



# STATISTICS

## Life Insurance Claims and Disputes Statistics

June 2019 (Reissued 18 November 2019)

## 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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## Executive summary

This publication presents the key industry-level claims and dispute outcomes for 20 Australian life insurers<sup>1</sup> writing direct business (i.e. excluding reinsurance), covering a rolling 12-month period from 1 July 2018 to 30 June 2019.

The admittance rate across all cover types and distribution channels was 94 per cent in the reporting period. Table 1 breaks the admittance rate down by cover type and channel.

**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%	88%	98%	99%
TPD	85%	69%	89%	80%
Trauma	87%	87%	*	82%
DII	95%	85%	97%	95%
CCI	n/a	91%	n/a	*
Funeral	n/a	99%	n/a	n/a
Accident	36%	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.

Table 1 reveals significant variance in the admittance rate between different cover types and distribution channels, from 99 per cent (Group Ordinary Death and Individual Non-Advised Funeral) to 36 per cent (Individual Advised Accident). These results, however, are affected by the number of observations – the latter combination only reflects 11 finalised claims, whereas 17 out of the 19 combinations published in Table 1 have more than 1,000. Table 4 in the main body of this publication gives the number of finalised claims for each combination.

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 Individual Advised Accident, which has an unusually low admittance rate. However, as noted above the number of observations is quite small (11 finalised claims,

<sup>1</sup> A list of contributing entities is provided in Attachment A.

versus 3,563 for Non-Advised), plus APRA was informed by the main writer of this product of some existing data limitations that have reduced the accuracy of their reported results.

**Table 2: Claims paid ratio<sup>^</sup> by cover type and distribution channel**

Cover type	Individual Advised	Individual Non-Advised	Group Super	Group Ordinary
Death	42%	40%	76%	55%
TPD	46%	55%	74%	31%
Trauma	59%	41%	*	77%
DII #	68%	107%	86%	89%
CCI	n/a	28%	n/a	*
Funeral	n/a	24%	n/a	n/a
Accident	4%	22%	n/a	n/a

<sup>^</sup> The claims paid ratio is the dollar amount of claims paid out in the reporting period as a percentage of the annual premiums receivable in the same period.

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

Table 2 provides the claims paid ratio by cover type and distribution channel. There is significant variance between products, ranging from 4 per cent (Individual Advised Accident) to 107 per cent (Individual Non-Advised DII). As this information is based on finalised claims, the caveats regarding sample size accompanying Table 1 apply here as well. However, it is notable that two of the four products with the lowest claims paid ratios have a relatively large sample: Individual Non-Advised Funeral (12,299 finalised claims) and Individual Non-Advised CCI (8,336 claims).

In general, Individual products will have higher acquisition costs associated with the policy compared to Group products. As these costs will make up a larger proportion of the overall premium income, the claims payments will be a correspondingly lower percentage.

Across all distribution channels except Group Ordinary, DII business has the highest claims paid ratio. This aligns with the observations made in APRA's thematic review into the sustainability of this product.<sup>2</sup>

APRA urges caution in interpreting the information presented in Table 2 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 depend in part on these factors.

<sup>2</sup> Refer to [Seeking sustainability: challenges facing individual disability income insurance](#), APRA Insight (2018).

Please note that the claims paid ratio reported in this publication is only a proxy of the loss ratio; refer to the *Industry-level results* chapter for more information on this.

Next to APRA's publication, the Australian Securities and Investments Commission (ASIC) has made available on its MoneySmart website the *Life insurance claims comparison tool*, a consumer-oriented tool designed to readily assist in making reasonable comparisons of key life insurance claims and disputes metrics across the industry.<sup>3</sup>

<sup>3</sup> The ASIC tool is available at <https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/life-insurance-claims-comparison-tool>.

## Industry-level results

This chapter presents the high-level industry results. A spreadsheet publication with additional information and entity-level data, a database providing historic back-series, and a glossary explaining in detail all relevant terms used, are available on APRA's website.<sup>4</sup>

Attachment A lists all insurers that contributed data to this publication. Attachment B presents additional information on the key characteristics of the Australian direct life insurance market for the cover types included in this publication: lives insured, annual premium volume, sum insured, new business written and lapse rate.

### Claims outcomes

**Table 3: Claims outcomes by cover type (combines distribution channels)**

	Claims Finalised	Claims Admitted	Claims Declined	Claims Withdrawn	Claims Undetermined <sup>^</sup>
Cover type	% of received <sup>#</sup>	% of finalised	% of finalised	% of received	% of received
Death	89%	97%	3%	2%	9%
TPD	62%	89%	11%	6%	32%
Trauma	88%	87%	13%	3%	9%
DII	81%	95%	5%	5%	14%
CCI	86%	91%	9%	9%	5%
Funeral	98%	99%	1%	0%	2%
Accident	91%	85%	15%	5%	3%

<sup>#</sup> 'Claims received' is the sum of: claims that were undetermined at the start of the reporting period; claims that were received during the reporting period; and claims that insurers re-opened (subsequent to being withdrawn) during the reporting period.

<sup>^</sup> 'Claims Undetermined' refers to all claims that remain open for assessment at the end of the reporting period.

Table 3 summarises the claims outcomes by cover type, combining all distribution channels. The share of claims that are finalised during the reporting period varies considerably across the cover types. This is due in part to the relative complexity of assessing the claim: a TPD product generally takes longer than a Funeral claim, so a high share of Funeral claims are finalised, whereas a relatively large share of TPD claims remains undetermined at the end of the reporting period.

<sup>4</sup> Refer to <https://www.apra.gov.au/life-claims-data-collection>.

The relatively lower admittance rate in respect of cover types such as TPD, Trauma and Accident in part reflects the complexities of assessing these claims, as well as consumer clarity on what exactly is covered by the policy. Death and Funeral claims, on the other hand, are relatively straightforward to assess, which is reflected in their high admittance rate.

Compared to other cover types, CCI has a large share of withdrawn claims. The withdrawn reasons are provided in Table 7.

**Table 4: Claims admittance rate by cover type and distribution channel**

Cover type	Individual Advised		Individual Non-Advised		Group Super		Group Ordinary	
	Claims finalised	% admitted	Claims finalised	% admitted	Claims finalised	% admitted	Claims finalised	% admitted
Death	3,670	97%	1,281	88%	15,474	98%	159	99%
TPD	1,472	85%	70	69%	15,549	89%	35	80%
Trauma	4,698	87%	1,149	87%	*	*	17	82%
DII	11,753	95%	2,288	85%	22,353	97%	2,802	95%
CCI	n/a	n/a	8,336	91%	n/a	n/a	*	*
Funeral	n/a	n/a	12,299	99%	n/a	n/a	n/a	n/a
Accident	11	36%	3,563	85%	n/a	n/a	n/a	n/a

Table 4 summarises the claims admittance rate by cover type and distribution channel. While only Group Ordinary CCI is masked, several other combinations have a very small number of claims finalised in the reporting period: Individual Advised Accident (11 claims across the industry), Individual Non-Advised TPD (70 claims), Group Ordinary Death (159 claims), Group Ordinary TPD (35 claims) and Group Ordinary Trauma (17 claims). APRA urges caution in interpreting the results for these combinations, as such a low volume of claims leads to more volatility in the reported admittance rates.



**Table 5: Claims decline reasons by cover type (combines distribution channels)**

Cover type	Contractual definition not met	Exclusion clause	Unintentional non-disclosure or misrepresentation	Fraudulent claim	Other reasons
Death	50%	35%	6%	2%	6%
TPD	87%	7%	1%	0%	5%
Trauma	79%	16%	1%	1%	3%
DII	64%	19%	8%	1%	8%
CCI	55%	40%	1%	0%	5%
Funeral	54%	25%	0%	0%	21%
Accident	68%	30%	0%	0%	2%

Table 5 summarises the reasons provided by insurers for declining a claim, by cover type. With the exception of Funeral policies, the contractual definition not being met is the dominant cause for claims being declined. For Funeral policies, exclusion clauses are the main decline reason.

**Table 6: Claims withdrawn rate by cover type and distribution channel**

Cover type	Individual Advised	Individual Non-Advised	Group Super	Group Ordinary
Death	4%	3%	2%	1%
TPD	12%	7%	5%	8%
Trauma	3%	2%	*	0%
DII	7%	6%	5%	2%
CCI	n/a	9%	n/a	*
Funeral	n/a	0%	n/a	n/a
Accident	38%	5%	n/a	n/a

Table 6 summarises the claims withdrawn rate by cover type and distribution channel. Withdrawal rates are relatively low across all cover type and distribution channel combinations, topping at 38 per cent for Individual Advised Accident.

**Table 7: Claims withdrawn reasons by cover type (combines distribution channels)**

Cover type	Withdrawn by claimant	Withdrawn by insurer due to claimant inactivity	Other reasons
Death	45%	36%	19%
TPD	59%	34%	7%
Trauma	52%	38%	10%
DII	57%	40%	4%
CCI	54%	42%	3%
Funeral	14%	79%	7%
Accident	76%	23%	0%

Table 7 summarises the claims withdrawn reasons by cover type. For Death, TPD, Trauma, DII, CCI and Accident claims, most withdrawals were initiated by claimants. For Funeral claims, most withdrawals were initiated by the insurer due to claimant inactivity. This could be because the insurer did not receive any response from the claimant when further information was requested, as well as (for some cover types) instances where the insured has deceased subsequent to the claim being lodged and the claim is no longer relevant.

## Claim frequency and claims paid ratio

**Table 8: Claims frequency by cover type and distribution channel**

Cover type	Individual Advised	Individual Non-Advised	Group Super	Group Ordinary
Death	0.18%	0.21%	0.12%	0.09%
TPD	0.14%	0.12%	0.14%	0.02%
Trauma	0.51%	0.30%	*	0.31%
DII	1.32%	1.83%	0.48%	0.61%
CCI	n/a	0.31%	n/a	*
Funeral	n/a	1.49%	n/a	n/a
Accident	0.03%	0.36%	n/a	n/a

Table 8 summarises the claims frequency by cover type and distribution channel. The claims frequency refers to the number of admitted claims as a proportion of average lives insured. As reported in Table 3, certain combinations have a very small number of claims finalised in

the reporting period. The same caveats regarding the interpretation of the results therefore apply here as well.

**Table 9: Claims paid ratio<sup>^</sup> by cover type and distribution channel**

Cover type	Individual Advised	Individual Non-Advised	Group Super	Group Ordinary
Death	42%	40%	76%	55%
TPD	46%	55%	74%	31%
Trauma	59%	41%	*	77%
DII #	68%	107%	86%	89%
CCI	n/a	28%	n/a	*
Funeral	n/a	24%	n/a	n/a
Accident	4%	22%	n/a	n/a

<sup>^</sup> The claims paid ratio is the dollar amount of claims paid out in the reporting period as a percentage of the annual premiums receivable in the same period.

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

Table 9 provides the claims paid ratio by cover type and distribution channel. APRA urges caution in interpreting this information 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 depend in part on these factors.

Please note that the claims paid ratio reported in this publication is only a proxy of the loss ratio, which is normally determined using premiums paid in respect of a period and the cost of claims being incurred in that same period, regardless of when they are reported or finalised. For the claims paid ratio reported here, the premiums used are annualised premiums receivable rather than actual premiums received, and the claims used exclude the claims reserve as well as changes to the claims reserve. However, this is partially offset by the inclusion of claims from earlier periods.

In general, Individual products will have higher acquisition costs associated with the policy compared to Group products. As these costs will make up a larger proportion of the overall premium income, the claims payments will be a correspondingly lower percentage.

Across all distribution channels except Group Ordinary, DII business has the highest claims paid ratio, implying that the all-in costs of the products exceed premiums paid. This aligns with the material losses reported by the Australian life insurance industry from 2014 onwards

for the Individual DII product, and the observations made in APRA's thematic review into the sustainability of this product.<sup>5</sup>

## Claims processing duration

**Table 10: 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	67%	20%	9%	2%	1%	1.5
TPD	13%	21%	38%	19%	8%	5.2
Trauma	49%	36%	12%	3%	1%	1.6
DII	40%	43%	13%	3%	1%	1.7
CCI	63%	26%	9%	1%	1%	1.3
Funeral	93%	5%	1%	0%	0%	0.6
Accident	87%	8%	4%	1%	1%	0.9

Table 10 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 respective complexity of these products. For Death, CCI, Funeral and Accident, the majority of claims are finalised within 0-2 weeks.

<sup>5</sup> Refer to [Seeking sustainability: challenges facing individual disability income insurance](#), APRA Insight (2018), and the [Quarterly Life Insurance Performance Statistics](#).

## Dispute lodgement ratio

**Table 11: Dispute lodgement ratio<sup>^</sup> by cover type and distribution channel**

Cover type	Individual Advised	Individual Non-Advised	Group Super	Group Ordinary
Death	6	16	1	5
TPD	33	46	15	*
Trauma	40	17	*	42
DII #	148	176	28	27
CCI	n/a	20	n/a	*
Funeral	n/a	5	n/a	n/a
Accident	11	11	n/a	n/a

<sup>^</sup> The dispute lodgement ratio is the number of disputes lodged during the reporting period per 100,000 lives insured.

Table 11 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 creates 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 in-force book 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.

Table 11 shows that more complex products have higher dispute lodgement ratios. TPD and DII in particular show relatively high ratios. While DII shows higher ratios than TPD, it also has a higher claims frequency (Table 8). Comparing distribution channels, the Individual Non-Advised channel generally shows higher dispute ratios.

## Disputes outcomes

*Table 12: 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 <sup>^</sup>
Cover type	% of lodged#	% of resolved	% of resolved	% of resolved	% of lodged	% of lodged
<b>Death</b>	77%	43%	10%	48%	7%	17%
<b>TPD</b>	67%	34%	14%	52%	3%	29%
<b>Trauma</b>	78%	51%	13%	36%	3%	19%
<b>DII</b>	74%	30%	12%	59%	5%	21%
<b>CCI</b>	90%	10%	7%	82%	6%	5%
<b>Funeral</b>	78%	47%	19%	34%	17%	5%
<b>Accident</b>	83%	43%	15%	43%	3%	14%

# '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.

<sup>^</sup> 'Disputes Undetermined' refers to all disputes that remain open for assessment at the end of the reporting period.

Table 12 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, 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 Funeral at 19 per cent, albeit with a low number of total disputes resolved (32 – shown in the entity-level publication).

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 4,937 disputes were resolved during the reporting period. TPD and DII make up the vast majority of disputes, representing 31 per cent and 46 per cent of the total, respectively. Two products in particular have a small number of disputes resolved: Funeral (32 disputes) and Accident (80 disputes).

**Table 13: Original decision reversed reasons by cover type (combines distribution channels)**

Cover type	Original outcome incorrect	Additional information received	Other reasons
Death	46%	38%	17%
TPD	43%	37%	20%
Trauma	40%	48%	13%
DII	45%	30%	25%
CCI	9%	89%	3%
Funeral	83%	0%	17%
Accident	25%	58%	17%

Table 13 summarises original decision reversed reasons by cover type. For Death, TPD, DII and Funeral, claims outcomes were mainly reversed due to the original outcome having been determined to be incorrect. For Trauma, CCI and Accident, the main reason was additional information being received.

**Table 14: Dispute withdrawn reasons by cover type (combines distribution channels)**

Cover type	Withdrawn by claimant	Withdrawn by insurer due to claimant inactivity	Withdrawn by EDR, court or tribunal	Other reasons
Death	64%	9%	23%	5%
TPD	61%	19%	10%	10%
Trauma	83%	0%	8%	8%
DII	71%	10%	13%	6%
CCI	17%	10%	10%	63%
Funeral	86%	14%	0%	0%
Accident	33%	0%	33%	33%

Table 14 summarises disputes withdrawn reasons by cover type. Note that during the reporting period, 289 disputes in total were withdrawn across all cover types; the reported results will therefore be subject to significant margins of error. Possible exceptions are DII (146 disputes withdrawn) and TPD (69 disputes). At the other extreme, Funeral and Accident only have 3 withdrawn disputes in total.

## Disputes processing duration

*Table 15: 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	75%	12%	14%	2.4
TPD	48%	16%	36%	5.0
Trauma	73%	14%	13%	2.2
DII	73%	16%	11%	2.0
CCI	89%	8%	3%	1.0
Funeral	88%	9%	3%	1.0
Accident	75%	14%	11%	1.6

Table 15 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 five months, reflecting the product's complexity, whereas CCI and Funeral disputes tend to have significantly shorter processing durations.





 **APRA**