



## **MEDIA RELEASE**

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### **INCOME PROTECTION LOSSES HIGHLIGHT INDUSTRY CHALLENGES IN COVID-19 ENVIRONMENT**

The Financial Services Council (FSC) today noted the release of APRA's quarterly life insurance financial performance statistics, revealing another gloomy quarter of losses for income protection results.

FSC senior policy manager for life insurance Nick Kirwan said the current COVID-19 global pandemic has only just started to take its toll on the industry with an overall total net loss after tax of \$1.6 billion for the year to 30 June 2020.

"The industry has bounced back slightly from the poor result from the previous quarter's loss of \$972 million, with a \$432 million profit in the March to June 2020 quarter," Mr Kirwan said.

"However, the results continue to be dominated by higher than expected claims for individual income protection insurance (IP), which saw a net loss after tax of \$179 million in this product alone, wiping out almost all the profit from other individual product lines.

"These income protection losses were driven by a surge in the number and duration of claims, especially for mental health conditions. We expect mental health claims to increase in the months and years ahead from the effects of the COVID-19 pandemic on the economy, exacerbating people's isolation and financial hardship.

"The life insurance industry is playing its crucial role in protecting the Australian community, especially during this time. Overall, during 2019 life insurance companies paid out \$12 billion to 101,821 Australians and their families. Every single day last year, the industry paid out the equivalent of almost \$33 million to 279 Australians and their families, providing crucial financial support when people need it most.

"The flip-side of that coin is that these increasing claims are the reason why many Australian households will have noticed increases in their life insurance premiums. We know premium increases are never welcome, but like any business, life insurers must balance the books and remain sustainable. Premiums coming in must cover the cost of the claims going out.

"It isn't all bad news though, life insurance companies all have in place measures to help customers in financial hardship. If you need financial help you can contact your life insurance company or financial adviser."

Looking further ahead, most life insurance companies are busily developing a new generation of simpler, more sustainable income protection policies that focus on covering core needs. These new policies will give customers more choice, and will be all about the three A's:

- **Availability** of financial protection for Australians today, and for future generations;
- **Affordability** so that Australians can afford the cover they need, both now and into the future; and
- **Assurance** that your life insurance company will be there for you when you need to claim.

The Quarterly Life Insurance Performance Statistics published today can be found here: <https://www.apra.gov.au/quarterly-life-insurance-performance-statistics>

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**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 15.6 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.