



ASIC
Australian Securities &
Investments Commission

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and Investments Commission**

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To: Directors of life insurance companies

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Dear Directors

**ASIC's expectations of life insurers:
responding to consumers in financial hardship**

ASIC is committed to promoting the confident and informed participation of consumers in the financial system, including consumers experiencing financial hardship or vulnerability.

During the COVID-19 pandemic, we have been working constructively and pragmatically with life insurers and the Financial Services Council (FSC) to improve insurers' framework for responding to consumers in financial hardship.

This work has focused on ensuring that life insurers are doing everything possible to support consumers who are experiencing financial hardship to both maintain their life insurance cover, and be able to claim when eligible.

We want to help ensure fair outcomes for consumers who:

- are exposed to COVID-19 through their occupation to be able to obtain life insurance cover, and
- may have had to reduce their working hours due to the effect of COVID-19 to still be able to make a claim.

Through this work we identified a number of areas where life insurers could make improvements to support consumers during both challenging and stable economic cycles.

The purpose of this letter is to set out our expectations of insurers in line with their general obligation as Australian financial services (AFS) licensees to act efficiently, honestly and fairly to effectively support consumers experiencing financial hardship or vulnerability.

We will continue to work with life insurers and the FSC to establish consistent and better approaches to support consumers experiencing financial hardship or vulnerability and to help prevent unfair outcomes for consumers.

ASIC's expectations of life insurers

In the appendix to this letter, we set out the improvements we expect all Australian life insurers to make following our recent work on hardship. These improvements build on the expectations in our letter to life insurers of [27 April 2020](#).

In our view, the improvements we have identified help consumers, especially now that the Government stimulus and support measures implemented during the COVID-19 pandemic have been reduced or ceased. Together with the lessons learned and other improvements made since March 2020, these improvements can help insurers to build a more complete and robust hardship framework into their ongoing business model.

We consider there is real value in continuing to improve industry standards for better and more consistent outcomes for consumers.

The improvements are particularly relevant to the COVID-19 pandemic. However, we expect that all Australian life insurers and, where relevant, third-party distributors will apply them to their ongoing business operations to ensure a more complete and robust hardship framework for the future.

The improvements in the appendix to this letter are not an exhaustive list. We encourage you, as directors, to continue to consider what options and actions may be suitable in these challenging times—in line with the obligation as an AFS licensee to do all things necessary to provide financial services efficiently, honestly and fairly.

FSC initiatives

On [6 April 2020](#), the FSC announced a commitment on behalf of participating life insurance member companies to ensure that frontline healthcare workers were not prevented from obtaining life insurance cover purely through exposure, or potential exposure, to COVID-19.

The commitment to frontline healthcare workers meant that exposure, or potential exposure, to COVID-19 would not of itself be used to:

- decline an application for cover
- charge a higher premium, or
- apply a COVID-19 pandemic risk exclusion to any of the benefits offered.

This commitment was extended to 1 January 2021.

On [19 May 2020](#), the FSC announced an initiative on behalf of participating life insurance member companies to ensure that if policyholders lost their job, were stood down, or had reduced working hours due to COVID-19—this would not affect their total and permanent disability (TPD) cover if they made a claim.

The TPD initiative was extended to 1 January 2021 for claims lodged by 31 March 2021.

ASIC recognises the significant and important work of the FSC and its members in implementing and committing to the FSC initiatives to support consumers affected by the COVID-19 pandemic.

A number of life insurers we engaged with committed to go beyond the FSC baseline, by expanding the scope, or extending the timeframes, of these initiatives. Examples include:

- expanding the scope of the commitment to frontline healthcare workers to allow a higher sum insured limit (i.e. greater than \$750,000 in lump sum death cover)
- expanding the scope of the TPD initiative to include income protection claims, and
- extending the timeframes for the TPD initiative by having no time limit to lodge a claim.

During our engagement, we encouraged all Australian life insurers to review the circumstances of their consumers and the terms of their life insurance policies, and, where possible, consider expanding the scope, or extending the timeframes, of the FSC initiatives to provide better outcomes for consumers—particularly the timeframes to lodge a claim.

ASIC's review of life insurers' responses to consumers in financial hardship

On [27 April 2020](#), ASIC wrote directly to life insurers to set out our expectations of them in responding to the COVID-19 pandemic—namely, that insurers consider their conduct in light of the current circumstances and act in a fair and professional manner that is in line with their duty of utmost good faith.

Since June 2020, we have been reviewing and monitoring how life insurers have responded to consumers experiencing financial hardship during the COVID-19 pandemic.

Our focus has been on ensuring there is appropriate and adequate support for these consumers to help them to maintain their life insurance cover while they were dealing with the financial consequences of the COVID-19 pandemic.

As noted earlier, this included helping to prevent unfair outcomes for:

- consumers exposed to COVID-19 due to their occupation from being able to obtain life insurance cover, or
- consumers with life insurance products who are affected by the impact of COVID-19 (e.g. through reduced working hours) from being able to make a claim.

The life insurers we engaged with covered more than 80% of the Australian life insurance market by gross written premium.

During our engagement, we reviewed the support options available to consumers, the FSC initiatives outlined above, and the planning in place to prepare for the time after the Government stimulus and support measures implemented during the COVID-19 pandemic were reduced or ceased. We also reviewed quantitative data about hardship requests, support options granted, lapses, cancellations, claims and complaints.

We appreciate the open and collaborative approach of the life insurers we worked with which allowed us to have early and timely engagement, to receive valuable insights about consumer behaviour, and to benchmark better practices to support good outcomes for consumers.

We recognise the critical and timely work undertaken by life insurers in responding to the COVID-19 pandemic and we have been encouraged by their responses to consumers experiencing financial hardship.

These responses included:

- broadening the range of support options available to policyholders
- proactively identifying, communicating with, and supporting consumers experiencing financial hardship or vulnerability
- extending the end date of COVID-19 specific hardship support
- working closely with trustees and employers of ordinary group schemes to communicate with members, and
- committing to the FSC initiatives and expanding the scope, or extending the timeframes, of those initiatives.

ASIC's ongoing work on hardship

ASIC will continue to monitor how life insurers are responding to consumers experiencing financial hardship or vulnerability and those affected by the COVID-19 pandemic.

We thank these life insurers and the FSC for their continued and positive engagement on this work. We look forward to ongoing engagement with industry on these key issues.

Claims handling

ASIC understands that the COVID-19 pandemic and resulting economic downturn may affect the claims experience of life insurers for several years. This could mean an increase in the number of claims lodged, particularly for mental health conditions, and claimants remaining on claim for a longer duration.

We have met with the major Australian life insurers to understand their claims experience in the current environment, the challenges they are facing and the proactive solutions they have implemented to address these challenges. We will continue to monitor claims handling conduct to deter poor practices and to help prevent unfair outcomes for consumers.

I would be pleased to discuss these issues further. Please contact me if you would like to do so.

Yours sincerely



Emma Curtis
Senior Executive Leader—Insurers
Financial Services and Wealth Group

Appendix: Responding to consumers experiencing financial hardship or vulnerability—ASIC’s expectations of Australian life insurers

A flexible approach in responding to consumers

ASIC’s expectations	What this means
1. Offer a range of flexible support options to help consumers maintain cover	We expect that life insurers will have a range of flexible support options to help consumers who are experiencing financial hardship to maintain their insurance cover (noting that consumer circumstances differ).
2. Continue to review and refine flexible support options	We expect that life insurers will have a process to continually review and refine existing support options and develop new solutions to adapt to changes in the community (e.g. any changes to Government stimulus and support measures).
3. Support consumers experiencing vulnerability	We expect that life insurers will: <ul style="list-style-type: none"> • have robust processes and procedures in place to identify and support consumers experiencing vulnerability (noting that the concept of vulnerability can change over time), and • regularly train all staff on how to support consumers experiencing vulnerability.

Proactive, clear and behaviourally informed communications

ASIC’s expectations	What this means
4. Provide proactive, clear and transparent communication about the support options	We expect that life insurers will: <ul style="list-style-type: none"> • proactively communicate with consumers (including those identified as experiencing or potentially experiencing financial hardship) in a clear and transparent manner about support options available, and • ensure that this information is easily available and prominently displayed (e.g. in written communication and on websites). <p>This includes explaining the effect on insurance cover if an option is applied (e.g. any reduction in cover) and any relevant timeframes (e.g. end date of the support option).</p>
5. Proactively contact consumers before a support option ends	We expect that life insurers will proactively contact consumers before a support option comes to an end (except where the support option is very short term) to have a conversation about the consumer’s circumstances and the ongoing assistance available.

ASIC's expectations	What this means
6. Prepare behaviourally informed communication and use multiple means of communication	<p>We expect that life insurers will:</p> <ul style="list-style-type: none"> • prepare behaviourally informed communication that does more than merely direct consumers to further information on the insurer's website • use multiple means of communication, and • tailor messaging to ensure consistent outcomes across each distribution channel (e.g. retail advised, group and direct).

Collection and monitoring of key data

ASIC's expectations	What this means
7. Regularly collect and monitor key data to identify and proactively help consumers experiencing hardship	<p>We expect that life insurers will have systems and processes in place to regularly collect and monitor data to understand when consumers are experiencing financial hardship and then proactively contact them to offer help.</p> <p>Such data or indicators of potential hardship can include hardship requests, arrears, reduction in the amount or type of cover, unsuccessful payment attempts, existing or previous hardship arrangements, and conversations with consumers that indicate difficulty in paying premiums.</p>

Close engagement with trustees and employers of ordinary group schemes

ASIC's expectations	What this means
8. Work closely with trustees and employers of ordinary group schemes	<p>We expect that life insurers will work closely with trustees to:</p> <ul style="list-style-type: none"> • proactively communicate with consumers who are at risk of losing their group life insurance cover as a result of early release of superannuation, and • ensure that these consumers are made aware of all options available, and the steps necessary, to maintain or reinstate their insurance cover (e.g. in the case of low or no superannuation account balances). <p>We expect that life insurers will work closely with trustees and employers of ordinary group schemes to:</p> <ul style="list-style-type: none"> • regularly communicate with consumers in group schemes about key benefits, limits and exclusions in their group life insurance policies (e.g. key policy terms such as offsets to benefits and how these are applied), and • explain to these consumers how and where they can access additional support or information.

FSC initiatives

ASIC's expectations	What this means
9. Support the FSC's initiatives	<p>We expect life insurers to support the FSC initiatives and consider, where possible, expanding the scope, or extending the timeframes, of those initiatives.</p> <p>For example, if a life insurer considers that an end date to make a claim is appropriate for the TPD initiative (noting that some life insurers have decided to have no end date), the insurer should take into account the average time a consumer takes to lodge a TPD claim and use this information to set an appropriate end date for making a claim.</p>
