

Emerging trends and practices in Life Insurance Claims Management

9th October 2017

Today's presentation

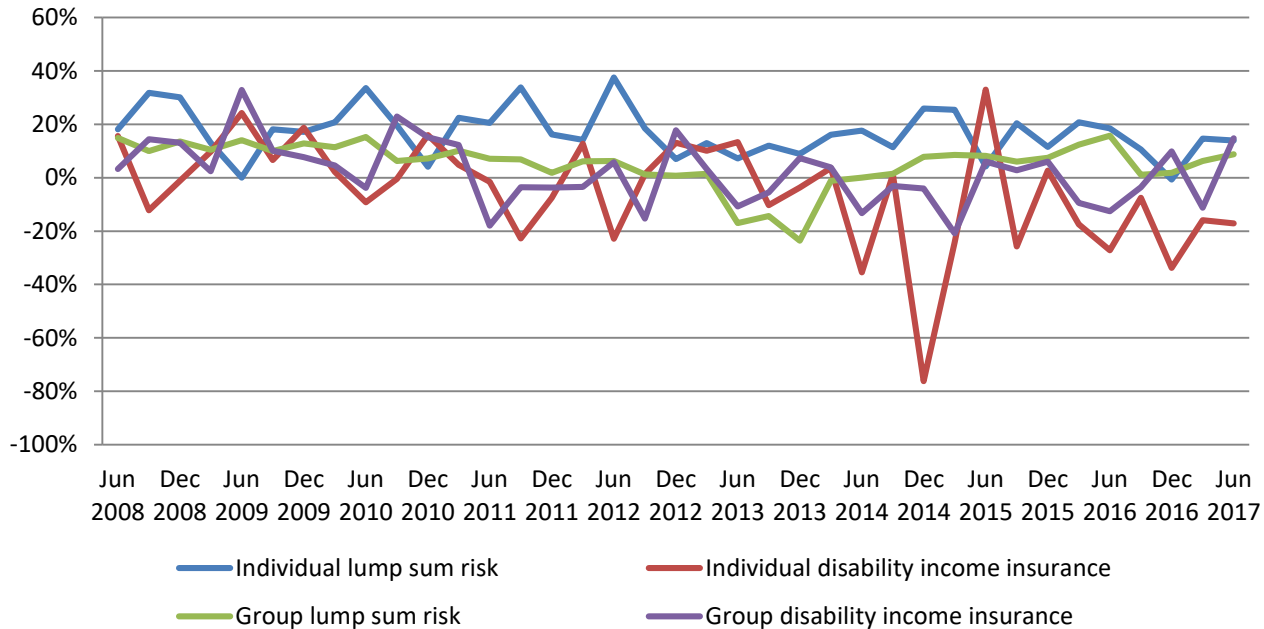
- Life insurance claims landscape
- Case Law trends and life claims litigation
- Rehabilitation and Return to Work
- Improvements in claims management operations including use of AI
- Claims management, claims philosophy and the product lifecycle
- Q & A

The life insurance claims landscape

Elizabeth Baker

Claims continue to have a significant financial impact

Net profit after tax/Net policy revenue - quarterly return



Source: EY analysis of APRA Quarterly LI Bulletin

there's ongoing regulatory attention on life claims

"Life insurance is a vital product for Australian consumers and their families, helping them to manage risk and providing support, often at times of significant financial stress. However, ASIC's regulatory work, as well as concerns raised more generally by consumers, indicate that the life insurance sector has been falling short of the standards that we would expect."

Peter Kell, Deputy Chairman, ASIC

Source: Parliamentary Joint Committee, Corporations & Financial Services 8 September 2017

ASIC's current work in the life insurance sector includes



1. With APRA, jointly undertaking the development of a **public reporting regime for life insurance claims outcomes**
2. Deeper dive into **TPD Claims**
3. Review of the **use of surveillance practices** in claims management with a focus on general insurance but including a set of life insurance matters including surveillance in cases **involving mental illness claims**
4. A major review of the **sale of direct life insurance**
5. **Group insurance through Super** including disclosure to members, complaints handling and incentives

and continued media interest...

Money for Nothing

7 March 2016



Life insurance and the Wild West

The Sydney Morning Herald

11 October 2016

Life insurance claims data to be made public

FINANCIAL REVIEW

12 October 2016

Financial Services Ombudsman complaints surge driven by insurance and credit card disputes



5 October 2017

Case law trends and life insurance claims litigation

Presented by Darryl Pereira

Life insurance Litigation Trends

- 1 Interpretation of ETE clause in TPD definitions
- 2 Increased Anti-Discrimination complaints

TPD litigation

Common TPD definition:

(a) absent from work through illness or injury for six consecutive months; and
(b) in the opinion of the insurer, the life insured has become incapacitated to such an extent as to render the life insured unlikely ever to engage in or work for reward in any occupation or work for which [he/she] is reasonably suited by reason of education, training or experience.

**Job Availability v
capacity**

**Occupation
with or without
retraining**

**Meaning of
unlikely ever**

**Relevance of post
DOA subsequent
events**

**Alternative
occupation
suited by ETE**

Hannover Life Re v Jones [2017] NSWCA 233

KEY FACTS

- Claimant ETE: left school aged 16, school certificate, qualified as tradesman roof plumber, entire work history in roofing industry
- Injured back – age 29 at relevant date of assessment
- Insurer denied TPD claim on basis had capacity and ETE to work in non manual roles

INSURER DENIAL

- Jones had transferable employment skills - communication, administrative, computer and organisational skills
- Vocational assessment identified four entry-level positions could perform with no retraining:
 1. Retail sales (hardware)
 2. Console operator
 3. Customer service advisor/telemarketer
 4. Courier/delivery drive

Hannover Life Re v Jones [2017] NSWCA 233

PRIMARY JUDGE FINDINGS

- Insurer made an error in how it applied ETE clause.
- Alternative occupation must be one for which the insured has been **prepared or shaped** by his or her past vocational history.

“The purpose of the provision is to provide a benefit for those who are disabled from the following for which their past education, training or experience has prepared them – not any occupation which may be conceived, however far removed from his or her vocational history, which can be performed without further education, training or experience.”

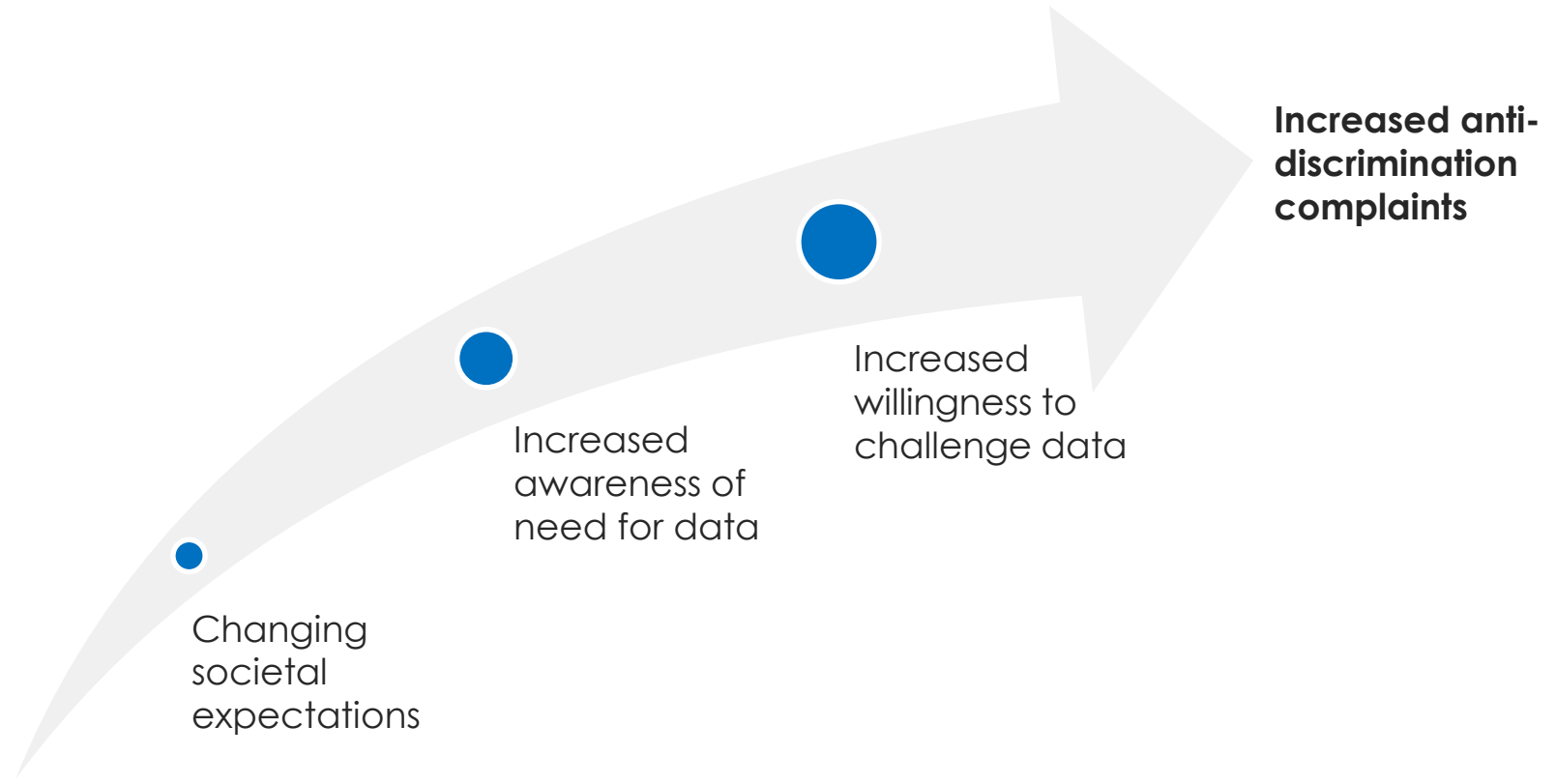
- The alternative occupations involved customer contact and service.
- Vocational history revealed no experience in or aptitude for customer service.
- Mr Jones met the definition of TPD as he was only qualified for manual work and could no longer perform that work.

COURT OF APPEAL'S FINDINGS

- Primary Judge's construction of the ETE clause was correct.
- ETE clause *requires insurer to examine occupations for which the claimant's ETE has prepared him...that naturally is shaped by his vocational history. There is no error in that approach.*
- No error in finding that Mr Jones' level of schooling and entire work history meant work qualified for by ETE was limited to manual labour.
- Entry Level Jobs - Mr Jones' vocational history revealed no experience or aptitude for customer service.

Does Jones reflect product intent and pricing?

Anti-Discrimination Complaints



Insurance Exemption

Discrimination in insurance not unlawful where:

Limb 1.

the discrimination is based upon **actuarial or statistical data** on which it is reasonable to rely AND the discrimination is reasonable having regard to the data and any other relevant factors (**the data limb**); or

Limb 2.

in a case where no such data is available and cannot reasonably be obtained – the discrimination is reasonable having regard to any other relevant factors (**the no data limb**).

Reasonable data

Ingram v QBE Insurance [2015]

- *“Where QBE has not produced evidence to establish that the statistical data relied upon was in existence when the terms of the policy were formulated or that any person involved in the drafting or approval of the policy wording had any knowledge of or regard to those statistics, there is insufficient evidence available on which I could safely draw the inference sought.”*
- *“I accept Ms Ingram’s submission that I ought not to accept the assumption that a person who falls within the disability status categories of the ABS survey summary and so is unable to undertake core activities would be unable to travel.”*

FOS Case 428120 March 2017

- *Studies not “accompanied by any evidence, as required by the DD Act, that the FSP actually relied on the data and studies in introducing and maintaining the exclusion”*
- *“Overall the data referred to by the [insurer] is mostly about the prevalence, diagnosis and treatment of mental illness, not data, required by the DD Act, about the assessment of the insurance risk or incidence data.”*

The importance of Rehabilitation and RTW

Claims experience, metrics and
customer outcomes

Presented by Carly Van Den Akker, Swiss Re Life & Health

The key ingredients



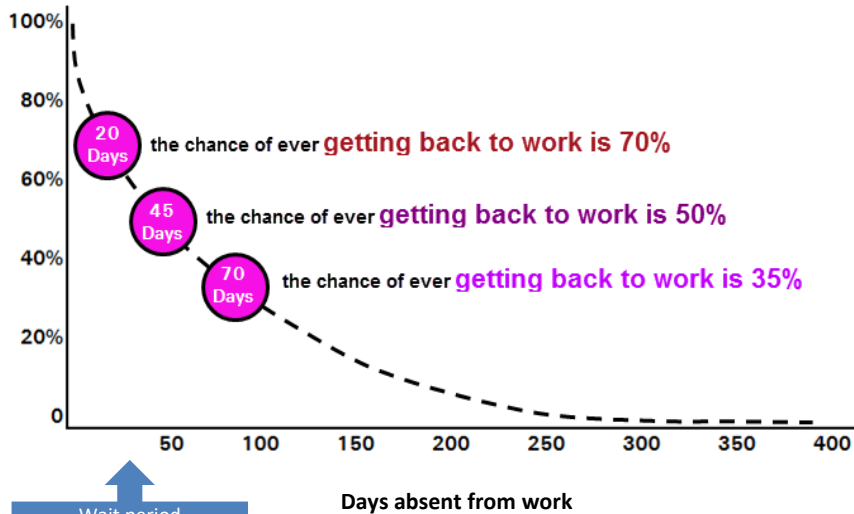
- Policy provisions for rehabilitation
- Rehabilitation ≠ treatment
- Opportunity to intervene early
- A motivated customer
- A supportive employer
- A customised program

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**FTE Rehab Consultants
working in-house
across life re/insurers**



Time is precious



Wait period
(average time)

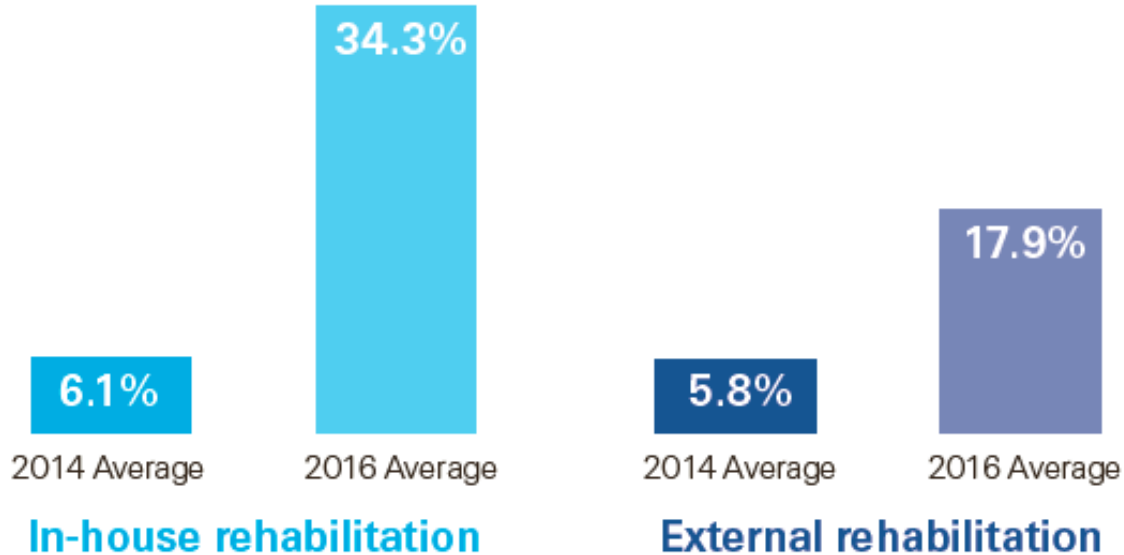
Rehab Watch	2014	2016	Δ
From DON	387 days	197 days	190 days
From DOD	522 days	459 days	63 days

Source: Swiss Re Rehabilitation Watch 2014 and 2106



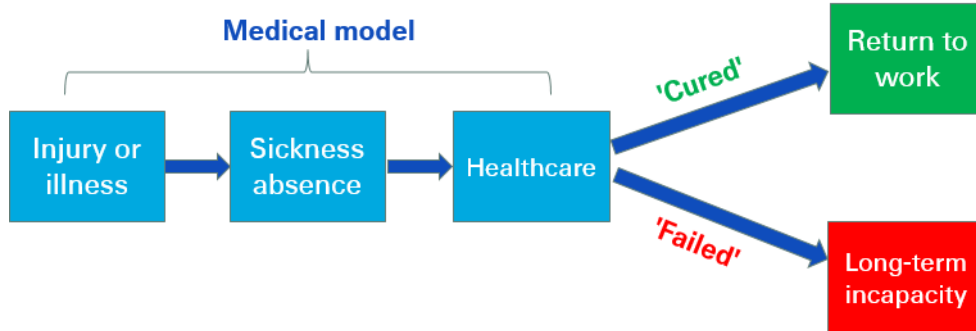
Source: Realising the Health Benefits of Work, AFOEM Position statement (research by Guthrie, 2007)

More customers are participating

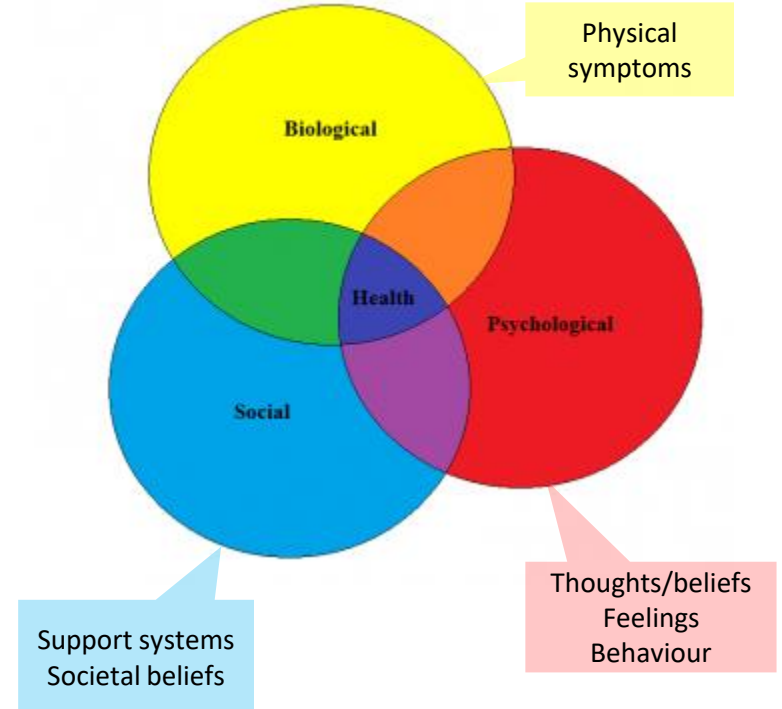


Source  **Swiss Re**

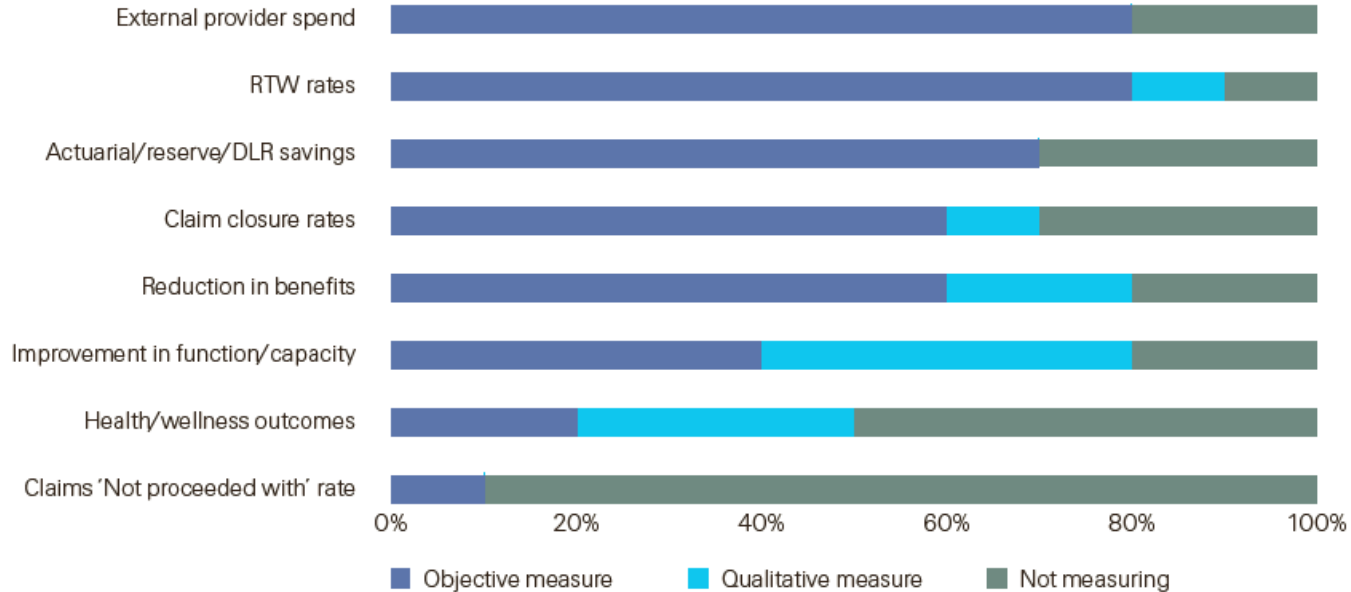
One size does NOT fit all! Medical and BPS models



Source  Swiss Re

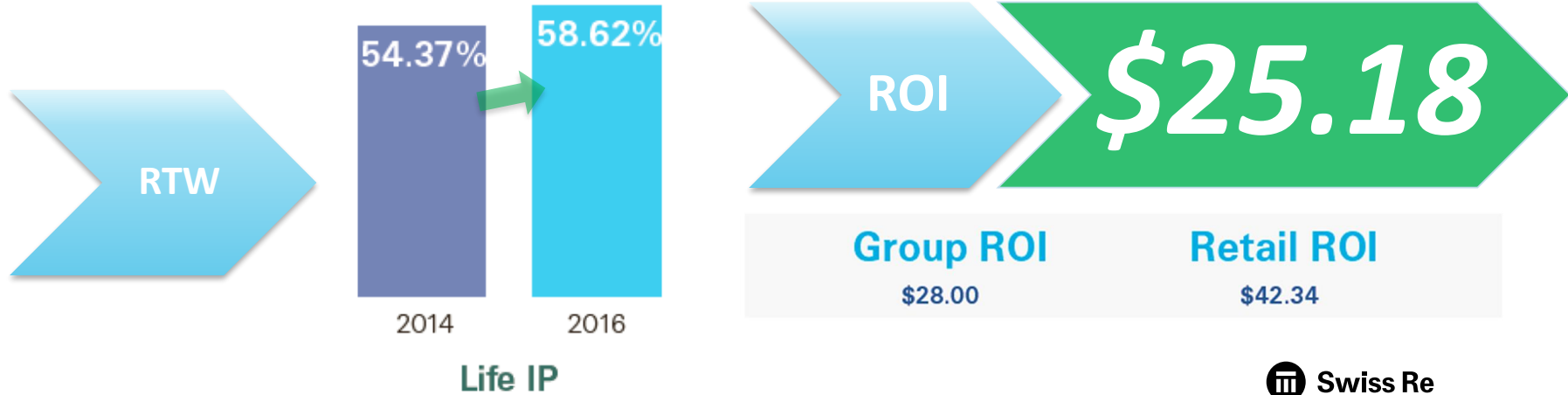


Measurement methodologies



Source  Swiss Re

Industry outcomes



The future for life rehabilitation

Future view:
Early intervention in the waiting period as a standard offering

Mandatory rehabilitation

- Influencing participation through mandated rehabilitation programs that facilitate return to work outcomes
- Should mandates apply to stakeholders such as the employer to offer graduated return to work options?

Rehabilitation intervention has positively impacted on working life engagement and readiness for work

Increased wellbeing, return to health and/or non-vocational function

Customer appreciates more value from having their policy with an insurer that provides rehabilitation

Future view:
Rehabilitation Consultants to mentor claims teams to deepen their understanding of function, biopsychosocial factors and influencing key stakeholders

TPD in the future

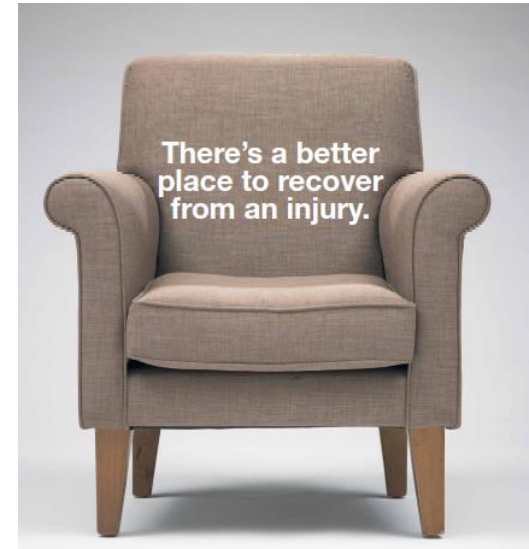
- A stronger move towards hybrid TPD/IP policies to create greater incentives for customers to RTW
- A need for the industry (regulators) to define what is "reasonable"

Good work is good for all!



Realising the Health Benefits of 'Good' Work

presents compelling international and Australasian evidence that 'good' work is generally good for health and wellbeing, and that long term work absence, work disability and unemployment generally have a negative impact on health and wellbeing.



**Returning to work sooner
can be the best medicine.**

Talk to your doctor about what you can do.

Improvements in life insurance claims management operations including the use of AI

Presented by Derek Vine

**There has been a lot of excitement
and some would even say hype
around AI, but what is AI?**

It is not....



But it is a....



Integrating AI into AIA claims assessment



Policy review

Member timeline construction

Data & document review

Initial eligibility assessment

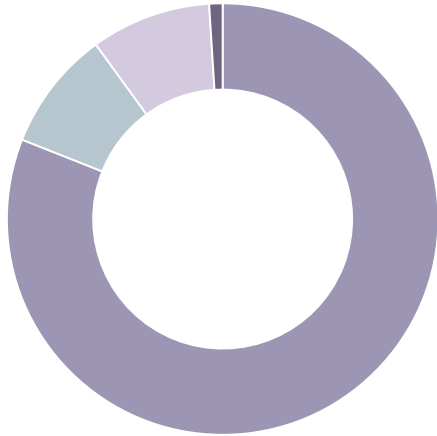
Active employment assessment
(Payslip consolidation)

PDI calculations

Assessment notes

Peer &/or senior review

AI accuracy in the claims process



- Successful match 81%
- Incomplete information 9%
- Source data error 9%
- Rule failure 1%

'When correct data is provided, IBM Watson has 99% accuracy of results'

Benefits	Reduction
Efficiency on steps – Simple claims	49%
Efficiency on steps – Complex claims	77%
Average duration of assessments	48%
Average duration of peer review	17%

Positive feedback - AI pilot



Quality of Watson assessments

Higher accuracy with fully evidenced reasoning prompting AIA assessors to re-check assessments if they disagree with Watson.



Reduction in re-work and review

Reduction in reviews conducted by peers and seniors are contributing to shortened cycle times.



Faster identification of missing data

Watson identifies incomplete source data leading to faster identification of claims that need additional investigation up front.



Ease of use

Watson's output is fully integrated into existing AIA applications.



Transition to trust

Positive change in mindset for AIA assessors, from 'fear of the machines', to enjoying AI support as part of their process and giving them more quality contact time with our claimants.



Staff engagement

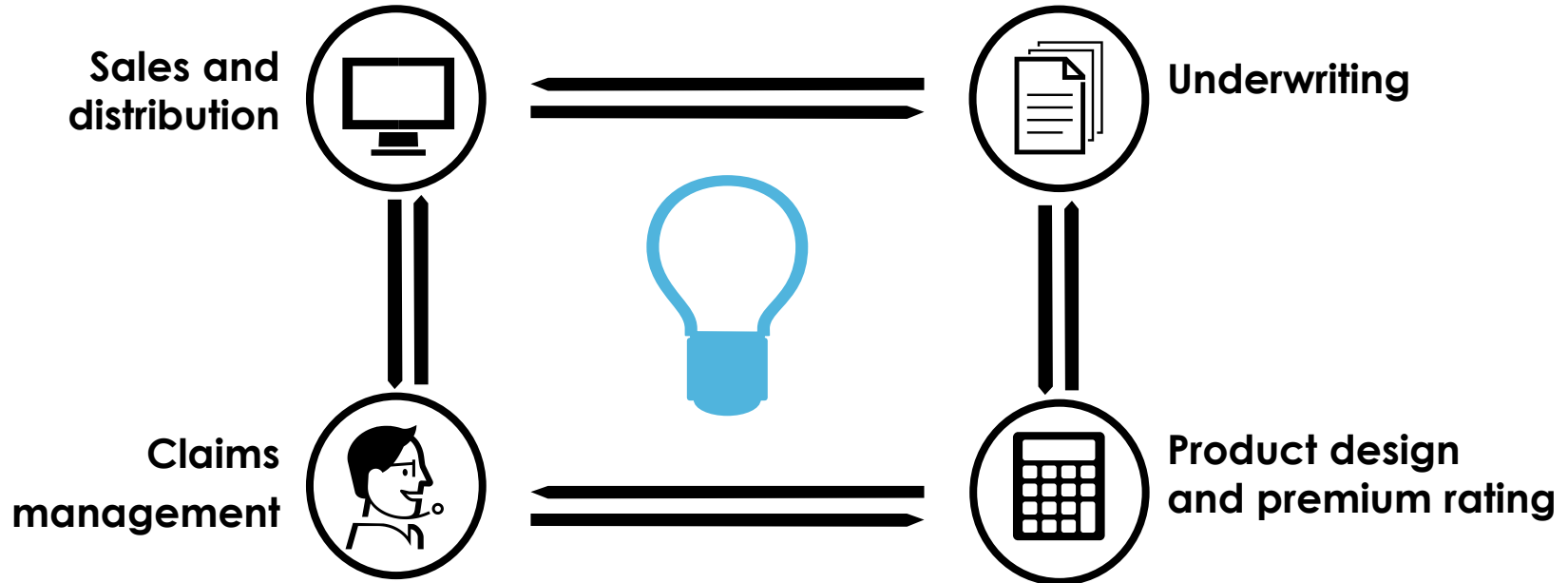
Staff are raising ideas for further use of Watson, they are embracing it as an integrated part of the claims process.

Effectively reflecting claims management and claims philosophy in the product lifecycle

Presented by Elizabeth Baker

The life insurance product life cycle

To have a sustainable, financially sound life insurance product that is within a company's Risk Appetite, a clear and continuous link between sales and distribution, underwriting, product design, and pricing and claims management is required.



Is the claims philosophy been appropriately allowed for in the pricing and product design?

An insurer's claims philosophy captures the insurer's current approach to claims assessment, administration and settlement.

This would include its expectations of claimants (e.g. in respect of the burden of proof of disability), the nature of support given to claimants, processes to be followed by the claimant and communication with the claimant. APRA expects the insurer's claims philosophy to be clearly articulated. In particular, it is important that an RSE licensee be able to understand the insurer's practical application of the definition of disablement

Claims philosophy encompasses those claims management processes and controls of the insurer that support the insurer paying all valid claims in a timely manner.

- Prudential practice guide, LPG 270; APRA



Some example life insurance claims philosophies

We pay legitimate claims when they're rightfully due and to treat all policy owners with respect, while acting in a professional manner at all times

put clients first and do what's right for them every time: we look for ways to pay claims....

Pay all genuine claims as soon as possible once all the necessary documentation has been received and assessed

Our philosophy is simple – helping people when they need it most. Our team adopts a professional and positive approach towards assessments, and we look for ways to pay a claim promptly, not avoid it. We operate with transparency and empathy.

We're committed to claims and to making a real difference to your life at a difficult time.

Our business is about being there for our customers when they need us most. So we aim to pay every legitimate claim we receive, quickly and with compassion and care.

Claim time is our moment of truth.. We see it as delivering on a promise that we made to you - a promise to protect you and your family financially.

Assess all claims promptly and fairly and to treat all customers with empathy and understanding.

Act in good faith at all times and be open and transparent throughout the claims process

We promise to make our claims process as easy as possible for you so you can concentrate on being with your loved ones.

Our service is fair, ethical and transparent to plan owners and/or intermediaries and their clients.

Our claims philosophy is based on the assumption that all claims are lodged for genuine reasons, and that our role is to look for ways to pay claims, not for ways to deny them. We aim to assess claims; promptly, fairly, consistently, transparently and sensitively

What's inside your summary claims experience data?

Claims experience data as a basis for

- Valuation assumptions
- Pricing assumptions

What are the definitions?

- What's a notified claim, a declined claim, a withdrawn claim?
- What are the circumstances of these claims?
- E.g. for declined claims, is it the first decline or the ultimate decision which might be admitted? What about not on the risk?

Currently no standardized definitions although the APRA/ASIC data collection exercise is developing these

Emerging trends and practices in Life Insurance Claims Management



What's inside your summary claims data?

Individual claim file reviews can provide insights

What is the profile of the claimants

- By Channel (Retail, Group, Direct)
- By main benefit type (Death, TI, TPD, Trauma, IP)
- Consistency with profile of inforce business?

What types of claims?

- Any cohorts overrepresented (age, occupation, self employed, sum insured band, location etc..)
- Are certain claim types overrepresented (sporting accidents, certain causes of claim)?
- What about comorbidity with mental health conditions as a secondary not primary condition in IP?
- What type of trauma claims are evident?
- Are there themes or other correlations evident ?



Can underwriting & product design be improved?

Individual claim file review results are useful

What are the impacts for underwriting?

- Are there themes or other correlations evident in claims that may require underwriting question and/or process redesign?
- Is the financial underwriting process adequate?

What are the impacts for product design and pricing?

- Do product features work as expected? e.g. Ancillary benefits – are they really low cost?
- If product exclusions, do they reflect claims that a reasonable person would not expect to be covered?
- Are the eligibility rules/At work tests for Group insurance reasonable?
- Is the product wording clear enough?
- Should the repricing strategy be more targeted?

Claims dispute data and ex-gratia claim information is also helpful

What is the profile of claims disputes?

- Focus on non-service related claims disputes
- Are there any themes? Are there any trends?
- Claims decisions – do they relate to definitions? Do they relate to exclusions?
- Product features – Do particular features appear to be not well understood by consumers?

Are there ex-gratia claims and complex claims?

- What are the types of ex-gratia and complex claims?
- Are there any themes? Are there any trends?
- Does the product wording need to be amended?
- Does the pricing or product design need to be altered?

Incorporating claims management insights is essential to the life product lifecycle



Continuous Link between

1. Sales & distribution
2. Underwriting
3. Product design and pricing
4. Claims management



Allow for the **claims philosophy** and reflect any changes over time



Look **within** the claims experience with individual claim file reviews



Change is constant!
Incorporate trends - legal, RTW, BPS, AI, disputes, ex gratia, regulation etc..

Q&A

Do you have questions? - Contact us



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