



Discussion Paper: *Data management*

July 2017

The Insurance in Superannuation Working Group

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ISWG FOREWORD

Group insurance in superannuation and particularly its automatic issuance on an opt-out basis, has been a successful policy for Australia which has resulted in better risk protection for Australians from all walks of life. It provides a safety net to millions of Australians who would have otherwise not chosen or been able to take out life and disability insurance individually. These benefits contribute significantly to addressing Australia's underinsurance gap and relieving fiscal pressures on our social security system.

The Insurance in Superannuation Working Group (ISWG) was formed in November 2016 to collaboratively enhance future iterations of policy development. While the current policy settings are fundamentally right, there is industry acknowledgment that changes need to be made to improve the experiences of superannuation fund members.

Members need to be placed in the middle of a complex stakeholder hierarchy with clarity that superannuation funds are advocating on their behalf. Superannuation funds and insurers must work together in order to achieve the most sustainable benefits for members. Accordingly, the ISWG contains superannuation fund, insurer, industry and consumer representatives.

The ISWG believes that: **The objective of insurance in superannuation is to support the purpose of superannuation by providing a measure of financial support to members and/or their families if the member is prevented from working, either temporarily or permanently, to retirement age by death, terminal illness, injury or ill-health.**

This objective has to be balanced with the broader purpose of superannuation being the provision of retirement benefits for those who do have a full working life, recognising that insurance premiums will erode those sums to some extent. The challenge for superannuation funds is managing these competing objectives and making sure the balance between meeting needs and affordability is appropriately established and managed into the future.

A key deliverable for the ISWG is a Code of Practice that will apply to superannuation funds. This Code will extend on the current Financial Services Council (FSC) Life Insurance Code of Practice by setting standards that ensure a common end-to-end experience for all classes of life insurance consumers.

This discussion paper is one of several focussing on key issues that need to be addressed by the industry. Feedback received from these discussion papers and other stakeholder consultations will inform the development of the Code of Practice and Good Practice Guidance for superannuation funds.

Unless stated otherwise, the statements in this paper reflect the views of the ISWG as a collective.

EXECUTIVE SUMMARY

The efficient and effective management of data is an enabler that allows member engagement and experience with the superannuation industry to be enhanced.

The proposals in this discussion paper seek to enhance member insurance outcomes by improving access to timely and relevant information. This will facilitate better communications, a greater capacity by members to make informed decisions and the ability for members and superannuation funds to better determine appropriate insurance arrangements for members. Enhancing the management and quality of data should improve the ability to more effectively price insurance by reducing the unknowns and assumptions which, in turn, should lead to better outcomes for members.

The life insurance industry has developed a Code of Practice via the FSC and it is proposed that the superannuation industry build on this to set minimum standards for superannuation funds in certain aspects of data management.

It is proposed that the superannuation funds develop an Insurance Data Strategy and supporting Framework. It is seen that a documented strategy and framework would create a structure for proper consideration by each fund of their insurance data requirements, process flows and systems. It is believed that the final outcome of this initiative would be the implementation (or confirmation) of appropriate data management systems to support the ability to provide improved insurance outcomes for members.

It is also proposed that a data standard and supporting network be developed for the transmission of data between administrators, trustees and insurers. This would define the minimum data set to be contained in common transactions such as premium payments. Where possible, the proposed network would seek to reuse existing infrastructure currently supporting SuperStream.

A further recommendation is that we seek to extract more value from SuperStream. It is believed that greater value could be obtained if some of the optional fields were amended to being mandatory. The ISWG considers that making these fields compulsory and obtaining quality data would be viable following the implementation of 'Single Touch Payroll', which will increase employers' capacity to report on these data elements on a regular basis.

It is also proposed that the Member Account Transaction Service, which is in design phase, consider the inclusion of the insurance details of the member. This proposal is to assist in providing tools to members to enable identification of their insurance arrangements.

A key consideration in this paper, which is recognised as a long term objective, is the development of mechanisms that would allow relevant data to be shared (with appropriate controls) for the purpose of improving members' retirement and insurance outcomes. This will also help in improving the integrity and currency of data.

This paper provides an outline of some of the key considerations to be taken into account during the drafting of any future Code of Practice or Good Practice Guidance content relating to data

management. It also poses several questions, the responses to which will guide the preparation of these instruments.

We want your feedback

We invite you to comment on the key questions that have been raised. All submissions on this discussion paper are due by **18 August 2017** and should be sent to the Project Management Office at:

ISWG-PMO@kpmg.com.au

All submissions will be treated as public documents unless you specifically request that we treat the whole or part of your submission as confidential.

SECTION A: DISCUSSION

A.1 Insurance data management framework for trustees

Currently insurance data management is not always an item that receives a great deal of attention or thought. Typically, insurance data management systems have evolved rather than being designed. This can lead to poorly implemented systems requiring manual intervention that may not be updated to reflect change. In turn, this can result in difficulty in maintaining an ongoing insurance history or achieving dynamic holistic oversight of insurance arrangements for the fund.

Insurance data has traditionally been held within various entities in the insurance supply chain. This can include employers, fund administrators, trustees and insurers.

As many of the data systems supporting insurance management have evolved over time, there may not have been a formalised overarching strategy or framework in place that defines and ensures data maintained matches the requirements of the fund or facilitates the best insurance outcomes for members.

The challenge now is for superannuation funds to create a consolidated view of all the relevant data held on the various systems and to have oversight of the insurance processes in real time. To bring this together and understand how it interacts requires considered thought and a formalised operational framework to ensure that data is maintained in a consistent manner and historical information remains accessible and relevant.

A.2 Data Standards and Transaction Network

Without agreed 'detailed' insurance data definitions and file formats, the provision of insurance data between service providers is less efficient and hinders the development of data intelligence systems, as common data sets cannot be easily captured.

A step towards creating better insurance data that the industry can rely on is the setting of standard basic information associated with typical routine transactions. Once reliable, regular and standardised information is routinely exchanged between entities, systems can be put in place to enable better identification and management of member insurance.

Not having standards for basic transactions creates inefficiency through the use of bespoke data formats of varying quality and information levels. As mentioned above, without a base level of information, reliable analytics systems cannot be developed.

Not only does a standard format for insurance data not exist, the transmission of data between entities involved in the management of insurance is very basic and does not lend itself to applying security or integrity validations.

A.3 SuperStream and insurance

While SuperStream has delivered efficiencies in the contribution and onboarding process, the ability to obtain insurance related data has suffered. This is due to data fields on which insurance is dependent being optional in the SuperStream standard, which ultimately has resulted in sub-optimal information being provided.

For example, some insurance policies limit or backdate cover to ensure the member gets covered effectively from the time they are employed even if the employer pays quarterly or is delayed in reporting the member. These rules have evolved over a long period of experience.

In some policies, insurance commencement is a combination of date joined fund and contribution start date. The ability to determine the contribution start date is now limited as this is not a mandatory field and is not reported in all solutions used by employers.

Following SuperStream implementation, administrators are now reporting that they are simply not getting the data needed to ensure cover commences correctly (in line with the insurance policy) for new members.

This means members may or may not be covered. Confusion therefore can exist for the member as disclosure and policy documents might suggest they are covered but the administrator's records might indicate otherwise.

A.4 Duplicate insurance

The issue of duplicate or multiple insurance cover has already been discussed in an earlier ISWG discussion paper titled "Account balance erosion due to insurance premiums". This paper takes some of the feedback from that earlier paper and further explores the following proposals:

- Improved identification and management of multiple insurance arrangements for an individual;
- Provision of timely data that would enable trustees to better determine the member's insurance needs; and
- Reduction in unwanted duplicate insurance cover – i.e. members can make informed decisions regarding cover.

Members may have several insurance arrangements without knowledge due to multiple superannuation accounts. Existing arrangements for sharing information are complex due to privacy and member consent limitations across multiple parties.

A.5 Claims experience

Improved management of data is necessary to enable comparable reporting on claim experience, including decline rate reporting, across the industry. Improved comparable metrics will allow better trend analysis, insurance design and management of claims philosophy.

The Australian Prudential Regulation Authority (APRA) and the Australian Securities & Investments Commission (ASIC) will be seeking, as part of the data reporting regime, to establish a common set of

claims handling definitions and a standardised claims handling data reporting template to be applied across the industry.

It is important to note that improved reporting on life insurance claims performance across the industry was identified by ASIC as a key objective to effectively inform and improve consumer trust¹. The current APRA and ASIC data collection initiative for life insurance claims, aiming to collect consistent, reliable and comparable data, is welcomed by the industry but it is paramount this information is reported in a way that builds confidence in the importance of life insurance across the community.

To avoid duplication and confusion with APRA's recently issued discussion paper, we have attempted to limit any discussion on this issue within this paper. Any future data management initiative evaluated and/or undertaken by the ISWG will however factor in the outcomes of APRA's project on Life Claims Data Definitions.

¹ ASIC Report 498 Life Insurance Claims: An industry review – October 2016

SECTION B: PROPOSALS

B.1 Insurance data management strategy and framework for trustees

Insurance claims and underwriting workflows are often managed on multiple systems. The passing of cases between entities represents a challenge for superannuation funds in maintaining real time oversight of insurance processes and therefore the impact on the member / customer experience. A single insurance matter may be recorded on multiple workflow systems (e.g. fund administrator, insurer, and trustee office) which are not typically integrated.

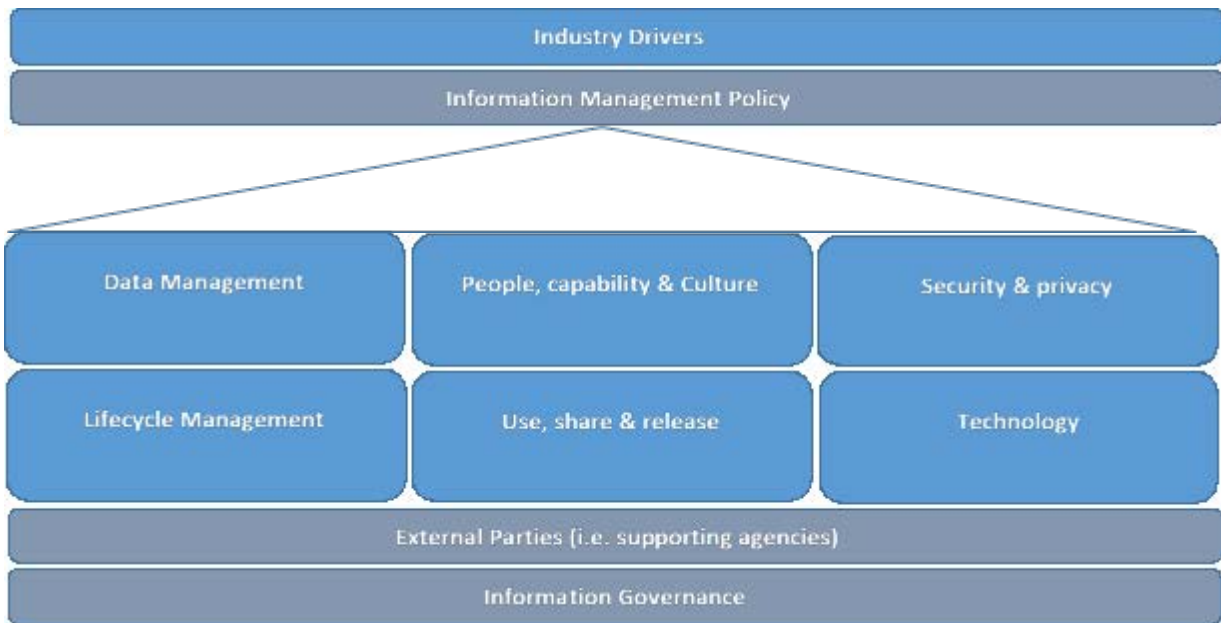
APRA Prudential Standard SPS 250 – Insurance in Superannuation (SPS 250) requires that a trustee must maintain records for a prospective insurer to properly assess the insured benefits. These records must include five years' of claims experience, membership, sum insured and premiums paid in relation to beneficiaries. It is understood there is a desire to extend this as each year passes, so that the extent of historical data will increase over time. Again, it is understood that for many funds, this information may currently be held on multiple systems and only collated when requesting proposals from prospective insurers. This can present challenges in providing the prospective insurer with quality information, with potential gaps and consolidation issues only becoming evident at that time.

Developing a formalised strategy and framework around insurance data would improve the management of insurance data and allow for structured consideration of how insurance data is held and managed. Potential benefits for members and their beneficiaries are to be considered when developing the strategy.

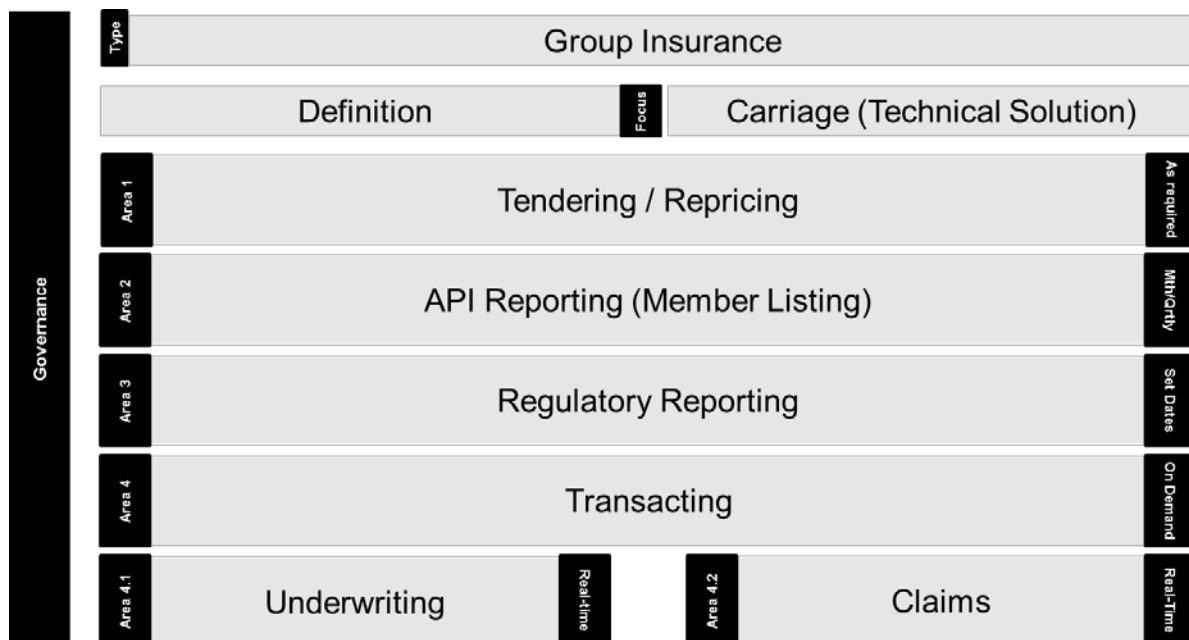
Enhanced data management could impact the following items: insurance processing, claims management, reporting, communications, product design, insurance eligibility and the cost of insurance. It is proposed that the current industry best practice guide, the FSC, AIST, IFF & ISA Guidance Note No. 33 - Best Practice for Group Insurance Data (Guidance Note No.33), be expanded to cover, in more detail, the issues that trustees need to consider in relation to insurance data management. The areas to be expanded are outlined below.

Supporting the strategy, a framework could be developed including operational plans that clearly identify how and what data is to be maintained and by whom.

As part of designing a strategy and underlying framework, it is proposed that four elements would form part of the trustee's consideration.



While the strategy and framework would need to address all of the above items, particular focus would be in respect of data management, with attention to the following four areas depicted within the diagram below:



As part of the strategy, the following general data principles would also need to be considered.

Frequency

The most obvious time to provide data between interested parties is when the data changes. The ATO has recently coined the phrase 'event-based reporting' in relation to this kind of data flow. That implies transactional data. Since in transactional processes data changes one member at a time, this may represent an integration commitment beyond what participants want or need. This results in two categories of transactional data being either 'real-time' or 'batched'.

Batching transactions of changes to daily, weekly or monthly may be sufficient for some purposes and offers the right balance between cost and service to members.

Real-time reporting implies that a version of the transaction itself becomes a reporting notification sent as part of the business process.

The alternative to transactional data is periodic reporting, which amounts to prescribed extracts from record-keeping systems on a scheduled basis that may be as infrequent as annually. Currency of the data is immediately in question and data integrity may also be below requirements as the mean time before change of many fields may lead to a substantial proportion of the data always being out of date. Operational complexity may be reduced but it is typically offset by project-like costs to extract the data and review and cleanse it before sending it to its destination.

Integrity

Integrity of data is also affected by source authority. It is appropriate for data recipients to analyse the potential sources for pieces of data and understand the relative authority that they may represent. This assists where new data must be compared to old data and a decision made to overwrite, ignore or create a duplicate arises. A change of member address is a common example. It also assists where conflicting data arrives in a similar timeframe, such as a new member record containing different data than a resulting conversation with the member may produce.

Standardisation and integration

As attention is being applied to data repositories in funds and insurers and they are becoming more complete and more stringently tested for data integrity, all participants in the value chain should progressively get access to better data.

This is to be encouraged although without standardisation of the data descriptions and formats, the cost invested to set up such flows may be limited to the incumbent arrangement, which may stifle competition and waste expensive resources. Application of uniform data standards would go a long way to making such integration reusable across the marketplace.

Access and scope

One source that has not been well incorporated into the group insurance value chain so far is data from employers. Payrolls have largely adopted a minimum set of data but much of that data has not been considered in shaping transactional or reporting data to government or industry. Of particular interest to superannuation and insurance are engagement details such as: date started work, first pay date, cessation date, occupation, change of role, earnings details and so on. It also contains indicators of life events such as change of name, address, role, use of Work Cover and so on.

Cost benefit

Where access to data or improved quality of data is being facilitated through a provider, the benefits derived may have an associated cost which may need to be recognised and valued. While no one is looking for new costs, paying for a service of value allows minimum performance standards to be set in accuracy, timeliness and assistance with integration.

Collection, reporting and data usage

Presently, both superannuation funds and insurers provide periodic regulatory updates to such entities as the Australian Taxation Office (ATO), APRA and ASIC in relationship to group insurance and fund membership. This information provides the cornerstone for statistics, assisting members to consolidate superannuation and the formation of policy direction.

All of these agencies are in the process of increasing their requirements for these reporting flows. This includes scope of data, frequency, integrity and detail. As employers, funds and insurers are forced to comply, it will at least help with standardisation and availability of relevant data for direct data flows between participants outside of government.

B.1 Feedback questions

INSURANCE DATA MANAGEMENT STRATEGY AND FRAMEWORK

1. Do you agree that if superannuation funds developed an insurance data management strategy and associated framework, it would help funds better manage their insurance data requirements?

You may wish to consider the following issues in your response:

- The time required to develop the strategy;
- The scope of what the strategy should cover; and
- Whether it should be a Good Practice Guide or part of a Code of Practice?

B.2 Data Standards and Transaction Network

Increasing efficiencies in transmitting, translating and collating data from various parties in the insurance supply chain can be achieved through the use of industry agreed file formats and data transmission methods. This in turn will enhance the quality, availability and timeliness of data for superannuation fund trustees, allowing them to better inform members of their insurance arrangements. It will also improve timeliness of information to members.

It is proposed that the current Guidance Note No. 33 be expanded to cover, in more detail, the means of data transmission and the format of common transactions. As detailed later in this paper, the most obvious starting point for transaction standardisation is the data accompanying premiums. As systems become more sophisticated, then opportunities can be identified to grow out further transaction standardisation at a manageable pace.

Data Standards

Without agreed standard 'detailed' insurance data definitions and file formats, the provision of insurance data between service providers is less efficient and hinders the development of data intelligence systems, as common data sets cannot be relied upon being captured.

It is proposed that these standards would apply to common transactions between the parties involved in the supply of the fund's insurance and the production of reporting required to support SPS 250.

Adoption of data standards and better access to member level data by all involved in the supply of the superannuation fund's insurance offering is seen as an enabler to improving and facilitating member experiences.

Through the further development of insurance data standards, it is believed the following benefits could be delivered:

- **Making insurance easy to understand** - Delivering a consistent data definitions and taxonomy standard as previous mentioned;
- **Timely member outcomes** - Efficiency and timeliness of information sharing between parties involved in delivering member outcomes from their insurance;
- **Maximising regulatory investment** - Alignment and maximisation of regulatory initiatives e.g. Member Contribution Statement (MCS) reporting changes, APRA reporting and Single Touch Payroll;
- **Transparency and insights** - Increase the transparency of key experiences contained within the group insurance domain (such as claims);
- **Sustainable premiums** – Better data quality and consistency will enable more informed modelling and insights, which contribute to premium calculations;
- **Symbiotic insurance ecosystem** - Varied parties within the value chain all contributing different aspects of the member and group insurance experience, which ultimately delivers a benefit to the members the industry protects; and
- **Maximising eligibility** - Access to greater, more detailed member data that can be used to identify triggers that a member's employment status may have changed.

An example of a regular transaction that would be captured under the standard is the payment of premiums to the insurer. In many cases, insurers are not provided with member level information held by the fund administrator on a regular and timely basis. File formats when sending insurance data between parties are typically uniquely defined under each arrangement.

On a periodic basis (typically end of month) premiums are deducted from members' superannuation accounts. These premiums are aggregated and paid to the insurer typically via an EFT transfer.

To validate premiums collected, a member listing is provided to the Insurer (after the premiums are paid) to enable reconciliation of premiums received associated to premiums expected.

The industry varies with regard to the level of information that may be exchanged between the fund, administrator and insurer. While some superannuation funds will exchange detailed member

information with the premiums, other funds may summarise and exchange only batched information on a periodical basis with membership records at a later date, if at all. The frequency of the data exchange may be impacted by the size of the fund and insurer member base and also the functional richness of the administration platform.

Where information may be batched on the periodic date, the insurer will typically look for the proof at time of claim that they met the conditions and had paid premiums to effect the cover as they may not have any current member records held within their databases.

The insurance premium deductions typically are tied to the functionalities of administration platforms and the fund's rules for processing the generation of batches that create the deduction of the insurance premiums.

This results in:

- Frequency of the production of membership listings and payment of premiums varying amongst group insurance arrangements;
- The insurer not having updated information for those members insured;
- Issues with calculation of applicable stamp duty;
- Efficiency in the reconciliation of membership data to sums insured;
- Data being remitted in an inconsistent or insurer-specific manner and variable formats requiring manual intervention; and
- Inability to rely on these transactions to support claims analysis.

Governance

The variation across the industry for this basic transaction means that standardised analytics cannot be developed and there is inherent inefficiency in suppliers developing bespoke solutions for such a basic and standard transaction.

Data definitions can be open to interpretation, which can lead to the analytics and comparisons being less valuable. An example of this is the 'Claim Notified Date' which refers to the initial contact made by the claimant in respect of a potential claim. This could take the form of a physical submission (letter, email etc) or a telephone call. The challenges with this example include who the claim is actually notified to (e.g. insurer, administrator or trustee) and that not all insurers utilise this data definition in terms of triggering claims notifications.

Under SuperStream, a governance structure (the Gateway Network Governance Body [GNGB]) has been established where, amongst other things, parties operating in the network review items open to interpretation and agree on what is called a 'Binding Implementation Practice Note', which is endorsed by the GNGB.

It is proposed that a similar governance structure be established to deal with any data implementation or interpretation issues for insurance data. This structure allows for consistency of data definitions and provides for continuous review of the application of the standards.

In comparison to contribution data standards where baseline information can help facilitate streamlined processes, insurance data standards need to consider the nuances of product requirements to be meaningful, now and into the future. That is, contribution data is relatively static, however, insurance is an evolving product and varies between funds. Due to membership cohort risk requirements, variation is required in information which is shared. However, a common underlying need to set a threshold of information is required to uplift the standards of data available but also to enable it to be tailored and expanded. This makes the role of a governance body all the more important to deal with the constant evolution of insurance.

B.2 Feedback questions

DATA STANDARDS AND TRANSACTION NETWORK

2. Do you agree that common transactions and reports should be subject to data standards?
3. Do you agree that data transmitted between parties managing insurance within superannuation should be carried out using agreed protocols?
4. Do you agree that an industry based governance body overseeing data standards and their implementation would be of benefit should data standards be introduced?

B.3 SuperStream and insurance

Establishing when a member is covered for insurance is largely derived by having timely access to accurate employment information.

Determining ineligibility for cover at the time of claim has the power to damage and disappoint, especially after periods of paying premiums.

'Claimant Identity', 'Date Started Work', 'Date Ceased Work' and 'Occupation' are all identified as key fields of interest with respect to claim assessment.

With the advent of SuperStream which standardised the data received by superannuation funds from employers, the ability of trustees to obtain customised information to support traditional insurance designs has become increasingly difficult.

This is coupled with the issue that most of the insurance-related data items under the SuperStream standard are optional. Not providing these optional fields has resulted, in some cases, in information supporting insurance policies, such as when cover commences, having to be derived using the best available information.

Another example is that typically, superannuation funds do not know when their members cease employment with a participating employer. Proxies, such as extended periods of inactivity, are used in place of a confirmation of termination but this information is dated and of limited benefit. Where members have changed employers, many will establish a new account with their new employer's default superannuation fund. As a MySuper member, they will receive automatic Death and Total & Permanent Disability (TPD cover) with the new fund. Requiring employers to use SuperStream to

notify superannuation funds of employment commencement and termination would provide a communication trigger for the fund.

The following data fields are optional under SuperStream, meaning employers are not required, using the Superannuation Transaction Network, to supply this information to the superannuation fund.

Field	Description	Also in Single Touch Payroll (STP)?
Employment Start Date	The date the member commenced working with the employer.	Optional
Employment End Date	The date the member ceased working with the employer.	Optional
Employment End Reason Text	Text field	Only if a lump sum is paid
At Work Indicator	True = At work on employment start date. False = Not at Work on employment start date	No
Annual Salary for Insurance Amount	The salary used to calculate insurance amounts.	Ordinary Time Earnings (OTE) is mandatory
Weekly Hours Worked Number	The hours of work which it is usual for an employee to work per week.	No
Occupation Description	The main salary and wage income-earning occupation an employee undertakes.	No
Insurance Opt Out Indicator	This indicator is used to communicate to the fund that the member does not want the fund to provide an insurance product to them.	No
*Employment Status Code	Casual, Contractor, Full Time, Part Time	Optional
Super Contribution Commence Date	The date when a member's contributions commence.	No
Super Contribution Cease Date	The date when a member's contributions cease.	No

It is recognised that to amend any of the above data fields to mandatory would be an impost for employers. Experience has shown that making fields mandatory, without a capacity to readily source and supply quality data, can lead to default data being supplied. For example, the Member's Email Address is a mandatory field within the 'Data and Payment Standards – Contributions Message Implementation Guide'. However, what appears to occur is that this field contains payroll default information, rather than the intended member's email address.

Without a capacity for the employer to readily provide insurance data, there is a risk that poor quality but valid default data may be supplied simply to enable the contribution file to be submitted and processed.

With the advent of Single Touch Payroll which is expected over the next 12 months, the reporting capability of payroll systems will be enhanced, which will also hopefully improve the availability and quality of these data elements.

It is proposed that the standards associated with SuperStream be reviewed with a view that some of the optional fields be amended to mandatory once Single Touch Payroll has been implemented. We would also seek to align the mandatory nature of the insurance data items in SuperStream with Single Touch Payroll to ensure greatest leverage when implementing the changes.

In addition to seeking amendments to the SuperStream standards, it is proposed that within the trustee's 'insurance data management strategy', consideration is given to the design of products that use the mandatory fields within SuperStream, or the availability of quality data, as the basis for determining when cover is provided.

B.3 Feedback questions

SUPERSTREAM AND INSURANCE

5. Do you agree that the following SuperStream data fields should be made compulsory?

- Employment Start Date;
- Employment End Date; and /or
- Employment Status Code?

6. Which other data fields would you like to see made compulsory?

B.4 Duplicate insurance

Stronger Super reforms have sought to address the instances of multiple accounts. This is having some impact, with an upward trend in the number of single account holders evident according to the ATO's periodic 'super accounts data overview' statistics.

A number of government initiatives are underway, including increases to the balance thresholds for transfer of lost inactive accounts to the ATO, greater utilisation of myGov and SuperMatch, ASIC's MoneySmart website and the transfer of accrued default amounts by 1 July 2017, which will further reduce the number of multiple accounts.

In addition, funds have increased the frequency and expanded the mediums through which they communicate with their members on the importance of consolidating superannuation and insurance and considering whether their existing insurance cover meets their needs.

In spite of this, there are superannuation accounts which have had insurance premiums deducted where no contributions were received for at least 12 months. Industry can identify multiple accounts at an aggregate industry wide level, however the ATO SuperMatch service can only be used by a superannuation fund where member consent has been provided.

The introduction of Single Touch Payroll, which is to commence its roll out from 1 July 2017, may also provide greater control for employees to proactively choose their preferred superannuation fund through an automated (online) new employee on-boarding process. Single Touch Payroll however is only mandatory for employers with 20 or more employees and the new employee commencement elements of it are voluntary at this time.

This initiative can provide tools for members to access information about their existing insurance arrangements and enable them to make informed decisions about their superannuation and insurance arrangements. However, under the proposed implementation, the insurance information is limited to a flag (i.e. insurance present or not present) that may not be current.

The ATO is also driving a number of other initiatives that could be leveraged to reduce the number of new members with multiple instances of automatic insurance cover. These initiatives include changes to the MCS, which is intended to deliver near real-time reporting of member account attributes via two new services being the Member Account Attribution Service (MAAS) and the Member Account Transaction Service (MATS).

It is understood that the data being considered under MATS includes member balance information (as at the last annual statement) but does not include insurance details. It is proposed that MATS reporting be expanded to include insurance details if it can inform MyGov. This insurance information could be the dollar insured benefit provided for Death, TPD and Income Protection (IP) cover in the same way as shown on an annual member statement. It is noted that the draft data schema for MATS is due for release at about the same time as the publication of this discussion paper. If insurance details were available on MyGov, then the proposed ATO on-boarding interface would not only show members all of their superannuation accounts but also the automatic cover that has been provided, which would be a powerful tool for members in determining their insurance arrangements.

Funds can also use the SuperMatch service to identify members with multiple accounts, provided individual and specific consent is held. Superannuation funds could deliver more targeted and personalised communication by leveraging this information if it was readily available.

The other key defence against duplicate accounts is greater data integrity, so that false accounts are not created because an existing match is detected. Encouraging employers to use the Tax File Number (TFN) Validation and SuperMatch services would greatly assist in this. Superannuation funds can and do also use SuperMatch on a bulk basis to detect duplicate accounts within their fund subject to consent being in place.

B.4 Feedback questions

DUPLICATE INSURANCE

7. Would you support providing the following insurance information as part of the MATS reporting to enable members to identify multiple insurance arrangements via MyGov:
 - a) TPD cover expressed as a lump sum;
 - b) Death cover expressed as a lump sum; and
 - c) An indicator as to whether the member has IP cover through the fund?
8. Would you be able to provide insurance benefit information, in a standard report to the ATO, on a monthly basis?

SECTION C: OBSERVATIONS AND CONCLUSIONS

Superannuation fund trustees should use the recent focus on the life insurance industry as a prompt to assess their current approach to the management of insurance data, and to critically assess the governance frameworks and operational processes they have in place with respect to data management.

Trustees need to make sure they are adhering to the duties that they owe to members and beneficiaries of their funds with respect to the management of insurance, and also need to be aware of increasing community expectations in the wake of significant media and regulatory scrutiny applied to the broader life insurance industry.

Superannuation funds operate in a highly regulated environment, and the current desire to improve data management does not necessarily point to any failing in the regulatory framework. The improvements proposed in this discussion paper are open to the superannuation industry to make without any anticipated change to the legislation or regulations that currently govern the industry.

The community expects high standards to be applied by superannuation funds in managing the retirement savings of members, and with the growing importance of life insurance as a significant benefit accessed by members via these funds, these expectations flow through to the end-to-end management of insurance.

It appears that whilst generally the data management of superannuation is highly controlled, the aspects associated with insurance have not received the same attention. Without investing to improve the availability of insurance data and in associated systems such as the development of tools to assist the trustee, the whole industry will perform in a sub-optimal manner.

SECTION D: FURTHER CONSIDERATIONS

D.1 Long term objective - the ability to share data

The purpose of this section of the discussion paper is to highlight issues to be considered in such an initiative and discuss potential approaches or solutions to address the concerns. These include whether a central database can in fact meet these varied expectations simultaneously, how the database would be kept current and in particular, how privacy concerns at each of the levels could be managed, especially with the move toward the 'privacy by design' approach.

Managing disclosure and privacy

The most difficult aspect of the industry-wide insurance database is the range of purposes it may need to serve at the same time and the implications they each have for managing privacy and identity. The four broad classifications each have their own design requirement and these may not be compatible with others.

Operational industry view

- Achieving more complete and consistent data for insurance tendering;
- Using a larger data pool to observe changes in trends for better product design and better operational management of the insurance lifecycle;
- Segmentally measuring the changing cost of risk; and
- Better management of claims 'tails' as incumbent insurers change.

Individual's policy view

- Detection of duplicate accounts, whether established in error or intentionally;
- Access to individual claims history; and
- Better management of rollovers for preservation of insurance cover.

Government/regulatory view

- Establishing a national data repository linked to MyGov to make insurance data cover and status available to the individual tax payer/insured person; and
- A destination for regular reporting for trustees and insurers on their insurance business and holdings.

Research and statistical view

- Providing a national data pool to observe changes in trends for better product design and better operational management of the insurance lifecycle;
- Provide a mental health research database to manage the detection and management of this element in life and TPD cover;
- Globally measuring the changing cost of risk.

Common approaches to protecting privacy in national databases

There are many strategies being tried to protect the privacy of individuals' data. These include:

- Never releasing the micro-data, only report summary and trend data;
- Dynamically suppressing identification fields in an out-going extract on a basis of risk as determined for the type of enquiry;
- Obfuscating parts of the data; and
- Changing data values slightly without affecting the statistical means – this is only useful if the researcher already knows exactly what he/she is looking for.

Digital rights

It is proposed that the design of this industry service would follow the emergent trend in Europe, the UK and Australia, to put control of private data back in the hands of the individual to whom it relates. In the digital world, this means that private data, even the most superficial, is a digital asset of the individual and those ownership rights must be observed.

There are many aspects to this but for the purposes of this database, broadly they fall into two groups:

1. Control of private data being directly in the hands of the individual and a benefit accruing to them from its use; and
2. Use of data under a 'social contract' for public good, included aggregated, identified and de-identified data sets.

The first two categories listed above fit best into the 'private data for individuals' privacy strategy. That means that funds, insurers, employers and other agents in the insurance value chain need to:

- a) Know their Customer, so that they can accept digital assent to receive the data and use it for the beneficial purposes proposed to and agreed with the individual;
- b) Use this data to optimise the products and services they provide to their member clients; and
- c) Protect their individual clients (such as avoiding creating unwanted duplicate cover, eroding small super balances with premiums, better pricing of risk etc.)

This is complicated by the fact that the relationship with the private individual is with one or more service providers, such as the employer, the fund or the insurer, rather than with the centralised database itself. They, and possibly their members, will not want their 'commercial' data shared with other providers. This means that either the database does not know the identity of the individuals (e.g. use of an ID code supplied by the submitting fund) or if it does, then data going out of the database has to be heavily controlled down to a field by field basis, so that only the minimum data held for another provider that directly addresses duplication detection and cover type, is shown to a querying party.

This would mean that if a fund wanted to check whether the individual member had another insurance policy, the lookup table of fund ID's to member identities must be separated from the central database.

Holding the data - Who? Where?

Hosting of a high-integrity, highly-secure and privacy-managed database of national proportions is not an insignificant undertaking. However, there are already many successful databases of commensurate size in existence in Australia. These are as diverse as the Australian Bureau of Statistics (ABS) for Australian public statistics and the National Livestock ID System (NLIS) tracking cattle from genetics to supermarket shelf domestically and internationally.

The NLIS is an interesting case study as it covers all stages of production, process, wholesale distribution, freight, retail distribution and regulatory as both contributors and consumers of the data. NLIS was piloted with a private sector provider until it grew to a level of national criticality where its governance and hosting changed.

Attributes of a hosting organisation would have to include:

- Technical capability;
- A constitution preventing sectoral or commercial bias;
- Ability to fully secure the hosting and communications arrangements;
- Appropriate oversight and governance arrangements to satisfy industry and government; and
- A privacy model implemented both technically and in policies and controls to fully protect and maximise the interests of the owners of the data held and exchanged.

ATO solution

The ATO, in extending the content of MyGov to include at least summaries of insurance status for superannuation members, might be seen as a possible hosting candidate. However, recent informal conversations have suggested they would not wish the far greater responsibility entailed for a fully-fledged industry database, especially since it sits outside their existing legislative and regulatory mandate. Recent discussions with the ATO also indicate that data from STP transactions flowing to trustees is out of scope for the foreseeable future.

A lookup service separate from the database

In this model, a service would be established similar to the Fund Validation Service the ATO hosts for SuperStream. The service would contain the verified identity data and the fund ID given to this member (it could be their member number or different). This number would be the keying field for each record in the central database. An enquiring fund or member would submit the identity data for a member such as name, date of birth, gender and address and the service would indicate if there were matches. There would be a separate match for each fund account that member has. Note - this service would ONLY contain the identity and fund ID fields – not any insurance or superannuation data itself.

The service would then query the central database with the registered ID numbers for that identity (there may be numerous) and retrieve the status of insurance cover in each instance. It would provide that as a report but not store the data.

The central database in this model would be semi de-identified as it would not contain the identity data of the members – only the fund ID's accorded to its members. Nevertheless there remains the real risk of re-identification of this data if other interested groups can access the micro-data in this repository.

A centralised database with full data

This model would require that the database host had a privacy relationship directly with each member, or a legislative change to obviate the need. It would then be able to receive data from funds when each member registers or changes data in their account.

The database would undertake matching, to group the holding by member, but a separate record would still be required for each fund and insurer as the data and even the design might be different in each case.

Access rules required would be very stringent, so that an enquiring fund can only see the data they provided plus the highest level of data about any other holdings such as fund name, Group Life (Y/N) TPD (Y/N) and IP (Y/N).

Any further data would need to be obtained by direct request from that fund/insurer with specific permission from the member to obtain it.

Extensive privacy controls would be needed for all other parties accessing the data for research and other purposes.

Initial observations regarding the longer term objective of a centralised database

The ISWG considers that the concept of a centralised industry database for superannuation and insurance has real merit. It does however suffer from too many potential demands, stakeholders and conflicting requirements.

The importance of privacy is growing and the shift to putting control of private data more directly in the hands of the private individual, has all sorts of implications for this as a solution for the industry.

SUMMARY OF CONSULTATION QUESTIONS

Your feedback is invited

We invite you to comment on the key questions that have been raised in this discussion paper. All submissions will be treated as public documents unless you specifically request that we treat the whole or part of your submission as confidential.

B.1 Feedback questions

INSURANCE DATA MANAGEMENT STRATEGY AND FRAMEWORK

1. Do you agree that if superannuation funds developed an insurance data management strategy and associated framework, it would help funds better manage their insurance data requirements?

You may wish to consider the following issues in your response:

- The time required to develop the strategy;
- The scope of what the strategy should cover; and
- Whether it should be a Good Practice Guide or part of a Code of Practice?

B.2 Feedback questions

DATA STANDARDS AND TRANSACTION NETWORK

2. Do you agree that common transactions and reports should be subject to data standards?
3. Do you agree that data transmitted between parties managing insurance within superannuation should be carried out using agreed protocols?
4. Do you agree that an industry based governance body overseeing data standards and their implementation would be of benefit should data standards be introduced?

B.3 Feedback questions

SUPERSTREAM AND INSURANCE

5. Do you agree that the following SuperStream data fields should be made compulsory?
 - Employment Start Date;
 - Employment End Date; and /or
 - Employment Status Code?
6. Which other data fields would you like to see made compulsory?

B.4 Feedback questions

DUPLICATE INSURANCE

7. Would you support providing the following insurance information as part of the MATS reporting to enable members to identify multiple insurance arrangements via MyGov:
 - a) TPD cover expressed as a lump sum;
 - b) Death cover expressed as a lump sum; and
 - c) An indicator as to whether the member has IP cover through the fund?
8. Would you be able to provide insurance benefit information, in a standard report to the ATO, on a monthly basis?

We want your feedback

We invite you to comment on the key questions that have been raised. All submissions on this discussion paper are due by **18 August 2017** and should be sent to the Project Management Office at:

ISWG-PMO@kpmg.com.au

All submissions will be treated as public documents unless you specifically request that we treat the whole or part of your submission as confidential.