



ASIC
Australian Securities &
Investments Commission

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To: Directors of life insurance companies

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Dear Directors,

***ASIC's expectations about life insurers' responses to the Covid-19 pandemic
(the Covid Pandemic)***

ASIC is committed to working constructively and pragmatically with life insurers to help Australians affected by the Covid Pandemic to recover, and to help the general functioning of the economy. We recognise the importance of working with the Financial Services Council and life insurers directly in order to achieve this and, where possible, to establish consistent approaches on key areas such as assisting consumers in financial difficulty.

On 14 April 2020, [ASIC released an update on its regulatory work and priorities in light of COVID-19](#). In doing so ASIC also conveyed our overall expectations of regulated entities during this time. Namely, that despite the challenges posed by the Covid Pandemic, ASIC expects entities to treat consumers fairly, avoid adding further financial harm or burden to consumers, and act to maintain the integrity and efficiency of markets. Given the unprecedented scale of the Covid Pandemic's effect, ASIC thought it would be helpful to expand on those expectations as they relate to life insurers. As a starting point, ASIC expects insurers to consider their conduct in light of the current circumstances and to act in a fair, professional manner that is in line with the duty of utmost good faith.

Insurers' code commitments

Now more than ever, it is important that life insurers stand by the commitments made in the Life Insurance Code of Practice (the Code): to be honest, fair, respectful, transparent and timely. It will also be a time where many more, if not most, of the life insurance industry's customers are in a vulnerable position, may be suffering financial hardship, and require

additional support. Taking steps to provide that additional support, as committed to in the Key Code Promises, will be crucial during this time.

We also expect that you, as directors, will seek affirmation through board reporting that the Code commitments are being met.

Flexibility in dealing with consumers

Insurers will need to be flexible in dealing with consumers' specific circumstances. ASIC expects insurers to consider, where appropriate and reasonable, going beyond the hardship provisions of the Code and reviewing options for premium 'holidays' or deferrals for consumers who are no longer able to pay premiums due to reduced income. We recognise that some insurers introduced this type of flexibility in response to the tragic bushfires of summer 2019-20, and we consider a similar approach is just as important now, given the broad effect that the Covid Pandemic is already having on many Australians. We expect insurers to try to find workable options to allow consumers in hardship to continue their cover.

ASIC also expects insurers to consider whether outcomes will be fair for consumers if they have to actively 'opt in' or make a request in order to receive any benefit insurers offer in response to the Covid Pandemic. For example, consumers who are struggling to pay their insurance premiums may simply allow the policy to lapse rather than contact their insurer to cancel it. If an insurer relies on consumers to contact them to discuss options for retaining their cover, this can result in inconsistent and unfair outcomes for policyholders. Vulnerable consumers will be under considerable stress – accordingly, for some benefits to be effective they may need to take effect automatically, without the need for any action by the consumer.

Handling claims and complaints

ASIC expects insurers to handle insurance claims with utmost good faith and to deal with complaints genuinely, promptly, fairly and consistently. ASIC also expects that you, as directors, seek affirmation through board reporting that this is happening.

For example, while we acknowledge the impact of the Covid Pandemic on insurers' operations, ASIC expects that consumers who make or wish to make claims have their claims lodged and assessed with minimal delay. This may require insurers to adjust usual practices where Government requirements or recommendations are in place due to the Covid Pandemic, including using local medical professionals for assessments to avoid lengthy travel or using video consultations.

Insurers should also apply appropriate flexibility in their treatment of consumers whose personal and/or working conditions have changed as a result of the Covid Pandemic, for example where these working conditions impact their income protection or TPD claim outcome.

In particular, insurers should proactively apply the Urgent Financial Need provisions in sections 8.27 to 8.30 of the Code for all affected claimants, including consumers making a Covid Pandemic related income protection or TPD claim.

Additionally, as recognised in [ASIC and APRA's recent letter to superannuation trustees](#), there will be a range of insurance related issues that arise due to the effects of the Covid Pandemic on superannuation fund balances. We encourage insurers to work proactively with superannuation trustees to arrive at fair outcomes for members making insurance claims.

Communication to consumers about coverage

ASIC expects life insurers to communicate proactively, clearly and accurately with consumers about their life insurance cover, recognising the rapidly changing situation they are facing. Insurers must act in a manner that is efficient, honest and fair.

This should include working in close collaboration with superannuation trustees to ensure trustees understand how members' insurance may be affected by economic conditions and public health restrictions – for example, policy clauses relating to employment, work hours, effects of accessing super benefits early and exclusions, and to help trustees communicate these effects clearly to their members in an accurate and balanced manner (as outlined in [ASIC and APRA's recent letter to superannuation trustees](#)).

There should also be clear, prominent messages on websites about key coverage limitations in existing products such as work-hour requirements, exclusions for specific high-risk occupations, and exclusions for pandemics.

Data on Covid Pandemic claims

Mindful of the demands on life insurers, ASIC does not currently intend to seek data on claims connected to the Covid Pandemic over the coming months. However, we envisage that we will seek data as the operational impact of the pandemic subsides. To that end, we recommend that insurers, at a minimum, identify claims where the primary or secondary cause of loss or injury is connected to the Covid Pandemic. We will engage with the FSC and insurers shortly to discuss our likely data requirements. We will, of course, continue to work closely with the FSC and insurers to ensure that the regulatory burden placed on insurers by our data requirements is minimised.

We note that the expectations outlined in this letter are examples, rather than an exhaustive list, and we expect to engage with industry on an ongoing basis as and when further matters arise.

We will continue to engage closely with APRA with the intention that we manage Covid Pandemic work in an efficient and effective way.

I would be pleased to discuss these issues further; please contact me if you would like to do so.

Yours sincerely,



Emma Curtis
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Acting Executive Director, Financial Services Group