



APRA

STATISTICS

Life insurance claims and disputes statistics

December 2022 (issued 18 April 2023)

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.

Enquiries

For more information about the statistics in this publication, contact:

DataAnalytics@apra.gov.au

Manager, External Data Reporting
Australian Prudential Regulation Authority
GPO Box 9836
Sydney NSW 2001

Disclaimer and Copyright

While APRA endeavours to ensure the quality of this publication, it does not accept any responsibility for the accuracy, completeness or currency of the material included in this publication and will not be liable for any loss or damage arising out of any use of, or reliance on, this publication.

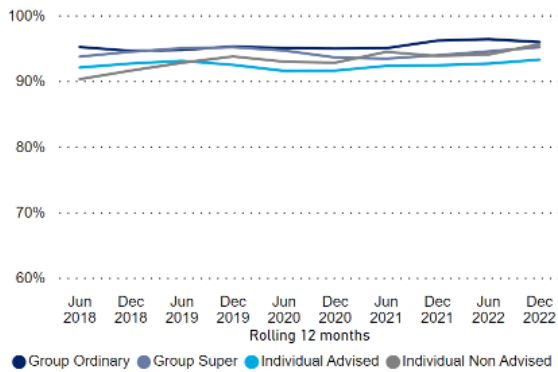
© Australian Prudential Regulation Authority (APRA)

This work is licensed under the Creative Commons Attribution 3.0 Australia Licence (CCBY 3.0). This licence allows you to copy, distribute and adapt this work, provided you attribute the work and do not suggest that APRA endorses you or your work. To view a full copy of the terms of this licence, visit <https://creativecommons.org/licenses/by/3.0/au/>

Industry Highlights

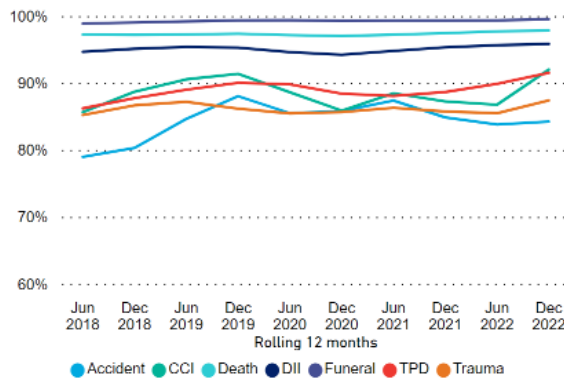
This publication presents the key industry-level claims and dispute outcomes for 17 Australian life insurers writing direct business (i.e., excluding reinsurance).

Chart 1: Admittance rates by channels, for year ended June 2018 to December 2022



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

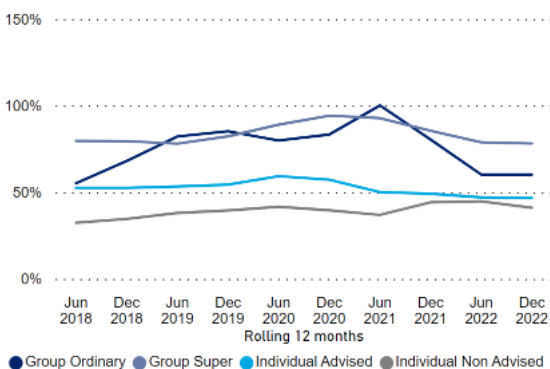
Chart 2: Admittance rates by cover types, for year ended June 2018 to December 2022



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 2022



The claims paid ratios for Group products peaked in early 2021 and have been trending downwards ever since. In contrast, the ratios for Individual products have remained relatively stable.

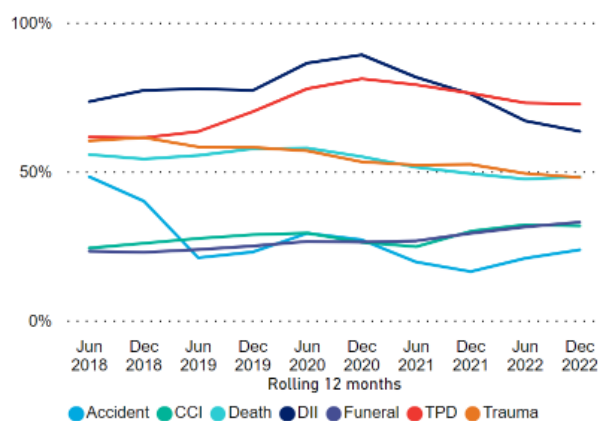
Compared to Group products, Individual products tend to have lower claims paid ratios due to higher acquisition costs associated with the policy. As this is reflected in the premium charged, the claims

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.

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

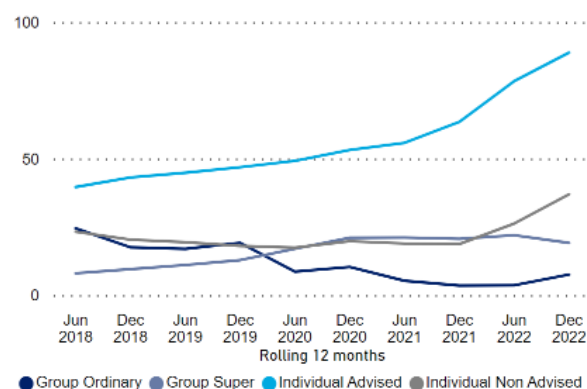
APRA urges caution in using the claims paid ratio as a measure of consumer value or product profitability. For insurers, claims payments are only one part of the costs associated with an insurance policy. Other costs, such as administration, acquisition costs and claims reserves, are not included. Whether, 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 2022



The claims paid ratios for Death and Trauma declined steadily over time. In contrast, the ratios for TPD and DII² peaked in December 2020 before returning to a lower level of 70% to 80%.

Chart 5: Dispute lodgement ratios by channels³, for year ended June 2018 to December 2022

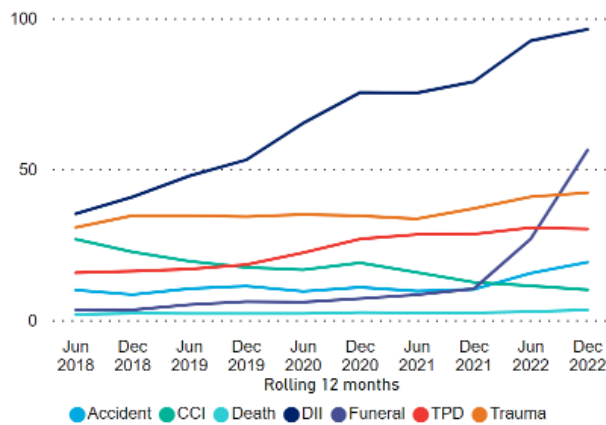


For individual products, there was a sharp increase in the dispute lodgement ratios since June 2021. This was mainly driven by DII, given the various repricing activities undertaken to address the product's sustainability issues.

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.

³ The dispute lodgement ratio is defined as the number of disputes lodged per 100,000 lives insured.

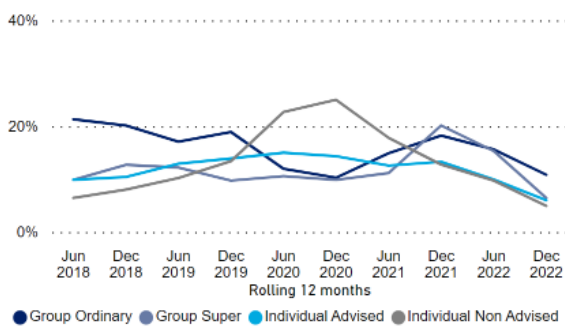
Chart 6: Dispute lodgement ratios by cover types, for year ended June 2018 to December 2022



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

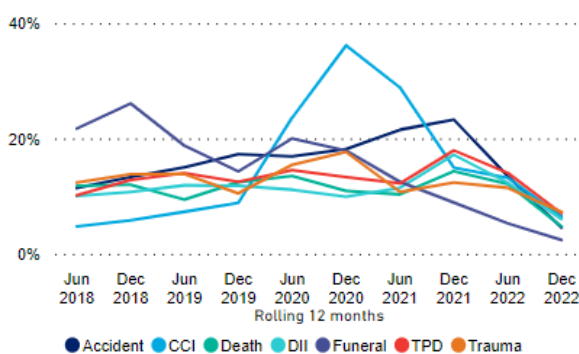
In general, more complex products are likely to have higher dispute lodgement ratios. TPD, Trauma and DII in particular show relatively high ratios. While DII shows higher ratios than TPD and Trauma, it also has a higher claims frequency.

Chart 7: Original decision reversed by channels, for year ended June 2018 to December 2022



The original decision reversed rates across all distribution channels vary between 5% to 20% over time.

Chart 8: Original decision reversed by cover types, for year ended June 2018 to December 2022



The original decision reversed rates across all cover types have been trending downwards since December 2021 and are the lowest levels in four years.

Appendix

Table 1 reveals significant variance in claims admittance rate between different cover types and distribution channels, from 100 per cent (Individual Non-Advised Funeral) to 64 per cent (Group Ordinary Trauma). These results, however, are affected by the number of observations – the latter combination only reflects 11 finalised claims, whereas 13 out of the 19 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 | 98% | 92% | 98% | 99% |
| TPD | 87% | 77% | 92% | 94% |
| Trauma | 88% | 84% | n/a | 64% |
| DII | 95% | 89% | 97% | 95% |
| CCI | n/a | 92% | n/a | * |
| Funeral | n/a | 100% | n/a | n/a |
| Accident | 86% | 84% | n/a | * |

* In this publication, Group Ordinary CCI and Accident are 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 similar admittance rates between two channels. However as noted above, the number of observations is quite small (21 finalised claims, versus 2,374 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% | 34% | 63% | 43% |
| TPD | 52% | 70% | 87% | 18% |
| Trauma | 49% | 35% | n/a | 108% |
| DII # | 49% | 109% | 83% | 67% |
| CCI | n/a | 32% | n/a | * |
| Funeral | n/a | 33% | n/a | n/a |
| Accident | 51% | 20% | 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 18 per cent (Group Ordinary TPD) to 109 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, some of the products with the lowest claims paid ratios do have a relatively large sample: Individual Non-Advised CCI (1,719 finalised claims), Individual Non-Advised Funeral (14,852 finalised claims) and Individual Non-Advised Accident (2,374 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% | 2% | 1% | 1.2 |
| TPD | 11% | 19% | 44% | 18% | 7% | 5.2 |
| Trauma | 52% | 34% | 11% | 2% | 1% | 1.5 |
| DII | 39% | 41% | 15% | 4% | 1% | 1.9 |
| CCI | 61% | 27% | 9% | 2% | 0% | 1.3 |
| Funeral | 81% | 16% | 2% | 0% | 0% | 0.7 |
| Accident | 81% | 12% | 5% | 1% | 1% | 1.0 |

Table 3 summarises claims processing durations in respect of finalised claims. This is the period 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 the 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 | 12 | 30 | 1 | 0 |
| TPD | 72 | 73 | 25 | 3 |
| Trauma | 51 | 20 | n/a | 45 |
| DII # | 302 | 407 | 53 | 38 |
| CCI | n/a | 9 | n/a | * |
| Funeral | n/a | 56 | n/a | n/a |
| Accident | 12 | 19 | 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# | <i>% of resolved</i> | <i>% of resolved</i> | <i>% of resolved</i> | % of lodged | % of lodged |
| Death | 87% | 25% | 5% | 70% | 3% | 10% |
| TPD | 79% | 25% | 7% | 68% | 3% | 17% |
| Trauma | 88% | 43% | 7% | 50% | 2% | 9% |
| DII | 87% | 25% | 6% | 69% | 4% | 9% |
| CCI | 94% | 20% | 6% | 74% | 2% | 4% |
| Funeral | 95% | 25% | 2% | 73% | 3% | 2% |
| Accident | 97% | 61% | 5% | 34% | 0% | 3% |

'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 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). CCI has the highest proportion of disputes resolved by other outcomes. The highest rate of claim reversal decisions is in relation to TPD and Trauma at 7 per cent.

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 15,444 disputes were resolved during the reporting period. TPD and DII make up the vast majority of disputes, representing 27 per cent and 56 per cent of the total respectively. Three products in particular have a small number of disputes resolved: CCI (199 disputes), Funeral (665 disputes) and Accident (218 disputes).

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

| Cover type | Original outcome incorrect | Additional information received | Other reasons |
|------------|----------------------------|---------------------------------|---------------|
| Death | 32% | 42% | 26% |
| TPD | 39% | 40% | 21% |
| Trauma | 29% | 46% | 25% |
| DII | 33% | 26% | 41% |
| CCI | 67% | 17% | 17% |
| Funeral | 13% | 75% | 13% |
| Accident | 0% | 67% | 33% |

Table 6 summarises original decision reversed reasons by cover type. Additional information being received was the main reason for most 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 | 85% | 5% | 11% | 1.8 |
| TPD | 76% | 5% | 19% | 2.8 |
| Trauma | 84% | 5% | 11% | 1.5 |
| DII | 87% | 3% | 11% | 1.6 |
| CCI | 87% | 6% | 7% | 1.2 |
| Funeral | 99% | 0% | 0% | 0.8 |
| Accident | 85% | 11% | 5% | 1.2 |

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