

Emma Curtis
Group Senior Manager
Insurance, Deposit Takers, Credit and Insurers
Australian Securities and Investment Commission

Peter Kohlhagen
Senior Manager
Policy Development
Australian Prudential Regulation Authority

**By email to: lifecclaimsdata@apra.gov.au; Emma.Curtis@asic.gov.au;
Peter.Kohlhagen@apra.gov.au**

Consultation on Life Claims Data Collection – Discussion Paper: ‘Towards a transparent reporting regime for life insurance claims information’

Submission – Life Code Compliance Committee

The Life Code Compliance Committee

The Life Code Compliance Committee (Life CCC) is an independent body responsible for the monitoring and enforcement of the Life Insurance Code of Practice (the Code). It acts in accordance with the Life CCC Charter, which sets out the powers, duties functions and responsibilities of the Committee, subject to any provisions in the Code.

Further information about the Life CCC can be found in the Addendum to this submission.

The Life CCC welcomes the opportunity to provide comment on the 'Discussion Paper: Towards a transparent public reporting regime for life insurance claims information' (Discussion Paper) and appreciates the extended timeframe for their response.

Introduction

The Life CCC notes that the Discussion Paper outlines a joint project between the Australian Prudential Regulation Authority (APRA) and Australian Securities & Investments Commission (ASIC), (the agencies). The project aims, to collect data on life insurance claims, claims handling, claim outcomes and claim disputes. The Life CCC understands the agencies propose to publish this data on an entity basis in Phase 2.

It is noted the agencies' objectives are to:

- improve accountability and performance of life insurers; and
- facilitate an informed public discussion about the performance of the life insurance industry.

Life CCC Data Collection

Clause 11 (d) of the Life CCC Charter states:

Each year the Life CCC must prepare and publish aggregated industry data and consolidated analysis of Code compliance by the Code Subscribers for the relevant period. This information may be provided separate to the Annual Report. Before determining what data it collects and publishes, the Life CCC should take into account any industry data already published by any regulator or the FSC to avoid duplication.

The Life CCC will be collecting industry data from Code Subscribers for the period 01 July 2017 to 30 June 2018.

The Life CCC notes that the agencies' Discussion Paper states that the aim is to publish data on an aggregated industry level and on an entity level, and further consultation will take place in Phase 2 regarding the data that will be published. The publication of this data may therefore help inform areas of focus for future Code monitoring by the Life CCC, on an individual subscriber or industry level.

'Taking into account' industry data published by regulators

The Life CCC will be collecting industry data from Code Subscribers for the period 1 July 2017- 30 June 2018 in the months of July and August 2018. It will publish the data on an aggregated industry level and use this as one of a number of tools to assess Code compliance and inform areas of future Code monitoring.

As the Life CCC is unlikely to know at the time it requests data from Code Subscribers, what data the agencies will publish, this may lead to overlap in data collection and publication. This is based on the information in the Discussion Paper that presents that the agencies are unlikely to publish data in Phase 1 (which extends to at least May 2018).

Where possible the Life CCC will endeavour to use the same definitions as APRA to streamline data requests from subscribers.

The Life CCC is currently scoping the data it will request. It will look to share this information with the agencies as part of its stakeholder consultation process.

There may be overlap in the data collected by the agencies and the Life CCC from varying insurers, however this data may be collected and analysed differently. The Life CCC will aim, where practicable, to discuss and understand the reasons for any major discrepancies in its findings from data collection and analysis, to those of the agencies.

Continuing Dialogue between the agencies and the Life CCC

The Life CCC's administrator from the Code Team at FOS, headed up by General Manager Sally Davis, met with representatives from ASIC and APRA on 2 August 2017 to discuss:

- the obligations of the Life CCC under the Charter to produce an aggregated industry report for the financial year 2017-2018, and
- the agencies' data collection project.

There is a role for co-operation and sharing of appropriate information between the agencies and the Life CCC, to enable each to better monitor and enforce compliance with the Law and Code, respectively. The Life CCC invites the opportunity for ongoing dialogue.

At this stage, the Life CCC is interested to understand:

- the outcome of the Phase 1 process of data collection and any learnings the agencies are able to share,
- some of the challenges encountered in collecting the data, and
- what data is likely to be published and the time frames for publication.

Comment on the agencies' data collection

Some Code sections overlap with information the agencies will be collecting and may inform the Life CCC's monitoring work. The Life CCC has considered the full extent and scope of the agencies' data collection in phase 1, available in 'APRA Life Claims Definitions Template- Phase1 Round 1'. It would like to provide some specific comment on the data set collection.

Policy Data

The policies captured by the agencies' data collection are also policies which are covered by the Code.

Policy data collection will help to inform the Life CCC about the size of the industry and if published on an entity basis, provide insights into the market share of each subscriber based on policy type. We note that the project excludes data on funeral insurance and Consumer Credit Insurance (CCI) products in Phase 1.

The Code currently captures funeral insurance and CCI products and there is scope for the Life CCC to collect data on these policies. This could complement the agencies' work.

Claims Durations

We note the agencies will be asking for length of time to finalise a claim (claims duration), broken down into time buckets, and based on benefit type.

Sections 8.14, 8.16 and 8.17 of the Code refer to claim decision time frames but exclude claims which fall into the 'Unexpected circumstances' bucket.¹

There is scope for the Life CCC to ask for data on the number of claims which fall into this carve out and get a better idea regarding the profile of claims experiencing delays. This data could complement the claims duration data the agencies will collect and may give greater insight into the reasons for certain claim durations.

The Life CCC suggests the agencies consider adding this level of enquiry to future data collection to gain insights into the reasons it may take longer to decision some types of claims.

Disputes

The Life CCC notes the data will be collected on dispute numbers by claim type and the resolution outcome. The Life CCC suggests the agencies consider adding 'reasons for the claim dispute' to the data collection, as this may not be captured by the resolution outcome data.

Dispute Durations

Sections 9.10 to 9.13 of the Code refer to time frames for resolution of complaints and disputes, and the avenue a consumer can follow if these timeframes are not met.

The Life CCC suggests the agencies consider linking dispute duration data to dispute outcome data, as it may provide some useful insights into the time to resolve specific types of disputes.

¹ The specific sections of the Code referred to in this letter can be found in Appendix A, or in the Code which can be found [here](#).

Conclusion

The Life CCC notes there may be some overlap in the data that it collects and publishes. Where practical the Life CCC will endeavour to adhere to similar policy definitions as the agencies will be using. The data collection of the Life CCC has the potential to complement and inform the work of the agencies. The Life CCC invites a continuing dialogue between it and the agencies to explore how the data collection of each party can enable each party to better monitor and enforce compliance.

Kind regards,

A handwritten signature in black ink that reads "David Weisbrot". The signature is written in a cursive style with a large initial 'D'.

Professor David Weisbrot AM FAAL DLitt
Chair - Life Code Compliance Committee

Addendum: About the Life Code Compliance Committee

Life Insurance Code of Practice

The Life Insurance Code of Practice (the Code) came into effect on 1 October 2016 and 22 Life insurers (Subscribers) have transitioned to the Code from 30 June 2017.

The Code is the life insurance industry's commitment to mandatory customer service standards. It has been voluntarily developed by the life insurance industry through the Financial Services Council to:

1. Promote high standards of service to consumers,
2. Provide a benchmark of consistency within the industry,
3. Establish a framework for professional behaviour and responsibilities.

Role and function of the Life Code Compliance Committee

The Code is monitored by an independent Life Code Compliance Committee (Life CCC).

The Committee is made up of three members:

- an independent chair,
- an industry representative, and
- a consumer representative.

The Life CCC's functions and powers are set out in section 12 of the Code and supplemented by the Life CCC Charter. The Life CCC acts to monitor and enforce Code compliance, and has the power to investigate alleged breaches and impose sanctions if subscribers do not comply with reasonable request to implement remedial action in response to a breach.

A copy of the Life CCC's Charter can be found [here](#).

A soft copy of the Code can be found [here](#).

APPENDIX A

Code Chapters

- 3 Policy design and disclosure
- 4 Sales practices and advertising
- 5 When you buy insurance
- 6 Policy changes and cancellation rights
- 7 Consumers requiring additional support
- 8 When you make a claim
- 9 Complaints and disputes
- 10 Standards for third parties dealing with underwriting or claims
- 11 Information and education
- 14 Access to information

Code Sections Referred to within the Paper

4.2 Our staff and the staff of **our Authorised Representatives** who sell **our** policies will:

- a) receive appropriate training initially and on an ongoing basis covering **our** policies, suitable customers for **our** policies, acceptable and unacceptable sales practices, the best interests duty of financial advisers when providing personal advice, and the requirements of the **Code**; and
- b) receive additional remedial training as needed to correct any identified performance shortcomings.

4.7 If **you** apply for a consumer credit insurance (**CCI**) **Life Insurance Policy** as an add-on to another financial product, either with **us** directly or through **our Authorised Representative**, **we** will:

- g) provide **you** with an annual notice **in writing** each year prior to the anniversary of **your Life Insurance Policy**. The annual notice will include:
 - i. the period of cover;
 - ii. the types of cover; and
 - iii. contact details if **you** have any questions or need to make a claim.

5.15 Our underwriters will be appropriately skilled and trained. They will not make underwriting decisions on **our** behalf until they have demonstrated technical competency and an understanding of all relevant law, the requirements of the **Code** and relevant **FSC** Standards and Guidance. They will have access to professional advice and support during the assessment process where required, in the relevant disciplines (for example, medical specialists and accountants).

6.3 We will provide **you** with an annual notice **in writing** each year prior to the anniversary of **your Life Insurance Policy**. The annual notice will include:

- a) the types of cover **you** are insured for and how much **you** are insured for;
- b) an explanation for any increase in **your premiums** in accordance with the terms of **your Life Insurance Policy**;
- c) information about the risks of cancelling and replacing an existing **Life Insurance Policy**
- d) information about how to contact **us** to discuss options if **you** want to change the terms of **your Life Insurance Policy** or are having difficulty meeting **your** payments; and
- e) what to do in the event of a claim.

8.14 All efforts will be made to meet the timelines required by the **Code**. However, timeframes for making claims decisions can be affected by factors outside **our** control (**Unexpected Circumstances**). Examples of this include the time taken by a superannuation trustee to review **our** decision or fulfil its legal obligations, or the time taken by **you** or **your** treating doctor to provide information. Where **we** cannot comply with a deadline required by the **Code** due to a delay that is out of **our** control, **we** will not have breached the **Code**. If there are external impacts on timeframes, **we** will inform **you** of this and **we** or the **Group Policy-owner** will keep **you** informed of progress.

8.16 For income-related claims, **we** will let **you** know **our** initial decision no later than two months after **we** are notified of **your** claim or two months after the end of **your** waiting period (whichever is later), unless **Unexpected Circumstances** apply. Where **Unexpected Circumstances** apply, **our** decision will be made no later than 12 months after **we** are notified of **your** claim. **We** will let **you** know the reasons for the delay, and if **you** disagree **we** will review this. If **we** cannot make a decision within 12 months, **we** will give **you** details of **our Complaints** process.

8.17 For all claims other than income-related claims, **we** will let **you** know **our** decision no later than six months after **we** are notified of **your** claim or six months after the end of any waiting period, unless **Unexpected Circumstances** apply. Depending on **your** policy, **our** decision may be a requirement that **you** undertake a period of rehabilitation or retraining, or it may be a final decision on **your** benefits. Where **Unexpected Circumstances** apply, **our** decision will be made no later than 12 months after **we** are notified of **your** claim. **We** will let **you** know the reasons for the delay, and if **you** disagree **we** will review this. If **we** cannot make a decision within 12 months, **we** will give **you** details of **our Complaints** process.

8.20 Our claims assessors will be appropriately skilled and trained to make objective decisions. They will not make claims decisions on **our** behalf until they have demonstrated technical competency and an understanding of all relevant law, the **Code** and relevant **FSC** Standards and Guidance. Remuneration and entitlements to bonuses will not be based on declined claims or deferrals of decisions.

15 Definitions

Authorised representative means a person, company or other entity authorised by **us** to provide financial services on **our** behalf under **our** Australian Financial Services licence, in accordance with the Corporations Act 2001. It does not include a person, company or entity that is an authorised representative of an Australian Financial Services licensee that is a related company to **us**.

Code means the Life Insurance Code of Practice 2016.

FSC means the Financial Services Council Limited.

Life Insurance Policy means:

- a) a contract of insurance that provides for the payment of money on the death of a person or on the happening of a contingency dependent on the termination or continuance of human life (Section 9(1)(a), Life Insurance Act 1995);
- b) a contract of insurance that is subject to payment of **premiums** for a term dependent on the termination or continuance of human life (Section 9(1)(b), Life Insurance Act 1995);
- c) a continuous disability policy (Section 9(1)(e), Life Insurance Act 1995); or
- d) another contract of insurance, if **we** carry on life insurance business (other than annuity business) by issuing or undertaking liability under such a contract due to a declaration by APRA under section 12A of the Life Insurance Act 1995, issued in the Australian market and excluding a contract of reinsurance.

Group Policy-owner means a **Policy-owner** of a **Group Policy**.

Unexpected Circumstances means:

- a) **your** claim has been notified to **us** more than 12 months after the later of the date of disability or the end of **your** waiting period, and there are reasonable delays obtaining evidence necessary for the assessment of **your** claim from the intervening period;
- b) for a claim for total and permanent disability, **we** cannot reasonably satisfy ourselves on the basis of the information provided in the six months after the end of **your** waiting period that **your** condition meets the requirements of **your Life Insurance Policy**;
- c) **we** have not received reports, records or information reasonably requested from an **Independent Service Provider**, **your** doctor, a government agency or other person or entity (including a **Reinsurer**);

- d) the **Policy-owner** or **Group Policy-owner** has disputed or taken a protracted period to consider **our** decision;
- e) **you** or **your Representative** have not responded to **our** reasonable enquiries or requests for documents or information concerning **your** claim;
- f) there are difficulties in communicating with **you** in relation to the claim due to circumstances beyond **our** control;
- g) there is a delay in the claims process that **you** have requested; or
- h) the claim is fraudulent or **we** reasonably suspect fraud or non-disclosure that requires further investigation.

END