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General Manager, Policy Development  
Policy and Advice Division  
Australian Prudential Regulation Authority

By email: [lifecclaimsdata@apra.gov.au](mailto:lifecclaimsdata@apra.gov.au)

Dear APRA & ASIC,

### **AFA Submission – Consultation: Life Insurance – Public Reporting of Claims Information**

The Association of Financial Advisers Limited (**AFA**) has served the financial advice industry for over 70 years. Our objective is to achieve *Great Advice for More Australians* and we do this through:

- advocating for appropriate policy settings for financial advice
- enforcing a Code of Ethical Conduct
- investing in consumer-based research
- developing professional development pathways for financial advisers
- connecting key stakeholders within the financial advice community
- educating consumers around the importance of financial advice

The Board of the AFA is elected by the Membership and all Directors are currently practicing financial advisers. This ensures that the policy positions taken by the AFA are framed with practical, workable outcomes in mind, but are also aligned to achieving our vision of having the quality of relationships shared between advisers and their clients understood and valued throughout society. This will play a vital role in helping Australians reach their potential through building, managing and protecting wealth.

### **Introduction**

The AFA supports the release of market information on life insurance claims. The pilot project reports released to date have generated a lot of interest, however they have also generated a lot of disappointment as a result of the fact that the information has only been at the market, product and channel level and not at the individual insurer level. It is certainly the view that it is a lost opportunity if the reported information does not go to the insurer level. Neither do we feel that it is healthy for different stakeholders to speculate on the performance of different insurers. This information should be made public for the benefit of those providing advice on life insurance and for those acquiring life insurance.

## Response to Questions Raised in the Consultation Paper

1. **Industry Level Data Publication. Are there any aspects of the data tables in this paper, including in Appendix A, that could be improved for the ongoing publication of aggregated industry data? Are there any data items which should be added or removed?**

We support the claims reports. This is very valuable information for the industry. We have the following suggestions with respect to improvements to the Industry level data publication:

- Table A.1 in Appendix A should include the dollar amount of admitted claims in addition to premiums received for all products and channels and in aggregate.
- Table A.1 in Appendix A could also include the average level of cover per life insured and average amount of premium per life insured for each product and for each of the three channels and in aggregate for all three channels.
- We would also like to see the dollar amount of admitted claims included in Tables A.2, A.3, A.4 and A.5 in Appendix A.

2. **Proposed Reporting Standard. Are there any aspects of the proposed Claims Data Reporting Standards which require modification? If so why?**

We do not have any feedback on the proposed Claims Data Reporting Standards.

3. **Public Benefit of a Non-Confidentiality Determination. What would be the potential benefit to the public of the proposed determination that all data collected under the Reporting Standard is non-confidential?**

The AFA supports public reporting of the insurer level information on claims and supports the public benefit of a non-confidentiality determination. We believe that this information is beneficial at two levels. The first level is that this information is useful for financial advisers who provide advice to clients with respect to insurance cover. We also believe that there is a public benefit in understanding the claims payment information and ratios of different providers of life insurance products. It is important to note the fact that it will be very difficult for the general public to make sense of this information as there will be so much information across different products, channels and life insurers. There is a risk that this information will be misunderstood and even mis-reported. We believe that the agencies need to be aware of this risk and to take appropriate action if required, including if it is mis-reported. It is possible that a simplified version could be made available for the general public. We also believe that this information would be useful for the public to understand the differences between insurance acquired through financial advisers versus Direct or via Group Superannuation.

We also suggest that the increased transparency that comes with public reporting of claims data at the individual life insurer level, would improve public trust in life insurance products and the industry as a whole. This would be a beneficial outcome for consumers and all industry stakeholders.

4. **Detriment to Commercial Interests of a Non-Confidentiality Determination. Would potential detriment to commercial interests arise from disclosure of data collected under the Reporting Standard? Submissions that seek to have the data remain confidential should:**
- specify which data items should remain confidential; and
  - include specific information on how the disclosure of that information would cause detriment to commercial interests, and the extent to which that could occur.

We accept that there could be detriment to commercial interests in the event that a particular insurer performed poorly in the reported results. However, the reporting of this information is in the public interest and will most likely have a positive competitive influence on the overall insurance market. We do not support the non-disclosure of information simply on the grounds that poor relative results might have a detrimental impact upon the commercial interests of the insurer.

**5. Publication Principles. Are there any aspects of publication principles which could be improved?**

We support the publication principles that have been listed.

It is recognised that the reporting will involve a lot of information and that it will be difficult for the average consumer to make sense of the information in order to assist them to make decisions in terms of product selection. The acquisition of insurance is already a complex matter involving a multitude of products and product features and also life insurance providers. We believe that this claims information will be of most use to financial advisers who are able to use it to assist making recommendations to clients and to explain the important considerations in the data. We also believe that it will be useful information for research houses who play a role in assessing products. We also believe that the information in the reports will be valuable for finance journalists as part of the ongoing efforts of reporting on the workings of the life insurance industry and in helping to increase financial awareness amongst Australians and particularly the consumers of life insurance products.

One recommendation that we would make is access to tools that enable the direct comparison side by side of different insurers for different products and channels. This will make the information more useful for consumers rather than as a large book of industry information. This would require some type of website delivery tool, that potentially should be available on the MoneySmart website.

**6. Education Materials on Insurer Level Publication. What educational material would help people to understand and interpret the results?**

As mentioned above, it is very challenging for consumers to understand the different products, features and channels that are available in the life insurance industry. It would also be important for them to understand what a claim withdrawal and dispute withdrawal means. It will invariably be a fine balancing act in terms of how much educational material is provided, in that if it is too much then it is unlikely to be read, and if it is too little then consumers will not understand the information.

We also make the point that generally there needs to be more done to assist clients to understand how to make a life insurance claim. This information should explain what is required and how to work through the claims process. Information to assist clients with making a claim could be made available on the websites of individual insurers or more broadly by inclusion on the MoneySmart website.

**7. Proposed Insurer Level Publication. Are there any aspects of the proposed insurer level publication in Appendix B which could be improved? Should the assumptions for insurer level publication be changed? If so, why?**

Our feedback on the draft insurer level publication in Appendix B is as follows:

- We have assumed that this will be reported at both the product and the channel level.
- We are concerned that average sum insured could be influenced by a small number of very large cases. This is a risk that should be considered, particularly with smaller insurers. The risk is that the average Australian may think that a particular product is not suitable to them as a result of this average sum insured number.

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- The aggregate dollar amount of claims should be reported.
- We are concerned that reporting of an average or median claims processing duration may be overly simplistic. Particular outlier cases may distort this number. We wonder whether it would be better for each insurer to report the results in categories as set out in Tables A.6, A.7, A.8 and A.9.
- In terms of the Average dispute resolved payment, we believe that it would be important to ensure that this was a measure of the change in the payout as a result of a dispute and not the total amount of the payout.
- As discussed above with respect to average claims processing duration, we are also concerned that reporting of an average or median dispute processing duration may be overly simplistic. Particular outlier cases may distort this number, which is more likely due to the much lower number of disputes. We wonder whether it would be better for each insurer to report the results in categories as set out in Tables A.14, A.15, A.16 and A.17.

### **Concluding Remarks**

As stated above, the AFA supports the developments in the reporting of life insurance claims data and the public release of this information at the individual insurer level.

The AFA welcomes further consultation with APRA and ASIC should you require clarification of anything in this submission. If required, please contact us on 02 9267 4003.

Yours faithfully,

**Phil Anderson**

General Manager Policy and Professionalism  
Association of Financial Advisers Ltd