

29.9.18

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

Submission in Response to Round 6

I am a health practitioner.

In response to particular policy questions arising from Module 6, the following submission applies to **MLC Life Insurance (MLCL) Income Protection**.

MLCL maximises its profit by rejecting claims or reducing payments on claims. To facilitate maximisation of profits, Disclosure and Claim Handling are two perfect weapons because MLCL does not provide full, frank and proper Disclosure. In the claim process, MLCL applies non-existing policy terms and obsolete policy terms, in order to avoid or minimise payments on claims.

MLCL's claim handling is also designed to shorten the life-span of the claimants and once patient dies, MLCL no longer pays income protection proceeds.

- ***DISCLOSURE***

"4. Is the current disclosure regime for financial products set out in Chapter 7 of the Corporations Act 2001 (Cth) and Division 4 of Part IV of the Insurance Contracts Act 1984 (Cth) adequately serving the interests of consumers?"

MLCL's disclosure is insufficient for customers to know how exactly is their pre-disability income (PDI) protected from inflation. Inflation protection is one of the policy extras, add-ons sold for extra payment.

MLCL policy allows calculation of PDI from one year prior to policy commencement but fails to inform customers that the inflation indexation of such PDI commences from the first anniversary of the claim. The problem with that is that the patient can lodge a claim decades after the patient purchased the product and if the PDI is indexed for inflation commencing from first anniversary of claim, the period between the product purchase and the claim lodgement is the period where the PDI will be eroded and its purchase power lost. Australian Bureau of Statistics keeps Australian inflation record.

Regulators opined that MLCL's disclosure about the Inflation Protection add-on insurance was insufficient. In particular, it was found: -

"The policy does not set out the indexation period. The section of the policy dealing with the Indexed Claim Benefits states that the monthly benefit will be increased annually, after the benefit has been paid for a year. The increase is stated to be equal to

the CPI increase (or 10% if lower). Arguably this is ambiguous because it does not specify the start and end date for indexation.”

From this, it is impossible for a lay person to determine whether or not this product is the best way to protect the insured's income from inflation and to make it even more difficult the Product Disclosure Statement was even more vague and the regulator added: -

“The initial disclosure document did not refer to the indexation of earnings. The customer information brochure only referred to the indexation of the monthly benefit both before and during a claim. It did not refer to the indexation of earnings before disability.”

It follows that it is left open to MLCL to interpret the non-existent guidelines at a whim and if we refer to the Executive Summary of the yesterday's Interim Report, why this happens is because: -

“the answer seems to be greed – the pursuit of short term profit at the expense of basic standards of honesty”

- **CLAIMS HANDLING**

“17. Should the obligations in section 912A of the Corporations Act 2001 (Cth) apply to all aspects of the provision of insurance, including the handling and settlement of insurance claims?”

Claim handling is the vital part of each and every insurance. In particular, the long-going disability claims last until the patient turns 65 or more/less and if the claim process is not strictly regulated, it is open for abuse of process by the insurers because of greed. The profit to insurers is via denial or minimisation of claims. In addition to improper Disclosure above, how else insurers do that?

1. Definitions

MLCL policy definitions are upgraded from time to time in order to be more competitive and charge more money.

However, the upgraded definitions are not passed and applied to the existing patients. When patients request access to such upgrades, MLCL refuses to pay them any benefits at all until they ‘come to reason and obey’.

What follows is the extract from a telephone conversation between MLCL and a patient. The conversation occurred over a year after the Definition was upgraded. The old definition enabled PDI from 12 months in the 3 years preceding disability. When this Definition was upgraded, it additionally allowed PDI from 1 year before the policy was purchased. Under policy contract, MLCL was under an obligation to use the greater of the two pre-disability incomes for calculation of patients benefits. In this case MLCL knew and ought to have

known that the patient's highest pre-disability income is in the period before the patient purchased the policy: -

PATIENT: well what actually happened what they did to me, I had that guyto purchase the policy and there was some sort of communication to him and I was happy then I paid the money and purchased the policy that was totally different to what I spoke toso I cancelled it and then they refunded me the money. Then I toldclearly what kind of policy I am after what I want and they issued me a new policy but if you look at the letter that I wrote back to her what policy I want to purchase from MLC is quite clear what I basically wanted. I am just very surprised that now all these new things are coming up when I put the claim in. It's quite, very difficult for me to understand.

MLCL: you probably need to separate is... ..when we are talking about partial disability put aside what happened when you took out the policy just for the time being, when we are calculating partial disability we are effectively looking at the impact on the business for the period when are actually returned to work because you are not able to work at your full capacity and the question is whether that is going to affect the bottom line. So, effectively your business expenses are continuing, but you may not be able to, because of your condition, to generate the same type of income. For us to see that, that's why we are asking for your best income over that last 3 years against what you have been earning since you have returned to work

MLCL: Look essentially with partial disability, in there, in the policy document it explains in black and white the actual formula. What you need to keep in mind effectively what we are doing is comparing your income before you were disabled to the income when you are partially disabled. We are actually comparing the difference and apply in the formula. Now, we are not able to make you a payment for partial disability unless we have those figures in front of us because that's the only thing on which we can base our calculation.

PATIENT: there are 2 ways you can calculate that isn't it?

MLCL: well, according to the policy document there isn't really. There is only one possible way. Now, I noticed you made some suggestions but I don't design the policy. We don't design the policy here. Essentially, we can take what you are saying but that's the product issue. When it comes to partial disability for the purpose of you receiving the benefit and not having the matter held up you are perfectly entitled to see a solicitor but at the same time if the information is not forthcoming we are not able to make you payment either. So, I would suggest you speak to your accountant, explain essentially what we want, you know what we want anyway. Why we want it, I've explained to you, OK? So in us going forward that's what we need in order to calculate a benefit for you. So, may be you just think about it, OK?

The patient refused to comply and MLCL refused to pay the patient benefits for the years. As the patient was injured, the patient had to continue work and in the process the patient developed irregular heart rhythm from pain in the injured limb that was left untreated due to lacking financial assistance. When patient informed MLCL of new heart issue, MLCL continued denying paying benefits. MLCL refused to apply the updated definition and had no system in place to ensure the correct definitions were used for patients' claims.

2. Shortening Life-Span of Patients

MLCL exploits vulnerabilities of patients to shorten their lives and shorten the period of payments for disability.

One of the vehicles how that is done is by obtaining the entire medical file of a patient and analysing it exploring for vulnerabilities and taking advantage of the same. For example, if the patient suffers from heart issues, MLCL will employ tactics to irritate the weak heart.

a) Add Backs

MLCL is using an extremely effective method to ruin patients' lives and that is Add Backs. Until the patient lodge a claim, MLCL never mentions Add Backs. I think if MLCL disclosed the existence and effect of Add Backs, MLCL would not sell many policies.....

After some time of paying benefits, MLCL will "reconcile the figures" and apply Add Backs. Add Backs are designed to induce the situation where MLCL overpaid the patient and then patient has to pay the money back to MLCL. The amount the patient has to pay back to MLCL is in tens and hundreds of thousands of dollars and as a result. This comes out of the blue to the patient and it unimaginable that it would not be injurious to the patient who is already disabled and vulnerable especially when MLCL knows about patients' heart condition.

b) Personal Injures

Since 2007 MLCL has known about this patient's heart condition.

On 4 April 2017 the Senate published a submission which this patient made against MLCL.

Submission to the Senate was made because this patient witnessed the following misconduct by MLCL:

1. *Sanitisation of customer's record;*
2. *Taking payment on false pretences;*
3. *Non-disclosure;*
4. *Misleading of Medical Examiner*

On 6 April 2017 MCLC Managing Director, wrote to the patient cancelling the patient's life insurance alleging that the patient failed to pay the premium despite the fact that the premium was paid on 19 July 2016. The patient suffered an acute cardiac event, the heart condition was aggravated and medications had to be prescribed.

The patient believed that cancellation was made on 6 April 2017 in retribution for the publication of 4 April 2017.

On 9 May 2017 MLCL Executive identified and published on the internet words to the effect that this patient was disabled, had disability claim and was receiving disability benefits. That caused a number a number of patient's clients to approach the patients and ask about the disability, which further aggravated the patient's heart condition and led to patient's Post-Traumatic Anxiety Disorder, Symptomatic Atrial Fibrillations and the heart stabilising medication and anxiolytics became of no effect exposing the patient to stroke and heart failure.

When the medical panel who assessed the patient found that the action of medication was suppressed by post-traumatic anxiety it necessitated that the patient immediately dissects self from any dealing with MLCL. The action of MLCL was planned, calculated, cruel and designed to cause the patient damage to health, dignity and self-worth and ruin.

MLCL claimed that they had a lawful right to cause these injuries to the patient because they were defending their commercial interest in response to the patient's submission to the Senate. However, this is wrong by virtue of s12(2) of the Parliamentary Privileges Act 1987.

The Commission should probe into mental health and other medical impact of MLCL's greedy conduct - "the pursuit of short term profit at the expense of basic standards of honesty".

