

17 October 2016

BT Financial Group responds to ASIC's Life Insurance Review

2015 key facts:

- BTFG paid \$255 million in Life insurance claims to 2,640 beneficiaries
- BTFG paid 94% of non-advised Life policy claims, the highest in the industry (industry average of 74%)*
- BTFG paid 88% of retail Life policies, the second highest in the industry (highest 89; industry average of 76%)*
- Fewer than 2% of BT's policies are pure Total and Permanent Disability (TPD). Customers normally buy a bundled policy with Death, Trauma and Income Protection
- The 37% decline rate ASIC refers to in its report is percentage of TPD claims declined over the past three years. In 2015 we declined a total of 58 TPD claims
- These 58 claims include claims where the customer was not insured with us, or they were paid under another insurance cover, such as trauma or income protection
- ASIC said consumers should not use its review to make comparisons between insurers as the data is not comparable and could be misleading
- BTFG's claims process were independently reviewed by EY who found they were at the higher end of their observations of industry practice**
- BTFG will undertake a further review of each of the declined TPD claims provided to ASIC
- BTFG reviews its medical definitions annually to ensure continued relevance
- BTFG supports the performance of Life Insurers to be made public when there are common industry definitions to allow fair and meaningful comparisons.

*ASIC Life insurance claims: An industry review October 2016

** EY Review BT Life Claims practices August 2016

BT Financial Group (BTFG) CEO, Mr Brad Cooper, said BT's claims philosophy was to help its customers get back on their feet following a disabling event.

He said it was disappointing that data ASIC had warned was misleading to consumers, and should not be used to assess claims performance, was now being used in a way that misrepresents the track record of BTFG's Life Insurance business.

"We are committed to ensuring our claims practices are fair. We had our Life claims management practices validated in August 2016 by EY. This independent review found that our assessment of claims is of a very high standard and all claims reviewed 'demonstrated a broad minded, objective and good faith approach'," Mr Cooper said.

BTFG said ASIC's figures alluding to the TPD claims denial rate for BTFG should be treated with caution and were not comparable.

"ASIC said at its recent appearance at the House of Representatives Economics Committee that the data that has been provided by industry participants is not consistent. Any comparisons would be misleading and would not provide accurate information to consumers, particularly when they are comparing policies."

BTFG interpreted ASIC's request for data broadly in the absence of standard industry definitions in relation to claims.

For instance in the data we supplied ASIC we included as a claim denial instances where we received claims from people who were not insured with us, together with claims that were withdrawn by customers.

BTFG said of the 58 declined TPD claims in 2015, 13 were declined because the customer either didn't have a TPD product, had their TPD insurance with someone else, did not proceed with the claim or they returned to work. Three of the claims were subsequently paid, and there was also fraud and duplicate claims. A further eight customers were paid under other insurance cover.

It said taking this into account, along with other factors, we have an average decline rate that is much closer to the industry average that ASIC has published in its report.

Mr Cooper said that the industry needs to improve the consistency of data so that consumers can make valid comparison of products. "We strongly support increased transparency and the need for standardised reporting to allow consumers to make meaningful comparisons.

"To ensure continued peace of mind in our claims process we will have a further look at each of the TPD declined claims provided to ASIC to ensure that the decisions were robust and fair," Mr Cooper said.

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