



24 October 2018

TO: ALL LIFE INSURERS AND FRIENDLY SOCIETIES

RELEASE OF REPORTING STANDARD SETTING OUT CLAIMS AND DISPUTES REPORTING REQUIREMENTS FOR LIFE INSURERS

APRA has released a final reporting standard on the implementation of new reporting requirements for life insurers to report claims and disputes data to APRA.

Reporting standard, final data template and definitions

The reporting standard, determined under the *Financial Sector (Collection of Data) Act 2001*, requires life insurers regulated under the *Life Insurance Act 1995* that write certain specified types of life insurance business to report information on life insurance claims and disputes data twice a year, covering six-month reporting periods. The data collected will be shared with the Australian Securities and Investments Commission (ASIC), in order to assist them in performing their regulatory duties.

The aim of the new reporting requirements is to address the need for better quality, more consistent and more transparent data about insurance claims. This was a key finding from an ASIC review of claims handling across the life insurance industry¹.

APRA and ASIC (the agencies) have developed the proposals through extensive consultation with life insurers, consumer representatives, service providers and the Financial Services Council. Formal consultation has taken place through the issuance of a number of papers, being the May 2017 Discussion Paper, the November 2017 Information Paper and the May 2018 Response Paper.²

Respondents were broadly supportive of the proposal, and suggested minor changes or clarification of reporting requirements. APRA's responses to the key matters raised are at Attachment A.

Publication of data

The agencies anticipate publication of life insurance claims and disputes on a six-monthly basis, with the first being scheduled for release in early 2019. The publication will provide data on both an industry-level and named individual insurer-level basis. The agencies will respond to submissions made on publication questions at the time of releasing the first publication.

To facilitate the proposed publication, the agencies consulted on a proposal to determine all data collected under the reporting standard to be non-confidential. APRA has decided to proceed with the proposal - further detail on APRA's consideration is in Attachment A.

¹ See ASIC REP 498 'Life insurance claims: An industry review'.

² <https://www.apra.gov.au/life-claims-data-collection>

Next steps and timing of implementation

The timing for data submissions to APRA are:

- the first data collection, which collects data for the periods 1 July 2017 to 31 December 2017 and 1 January 2018 to 30 June 2018, will be due by 28 December 2018;
- the second data collection, which collects data for the period 1 July 2018 to 31 December 2018, will be due within three months after the end of the period;
- the third data collection, which collects data for the period 1 January 2019 to 30 June 2019, will be due within two months after the end of the period; and
- the subsequent data collections, being for the period 1 July 2019 to 31 December 2019 and each subsequent six-month period, will be due within six weeks after the end of the relevant period.

The initial transition is in recognition that life insurers will need time to put in place the necessary procedures and systems in order to facilitate on-going reporting to APRA.

The agencies considered a number of further additions to the data collection:

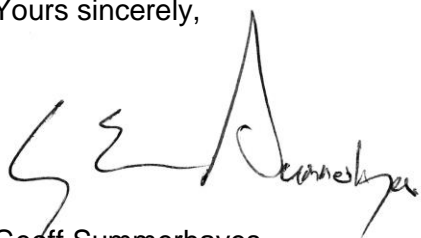
- expanding the TPD sub-categories by introducing Activities of Daily Living (ADL) and Activities of Daily Working (ADW) categories (i.e. separating these categories out from Other);
- collecting Policy Statistics data for all TPD sub-categories; and
- moving to a transaction-level data collection for Claims and Disputes data.

Based on industry feedback, however, the agencies have decided not to proceed with these items at this time, to give the industry sufficient time to prepare. The agencies intend to use APRA's introduction of its new Data Collection Solution as the opportunity to review the life claims data collection, including with regards to the above additions. It is expected that insurers take all necessary steps to prepare their systems to be able to provide this information in the future.

Please note that the entities will not be submitting via D2A, for this data collection. APRA will be in contact shortly regarding the submission method.

If you have any questions regarding this letter, please contact Peter Kohlhagen (peter.kohlhagen@apra.gov.au or 02 9210 3363) or your responsible supervisor.

Yours sincerely,



Geoff Summerhayes
Executive Board Member
Australian Prudential Regulation Authority

Attachment A – response to issues raised in submissions

Publication principles, industry-level publication, insurer-level publication and education materials

The Response Paper sought feedback on the core principles for which the publication of data will meet, industry-level data tables, proposed insurer-level data tables, individual data items, and the provision of educational materials.

Submissions were broadly supportive of the publication principles stated in the Response Paper. Given the complexities and product differences, the importance of providing sufficient context was emphasised in order to effectively meet the principles. Minor refinements to the data tables and data items were also suggested to better facilitate meaningful comparisons. To this point, submissions were supportive of the provision of educational materials and the need for consumer testing to ensure these objectives are met.

These submissions will be further considered by APRA and ASIC as the final publication is being developed ahead of its intended release early in 2019. APRA and ASIC will respond on submissions relating to this matter at that time.

Proposed reporting standard

The Response paper proposed that the requirements be administered via a reporting standard, determined under the *Financial Sector (Collection of Data) Act 2001*. The Response Paper set out the structure of the reporting standard, in particular the timing of data submissions to APRA.

After consideration of the feedback received in the submissions and through review of data received in round three of the pilot data collection, the reporting standard remains substantively the same as that set out in the Response Paper. However, recognising the initial work involved to provide the information to APRA, an extension from 14 November 2018 to 28 December 2018 for the first data collection has been granted at industry's request. Technical changes and clarifications that were identified through review of the pilot data collected have also been incorporated. These include:

- aligning the Claims Notified and Claims Reported definitions more closely to those applied by the Life Code Compliance Committee;
- redefining of the claims and disputes withdrawn categories to capture all possibilities;
- clarifying reporting categories to be able to consistently capture certain niche products;
- changing the scaling from thousands to whole numbers;³ and
- minor clarifications to the Annualised Premium, Lapse and New Business definitions.

³ The agencies accept that some insurers may not be able to report at this granularity at this time. Therefore, for the first two collections, if an insurer is unable to report on whole numbers, it is acceptable for it to round to the nearest thousand (as per the Phase 1 Round 3 template). From the 1 January 2019 – 30 June 2019 collection onwards, the agencies expect all insurers to be able to provide data on a whole dollar basis.

Public benefit and potential detriment to commercial interests of a non-confidentiality determination

The Response Paper indicated APRA's intention to determine under section 57 of the *Australian Prudential Regulation Authority Act 1998* that all data collected, as part of the requirements, is non-confidential.

Submissions were generally supportive of the non-confidentiality of the data, and pointed to benefits that would flow from more transparency over claims and dispute outcomes. Some stated that there would be some potential detriment to commercial interests.

APRA considers that greater transparency is beneficial for consumers and the industry as a whole, and that the benefit to the public from the disclosure would outweigh any potential detriment to the commercial interests that the disclosure might cause. On that basis, APRA has determined all data collected under the reporting standard to be non-confidential.

The data that has been determined to be non-confidential identifies individual insurers, but will not identify individual claimants or breach the privacy of individuals. Not all data that has been determined to be non-confidential will necessarily be published.