

Submission regarding the confidentiality of insurance data and
changes to APRA's statistical publications

by the

Insurance Law Service

(a project of the Consumer Credit Legal Centre (NSW) Inc)

The Consumer Credit Legal Centre is a community legal centre that also runs the Insurance Law Service ("ILS"). The ILS is funded by the Legal Aid Commission of NSW and the Federal Government through the Community Legal Services Program.

The Insurance Law Service ("ILS") has been providing advice and assistance to Australian consumers in relation to insurance since July 2007. In that time our solicitors have provided advice in the course of over 13,500 calls, and opened more than 550 casework files. Advice is provided free of charge on a 1300 number available throughout Australia. While based in NSW, the ILS is a national service and more than 68% of calls taken in the 2011/2012 financial year were from interstate, including 20% from Qld, 25% from Victoria and 10% from Western Australia.

We have a dedicated website (www.insurancelaw.org.au) which contains specific information about flood/storm and bushfire related claims, general information about claiming on your car or home insurance (in Arabic, Chinese and Vietnamese in addition to English), and a range of other resources such as sample letters for use by consumers in raising a dispute with their insurance company. The ILS also provides training for other community sector agencies on insurance issues, particularly trainee financial counsellors.

Thank you for the opportunity to provide a submission to the Australian Prudential Regulation Authority (APRA) regarding the confidentiality of insurance data and changes to APRA's statistical publications of both general insurance and life insurance data.

General Comments

As one of the only insurance-specific consumer advocates in Australia, the Insurance Law Service (ILS) strongly supports APRA's proposal to determine that all data submitted under the *Financial Sector (Collection of Data) Act 2001* by general and life insurers be non-confidential. The publication of this statistical information is invaluable to consumer advocates like ILS in our efforts to inform consumers about their rights and responsibilities in the insurance industry and to promote consumer-friendly policy changes.

By publishing a greater breadth of industry-aggregate statistics, APRA will help to promote greater consumer understanding and public discussion of insurance-related policy-issues. APRA's proposed changes to its statistical publications will also promote greater transparency and accountability of the financial institutions that it regulates.

Although the Insurance Law Service cannot specifically comment on any detriment to the insurance industry's commercial interests that increased disclosure may cause, we believe the public benefit of determining more data to be non-confidential will far outweigh any institutional detriment.

Natural disasters, climate change and public policy

We note that Australia has seen an increase in large scale disasters such as flooding and bushfires in recent years. Climate change scientists predict a likely continuation of this trend. The government has also made changes to insurance regulation in response to these events – particularly in relation to flood cover but also affecting other aspects of general insurance cover. Other recommendations have yet to be implemented. It is vitally important that there is as much transparency as possible to inform this ongoing policy debate.

We specifically promote the publication of statistics which improve government and public understanding of trends such as premium increases, loss ratios, and claims paid and refused. Some definitional clarification would also be useful to ensure that, for example, policy holders who suffer a loss caused by an adverse event, but are advised their policy will not respond, are also counted in an appropriate statistical category.

Comments on APRA's Specific Proposals

ILS does not have any specific comments on Proposals 1-3 of the Discussion Paper on general insurance or Proposals 1-5 of the Discussion Paper on life insurance. We generally support any inclusion of additional data into current publications and the addition of product level information to life insurance publications. We agree with APRA that the proposed changes will promote better understanding, transparency and accountability among the industries that APRA regulates.

Example of a Current Statistical Information Deficit

ILS has recently become concerned with the rise in advertising by funeral insurers over the last few years. Increasing calls from policy-holders to our hotline has indicated to us that such ads have successfully convinced many consumers that they should be worried about preparing for the costs of their own funeral, and insurance is their only option. We certainly understand why consumers would want to prepare for such costs, and that they may feel guilty about leaving their family with a financial obligation, but there are several alternative methods of paying for a funeral besides funeral insurance.

Research has so far indicated that premiums for this product usually increase with age and grow over time. Under some funeral insurance plans consumers may end up paying more money in premiums than the cost of an average funeral. An Invocare-funded study undertaken by actuaries Rice Warner found that a consumer who signed up for funeral insurance at age 60, who lived to 89, would pay about \$85,000 in premiums for a \$6,000 funeral.

For other customers, the increasing premiums drive consumers to cancel their policies prior to death, leading to the loss of all premiums paid.

In an effort to educate consumers we have attempted to conduct further research into the funeral insurance industry, but we have been unable to collect any statistical data on the financial position, amount of retained profits, or sources of profit for funeral insurers. Nor can we obtain information about the percentage of policyholders who cancel their policies (or have them cancelled for non-payment) prior to death and the amount of premiums paid by these policyholders prior to cancellation. We were told by a representative of APRA that such information may currently be unavailable to us unless APRA conducts an internal assessment as well as confidentiality checks and regulated industries give permission for this data to be released.

Thank you again for the opportunity to comment on the confidentiality of insurance data and changes to APRA's statistical publications of both general insurance and life insurance data. If you have any questions or concerns please do not hesitate to contact the Insurance Law Service on (02) 9212 4216.



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