



MEDIA RELEASE

# STATEMENT ON COMMINSURE UPGRADES AND ASSURANCES

10 MARCH 2016



Commonwealth Bank has today announced that the Board of The Colonial Mutual Life Assurance Society Limited (CommInsure Board) has approved a range of measures to upgrade its product offering and provide further assurances.

Commonwealth Bank Chief Executive Ian Narev said he remained concerned about the customers who were the subject of recent media reports, and welcomed the actions being taken by CommInsure in response to the issues raised.

The Chairman of the CommInsure Board Geoff Austin said he apologised on behalf of CommInsure to the affected customers. Mr Austin said the CommInsure Board has met and reviewed current

initiatives and agreed to immediately take additional steps to reassure customers of our values and our commitment to them.

Mr Austin said, “We remain absolutely focused on our customers.

The concerns raised in the recent cases reported are not a reflection of the values of our people or our business.

“We expect the highest ethical standards of all our employees and will continue to ensure that the policies and processes within the business support these standards.”

### **Improving our offering to customers**

CommInsure has accelerated the planned upgrade of its heart attack and severe rheumatoid arthritis definitions in its Trauma product. This upgrade will be released in a product disclosure statement by the end of March but coverage will be backdated and apply for all claim events from May 2014 onwards. May 2014 was the date of the last relevant product disclosure statement for the Trauma product.

CommInsure has also committed to a more regular review of the life insurance offering to ensure definitions reflect evolving medical standards and practices.

### **Enhancing our claims process**

CommInsure will introduce an additional layer of independence and assurance to its claim assessment and decision-making processes.

Where CommInsure’s claims committee recommends a complex claim be declined, it will be referred to an Independent Review Panel.

The Panel will consist of the Managing Director of CommInsure and

at least two independent industry experts, who will be announced within the next month. A sub-committee of the CommInsure Board will monitor the outcomes of the Panel.

### **Reviewing claims and concerns**

The CommInsure Board will appoint an independent expert to oversee a claim review program focused on past declined claims, with particular emphasis on customer advocacy. The independent expert will also be specifically asked to form a view on whether the circumstances surrounding the review of any particular claim warrants further action from the CommInsure Board.

Ethical concerns that have been aired in recent media reports will be independently investigated.

### **Other concerns**

Assertions made in the media that CommInsure was not responsive to internal concerns raised are incorrect.

The CommInsure Board commissioned an independent review and other enquiries were made. CommInsure has taken a range of actions, including benchmarking of product features, targeted review of customer claims, governance changes to enhance structural independence and additional training for claims staff, including customer empathy and professional protocols.

CommInsure customers who have any questions or concerns about their CommInsure policy are encouraged to contact us directly on **1800 106 133** or **13 10 56**.

## About CommInsure

CommInsure provides insurance to over four million customers. In 2015, CommInsure paid more than \$850 million of life and income protection payments to 22,000 people and their families. The evidence shows that in the vast majority of cases the right outcomes for customers are reached in the right way.

Last year, the Financial Ombudsman Service reported that the likelihood of a dispute involving CommInsure was two per 100,000 policies. Regardless, wherever we have let customers down it is our responsibility to do the right thing.

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ON THE RECORD

# COMMINSURE RESPONSE TO FAIRFAX MEDIA

01 APRIL 2016



Life insurance is there to support customers and their families at times of great need and distress. Insurance providers have a responsibility to deal with claims as sensitively and as quickly as possible. We try very hard to minimise the incidence of mistakes and poor customer experiences. Even if the bank as a whole has highly satisfied customers, we are committed to doing the right thing by our customers and will continue to work very hard to reduce and eliminate the chance that even one customer will have a bad experience. If we find a mistake ourselves, we will apologise and fix it. When others find it first, we will apologise and fix it. That is why we have emphasised ethics and a relentless focus on values for our people.

Part of being an ethical business is acknowledging mistakes and acting quickly to fix things. We were disappointed to learn of the unacceptable experiences of some of our insurance customers. But once we found out, the Commonwealth Bank Group acted quickly, within 24 hours, to apologise and put it right.

In this case, relating to any questions around whistleblowing, the concerns raised were investigated by the CommInsure Board, and actions taken in response. The CommInsure Board is taking action to ensure the concerns raised in the media are fully investigated. If more steps are needed, more will be done.

CommInsure customers who have any questions or concerns about their CommInsure policy are encouraged to contact us directly on 1800 106 133 or 13 10 56.

### **Information regarding CommInsure's product offering upgrade**

CommInsure also [recently announced](#) a range of measures to upgrade its product offering and provide further assurances.

The planned upgrade of its heart attack and severe rheumatoid arthritis definitions in its Trauma products has been accelerated. Coverage has been backdated and will apply for all claim events from May 2014 onwards. May 2014 was the date of the last relevant product disclosure statement for the Trauma product.

An additional layer of independence and assurance will also be introduced to CommInsure's complex claim assessment and decision-making processes. Where CommInsure's complex claims

committee recommends a complex claim be declined, it will be referred to an Independent Review Panel.

An independent expert will also be appointed to oversee a claim review program focused on declined claims, with particular emphasis on customer advocacy. The independent expert will also be specifically asked to form a view on whether the circumstances surrounding the review of any particular claim warrants further action.

### **Statement on customer concerns**

We care deeply about providing the best service to our customers and are always concerned when we hear of potential poor claims experience at CommInsure. We thank Fairfax Media for bringing this to our attention and are happy to review Ms Bradley's concerns.

We always want to hear from our customers when they have concerns. We remain absolutely committed to doing the right thing by all of our customers, advisers and trustees.

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ON THE RECORD

# COMMINSURE APPOINTS INDEPENDENT EXPERTS

20 MAY 2016



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CommInsure has today confirmed the appointment of Deloitte Touche Tohmatsu (Deloitte) as the independent expert to oversee the review of past life insurance declined claims.

The objectives of Deloitte are to:

- Independently select and review a representative sample of declined claims over the last five years to 30 April 2016
- Form an independent view on whether the declined claims reviewed warrant further action

- Provide recommendations to the CommInsure Board in regards to any enhancements that could be made to CommInsure's claims policies and procedures

CommInsure has also commissioned legal firm DLA Piper as an independent expert to investigate ethical concerns that have been aired in recent media reports.

### **Additional Claims Review Panel member appointed**

Dr Robyn Napier has been appointed as a further external member to the [Claims Review Panel](#). Dr Napier is a general practitioner, Chair of MDA National's Cases (Eastern) Committee and Corporate Social Responsibility Committee, AMA (NSW) Medical Secretary and Medical Director and past AMA Federal Councillor.

### **Measures established so far to provide further assurances**

<b>Greater level of assurance for new claims</b>	
<b>Claims Review Panel</b>	<p>The Claims Review Panel (CRP) is a permanent and additional layer of assurance for complex claim assessment and decision making processes moving forward.</p> <p>Where CommInsure recommends a complex life insurance claim be declined, this will be referred to the Claims Review Panel for additional review and input into the decision making.</p> <p>On 15 April 2016, CommInsure <a href="#">announced</a> the appointment of three external members to the Claims Review</p>

	Panel. Today, an additional external member to the Claims Review Panel, Dr Robyn Napier, is also confirmed.
<b>Independent reviews</b>	
<b>Independent expert</b>  <b>Deloitte</b>	<p>Deloitte, as an independent expert, will look back over the last five years to 30 April 2016 and gather a representative sample of declined claims to review.</p> <p>They will assess whether CommInsure has appropriately declined past claims, with a particular emphasis on customer advocacy.</p> <p>The selection of claims, the claims assessment, the recommendations and the reporting will all be carried out independent of CommInsure, the CommInsure Board and the Commonwealth Bank.</p>
<b>Independent expert</b>  <b>DLA Piper</b>	<p>DLA Piper, as an independent expert, will investigate issues raised in the media during March and April 2016, including policy wording and definitions, claims handling, interaction with medical practitioners, medical file and record keeping and treatment of staff and governance.</p>

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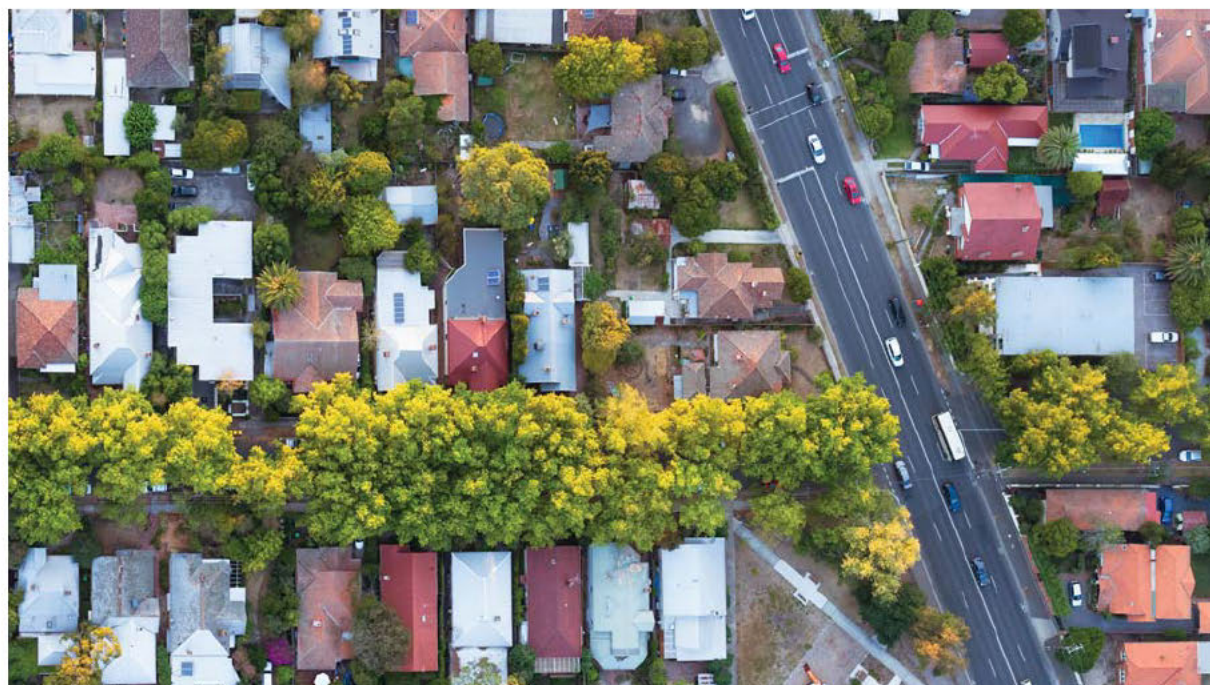
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ON THE RECORD

# AN UPDATE ON COMMINSURE

01 SEPTEMBER 2016



CommInsure provides an update on measures taken to upgrade its product offering and provide further assurances.

In March this year, the ABC's Four Corners program featured a story about five customers whose experience with CommInsure created personal distress at a very difficult time for them.

We immediately apologised, and investigated the cases. All five customer cases in the Four Corners story have been resolved, with three resolved before the program went to air.

In addition, we immediately commenced investigating the root causes of the concerns raised, particularly in light of allegations made in the program that these were widespread, and the result of deliberate action. These reviews, together with other previous work, involve well-regarded independent specialists and encompass policy definitions, claims review processes, and other factors such as remuneration and whistleblower practices. We have been working constructively with the regulators on the reviews.







The reviews are making good progress, though given the size of the business, and our determination to investigate thoroughly, work remains ongoing. To date we haven't found evidence to substantiate any of the claims of widespread problems and wilful misconduct. If we do, we will put things right.

What we have seen in media reports does not reflect the values of our people or our business. In 2015, CommInsure paid more than \$850 million of life and income protection payments to more than 22,000 customers. We are continuing to identify improvements that we can and will make to ensure our customers have the right products, right service and care when they need it the most.

We will also advocate broader industry-wide initiatives to improve practices across the sector, as we know the industry must collectively continue to do better.

## OUR RESPONSE TO ALLEGATIONS MADE ABOUT COMMINSURE

CommInsure has taken a range of measures to upgrade its product offering and provide further assurances in response to the concerns and allegations in media reports.

Allegation	Action taken by CommInsure
 <p>Were medical files maliciously deleted or tampered with?</p>	<p>We take customer and employee privacy and confidentiality very seriously – we have mandatory policies, standards and guidelines for information security.</p> <ul style="list-style-type: none"> <li>■ We investigated concerns about medical files when they were raised and found no evidence of files being maliciously deleted or tampered with.</li> <li>■ CommInsure's Board is well progressed in further investigations and to date has found no evidence to substantiate the allegations.</li> <li>■ The Board is also satisfied the original investigation was appropriate.</li> </ul>
 <p>Did claims staff receive incentives to decline claims?</p>	<p>We're in the business of paying claims – in 2015 we paid over \$850 million of life and income protection payments to more than 22,000 customers.</p> <ul style="list-style-type: none"> <li>■ Our claims staff are well trained and experienced, and have a strong focus on fair customer outcomes and value.</li> <li>■ Their Key Performance Indicators (KPIs) are generally weighted towards good quality decisions and customer experience, and incentives typically represent only a small portion of their overall pay.</li> <li>■ CommInsure's Board commissioned an independent review of KPIs as at March 2016 and concluded that the report had not identified any issues that would drive undesirable outcomes for customers. The Board has asked for further work to be done to consider historical arrangements.</li> </ul>
 <p>Were concerns raised by employees ignored?</p>	<p>All Commonwealth Bank employees are encouraged to speak up if they see activities or behaviours that concern them or are inconsistent with our values.</p> <ul style="list-style-type: none"> <li>■ Assertions in the media that CommInsure was not responsive to employees' concerns are incorrect.</li> <li>■ Employees can openly express concerns and we provide a safe environment for them to do this confidentially.</li> <li>■ Any concerns raised are taken seriously and, where appropriate, investigated fully. No employee is disadvantaged as a result of reporting a concern in good faith.</li> <li>■ CommInsure's Board has commenced further independent reviews to investigate issues raised in the media.</li> </ul>
 <p>Were life insurance definitions out of date?</p>	<p>We accelerated a planned upgrade of some definitions in March 2016, backdated to May 2014, and we have written to current customers with these benefits to advise them.</p> <ul style="list-style-type: none"> <li>■ This upgrade, which includes new heart attack and severe rheumatoid arthritis definitions, began in late 2015 for launch in mid-2016, but we brought it forward.</li> <li>■ We have committed to more regularly review our life products to ensure definitions reflect evolving medical standards and practices.</li> </ul>
 <p>Were claims inappropriately declined?</p>	<p>Last year, the Financial Ombudsman Service reported that the likelihood of a life insurance dispute involving CommInsure was two per 100,000 policies, which is favourable compared to other life insurers.</p> <ul style="list-style-type: none"> <li>■ We established a Claims Review Panel that provides independent expertise to come to the right decision on future complex claims.</li> <li>■ We also began an independent review of a substantial number of past declined life insurance claims and claims handling.</li> <li>■ That independent claims review is underway.</li> </ul>
 <p>Is there a culture of poor behaviour and practices?</p>	<p>Concerns raised earlier this year do not reflect the values of our people or our business. We are committed to doing the right thing by our customers, acting with integrity and transparency in all our dealings. CommInsure stands behind the quality of our people, products and services.</p> <ul style="list-style-type: none"> <li>■ The CommInsure Board commissioned a series of independent reviews to investigate issues raised in the media earlier this year and these are underway.</li> </ul>

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[20 May 2016: CommInsure appoints independent experts](#)

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[15 April 2016: CommInsure appoints independent members to Claims Review Panel](#)

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[10 March 2016: Statement on CommInsure upgrades and assurances](#)

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ON THE RECORD

# COMMINSURE PROVIDES ASSURANCE; INDEPENDENT REVIEWS ON TRACK

03 OCTOBER 2016



**UPDATE:  
COMMINSURE PROVIDES FURTHER ASSURANCE  
AS INDEPENDENT REVIEWS ARE ON TRACK**

Over five million documents have been electronically reviewed and retrieved

and the independent experts have conducted around 60 formal interviews during the investigations.

We have over 150 people working on these reviews with many more contributing indirectly.

In FY16 Comminsure paid \$929 million in life and income protection payments to around 22,600 customers

that's more than \$2.5 million paid every day.

In early 2016 CommInsure was the subject of media reports that raised concerns about its operations. Some of the issues raised were already being addressed by CommInsure. Since the reports were published, CommInsure has taken further steps to provide assurances including upgrading our product offering, reviewing past declined claims and further investigating the allegations made in the media reports.

+ Were medical files maliciously deleted or

\$ Did claims staff receive incentives to

**tampered with?**

There has been no evidence found of medical files being deleted or tampered with.

- We investigated allegations about medical files when they were first raised nearly two years ago and found no evidence to substantiate these allegations.
- CommInsure's Board commissioned an independent review into these allegations and it has concluded there was no evidence to substantiate the allegations of tampering or maliciously deleting medical opinions.
- Furthermore, the CommInsure Board is also satisfied that the original investigation was appropriate.

**Were concerns raised by employees ignored?**

No. Assertions in the media that CommInsure was not responsive to employees' concerns are incorrect.

- All Commonwealth Bank employees are encouraged to speak up if they see activities or behaviours that concern them or are inconsistent with our values.
- Employees can openly express concerns and we provide a safe environment for them to do this confidentially. Any concerns raised are taken seriously and, where appropriate, investigated fully. No employee is disadvantaged as a result of reporting a concern in good faith.
- CommInsure's Board has commissioned further independent reviews to investigate the allegations raised in the media.

**Is there a culture of poor behaviour and practices?**

Concerns raised earlier this year do not reflect the values of our people or our business. CommInsure is committed to doing the right thing by our customers, acting with integrity and transparency in all our dealings. We stand behind the quality of our people, products and services.

- CommInsure's Board commissioned a series of independent reviews to investigate allegations raised in the media earlier this year. Some of these are still ongoing and a number are complete.

**decline claims?**

No. Our claims staff are well trained and experienced, and have a strong focus on fair customer outcomes and values.

- An independent review of claims staff key performance indicators (KPIs) for 2015 and 2016 led to the Commonwealth Bank and CommInsure being satisfied that, overall, the KPIs did not raise issues that would lead to adverse customer outcomes.
- KPIs were found to be balanced between good quality decisions and customer experience, along with people and productivity, and incentives generally represent only a small portion of their overall pay.

**Were life insurance heart attack and severe rheumatoid arthritis definitions out of date?**

- Our update of heart attack and severe rheumatoid arthritis definitions began in late 2015 for launch later in 2016, but we brought it forward.
- In March 2016, we accelerated a planned upgrade to some definitions, backdated to May 2014, which was the last time we introduced new features to the product. We have written to around 630,000 current and former customers to inform them.
- We actively searched for previously declined cases to reassess against our new definition and have now paid 17 customers who became eligible. We are in the process of assessing possible claims for another 38 customers, including seeking more information, and we continue to search for other potential cases to review.
- We have committed to more regularly review our life products to ensure definitions reflect evolving medical standards and practices.

**Were claims inappropriately declined?**

There is good progress being made on the independent reviews of a substantial number of retail advice and group\* past declined life insurance claims and the processes used by our claims handling operation.

- While there is more work to be done, from the work we have done to date there is nothing that supports the assertion of systemic problems in getting the right outcome for our customers. What we have found so far are improvements that we can make in our processes and we welcome these opportunities to improve.
- This work includes Deloitte's independent review of a substantial number of past declined terminal illness, death, trauma and total permanent disablement claims. Over 50% of the claims selected by Deloitte have now been reviewed.
- Deloitte has completed its review of every terminal illness benefit claim declined in the last three years, and is close to completing its review of a significant sample of group\* death benefit claims from the past five years.
- The independent review of CommInsure's claims handling processes is also underway and scheduled for completion by the end of 2016.
- As at 3 October 2016, the Financial Ombudsman Service reported that the likelihood of a life insurance dispute involving CommInsure was 1.2 per 100,000 policies, which is favourable compared to other life insurers.



\* Group Group policies are provided by CommInsure to entities like industry superannuation funds, corporate superannuation funds and master trusts. Updated as at 03 October 2016.



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Commlnsure's statement  
regarding trauma and life  
insurance policies

Commonwealth Bank  
response to coverage on  
Zaia/Jordanou legal matter

# Ian Narev, CEO Commonwealth Bank, statement on life insurance

5 March 2016

Life insurance is there to support customers and their families at times of great need and distress. Insurance providers have a responsibility to deal with claims as sensitively, as quickly and as fairly as possible.

It is clear that in relation to the customers who have been the subject of recent media enquiries, we failed to meet that responsibility.

I am saddened and disappointed by the handling of these cases. I will personally write to the customers concerned to apologise and offer to meet with them face to face.

In these cases we focused too much on process rather than people. By their nature, life insurance policies can be complex. Claims processes involve the review and assessment of detailed documentation. Whilst thoroughness is important for the integrity of the system, this must be balanced by customer need and dignity.

Here, we got that balance wrong. We focused on details which caused delays at critical times for customers that needed help.

In 2015, Commlnsure paid more than \$850 million of life and income protection payments to 22,000 people and their families. It is a substantial business, and that scale supports customers for the long term which is essential in life insurance. However in complex or difficult cases, claims assessment can sometimes be bureaucratic and not escalated quickly enough.

As part of our relentless focus on values at Commonwealth Bank, people are encouraged to escalate concerns or difficult

Commonwealth Bank committed to behaviour that reflects our values	decisions. Here it appears that did not happen. These customers felt frustrated and let down by CommInsure, and believed they were more likely to have their voices heard by speaking to people outside Commonwealth Bank. Having had these cases brought to the attention of senior management within the last few days, we have acted on unresolved matters.
Response to 60 Minutes	
Ian Narev, CEO Commonwealth Bank, statement on life insurance	Among more than four million CommInsure customers there may be other cases similar to these. However, the evidence shows that in the vast majority of cases the right outcomes for customers are reached in the right way.
Important information for CommInsure customers	Last year, the Financial Ombudsman Service reported that the likelihood of a dispute involving CommInsure was two per 100,000 policies. Regardless, wherever we have let customers down it is our responsibility to do the right thing.
Statement regarding Dr Benjamin Koh	We are deeply committed to being an ethical business. We will do our utmost to maintain the highest standards and avoid mistakes. But as we have said before, being ethical does not mean being perfect. So an important part of being ethical is responding the right way to mistakes. If we do make a mistake, we will apologise and put it right.
Commonwealth Bank response to report from Parliamentary Joint Committee into Impairment of Customer Loans	If any of our customers have questions about their CommInsure policies, please contact us directly on <b>1800 106 133</b> (8:00am-8:00pm Monday-Friday, AEDST; 8:00am-8:00pm Saturday and 8:00am-4:00pm Sunday, AEDST) or <b>13 10 56</b> (8:00am-8:00pm Monday-Friday, AEDST). Options are available in cases where customers are unhappy with their outcome. Free and independent external dispute resolution can be accessed through the Financial Ombudsman Service on 1800 367 287 or the Superannuation Complaints Tribunal on 1300 884 114.
Statement regarding former Commonwealth Financial Planning adviser	
CommInsure appoints independent experts	



ON THE RECORD

# IMPORTANT INFORMATION FOR COMMINSURE CUSTOMERS

05 MARCH 2016



Commonwealth Bank encourages all employees to speak up if they see activities or behaviours that are fraudulent, illegal or inconsistent with our values. We provide a number of different safeguards to ensure that there are no negative consequences for raising concerns.

We have thanked Dr Koh for raising concerns that led to the CMLA Board conducting a review.

Dr Koh's employment was not terminated for raising concerns. It was terminated primarily for serious and repeated breaches of customers' privacy and trust involving highly sensitive personal, medical and financial information over a lengthy period of time.

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# A MESSAGE FROM HELEN TROUP

Managing Director, CommInsure



## Key points:

- Media coverage on Saturday and the week ahead.
- CommInsure business will continue to be successful.
- Majority of the time we do get it right for our customers, but we will be open and transparent and use this as an opportunity to learn and grow.

Hi Team

Before I get into the detail, I firstly want to say we have a great business, full of caring and passionate people, and together we support the CBA Vision to secure and enhance the financial wellbeing of people, businesses and communities.

I would also like to acknowledge the stated commitment to our customers, our people, our CommInsure business and its future success that both Ian Narev and Annabel Spring have expressed to me over recent days.

## Fairfax article

Many of you may have read an article published on Saturday by Fairfax Media in newspapers including the *Sydney Morning Herald* and *The Age* regarding CommInsure and the claim of a life insurance customer, Mr James Kessel.

The Fairfax article was about trauma insurance and heart attack, and focused on three main areas: our heart attack definition has not been updated to reflect advances in medical practice; we denied Mr Kessel's claim based on Troponin levels alone; and, that we had internal warnings that our definition disadvantaged as many as half of the customers that lodged heart attack claims.

For privacy reasons I cannot cover the details of Mr Kessel's case.

I would, however, like to provide you with information to help you understand CommInsure's trauma policy:

- Currently, our definition covers heart attack of specified severity. Our assessment of heart attack is based on two methods of claiming under this specified severity benefit - a specified rise in Troponin or CKMB, or any other medical evidence demonstrating damage to heart muscle.
- Our policy is to assess claims against this definition. Chest pain may not lead to a customer experiencing our specified measures or damage to heart muscle.
- In 2015, CommInsure received less than 50 claims for heart attack on its Retail Advice Trauma products, with a small percentage of claims being declined.

### **Evolving our trauma policy and updating our definitions**

Any successful business must keep pace with changes in the marketplace in which it operates, and listen to the needs and feedback of customers (and for us, advisers as well). Life insurance definitions have been continuously evolving.

I will acknowledge that we've been slow in changing our trauma definitions. That said, we already had a retail product upgrade project underway due for completion later this year that includes our new heart attack definition. The new definition will align to current medical diagnosis for heart attack, and the upgrade has now been accelerated to be completed as soon as possible.

### **Future Media**

We understand that Saturday's article is only one part of the ABC Four Corners & Fairfax joint investigation about the life insurance industry and CommInsure in particular. Central to their investigation are a number of customer interviews about their own experiences. We believe some of these customers are also former CBA staff members, and at least one will feature in another story in Fairfax papers on Monday. We believe five cases will feature in the Four Corners program and I know it will be a confronting and distressing story to watch. It will not be our finest hour and will potentially touch on areas such as mental illness, terminal illness, organ transplant and the culture within our business.

### **Our response**

We understand that a life insurance claim is made under sad and difficult circumstances for our customers and their families and life insurance is a complex financial product. Getting our claims experience right from our customers' perspective is critical, and I know we all care and want to help our customers.

However, when reviewing the cases we expect to be covered in the ABC's Four Corners program on Monday, we need to acknowledge that while we focussed on integrity of the claims process to ensure we made the right decision, we allowed the process to take too long.

The [statement](#) from CEO Ian Narev rightly acknowledges that, as an organisation, we did not meet our responsibility to deal with these claims as well as we could have.

It's important to remember that CommInsure protects over 4 million customers and in 2015 alone, we supported over 22,000 families for life, trauma, TPD and income protection with payments of over \$850 million. The CEO highlighted that evidence shows that in the majority of cases we do the right thing at the right time for our customers. Also last year, the Financial Ombudsman Service reported that the likelihood of a dispute involving CommInsure (Life) was two per 100,000 policies, this is less than our major peers. These are important facts to keep front of mind as we go through the next few weeks.



## Together we have made significant progress to improve our business and our customers' experience

We've been working hard to continuously improve and simplify our business and will absolutely continue this journey. We've made some clear progress:

- We have invested in our people and processes to simplify and streamline claims management and better support our customers in their time of need. This includes the ASPIRE training programme which will help our case managers to build to improve their claims technical capabilities and customer service skills.
- An area of focus has been the overall quality of mental health claims management. Many of our case managers hold qualifications in nursing and psychology and are supported by psychiatrists and rehabilitation specialists. All case managers also undertake regular training to help with managing mental illness claims, in line with the Financial Services Council's standard for mental health education and training.
- We have invested over \$30 million in our Unlock Life Claims Transformation Project to upgrade our system so we can to reduce the timeframes and improve the quality and consistency of decision making
- We are looking to change the way claims are allocated to case managers. Historically this has been based on the amount of a claim. What we are working towards is to ensure that where a claim is complex and multifaceted that the case manager allocated to it is trained and experienced enough to handle the complexity of the claim, rather than it having to be escalated or reviewed later.
- As mentioned earlier, we're in the process of reviewing our retail life insurance products to ensure our definitions more accurately reflect current medical standards and are able to be better understood by customers and applied by medical practitioners.

## Helping you deal with enquiries

We expect that further Fairfax coverage, and the Four Corners story, will attract wider media attention and may result in you being asked questions. Below is an outline to help you deal with all enquiries appropriately:

- **Customer enquiries** – If any of our customers have questions about their claims experience, please follow normal complaints handling processes. Customers can contact us on 1800 106 133 (8:00am-8:00pm Monday-Friday, AEDST; 8:00am-8:00pm Saturday and 8:00am-4:00pm Sunday, AEDST) or 13 10 56 (8:00am-8:00pm Monday-Friday, AEDST). Or customers can contact the free and independent external dispute resolution service of the Financial Ombudsman Service on 1800 367 287 or the Superannuation Complaints Tribunal on 1300 884 114.
- **Media enquiries and social media** – Our [CBA Media Management Policy](#) is in place to ensure you're not exposed to questions you don't feel equipped to answer. If you receive any media enquiries, or an enquiry from another third party, please forward that information to [WM Communications](#). It's important that you also protect yourself online and avoid displaying or posting any information that may cause harm to you or our Group – please familiarise yourself with the Group [social media policy](#) if you have not done so already.

## Supporting our people

If you have any questions or concerns, please don't hesitate to contact [me](#) or your General Manager. If you would like to talk to someone, the Group's Employee Assistance Program (EAP) is available for support on 1300 360 364. We will also have EAP counsellors on site over the next few days at both Sydney Olympic Park and Commonwealth Bank Place.

The CommInsure Leadership Team and I would like to assure you that we are fully committed to supporting you.

I thank you for your ongoing passion for our business, and I know you'll support each other as we maintain our focus on helping our customers.

Regards



## **CommInsure informs 150,000 advised policy holders about medical definition changes**

Good afternoon

In March, CommInsure committed to a range of measures to provide assurances to our clients. One of these measures was updating product disclosure statements with improved heart attack and severe rheumatoid arthritis medical definitions, expanding the criteria used for the assessment of these conditions. The new definitions apply to any claimable event occurring on or after 11 May 2014.

### **Where can an adviser or client find details of the definitions?**

These enhancements are contained in the [Supplementary Product Disclosure Statement and Policy](#) (SPDS) effective 16 June 2016 and have been backdated for claims occurring on or after 11 May 2014.

The SPDS and PDS kit will be available for ordering from: [adviser.comminsure.com.au](http://adviser.comminsure.com.au).  
The ordering code is CIL70.

### **Who is being mailed and when?**

From 14 June to 24 June 2016, CommInsure will be mailing approximately 150,000 advised policy holders about the new definitions.

Clients who have had a heart attack or a severe rheumatoid arthritis claim denied, withdrawn or pending will first receive a phone call from CommInsure to discuss their claim followed by a mail pack.

From 14 June to 1 July 2016, we will be emailing advisers with a list of impacted clients, together with copies of the letter templates.

### **Need more information?**

If you have any questions, you can read the [medical definition changes FAQs](#) or contact

your Business Development Manager.

[Privacy Policy](#) | [Unsubscribe](#) | [comminsureadviser.com.au](http://comminsureadviser.com.au)

### Things you should know

Comminsure is a registered business name of The Colonial Mutual Life Assurance Society Limited ABN 12 004 021 809 AFSL 235035 (CMLA). CMLA is a wholly owned but non-guaranteed subsidiary of the Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945. The information is of a general nature only and is not specific advice.

This email has been sent to: [richardcarrington@cba.com.au](mailto:richardcarrington@cba.com.au) from Comminsure. If you are unsure why you have received this email contact Comminsure on 1800 805 686.

**SUBMISSION**  
**Senate Economics**  
**References Committee:**  
**Inquiry into the scrutiny**  
**of financial advice**



**Commonwealth**Bank

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## 1. Introduction

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Commonwealth Bank welcomes the opportunity to provide a further submission to the *Senate Economics References Committee inquiry into the Scrutiny of Financial Advice*.

The inquiry's expanded terms of reference to include matters specifically relating to life insurance are an opportunity to consider practices in the industry and where improvements can be made.

This submission includes:

- background information about life insurance and the Australian life insurance industry;
- a profile of CommInsure<sup>1</sup>;
- Commonwealth Bank's response to recent public questions; and
- policy initiatives that could be undertaken by government and industry that would further strengthen confidence in the sector.

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<sup>1</sup> The Colonial Mutual Life Assurance Society Limited (CMLA) is a wholly-owned subsidiary of the Commonwealth Bank Group. CMLA includes the life insurance business commonly known as CommInsure. For simplicity this submission refers to 'CommInsure' and generally excludes the superannuation and investments business.

## 2. Life Insurance

The life insurance industry provides a vital financial safety net for Australians. Millions of Australians hold policies which help to manage the financial impacts of accident, illness or death. In 2015 the life insurance industry paid \$7.7 billion in customer claims<sup>2</sup>.

Life insurance supports customers and their families at some of the most difficult and emotional times in their lives. CommInsure takes that responsibility very seriously.

### Background to life insurance

Life insurance provides financial support in the event of death, accident, illness or inability to work. While policies vary, the major types of cover are:

Product types	Life	Total Permanent Disability (TPD)	Trauma	Income protection	Credit based
What's covered	A lump sum payment in the event of death or terminal illness	A lump sum payment in the event of total and permanent disablement, resulting in being unable to work again	A lump sum payment in the event of specified major illness or injury	A salary or wage replacement if unable to work due to illness or injury	Coverage of debt in the event of being unable to work due to illness or injury, death, and in some circumstances, unemployment

These types of cover are provided as either individual or group policies

Individual policies are purchased by the customer themselves. In group policies, the customer is provided cover through a policy purchased on their behalf. The most common, but not only, form of group insurance is where the policy owner is a superannuation fund providing life insurance cover to its members.

Within each policy there are variations in benefits which include the events that are covered and the amount that would be paid. Policies can be funded in different ways, such as directly by the customer or by using their superannuation.

As in other markets for financial products, insurance companies compete on product features, 'premiums' (or the cost of the policy) and service. More comprehensive features are typically reflected in higher expected claims and therefore higher premiums.

For some customers 'higher end' products which incorporate broader coverage might not be affordable or suitable to their circumstances. Insurers regularly review the experience<sup>3</sup> of each product line and this is taken into account along with competition and other factors, in changes to their products.

<sup>2</sup> Source: APRA quarterly Life Insurance Performance, December 2015: Table 1a, Gross Policy Expenses: Death and Disability Claims

<sup>3</sup> Actual performance compared to the actuarial assumptions used in product design – including, for example, lapse rates and claims.



Sometimes, an insurer might identify product improvements, such as broader coverage of a particular event, which it decides to provide to customers. At other times, the insurer might decide not to expand its product with that feature because of the price impact to its customers.

Life insurance differs from other forms of insurance because the insurer has long term obligations to the customer. Most life insurers offer either guaranteed renewable policies or non-cancellable policies and life insurers cannot make existing policies more restrictive.

## Access to life insurance

Customers can purchase life insurance in many different ways, including through financial advisers, through their superannuation fund, or directly.

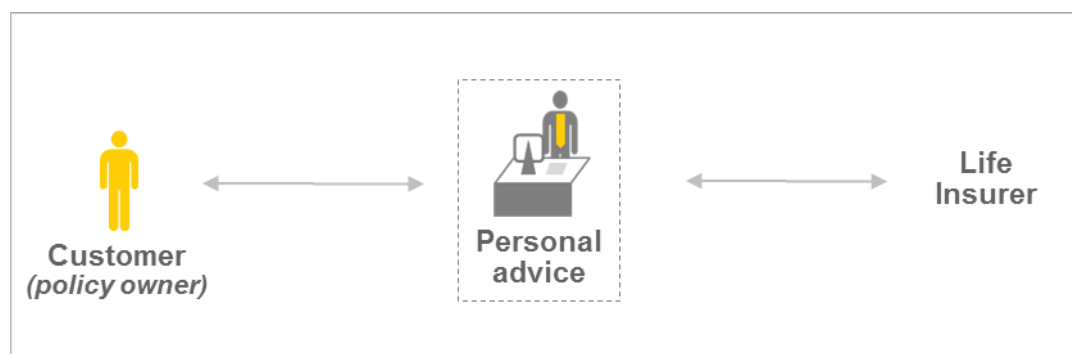
### Life insurance through a financial adviser

Financial advisers typically provide advice on a customers' personal financial needs, including the risks that should be covered by life insurance. Usually such advice is personal advice as defined by the *Corporations Act 2001*. In meeting the customer's best interest, there may be some circumstances, when a financial adviser provides advice on life insurance only.

Financial advisers provide advice to their client on which life insurance providers and products would best suit their particular needs, with respect to the type of insurance, amount of coverage, affordability and whether the policy should be held within or outside superannuation. This type of policy is generally underwritten, with customers answering questions to help the insurer understand the individual's risk profile (for example, their medical history).

The financial advisers assists the customer through the application process, which generally involves engagement with the product provider, to establish the policy. Many advisers also assist their customers in the event of a claim.

A high-level view of the way in which customers buy life insurance through advisers is shown below.



### Life insurance through a superannuation fund

Customers also access group life insurance via a superannuation fund. The insurance provided through group schemes following the introduction of compulsory superannuation was initially relatively simple life insurance and TPD, commonly at low levels of cover. In the last decade the level and diversity of life insurance provided through superannuation funds has increased.

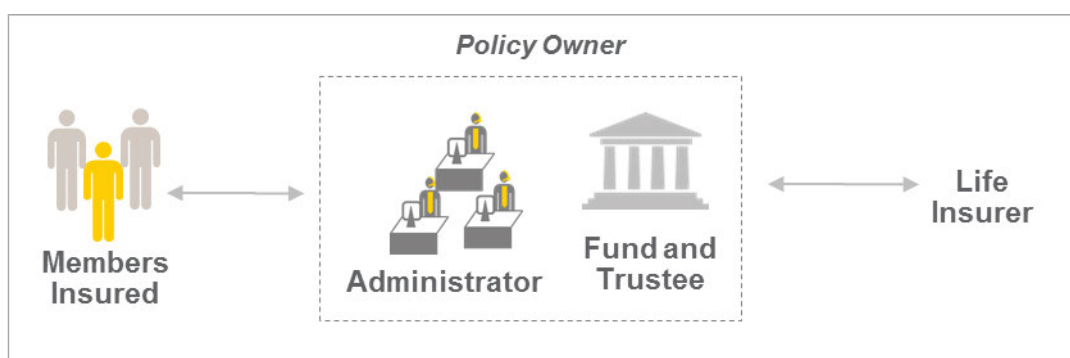
Superannuation trustees balance what is included in insurance cover with the costs of providing that cover to their members and the impact on their retirement savings. In the case of superannuation,

premiums are generally deducted from members' accounts and typically are provided as part of default arrangements, which means that all members are generally covered providing they meet the eligibility requirements established by the trustees.

Trustees make decisions regarding the type, specific policy terms and level of cover provided to their members. They are also involved in the claims process and are required to review claims decisions before they are communicated to members.

An administrator acts on behalf of Funds and Trustees and are the intermediary for member enquiries and interactions. The administrator runs day to day operations.

A high-level view of the way in which customers buy life insurance through superannuation funds is shown below. A similar process typically applies for group schemes outside superannuation.



### Life insurance direct from an insurer

Customers may also buy life insurance cover directly from insurers. This has been particularly enabled by the proliferation of digital technology and the growth of credit insurance which is often provided along with the provision of credit. Some customers also access insurance as a result of media advertising, telemarketing and through other third parties.

Direct products are commonly provided to customers with general advice.

A high-level view of the way in which customers buy life insurance directly is shown below.



## Industry regulation

Life insurers are subject to close monitoring and supervision by two key regulators and must comply with a comprehensive legislative framework.

The Australian Prudential Regulation Authority (APRA), as the financial services sector prudential regulator, supervises life insurers, like CommInsure, according to the Life Insurance Act 1995 and a suite of prudential standards. This legislation is designed to ensure that the life insurance business is prudently managed with regard to the impact of its decisions on policyholders.

It is vital to customers' security and peace of mind that insurance companies operate sustainably, at an individual product as well as company level, to ensure they are able to pay claims into the future. This means that life insurers must remain well capitalised and incorporate a suitable level of profit into the design and pricing of insurance policies.

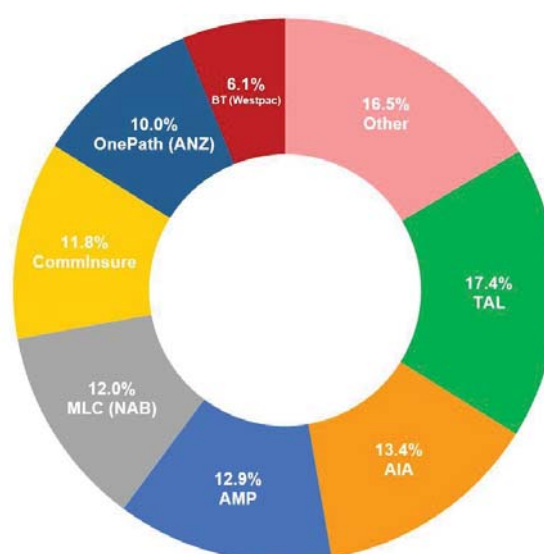
The Australian Securities and Investments Commission (ASIC) regulates life insurers, including CommInsure, through the *Corporations Act 2001*, the *Australian Securities and Investments Commission Act 2001* and the *Insurance Contracts Act 1984*. These acts provide a framework of consumer protections. For example, the *Insurance Contracts Act 1984* imposes a duty of utmost good faith on parties to an insurance contract, including in the management of claims.

Both regulators have extensive investigative and enforcement powers to regulate insurer behaviour, including the power to call for documents and ask questions of management. Between them they have the power to deregister the business, ban individuals, sue, and impose conditions, fines and sanctions.

## Competition in the sector

Customers have a wide choice of life insurance providers. There are over 25 licensed life insurance companies operating in Australia.

Figure 1: Australian Life Insurance Market Shares<sup>4</sup>



<sup>4</sup> Plan for Life - Detailed Risk Statistics December 2015 (tab premium inforce group)

### 3. CommInsure business

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The original predecessor to the business which is now CommInsure was first established in 1873. CommInsure is the fifth largest life insurance provider in the Australian market, providing insurance cover or investment services to around 4.4 million customers. CommInsure paid more than \$850 million in claims in 2015 to over 22,000 customers<sup>5</sup>.

CommInsure is the third largest group insurance provider, serving 1.7 million members through more than 10 industry funds, more than 100 corporate clients and more than 400,000 mastertrust members. It is the fifth largest life insurer through financial advisers with more than 250,000 policyholders. CommInsure is also a significant provider of consumer credit insurance, including loan protection insurance and credit card insurance products.

Finally, CommInsure also manages a range of legacy insurance, superannuation and investment products, many of which are no longer sold directly to customers.

#### Governance

The board which governs CommInsure comprises four independent non-executive directors, three non-executive directors and the managing director<sup>6</sup>. The legislation governing life insurance imposes unique duties which are distinct and separate from those of the Commonwealth Bank.

One of the independent non-executive directors serves as chair. The independent non-executive directors also comprise the Board Audit Committee and the Board Risk Committee. Each committee is chaired by an independent non-executive director who is not the chair of the board.

The directors are a diverse group of qualified individuals with extensive knowledge, experience and business expertise across financial services, both domestically and internationally. Their specialised fields of knowledge include life insurance, general insurance, actuarial, economics, audit, finance, accounting, corporate strategy, governance, investment, funds and asset management, and risk management.

#### Claims process

Customers make claims at some of the most difficult times in their lives. It is important to treat claimants with compassion and respect and make decisions about claims in a timely fashion.

Life insurance requires the insurer to reach a conclusion about whether or not an event has occurred which should lead to a payment. In making these decisions, CommInsure has obligations under the *Insurance Contracts Act 1984* to act with utmost good faith towards the insured person. Claims management must have due regard for customer expectations, the reality of difficult medical and employment determinations, and the implications of paying invalid claims on the affordability of cover for both current and future customers.

If claims are denied, insurers must give reasons for this and inform the customer that they can ask for the information relied upon for the decision to be reviewed.

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<sup>5</sup> Includes death claims within superannuation and investment products.

<sup>6</sup> APRA's Prudential Standard CPS510 Governance sets out the requirements for independence and the definition of a non-executive director.

While some claims are straightforward to determine, many take longer to assess. The circumstances of each customer are unique. This requires careful assessment of every claim, both for the personal circumstances of the event as well as the specific terms of the policy. Even as claims are being reviewed, personal and health circumstances may change.

Attachment A provides some illustrative examples of different types of claims. It illustrates that some cases are very straightforward to determine, while others require considerable expertise.

CommInsure's claims management processes vary to account for the claim type and nature of the policy. Once CommInsure receives a claim from a customer, it assigns an individual case manager to the claim. The time taken to complete the assessment will differ depending on waiting periods, specific requirements within the policies, the amount of information provided at commencement of the claim and whether CommInsure has authority for direct customer contact. Some assessments may also involve requesting an opinion or support from a specialist.

CommInsure makes contact with each claimant personally or via their representatives, to ensure that it understands the circumstances of each claimant. In some situations contact is made via a third party such as a superannuation fund or an adviser.

Ultimately the case manager will make a determination on the claim which may, subject to various delegations and approval requirements, require an additional internal review.

In the case of group policies, before the outcome of the claim is communicated to the individual end customer, the decision is first reviewed and approved by the relevant trustee. Trustees have a responsibility at this point to ensure that valid claims are paid because they have an obligation to their members. In addition, it is in the trustee's interests that the insurer does not pay out invalid claims as that is ultimately reflected in higher ongoing premiums to the total member pool.

In July 2015 CommInsure changed its life insurance structure from being arranged according to product type, into a structure in which there is a single customer facing distribution and product function, and a single customer service function that includes the claims management team. In part, the purpose of these changes was to improve efficiency and consistency in operations, particularly claims processing.

Since 2013, CommInsure has invested over \$45 million in a program to transform its claims management capabilities. Improvements for the benefits of customers in recent years include:

- new technology and processes that improve efficiency which has facilitated the fast-track processing of straightforward claims and direct other claims to more experienced staff;
- better processes to gather the right information first time to help provide consistent claims decisions and pay customers faster;
- increased investment in staff training including mental health awareness and empathy training to assist claims staff to help customers in difficult circumstances; and
- a new customer telephone system to improve customer service.

## **Review of decisions**

CommInsure's aim is to get things right the first time. However, not all customers will agree with the outcome of their claim. After a decision has been provided, they have the opportunity to request a review or to present additional information to support their claim.

Commonwealth Bank's Group Customer Relations team, which is separate from CommInsure, conducts reviews of life insurance determinations if a customer expresses dissatisfaction. A representative of this team will discuss the complaint with the customer and investigate whether the decision was appropriate. Each matter is considered on its own merits and this team will often request additional information to aid their investigations. If there is evidence that a mistake has been made, then the decision will be corrected.

Customers can also ask to have their decision reviewed by an independent external body. These include the Financial Ombudsman Service (FOS), or for customers whose coverage is through superannuation, the Superannuation Complaints Tribunal (SCT). Customers are advised of the availability of these services in the event that their claim is declined. These are established bodies with considerable experience and are free for customers within the ASIC approved terms of reference, and statutory provisions.

## Claims outcomes

CommInsure paid more than 22,000 claims<sup>7</sup> and over \$850 million in 2015 to our customers. While we believe the vast majority of claims decisions are correct, errors can occur.

CommInsure uses a range of measures to monitor its claim processes; these include participation in various external benchmarking studies, as well as data from FOS. These measures have not given rise to systemic concerns about the accuracy or integrity of our claims processing as we illustrate below.

An annual market study is run by NMG Consulting and is based on in depth interviews with decision-makers across adviser networks, industry funds, public sector funds, corporate schemes and master trusts. The most recent Mid-Tier Adviser and Group reports from 2015 had two distinct survey groups:

- in the Mid-Tier Adviser Study<sup>8</sup>, adviser ratings of CommInsure's claims capability was in line with market average; and
- in the group study<sup>9</sup>, CommInsure's claims capability was rated above-average overall with top quartile results on certain key measures.

NMG has also reported that CommInsure's gross claims ratios<sup>10</sup> in both group and advised insurance have been consistently higher than the market average, meaning CommInsure pays more in claims as a percentage of its premiums, than the average across the industry.

CommInsure also participates in the Lewers Life Insurance Intermediaries Study Australia that is based on independent adviser feedback on life insurers. The 2015 annual benchmarking study indicated that CommInsure is highly regarded by financial advisers for fairness and sensitivity in claims assessment, with opportunity to improve the timeliness of claims processing. Improving processing times has been the focus of recent investment.

CommInsure has reinsurance arrangements in place and as such has recently been subject to external audits of its claims functions by reinsurers who cover the industry. Those reports have not found any material issues in relation to CommInsure's claims functions.

APRA also regularly performs its own prudential regulatory assessments.

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<sup>7</sup> Includes death claims within superannuation and investment products

<sup>8</sup> NMG Mid-Tier Adviser Study (April 2016)

<sup>9</sup> Australia Group Risk Programme 2015, End Customer Perspective (November, 2015)

<sup>10</sup> Gross Claims Ratios across the Industry include claims paid, reserving and other assumption changes

Finally, FOS provide annual comparative dispute numbers across the life insurance industry. Based on this information, CommInsure has relatively low rates of complaints referred to FOS compared to its industry counterparts.

In financial year 2014/5 the likelihood of a dispute involving CommInsure was two per 100,000 policies<sup>11</sup>. For comparison, CommInsure had the second lowest likelihood of a dispute per 100,000 policies and the other insurance companies had rates of between 0.7 and 16.6 disputes per 100,000 policies with an industry median of 3 disputes per 100,000 policies.

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<sup>11</sup> FOS data includes investment products

## 4. Addressing recent issues raised

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Commonwealth Bank and CommInsure aspire to be ethical in all our dealings. Being an ethical business does not mean being perfect, but where we could have done better we acknowledge it and seek to put things right.

In relation to recent allegations, some of those reports led us to take action to address areas where we should have done better, some can be immediately refuted and the remainder are being independently investigated.

### CommInsure response to customer issues

#### Individual customer outcomes

We were saddened to learn of the poor experiences of some of our life insurance customers. CommInsure has a responsibility to engage with customers in a sensitive and compassionate manner.

For the benefit of the Committee, we provide a brief summary of some matters which led to the outcomes which were reached for the five customers who were the subject of a report on Four Corners. To protect the privacy of these customers we share minimal personal information. However, if the Committee requests further information we would be pleased to provide it on a confidential basis.

Two cases related to claims of total permanent disablement. Total and permanent disability can be among the most complex cases to assess. An assessor will consider whether the customer will ever be likely to work again as a result of their disability, taking into consideration age, occupation, education and the impact of reasonable medical treatment from their doctor. As a result, the time to assess TPD cases can be longer than for other types of insurance cover.

The entire process involving TPD claims requires compassion from all involved. The rejection of a claim can be extremely distressing to the claimant. The acceptance of a claim confirms that the person will be unlikely to work again, which can also have an enormous psychological impact, especially for a young person.

In one case there were challenges with differing medical opinions and whether the insured was receiving and following appropriate treatment. For this case the claim was paid in December 2015 independent of any media involvement.

For the other, the customer had a degenerative disease and a decision about their ability to work again was not straightforward. A review of this case was already underway before the media raised it.

These two cases also illustrate the difference between ill health retirement, and total and permanent disability. While policy definitions may vary, ill health retirement is generally a lower threshold, so it does not follow that someone who is ill health retired will automatically be paid a TPD benefit.

Two of the other cases related to terminal illness. Commonly, life insurance policies accelerate the life insurance payout if the insured has a terminal illness. This generally means that their doctor has advised that they have less than 12 months to live. Discussions regarding the probability of terminal illness are deeply upsetting and must be conducted with great sensitivity.



One of these terminal illness cases was initially declined in 2013, because the treating specialist advised that the customer was likely to live for more than 12 months. When the customer's health deteriorated and upon further advice from the treating specialist in 2014, the claim was paid.

The potential for a transplant was considered as part of the initial claim assessment. CommInsure changed its guideline on considering transplants in February 2015 and these are no longer considered as part of the assessment.

For the other case, the customer was initially declined in 2015 because they were likely to live for more than 12 months. When new medical advice was provided in 2016, that claim was paid in full.

All of these four cases were challenging to assess and our claims staff worked with the respective superannuation trustees.

Finally, one trauma claim related to the definition of a heart attack and its severity. As background, trauma policy pays a lump sum if the customer suffers a specified trauma condition.

Until recently, the definition of a heart attack under CommInsure's trauma policy only covered severe heart attacks. Based on medical reports provided the customer did not meet the specified severity in the policy. When the heart attack definition was updated and backdated, the customer became eligible under their policy.

More details on changes to CommInsure's heart attack definition are provided below.

In summary, two of the five customers had been paid prior to this year. When senior management became aware of two other cases, for one we sought and obtained additional information which resulted in a review and payment to the customer. For the other, it was clear after a review that we should have done better and we moved to put that issue right.

For the final case, we believe the assessment at the time of the claim was consistent with the terms of the policy.

The cases spanned a number of years. We acknowledge that our customers were in difficult circumstances and that the experience and time frames did not meet their expectations. As we illustrate in the section 'claims outcomes', these cases are not representative of the vast majority of customers' experiences with CommInsure.

We believe we have addressed these specific situations and have implemented a number of improvements to our business some of which we describe below.

## Claims review

We acknowledge other customers may question the outcome of their claims assessment.

The CommInsure board has announced it will appoint an independent expert to oversee a claim review program focused on declined claims, with particular emphasis on customer advocacy. The independent expert will also specifically form a view on whether the circumstances surrounding the review of any particular claim warrants further action from the CommInsure board.

CommInsure has introduced an additional layer of independence and assurance to its claim assessment and decision-making processes. Where CommInsure's Complex Claims Committee recommends a claim be declined, it will be referred to the Claims Review Panel. The panel consists of

the Managing Director of CommInsure and at least two independent members with relevant expertise. The Board Risk Committee will monitor the outcomes of the panel.

## Product changes

CommInsure has acknowledged that its heart attack definition was out of date.

A new measure for heart attack severity was introduced across Australian hospitals from the start of 2012. This allowed diagnosis of heart attacks that were less severe. The fundamental shift to expand the life insurance industry's heart attack definitions commenced around this time through to 2014.

CommInsure has accelerated the planned upgrade of its heart attack and its severe rheumatoid arthritis definitions in its trauma product. The product disclosure statements relating to these definitions for new customers have now been updated and coverage has been backdated and applies for all claim events from May 2014 onwards. May 2014 was the date of the last relevant product disclosure statement for the trauma product. On the basis of actuarial estimates we expect up to 100 customers will benefit from the backdating of these upgrades.

An advice product review had been initiated in 2015, and a comprehensive product relaunch was planned for late 2016. This will still occur. CommInsure has also committed to a more regular review of the life insurance offering to ensure definitions reflect evolving medical standards and practices.

At a broader level, CommInsure has undertaken frequent reviews of products, taking into account customer, adviser and trustee feedback. Approximately 80 per cent of CommInsure's customers hold a product that has been reviewed within the past three years.

When it is determined that a product change is appropriate, a series of activities (which take at least 6 months and often longer) are required prior to introduction. These types of changes may require input and review by claims, product, distribution, medical, actuarial, risk and compliance, legal, and marketing staff as well as consultation with reinsurers, trustees and research houses. The changes generally include updating Product Disclosure Statements, customer communications and for more substantial changes require updates to IT systems.

## Other matters raised publicly

### Culture and ethics

Commonwealth Bank is committed to doing the right thing by our customers and we take recent allegations about CommInsure seriously.

We do not believe these reports present an accurate reflection of the culture and ethics within our business. We do not tolerate behaviour that could put the financial wellbeing of the customers, businesses and communities we serve at risk. To date, we have not identified any instances of malicious staff misconduct which has led to the decline of a claim.

We accept that culture can always be improved, so over the last three years we have been working to strengthen the Commonwealth Bank's values and integrate a long term program, including better definition of our values, how they apply to our people every day, and how we can align our values with our policies and our performance management systems.

## Response to internal concerns raised

Assertions that CommInsure was not responsive to concerns of Dr Benjamin Koh raised in the media are incorrect. These concerns were taken very seriously.

In response to concerns raised, the CommInsure board commissioned an independent review of targeted claim areas. When complete, the findings of the review were presented to the Board Risk Committee. The review concluded that there were no systemic issues in the areas covered but made a number of recommendations that either have been or are in the process of being implemented.

CommInsure also undertook a range of actions including:

- benchmarking of certain products across a range of considerations and global markets;
- governance changes to enhance structural independence, including escalation protocols for issues and changing the reporting line of doctors;
- workshops to clarify the roles and responsibilities in the claims management process;
- clarifying the advisory role of medical staff;
- senior management reviews of customer complaints and litigation;
- various changes to assessment guidelines including changing the terminal illness protocol;
- continuation of the investment in claims processes and technology; and
- additional training for claims staff, including customer empathy, professional protocols for interacting with doctors and duties owed to customers.

## Allegations regarding treatment of staff and whistleblowers

Allegations that Dr Koh was dismissed for raising concerns about business practices at CommInsure are incorrect.

Dr Koh was dismissed for serious and repeated breaches of customers' privacy, involving highly sensitive personal, medical and financial information over a lengthy period of time. His statements and associated conduct during the investigation of his breaches were also misleading.

The investigation found that Dr Koh sent around 230 emails, attaching a total of around 260 documents, to his personal Gmail account. The emails were unencrypted and included sensitive customer files, medical reports, financial information and CommInsure corporate information. Emails were sent over an extended period from November 2013 to early 2015.

In addition, some of the responses provided by Dr Koh in response to management enquiries strongly suggested he was not sending information to his personal account. Yet, he had been doing so for many months before, and continued to do so for many months after, those responses. We also had concerns about Dr Koh's conduct during the investigation and his reaction when performance concerns were raised with him.

Commonwealth Bank records indicated that Dr Koh undertook our employee training in relation to protection of confidential information and appropriate use of IT systems, and had previously confirmed that he understood his obligations under the Acceptable Use of Group Technology Policy.

Dr Koh sent the first of these emails within one week of joining the organisation, a long time before he says he raised concerns about CommInsure. During the investigation, Dr Koh said that he sent the emails for a variety of reasons. Some of the reasons which have been recently reported are different to those given during the investigation.

More broadly, there have been suggestions that Commonwealth Bank and CommInsure do not encourage a culture in which concerns about processes or behaviours can be safely raised. These claims are untrue.

Commonwealth Bank encourages a culture where people can speak up with ideas, views and concerns. Senior leaders in the Commonwealth Bank routinely stress the importance of speaking up in their internal staff communications. Practical initiatives, such as daily and weekly team meetings, also provide a forum for staff to raise any concerns or improvement ideas.

Staff have the option of speaking with their line manager, a more senior leader or the Human Resources team who are independent of their line management. We also recognise that some staff may prefer to raise issues with a completely independent party and/ or remain anonymous.

Accordingly, Commonwealth Bank maintains arrangements to allow staff to speak up in circumstances where they wish to be anonymous or invoke whistleblower protections. We have a SpeakUp hotline, operated by qualified independent consultants which enables employees to raise issues impacting their role, wellbeing at work, or issues affecting the organisation. Employees are encouraged to feel safe to speak up about and take ownership of issues that otherwise might go unreported.

In 2015 we reviewed our arrangements and since then have made a range of improvements. This included ensuring people can leave a message with the SpeakUp hotline or email service 24 hours per day, seven days per week; ensuring the SpeakUp details are listed on the Commonwealth Bank website to encourage community members, customers and other stakeholders to use the channel if they wish; and implementing a new process for the careful management of whistle-blowers, including confidentiality arrangements. We also established an Internal Fraud and Misconduct Governance Committee to provide oversight of internal fraud and misconduct complaints. This committee comprises the Chief Risk Officer, Chief Financial Officer, Group Executive of Human Resources and the Group Legal Counsel.

### Medical document management

Accusations have been made about the integrity of CommInsure's medical document management system and that key documents were allegedly mismanaged or destroyed.

Commonwealth Bank takes information security very seriously and applies mandatory policies, standards and guidelines to maintain privacy and confidentiality of customer and employee information. All Commonwealth Bank staff are required to complete annual training in data privacy, IT security and the risk of sharing data with unauthorised parties. All training completions are monitored and reported independent of individual lines of business with completion rates reported to senior management on a regular basis. These completion statistics are also considered in the risk assessment component of an individual's performance review process.

Concerns were raised in late 2014 in relation to our medical document management database. Medical opinions were held in an internal referral database as well as in the customer's claims file. Investigations conducted at the time concluded that all expected data was in the database, with the exception of a single document. The document was manually re-entered into the system so that it duplicated the opinion held on the case file.

Based on investigations at the time, we did not find any evidence of medical files being intentionally deleted or tampered with resulting in missing information, as has been alleged.

This database has been progressively replaced as part of the broader claims management system upgrade which commenced in 2013. This upgraded system has been deployed to over 70 per cent of relevant employees and is on track for completion in the coming months.

## Remuneration and incentives

Commonwealth Bank Group offers various types of performance awards, depending on role and seniority. Performance-based remuneration (including the measures used to assess outcomes) is systematically reviewed and adjusted for risk. Key performance indicators (KPIs) differ for each role. Customer satisfaction and customer experience are important measures in determining performance and incentive outcomes across the Group.

All employees eligible for performance based remuneration must meet risk and compliance standards to ensure that behaviour is consistent with our regulatory obligations and our risk appetite. A key component of the performance process includes risk assessment and where this assessment is not positive, incentive outcomes may be reduced or forfeited or employment terminated.

CommInsure employees involved in the claims-handling process are also generally eligible to participate in annual incentive arrangements, which represent a relatively small proportion (on average around 12 per cent) of their overall remuneration.

The CommInsure board is satisfied that the current remuneration principles and balanced framework of the incentive schemes is appropriate for the business. The board commissioned an independent review of KPIs used within CommInsure as at March 2016. The board concluded that the independent report had not identified issues with KPIs that would drive undesirable outcomes for customers. The board has requested further work be done that will consider historical arrangements.

## 5. Policy Recommendations

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Commonwealth Bank is committed to constantly improving our products and services to deliver better customer outcomes. We also believe it is important that the life insurance industry, superannuation funds and advisers work together to progress the industry's product, sales and service offerings. To achieve this, we work closely with regulators, government and consumer bodies to ensure that as an industry we continue to evolve to meet the changing needs of Australians.

### Recent developments in life insurance policy

To support initiatives that improve the life insurance industry, Commonwealth Bank has been closely involved in the consultation process for the *Corporations Amendment (Life Insurance Remuneration Arrangements) Bill 2016* and the recent inquiry into this legislation by the Senate Economics Legislation Committee. Commonwealth Bank supports this reform package which reduces upfront commissions across the life insurance industry and increases clawback provisions for policies that lapse/transfer within two years.

Whilst the new arrangements are expected to take effect from this year, we recognise that there is a transition process as customers, advisers and insurers adjust to the new remuneration regime.

### Next steps

#### Life insurance code of practice

Commonwealth Bank strongly supports the initial step of creating a Code of Practice and the current review by an additional steering group. A code of practice can improve protections for consumers, beyond that covered in legislation, and increase the accountability of life insurers to explain their obligations in assessing and determining claim to their customers.

We would welcome a further review of the code once the code is in operation to consider any findings that the Committee might make as well as other feedback.

#### Standardisation of definitions

There may be some benefits to exploring opportunities to standardise policy terms and conditions, including medical definitions. Industry, due to competition law constraints, is unlikely to be able to drive such a process.

In recognition of calls for greater clarity and in order to simplify the product offering and comparisons for consumers, the Federal Government could begin discussions about the benefits and risks of such standardisation.

#### Mental health

It is clear that the financial services industry as a whole, including CommInsure, can do better in relation to mental health.

Forty five per cent of Australians will experience a mental health disorder at some point, with one in five in any given year<sup>12</sup>. This is a challenging area for government and businesses, including insurance.

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<sup>12</sup> <https://www.beyondblue.org.au/the-facts>

While complex, the diagnosis and treatment of mental health issues is also an enormous opportunity for the life insurance industry to make a material difference to customers' lives. Research shows that with early intervention, tailored treatment and understanding from those around them, those with mental illnesses can minimise the severity of their conditions and potentially recover faster.

We would support the Financial Services Council and the various regulators convening workshops to enable industry, government and experts in mental health matters to come together and identify further opportunities to improve in this area.

## Rehabilitation

Supporting customers involves providing more than just financial support. CommInsure has its own internal rehabilitation team and medical team, consisting of dedicated staff that have experience and qualifications across varied disciplines, including psychology and psychiatry. CommInsure also provide employer forums to support fund-employer engagement objectives.

However, life insurers are limited by legislative provisions in their ability to pay for rehabilitative treatments that would assist claimants to return to work. For a range of reasons, rehabilitation is generally preferable and delivers quality of life outcomes. Limiting rehabilitation options may lead to higher ongoing benefit payments and claims administration costs, which then flow through to higher premiums.

The Federal Government should consider reviewing legislation to explore opportunities to allow life insurers to fund rehabilitative treatments and assist workers in their return to the workplace.

## Financial literacy

Commonwealth Bank has a particular commitment to improving the skills and knowledge of Australians in the area of financial literacy. Indeed, in January 2015 we announced a \$50 million dollar investment in our financial literacy programs over the next three years.

Low levels of financial literacy affect the ability to ensure financial wellbeing for Australians. Insurance is no exception to these issues. We believe that it is critical that customers have sufficient understanding to make good decisions about coverage and making a claim.

Along with other educational, regulatory and industry bodies, the life insurance industry should increase efforts to improve financial literacy in life insurance. For example, CommInsure has sought to enhance our customers' understanding of products by proactively improving the readability of Product Disclosure Statements. Changes include reducing legal jargon, better use of examples and improved overviews of types of cover.

## Attachment A: Illustrative claims experience

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The following fictional cases intend to illustrate the variety of claims that might be lodged with a life insurance company and some of the circumstances that arise.

### Case type: Trauma with 24 hour turnaround time

*The case manager quickly processes a straightforward trauma claim once all relevant documentation is received.*

Greg, a 49 year old shop assistant, took out a trauma policy in 2010.

In August 2015, Greg:

- went to his GP because he felt a lump in his neck;
- was referred to a specialist to investigate the lump; and
- attended an urgent appointment with the specialist who organised a biopsy which confirmed thyroid cancer.

Greg notified his financial planner and the insurer immediately by phone about his diagnosis and was sent claim forms, which were completed by his specialist at his follow up appointment. The completed claim forms were submitted to the insurer via email and were allocated to a trauma claims case manager for assessment on the same day.

The case manager was able to review the claim immediately, seek a medical opinion from the in-house medical team and make a determination to pay the claim within 24 hours of receipt of the completed forms.

### Case type: Death

*The life insurance company has decided to paid the claim, but the trustee is trying to determine who the correct parties are to receive the funds.*

John was a 55 year old bus driver when he died of a heart attack. John had been living in a de facto relationship with Anne for 9 years and they had a 6 year old son. John had an ex-wife, Sandra, with whom he had three dependent children aged 17, 14 and 10.

The following occurred:

- When John passed away, Anne contacted her financial planner to notify him of John's death. The financial planner contacted the insurer to notify them of her intention to submit a death claim and request the relevant claim forms.
- When the insurer received the completed claim forms and death certificate from Anne they commenced the claim assessment.
- When John passed away he did not have a nominated beneficiary for his superannuation fund or a will, which meant that the trustee would need to determine to whom the money should be paid.
- The insurer accepted the death claim and forwarded the claim documentation to the trustee of the super fund for their consideration.
- It is the role of the trustee to review the claim and notify all parties of its determination. The notified parties then have 28 days to provide notice of objections, this is called the claim-staking process.



## Case type: TPD

*The customer has multiple conditions and the case manager is trying to determine if they will ever be able to return to work.*

Zhang, 40, who is self-employed, suffered a minor stroke and as a result experienced memory loss, inability to concentrate and temporary muscle weakness. He submitted claims forms and supporting documentation with his insurer.

The following factors were part of the assessment of Zhang's claim:

- Six months after his stroke whilst Zhang's level of cognitive function was improving he developed a secondary condition of adjustment disorder and depression.
- Zhang became concerned about the viability of his business. This compounded his depression and caused anxiety.
- While trying to assess the claim, the case manager was receiving conflicting reports from Zhang's treating doctors about his capacity to work because of the combination of cognitive impairment from the stroke and mental health issues.
- With physiotherapy his physical strength and conditioning had returned.
- The case manager arranged for independent medical examinations from a neurologist for his cognitive impairments and from a psychiatrist for his mental health concerns to get a clear picture of Zhang's prognosis and future capacity for work.
- An added consideration for the case manager was that Zhang's treating doctor was reluctant to state that he would never return to work and that his conditions would not improve. By stating this the treating doctor was concerned that Zhang's depression and anxiety may deteriorate further.
- The case manager also worked with Zhang to understand his education and employment background and to identify any transferrable skills.

## Case type: Trauma

*The case manager is trying to determine whether any pre-existing condition should have been disclosed when the customer applied for her trauma cover and if they are related to her diagnosis of lung cancer.*

Janet is a 50 year old engineer who has held an insurance policy for 13 months and has submitted a claim after being diagnosed with lung cancer.

When assessing this claim the case manager:

- asks Janet's GP to complete a treating doctor report;
- asks Janet's treating specialist to complete a report;
- compiles the relevant pathology to understand how advanced the cancer is; and
- obtains authorities to allow the case manager to gather additional information directly from Janet's doctors.

In the review of the claim, the case manager reviewed Janet's medical history which revealed that two years ago Janet attended her GP with shortness of breath and a bad cough. At this time, Janet's GP recommended that she quit smoking and go for more tests to understand the cause of her symptoms.