



Ms Alison Bliss
General Manager
Data Analytics & Insights
Cross-Industry Insights and Data Division
Australian Prudential Regulation Authority
By email: superdatatransformation@apra.gov.au

Dear Ms Bliss

RE: SDT Topic Paper 6: Insurance arrangements

The superannuation industry needs to lift its game when it comes to providing insurance that is good value and in the best interests of fund members. The collection of better data about insurance arrangements will drive improvements and hold funds accountable to member needs.

For this reason, Super Consumers Australia strongly supports all of APRA's proposed enhancements to the collection of data about insurance policies offered within superannuation through Reporting Standard (SRS) 251.0 Insurance. In particular, we have identified the following benefits these changes will deliver to consumers:

- Collecting data at policy level will mean that fund policies can be compared directly.
- Collecting data about premiums for policies across the entire age distribution of members (rather than just 30 and 50) will allow for full comparison of policy benefits.
- Collecting data about the TPD definition applied for each claim will enable the impact of restrictive definitions (e.g. ADLs) to be assessed when considered alongside claim outcomes data and other data types.
- Collecting historical premiums and claims paid data (for up to the last ten years) will improve capacity to identify performance trends.

Further comments on some specific aspects of the proposed enhancements are below.

TPD definitions

We are particularly pleased that APRA plans to collect data about the application of TPD definitions to claims. Research published by Super Consumers in June this year showed that too many people are continuing to pay premiums for junk default insurance policies in super.¹ Despite paying the same premiums as everyone else, people who are unemployed or work less than a minimum number of hours are often forced to claim under restrictive definitions of TPD that have a much lower success rate.

¹ <https://superblog.netlify.app/2020/07/08/tpd/>

The impact is hardest on people with mental health related claims. As our research found, the impact of these terms has seen people with mental health or cognition related disabilities forced to prove they are also physically disabled in order to successfully claim. This is completely inappropriate and is leading to people falling through the gaps in the insurance safety net.

It is pleasing that since our research was released, some funds have shown leadership by committing to get rid of restrictive definitions, while a large number of others are in the process of reviewing their TPD policies. This is a sign that some funds are responsive to greater transparency and will look to improve their policies as a result. However, much more work is needed to ensure junk insurance policies become a thing of the past.

Requiring funds to provide data about the criteria (definitions) applied to members for each TPD claim, the outcome of the claim and the number and value of claims assessed under each criteria will improve transparency over the outcomes that TPD insurance in super is delivering for members. It should assist APRA to identify the worst performing funds in this area and target regulatory action accordingly. Importantly, if well leveraged for the 'comparator tool' recently announced by the government as part of the Your Future, Your Super reforms, the data could also help people to better understand whether their insurance provides good value or is appropriate to their life circumstances.

Improvements needed to labelling of restrictive definitions

APRA should address labelling of restrictive definitions within insurance policies to ensure that data collected fully captures and allows for insight into TPD failings. Topic Paper 6 states that APRA proposes to collect information about whether members were assessed by "an own occupation definition, any occupation definition, or activities of daily living (ADL) definition." It isn't clear whether funds will also be required to report on whether members were assessed by restrictive definitions that are otherwise named e.g. 'activities of daily work' (ADW). Other examples of restrictive definitions are 'loss of limbs', 'permanent loss of cognitive abilities' and 'loss of ability to perform home/domestic duties. Funds should be required to report on claims assessed against all applicable TPD definitions within the relevant insurance policy.

To reduce complexity and ensure the categories are future proof, we suggest APRA group together 'like' TPD definitions with similar consumer outcomes. similar to the approach taken by ASIC in their. For example, in their *Holes in the safety net report*, ASIC grouped ADL and ADW definitions together because they both expose people to physical disability only tests (and had similar rates of claims denial).²

We also see value in the collection of data about the disability type (eg. mental health, musculoskeletal, hearing loss) for TPD claims. This would further improve data granularity and allow the impact of restrictive TPD definitions to be more clearly identified. We would appreciate APRA's advice concerning whether it intends to consider this in Phase 2 of the SDT project, during which APRA will consider the collection of member level data.

Recommendation 1: For the purpose of collecting data about the application of TPD definitions to claims:

- a) funds should be required to report on claims assessed against all applicable TPD definitions within the relevant insurance policy**

² ASIC, Report 633, *Holes in the safety net: a review of TPD insurance claims*, October 2019, p31.

- b) APRA should group together 'like' TPD definitions with similar consumer outcomes.**

Claims data

We support APRA's proposed enhancements to the collection of claims data. In particular, the proposal to initially collect up to 10 years of historical claims paid data will allow for clear identification of performance trends.

It is not clear from the wording in the Topic Paper if APRA also plans to collect equivalent historical data on the time to process claims (claims duration). We are aware of feedback from industry about different methods used to determine when a claim starts (e.g. first point of customer contact versus date claim form received) and the potential impact of this differential on the ability to assess relative performance against this metric. Clearly, a standard definition of claim commencement is required to enable funds to be directly compared on the time it takes for a claim to be assessed.

In particular, we are concerned by industry sources revealing that they have improved their claims timeframes by simply moving the start point of a claim from the point of first contact with a member to the point of a completed claims form being provided. The time taken from first contact and filling in a claims form are highly relevant to understanding issues in the claims process. Gaming claims timeframes is not in members' best interests and should be stamped out. Further clarity from APRA to super funds would send a clear message about what is acceptable. A standard definition of claim commencement is needed to facilitate the collection of this data. We would appreciate advice from APRA about whether this metric could be accommodated as part of Phase 2 of the SDT project.

Related to this, there is a need for data to shed light on the reasons for the withdrawal of claims. Anecdotally, we know there are all sorts of issues that contribute to whether a person decides to discontinue a claim, ranging from becoming aware that the claim is unlikely to succeed due to the applicability of a restrictive definition, through to stress associated with the claims duration and process. To enable systemic and fund/insurer specific trends to be isolated, funds should be required to report data on the reason for withdrawn claims, using standard categories determined by APRA. Without this data, claims acceptance rates - particularly against specific TPD definitions and disability types - paint an incomplete picture of performance and member outcomes.

Recommendation 2: APRA should:

- a) determine a standard definition of claim commencement to facilitate the collection of comparable claims duration data**
- b) require funds to report data on the reason for withdrawn claims, using standard categories determined by APRA**

Non-confidentiality determination

Finally, we strongly support APRA's proposed non-confidentiality determination. Insurance in super is meant to look after people when they need it most. There is a clear public interest in allowing data about insurance arrangements in super to be published, so that the outcomes they are delivering can be scrutinised. There is a strong public interest argument in making this

data freely available so that it can be used to help consumers make better decisions about their insurance needs. Publication of the data by APRA will level the playing field by eliminating a potential cost barrier.

Thank you for considering our submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'X O'Halloran', with a stylized flourish at the end.

Xavier O'Halloran
Director
Super Consumers Australia
e. xohalloran@superconsumers.com.au
m. 0415 823 607