

2025 ALUCA Turks Life Insurance Scholarship Winning Paper

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In a recent joint letter to life insurers, APRA and ASIC encouraged the industry to “*continue to address issues of product design so that products are sustainably designed and priced, with consumers’ needs in mind.*”

When it come sustainability, the TPD product in particular, continues to be examined by industry round tables noting that with ever-increasing technological advancements and lifestyle shifts, life insurance customers are seeking flexible and transparent insurance products. How can life insurers tailor their TPD offerings to broaden appeal and meet the expectations of a consumer environment that demands value and peace of mind? What regulatory or legal changes would be required to underpin such innovation?

In your answer, consider whether current TPD products remain fit for purpose. What innovations can life insurers implement to ensure they continue to deliver value and reassurance for customers?



In life Insurance, three letters (in various combinations) are imprinted into the minds of professionals. We navigate the industry holding two buckets on a pole, balancing legal/regulatory pressures whilst striving to meet and idealistically, exceed consumer expectations. These letters are common to the industry, whether it be a PDS, FSG, UCT, DDO or the subject of this paper, Total and Permanent Disablement ('TPD') Insurance. With TPD in focus, innovation is at the centre of the balance trying to be struck; is TPD fit for purpose? Yes.... maybe... *to an extent*? 3.2 billion worth of claims payments were made for TPD claims in 2022¹ In 2024, circa 84% of TPD claims were paid². If life insurance were a university exam, surely you could conclude the industry was operating with distinction? Statistics alone, however, do not paint a complete picture. As ASIC and APRA highlight, life insurance is there to safeguard the financial wellbeing of Australians³. But what does this mean in practice? Safeguarding the wellbeing of Australians is a bigger question that cannot be answered with statistical exercises (in isolation); answering the question requires enterprise, it necessitates an understanding of where we came from, the purpose of TPD, the 'problem(s)' we and consumer's face, a drive for solutions rooted in regulatory support and legal change and an industry with the constitution to turn "blue sky conversations" into sustainable and meaningful products for customers⁴.



The proposition is as follows:

1. Modular product design(s) implemented for the purpose of developing sustainable and meaningful product(s) which include recovery-based components and short-term benefits. These products can be customised by consumers to meet their needs. Such products require pricing scrutiny and transformative underwriting but include the current TPD offering as a foundation;
2. In conjunction with the above, incremental TPD benefits become available in the market as a part of the diversified product offering;
3. The law is subject to review and change to give effect to the proposed recovery-based components (a substantive exercise); and
4. TPD is relabelled to focus on recovery and not permanency.

¹ Council of Australian Life Insurers (CALI), *Life insurance in focus* (Focus paper, September 2023).

² Australian Prudential Regulation Authority (APRA), *Life insurance claims and disputes statistics database* (data set, June 2018 to December 2024, reissued 15 May 2025).

³ Australian Prudential Regulation Authority (APRA) and Australian Securities and Investments Commission (ASIC), *Premium Increases in Life Insurance: Are Life Companies Addressing Issues Identified by Regulators?* (Joint Letter, 5 June 2025).

⁴ 2023 Zurich TPD Round Table 5 (Youtube, 21 December 2023) <https://www.youtube.com/watch?v=gzI_TbzzAl0>.

Perhaps, by the end, it won't be TPD at all.

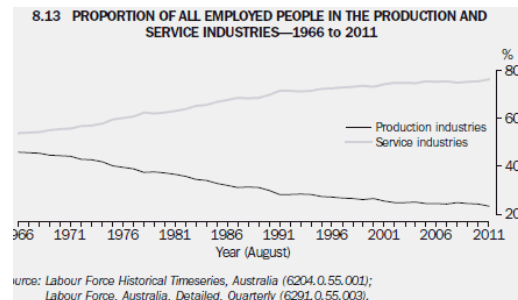
Our History:

From the egg (where am I?)

⁵In the 1960's, the job market in Australia was centred in production industries (agriculture, forestry, electricity, gas and mining). Employment involved physical work, and the workforce was dominated by men⁶. People held one job for an extended period of time⁷. Unemployment rates were at 2%.^{8, 9}

The embryo of mental health awareness began in a post war culture, with high migration activity building the foundation of the multicultural society we have now that forms our consumer base.¹⁰ For example,

Lifeline was founded in 1963 following the call from a distressed man to Dr. Sir Alan Walker¹¹. During this same period and extending to the 1980's, insurance products were designed to meet the market and needs



of the era (steady and industrious occupations). They were primarily investment products with risk cover included and due to the tax benefits applicable, were an attractive proposition for Australians'.¹² By the 1980's disability insurance was considered an important safeguard for work and the introduction of the Superannuation Guarantee in 1992 gave rise to group insurance and the modern idea of structured insurance; most people hold their insurance within the superannuation environment today.¹³

Adolescence (I know everything)

Through the 2000's insurance became primarily 'risk' based with investment components becoming less common; however, terms and conditions became increasingly complex (particularly TPD insurance). TPD definitions were centred on *permanency* and took 3 main forms; the common form, Activities of Daily Living (ADL's) and the 'table of maims' which relates to specific injuries¹⁴. Through

⁵ Australian Bureau of Statistics (ABS), *4102.0 Australian Social Trends*, (statistics, 14 December 2011) < 4102.0 - Australian Social Trends, Dec 2011> .

⁶ Ibid.

⁷ 2023 Zurich TPD Round Table 1 (Youtube, 14 December 2023)< https://youtu.be/oU1_G6Hkljo?si=bWAoPgH5cRhW4eLc>.

⁸ Australian Bureau of Statistics (ABS), *1301.1 Year Book Australia (24 May 2012)* < <https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/1301.0Main+Features452012> >.

⁹ Simon Kuestenmacher, 'The Stats Guy: Australia's economy since 1966 explained in one simple chart', *The New Daily* (online, 25 March 2025) < <https://www.thenewdaily.com.au/opinion/2025/03/24/stats-guy-australia-since-1966>>.

¹⁰ Tilaka Wickramasinghe, 'Out of mind, out of sight: government policy on migrants' mental health, Australia 1960-2000' (Thesis, University of Wollongong, 2005).

¹¹ Lifeline, 'About Lifeline,' <About home - Lifeline Australia>.

¹² Dr Ian Enright, Peter Mann, Professor Rob Merkin QC, Greg Pynt, Samantha Traves, 'Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry Life Insurance Background Paper' Background paper life insurance – Royal Commission, page 2 at paragraph 3.4.

¹³ Katherine McCallum, 'The History of TPD Insurance in Australia,' (Smiths Lawyers, 18 April 2025) < <https://www.smithslawyers.com.au/post/tpd-insurance-history-australia>>.

¹⁴ *Manglicmot v Commonwealth Bank Officers Superannuation Corporation Pty Ltd* (2011) 282 ALR 167.

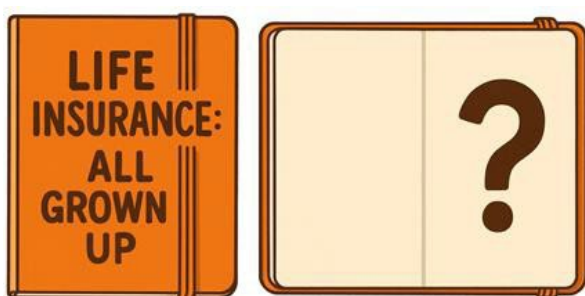
this period, the observation is largely that insurance was static; insurance ‘arms’ were connected to large banking bodies seeking to deliver the financial services smorgasbord to customers.

Early adulthood (what do I want to do with my life?)

By the 2010’s, we began to see a shift, government and industry began to make some customer-centric changes. For example, as of 1 July 2014, own occupation TPD insurance was no longer able to be held within superannuation to avoid benefits becoming ‘trapped’ as a result of mismatches between contract terms and superannuation conditions of release.¹⁵ Culture, law, regulation and enforcement bodies faced heavy criticism with ‘misconduct’ at the centre of a new era; a consequence of the realisations and revelations that flowed from the final reports of the Royal Commission.¹⁶ We discovered that perhaps we didn’t know everything in our industry adolescence and accelerated change followed suit with the introduction of the Life Insurance Code of Practice and increased regulator activity.

Why does this matter.....?

All grown up (There’s a problem. What is my purpose? What am I here to do?)



Ioana Logan introduces the problem well by way of the Zurich roundtable discussions¹⁷:

“The TPD product was designed to protect very serious injuries, the product hasn’t really changed that much....the nature of the risks they face in their occupation are very different....the nature of medicine and recovery has changed....there has been a fundamental shift, in our world, in our jobs, in our landscape and our TPD product has not substantially changed”.

With the above in mind, what therefore, is the purpose of TPD insurance?

To best understand purpose, it seemed sensible to review industry target market determinations (TMDs), understand their value and also, to understand the class of consumers and their needs with regards to TPD; the following was concluded (in brief) allocating 50% to each sub-section below.

¹⁵ *Superannuation Industry (Supervision) Regulations 1994* (Cth) r 4.07D.

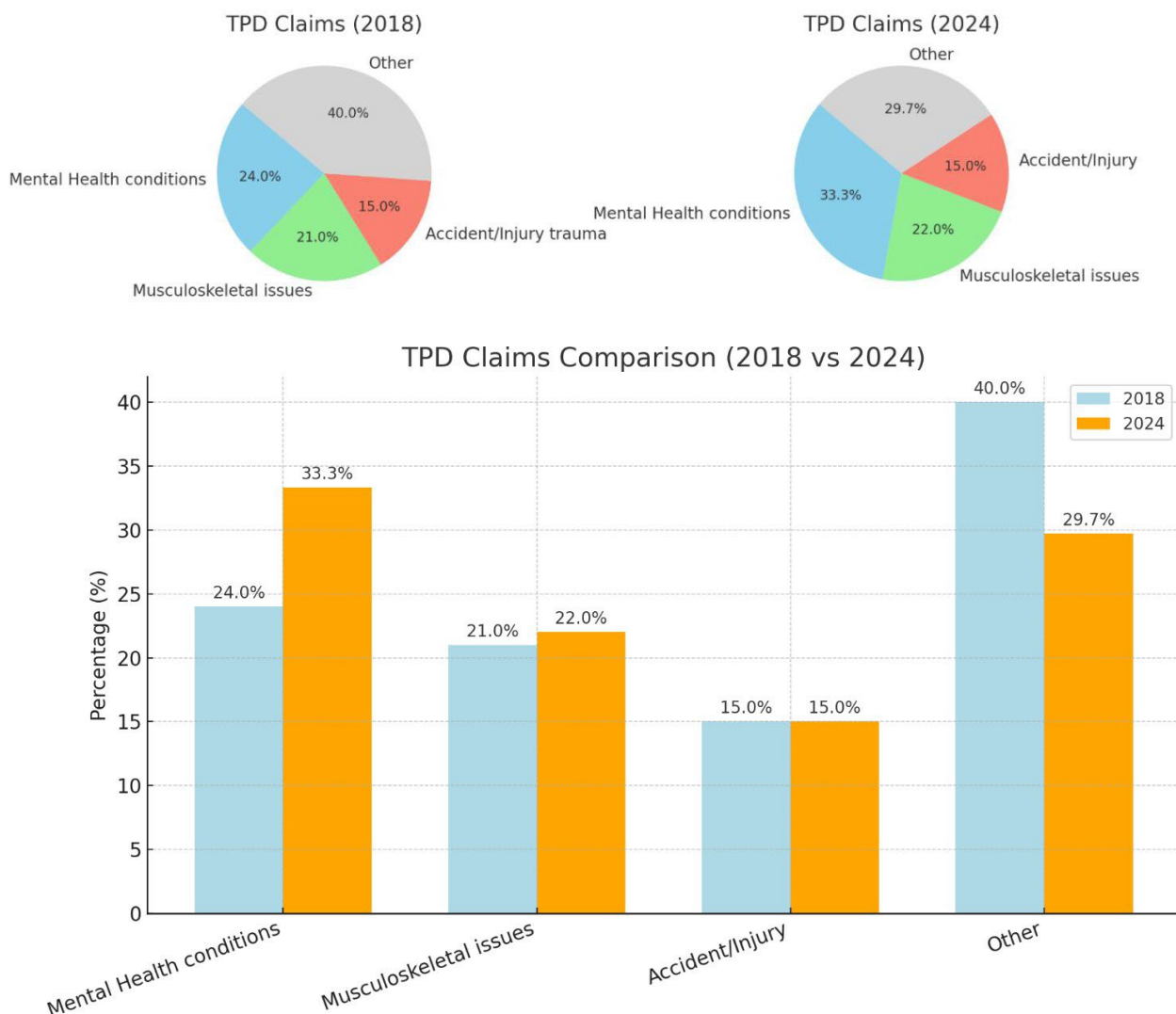
¹⁶ Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Final Report, 4 February 2019) vol 1-3.

¹⁷ *Ibid* 7.

- (50%) the TMD described TPD as a product for **consumers** who cannot engage in independent living, gainful employment, have medical costs, have a need to fund outstanding costs, did not want to impact their families and wanted to reduce debt, financial strain etc; and
- (50%) the TMD is for **insurers**, who are required to comply with section 994B of the *Corporations Act 2001* (Cth) and **regulators** to tick that box.¹⁸

What was stark, and obvious, was the focus on meeting or funding costs. Important undoubtedly, but nevertheless, recovery and wellness were not at the centre of the needs analysis of the target market (at least at face value).

It is incumbent on the industry to consider 'purpose' and 'need' in a way that is tangible for consumers. Summarising the data available between 2018 and 2024 relating to the three most common causes of claim assists in guiding discussions in this area¹⁹:



¹⁸ Corporations Act 2001 (Cth) s 994B.

¹⁹ Ibid 2.

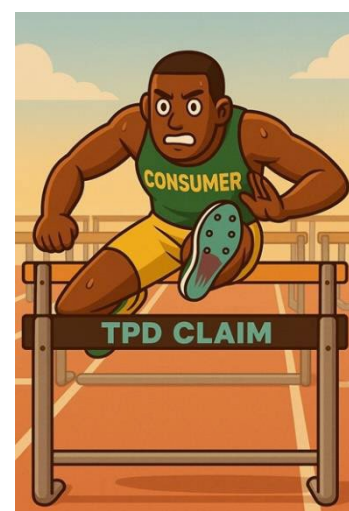
The above is supported by Christine Cupitt by way of the observations made in the Zurich Roundtable series²⁰.

TPD offerings primarily focus on incapacity, education, training and experience ('ETE'), probability of obtaining employment in the labour market and the degree of certainty related to the current 'state of affairs' for the consumer i.e., will they return to work prior to the age of 65? A hurdle to jump in the context of increasing complexity within claims, particularly in the area of mental health. TPD is oriented at meeting costs and is not oriented at recovery despite the fact that a claimant may need to demonstrate they will be unable to recover for upwards of 30+ years whilst having a present and real need for help. This does not denigrate the rehabilitation programs insurers have worked hard to develop but these programs are often met with a perception to the effect of 'you just don't want to pay up.'

Modular TPD

If we redefine the options, perhaps we can address the need and change the perception.

If consumers can 'elect' which option(s) they would like from a broad TPD offering and, that offering can subsequently be 'tiered,' we can begin to address the need for diverse and accessible products. The price of fulsome TPD options would be the subject of extensive actuarial analysis but, with flexibility built into the offering, the customer can (if they choose to) modulate between their desired insurance and structure to create a financial environment that addresses the specific needs that arise from sickness or injury, but also, pave a path to recovery. For the purpose of the example, TPD insurance is relabelled 'Recovery Insurance' which will be explored in due course. The below is numbered in alignment with the 'tiering' approach:



1. **Recovery Basic** – provides the standard TPD offering and is designed to offer a lump sum payment when a customer is unlikely to return to work due to sickness or injury. Priced between \$23.80 and \$46.80 per month²¹. All subsequent pricing is to be developed in reference to Recovery Basic;
1. **Wellbeing Support** – can be added to Recovery Basic or Recovery + (see tier 3). The definition would be designed to focus on 'micro' insurance offerings with small treatment-

²⁰ Ibid 7.

²¹ When referencing Recovery Basic, premium estimations are based on risk commencement pricing for \$500,000 of any occupation TPD coverage for a 33-year-old male, non-smoker in a white-collar profession using a comparative service.

based payments direct to providers related to specific mental health, musculoskeletal or injury-based disabling conditions (as defined in the PDS). This product/feature is designed for smaller periods of incapacity (6 months) where the customer is partially or totally disabled. Premiums can be reduced when 'linked' with wellbeing offerings, increased underwriting frequency (upon election) and, when connected to other core product offerings, as a rider benefit. It can, however, still be elected as a standalone offering. The product can be structured through superannuation with updates to the superannuation conditions of release. Waiting periods can be adjusted, with the view of increasing sustainability of the product and affordable access.

2. **Recovery +** - Includes a recovery definition centred around likelihood to return to work in 5-year increments, with payments of 25% across a maximum benefit period of 20 years. Entry age is prior to 47 to align with retirement age and can be packaged within superannuation with updates to conditions of release. Conditions of access to the benefit include but may not be limited to, following specific treatment plans, rehabilitation protocols and adherence (medically determined). The same structural benefits would be available for Wellbeing Support to assist in managing sustainability and cost.
3. **Recovery Complete:** A combination of all of the above options (including Wellbeing Support). Designed for complete circumstantial coverage and access including structuring benefits to meet situational needs.

The above would be subject to trial in specified settings to ensure sustainability. The tiering and staging of insurance is designed to match trauma offerings based on severity that is evident in Australia and also other jurisdictions such as the UK and Canada but introduce such offerings into the TPD product and claim space.^{22 23}

Why focus on recovery?

As Ms Carmel Twist, highlights: *"resilience cannot be measured by an Underwriter"*²⁴. But as Mr Kris Mason identifies: *"the numbers are the numbers; the industry has suffered from a lack of product innovation but we don't see a response in the products"*²⁵. Nevertheless, a response that isn't the *right* response; would scarcely be considered a response at all.

What do the consumers say?

²² Sun life Assurance Company of Canada, < <https://www.sunlife.ca/en/health/critical-illness-insurance/sun-critical-illness-insurance/8-partial-payout-illnesses>>.

²³ Aviva Life and Pensions UK Limited, Group Critical Illness, Technical Guide, Reference: GR03004-05/2024.

²⁴ 2023 Zurich TPD Round Table 2 (Youtube, 15 December 2023) < https://www.youtube.com/watch?v=EhbgCq-R_iE>.

²⁵ Ibid 7.

A sample qualitative study completed with respect to the TPD claimant experience, amongst other things noted:

“All interviewees reported that managing their health was their primary concern. They grieved the loss of independence, certainty, and self-worth when forced to cease work due to deteriorating capacity”²⁶.

Therefore, until we can reliably measure resilience; we must look to sustainably develop the TPD offering in the recovery setting knowing that life insurance does play an integral role in assisting consumers to get back on their feet.

Legal and regulatory changes

To support the above changes, substantive legal reform and regulatory support is needed. Modifications of an expansive nature would be required to the LIA²⁷, HIA²⁸, SIS²⁹ ³⁰, PHIPSA³¹ and PHI³². At the risk of being legally intensive, the fundamental alterations are to:

- a) the relevant definitions of a life policy (including continuous disability policies) and life business³³;
- b) the prohibitions on life insurers regarding the provision of certain medical insurance³⁴;
- c) the relevant provisions that impact the ability of insurers to enter into a health insurance business³⁵ and provide both hospital³⁶ and general treatments³⁷.
- d) the creation of a new ‘condition of release’ specifically designed to cater for short term insurance cover in a recovery centred product.³⁸

The task above would be complex, ancillary law and provisions that support, or give effect to the above would all need to be evaluated and tested to give effect to a recovery-based product within the insurance market. If we learnt anything from adolescence and early adulthood. We need our regulators.



²⁶ Margaret Elizabeth Black et al, ‘Claimants’ views on total and permanent disability insurance claims,’ *Qualitative research in financial markets*, (2018) at 3.2.1.

²⁷ *Life Insurance Act 1995* (Cth).

²⁸ *Health Insurance Act 1973* (Cth).

²⁹ *Superannuation Industry (Supervision) Act 1993* (Cth).

³⁰ *Ibid* 15.

³¹ *Private Health Insurance (Prudential Supervision) Act 2015* (Cth).

³² *Private Health Insurance Act 2007* (Cth).

³³ *Ibid* 27 s 9, s 9A, s 234.

³⁴ *Ibid* 28 s 126.

³⁵ *Ibid* 32 s 121-1, s 121-20.

³⁶ *Ibid* 32 s 121-5.

³⁷ *Ibid* 32 s 121-10(1).

³⁸ *Ibid* 15 r 6.01 Column 2, Schedule 1.

With APRA support, we can work with declarations³⁹ and obtain assistance in ensuring we maintain capital and liquidity requirements through a change process. If we change, we need to change sustainably.

With ASIC collaboration, we can be held accountable for unintentional harm from design. Change requires ASIC to work with industry, keep industry accountable via its enforcement mechanisms but also, hold the industries hand in a time of transition.

CALI can work with Insurers to enhance the code to drive our consumer-centric aspirations.

Undoubteldy, changes of this nature encroach (if not overlap) with our health insurance friends. However, the vision, through change opens opportunities for partnership so 'recovery' as a need can be delivered to Australians.

Label and concluding remarks

"Placing a label of Totally and Permanently Disabled on someone with a mental health condition can be damaging and is part of the reason why this product may no longer be fit for purpose"⁴⁰.

The industry has been shackled to labels that only entrench concepts of permanency and heighten stigma⁴¹. Consumers are required to demonstrate incapacity in order to receive (at present) financial support. Where, as mentioned above, recovery and wellness are the true objective of consumers *along with* financial support. Such an observation is no more evident than within a mental health claim (specifically in reference to TPD). Over the last 10 years mental health claims (of a permanent nature) have increased by 8.8% year on year⁴².



The question regarding capacity and ability, that we as an industry are asking, is the right question; Insurers need to understand (albeit in the context of subjectivity) some measure of incapacity to warrant intervention of a risk-based product. However, this is an outcome focused approach; X capacity = Y payment. The solution is as many parts design and process as it is outcomes.

What is the purpose of TPD?

³⁹ Ibid 27 s 12A.

⁴⁰ 2023 Zurich TPD Round Table 3 (Youtube, 18 December 2023) <<https://www.youtube.com/watch?v=MNYs6vUvjYU>>

⁴¹ TPIL Lawyers, 'Common Challenges in TPD Claims for Psychological Conditions,' < Challenges in TPD Claims | TPIL Lawyers>.

⁴² KPMG, Australia's Mental Health Check Up, Council of Australia Life Insurers and KPMG Life Insurance. Industry Data Collection 2013-22, (November 2014).

“To [safeguard] the financial wellbeing of many Australians. When consumers take out individual policies to protect themselves against adverse life events, life companies should make sure they can deliver products that meet those consumers needs and set premiums that provide a reasonable degree of stability over the life of their products.⁴³”

If we reframe the product offering, if we make capacity the numerator, if we make recovery the denominator, if we change the playing field, move the goalposts, focus on meeting emerging needs through product design, then by a process of inevitably; TPD *as we know it* may not exist.

It may just be the case that TPD is no longer fit for purpose; but the distinct impression is this industry is fit to answer the call.

⁴³ Ibid 3.