

Individual Disability Income Insurance in Australia

IDII

SEPTEMBER 2020



Review by the Disability Insurance Taskforce of the Actuaries Institute

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The IDII product in Australia provides critical cover for many members of the community who may suffer loss of income because of disability.

The IDII product has become more and more complex over time, making it difficult for customers to understand and be satisfied with claims outcomes. At the same time, affordability and accessibility for consumers is declining. As the product has become increasingly cost prohibitive there has been a greater tendency for healthier policyholders to cease their insurance. Over time, the higher claims cost has led to further price increases for the remaining policyholders.

Meanwhile, insurers have been losing very large sums on IDII business, as claims have climbed in frequency and amount. Price increases have not been enough to compensate. Some insurers and reinsurers have effectively withdrawn from the market.

The market is at risk of failure.

In mid 2019, the Actuaries Institute set up the Disability Insurance Taskforce (the Taskforce) to conduct a comprehensive review of issues with IDII. The Taskforce has now produced three documents for consultation with interested parties.

Document A: Provisional Findings and Recommendations

This document gives an overview of the issues in the IDII ecosystem and sets out provisional findings and recommendations of the Taskforce. There are 45 provisional recommendations covering multiple parties.

The document will be of interest to anyone involved in the IDII ecosystem – consumer bodies, insurer management and boards, technical and professional specialists, regulators, government and financial advisers.

Document A can be accessed here [Link](#)

Document B: The Sustainability Guide – draft for consultation

This is intended to be a guide to good practice in the management of IDII business for insurance company boards and management. It will be of most interest to them, technical specialists and regulators.

Document B can be accessed here [Link](#)

Document C: The Reference Product – draft for consultation

The Reference Product is to provide a reference point to aid senior management, the Board and regulators in assessing risk and uncertainty for both customers and insurance companies. In other words, it is intended to assist insurers in the prudential management of their individual disability income insurance product line. It is not intended to dictate the design of a retail product.

Document C can be accessed here [Link](#)

Consultation

All three documents are open for consultation. The Taskforce is keen to hear from anyone with an interest in IDII and the role it plays in society.

The Taskforce followed a comprehensive process to engage with those with an interest in IDII and this helped formulate the views in the three documents (see Document A for details of the process followed). The Taskforce expects that there will be considerable support for most of the provisional findings and recommendations but also anticipates that there will be some disagreement. It encourages anyone with different views to set out their position with supporting rationale as part of the consultation process.

Once the consultation process is complete, the Taskforce will produce a final set of findings and recommendations, with final versions of the three documents.

Feedback can be provided via email at ditf@actuaries.asn.au