Data risks of insurance in superannuation

For superannuation funds with Group life insurance, managing data can be a complex proposition. Product variability, a reliance on third parties to provide data and a history of data transitions increase the risk of data being inaccurate or incomplete.

Regulators have high expectations for the standard of data quality in the industry. APRA note an absence of verification, testing and cleansing around data. They also want more independence when it comes to assuring data quality.

Systems and processes

Product complexity
Life insurance products offered to employer sponsors can be highly customised, creating variation in how the business rules are to apply to data.

Reliance on third parties
The data arrives from a multitude of sources, including insurers, employers and advisors, to varying degrees of input quality.

Movements of data
Funds experience a high degree of movement in their data, as they consolidate or change insurance providers, increasing the risk of data mapping errors and omissions.

Product variation

Input quality

Data transition

Data quality tensions

Responsibility for data

Monitoring for erosion

Data validation

Regulator expectations

Responsibility for data
"The accuracy and completeness of insurance data is the responsibility of the Trustee" – APRA

Erosion of benefits
Data monitoring is expected in demonstrating the cost of insurance is not inappropriately eroding retirement incomes – SIS Act

Data validation
"Significant improvements are needed in the thoroughness and frequency of data verification, testing & cleansing" – APRA

Customers

Members themselves cannot be assumed to represent a last line of defence in detecting errors in their personal information. Member disengagement is well recognised within the industry and many people do not realise that life insurance (and the associated premiums) comes automatically bundled in their MySuper option.
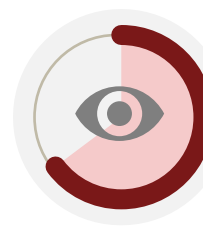
83% of members have life insurance through their super[1]
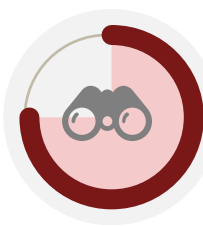
71% of survey respondents were not engaged when considering life insurance[2]

66% of 25 to 34 year-olds do not read their annual superannuation statement[3]
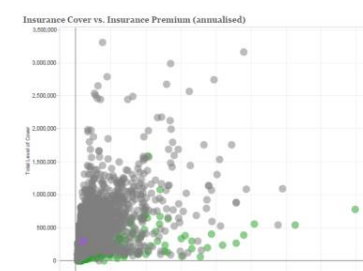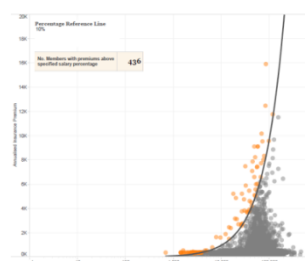
52% of households are not aware they have life insurance[4]

Our diagnostic

We are able to scan your data set of insured members as a *diagnostic* for *early warning indicators* on problems and anomalies, based on our experience of the common pitfalls across the industry. The diagnostic makes use of sophisticated data analytic techniques and offers benchmarking capability between funds.

Through our analytics, we can identify situations of:

No cover	Insurance products not triggering, due to issues of incomplete/inaccurate data, potentially leading to illegitimate claim denial
Erosion	Insurance premiums significantly eroding members' SG contributions, where the extent of erosion exceeds that of comparative funds
Revenue leakage	Members with stated insurance cover that are not being charged a premium (and vice versa)
Claim inconsistencies	Members experiencing an event that let them access preserved super benefits without a corresponding insurance pay-out
Advice inconsistencies	Identification of advisors recommending above average insurance premiums
Other data anomalies	• Age at the date the member joined the fund places them below the legal working age, where DOB errors can impact sum insured • Cover amounts and claims not changing over time (e.g. cover and claims not indexing, or TPD not tapering)

1. Canstar, 2015
2. PwC consumer survey of over 2,000 respondents, April 2016
3. Centre for International Finance & Regulation / University of Melbourne, 2014
4. FSC/Metlife "Apathy to Action" report, 2014