



Mr Todd Campbell
Senior Manager, Data Collections
Australian Prudential Regulation Authority
Level 12
1 Martin Place
SYDNEY NSW 2000

Email: Todd.Campbell@apra.gov.au

12 December 2016

Dear Mr Campbell

NATIONAL CLAIMS AND POLICY DATABASE (NCPD)

The Insurance Council of Australia¹ (Insurance Council) welcomes the opportunity to follow-up on matters raised at our earlier meeting with you in relation to the Australian Prudential Regulation Authority's (APRA) National Claims and Policy Database (NCPD).

The Insurance Council and its members recognise the NCPD's positive contribution to the general public's understanding of indemnity and liability insurance. It is a credible source of data on those insurance lines and, with close to fourteen years of available data, provides its diverse range of users a broad spectrum of benefits, such as market trend insights.

Nevertheless, as we suggested at our meeting, various improvements to the NCPD could be made to significantly enhance its usefulness. The suggested improvements we broadly outlined are based on the collective experience of members from the Insurance Council's Professional Indemnity Policy and National Civil Liability committees, many of whom have been using the NCPD's data since its first release in August 2005. Given the substantial resources that industry collectively invests to submit NCPD data, it should be the goal of all stakeholders to ensure that the NCPD provides maximum long-term public benefit.

The Insurance Council welcomed the explanation that you gave at our meeting of APRA's interest in exploring further any potential improvements to the NCPD. By way of follow-up, we agreed to provide you with some further information about our suggested improvements.

This letter expands on our main suggestions, which, among other things, includes potential improvements to the classification of NCPD occupational groups. As a key example, the NCPD's current '*Financial Occupations*' code could be separated into more meaningful categories, given it represents a large and diverse group of major financial occupations.

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).

If implemented, this would provide a more meaningful level of data granularity that aligns better with industry's data requirements. It would enable industry observers to conduct more informed analysis on liability and indemnity insurance lines, while governments would be able to base policy decisions on a broader range of data which more accurately reflects the state of the insurance markets. Indeed, improved NCPD data would also enhance insurers' ability to assess risk and price insurance products with greater precision.

The Insurance Council believes that its suggested improvements are in line with the stated objectives of the NCPD, being:

- providing insurers with detailed information to help them assess risks and determine appropriate premiums for these insurance products; and
- helping insurers develop or enhance the products available to policyholders in the future.

Importantly, our suggestions recognise the key principle that an appropriate balance needs to be maintained between industry's requirements of protecting confidentiality and the wider public interest in the availability of useful output from the NCPD.

The Attachment provides further information about our suggestions. However, recognising the potential complexities associated with amending the NCPD, we have not provided, for example, a suggested detailed separation of the NCPD '*Financial Occupations*' code.

The Insurance Council and members of its Professional Indemnity Policy and National Civil Liability committees would appreciate an opportunity to meet informally with APRA to elaborate on this letter and receive APRA's feedback, including on what would be the best way forward if it agrees that there is merit in progressing any of our suggestions.

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

Yours sincerely



Robert Whelan
Executive Director and CEO

SUGGESTED IMPROVEMENTS TO THE NCPD REPORTS

Professional Indemnity

Reclassification of occupation groups

As noted earlier, we suggest that the NCPD (Level 2 Report) single character occupation code '*Financial Occupations*' should be separated out on the basis that it represents a large and diverse group of major occupations.

The Insurance Council considers that this would provide users with more meaningful data in the Level 2 Reports, which would better reflect major occupational sectors and our members' contemporary data requirements.

Feedback from our members is that the classification of major occupation groups (such as accountancy, banking, financial advising, financial brokerage, information technology and superannuation) into one single group – '*Financial Occupations*' – diminishes the analytical value of this occupational code.

In a similar vein, we also suggest similar improvements to other NCPD (Level 2 Report) single character occupation codes (e.g. '*FVALUR Valuer – real estate*', currently grouped under '*F – Agriculture*' could be reallocated to '*E – Real Estate*').

There is potentially a significant number of potential reclassifications that could be considered. If APRA agrees that there is merit in pursuing this suggestion, the Insurance Council would be pleased to work with APRA to determine a more appropriate occupational grouping structure. Members of our Professional Indemnity Policy and National Civil Liability committees would be pleased to elaborate on this at our proposed meeting.

We also understand that any agreed changes would be subject to a determination of whether there are any commercial sensitivities around that data. In this regard, if APRA agrees that there is merit in this suggestion, it could also provide the Insurance Council with total premium and/or policy count data for each suggested occupation category.

These data would be used by the Insurance Council to determine commercial sensitivity and, therefore, which occupations can be separately reported – we acknowledge that there may be commercial sensitivity issues associated with data for specialised occupations.

Public Liability

Bodily injury and property damage

The Insurance Council suggests that an improvement could be made by APRA reporting bodily injury (BI) and property damage (PD) claims separately. Our understanding is that this would involve APRA creating an additional filter in the database.

Market segmentation

We suggest that APRA consider the feasibility of introducing a size of risk field in the NCPD to allow for market segmentation analysis (e.g. SME up to \$10 million turnover; Middle Market up to \$100 million turnover; and Global above \$1 billion turnover).

Cyber liability codes

We suggest that APRA introduce a new product code for cyber liability policies. We understand that this would involve modifying the data specification that insurers follow in submitting information to APRA for the NCPD.

Limit of indemnity and excess/deductible

We suggest that APRA expand the number of levels for '*limit of indemnity*' and '*excess/deductible*' that are published in the Level 2 Reports – we understand that this would not require a change in the reporting standards.

Management Liability

The Insurance Council suggests that APRA introduce a new product code for management liability policies. We understand that this would involve modifying the current data specification (e.g. *Reporting Standard GRS 800.1 Policy Data: Public and Product Liability and Professional Indemnity Insurance*) that insurers follow in submitting information to APRA for the NCPD.