

17 May 2017

Insurance in Superannuation Working Group
Project Management Office
Via Email – ISWG-PMO@kpmg.com.au

Dear Sir/Madam

Discussion Paper: Claims Handling

We wish to provide you the following submission in respect of the key questions raised in the above discussion paper. Please find enclosed our responses to feedback questions in the order posed within the discussion above paper:

Claims Handling Principles

1. The development of an Industry Code for superannuation funds would provide a useful guide to best practice within the industry. It should be acknowledged however that the role of a superannuation trustee (as supported by legislation) is to work in the best interests of its members and undertake the role of advocate on behalf of claimants and is therefore a very different to that of an insurer who may be perceived to have a vested interest in the outcome of a claim. A prescriptive code may not therefore be in the best interests of Fund members in all circumstances. For this reason, an Industry Code should be a guide to best practice thereby allowing Trustee's to adopt administrative approaches that suit the needs of their membership with a considered response within the Trustee's insurance Management Framework.
2. The guiding principles should also reflect that a superannuation trustee should publish their role as an advocate on behalf of claimants, to ensure members are fully apprised of the role play and so as to ensure members have an adequate understanding that the insurer and trustee have distinct roles within the claims process
3. We wish to make the following comments in respect of the proposed timeframes.
 - a. Each Trustee would have very different administrative models in place. Some of the actions identified may be undertaken by the Trustee office, by the administrator or in the interests of expediency the insurer.
 - b. Follow-up of death benefits at 20 day intervals with all potential recipients may be difficult and cumbersome particularly where the assessment process would typically be held up by processes such as the issuing of death certificates or in some cases the issuing of probate or letters of administration, which tend to lengthen the process. Some allowance should be made in respect of proposed timeframes to acknowledge the unique nature of the death claims processes and the inherent delays which would be a feature of the claims process.
 - c. It would not be in the interests of members that an independent Trustee review of admitted claims by the insurer should be undertaken in all instances. Typically the insurer is undertaking a detailed assessment to determine whether liability exists and would have processes in place which ensure that only genuine claims are paid, as this would be in their financial interest. On this basis, any code or guidance should not mandate a review of admitted insurer decisions in all circumstances.

- d. In respect of other timeframes, the suggested requirements appear reasonable based on the full and complete receipt of information and whether required funds paid by insurers for allocation to member accounts.
4. In the interests of tight management of claims experience, it would be worthwhile to establish timeframes for ensuring prompt reporting to insurers upon the notification of an insurance claim in all instances rather than solely upon the receipt of completed claim forms and/or death certificates.
5. Enhancing communication throughout the claims experience would provide the optimal experience for members. In particular, the expectation through a good practice guide that members should be provided with online access to track the assessment of their claim should provide an optimal member experience. Ideally wherever possible, a single point of contact should be provided through the claims process and in the interests of expediency a direct insurer to member claims model would provide the optimal outcome to avoid double handling throughout the process with the delays this would present. That said Trustee's should have the flexibility to choose the optimal member experience which they feel suits their operating model and is in the best interests of their wide business strategies and members as a whole.
6. Good practice guidance on how Trustees should consider enhanced communication aspects as part of their wider communication /member education strategies would be worthwhile.
7. All superannuation providers should provide a clear understanding of their role within the process of claims assessment and this should appear on their website along with their claims philosophy. Members should also be provided a choice of communication methods. As a good practice Funds should move to using info graphics and short videos as a method to explain their insurance arrangements and provide an optimal variation to simply providing text based communications that members may fully comprehend without practical reinforcement.
8. Each Trustee based on its legal obligations has developed processes and systems that are deemed to meet its requirement and offer the best solutions in the interests of their membership. A good practice guide may assist in this regard to enable Trustee's to consider issues raised within the industry in formulating their business models. It may not however, be in the interests of members to be prescriptive as to the governance processes each Trustee should adopt and in this regard. Furthermore the life Insurance code has sought to address the circumstances when further medical evidence is sought and how this can be done in a way that ensures the members interests are protected (e.g. enable claimants a choice of doctor based on alternatives).
9. For the reasons outlined earlier, a good practice guide would be preferable.
10. It would be worthwhile if any guidance also addresses the Trustees expectations in respect of how insurers should deal with disputed claims referred back for further assessment in circumstances where the Trustee has a reasonable perception of success and good practice timeframes to undertake further assessment.
11. Data and technology can significantly improve the transparency of the claims process and allow members to understand where their claim is up to in the assessment process. There would also be benefit if Medicare and PBS records can be more easily obtained as part of the claims process as typically this has proven to be a key area of delays in some circumstances particularly in the assessment of death claims.
12. It should be remembered that Trustees are acting in the best interests of members as a whole. It would be uncertain whether mandating the publishing of data such as claims acceptance rates for example, would necessarily be of benefit to all members particularly in circumstances where the data may be skewed by operating models and the need for a

standardised approach to the method of calculation. Further each policy has different terms and conditions which impact acceptance/decline rates along with varied levels of member understanding when making a claim (for example a member may make a claim for TPD but they only have income protection which would result in a decline). Published high rates of acceptance could drive claims experience by altering member behaviour through the perceptions and expectations created.

13. Given ASICs published views on this subject it is clear that they have a perception that that the exemption should be removed. However it is our view that this exemption should not be specific to claims handling and their powers for other areas that are exempt more broadly should be considered. Should powers be granted more broadly, they should be very clear on what they are and how assessments are made in an area that is complex and varied in its nature (ie. no one claim is the same as another).
14. Prima facie one would form the view that a claims assistance service would be in the best interests of claimants. Similar to being able to call Fair Work Australia to seek advice on process and rights, we would see an independent style body that can talk members through the process, expectations and how to prepare to make a claim (without the need to get lawyers involved). This would not only benefit their understanding upfront, and also likely to reduce SCT complaints relating to declines as they have a greater understanding of the process. Care needs to be taken thought to ensure that superannuation funds are ensuring they have information readily available on the process (including how to prepare/submit a claim through to the denial process, the trustee role versus the insurer role, and how to escalate if a member is not happy with the decline decision). There is a risk however that this would in fact simply introduce another level of bureaucracy if it is not adequately accompanied by an information campaign of the impacts of solicitor involvement altering member behaviour.

Please do not hesitate to contact Kelly Smith (ksmith@hesta.com.au) or Michael Englezakis (menglezakis@hesta.com.au).

Kind regards

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