

Insurance in Superannuation Working Group Claims Handling paper response

Statewide Super is an industry superannuation fund based in Adelaide with \$7.2B funds under management and over 140 thousand members. We provide life, life & TPD and income protection insurance for 93 thousand members of which 52 thousand have default cover. Consequently, we have a keen interest in the discussion papers and industry comments on the work of the ISWG.

Please accept this as Statewide Super's response to the feedback questions in the *Discussion Paper: Claims Handling* paper published by the Insurance in Superannuation Working Group dated April 2017.

B.1 - Claims Handling Principles

1. Do you agree that an industry Code should be developed to guide superannuation funds in the principles to be applied when handling claims?

Yes, we think it's important for the industry to have a common set of principles applied to claims handling so that persons claiming receive similar treatment regardless of which fund they are a member.

2. Are there any other guiding principles that you believe should be incorporated into the Code?

No.

B.2 - Standard time frames for superannuation fund claims

3. What do you consider to be appropriate time frames for superannuation funds to take the actions set out in section B.2 above?

We agree there should be time frames for various tasks and milestones for claims management.

We have the following amendments to section B.2 for consideration:

- Acknowledge receipt of the claim: this does not allow for any seasonal influx in volume, personnel issues or an in-depth review of complex claims. We consider 10 business days for this stage to be appropriate.
- Funds independent review: For some funds, this independent review (particularly for declined claims) is undertaken by a sub-committee of the Board. We believe this is best practice. It is not viable for that group to meet fortnightly. We recommend that for declined claims that this be changed to no less frequently than quarterly.
- Payments: Some funds require at least 2 days to receipt and allocate units to the insurance proceeds before processing a payment for the total account to the beneficiary. This effectively leaves only 3 days for this payment process based on the current recommendations. We consider 7 business days for this stage to be feasible.

Insurance in Superannuation Working Group Claims Handling paper response

4. Are there any other actions required by the superannuation fund that should have a time frame established?

The recommendations in this paper appear to be targeted at Total and Permanent Disablement claims. Life Insurance claims have a different journey and we face issues in obtaining claim documentation after notification such as beneficiary information that is sufficient to allow the Trustee to make a determination. We believe there should be a time frame allocated to obtaining this information and if no documents are received, funds would be sent to the Australian Tax Office as unclaimed monies. We consider 12 months from initial notification to be appropriate.

If some documents are obtained but not all, setting a timeframe for the Trustee to make a decision of 6 months from receipt of initial claim documents would be appropriate.

B.3 - Enhancing communications throughout the claims journey

5. Do you agree with the development of minimum communication standards for superannuation funds?

Yes.

6. Should there be mandatory or good practice guidance?

These should be good practice guidance only. Funds should be allowed to design their own processes within those guidelines which will hopefully commence a drive to best practice across the industry. That is, funds just meeting the minimum guidelines might experience competitive pressure in the future.

7. What additional/alternative communication should be required to improve understanding of and confidence in the claims process for people claiming?

None Applicable

B.4 - Claims handling governance

8. Do you agree with the development of guidance in relation to governance standards for superannuation in relation to claims handling set out in section B.4 above?

Yes, we think it would be in members' best interests to develop such governance standards.

9. Should this be good practice guidance or mandatory minimum standards?

These should be good practice guidance only. Funds operating outside of these standards risk the spotlight being shined on them in one form or another.

Insurance in Superannuation Working Group Claims Handling paper response

10. What, if any, additional areas should be addressed with respect to governance standards on claims handling?

We don't believe guidance is required in relation to managing complaints or managing declined or disputed claims as this guidance already exists in those specific areas.

C - Further consideration

11. How can superannuation funds better access and use data and technology to improve the claims handling journey for customers?

We are already seeing insurers introducing electronic means to load and track the progress of claims online. Again, we believe competitive pressure will see insurers finding ways to differentiate by providing funds and ultimately members with greater transparency and efficiency in the claims process.

12. Do you support the reporting of claims data by funds for publication? If so, what information should be reported/published?

Yes, in part.

We believe there is merit in publishing an insurer's performance in relation to meeting time frames contained in this Code and also its adherence to other requirement in the Life Insurance Code of Practice.

We are of the view, however, publicly publishing approval and decline rates could lead to behaviours prejudicial to the industry. For example, some insurers may consider a "low decline" rate as a competitive advantage and adopt practices to maintain that "edge". This is clearly not in the best interests of the remaining members of the funds attached to that insurer.

13. Should the current exemption of claims handling from being considered a financial service be removed?

Yes, this will allow regulatory oversight by ASIC which we believe is positive for the industry.

14. Is there merit in considering the establishment of an industry-funded claims assistance service to assist people claiming who are having difficulty in understanding the claims process? If so, how would such a service operate and be funded?

Not in our view. If funds adhere to the standards within the Code, this should not be necessary and would just be another cost to the industry.

Insurance in Superannuation Working Group Claims Handling paper response

Other considerations

The paper discusses solicitor involvement and the potential financial impact on a member's final payment. Statewide Super supports the involvement of solicitors in claims which contain complexity or where a person claiming believes they have been unfairly treated, however we are very concerned at the level of instances where it appears a solicitor is involved at the early stages of a straightforward claim which can result in up to 30% of the insured benefit not going to the person claiming. Our view is that this practice severely compromises premise of insurance inside superannuation where the Trustee is required by legislation to act in the best interests of members. We believe that a Code of Practice for the legal profession related to the handling of claims is required and that the ISWG should lobby strongly for this on behalf of the industry.

If any clarification is required, please feel free to contact Darren Booth, General Manager, Product, Marketing & Member Insights on 08 8217 8691.

Yours Sincerely



Richard Nunn
CEO
05 May 2017