

Appendix 6

Suggestions for a liability insurance database

Extract from from submission 103, Institute of Actuaries of Australia, pp 24-25.

The main items required in a liability insurance database are:

- Exposure Details - for each policy and, for diverse exposures, for each risk:
 - type of risk;
 - location;
 - period of exposure;
 - an objective measure of size of the exposure base (dependent on type, for example turnover or payroll);
 - selected underwriting criteria (dependent on type);
 - premium charged;
 - sum insured and excess:
 - per claim;
 - per event;
 - aggregate;
 - premium adjustment basis (if any);

(The above information would be required for any sub-components of a policy with different details, for instance if property damage coverage had a different policy limit. For highly standard policies, such as the Public Liability component of house policies, aggregated details would be acceptable.)

- Claim Details - for each claim/incident report within each event (and within each policy period for aggregate sum insured policies):
 - link to policy (or copy of policy details);
 - types of claim (physical damage/bodily injury/suffering);
 - date of incident;
 - date of incident report by insured to insurer;
 - date of claim to insured;
 - date of claim to insurer;
 - date of settlement and type (verdict, arbitration, etc.);
 - date finalised;
 - location of incident;
 - jurisdiction (location, court/unlitigated);
 - details of loss;
 - details of payments, deductions and recoveries (other than reinsurance):
 - date;
 - amount;

- type;
- details of incident costs not covered by policy, for example costs under the insured's excess or over the policy limits;
- estimate details;
- estimate history (totals only).

Where the insurance is placed with an Australian licensed insurer, collection should be relatively straightforward. In some cases, systems may not exist. While such systems should be a benefit rather than a burden to the insurer, some reluctance may be encountered, which could have an impact on the quality of the data.

A significant volume of large corporate business is, in effect, self-insured, with large deductibles and placement direct into what is effectively the international reinsurance market. If this data is not to be lost, it may be necessary to capture it directly from the insured corporation.

Deductibles, generally, are likely to prove a problem, since larger insureds vary in whether they report smaller claims to the insurer, and insurers vary in whether they regard reports as claims if the cost is unlikely to exceed the deductible. There is also the question of incident reports, where an injury has occurred, but no claim has been lodged. These, too, are treated differently by different insurers.