

**Breast Cancer Network Australia**  
**Submission to The Parliamentary Joint Committee on**  
**Corporations and Financial Services inquiry into the Life**  
**Insurance Industry**

**March 2017**

**About Breast Cancer Network Australia**

Established in 1998, Breast Cancer Network Australia (BCNA) is the peak national consumer organisation for Australians personally affected by breast cancer. We support, inform, represent and connect people whose lives have been affected by breast cancer. We work to ensure that Australians diagnosed with breast cancer receive the very best support, information, treatment and care appropriate to their individual needs.

BCNA represents more than 120,000 individual members and 300 member groups across Australia.

Breast Cancer Network Australia (BCNA) welcomes the opportunity to provide a submission to the The Parliamentary Joint Committee on Corporations and Financial Services inquiry into the Life Insurance Industry. Our submission follows on from concerns around the life insurance industry raised in our April 2016 submission to the Senate Economics Committee Inquiry into Scrutiny of Financial Advice.

**BCNA's submission focuses on the following Terms of Reference items:**

- B. Assessment of relative benefits and risks to consumers of the different elements of the life insurance market, being direct insurance, group insurance and retail advised insurance.
- C. Whether entities are engaging in unethical practices to avoid meeting claims.
- E. The effectiveness of internal dispute resolution in life insurance.

**BCNA recommendations**

1. That group insurance attached to superannuation remains an opt out model for all Australians.
2. The introduction of capped death benefits for young adults within group insurance policies that automatically increase once they reach their twenty fifth year.
3. The decoupling of death cover and terminal illness cover under group insurance schemes.
4. Protection of opt out disability insurance models for young people within compulsory employer superannuation schemes.

5. Establishment of a superannuation industry standard to allow death benefits to be paid to terminally ill members with a life expectancy of 24 months.
6. Increased transparency of how insurance claims are assessed through publication and promotion of claims manuals on public websites.
7. Establishment of new industry standards with shorter time frames for claim processing, improved communication when claims are being assessed and introduction of standard definitions including 'terminal illness' and 'total and permanent disability'.
8. Ensure that group insurance attached to superannuation is included in the proposed life insurance code compliance committee and that this committee is provided with substantial powers of audit and sanction that can help reduce consumers' needs for costly drawn out personal litigation.

## Submission

### Financial impact of breast cancer and the importance of group insurance

Australia has the fourth highest rate of breast cancer in the world<sup>1</sup> and breast cancer is the most common cancer in Australian women.<sup>2</sup> In 2017, it is estimated that 17,586 women and 144 men will be diagnosed with breast cancer<sup>3</sup>.

While the mortality rate is falling, breast cancer is the second most common cause of death from cancer in women after lung cancer.<sup>4</sup> Approximately 3,114 people are expected to die from breast cancer this year<sup>5</sup>. Although we do not have accurate statistics around how many Australians are living with metastatic (terminal) breast cancer, it has been estimated to be around 9,000 at any one time.<sup>6</sup>

People diagnosed with early breast cancer can face up to twelve months of treatment including surgery, chemotherapy, targeted therapy and radiotherapy. Many of these treatments cause debilitating side effects which can impact on their ability to remain in the workforce, causing significant reduction in household income.

In 2016, BCNA commissioned Deloitte Access Economics to conduct research into the financial impact of breast cancer. Findings of this report showed that household income dropped by 50% in the first year after a breast cancer diagnosis. Findings also showed that the top three ways people pay for their breast cancer related expenses are to draw on savings (67%), claim on their income protection insurance (12%) and borrow money (11%)<sup>7</sup>. Considering that as many as 27% of Australian households have \$1,000 or less in savings for emergencies<sup>8</sup>, and that 20% of middle income earners have no room in their budget for

---

<sup>1</sup> Australian Institute of Health and Welfare, *Breast Cancer in Australia: an overview*, October 2012

<sup>2</sup> Australian Institute of Health and Welfare & Australasian Association of Cancer Registries, *Cancer in Australia: an overview 2014*

<sup>3</sup> Australian Institute of Health & Welfare 2017, *Cancer in Australia 2017*. Cancer series no 101. Cat no. CAN 100. Canberra: AIHW.

<sup>4</sup> Australian Institute of Health and Welfare & Australasian Association of Cancer Registries, *Cancer in Australia: an overview 2014*

<sup>5</sup> Australian Institute of Health & Welfare 2017, *Cancer in Australia 2017*. Cancer series no 101. Cat no. CAN 100. Canberra: AIHW

<sup>6</sup> Clements, M.S., Roder, D, Yu, Z.Q., O'Connell, D., L. (2012). *Estimating prevalence of distant metastatic breast cancer: a means of filling a data gap* *Cancer Causes Control*, 23, 1625-1634.

<sup>7</sup> Data from Deloitte internal report to BCNA, based on survey run with 1,919 BCNA members in 2016.

<sup>8</sup> ME, *Household Financial Comfort Report*, 2017.

unexpected expenses<sup>9</sup> it is little wonder that women frequently report the financial impact of breast cancer as their highest unmet need.

For those living with metastatic breast cancer, treatment is lifelong. Like many other Australians diagnosed with life limiting illnesses, people with metastatic breast cancer must often rely on disability and life insurance cover to meet their needs when their working lives are interrupted or permanently cut short. It is well known however that the majority of Australians are underinsured. Only 31% of Australians have income protection and only 23% have trauma/critical injury insurance<sup>10</sup>. For the majority of Australians the only means of obtaining death and disability insurance is through group insurance within compulsory employer superannuation.

It is therefore vitally important to the wellbeing of average Australians who may develop serious illnesses that group insurance attached to superannuation remains an opt out model. Any movement away from this would have huge implications for average Australians to access affordable life and disability insurance to meet their and their family's daily needs should they become ill and/or die. A change to an opt in insurance model would create a significant economic burden on Australian taxpayers through increased reliance on social welfare. Sickness benefits through Centrelink are significantly less than other safety net payments such as the aged and disability pensions. Without disability insurance many people would not be able to make ends meet should they be diagnosed with breast cancer.

*I felt even worse, it was like I was being penalised for having cancer... It just adds insult to injury to only have that {sickness benefit} paid at \$250 a week. I tried – you can't live on that.  
- Georgie*

There has been some discussion around opt out insurance for young people who may not have dependants and do not need death cover. Yet this is not true for everyone, meaning some people will be disadvantaged by this change. It is vitally important that disability cover attached to superannuation is protected for young working people as they are unlikely to have any other income protection means and would be left reliant on Centrelink payments should they become ill and be unable to work.

BCNA is concerned that there has been no discussion around how removal of death cover for under 25s will impact on terminal illness cover and pre-payment of death cover. This cover can make a huge difference to the quality of life of a young person diagnosed with less than 12 or 24 months to live. It will be essential that death cover and terminal illness cover are decoupled in any changes to opt out death cover.

We are also concerned that processes to ensure people are automatically opted into life insurance after the age of 25 will be at the discretion of the provider and will be lost in the fine print. Whilst breast cancer is most common in older women, young women can get breast cancer too. It is likely that their ability to obtain direct insurance post breast cancer diagnosis will be severely compromised due to exclusion clauses around pre-existing

---

<sup>9</sup> Data from Digital Finance Analytics, quoted in an article by David Taylor, *Are Australian households on the edge of a debt crisis?* <http://www.abc.net.au/news>

<sup>10</sup> TNS/IFSA, *Investigating Income Protection Insurance in Australia*, July 2006, cited in IFSA 2007, *Life Insurance Headland Statement - Securing Australians' Financial Wellbeing 2007 – 2010*.

conditions. It is unknown how any move to an opt in group insurance model would affect people with pre-existing conditions. The potential for young breast cancer patients to be exposed to a life time of no protection may be a dire consequence of such a change.

To overcome these problems, BCNA recommends group insurance policies include capped death cover benefits for young adults that automatically increase once they reach their twenty fifth year.

### **Challenges people face accessing insurance and the need for effective and transparent dispute resolution**

*I've got that insurance sitting there, sitting in an account that I continue to pay money into my whole life. Why can I not access it? And there's not even a special circumstances exception- Lisa.*

It is of great concern to BCNA that, despite the existence of group insurance attached to superannuation, a significant number of our members report difficulty accessing their policies when they need to. BCNA's 2014 survey of 582 people living with metastatic breast cancer found that 29 per cent (170) had not been able to access their lump sum superannuation through the terminal illness provisions although they had wanted to do so. The most common reasons given were the terminology around the number of months they were expected to live and the complexity of paperwork in submitting a claim.

*All the forms are tweaked towards an injury like a broken leg, not about a terminal disease. The process has been long. It would have been really good to have someone that knows all about making a claim. You've got to be careful with every step you take- Lisa*

Other people discussed encountering difficulties when dealing with their superannuation fund, including poor communication, being sent incorrect forms or not receiving clear information about entitlements. Others were unsure how their claims were assessed and what entitlements were associated with their superannuation policies, including Total and Permanent Disability (TPD) benefits and Total and Temporary Disability (TTD) benefits, also referred to as Income Protection or Salary Continuance.

*I have been trying to work out how [to access my superannuation]. I have called the Super fund people, and they keep sending the wrong forms. – 2014 Survey respondent*

Reliance on superannuation and associated insurances can be of vital importance to Australians living with metastatic breast cancer; however, as found in our survey, many face difficulties accessing it.

BCNA was delighted that in 2015 the Australian Government agreed to amend the superannuation laws to extend the life expectancy requirement of the terminal illness provision from 12 months to 24 months. This will benefit many people living with a terminal illness.

We remain concerned, however, about unintended consequences that have arisen from this change, particularly around access to life insurance death benefits attached to superannuation policies, which are commonly paid out only when life expectancy is 12

months or less. While some superannuation funds are re-negotiating arrangements with their insurance providers to allow death benefits to be paid to terminally ill members with a life expectancy of 24 months, this practice has not yet been adopted as an industry standard meaning people may not be aware whether their own fund has made this change. As a result there is potential for people to lose their death benefits when claiming their lump sum superannuation pay out if they do not understand they need to retain sufficient funds in their account for their insurance premiums to continue to be deducted.

BCNA has published a fact sheet to help explain some of these issues and to assist people with incurable breast cancer to understand their superannuation and insurance entitlements. However we are concerned that there is poor understanding of this unintended consequence and that life insurance policies attached to superannuation policies may inadvertently lapse upon withdrawal of a superannuation account balance. BCNA is concerned that this may lead to huge financial disadvantages to families, particularly families of young women who may be relying on these funds to assist with the cost of living expenses after a woman's death.

We are also concerned by the general lack of standard definitions across the superannuation industry and how this may complicate the assessment of claims. We believe there is far too much latitude around how the industry defines terms such as 'terminal illness' and 'total and permanent disability' which currently vary from fund to fund. Consistency in these definitions and publication of how they are assessed by individual insurers would provide greater clarity, reduce complexity around claims and improve dispute resolution processes.

Lack of industry standards around processing time frames also means that some claims are taking months to be finalised, with administrative delays holding up applications and leading to further financial strain for people living with terminal illness, many of whom are forced to pay expensive legal fees to have claims finally approved.

*Income disability insurers are appalling and we need laws to make them honour their products. I waited 20 months to be paid 16 months' worth of underpaid or unpaid claims and it cost me \$10,000 in accountancy fees pushing them, plus interest on my line of credit which I had to draw on to survive. – 2014 Survey participant*

BCNA is calling for this parliamentary inquiry to recommend an overhaul to the regulatory and dispute resolution process to ensure all aspects of the life insurance market, including direct insurance, group insurance and retail advised insurance, are subject to transparent and accountable practice. We believe a prescribed set of rules needs to be implemented under a formal code overseen by a proactive code compliance committee. These rules should include maximum time periods for claim applications to be processed, minimum communication requirements during the decision process, full disclosure of reasons why a claim may have been rejected and rigorous review procedures to ensure people have the opportunity to be heard in a timely manner without having to pay expensive legal fees.

It is essential that life insurance attached to superannuation is included in the terms of reference of the code compliance committee, otherwise it will have little impact on average Australians.

We believe that in order to increase community confidence that the recent scandals surrounding the life insurance industry will not be repeated, the code compliance committee

needs to have substantial powers of audit and sanctions to enforce compliance. In addition, processes need to be transparent allowing any breaches by industry to be published in full on a public website.

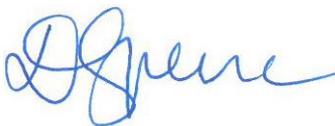
Should the code compliance committee not achieve widespread reform within the life insurance industry, it is likely that we will continue to hear distressing personal stories of people who are unable to access their money when they are ill or dying. We believe that this will continue to enrage Australians and increase the media and general community interest in a Royal Commission into the life insurance industry, in the belief that this would be the only mechanism capable of delivering systematic change.

### **Conclusions**

BCNA has advanced eight recommendations outlined on page 1 of our submission.

In addition, BCNA is calling for the The Parliamentary Joint Committee on Corporations and Financial Services inquiry into the Life Insurance Industry to recommend changes that will lead to increased transparency and accountability by the sector as a whole to protect all Australians who may one day find themselves diagnosed with a serious or terminal illness.

For further information, please contact Danielle Spence on 03 9805 2595 or [dspence@bcna.org.au](mailto:dspence@bcna.org.au)



Christine Nolan  
Chief Executive Officer

Danielle Spence  
Head of Quality Practice