



## **MEDIA RELEASE**

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### **FSC RESPONDS TO ASIC TPD REPORT WITH NEW, UP TO DATE DATA**

In response to ASIC's report '*Holes in the safety net: A review of TPD insurance claims*', based on claims data and files dating back from 2016/17, the Financial Services Council (FSC) today offered more recent analysis, using 2018 data on total and permanent disability (TPD) claims in life insurance.

FSC CEO Sally Loane said the regulator has relied on 2016/17 data, and the report fails to highlight the significant positive reforms the industry has initiated since then, including the introduction of the Life Insurance Code of Practice and the world-class FSC/KPMG claims data initiative.

"The 2018 data tells a very different story and ASIC's report serves to highlight the substantial progress the life insurance industry has made in the last couple of years. KPMG on behalf of the FSC collect TPD claims data every six months and we know this data collection initiative is unsurpassed anywhere else in the world, both for its granularity and timeliness," Ms Loane said.

"Data to the end of 2018 shows 88 per cent of TPD claims are paid in the first instance and higher at 91 per cent for mental health TPD claims. This includes claims against all definitions, including activities of daily living (ADLs), an initiative from the international medical community.

"FSC data for 2018 assessed a total of 11,427 TPD claims, of which 11,008 were assessed against an occupational definition, and only 419 or 3.6 per cent were assessed using either a non-occupational or ADL definition.

"What this shows is that non-occupational definitions such as ADLs are almost always used as part of a hierarchy of definitions in group insurance in super. ADLs then only apply in the tiny proportion of TPD claims where a definition higher up the hierarchy can't be used. This can be because, for example, the person isn't in paid employment so a more generous occupational definition has no relevance.

“TPD claims are significantly more complex to assess than other life insurance claims because they require a judgment as to whether or not the person is expected to work ever again. Given this, all life insurers are committed to ensuring at peak times of vulnerability, Australians feel safe and supported, without financial stress.

“APRA data for 2018 shows life insurers paid out more than \$2.2 billion in TPD claims to 14,772 Australians who are not expected to be able to work ever again – providing an average lump sum of more than \$148,000,” Ms Loane said.

Subsequent to ASIC’s review, the Life Insurance Code of Practice (The Code) now provides additional consumer protections at claim interviews and for surveillance to ensure claims are not withdrawn for inappropriate reasons.

Since the introduction of the Code, data from the Life Code Compliance Committee shows 92 per cent of all lump sum claims in the year to 30 June 2018 were paid out promptly within the Code timeframes.

The Hayne Royal Commission noted that since its introduction, the Code has resulted in significantly improved outcomes for consumers in a number of areas, including how claims are managed. Work is currently underway to further improve the Code.

Ms Loane said: “The FSC with KPMG will continue to gather and analyse even more granular up-to-date data which will help inform better products and services for life insurers, and also policy development to ensure excellent customer outcomes.

“It is also important to note that group life insurance through superannuation offers better value for money than any other type of insurance offered anywhere else in the world. With more than 80 cents paid out in claims for every dollar paid in premiums,” Ms Loane said.

“Even though data is a good historical way of looking at claims outcomes, when it comes to assessing claims, each one is unique and must be assessed on the individual circumstances. If a person is dissatisfied with the outcome, they are encouraged to lodge an appeal with the Australian Financial Complaints Authority.”

**Contact: Esther Jago on 0421 102 944 or [ejago@fsc.org.au](mailto:ejago@fsc.org.au)**

#### **About the Financial Services Council**

The Financial Services Council (FSC) has more than 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The industry is responsible for investing \$3 trillion on behalf of more than 15.6 million Australians. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency. The FSC’s mission is to protect and enhance confidence in a strong, sustainable financial services sector that serves Australians with integrity