

11 August 2017

General Manger
Policy Development
Australian Prudential Regulation Authority

By email: lifecclaimsdata@apra.gov.au

Dear Sir/Madam

Discussion Paper – Towards a transparent public reporting regime for life insurance claims information

As a significant provider of advice on life insurance to superannuation funds and insurers, we reviewed the APRA Discussion Paper with interest.

The Paper effectively addresses issues raised in the ASIC Report 498, Life insurance claims, including:

- The key finding, that “there is a clear need for better quality, more consistent and more transparent data about life insurance claims.”
- The recommendation to establish a “consistent reporting regime for claims data and claims outcomes, including claims handling timeframes and dispute levels across all policy types.”

In analysing the emerging claims experience of superannuation funds and the standard of service provided by insurers to funds and members in the past, inconsistent and/or inadequate recording and reporting of data have been major challenges.

We now consider your feedback questions in turn:

- Feedback Question 1 - The agencies welcome feedback on the overall approach to this data collection and engagement with stakeholders.

Comment

The overall approach is welcomed. The initial Pilot phase with incremental refinements after each collection of data is sound. The appropriate sharing of learnings from each collection with stakeholders will allow APRA and the insurers to develop an efficient and consistent reporting protocol.

There is one small but important point of detail. The second part of the definition of Claim Event Date for TPD and DII (i.e. “when the Life Insured is considered to be disabled for the first time”) is likely to be interpreted quite differently by different insurance claims personnel. Some will use the first day “off work” for consistency with the first part of the definition while others may use a date as late as the date that the insurer assesses the claimant to be disabled. This should be more clearly defined to ensure consistency.

- Feedback Question 2 - The agencies welcome feedback on the best way for insurers to provide data for Phase 2, having regard to the objectives of this data collection.

Comment

The proposed approach is reasonable and enhancements are probably best achieved by liaison between APRA and the insurers.

It is noted that reported **durations** are split into six month periods (except for DII) for periods of up to eighteen months. This is a simple initial approach which requires little analysis by APRA. It does suffer from a lack of detail at both the short and longer ends of the duration:

- Cases that are almost all completed within six months, such as terminal illness are almost all grouped together.
- The slowest moving cases are all grouped into the “more than eighteen months” category. This does not provide visibility of how long the delayed cases are actually taking.

As the insurers will almost certainly be preparing their returns from files with individual claim records it is likely to be quite simple for them to calculate actual durations for each case. With increasing industry capability to handle large data files, we recommend APRA consider collecting individual records in the future, showing either the dates or the actual duration for each case. Alternatively, the “zero to two months” period could be extended to the other cover types (most importantly for death) and an additional reporting period of “more than 30 months.”

It is also noted that the **statistical reporting for group** is not segmented whereas the other reporting is significantly segmented. Most of the group business is superannuation, more so for life and TPD cover than for DII. There have been some initial moves in some industries (supported by major employers and unions) to move DII cover out of superannuation. With the greater restriction on concessional contribution caps from 1 July 2017, it is likely that these initial moves will gain more momentum. Segmenting the group reporting into superannuation and non-superannuation would facilitate analysis of any significant moves.

Likewise, the **claim processing durations for group** cases may be rather different for superannuation and non-superannuation cases because of the differing communication and approval chains. As with the statistics above, it may be useful to report group durations separately for superannuation and non-superannuation.

- Feedback Question 3 - The agencies welcome feedback on whether an alternative approach to data collection in Phase 2, such as an industry-led approach, should be considered.

Comment

The proposed approach is a good starting position. If both APRA and the insurers adopt a flexible approach this should evolve over time.

- Feedback Question 4 - The agencies welcome feedback on any matters that should be taken into account when consulting on the scope and design of publications, including feedback from data-users on their expectations regarding the content of the publications.

Comment

As detailed in the Paper, it is expected that the consumers and market analysts will have different needs. In the initial industry level publications, it would be reasonable for the focus of the consumer data to be on median performance, ideally split between group and retail and possibly between superannuation and non-superannuation. Most analysts and providers of data will seek much more detailed output.

- Feedback Question 5 - The agencies welcome feedback on whether the proposed data items adequately address the objectives of the data collection and whether there are any additional data items which would assist in meeting those objectives.

Comment

Subject to the comments on Question 2, the proposed data items seem to reasonably address the objectives of the data collection.

TPD by instalments is only currently offered by a small number of superannuation funds. For these funds, the payment by instalments does not apply to all TPD cases. It is likely that this feature of group TPD will become more common and its reporting especially in respect of durations will require further consideration.

Yours sincerely



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