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### **Submission: Life Insurance Discussion Paper - Insurance Data Transformation**

More transparent data is critical to improve people's insurance claims and disputes experiences and outcomes. Data is an important tool to hold super funds and insurers to account, and to drive improvements in claims and dispute handling across the industry.

Our comments and recommendations on the proposed direction of APRA's and ASIC's Insurance Data Transformation (IDT) project are focused on insurance in super—typically default cover. In our view, the objectives of the project should be to:

- build agencies' and consumer advocates' understanding of the experiences of super fund members making claims on insurance in their super,
- incorporate consumer rights considerations into the data collection, and
- find more useful insights, for example, to identify which super funds and insurers are 'outliers' and how their poor performance could be addressed.

It is also important that the work of this project is aligned with APRA's broader Superannuation Data Transformation (SDT) and ASIC's internal dispute resolution (IDR) data collections. This should lead to prompt publication of useful granular data about insurance outcomes.

Insurance in super is the most significant segment in the life insurance market, costing Australians over \$6 billion annually.<sup>1</sup>

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<sup>1</sup> APRA, [Life insurance claims and disputes statistics](#), 17 October 2023.



Super Consumers recently published our analysis of the claims and disputes data for insurance in group super.<sup>2</sup> The available data showed:

- claims delays are common, with one-in-five income protection and total and permanent disability (TPD) insurance claims exceeding the timeframes that insurers have committed to under the [Life Insurance Code of Practice](#),
- growing numbers of withdrawn claims are a concern, particularly as the reasons are unclear, and
- disputes outcomes are opaque, with many classified as 'other dispute outcome'.

## Recommendations

We recommend the following enhancements to the proposals in the Discussion Paper:

1. The Objectives of the IDT project should be clarified to specify that:
  - the data is important to consumer advocates for similar purposes to ASIC, and
  - disputes data is also an important element of the regulators' data collections.
2. ASIC and APRA should focus on publishing data, including detailed data already held by the agencies, in succinct and user-friendly ways, such as on the ASIC Moneysmart website. This should include product claims ratios.
3. Prompt publication of data should be a primary objective of the IDT project.
4. Issues of over- and underinsurance in super should be part of a broader independent review of the insurance in super system, rather than within scope of the IDT.
5. The agencies should publish insurance claims and disputes data at the super fund product level, to ensure systemic issues can be better identified and targeted.

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<sup>2</sup> Super Consumers, [Insurance claims data shows super funds must step up to protect members](#), 14 December 2023.

6. The currently available data should be maintained and enhanced by:
  - publishing detailed claims data at the product level, including super fund product level, and
  - the agencies engaging with insurers and super funds that report a high number of disputes in the 'other dispute outcome' category, to classify these disputes more accurately and usefully.
7. APRA and ASIC should set performance benchmarks for claims outcomes, informed by the data and best practice standards.
8. The phased approach to the IDT should:
  - align data publication with ASIC IDR data publication timelines, and
  - use the income protection insurance pilot to improve data integrity and hold insurers to account for data quality.
9. The proposed data definitions should be improved by clarifying:
  - 'Reason for claim withdrawn', including 'Other changes in circumstances', 'Request for additional information' 'Request for assessment', and
  - 'Claim outcome', including 'Other reasons for being declined' and 'Declined due to legislation'.
10. The agencies should distinguish internal and external disputes, and the nature of insurance disputes, and publish this detail in a central, user-friendly format.
11. The agencies should work with industry and consumer advocates to understand and better define 'other' dispute outcomes, and publish more granular data on disputes outcomes.
12. Granular data should be published, unless there is a specific confidentiality reason not to publish a particular metric.



## General comments

### Stakeholders

The Discussion Paper describes the value of collecting and publishing data on insurance design, distribution, pricing and claims from an ASIC consumer protection perspective. As the Discussion Paper identifies, the data is critical to assess if financial services are being provided 'fairly, honestly and efficiently', that is, in line with the requirements for Australian financial services licence holders.<sup>3</sup>

We note that the data is similarly valuable to consumer advocates and others outside Government, including the media. Like the regulators, consumer advocates experience 'insights gaps', and can struggle to identify systemic harms, trends and emerging issues for consumers. This limits how effective and targeted consumer advocates can be. For example, in relation to life insurance, consumer advocates have very limited visibility of claims outcomes and disputes at the super fund product level. This in turn can limit advocates' ability to target their research and work to make systemic change.

The Objectives outlined in Chapter 2 of the Discussion Paper should therefore be expanded to better capture the value of enabling consumer advocates to assess and highlight significant, systemic and emerging issues. This would recognise the broader significance of the data beyond the agencies' direct work. For example, consumer advocates and representatives routinely assist regulators to identify systemic and significant consumer harms. Access to enhanced data would improve their capacity to do this work.

Another important aspect of the IDT project for external stakeholders is ensuring that data is 'user-friendly'. A good example is the ASIC Moneysmart [Life insurance claims comparison tool](#), which has a simple table of each insurer's claims acceptance rate, average claim time and dispute rate. These are key metrics which enable quick identification of industry performance overall and outliers. Information in a similar format at the super fund product level would be useful to understand which super funds are delivering better and worse outcomes on insurance for their members.

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<sup>3</sup> *Corporations Act 2001*, section 912A.



One gap in the Moneysmart tool is that it does not include claims ratios. Publication of claims ratios can serve an important consumer protection purpose by enabling a better understanding of product suitability and which products are more likely to pay out.

## Types of data

While information about the availability and affordability of insurance is critically important, metrics on insurance claims and disputes demonstrate the quality, value and customer service—that is, the product performance. This data is particularly important when assessing the quality of life insurance products, as consumers often have limited understanding of life insurance and may exhibit behavioural biases which affect their engagement with and assessment of these products.

We note that the issues of underinsurance and overinsurance are within scope of the Discussion Paper. Overinsurance is a particular concern for super fund members, because it significantly erodes people's retirement balances.<sup>4</sup> However, in our view identifying levels of insurance is a secondary objective to the primary objectives of the IDT data collection project.

This is because identifying over- and underinsurance in super is a more complex exercise than collecting data on the performance of existing insurance products. The 'right' level of insurance depends on a person's individual circumstances, and there is no obvious way to identify who holds insurance with multiple insurers, within or outside super, or to compare coverage with other forms of support (such as government support, or personal savings or other support options).

The issue of levels of insurance should not cause further delay to the IDT project. It is an issue for a broader, independent review of insurance in super—a move which Super Consumers supports.

## Consultation

In principle, we support the approach of consulting broadly on the data collection, including through broad consultation and technical working groups, which should both include consumer advocates.

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<sup>4</sup> Productivity Commission, [Superannuation: Assessing Efficiency and Competitiveness](#), Inquiry Report, 21 December 2018, page 381.



However, incorporating detailed stakeholder views should not bog down the release of data, which is already significantly delayed beyond its original timeline. Prompt collection of data, and publication of data already held by the agencies, should be a primary objective of the IDT project.

## Agency collaboration

We strongly support the streamlined and collaborative approach to data collection and publication, in particular connecting the IDT project with the SDT project and ASIC Internal Dispute Resolution (IDR) data collection. We are keen to see efficient and timely collection and publication of data.

We do not have a clear picture of how the three data collections—and any other relevant collections—will interact. Our comments on specifics, such as proposed data fields in the IDT collection, apply to whichever process ASIC or APRA uses to obtain this data.

Ensuring consistent data definitions and consolidation where there are overlaps with other reporting regimes is useful, so that consumer advocates can glean useful insights on systemic and emerging issues. Potential overlaps in data collection should be dealt with in this way, rather than through any windback of data points or reporting requirements. The current public data is very valuable and should be retained and streamlined through continued collaboration between agencies.

## Scope

As noted, it is important to maintain the current metrics, and to report insurance outcomes at the super fund product level. The method of data collection should suit the purpose, for example, ASIC collects insurance in super internal complaints data from super funds as the one source.<sup>5</sup>

We support the proposal of granular data collections which allow data to be ‘sliced and diced’ and provide new insights into outlier insurers, products, comparisons against benchmarks and over time, changes or trends and the impacts of agency interventions. This is an important outcome of the IDT project for consumer advocates also.

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<sup>5</sup> ASIC, IDR data reporting handbook, 28 April 2023, para 25.

The currently available APRA data does not allow consumer advocates to understand the outcomes people get from their insurance based on which super fund they are with. Aligning the data collection projects, together with publishing data at greater granularity, should enable agencies and advocates to better understand, for example, where members of a particular fund are getting worse outcomes from an insurer than members of different funds with the same insurer. This could point to a need to target improved conduct from the super fund.

## Timelines

We note that there have been lengthy delays to the IDT project. We support the timely and efficient collection and publication of data. See also our response to question 3 below.

**Recommendation 1:** The Objectives of the IDT project should be clarified to specify that:

- the data is important to consumer advocates for similar purposes to ASIC, and
- disputes data is also an important element of the regulators' data collections.

**Recommendation 2:** ASIC and APRA should focus on publishing data, including detailed data already held by the agencies, in succinct and user-friendly ways, such as on the ASIC Moneysmart website. This should include product claims ratios.

**Recommendation 3:** Prompt publication of data should be a primary objective of the IDT project.

**Recommendation 4:** Issues of over- and underinsurance in super should be part of a broader independent review of the insurance in super system, rather than within scope of the IDT.

**Recommendation 5:** The agencies should publish insurance claims and disputes data at the super fund product level, to ensure systemic issues can be better identified and targeted.

## Response to Discussion Paper questions

2. Do you have any comments regarding the proposed scope of products being prioritised, specifically: ... d. Are there any data points that should be added or amended to help provide more meaningful data?

There are several areas where the data fields or definitions in the appendix<sup>6</sup> could be enhanced, to better identify significant consumer outcomes.

### Alignment with other data collections

We are pleased to see the agencies aligning the insurance and super data collections. This is critical to ensure stakeholders can understand the key issues people are experiencing with insurance in super.

In particular, collaboration is required to ensure detailed claims data currently published at the insurer level is published at the product level, including super fund product level. This will be an important step to pinpoint where the issues lie for people making claims or raising complaints about insurance in super.

### Disputes

We are pleased to see plans for enhanced data on internal disputes, and expect ASIC's work on IDR to provide greater insights into how super funds and insurers are managing internal disputes related to insurance in super claims.

Super Consumers' analysis of currently available APRA data highlighted concerns with the timelines and outcomes of claims-related disputes. The average TPD and income protection claims-related disputes took longer than the 45 days mandated by ASIC<sup>7</sup>—3.1 months for TPD and 1.8 months for income protection insurance—and the outcomes of claims disputes are very murky.

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<sup>6</sup> APRA, [Appendix - Life Insurance Discussion Paper Insurance Data Transformation](#), 12 October 2023.

<sup>7</sup> ASIC, [Regulatory Guide 271 Internal dispute resolution](#), September 2021, RG271.60 Table 2.



In 2022-23 'other dispute outcome' was recorded for:

- 75.9% of the 1,821 IP disputes,
- 67.9% of the 1,593 TPD disputes, and
- 66.7% of the 93 death insurance disputes.

This gives no insight into the experiences or outcomes of people whose insurance disputes were not definitively decided in their favour or against them. We expect this data to be enhanced and monitored by ASIC, to ensure an important aspect of the consumer experience, and how super funds and insurers are delivering services, is clearer. Regulators should also engage with insurers and super funds that are reporting high levels of 'other' dispute outcomes.

### Benchmarks

Claims data is currently published with scant context. Super Consumers undertook detailed comparison and analysis, for example, on how particular claims metrics looked across different insurers and channels over time. This work is time-consuming and does not anchor insurers' performance on any measure of what 'good' looks like.

The data collection process should be accompanied by a process to establish robust benchmarks which can be used for regulatory purposes and for super funds annual member outcomes assessment (MOA) and public MOA summaries. This should be based on both current performance and the regulators' view of best practice, not simply the current industry standard.

**Recommendation 6:** The currently available data should be maintained and enhanced by:

- publishing detailed claims data at the product level, including super fund product level,
- the agencies engaging with insurers and super funds that report a high number of disputes in the 'other' categories, to classify these disputes more accurately and usefully.

**Recommendation 7:** APRA and ASIC should set performance benchmarks for claims outcomes, informed by the data and best practice standards.

3. Feedback received to date indicated a preference for the proposed phased approach. Please indicate if you have a different view on the timing and order of these data collections and, if so, why.

We note that timeliness is imperative in the phasing of data publication, given the ongoing delays in the IDT project, and the fact that the agencies currently hold detailed data which has not been published. There are several issues with the phased approach:

- **Alignment with ASIC IDR data:** Claims and disputes data are obviously closely linked. ASIC and APRA should align publication dates, to ensure the published data comes with useful context and detail.
- **Depth of data:** We are unclear as to whether the phase 1 publication of the LRS 750 data will deliver the 'depth' of information consumer advocates would find valuable, in particular, super fund product-level data on claims outcomes and disputes.
- **Integrity risks:** The proposed pilot collection of income protection insurance data on a 'best endeavours' approach (Chapter 3.2) creates a risk of data integrity issues, and many trustees not engaging with the process early enough. There is also potential for this to contribute to further delays in publication. The pilot project should be used as a tool to improve data integrity across the industry, and hold insurers to account where data quality is inadequate.
- **Significant TPD concerns:** From a consumer perspective, the currently available data on TPD claims raises significant concerns about timelines, withdrawn claims and disputes. For example, the average TPD dispute time was highest for the three types of insurance in super, at 3.1 months. 50% of 'withdrawn' TPD claims were in fact closed by the insurer due to 'claimant inactivity', which could be for a host of reasons. We consider TPD claims data to be a priority in the phasing of the IDT project.

**Recommendation 8:** The phased approach should:

- align data publication with ASIC IDR data publication timelines, and
- use the income protection insurance pilot to improve data integrity and hold insurers to account for data quality.



4. Are there any concerns regarding the proposed definitions in the appendix, specifically:

- a. the clarity and consistency with existing definitions
- b. any items not defined.

As noted, we are not completely clear on how the IDT, SDT and ASIC IDR collections will overlap. Our comments and recommendations below apply to whichever collection is used to capture these data fields—our key concern is that this information is published promptly in a user-friendly format.

Some proposals in the appendix improve on the definitions of currently published data, and will provide better insights into the reality of people’s experiences when making claims on their insurance in their super.

There are several metrics which are particularly important in identifying systemic issues for claimants, some of which could be improved.

**Commission Data Table:** This data set could be enhanced by including actual commissions paid by insurers to advisers. The additional product-level information that should be included is:

- number of advisers paid commissions by insurers,
- amount paid in upfront commissions, and
- amount paid in trailing commissions.

This would provide greater insights into the costs of selling insurance in different channels.

**PC10 Superlink policy identified and PC14 Superannuation Choice Member:** It is unclear to us how insurers will have visibility of the vast majority of people who hold multiple insurances. However, data on default versus choice insurance in super could help agencies and consumer advocates to understand any differences in product suitability and outcomes. For example, are there any differences in premiums or claims acceptance rates for default insurance in super versus choice?



**BE50 Consumer brand:** We assume this field will enable claims and disputes data to be published at the super fund product level. This is an important enhancement to the data, as noted above.

**CL44 Third party involvement:** We support the inclusion of 'third party involvement' information. It would be useful to understand the impact of lawyers, claimant intermediaries and other third parties on claims and disputes processes and outcomes. Involvement of third parties may also be an indicator of the complexity of claims and disputes. This information would also be useful in other data collections, such as for superannuation and general insurance.

**CL12 Reason for claim withdrawn:** This more detailed information on the reasons for claims being withdrawn should be designed to give insights into the real circumstances of people's claims ending without a decision. Currently, many claims are closed by the insurer but recorded as being 'withdrawn' (as noted above, 50% of TPD claims in 2022-23). ASIC found in 2019 that life insurers themselves have poor understanding of the reasons claims are withdrawn, and that the reasons insurers give can be different to the reasons claimants and their advocates give.<sup>8</sup> The reasons captured in claims withdrawal data should reflect ASIC's findings.

It is important to more accurately record and publish the reasons for claims ending before a final decision is made, especially given the rising rates of withdrawn claims.<sup>9</sup>

However, there are several areas where CL12 should be amended to capture key details:

- **Item 3 Other changes in circumstances:** This covers many situations which are not similar in nature from the claimant's perspective. This item could be improved by splitting out the categories of 'duplicate/erroneous claim' and 'deceased'.
- **Items 5 Request for additional information and 6 Request for assessment:** These are circumstances where the insurer has closed the claim. Claims proactively withdrawn by the claimant should be distinguished from claims closed by the insurer or super fund because a claimant did not respond to a request of the insurer. These are two very different scenarios in a person's experience of making a claim. It would also be useful to

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<sup>8</sup> ASIC, Report 633 Holes in the safety net: A review of TPD insurance claims, October 2019, paras 156-166.

<sup>9</sup> Super Consumers, [Insurance claims data shows super funds must step up to protect members](#), 14 December 2023.

understand the average time periods in which insurers are closing claims where they deem a person to have not responded to a request.

**CL15 Claim outcome:** It is important that agencies publish the details of claims outcomes, as this is the key metric showing the quality and value of insurance products. The nine listed claims outcomes in the appendix will provide very useful information, but could be improved as follows:

- **7 Other reasons for being declined** is again a catch-all and may overlap with other items, for example 'Claimant did not understand cover' may also be **3 Contractual definition not met** and **4 Exclusion clause**. There is risk that if insurers overuse this category in claims records, it will muddy the real reasons for claims being declined.
- **8 Declined due to legislation** is not clear to us and could be better defined.

**Recommendation 9:** The proposed data definitions should be improved by clarifying:

- 'Reason for claim withdrawn', including 'Other changes in circumstances', 'Request for additional information' 'Request for assessment', and
- 'Claim outcome', including 'Other reasons for being declined' and 'Declined due to legislation'.

Items not defined in proposed appendix: 'dispute' and 'other dispute outcome'

We note that ASIC's supervision of IDR means that internal disputes about insurance in super must be reported to ASIC by super funds.<sup>10</sup>

While ASIC is responsible for collecting IDR data, and AFCA EDR data, in our view, APRA's broad oversight of internal and external disputes is important for the performance of super funds and insurers, from both the prudential and consumer perspectives. For example, it is clear that an internal dispute that is escalated to an external AFCA dispute is not captured by ASIC's IDR work<sup>11</sup> but is captured by AFCA, and accessible via AFCA's Datacube. APRA's broader oversight is important to give a more complete picture of how disputes progress.

<sup>10</sup> ASIC, IDR data reporting handbook, 28 April 2023, para 25.

<sup>11</sup> ASIC, IDR data reporting handbook, 28 April 2023, para 26.



The current APRA glossary defines a claims-related ‘dispute’ as one ‘raised with the insurer by the claimant (or their representative) or communicated to the insurer by a superannuation fund trustee, an EDR scheme, tribunal or court of law’.<sup>12</sup> This definition provides little insight into the nature of disputes, the experience of a person raising a dispute, and how well insurers and super funds respond when a dispute is raised.

ASIC has provided more detail by adopting the Australian Standard definition of a ‘complaint’, in its guidance to industry on how to identify and manage internal disputes.<sup>13</sup> ASIC’s IDR data handbook also sets out categories to be assigned to complaints data, for example, specifying that a complaint is about policy coverage, benefits paid, exclusions and claims delays.<sup>14</sup>

Public data which includes this granular detail, and comes with APRA’s broader oversight of all disputes as a prudential risk, would significantly improve how well regulators and consumers understand the causes, processes and outcomes of disputes. Disputes data should be published centrally in a user-friendly format.

Where disputes data is published, it should be more clearly defined by:

- Distinguishing internal and external disputes—we assume this will be possible using the **BE49 ASIC IDR reference number** and **BE53 AFCA EDR reference number** fields.
- Publishing detail on the nature of the disputes, as is partially done with data published by the Australian Financial Complaints Authority (AFCA). This would include at a minimum:
  - whether the dispute was raised with/handled by the super fund, insurer, AFCA and/or tribunal or court,
  - Which of the dispute items in the ASIC IDR data handbook the dispute relates to, and
  - the reasons for withdrawn disputes, which is an area of concern for consumer advocates.<sup>15</sup>

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<sup>12</sup> APRA, [Life insurance claims and disputes statistics - Explanatory notes and Glossary](#), 5 December 2019.

<sup>13</sup> ASIC, Regulatory Guide 271 Internal dispute resolution, September 2021, para RG 271.27.

<sup>14</sup> ASIC, IDR data reporting handbook, 28 April 2023.

<sup>15</sup> Super Consumers, Insurance claims data shows super funds must step up to protect members, 14 December 2023.

As noted above, currently ‘other dispute outcome’ is a catch-all which gives no information about how the majority of claims disputes are finalised. The agencies should work with insurers, super funds and consumer advocates to understand what the common ‘other dispute outcomes’ are, and better define these in the data.

**Recommendation 10:** The agencies should distinguish internal and external disputes, and the nature of insurance disputes, and publish this detail in a central, user-friendly format.

**Recommendation 11:** The agencies should work with industry and consumer advocates to understand and better define ‘other’ dispute outcomes, and publish more granular data on disputes outcomes.

5. What would be a suitable frequency to submit these returns? Please provide an estimate of the cost for quarterly, half-yearly and annual submission.

We support the proposal in Chapter 3.4 of the Discussion Paper to collect claims data on a half-yearly basis.

This is frequent enough to give a current view of insurers’ performance, while being lengthy enough to identify any medium to longer-term trends. APRA, ASIC and AFCA should ensure data collection periods are aligned, and that data can be matched and analysed.

10. Do you have any data security and/or privacy concerns with:

- a. The provision of data at a transaction level
- b. Any of the specific data points
- c. Any elements of APRA's proposed approach in handling data

If so, what are these concerns and what steps might be feasible to address these.

Data and statistics should be non-confidential wherever possible, while ensuring the personal privacy of claimants/consumers is protected.

All data should be published at the granular level, unless there is a specific confidentiality reason not to publish a particular metric.

We note the significant issues already identified in insurance in super claims and disputes. There is a clear need for transparent data in the context of broader concerns with customer service by super funds, including in relation to insurance claims.<sup>16</sup>

**Recommendation 12:** Granular data should be published, unless there is a specific confidentiality reason not to publish a particular metric.

If you have any questions about this submission, please contact Susan Quinn at [squinn@superconsumers.com.au](mailto:squinn@superconsumers.com.au).

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<sup>16</sup> See for example: Jon Bragg, '[Unresponsive, slow and not member-focused](#)': Jones slams super funds, *Investor Daily*, 31 October 2023; Aleks Vickovich, '[Government will move](#)': Jones threatens trustees on member engagement, *Investor Daily*, 18 July 2023.





A handwritten signature in black ink that reads "Gerard Brody". The signature is written in a cursive style with a large initial 'G' and 'B'.

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