

The WALIS Outreach and Planning Committee Workshop on Spatial Information and the Insurance Industry

The WALIS Outreach and Planning Committee held a Workshop on Spatial Information and the Insurance Industry at Floreat on 19 June 2007. The workshop was facilitated by Rob Freeth, the current chair of the WALIS Advisory Committee (WAC). Ray Wills gave a presentation on Climate Change and its potential impacts for the Spatial Industry. The aim of the workshop is to identify the key drivers from the insurance industry perspective with an understanding of what and where it is heading three to five years down the track. The key concept is that of risk assessment, and this is becoming more granular by nature as the market matures. The question is, does the industry have the datasets required to drill down into to get the level of granularity required for this and, more importantly, are the data accessible to the industry. A desired outcome from the workshop was to achieve a better understanding of the relationship between the insurance/risk industry and the spatial industry and identify issues and gaps, and the development of an action plan to progress understanding in this area.

Climate change, sea level rise, storm surge and increased occurrences of cyclones have highlighted the potential impacts these global issues have on property/infrastructure and its associated insurance risk.

This document outlines the key issues discussed during the workshop and will be used to develop further areas in workshops and networks to provide synergies within the WALIS community and the Insurance Industry. It is anticipated that a workshop will be facilitated immediately prior to the WALIS Forum 2008. In addition, WAC will drive some of the issues highlighted within the WALIS arena.

The Insurance Industry

Grant Billen from Insurance Australia Group gave an overview from the insurance industry perspective and indicated that their current focus is on National datasets; this has proved difficult to source and gain access to. Access to State-level datasets would be a good interim step. Possibly IAG is the insurance group most active in the spatial area in Australia. They have a large research base and they are not aware of any other organisations in this space. Grant highlighted the four key principles IAG utilises.

4 key principles

1) *Understanding & pricing risk*

Currently mostly done at postcode or suburb level. Want to move to more granular level, eg demographics with suburb (this could be a potential ABS link), and other geographic factors.

Fraud (geographic & demographic factors) – claimants & dodgy “professionals”

- Similarities across suburbs using post code analysis
- Travelling patterns
- “unusual” events

2) *Reducing risk*

Unlock potential of data and analysis

Mitigation incentives, to reduce risk, e.g. deadbolts added security on property

Increase awareness (can reduce premium)

Work with community to help reduce & manage risk (eg flood modelling)

- Data showing where risks are (eg fire); vegetation maps
- Mitigation strategies, sprinkler systems, gutter guards etc

- Not all areas are covered equally by insurance (eg flooding)
- Oklahoma Uni – modelling on a global scale
- Work with community to help reduce and manage risks
- Use spatial systems to better target specific risk areas for mailouts and community education on risk mitigation
- SMS messaging systems

3) **Pay claims**

Managing resources – monitor claims through GIS

- Assess potential resource need & priorities
- Commercial advantage = understanding implications of an event
- Geocoded Street address – DPID (driven by mail discounts)
- Improving addressing information
- Partner with Insurance Industry to help reduce risk

4) **Manage costs/greater efficiency gains**

- Managing resources (eg assessors), especially as natural disasters unfold
- Improved partnering with insurance industry in all EM phases
- Consistent vegetation data/mapping & other attributes, eg slope
- EM info – liability issues; improved access needed.
 - Partner in risk
 - Relationship with EM
 - Moving closer to real-time during emergencies

Areas of concern to the insurance industry also discussed during the workshop were:

- Need to better understand climate risks
- Future impacts of climate change on land production
- Consistent national vegetation model required
- Improved EM information and availability
- Improved partnering with Insurance Industry
- Need a nationally consistent flood risk model
- New types of insurance on carbon stocks
- IOCI future impact on land production
- Limited availability of data – eg crimes, lack of sharing
- Pay as you drive insurance incentive
- ACCC issues of collusion with info sharing
- Education areas. Karl Sullivan was mentioned as a good contact point
- WA bases flood risk models, natural disasters data base, building up to a national level
- WALIS to initiate discussions with FESA in this area
- Engagement of other Insurance Industry organisations a competitive advantage

The industry would benefit from an enhanced relationship with EM agencies and partnering throughout government agencies, process and greater access to data. Accurate base data (DTM/DEM; the Insurance Industry is keen to be involved). Public-Private Partnerships should have greater focus
ICA fora – aim to increase awareness

CRCSI global forestation initiative

A future development from this workshop could be to organise an Insurance Industry workshop in the Eastern states with Marnie and Mike possibly to attend.

The Risks

A primary risks for spatial in the insurance industry is that the front end systems are not currently developed enough to drill down to the level of granularity of information required.

Flood is one hazard that can only be managed at a household level or grouping of households for insurance purposes. Flood insurance is a critical issue the industry will be forced to apply outputs at a household level. Flood modelling is required on a national level. Flood risk is the natural hazard of primary concern to the insurance industry, far more than fire risk. Hence flood is a good place to start a spatial focus.