



8 December 2022

TO: CEOs OF ALL LIFE INSURERS AND FRIENDLY SOCIETIES (LIFE COMPANIES)

Premium increases in the life insurance industry

The Australian Prudential Regulation Authority (**APRA**) and Australian Securities and Investments Commission (**ASIC**) have seen complaints from consumers, and reportable situations from insurers, about premium increases in retail life insurance policies.

Our concerns

We are concerned that some life companies:

- have not appropriately applied premium increases to retail life insurance policies, particularly level premium policies, in accordance with the policy terms; and/or
- have not acted in accordance with the reasonable expectations created through the relevant disclosure and marketing material.

These concerns indicate that some life companies do not have effective systems, processes, and controls in place to ensure:

- clear and effective disclosure has taken, and continues to take, place;
- that all premium changes are made in accordance with the applicable documents that form the contract between insurer and consumer;
- that marketing material and other documents are not misleading; and
- continued compliance with their legal obligations, including to act efficiently, honestly and fairly.

Our expectations in relation to existing policies, including legacy products

We request all life companies that write, or have written, retail life insurance policies to review past:

- premium increases, including for legacy products, to ascertain whether increases or re-pricing decisions have been applied in accordance with the applicable policy terms; and
- disclosure and marketing material to determine whether policyholders have been provided sufficient clarity about future premiums, including the way in which premiums may change over the life of the policy.

Our expectations about the design of future product offerings

We acknowledge that ensuring the ongoing sustainability of life insurance products is a challenging issue. APRA's measures related to individual disability income insurance (**IDII**)

have set clear expectations on the design of sustainable products, including the need to provide policyholders with reasonable premium stability.¹

Building on these expectations, life companies should:

- consider the appropriateness and clarity of disclosures and marketing material as they relate to future premium increases;
- review existing product labels, considering the appropriateness of describing a product as 'level premium' if there is not a high degree of confidence around premium stability; and
- consider how to manage the reasonable expectations of policyholders around premium increases in an ongoing manner.

Next steps

We request that all life companies that write, or have written, retail life insurance policies respond to ASIC by **31 March 2023**, outlining:

1. any findings in relation to their review of past:
 - premium increases which may not have been applied in accordance with the applicable policy terms; and
 - disclosure and marketing material which may have misled policyholders about the premiums they would have to pay;
2. if any issues of concern were identified in (1), what steps are planned to report, rectify and remedy these issues; and
3. their proposed actions to meet our expectations about the design of future product offerings outlined above.

We acknowledge that some insurers may not be able to complete the review by 31 March 2023. In this case, we expect an update by **28 February 2023** on the steps being taken to complete the review and the likely timing. ASIC will arrange meetings to discuss individual responses in **April-May 2023**.

Should you have any questions about the content of this letter, please contact Pippa Lane, ASIC Senior Specialist, on +613 9280 4392 (or pippa.lane@asic.gov.au) or Ilanko Sellathurai, APRA Senior Manager, on +612 9210 3014 (or ilanko.sellathurai@apra.gov.au).

Yours sincerely

Signed

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¹ [Final IDII sustainability measures | APRA: Suspension of Policy Contract Term measure - APRA](#)