

27 July 2018

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Dear Dr Hodder

**Parliamentary Joint Committee on Corporations and Financial Services - Options for greater involvement by private sector life insurers in worker rehabilitation – FSC response to Questions on Notice**

**Question 1:** Noting the issues raised in your submission, do you have any different views on life insurers having greater involvement in rehabilitation in the following two situations:

- a. Where an injury illness occurs at or due to work and people have access to relevant workers compensation and other support mechanisms; or
- b. Where an injury or illness is unrelated to work?

**Answer 1:**

The policy intent of our proposal is to give life insurers the discretion to help consumers in need. This is common practice in other jurisdictions.

Where consumers are entitled to other private or public support, in the first instance the industry would expect consumers to take advantage of these entitlements.

Where the entitlement to support is insufficient, is not immediately available, or does not exist, the policy proposal is to allow life insurers to pay for support, if it makes financial sense to do so. All treatment the life insurer offers to pay for would be arranged through the consumer's treating physician with the customer's consent.

For example, a consumer who is off work and on an income protection claim because of a knee injury, may need an operation. This consumer may wait more than 13 months on a public hospital waiting list. In this case where the entitlement to the operation is not immediately available, it might make financial sense for the life insurer to pay for it to help the consumer back to wellness.

**For the consumer.** The opportunity to have the operation sooner reduces the possibility of a secondary condition developing, such as mental illness, and increases their likelihood of returning to wellness.

**For the insurer.** It potentially reduces the cost of the claim. This helps keep insurance more affordable to everyone in the risk pool, and helps make the industry more sustainable.

**For the Government and the taxpayer.** It reduces the cost and pressure on the Public Health System, and prevents or limits the flow on effects to the Disability Support Pension and the National Disability Insurance Scheme.

**Question 2:** Do you support greater involvement by private sector life insurers in worker rehabilitation before the life insurance industry has completed actioning the recommendations of the committee's Report?

**Answer 2:**

Many of the recommendations from the Parliamentary Joint Committee (PJC) have nothing to do with assisting consumers return to wellness through early intervention payments. We do not see how any delay to the provision of enhanced rehabilitation support for consumers can be justified because the life insurance industry has not fully completed implementing the PJC recommendations.

In addition, many of the recommendations of the PJC Inquiry into the life insurance industry are outside the industry's power to implement. The process is now for Government to provide its response to the committee's recommendations.

The FSC is working through the recommendations that are relevant to us. We are currently working closely with the RACGP and the genetic community to reach an agreed solution that works for both sides and consumers.

The early intervention reforms proposed by the FSC will clearly benefit the affected consumers needing support, life insurers, other life insurance consumers, taxpayers and the Government (as described in the Cadence Economics Research provided).

The industry is happy to work with Government and other relevant stakeholders to develop appropriate safeguards to protect the interest of consumers during the implementation and operation of these reforms.