

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

#### INSURANCE SECTOR

#### Australian Financial Complaints Authority

#### AFC02QON:

**CHAIR:** I'm just going to check if there are any other members who want to ask any further questions. I have a couple more. No? Everyone's happy. I just want to go back right to the start. You made some comments about the number of complaints in the context of COVID-19 relating to superannuation. There were 24, if I'm not mistaken. I want to get clarity on what those 24 complaints were. Were they related to insurance policies associated in people's superannuation accounts or purchased out of their superannuation accounts?

**Mr Locke:** I believe that that's the case, but I can provide a breakdown on notice, Chair. I don't want to mislead on that and I don't have material directly on that. I believe it is related to insurance. There may be a few complaints or disputes regarding the handling of, or perceived issues with, draw-down of superannuation. But I'll have to take that on notice I think.

**CHAIR:** I accept the point on notice for clarity. Do we know if it relates to income protection insurance? Is that the issue that has been raised?

**Mr Locke:** I think that's the most likely, but I don't have the information to hand. John, I don't know if you know?

**Mr Price:** No, I'm not aware of that. I don't have that information.

**Mr Locke:** I can quickly provide that through to the secretary, but I don't have it to hand. I would expect that that's what the nature of those are. I think that's what I would assume.

**CHAIR:** Could we get some disaggregation on what types of insurance issues you are receiving? I assume most of it would be for income protection insurance. If it isn't, what are the details of those? Could we get de-identified information, if that's acceptable, about, for instance, basic stuff like whether people are making claims and they're not being paid out or they're ineligible.

**Mr Locke:** Yes, we'll do that.

## Answer:

### COVID-19 superannuation related complaints

AFCA understands the Committee is interested in understanding the prominence of insurance issues within COVID-19-related superannuation complaints. Since the hearing on 28 April 2020, the number of COVID-19 related superannuation complaints has grown from 24 to 357 complaints. 53 of these complaints have been resolved and 304 remain open.

89% of the complaints received (317) relate to delays in providing, or denial, of early release of superannuation applications, not insurance issues.

In respect of insurance complaints within superannuation, AFCA notes that only five complaints in this cohort relate to insurance issues. Two in respect of total and permanent disability and three in respect of income protection. Further details below.

#### Early release of superannuation

As noted above, a significant number of COVID-19 related superannuation complaints are about early release of superannuation. The most prominent theme in these complaints are service-related issues such as delays in processing customer applications. Matters that can lead to a delay or denial of early access include:

- The superannuation trustee challenging discrepancies in the complainant's identification data.
- The superannuation trustee needing original documents to prove complainant identity (when the postal service is slow).
- Superannuation trustee delays in coordinating with the ATO in relation to early release of superannuation applications.

In response to the above, AFCA has put in place several measures including meeting on a weekly basis with superannuation trustees to discuss our approach to resolving these complaints and address any challenges they may be experiencing with dispute resolution.

#### Income protection and total and permanent disability

As noted above, AFCA has only so far received three income protection complaints relating to COVID-19 superannuation complaints. One of these relates to the denial of an income protection application by a consumer, who was made redundant as a result of COVID-19 and wishes to access his income protection as a result. The second complaint relates to delay, where the complainant is concerned her income protection cover will cease before she is able to get the surgical treatment. The third complaint relates to the ceasing of payments, as result of non-provision of information to the financial firm. Complaint has been unable to access medical care and obtain documentation.

In relation to the two total and permanent disability complaints, one relates to an account administration error and the other relates to the scope of the total and permanent disability cover.