



STATISTICS

Life Insurance Claims and Disputes Statistics

December 2021 (issued 19 April 2022)

Forthcoming issues

This publication will be released according to the timetable published on the APRA website.

Notation

The symbol '*' indicates that the data have been masked to avoid publishing data that is not statistically credible.

Rounding

Details on tables may not add up to totals due to rounding.

Glossary and explanatory notes

A set of explanatory notes and a glossary are provided on the APRA website to assist the reader in understanding the source and definitions of the data.

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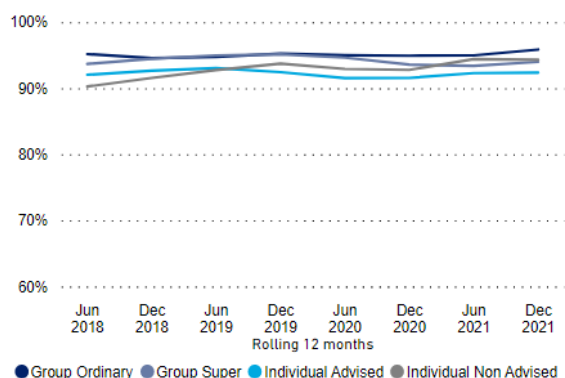
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Industry Highlights

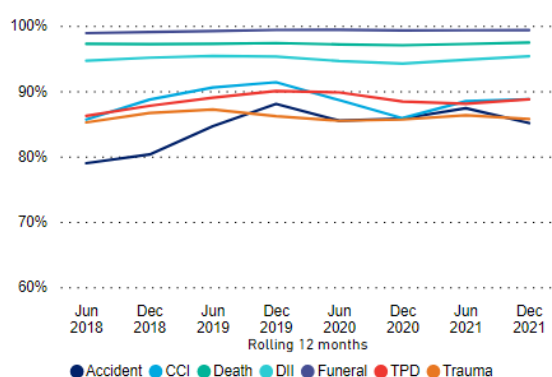
This publication presents the key industry-level claims and dispute outcomes for 20 Australian life insurers writing direct business (i.e. excluding reinsurance).

Chart 1: Admittance rates by channels, for year ended June 2018 to December 2021



The admittance rates across all distribution channels have remained relatively stable over time.

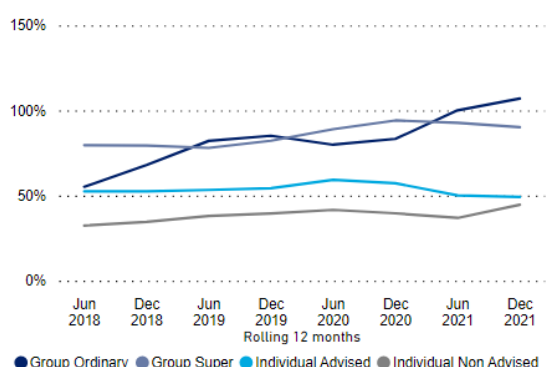
Chart 2: Admittance rates by cover types, for year ended June 2018 to December 2021



The admittance rates across all cover types have remained relatively stable over time.

However, there are some variances between different distribution channels and cover types (see Table 1 of the Appendix).

Chart 3: Claims paid ratio¹ by channels, for year ended June 2018 to December 2021



The claims paid ratios for Group business increased considerably over time, particularly Group Ordinary. In contrast, the ratios for Individual business remained relatively stable.

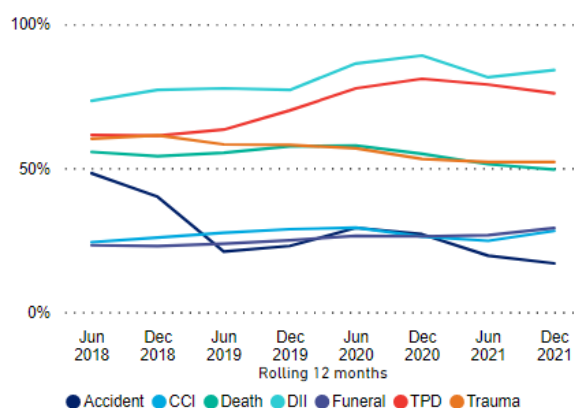
Compared to Group products, Individual products tend to have lower claims paid ratios due to higher acquisition costs associated with the policy. As this is reflected in the premium charged, the

¹ The claims paid ratio is the dollar amount of claims paid out in the reporting period as a percentage of the annual premium receivable in the same period.

claims payments for these products will generally be a lower percentage of the premium income.

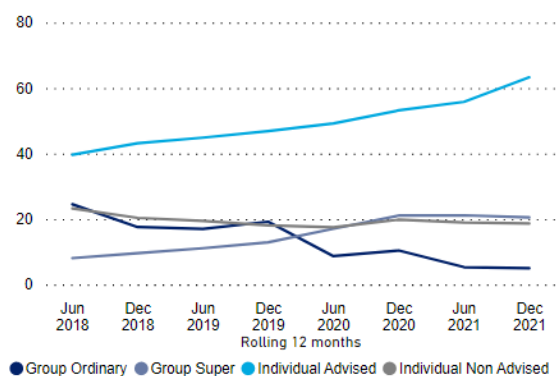
APRA urges caution in using the claims paid ratio as a measure of consumer value or product profitability. For insurers, claims payments are only one part of the costs associated with an insurance policy. Other costs, such as administration, acquisition costs and claims reserves, are not included. Whether and how profitable the product is to the insurer will also depend on these factors.

Chart 4: Claims paid ratios by cover types, for year ended June 2018 to December 2021



The claims paid ratios for TPD and DII² increased considerably over time. In contrast, the ratio for Accident has fallen significantly in 2019 before stabilising at around 20%.

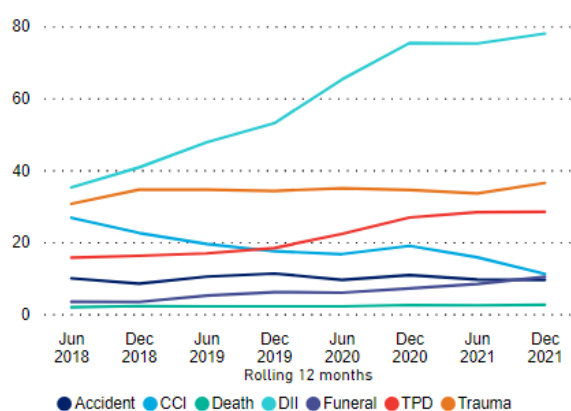
Chart 5: Dispute lodgement ratios by channels, for year ended June 2018 to December 2021



The disputes lodgement ratios for all distribution channels remained relatively stable over time except Individual Advised business. The hike was mainly driven by DII given the various repricing activities undertaken to address the product sustainability issues.

² DII has recurring monthly payments. For the purposes of the reported claims ratio, total payments are approximated using an assumed 24-month payout period.

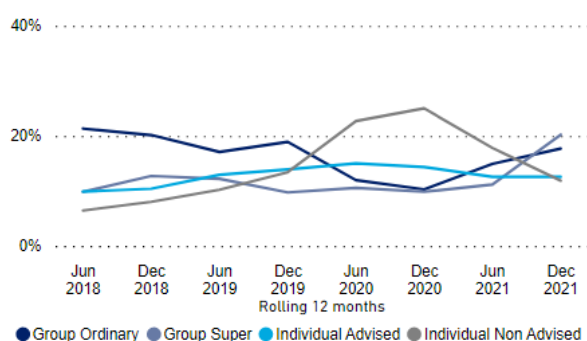
Chart 6: Dispute lodgement ratios by cover types, for year ended June 2018 to December 2021



The disputes lodgement ratios for DII have increased considerably over time.

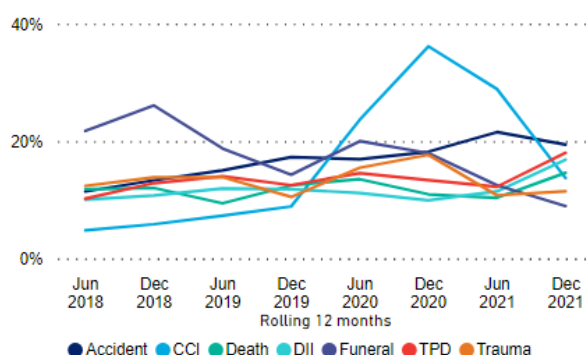
In general, more complex products are likely to have higher dispute lodgement ratios. TPD, Trauma and DII in particular show relatively high ratios. While DII shows higher ratios than TPD and Trauma, it also has a higher claims frequency.

Chart 7: Original decision reversed by channels, for year ended June 2018 to December 2021



The original decision reversed rates across all distribution channels vary between 10% to 20% over time.

Chart 8: Original decision reversed by cover types, for year ended June 2018 to December 2021



The original decision reversed rates across all cover types have remained relatively stable over time except for Accident and Funeral which are more volatile due to their low business volumes.

Appendix

Table 1 reveals significant variance in claims admittance rate between different cover types and distribution channels, from 99 per cent (Group Ordinary Death) to 67 per cent (Individual Non-Advised TPD). These results, however, are affected by the number of observations – the latter combination only reflects 56 finalised claims, whereas 13 out of the 20 combinations published in Table 1 have more than 1,000 claims.

Table 1: Claims admittance rate by cover type and distribution channel

	Individual Advised	Individual Non-Advised	Group Super	Group Ordinary
Cover type	% admitted	% admitted	% admitted	% admitted
Death	97%	90%	98%	99%
TPD	83%	67%	89%	86%
Trauma	87%	81%	n/a	69%
DII	95%	91%	96%	95%
CCI	n/a	89%	n/a	*
Funeral	n/a	99%	n/a	n/a
Accident	85%	85%	n/a	n/a

* In this publication, Group Ordinary CCI is masked as there was only one provider of this product, which reported fewer than 50 finalised claims.

Generally, Individual Advised business shows higher admittance rates than Individual Non-Advised for the same cover type. This could be due to the policyholder having clearer expectations up front of what is covered by the product, or (related to the previous point) the adviser discouraging the policyholder from lodging a claim that is not covered by the policy. The exception is Accident which has the same admittance rate between two channels. However, as noted above the number of observations is quite small (11 finalised claims, versus 2,405 for Non-Advised).

Table 2: Claims paid ratio by cover type and distribution channel

Cover type	Individual Advised	Individual Non-Advised	Group Super	Group Ordinary
Death	42%	30%	67%	35%
TPD	50%	71%	93%	44%
Trauma	53%	35%	n/a	57%
DII #	55%	186%	113%	128%
CCI	n/a	28%	n/a	*
Funeral	n/a	29%	n/a	n/a
Accident	3%	18%	n/a	n/a

DII has recurring monthly payments. For the purposes of the reported claims ratio, total payments are approximated using an assumed 24-month payout period.

There is significant variance in claims paid ratio between products, ranging from 3 per cent (Individual Advised Accident) to 186 per cent (Individual Non-Advised DII). In general, ratios above 100% indicate that claims paid exceed premiums received for the period.

As this information is based on finalised claims, these results are affected by the sample size. However, two of the three products with the lowest claims paid ratios do have a relatively large sample: Individual Non-Advised CCI (3,052 finalised claims) and Individual Non-Advised Accident (2,826 finalised claims).

Table 3: Claims processing duration by cover type (combines distribution channels)

Cover type	0-2 weeks	>2 weeks to 2 months	>2 months to 6 months	>6 months to 12 months	>12 months	Est. average duration (months)
Death	71%	20%	7%	1%	1%	1.2
TPD	13%	22%	37%	19%	9%	5.4
Trauma	44%	40%	13%	2%	1%	1.6
DII	40%	40%	14%	4%	2%	2.0
CCI	55%	27%	15%	2%	1%	1.6
Funeral	85%	13%	2%	0%	0%	0.7
Accident	75%	18%	5%	1%	1%	1.2

Table 3 summarises claims processing durations in respect of finalised claims. This is the period of time from when a claim is reported to when it is finalised. The table shows, for each cover type, the distribution of finalised claims across different duration categories, with the estimated average duration (in months) reported in the final column. TPD has the longest average claims processing duration, whereas Funeral insurance has the shortest, which reflects the difference in respective complexity of these products. For Death, Trauma, CCI, Accident and Funeral the majority of claims are finalised within 0-2 weeks.

Table 4: Dispute lodgement ratio[^] by cover type and distribution channel

Cover type	Individual Advised	Individual Non-Advised	Group Super	Group Ordinary
Death	7	19	1	0
TPD	55	53	25	6
Trauma	43	19	n/a	67
DII #	206	208	53	33
CCI	n/a	11	n/a	*
Funeral	n/a	10	n/a	n/a
Accident	54	8	n/a	n/a

[^] The dispute lodgement ratio is the number of disputes lodged during the reporting period per 100,000 lives insured.

Table 4 provides the dispute lodgement ratio, which is defined as the number of disputes lodged per 100,000 lives insured. In this publication, a 'dispute' can refer to a dispute managed within the insurer's internal dispute resolution system, a dispute registered with an external dispute resolution scheme or tribunal, or legal proceedings initiated by the claimant against the insurer regarding a claim.

The dispute lodgement ratio is indicative of the likelihood of a claims-related dispute occurring. However, APRA urges caution in interpreting this information. The dispute rate per finalised claim could be considered a more appropriate measure of the probability of a claims-related dispute. However, because both the numerator and denominator are very small, the resulting ratio would be very volatile, particularly at the entity level. Assuming that for a fixed number of lives insured the likelihood of a claim is broadly constant over time, using lives insured as the denominator provides a more stable ratio.

APRA also notes that disputes generally relate to old claims, and even older claim events; any insurer that has rapidly grown or shrunk its business since then may report dispute lodgement ratios that significantly differ from the 'true' underlying experience. This is particularly likely for insurers in run-off, and for the Group Super channel where the trustees have the option to change their insurance providers every 2-3 years.

Table 5: Disputes outcomes by cover type (combines distribution channels)

	Disputes Resolved	<i>Original decision maintained</i>	<i>Original decision reversed</i>	<i>Other outcomes</i>	Disputes Withdrawn	Disputes Undetermined [^]
Cover type	% of lodged [#]	% of resolved	% of resolved	% of resolved	% of lodged	% of lodged
Death	78%	40%	15%	46%	6%	15%
TPD	75%	34%	18%	48%	3%	21%
Trauma	85%	59%	11%	30%	3%	13%
DII	82%	31%	17%	52%	4%	14%
CCI	92%	39%	14%	47%	3%	5%
Funeral	81%	32%	9%	59%	9%	10%
Accident	93%	39%	20%	41%	1%	6%

'Disputes lodged' refers to disputes that were undetermined at the start of the reporting period; disputes that were received during the reporting period; and disputes that insurers re-opened (subsequent to being withdrawn) during the reporting period.

[^] 'Disputes Undetermined' refers to all disputes that remain open for assessment at the end of the reporting period.

Table 5 summarises disputes outcomes by cover type. It includes all claims-related disputes in the data collection, whether they are internal, external or litigated. Apart from Trauma and Accident, most disputes are resolved by other means. These include, but are not limited to, those resolved through ex-gratia payment, premium refund, partial payment, settlement or non-cash benefit and resolved outside jurisdiction (the latter for external disputes only). Funeral has the highest proportion of disputes resolved by other outcomes. The highest rate of claim reversal decisions is in relation to Accident at 20 per cent, albeit with a low number of total disputes resolved.

As the number of claims-related disputes will be a fraction of the number of claims, it follows that there is only a relatively small sample of disputes. A total of 6,160 disputes were resolved during the reporting period. TPD and DII make up the vast majority of disputes, representing 31 per cent and 55 per cent of the total, respectively. Two products in particular have a small number of disputes resolved: Funeral (56 disputes) and Accident (66 disputes).

Table 6: Original decision reversed reasons by cover type (combines distribution channels)

Cover type	Original outcome incorrect	Additional information received	Other reasons
Death	68%	12%	20%
TPD	67%	24%	9%
Trauma	47%	40%	13%
DII	73%	17%	10%
CCI	55%	30%	15%
Funeral	40%	20%	40%
Accident	31%	38%	31%

Table 6 summarises original decision reversed reasons by cover type. For Accident, claims outcomes were reversed mostly due to additional information being received, while original outcome having been determined to be incorrect was the main reason for the other products.

Table 7: Disputes processing duration by cover type (combines distribution channels)

Cover type	0-45 days	>45 days to 90 days	>90 days	Est. average duration (months)
Death	67%	11%	22%	2.7
TPD	64%	12%	24%	3.6
Trauma	75%	8%	17%	2.2
DII	76%	11%	13%	2.1
CCI	73%	14%	13%	1.7
Funeral	96%	2%	2%	0.9
Accident	81%	6%	13%	2.1

Table 7 summarises disputes processing duration by cover type. The majority of disputes were resolved in 0-45 days. TPD has the longest estimated average disputes processing duration at more than 90 days, reflecting the product's complexity, whereas Funeral disputes tend to have significantly shorter processing durations.



 **APRA**