers in accessing their data and being empowered to share it with those they trust and who they believe can deliver a better or more suitable insurance product.”

Insurtech Australia says data protection is a key consideration as protections under the Privacy Act are often relied upon by incumbent insurers as a basis to lawfully refuse to share data with insurtechs or other service providers.

“This is a reliable basis for refusing to share data even where a customer wants that data to be supplied and would consent to its use for the purposes of changing or switching insurance products,” the submission notes.

“One of the areas where Insurtech Australia would like to see positive developments for insurance consumers is in allowing insurtechs to access and use a particular customer’s data with the permission of the customer,” it says.

That would allow the customer to compare products, features, pricing and other criteria and assess alternative insurance offers reliably in the context of their personal insurance history and current requirements.

“Insurtech Australia supports those capabilities as explored in the report including the benefits of accessing multiple offers and providers and giving consumers greater choice.”

Insurtech Australia endorsed providing insurance customers control over their data transfer and use in switching policies and price comparison, encouraging greater competition and choice across insurance, allowing trusted advisers and brokers to operate for the benefit of their customers and lowering barriers to entry.