

# HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

## REVIEW OF THE FOUR MAJOR BANKS (THIRD REPORT)

### Westpac Banking Corporation

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**Mr THISTLETHWAITE:** Are your financial advisers encouraged to offer the BT life insurance product?

**Mr Hartzler:** Yes, they are. That's because they're good-quality products, and we stand behind them.

**Mr THISTLETHWAITE:** How can you say that if there's this report from the independent regulator that says that that's not the case in terms of claims rejection rates?

**Mr Hartzler:** Again, the report you're referring to is about a specific category of product, which is total and permanent disability.

**Mr THISTLETHWAITE:** Which is a large part of life insurance.

**Mr Hartzler:** The number of claims for that to happen is relatively small. There were some statistical issues in the way that that data was reported, including the fact that the way that we tracked claims that were denied included people who didn't even have the product with us. It was thought that they did have the product and did make a claim. So we're happy to come back on notice and give you more detail on that specific thing, but I reject the generic observation about BT insurance products because it's not true. That was about a specific product category, and the broader view on BT's insurance products is that they're very highly rated and provide very good value.

### **Answer:**

As a result of the release of ASIC's report into the Life Insurance industry in October last year, it was reported that Westpac had a higher decline rate for TPD claims compared to the industry average.

ASIC said at its appearance at the House of Representatives Economics Committee on 14 October 2016 that the data that has been provided by industry participants is not consistent and that any comparisons would be

misleading and would not provide accurate information to consumers, particularly when they are comparing policies.

We interpreted ASIC's request for data broadly in the absence of standard industry definitions in relation to claims. For instance, in providing data on claim denials we included claims from people who were not insured with us, together with claims that were withdrawn by customers. We understand that other insurers may have taken a different approach.

In May this year, APRA released a consultation paper to support the creation of a transparent public reporting regime for life insurance claims information. This work is progressing and, on 9 November 2017, APRA and ASIC released the Information Paper Update on steps to implement a public reporting regime for life insurance claims information. APRA Member Geoff Summerhayes said, 'Significant progress has been made to date on this initiative to develop a consistent public reporting regime for claims data and claims outcomes, which will improve transparency and accountability in the life insurance industry.' While we are engaging with APRA to try and ensure like for like comparisons, we are mindful that there are many drivers that impact decline rates, which make comparisons difficult. Ultimately, for individual customers, the focus should be on ensuring a fair and transparent claims process.