



MEDIA STATEMENT

Friday 31 January 2020

FSC RESPONSE TO ABC 730 REPORT

The Financial Services Council (FSC) wishes to correct the record on a story aired on ABC 730 on Thursday January 23 titled 'Workers left high and dry by junk insurance policies'.

Firstly, the ABC 730 story stated that "almost 500,000 workers" have very narrow Activities of Daily Living (ADL) based Total and Permanent Disability (TPD) cover. The number appears to be an estimate of the number of superannuation accounts with ADL based TPD cover, not "workers".

This is incorrect for the following reason:

- ATO data shows on average there were 1.57 superannuation accounts per Australian in 2018 - in other words, there are more accounts than there are Australians, because many people have multiple accounts.
- Using the ATO figure and APRA data, we estimate the number of "workers" to be 306,000, significantly below the "almost 500,000" quoted. The incorrect estimate 730 relied on is stated in ASIC Report 633, (executive summary at paragraph 20).

Secondly, 730 should have given more weight to up to date data provided by the FSC, which tells a different, more positive story about claims payout rates. KPMG, on behalf of the FSC, collects TPD claims data every six months - an initiative that is unique to the Australian life insurance market in its granularity and timeliness.

- KPMG/FSC data to July 2019 shows 86 per cent of all TPD claims are paid in the first instance. This includes claims against all definitions, including ADLs which are used internationally, and were developed by the medical community.
- Between 1 January and 30 June 2019 there were 11,604 TPD claims, of which only 6 per cent were assessed by ADLs, and of that 6 per cent, 61 per cent were paid representing a 52.5 per cent improvement in claims paid since 2016/17.
- The rate at which TPD claims are withdrawn has also improved. Recent data for the 6 months to 30 June 2019 shows that only 1 in 19 claims are withdrawn, which is a 58 per cent improvement since 2016/17.
- This shows that the Life Insurance Code of Practice, which was introduced on 30 June 2017 to improve outcomes for consumers, is working and has made a significant difference.

Finally, we strongly refute the claims made in the report that consumers are being sold "junk" insurance. TPD in superannuation provides good value for money, paying out more than 90 cents in the dollar.

Consumers should always ask their superannuation trustee about their life insurance cover if they are not clear on what is covered.

Contact: Esther Jago on 0421 102 944 or ejago@fsc.org.au

About the Financial Services Council

The Financial Services Council (FSC) has over 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 almost \$3 trillion on behalf of more than 14.8 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world.