

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

Westpac

WBC72QW: In the recent House Economics Committee hearing, you noted that your bank no longer sells credit card insurance.

(a) For customers who previously purchased credit card insurance, have you taken steps to identify those who were sold the product when they were not eligible to claim on it? (For example, insurance to cover job loss but the customer was unemployed or retired when they purchased the product)

(b) If credit card insurance customers purchased your product when they were not eligible to claim on the policy, have you refunded them the cost of the policy?

Answer: (a) Customers who elected to apply for a credit card could also elect to purchase a Consumer Credit Insurance (CCI) policy. To be eligible to apply for a CCI policy customers were required to be between 18 and 65 years of age and working a minimum of 15 hours per week. In addition to this criteria, St George, Bank of Melbourne and Bank SA customers were not eligible to apply for a CCI policy if they were employed on a seasonal, temporary or non-renewable contract (prior to 1 July 2015, St George, Bank of Melbourne and Bank SA customers were required to be between 18 and 63 years of age and if self-employed, had been self-employed for 12 months, or in a partnership that had been trading for 12 months, prior to commencement of the insurance policy). Customers purchasing a CCI product provided supporting information to verify their age and employment as part of their disclosure obligations. The policy administration system that we used to process applications for CCI policies would not accept applications from customers who did not meet the age criteria. In addition to eligibility controls at point of sale, Westpac also had a secondary 'Day 2' control, in which a daily report of newly incepted CCI policies was generated and reviewed by our Underwriting team.

The potential sales of credit card insurance to customers who were not eligible to claim on it has been the subject of an independent review. That review identified a limited number of instances where there was a risk that customers acquired credit card insurance in circumstances where they were potentially ineligible to claim on one or more heads of cover. Following that review, we have undertaken further work to identify impacted customers. We have identified a total of 24 credit card insurance policyholders who made claims that were denied on the basis of the relevant exclusion.

(b) The controls outlined in (a) above minimised the potential for ineligible customers to purchase a CCI policy with their credit card. If a customer is identified as being ineligible for the policy and believes it may have been mis-sold, a review is undertaken. If the customer is subsequently assessed as being ineligible for the policy at point of sale, a premium refund (plus interest) is made to the customer.