

What's Your Claims Proposition?

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Learning Outcomes

1

Understand the claims process and where the adviser can facilitate outcomes

2

Identify different elements of claim payment structures and how our advice can make a difference for meeting original purpose

3

Put into action the elements of a claims value proposition and the appropriate way to fund this in your business.



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The Strength of Australian Life Claims

The Australian Life Insurance Industry

Strength of Consumer Outcomes



Government Oversight

Highly regulated by both ASIC and APRA



Self-Regulation

Strong industry collaboration through CALI and ALUCA



Transparent

Transparency through reporting of outcomes and media scrutiny post royal commission.



Contracts

Quality of contracts governed by unfair contract terms and DDO legislation



LICOP

Life Insurance Code of Practice dictating communication and client treatment processes

Guiding Principals

- Governs turnaround times, communications and how insurers treat their customers

New Code 2.0 from July 2023

- Enhanced certainty around product wordings, time frames, and processes.

Monitoring

- Includes self-monitoring guidelines to ensure both sales and claims handling are appropriate



Support

- Commits to supporting customers and ensuring they understand their products and processes

Sanctions & Governance

- Governed by independent council and sanctions and penalties can be applied for breaches

Accountability

- Commits to remediation to customers for inappropriate behaviour and failings.

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Diving into the Data – Clients & Claims

Poll:
What product do
you think pays the
highest ratio of
claims/premiums?

A

Life

B

TPD

C

Trauma

D

Income Protection

Strength of Consumer Outcomes

APRA Claims Data

APRA publishes data on industry claims experience biannually along with on the ASIC MoneySmart website for consumers to access.

Claim Rates by Product

	Individual Advised	Individual Non-Advised	Group Super	Group Ordinary
Cover Type	% admitted	% admitted	% admitted	% admitted
Death	98%	92%	98%	99%
TPD	87%	77%	92%	94%
Trauma	88%	84%	n/a	64%
DII	95%	89%	97%	95%
CCI	n/a	92%	n/a	*
Funeral	n/a	100%	n/a	n/a
Accident	86%	84%	n/a	*

For advisers this offers a strong indication of value proposition beyond simply product and price, along with confidence in the ability of the group superannuation market to provide a safety net with integrity.

Claim Ratios by Product

Cover Type	Individual Advised	Individual Non-Advised	Group Super	Group Ordinary
Death	42%	34%	63%	43%
TPD	52%	70%	87%	18%
Trauma	49%	35%	n/a	108%
DII	49%	109%	83%	67%
CCI	n/a	32%	n/a	*
Funeral	n/a	33%	n/a	n/a
Accident	51%	20%	n/a	*

Due to accounting and investment complexities, quarter to quarter product-linked profitability is not always a great indicator of product claims performance. APRA's claim data shows the 'cents in every dollar' of premium that is paid as claims

What does the Data tell us about expectations?

Helping Position Time Frames

Different types of products present different challenges in claims assessments and therefore timeframes at claim time.

Helping set early client expectations can reduce anxiety and remove potential angst throughout the claims process.

Cover Type	0-2 Weeks	>2 weeks to 2 months	>2 months to 6 months	>6 months to 12 months	>12 months	Est. average duration (months)
Death	71%	20%	7%	2%	1%	1.2
TPD	11%	19%	44%	18%	7%	5.2
Trauma	52%	34%	11%	2%	1%	1.5
DII	39%	41%	15%	4%	1%	1.9
CCI	61%	27%	9%	2%	0%	1.3
Funeral	81%	16%	2%	0%	0%	0.7
Accident	81%	12%	5%	1%	1%	1.0

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The Claims Process

Poll:
**How many claims
have you
processed?**

A

Less than 10

B

10-20

C

20-50

D

50+

The Claims Process

Step by Step



Initial Contact

Insurer contacted with scenario and details of potential claim



Claims Forms

If likely claim, forms provided to insured/adviser



Triaging to Claims Team

Completed documents allocated to appropriate team and claims manager



Assessment

Medical and financial evidence assessed including clients medical/financial professionals and insurer experts



Calculation of Benefit

If contract terms met, calculation of applicable benefit (Income Protection)



Communicate Outcome

Communication of outcome and in the event of decline, clear opportunity for additional information/assessment



Facilitate Payment & Support

Claim benefits paid, support services available to assist with recovery

The Claims Manager

Guiding & Supporting Claimants

The role of the Claims Manager is multi-faceted and requires expertise across a number of areas from medical, financial, and customer support. Through working with each individual claimants circumstances the claims manager aims to ensure the claimant is supported throughout the process and that fairness is applied at time of claims assessment,



Claims Support Team

How does it work?

Early

Engage or re-engage (as relevant) as early as possible with customers on their injury or illness journey

Understand

Develop a deep understanding of the individual's circumstances

Relationships

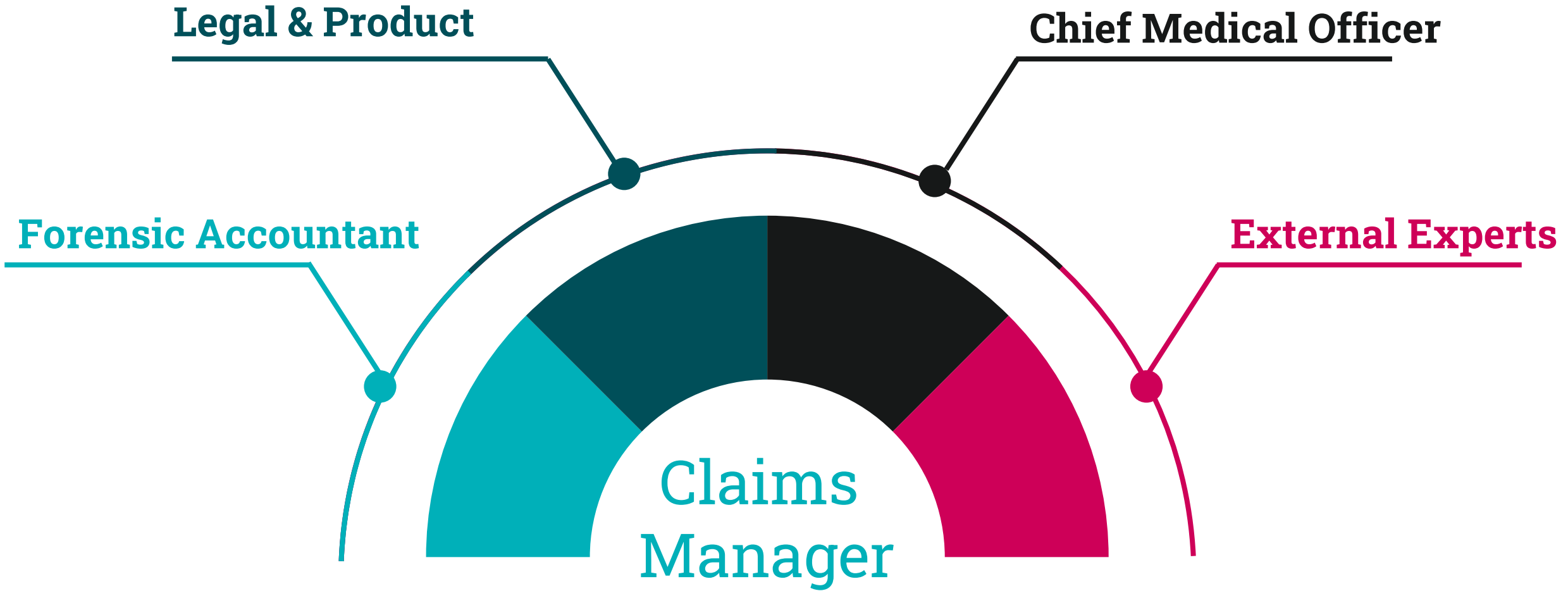
Build strong relationships with the individual and their supporting stakeholders

Recovery

Understand the potential barriers to recovery

Individual

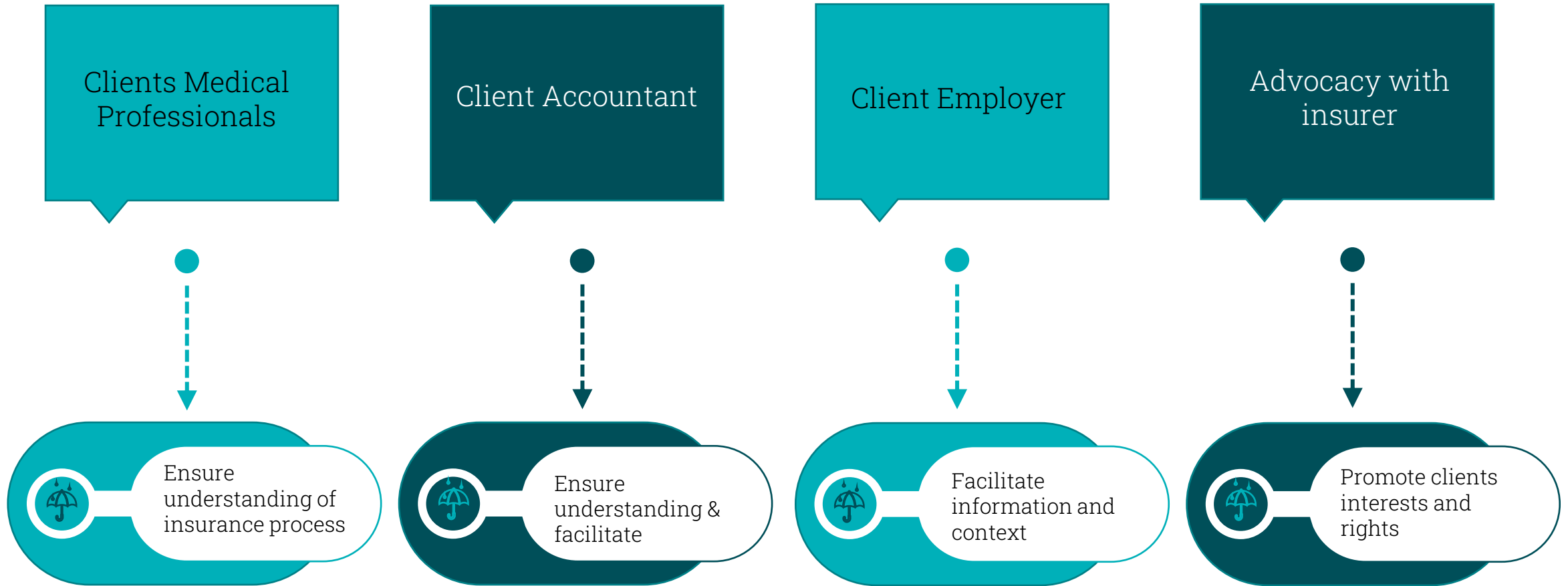
Co-create an individual care plan with the individual and their stakeholders and Use specific tools and processes to support clients.



The breadth of factors included in a claims assessment means that specialist analysis may be required to assist in assessing eligibility for claim vs the contract terms.

The Role of the Adviser

Advocating & Supporting Clients





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Taxation Considerations

Life Insurance & Tax

Premiums & Payments

Premium Considerations

- Considering tax effectiveness is important when it comes to premiums.
- Tax deductibility can be available for life insurance products depending on the ownership and payment method.
- While not the only deciding factor in structural choice, tax deductions can be an important part of the puzzle.

Claims Considerations

- An important part of risk advice is making sure that the claims proceeds we have put in place, end up with the right person without unexpected tax liability.
- For this reason, its important we are aware of potential tax implications and can inform clients around these risks to make sure structural and beneficial decisions are made with the desired end outcome in mind.

Life Insurance & Tax Guide

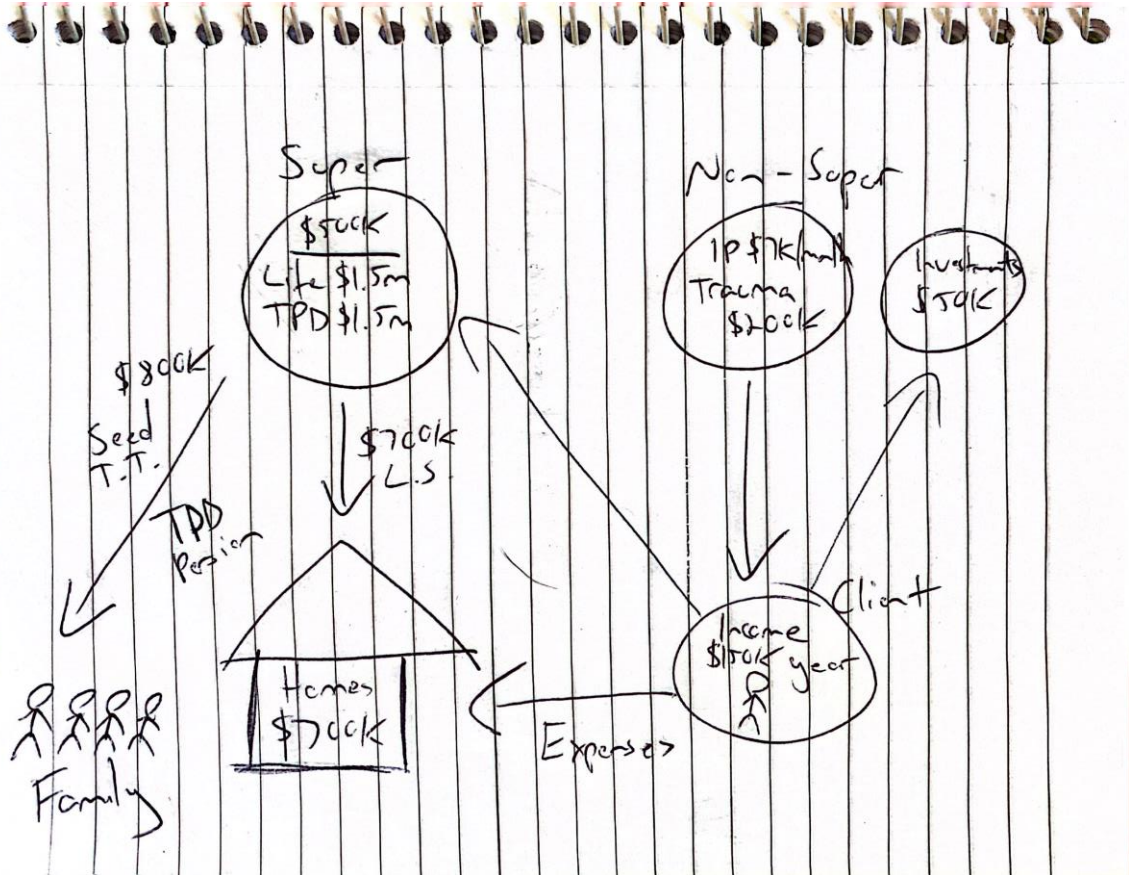
Product	Premium (Inside Super)	Premium (Outside Super)	Claim (Via Super)	Claim (Non-Super)	Comments
Life	Deductible to the Fund	Non-Deductible	Tax free to 'Tax Dependents' otherwise Taxable	Tax-Free	CGT exemption exists to original policy owner or policy that is acquired for 'no consideration'
TPD	Deductible to the Fund	Non-Deductible	Taxable	Tax-Free	CGT exemption exists as long as received by ill/injured party or immediate relative
Trauma	N/A	Non-Deductible	N/A	Tax-Free	CGT exemption exists as long as received by ill/injured party or immediate relative
Income Protection	Deductible to the Fund	Deductible	Taxable (Withheld by Trustee)	Taxable (to be paid by individual)	Recipient responsible to remitting tax at end of financial year
Business Expense	N/A	Deductible to Business	N/A	Taxable (part of business income)	Taxed at the same rate as the business income
Lump Sum (Business Purposes)	N/A	Non-Deductible	N/A	Tax-Free (to ill/injured party or immediate relative)	Includes Family Trusts if beneficiaries meet that same criteria

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Strategic Claims Advice

Starting with the End in Mind

Claims Planning



Good claims outcomes aren't just from claims management



Good claims outcomes come from sound planning



Structures and outcomes must be tested

Illustrating desired outcomes and client understanding is key

Getting the Right Money, to the Right Person, In the Right Form, at the Right Time

Will the money be enough in relation to stated need/objective? (including Tax provisions)

Will it get where we need it to in order to meet these objectives?

Will the structure or payment be appropriately tied to need/objective?

Will money be received in a timely fashion in line with expectation?



Product & Price alone are not sufficient justification for the value of specialized risk advice

Payment Form Matters

Is Cash King?

Do we always need to have the benefit paid in one big lump sum?



Should benefit be tied to actual needs identified?



Would an income stream be appropriate via death benefit pension or TPD pension?



What is our ethical obligation in this field?



Risk Component	Payment Form
Mortgage	Cash benefit
Income Replacement (Spouse)	Death Benefit Pension
Education Funding Children	Purchase Education Bond



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Remuneration & Value Proposition

Poll:
**What's your
approach to claims
remuneration?**

A

Commission Only

B

Flat Fee

C

Hourly Rate

D

Individualised Fee

Remuneration Options

Pros & Cons

Structure	Pros	Cons
Commission Only	Easy to explain, effective for scaled businesses	May not cover true cost of managing claim
Flat Fee	Clear and transparent	May not cover true cost of managing claim, or may be beyond the actual cost
Hours or % Based	Aligned to complexity of claim	Can be more expensive for client

What Hybrid or creative options can build in value to the ongoing service proposition when it comes to claims?

Financial Planning Benefit

Supporting Clients Long-Term

01

Included in most lump sum (non-super) covers

02

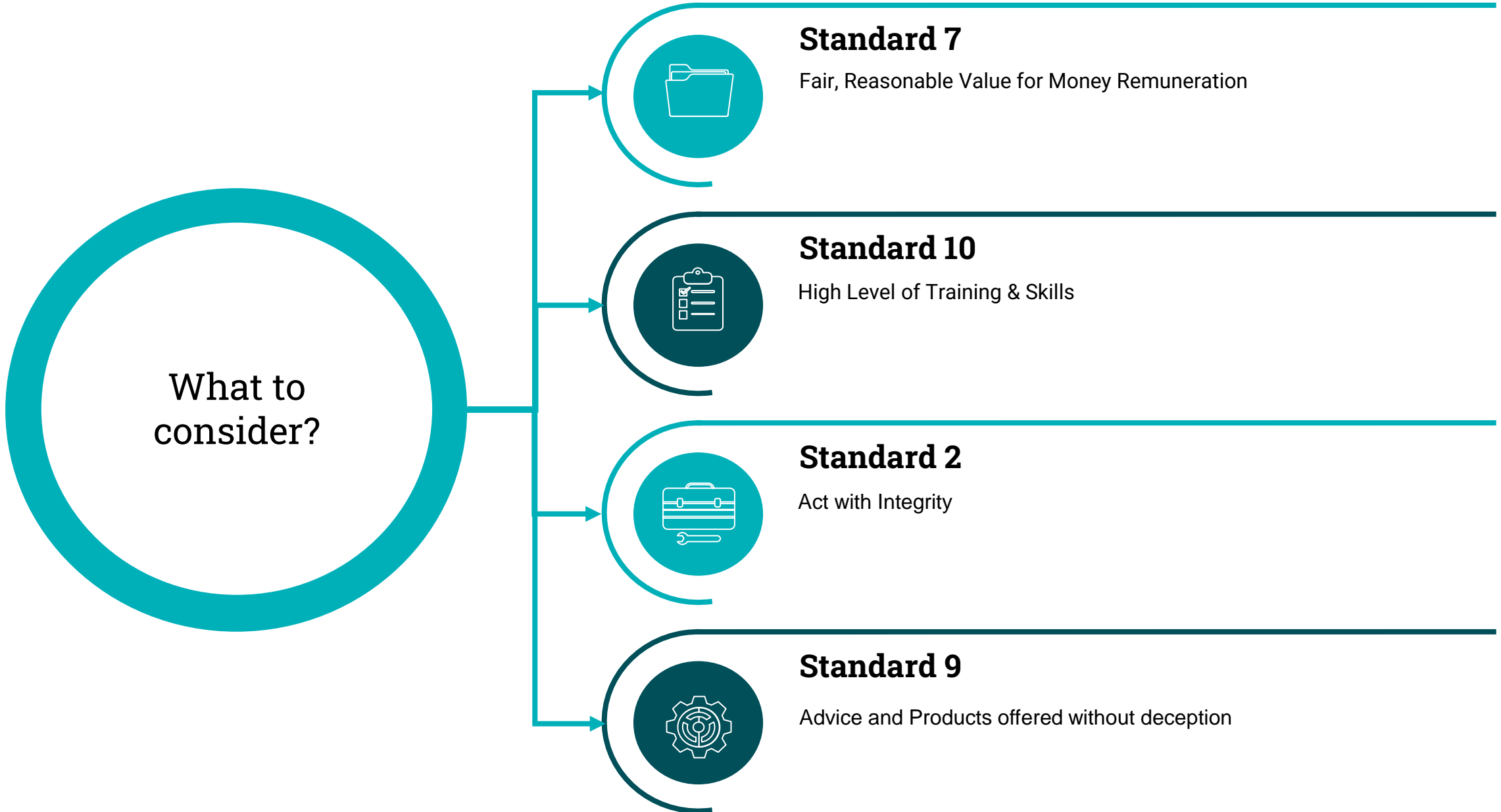
Usually reimburses up to \$3-5k

03

Great way for clients to get value and advisers remunerated

It's not just about getting a cheque, but how do we actual turn that cheque into delivering a need?

Ethical Remuneration





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Ethics of Claims

Ethical Considerations for Claims Management

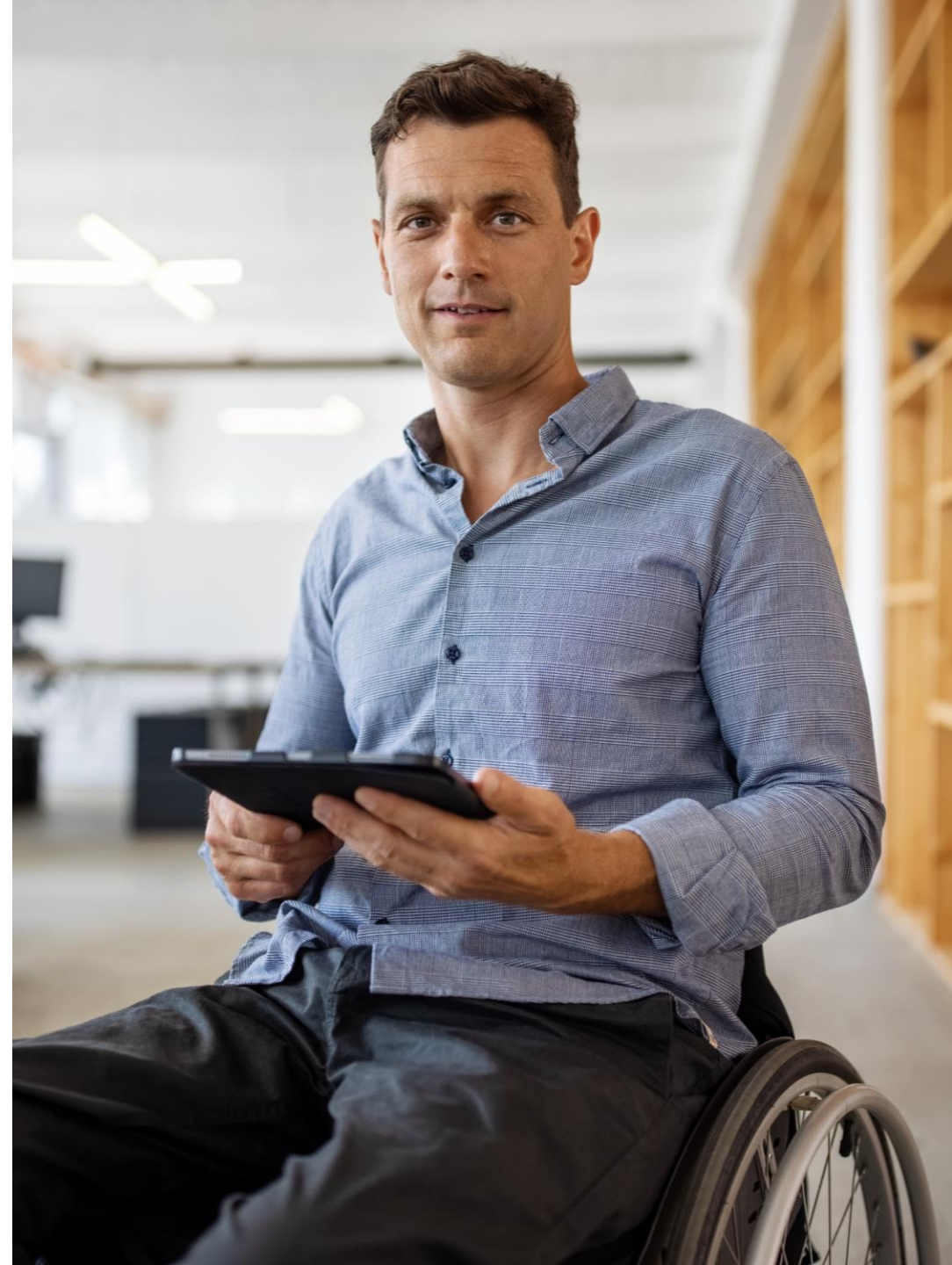
Case Study

Claims is at the heart of delivering great Risk Advice

In this claims scenario we look at ethical dilemmas that may be raised for a risk adviser at claim time and what to be aware of.

We looks at the 12 ethical standards and there application

Providing professional, ethical claims guidance is essential to a claims proposition



Adam Has a TPD Claim

Beck decides to pass the case to another adviser she knows well in her licensee, Cassie, and promises to refer Cassie 5 new clients from her referral partners if she can 'sort out' the situation for Adam.

In looking at the case Cassie uncovers that Beck's original advice included rolling Adam out of his prior super fund and insurance, prior to the new policy going in place and that the health disclosures on the online application were a little ambiguous in some areas

Adam asks Cassie what the options are for payment as he is eyeing off a new European sports car and she informs him the only option from her experience would be to get the payment in full and sends him an invoice for her fee of \$20,000.

She says that there may be some tax to pay but that he will need to speak to his accountant.

Adam is an insurance client of adviser Beck who in the process of trying to make a claim on TPD (\$500k Any occupation via super) that is taking some time as the insurer conducts extra investigations into possible non-disclosure at application time.

Cassie has some experience in claims management so has a casual conversation with Adam over the phone and Adam agrees to let Cassie assist him in his case.

Adam's recollection doesn't totally marry up with what the insurer says is on the application. After further investigation and advocacy from Cassie via her BDM and claims manager the insurer agrees to pay the TPD benefit in good faith.

Ethical Considerations for Claims Management

What standards may have been breached?

Standard 3 – Cannot advise, refer or act where there is a conflict of interest

Standard 4 - Can only act on free, prior and informed consent

Standard 6 - Take in account broad effects of your advice on long term interests and circumstances

Standard 7 - Free, prior informed consent for fees, do not receive benefits from a third party, have fees that are fair, reasonable and value for money

Standard 10 - Develop, maintain and apply relevant knowledge and skills

Standard 12 – Uphold, promote and hold peers to account on the Code



Ethical Considerations for Claims Management

Key Take-Aways

Standard 3 –
Must avoid
conflicts of
interest

Standard 4 –
Getting
consent to
act, at the
most initial
point and
documenting
it, is essential.

Standard 6 –
Broad
impacts of
advice, is it
ethical to
ignore poor
outcomes for
the client?

Standard 7 –
Value for
money for
remuneration,
remuneration
from 3rd party
– need to
review model
potentially.

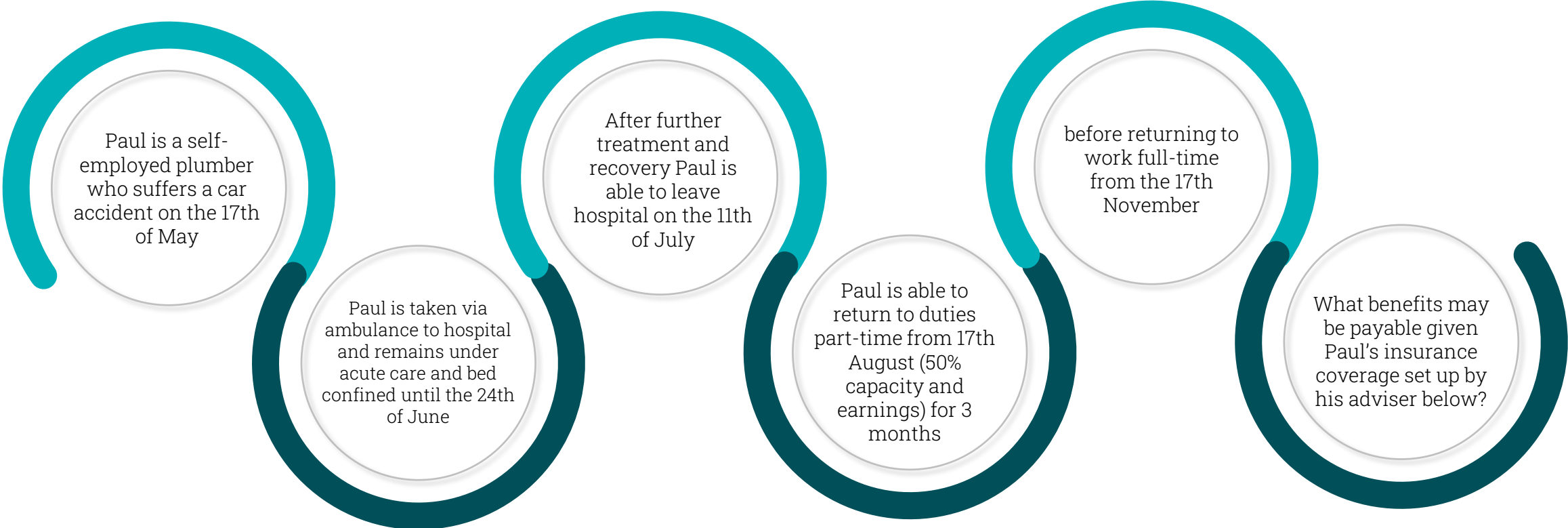
Standard 10 –
Skills &
competency
to be updated

Standard 12 –
Rising tide
raises all
boats, is it
ethical to
tolerate and
ignore poor
conduct from
a peer?



Case Study

Case Study



Benefits Held			
TPD	Trauma Plus (w/ EBO)	Income Protection Assure + (30 day WP, 5 year BP)	Business Expense Cover
\$1,000,000	\$300,000	\$10,000/month	\$5,000/month

Claims Outcome

What must we consider?



TPD – Permeance of disability and return to work in 'Own' Occupation



Trauma – Partial or Full Benefit Payable?



Income Protection – How many months benefit? Is there any other inclusions in the benefit payable?



Business Expense – How many months benefit payable and at what amount?



Rehabilitation & Wellness – What may be available to support?

Benefits Payable:

TPD	Trauma	Income Protection	Business Expense Cover
\$0	\$50,000	\$55,000	\$22,500



Summary & Next Steps

What's Your Claims Proposition?

Summary & Next Steps

The Value of Advice

- Understand the value that can be offered at claim time
- Deliver strategic advice designed to set up claims success
- Consider all elements that may impact outcomes for clients
- Build a specific offering to support clients at claim time and add value to your business.



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accredited webinar
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Thankyou