

2016 Adviser Sentiment Life Insurance Report

Summary Report



**ADVISER
RATINGS**
research



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The following report is a release of the summary findings conducted by Adviser Ratings in its 2016 Adviser Sentiment Life Insurance Report conducted with 1,017 financial advisers between 18 October 2016 and 9 November 2016.

More detailed findings of this survey can be separately provided by Adviser Ratings. Please contact us on 1300 889 287

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Background

The Life Insurance Adviser Claims Survey 2016 was commissioned by Adviser Ratings following the outcome of the Australian Securities and Investment Commission's (ASIC's) review of the life insurance sector's handling of claims in October 2016.

The review found that, while life insurers are paying the considerable majority of claims, there are significant shortcomings in a number of areas of life insurance claims handling. ASIC has promised to give consumers more transparency into the handling and outcome of claims by insurer and policy type. ASIC's review examined 15 insurers covering more than 90 per cent of the market.

The six-month review analysed three years' of data on the four major life insurance policy types - term life cover, total and permanent disablement (TPD), trauma, and income protection. ASIC worked closely with the Australian Prudential Regulation Authority (APRA) during the review. ASIC sought to identify whether there were systemic issues across the industry, as well as concerns relating to particular products or firms.

The review also assessed whether industry data indicated the need for further, more targeted surveillance work.

ASIC found that approximately 90% of claims are paid in the first instance with around \$8.2billion in net policy payments made in the year ending 30 June 2016.

While not finding evidence of cross-industry misconduct, ASIC's review identified issues of concern in relation to higher claims denial rates and claims handling procedures associated with:

- Particular types of policies: The rates of declined claims were highest for TPD cover (average declined claim rate of 16%) and trauma cover (average declined claim rate of 14%);
- A considerable variation in declined claims among insurers, with TPD denial rates being as high as 37% and trauma (up to 25%) for some types of cover;
- The most common types of life insurance disputes were about the evidence insurers require when assessing claims (including surveillance), and delays in claims handling.

ASIC's review also found that there were higher claims denial rates in relation to insurance policies sold direct to consumers with no financial advice (compared to policies sold through advisers and group insurance policies).

Executive Summary

Best 3 Retail Insurers

Claims Handling



TAL

Poorest 3 Retail Insurers

Claims Handling



Top 5 Takeouts

Direct life insurance (such as Real Insurance and St Andrew's Life) provide the poorest claims experience in terms of claims handling and approval rates.



Asteron Life rate most highly among financial advisers at +27% net satisfaction rating for retail life, whilst more than half of Australian advisers rate Comminsure the poorest retail life insurer.



Banks have less than half the number of insurers on their Approved Product Lists (APL) than the rest of the market.



BT Financial Group has highest positive sentiment among its "promoters" with a sentiment score of +75%.



For retail life insurance, One Path has greatest coverage on Approved Product Lists (APL) at 84%, whilst Clearview has lowest at 25%.



Objectives

ASIC and APRA have promised to work with insurers and other stakeholders over 2017 to establish a consistent public reporting regime for claims data and claims outcomes, including claims handling time-frames and dispute levels across all policy types.

This survey attempts to bring forward some of this insight by surveying those at the coal face of the claims process - financial and risk advisers, who act on behalf of clients in the retail insurance space. Advisers were also asked to rate and comment on group life and direct life policies, given many clients seek advice in relation to these insurers and their policies.

The key objectives of this survey are:

- Give the public access to data on comparative satisfaction levels by advisers of insurers and policy types (covered by the ASIC investigation);
- Identify the key areas of shortcomings in the life insurance industry, particularly around claims, as identified by financial advisers;
- Gain an understanding of whether advisers are limited by their Approved Product List in recommending insurers for their clients;
- Provide an opportunity for advisers to have a unifying voice on the changes they require to better service the claims experience for their clients.



Methodology





The Life Insurance Adviser Claims Survey 2016 is based on an online survey of aligned and non-aligned advisers conducted between 18 October 2016 and 9 November 2016. The survey focused on the satisfaction levels of advisers in terms of who they believed were the best and poorest insurers when it came to the claims process in Life Insurance, Income Protection Insurance, Trauma Insurance and Total Permanent and Disability Insurance.

The “claims process” broadly means the submission, handling of, and resulting approval or denial of claims.

Fifteen insurers were covered in this report, the same insurers covered by the ASIC review.



AIA Australia



Macquarie Life



Allianz Australia



Metlife Insurance



AMP Life



MLC (NAB)



Asteron Life (Suncorp)



One Path (ANZ)



BT (Westpac)



St Andrews



Clearview



TAL Life



Comminsure (CBA)



Zurich Australia



Hannover Re (Real)

A total of 1,017 valid responses to the survey were received after data cleaning and removal of incomplete surveys. The responses were spread across a wide cross section of licensees, and were reflective of the overall makeup of the industry.

The maximum sampling error (centre of the range) at the 95% confidence interval for this sample is +/-3.0%.

Note that analysis of smaller subgroups will have a higher sampling error.

Subgroups have been analysed for the following licensees - a cut off criteria of 10 advisers or more per licensee was deemed admissible analytical data. Depersonalised licensee reports are available upon request by contacting Adviser Ratings.

 AMP	- 111		- 14	 LONSDALE	- 11
 Aon Hewitt	- 18	 Count	- 12		- 14
 ANZ	- 14	 DOVER FINANCIAL ADVISERS	- 13	 millennium3	- 25
 Australian Unity	- 14	 financialservicespartners	- 11	 nab	- 16
 Bridges <small>financial advice makes a difference</small>	- 10	 FINANCIAL WISDOM	- 19	 Professional Investment Services	- 14
 BT	- 26	 GARVAN FINANCIAL PLANNING	- 26	 securitor	- 30
 charter	- 55	 HILROSS	- 25	 Synchron	- 32
 ClearView	- 10	 infocus	- 10	Other	- 487

n = 1,017



Survey Results



Top 10 Takeouts

1

Top 3 Insurers - Asteron, AIA, TAL

These 3 life insurers have approximately a quarter of the advice community that rate them the best insurers in the market when it comes to claims handling and approval rates.

2

Direct Life - Poor Claims Experience

More than half of advisers rate the claims handling experience and approval rates of direct life insurers as poor, with Real Insurance rated the lowest.

3

Group Life - Policies More Difficult To Claim On

Advisers find the claims experience with group life insurers/ policies harder than with retail life insurers/ policies.

4

CommInsure - Poorest Retail Life Insurer

CommInsure is rated the worst retail life insurer by financial advisers with over 50% of advisers rating them the poorest insurer when it comes to claims handling and approval rates.

5

Banks APLs - Limited Coverage

The retail banks in Australia have less than half the number insurers on their Approved Product Lists than non banks, but bank advisers are more willing to go outside of the Approved Product List than other advisers.

6

Underwriting to simplistic

Underwriting has become too simplistic resulting in more work being required at claims time.

7

Training of Staff needs to improve

A move to tele-claims staff by most insurers as well as a perceived "under training" of staff in the past has resulted in a poor claims handling experience for many advisers.

8

Standardised Definitions can improve outcomes for consumers

It is difficult for advisers and their clients to compare definitions across the different insurers, as well as the fact certain insurers are not updating their definitions regularly.

9

Exclusions and Loadings - Result in Lower Insurance Coverage

There is a perception by advisers that exclusions have increased and loadings have decreased meaning a lot of people are not getting insured.

10

Length of Time to Claim - A Problem for Claimants

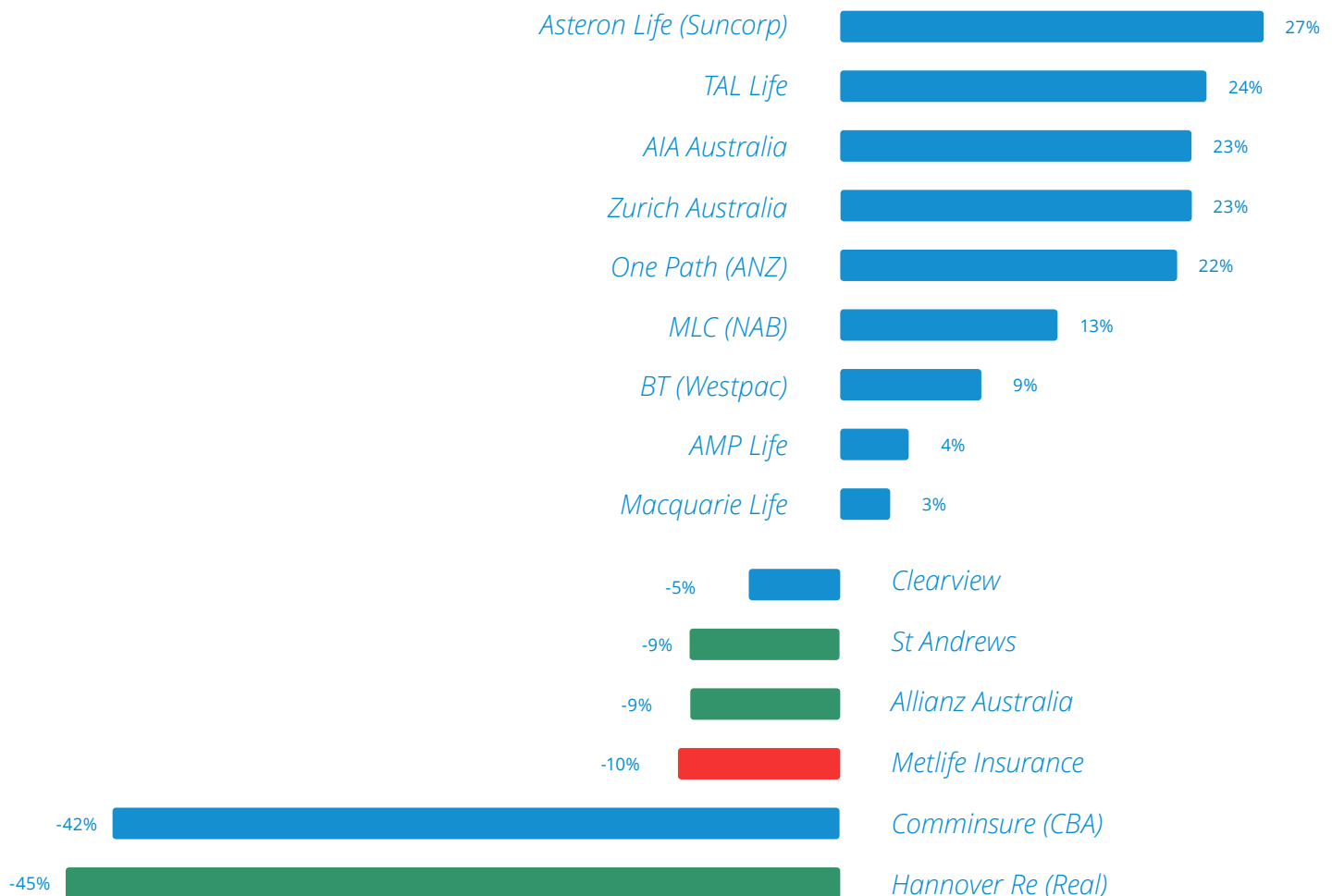
The most common complaint among advisers is that whilst claims approval rates are relatively high, the length of time to claim is becoming longer and is of particular concern when it comes to TPD claims "when approvals require faster turnaround time".

Life Insurers

Advisers net satisfaction summary with the life insurance claims handling of 15 insurers

Top Findings

1. Approximately 1 in 4 advisers believe Asteron Life, AIA, TAL Life, Zurich and One Path have a superior claims management experience compared to the rest of industry.
2. All direct life insurers covered have a negative satisfaction rating.
3. More than half of the advisers have rated Real Insurance and CommInsure the poorest insurers in the country.



Source: Adviser Ratings Research, n = 1,017

Net Satisfaction = (Best insurer responses - Poorest insurer responses) / Total Responses

Blue: Retail Life, Green: Direct Life, Red: Group Life

Question 1 & 2 - Total votes for best and poorest life insurers

Top Findings

1. Zurich has the least negative responses with only 4% of advisers voting them the poorest insurer.
2. AIA and TAL have the most positive responses with 37% advisers voting them the best insurer.
3. AMP have a high number of respondents with 25% of advisers voting them one of the best against 21% voting them the poorest.

	- Q1 - Advisers who voted as one of the Best Life Insurance Claims Handlers	- Q2 - Advisers who voted as one of the Poorest Life Insurance Claims Handlers	Neutral - Advisers who did not vote for insurer	Net Satisfaction (Best - Poorest)	% Net Satisfied Advisers (Net Satisfaction / 1,017 Advisers)
Asteron Life	334	60	623	274	27%
AIA Australia	378	129	510	249	24%
TAL Life	377	139	501	238	23%
Zurich	275	42	700	233	23%
OnePath Life	376	153	488	223	22%
BT Financial Group	257	129	631	128	13%
MLC	259	168	590	91	9%
AMP Life	256	212	549	44	4%
Macquarie Life	98	68	851	30	3%
Clearview	55	107	855	-52	-5%
Allianz	36	123	858	-87	-9%
Metlife	12	106	899	-94	-9%
St Andrew's Life	3	104	910	-101	-10%
Comminsure	93	521	403	-428	-42%
Hannover (Real)	7	464	546	-457	-45%

Source - Adviser Ratings Research, Questions 1 and 2, n = 1,017

“TAL, AIA, Asteron - very strong admin, claims processing and general feedback. Comminsure are very poor”

- Synchron Adviser

“AIA in particular have handled claims exceptionally well”

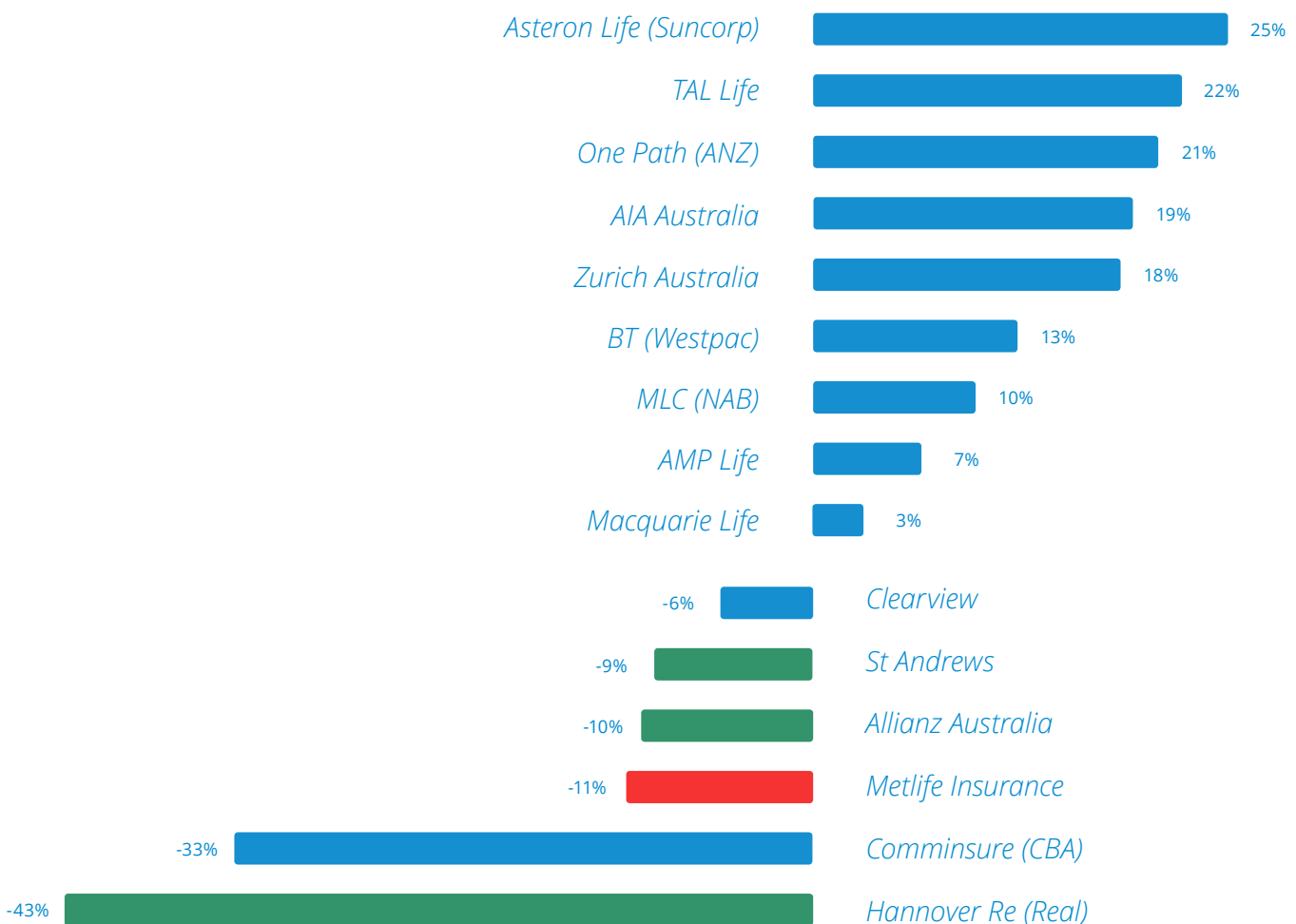
- MyPlanner Australia Adviser

Income Protection

Advisers net satisfaction summary with the income protection claims handling of a particular insurer

Top Findings

- 1 in 4 advisers think Asteron Life have the best claims experience in Income Protection.
- Real Insurance has a comparatively poorer record in Income Protection Insurance against Comminsure when compared to Life Insurance.



Source: Adviser Ratings Research, n = 1,017

Net Satisfaction = (Best insurer responses - Poorest insurer responses) / Total Responses

Blue: Retail Life, Green: Direct Life, Red: Group Life

Question 3 & 4 - Total votes for best and poorest income protection insurers

Top Findings

1. Zurich has the least negative responses with only 3% of advisers voting them the poorest insurer.
2. One Path have the most positive responses with 34% advisers voting them the best income protection insurer.
3. Satisfaction of direct insurers lower in Income Protection Insurance than in Life Insurance.

	- Q3 - Advisers who voted as one of the Best Income Protection Claims Handlers	- Q4 - Advisers who voted as one of the Poorest Income Protection Claims Handlers	Neutral - Advisers who did not vote for insurer	Net Satisfaction (Best - Poorest)	% Net Satisfied Advisers (Net Satisfaction / 1,017 Advisers)
Asteron Life	307	55	655	252	25%
Onepath Life	344	118	555	226	22%
TAL Life	321	103	593	218	21%
AIA Life	315	117	585	198	19%
Zurich	218	35	764	183	18%
BT Financial Group	218	84	715	134	13%
MLC	228	130	659	98	10%
AMP Life	232	160	625	72	7%
Macquarie Life	89	56	872	33	3%
Clearview	47	109	861	-62	-6%
St Andrew's Life	2	98	917	-96	-9%
Allianz	30	128	859	-98	-10%
Metlife	15	127	875	-112	-11%
Commisure	101	436	480	-335	-33%
Hannover (Real)	7	443	567	-436	-43%

Source - Adviser Ratings Research, Questions 3 and 4, n = 1,017

"Recently had an IP claim through TAL that went exceptionally well"

- Magnitude adviser

"Commisure are hideously difficult to deal with in relation to any claim"

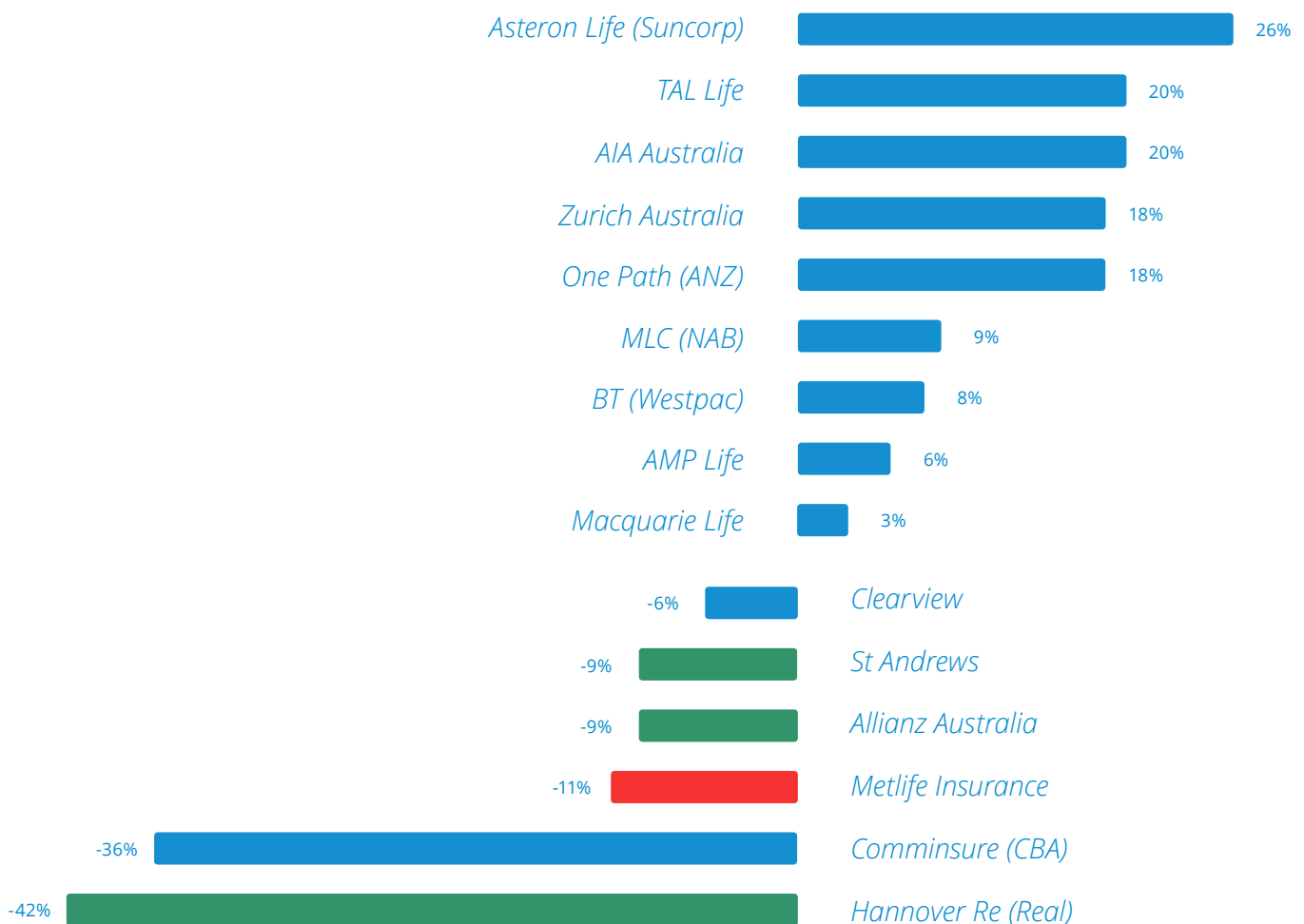
- IOOF adviser

Total Permanent Disability

Advisers net satisfaction summary with the TPD claims handling of 15 insurers

Top Findings

1. 1 in 4 advisers think Asteron Life have the best claims experience in TPD Insurance.
2. Key complaint for TPD insurance is around the time it takes to approve claims.



Source: Adviser Ratings Research, n = 1,017

Net Satisfaction = (Best insurer responses - Poorest insurer responses) / Total Responses

Blue: Retail Life, Green: Direct Life, Red: Group Life

Question 5 & 6 - Total votes for best and poorest TPD insurers

Top Findings

1. Zurich has the least negative responses with only 2% of advisers voting them the poorest insurer.
2. Asteron, TAL and AIA have the most positive responses with 30% advisers voting them the best income protection insurer.

	- Q5 - Advisers who voted as one of the Best TPD Claims Handlers	- Q6 - Advisers who voted as one of the Poorest TPD Claims Handlers	Neutral - Advisers who did not vote for insurer	Net Satisfaction (Best - Poorest)	% Net Satisfied Advisers (Net Satisfaction / 1,017 Advisers)
Asteron Life	318	49	650	269	26%
TAL Life	314	108	595	206	20%
AIA Australia	312	113	592	199	20%
Zurich	210	23	784	187	18%
OnePath Life	302	118	597	184	18%
MLC	223	136	658	87	9%
BT Financial Group	201	124	692	77	8%
AMP Life	233	176	608	57	6%
Macquarie Life	86	55	876	31	3%
Clearview	48	112	857	-64	-6%
St Andrew's Life	3	97	917	-94	-9%
Allianz	26	122	869	-96	-9%
Metlife	12	119	886	-107	-11%
Comminsure	80	450	487	-370	-36%
Hannover (Real)	11	436	570	-425	-42%

Source - Adviser Ratings Research, Questions 5 and 6, n = 1,017

“For most part, claims experiences have been overall positive. Asteron and One Path standouts for TPD”

- ANZ adviser

“I remain frustrated at the time it takes to approve a TPD claim”

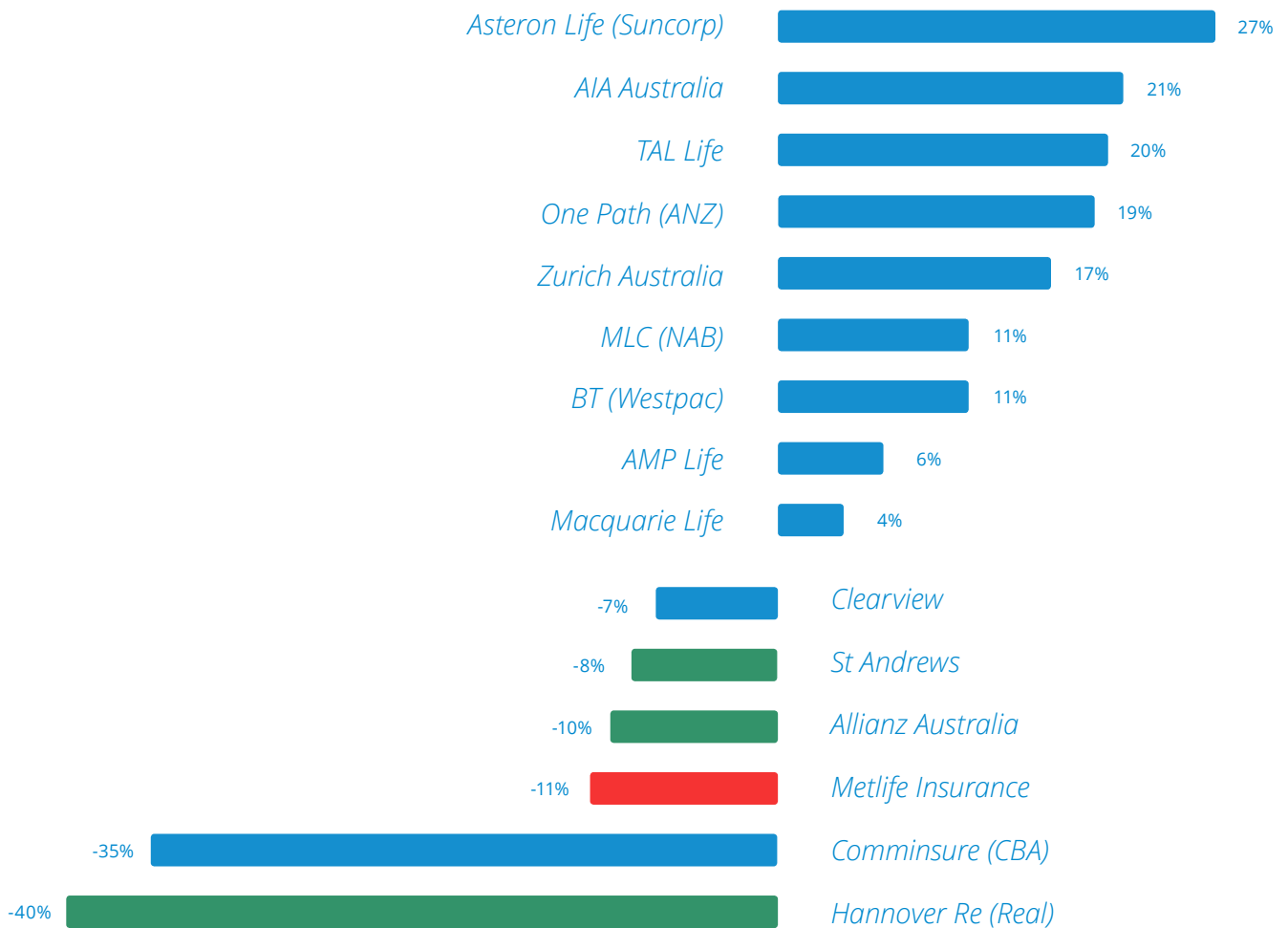
- Australian Unity adviser

Trauma

Advisers net satisfaction summary with the Trauma claims handling of 15 insurers

Top Findings

1. Asteron strongest in trauma insurance in terms of overall positive rating and net satisfaction of advisers.
2. AIA, TAL One Path and Zurich follow trends of other policy types grouped together behind Asteron as the best insurer.



Source: Adviser Ratings Research, n = 1,017

Net Satisfaction = (Best insurer responses - Poorest insurer responses) / Total Responses

Blue: Retail Life, Green: Direct Life, Red: Group Life

Question 7 & 8 Total votes for best and poorest trauma insurers

Top Findings

1. Asteron and AIA have over 30% of advisers that rate them the highest when it comes to Trauma insurance.
2. Twice as many advisers rate Clearview as one of the poorest Trauma insurers than advisers that rate them one of the best.
3. Comminsure have highest number of advisers that rate them as the poorest insurer with 44% of all advisers.

	- Q7 - Advisers who voted as one of the Best Trauma Claims Handlers	- Q8 - Advisers who voted as one of the Poorest Trauma Claims Handlers	Neutral - Advisers who did not vote for insurer	Net Satisfaction (Best - Poorest)	% Net Satisfied Advisers (Net Satisfaction / 1,017 Advisers)
Asteron Life	323	53	641	269	27%
AIA Australia	313	101	603	206	21%
TAL Life	295	92	630	199	20%
OnePath Life	301	107	609	187	19%
Zurich	200	32	785	184	17%
MLC	237	120	660	87	12%
BT Financial Group	204	92	721	77	11%
AMP Life	221	156	640	57	6%
Macquarie Life	91	51	875	31	4%
Clearview	49	121	847	-64	-7%
St Andrew's Life	2	87	928	-94	-8%
Allianz	31	128	858	-96	-10%
Metlife	11	120	886	-107	-11%
Commisure	87	447	483	-370	-35%
Hannover (Real)	7	416	594	-425	-40%

Source - Adviser Ratings Research, Questions 7 and 8, n = 1,017

**"Recent claim with Asteron
Trauma was handled very well"**

- *Securitor adviser*

**"If the biggest company in
Australia has a policy of denying
Trauma claims, there is a major
risk to consumers"**

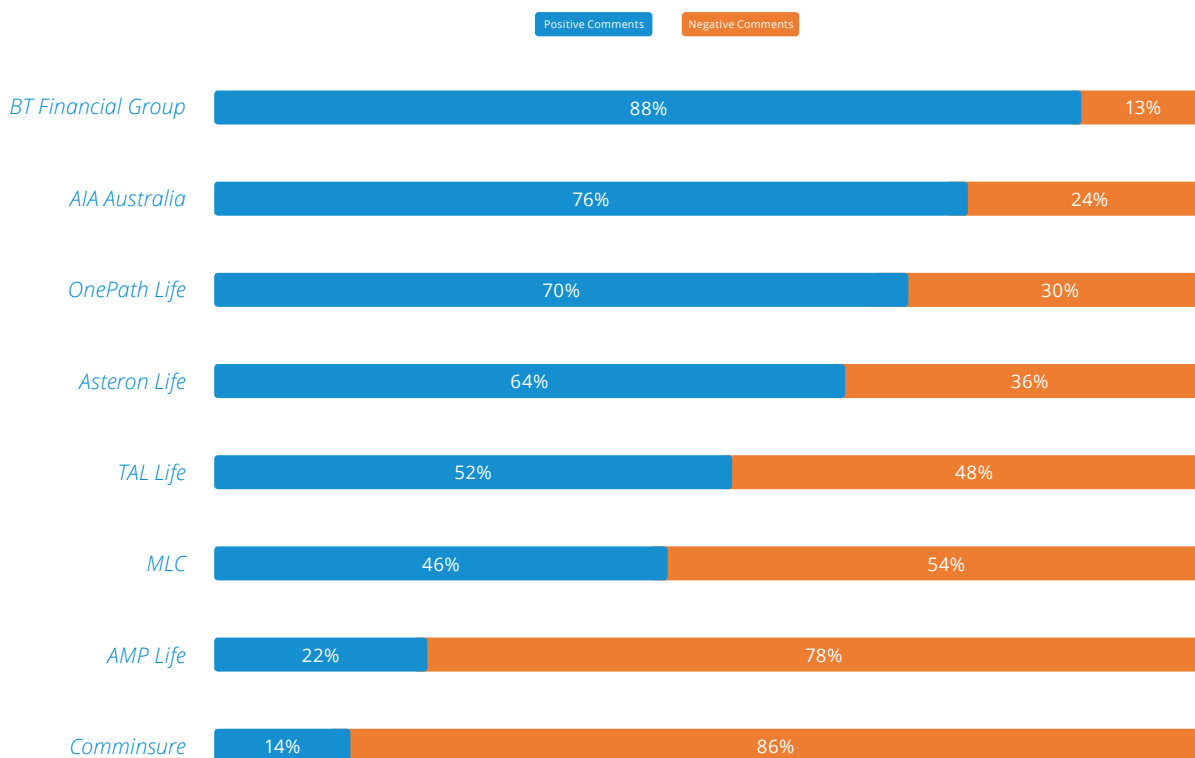
- *Other adviser*

Adviser Sentiment Analysis by Insurer

Sentiment analysis measures the sentiment of the comments made by advisers on the insurers. 15 or more comments per insurer are required to qualify for analysis.

Top Key Findings

1. BT's promoters have the strongest sentiment with a net positive score of 75%.
2. The detractors of AMP Life have a greater negative sentiment towards AMP Life than its promoters, resulting in a net negative 56% sentiment rating.
3. AIA has ranked in the top 4 insurers for all 4 policy types in terms of satisfaction. They also have the strongest promoters resulting in ranking second in terms of sentiment.

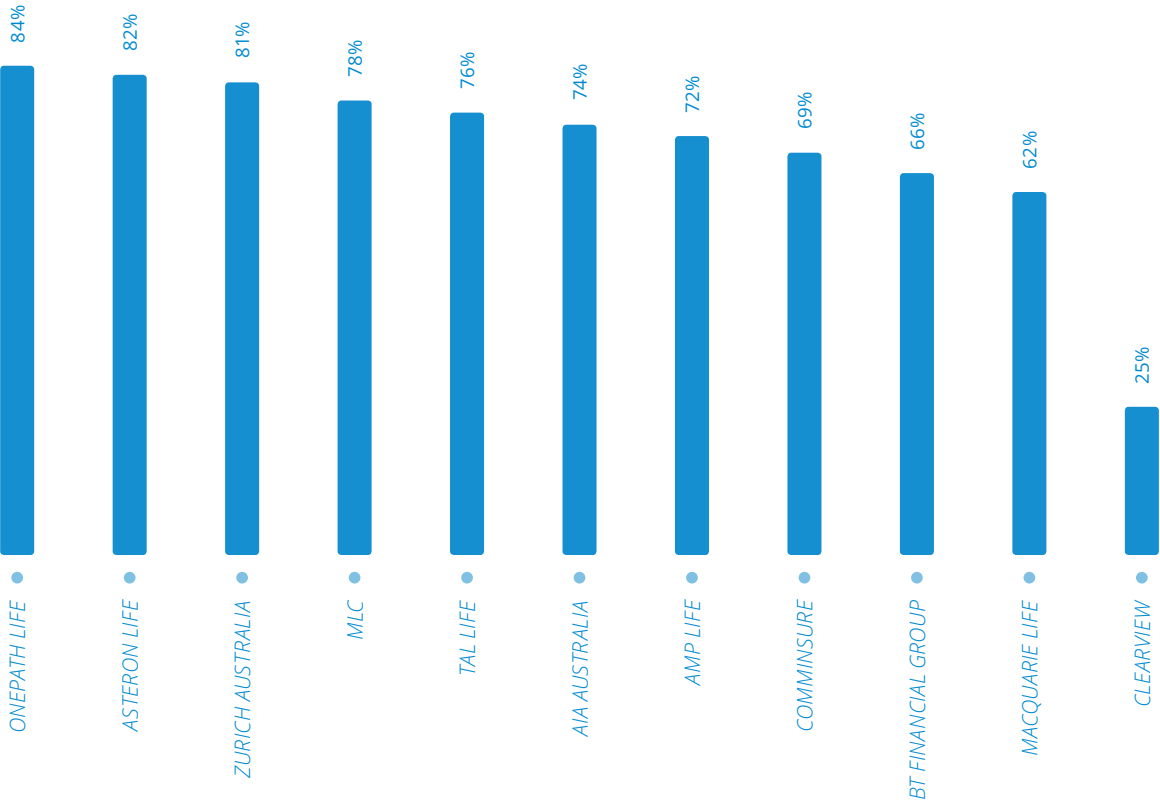


Source: Adviser Ratings Research, adviser commentary analysis
>15 comments per insurer to qualify

Approved Product List Coverage by insurer

Top Key Findings

- 1. Comments from advisers indicate that Comminsure has either been implicitly or explicitly removed from their Approved Product List (APL), placing them eighth in terms of APL coverage.
- 2. Despite ranking sixth in terms of APL coverage, AIA consistently rank in the top 3 insurers when it comes to satisfied advisers indicating that even advisers who do not have AIA on their APL have an above average positive claims experience.
- 3. Clearview has a significantly lower APL coverage when compared to the top 10 retail insurers. This could be as a result of either poor satisfaction rating among advisers and/or being the newest insurer of the market.

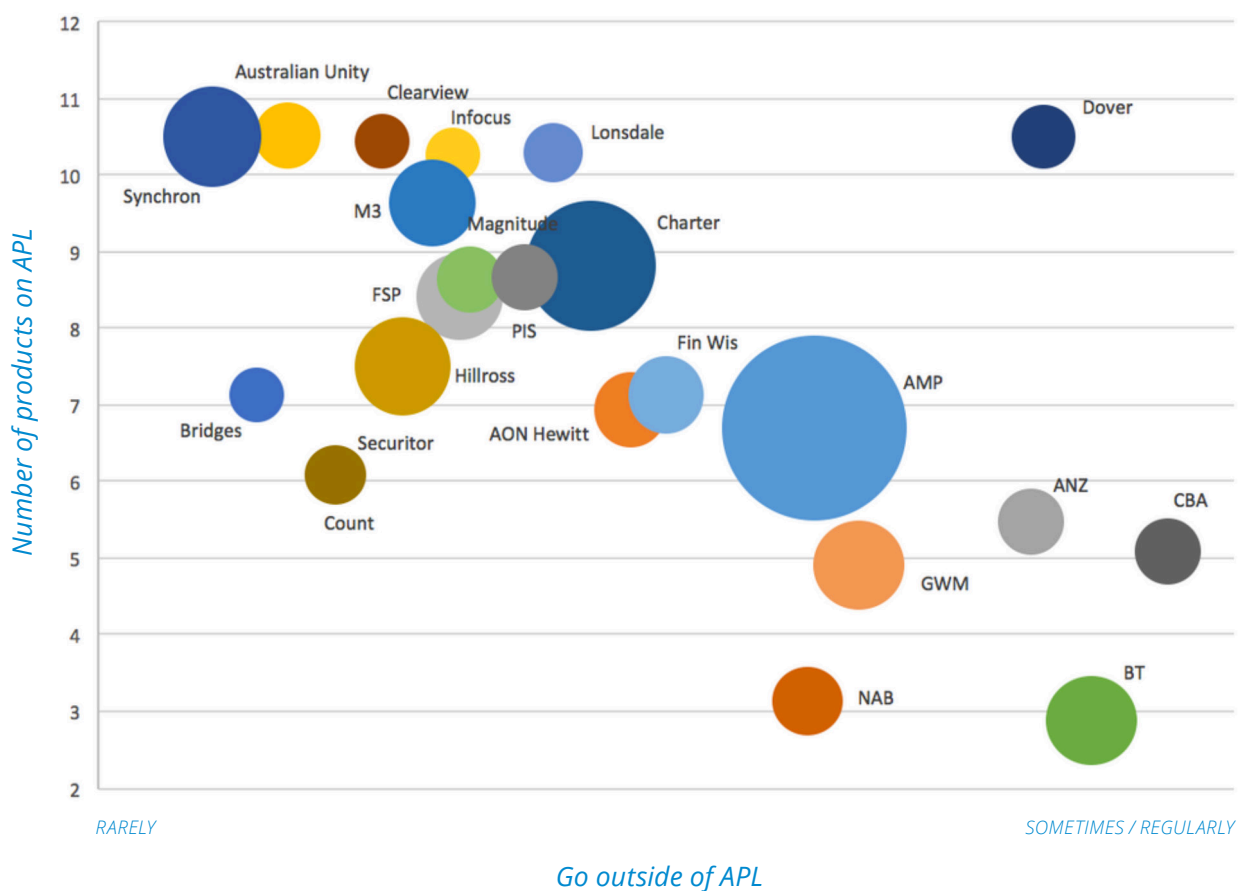


Source Adviser Ratings Research, n = 1,017
APL = products approved by the advisers licensees that they can sell to their clients

Size of Approved Product List (APL) v How often advisers go outside APL

Top Key Findings

1. The “Big Four” banks have half the insurance coverage of non banks at 4.14 insurers on their APL v 8.57 for non banks
2. There is a general trend that the lower the number of insurers on an advisers’ APL the more likely they are to recommend products not on their APL. This could indicate advisers are seeking products outside of their APL to better match the clients interests.
3. Alignment to a particular owner does not mean a lower APL coverage, e.g. BT have lowest APL coverage at 23, whereby its aligned licensees of Securitor and Magnitude have 7 or more insurers on its APL.



Source Adviser Ratings Research, n = 1,017

APL = products approved by the advisers licensees that they can sell to their clients



Appendices



About Adviser Ratings

Adviser Ratings launched in October 2014, in the wake of the Future of Financial Advice reforms (FOFA), the Financial System Inquiry (FSI) and financial planning scandals of the time, and lists more than 23,000 financial advisers on its independent platform, enabling consumers to browse and search for an adviser suited to their needs, rated and reviewed by other consumers. It is backed by former CFO of Virgin Money, Angus Woods, and consumer campaigner Christopher Zinn.

More detailed findings of this survey can be separately provided by Adviser Ratings. Please contact us on 1300 889 287

Licensee Ownership

LICENSEES	OWNER
AMP FINANCIAL PLANNING PTY LIMITED	AMP
CHARTER FINANCIAL PLANNING LIMITED	AMP
HILLROSS FINANCIAL SERVICES LIMITED	AMP
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	ANZ
FINANCIAL SERVICES PARTNERS PTY LIMITED	ANZ
MILLENNIUM 3 FINANCIAL SERVICES PTY LTD	ANZ
AON HEWITT FINANCIAL ADVICE LIMITED	AON HEWITT
AUSTRALIAN UNITY PERSONAL FINANCIAL SERVICES LTD	AUSTRALIAN UNITY
COMMONWEALTH FINANCIAL PLANNING LIMITED	CBA
COUNT FINANCIAL LIMITED	CBA
FINANCIAL WISDOM LIMITED	CBA
PROFESSIONAL INVESTMENT SERVICES PTY LTD	CENTREPOINT
CLEARVIEW FINANCIAL ADVICE PTY LTD	CLEARVIEW
DOVER FINANCIAL ADVICE PTY LTD	DOVER
INFOCUS SECURITIES AUSTRALIA PTY LTD	INFOCUS
BRIDGES FINANCIAL SERVICES PTY LTD	IOOF
LONSDALE FINANCIAL GROUP LIMITED	IOOF
GWM ADVISER SERVICES LIMITED	NAB
NATIONAL AUSTRALIA BANK LIMITED	NAB
SYNCHRONISED BUSINESS SERVICES PTY LTD	SYNCHRONISED
BT FINANCIAL GROUP	WBC
MAGNITUDE GROUP PTY LTD	WBC
SECURITOR FINANCIAL GROUP LTD	WBC

Questionnaire

1. Please select up to 3 insurers that you think are BEST or BETTER at handling and approving life insurance claims?
2. Please select up to 3 insurers that you think are the POOREST at handling, disputing and denying life insurance claims?
3. Please select up to 3 insurers that are the BEST or BETTER at handling and approving TPD claims.
4. Please select up to 3 insurers that are the POOREST at handling, disputing and denying TPD claims.
5. Please select up to 3 insurers that are the BEST or BETTER at handling and approving income protection claims.
6. Please select up to 3 insurers that are the POOREST at handling, disputing and denying income protection claims.
7. Please select up to 3 insurers that are the BEST or BETTER at handling and approving trauma cover claims.
8. Please select up to 3 insurers that are the POOREST at handling, disputing and denying trauma cover claims.
9. Which of these insurers appears on your APL?
10. How often do you seek products from outside your APL?
11. Is there anything you want to add about your experiences with any particular insurer or the insurance industry?

Glossary

Retail insurance

Retail insurance is cover that is provided by some of the major life insurers in Australia. It is generally only available through a financial adviser. These products are generally fully medically and financially underwritten and provide greater flexibility, customisation and additional policy options compared with direct or group insurance.

Direct insurance

Direct life insurance is life insurance you can buy direct, either from insurance companies or financial institutions. There is no involvement by a financial adviser, requiring nil or minimal medical information and applications can be completed online, in the branch or over the phone.

Group life insurance

A group insurance policy is cover that is designed to cover multiple people under the one policy. It is generally available for the corporate sector or superannuation funds. In most cases, the people covered must share a commonality, either employees at the same company or members of the same super fund.

Risk adviser

A financial adviser that specialises in insurance cover.

Approved product list

A list of preselected insurance policies that are deemed fit for purchase by an adviser of a licensee. The intent is to limit the advisers array of choices to policies available on the licensee's approved list.