

24 May 2021

Actuaries Institute report says 'real momentum for change' in disability insurance sector

- **Actuaries lead change in disability insurance sector.**
- **While there is a path forward, sector remains unhealthy.**

The Actuaries Institute's Disability Insurance Taskforce today said there is "real momentum for change" in a sector that continues to face significant financial stress and is subject to close monitoring by APRA. Release of the Taskforce's final report into individual disability income insurance (IDII) follows more than 12 months of critical examination of the sector by the Taskforce, spurred by hefty and ongoing losses by life companies whose sale of complex products, ultimately, threatens the viability of the sector. Insurance companies are estimated to have lost more than \$2b since 2018.

"Through its work, the Taskforce has developed a path forward for the industry. This will involve change and contribution by the many participants in the IDII ecosystem," the report said.

"However, there has been very positive support for the work of the Taskforce, and the Taskforce is confident that there now is real momentum for change. The challenge now is to make it happen."

Led by senior actuary and former APRA deputy chairman Ian Laughlin, the Taskforce's recommendations reflect consultation and feedback from policy makers and regulators, insurers, consumer advocates, ratings houses, and industry representatives such as the Financial Services Council and others. APRA and the FSC have had observer status throughout the development of the Taskforce's recommendations and various hearings and seminars have helped formulate the findings.

"The Taskforce set out to have a customer-centric view and to commit to tackling issues from a professional and objective standpoint. The Institute established the Taskforce to analytically assess the many factors at play in the retail disability insurance market and to manage a process where all parties tried to understand the issues and how to improve outcomes for customers," Mr Laughlin said.

"Nearly everyone we have engaged with and listened to, is aware that change is critical. The challenge now is to embrace the recommendations."



The Taskforce has supported APRA's actions in the sector, saying "APRA should maintain the current intervention until such time as industry demonstrates a sustained improvement in practices and outcomes."

Mr Laughlin said IDII plays a critical role in the Australian economy, providing financial protection against loss of income because of disability and is particularly important for the self-employed and professionals who may have no other support available.

"But the *IDII ecosystem today is not healthy," he added.

Mr Laughlin noted that the Taskforce firmly believes that returning an employee to work at the appropriate time, where this is reasonable, should be a key objective of disability insurance sector reform.

To help address its recommendations, the Taskforce developed a 'Reference Product' which should be used by insurers and their Boards and executives to assess risk and uncertainty for both customers and the company. As part of this reform template, the Taskforce also developed a Sustainability Guide which is designed to help insurers consider critical aspects of product design, operational practices, pricing uncertainty, risk management and risk appetite. The Taskforce said insurers should use the Guide to continually improve their frameworks, policies and day-to-day practices to mitigate risks and improve long term IDII sustainability for consumers and insurers.

Mr Laughlin said the Institute welcomed APRA's recent acknowledgement of the role that the Sustainability Guide and Reference Product can play in critically reviewing all aspects of IDII products, particularly in the areas of sustainability, risk management and contract terms.

The Taskforce's final report is available [here](#).

For media inquiries please contact:

Ian Pemberton, P&L Corporate Communications

m +61 (0) 404 256 576

p +61 (0) 2 9231 5411

About the Actuaries Institute

As the sole professional body for Members in Australia and overseas, the Actuaries Institute represents the interests of the profession to government, business and the community. Actuaries assess risks through long-term analyses, modelling and scenario planning across a wide range of business problems. This unrivalled expertise enables the profession to comment on a range of business-related issues including enterprise risk management and prudential regulation, retirement income policy, finance and investment, general insurance, life insurance and health financing.



*IDII Ecosystem

