

Member e-Forums Day Two

Life Insurance and Superannuation

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28 May 2020

Agenda

Life Insurance

- > Trends in Life Insurance complaints

Superannuation

- > Superannuation Statistics
- > Superannuation Update
- > COVID-19 – AFCA initiatives



The last 12 months' operations

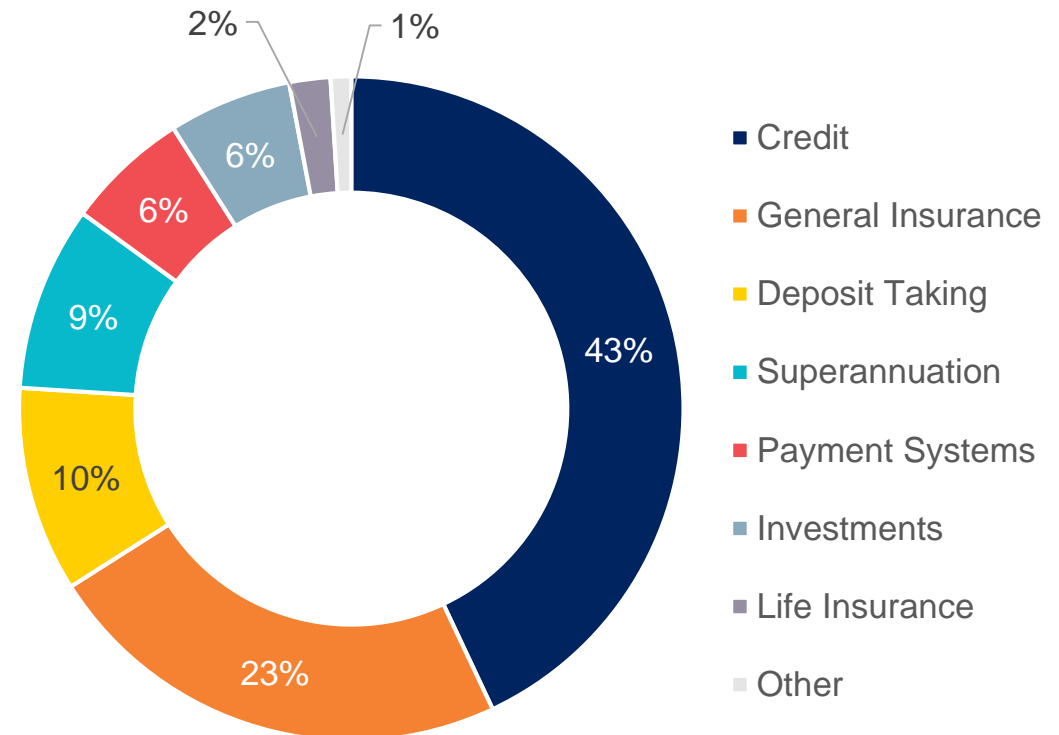
May 2019 to April 2020 (12 months)

\$233 million in compensation ²

76,086 complaints received
As at 1 May 2020, **78%** have
been closed

Of those complaints closed 73% were
closed either by agreement or in favour
of complainants

Complaints received by product line ¹

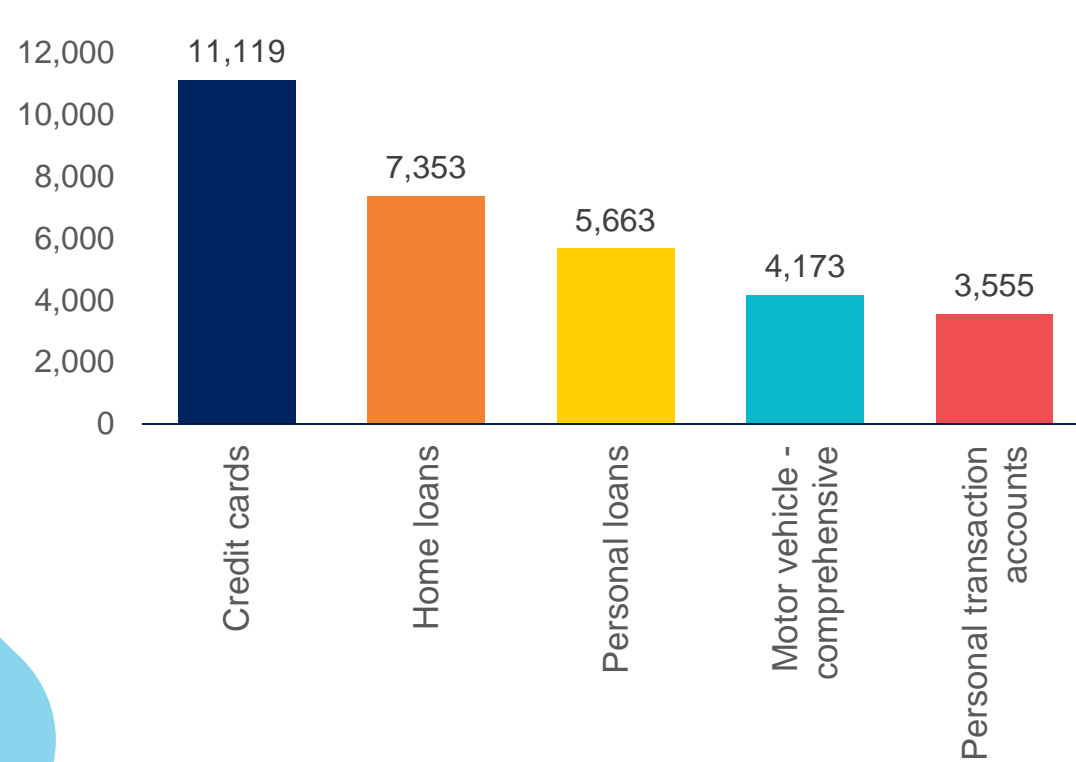


- 1 One complaint can have multiple product lines.
- 2 This includes matters previously received by AFCA's predecessor, FOS, and resolved by AFCA since 1 November 2018.

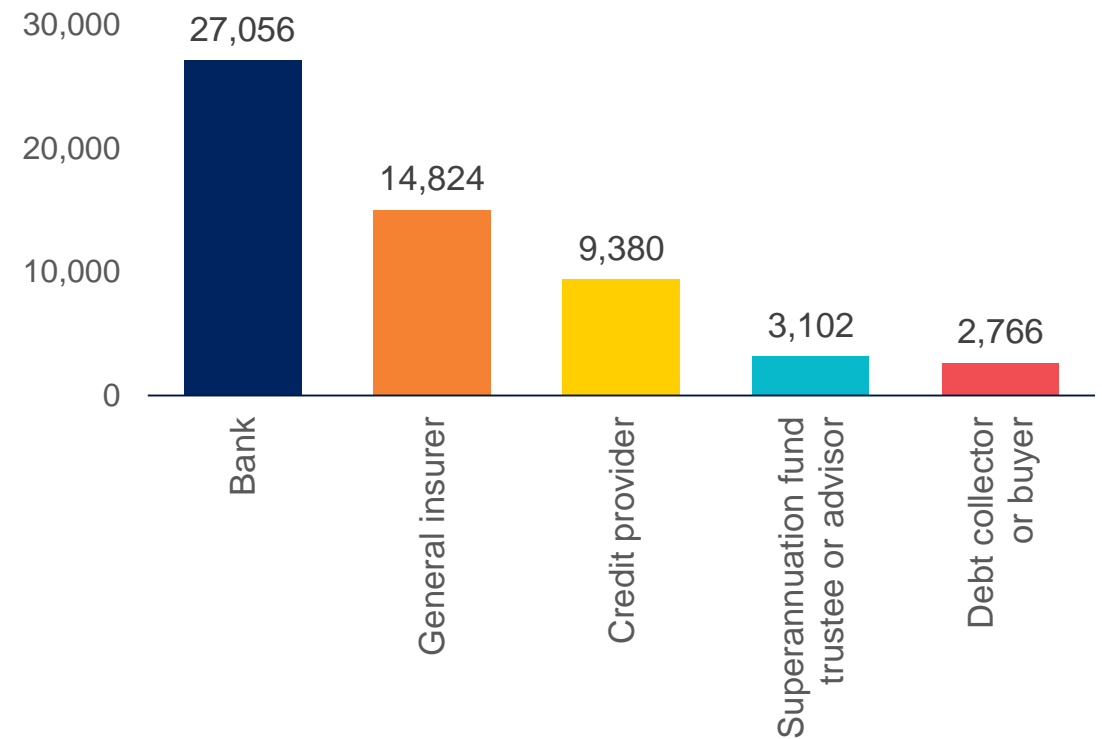
The last 12 months' operations

May 2019 to April 2020 (12 months)

Complaints received by top 5 product types



Complaints received by top 5 financial firm types



Trends in life insurance complaints

Stepped premium term life as a savings / investment product

We are getting a lot of complaints, especially by older people, saying they can't afford their life insurance any more. They say they did not understand stepped premiums would get so high, and say they do not want to 'lose' the money they have paid in past premiums by cancelling their policy.

We know term life is not an investment or substitute for savings, but it seems many policy holders do not.

Insurers will avoid these problems if they give long term premium projections at time of sale and in each renewal.

Outdated medical definitions

We always get a lot of complaints about trauma definitions. Many people do not understand the list is central to the product and expect to be paid for any condition they think is traumatic. They often say definitions are outdated.

- > Compare AFCA det 620284 (heart attack in 2008) with det 607118 (heart attack in 2017)
- > Earlier case decided in favour of insurer because of good industry practice at the time

Trends in life insurance complaints

Premium re-rates complaints continue

We are still getting a lot of complaints about premium re-rates.

Insurers need to do a better job of prominently and clearly:-

- > disclosing the fact and amount of the increase due to re-rates
- > explaining the reasons for the re-rate
- > for any level premium options currently on sale, explaining the risk of increases through re-rates.

Income protection for the self-employed

We always get a lot of complaints about calculating income (both pre- and post-disability) for self-employed claimants. We understand that difficulties presented by the complex corporate structures and creative accounting often seen in these cases.

We encourage insurers to look at new policy wording to

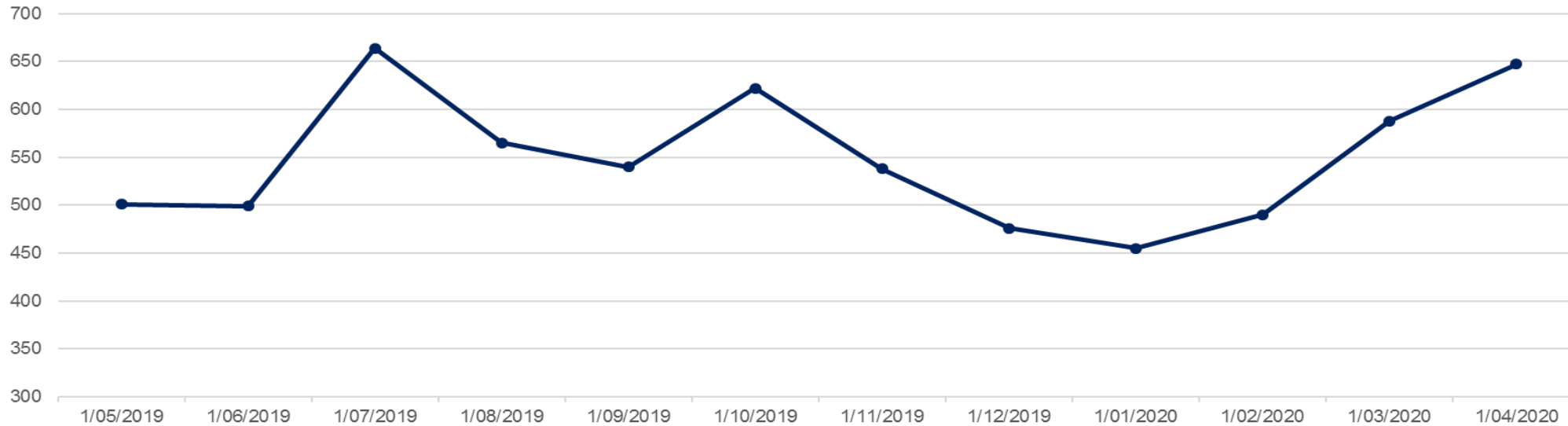
- > help ensure benefits reflect loss caused by disability
- > give greater clarity about how benefits will be calculated.

Superannuation



Complaints received

Superannuation product line



	May-19	Jun -19	Jul-19	Aug-19	Sept-19	Oct-19	Nov-19	Dec -19	Jan-20	Feb-20	Mar-20	Apr-20	Total
Super complaints	501	499	664	565	540	622	538	476	455	490	588	647	6,585

Super complaints closed by outcome

May 19 to April 20

Outcome	Number	Percentage
Resolved by financial firm	2,257	37%
Negotiation	1,508	25%
Discontinued	807	13%
Outside Rules	414	7%
Determination trustee decision affirmed	310	5%
Preliminary assessment in favour of financial firm	308	5%
Assessment	173	3%
Conciliation	86	1%
Preliminary assessment in favour of complainant	53	1%
Determination trustee decision substituted	45	1%
Prelim assessment: trustee decision affirmed	41	1%
Decision in favour of financial firm	11	0%
Outside Terms of Reference	10	0%
Determination trustee decision varied	7	0%
Prelim assessment: trustee decision varied	6	0%
Prelim Assessment: trustee decision substituted	3	0%
Determination trustee decision remitted	2	0%
Prelim assessment: trustee decision remitted	1	0%
Total	6,042	

Superannuation Update



Fees and Costs Approach Update

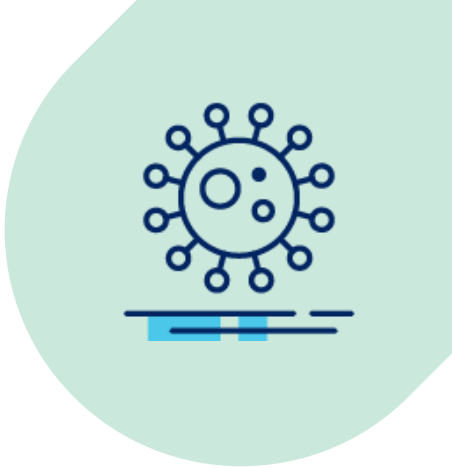
- > Decision is the decision not to refund the fee or charge to the complainant in the circumstances
- > Not considering trustee's broader commercial arrangements
- > Consider – proper charging of the fee/ disclosure of the fee/ receipt of something of value in exchange for fee/structure of the fee

Q Super decision

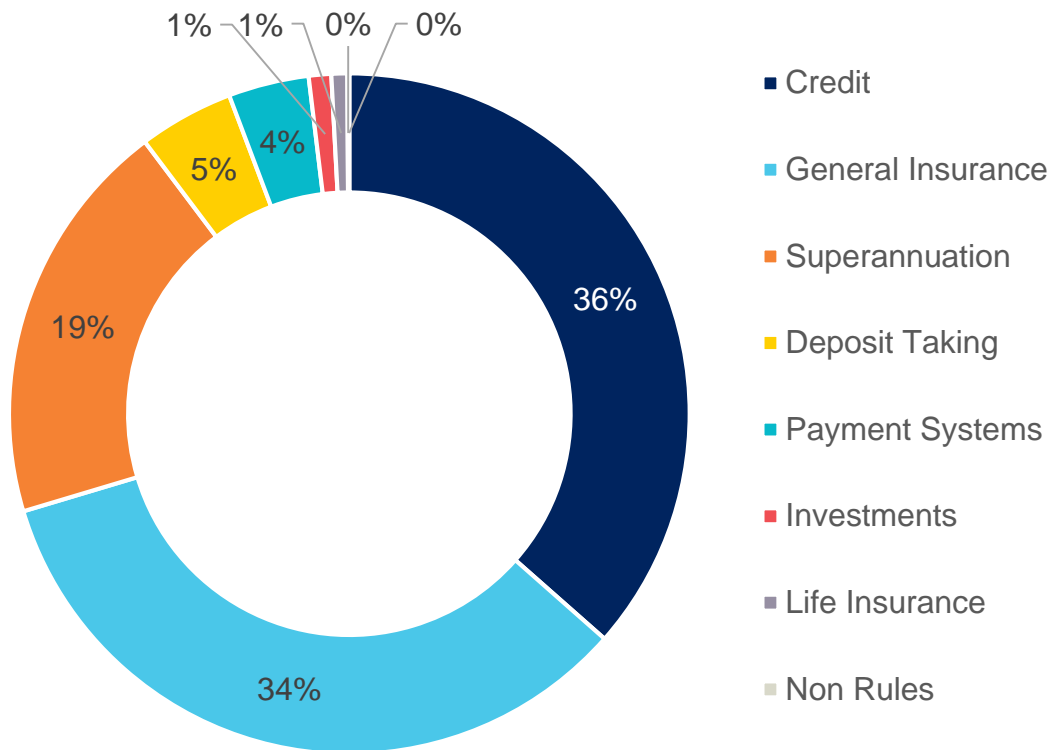
- > Decision upheld
- > Indicia of exercise of judicial power not met
 - Determination not binding or conclusive/not determining existing rights/ not exercising sovereign power
- > Seminal and helpful decision of AFCA's EDR superannuation jurisdiction
 - Endorsement of AFCA's position on fairness and reasonableness
 - Follows other High Court authority on administrative decisions

COVID-19

COVID-19 complaints across AFCA



As at 21 May 2020, we received 3,189 COVID-19 complaints



Product line	Number
Credit	1,163
Deposit Taking	144
General Insurance	1,079
Investments	34
Life Insurance	24
Non rules	2
Payment Systems	122
Superannuation	617
Traditional Trustee Services	1

COVID-19 Superannuation trends



Majority of complaints

Financial hardship-related/ early release of superannuation requests, including:

- > The need for original documents to prove ID (when the postal service is slow)
- > The steps including coordination with the ATO to allow financial hardship-related withdrawal of superannuation
- > Complainants needing funds immediately
- > Identification of discrepancies in ID data

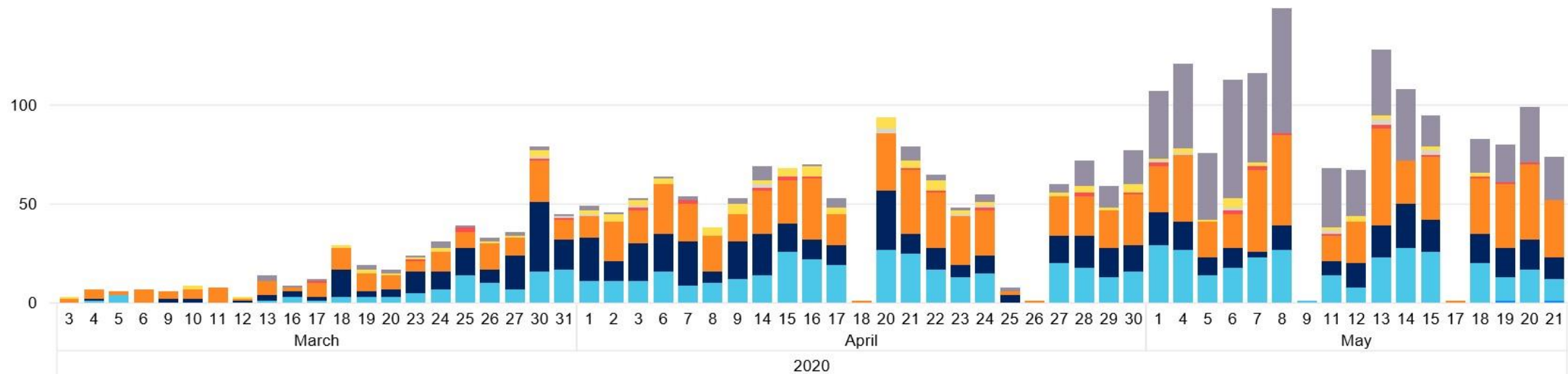
Other complaints:

- > Account balance drops due to investment performance
- > Fees Policy cancellation
- > Premium relief
- > Income protection claim decline

COVID-19 Spike due to early release of Super

Daily inflows by product/issue group - based on complaint received date (previous 12 weeks)

● BF ● FD ● GI ● I&A ● Life ● Rules ● Super



- > The increase in superannuation-related COVID-19 complaints in late April/early May preceded activity by AFCA's Communications and Stakeholder Relations team, which posted extensively on Facebook and Twitter regarding early release from superannuation.

COVID-19 Superannuation



Initiatives

- > Complaint numbers and types
- > AFCA wide – time extensions, portal issues, administration responses
- > Industry engagement – complaint identification, volumes and resolutions
- > FAQ on early release
- > Fact Sheet on income protection
- > Complaints - Timing of payment, fraud, microbalances, family law splits, incorrect applications
- > Early release complaint management

Insurance

- > Complaints – income protection (fact sheet), loss of cover, definitions

Questions

More information

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Thank you

