JOURNAL

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VACCINATING THE WORLD

Can insurers serve as a shot in the arm against the risks of a global vaccine rollout?

Customer service post-Hayne

A new lease on life distribution models

Reinsurers vs climate change

EDUCATION | LEADERSHIP | TECHNICAL EXPERTISE | INSIGHTS | INNOVATION | COMMUNITY

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[1] 44,954 sq km of imagery was taken for post-catastrophe surveys. This includes the impacted and surrounding areas.

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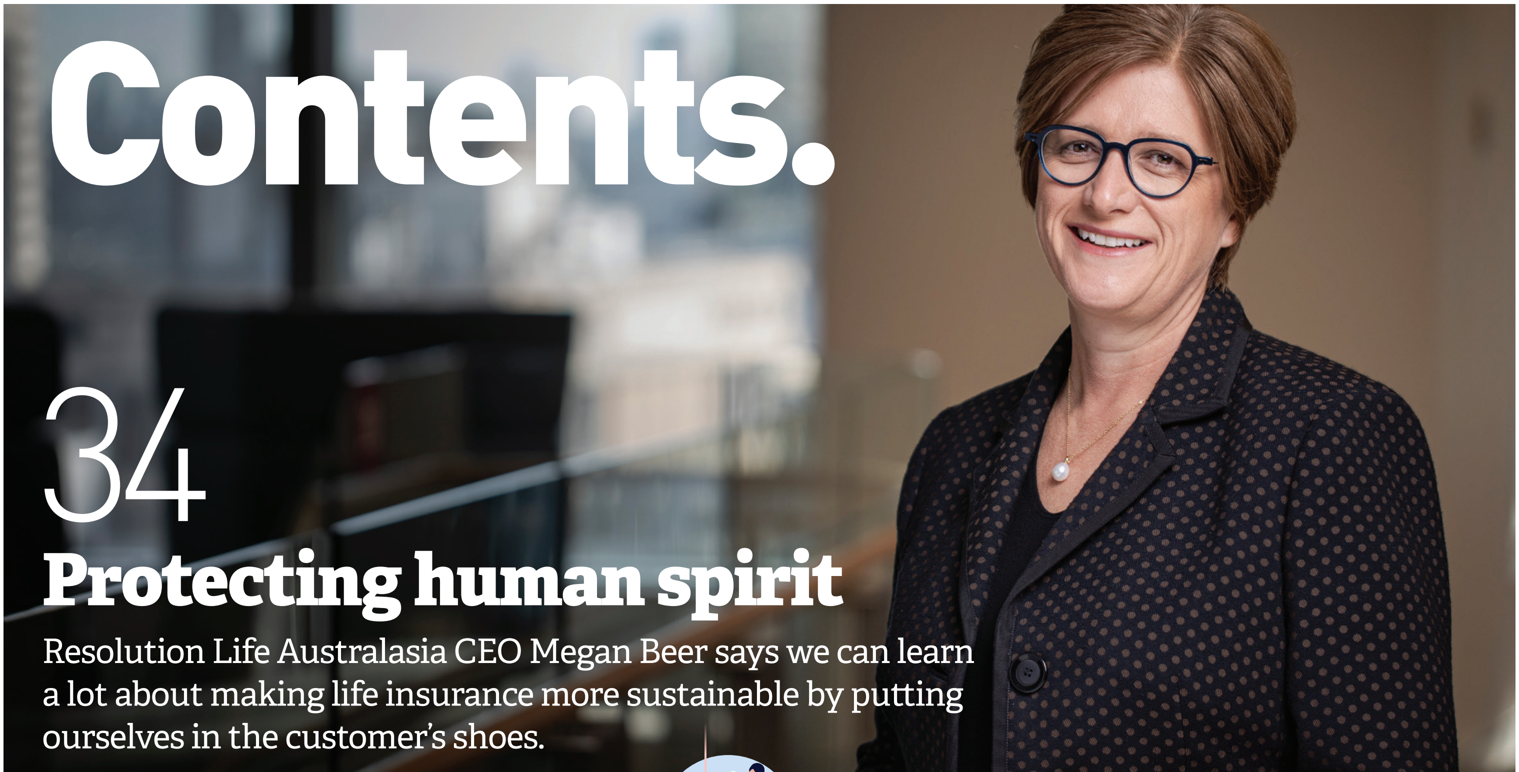

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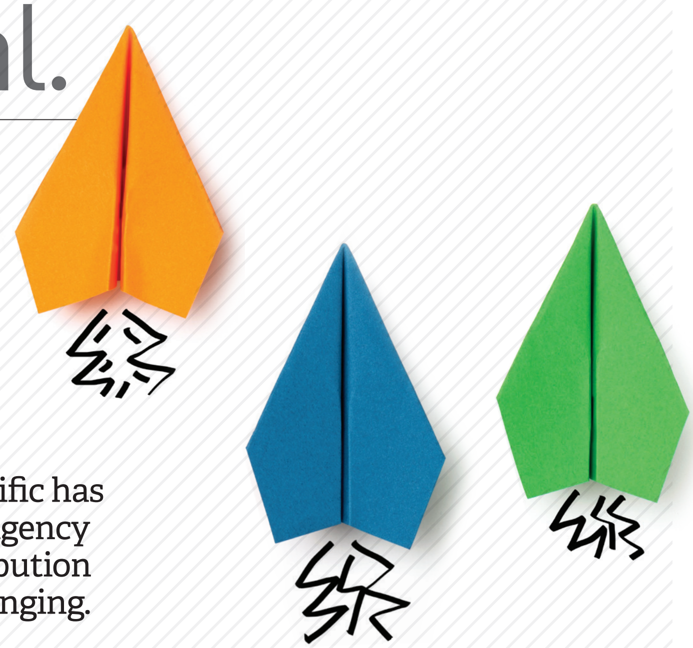

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Customer service post-Hayne — 'Customer service is where insurers' post-Hayne response becomes visible to customers … it remains to be seen how quickly the reforms will translate.'

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Reinsurers vs climate change — 'The abatement of climate risk requires greater collaboration between private and public sectors, as well as the insurance industry as a whole.'

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A new lease on life — 'Asia-Pacific's life insurers are fast realising the need to put the customer at the centre of everything they do and the role that digitisation can play here.'

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Reinsurance International Study Course (RISC)

23 August — 1 September

Learn from some of the industry's most senior experts, including keynote speaker James Beedle, CEO of Asia Pacific P&C for PartnerRe and CEO of Partner Reinsurance Asia.

Widely considered the premier reinsurance training course in the southern hemisphere, the Reinsurance International Study Course (RISC) is back in 2021!

Following its success in 2020, RISC will once again be held as a virtual study course, providing participants with a unique opportunity to work collaboratively in teams online and develop the digital skillsets that are increasingly important and valued in today's virtual world.

In addition, a virtual RISC removes barriers that may traditionally impede attendance for some participants such as travel and time constraints. The course offers an affordable and accessible way for participants to upskill and prepare for the reinsurance landscape of the future from the location of their choice.

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Group Life Seminar: Regulatory reform — the year that was and the way forward

14 September

Perspectives of a superfund, industry advocacy body and the regulators.

ANZIIF is excited to host the Group Life Seminar in 2021 as a hybrid event. The life industry is constantly undergoing changes and improvements and this seminar is the perfect chance to take stock.

The event will also reflect on the developments the industry has made over the past year and allow us to look ahead to areas where ongoing investment is required.

The Group Life Seminar offers the latest trends, insights and opportunities from across the group life industry.

This year's event is focused on regulatory reform. Our expert speakers will discuss the year that was and the way forward from the unique perspective of key players and bodies in the industry, including a superannuation fund, an industry advocacy body and the regulators (APRA & ASIC).

Whether you are a life insurance professional, broker or adjuster, the 2021 Group Life Seminar is a key event for you.

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by Elizabeth Fry

IN SHORT

- Open insurance is an exciting lifeline for incumbent insurers, as it creates an opportunity to address current issues such as lack of trust, customer satisfaction, digital innovation and legacy drag.
- Insurers have access to ecosystem-aggregated customer data, which allows them to take more appealing value propositions to market, including personalised services and experiences that can be created for the end customer.
- Open insurance is about insurance leaders realising that a new world is opening up, driven by more advanced sectors like banking and technology that are recalibrating customers' expectations of what good looks like.

Opening up to a new world

While it's still early days, Asia's top insurers have started to make exploratory moves towards open insurance as they strive to meet heightened customer expectations.

Open insurance is a hot topic in the insurance world following the success of open banking. Part of the technological movement that is reshaping the insurance industry, it has been heralded as a new way of doing business.

While there is no universally accepted definition of open insurance, it broadly revolves around accessing and sharing data, usually through application programming interfaces (APIs). Open insurance requires carriers to open their data resources to other organisations and to share and consume data and services from many sources and across lots of industries, says Accenture in a new report.

Asia's top players are beginning to look more closely at open insurance; however, it's still early days for the industry overall. The region's insurers are arguably better positioned than their counterparts in other parts of the world — because of established digital ecosystems, the proliferation of mobile phones and the penetration of China's giant tech companies — but there hasn't been a massive surge directly into open insurance. Instead, some have been making moves to explore open APIs, which form a critical part of the architecture for new open insurance models.

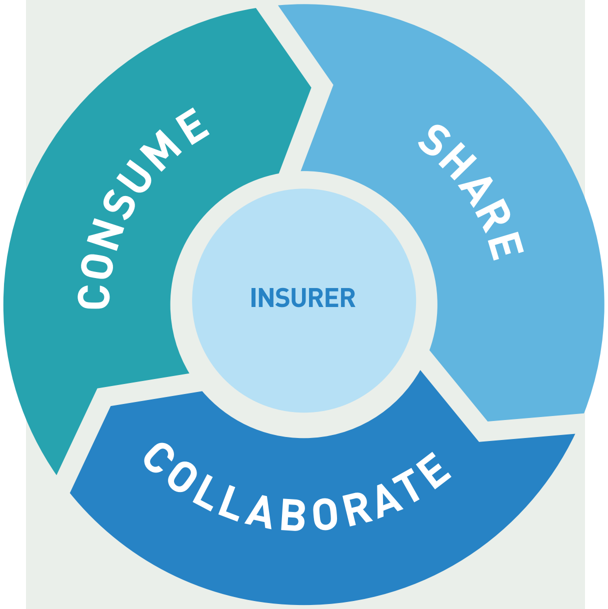
Strong digital ecosystems are essential for open insurance as they provide the pathways that transport huge volumes of data between insurers, their partners and customers. Carriers can capitalise on the huge flows of real-time data that open insurance unleashes to launch a host of new customer offerings, Accenture says.

Plus, all the evidence points to the fact that customers love ecosystems. 'Net Promoter Scores reveal that consumers rate more highly those insurers that engage with ecosystem partners to

'Open insurance is an exciting lifeline for incumbent insurers as it creates an opportunity to address many of the material issues faced by the industry ...'

Simon Phipps / The Digital Insurer

UNDERSTANDING OPEN INSURANCE



CONSUME
Using external data and services for deeper insights and innovative propositions

SHARE
Providing / exposing data and services. Potential to monetise proprietary assets and insights

COLLABORATE
Integrating and openly innovating with ecosystem partners for holistic added-value services and propositions

Source: *The Ultimate Guide to Open Insurance*, Accenture

WHAT IS AN API?

An Application Programming Interface (API) is a software intermediary that allows two applications to talk to each other and share content and data. If you have ever shared an article via Facebook, paid for a product or service via PayPal or searched for a weather forecast via Google, you have encountered an API.

'We expect to see more insurance innovation in the next five years than we've seen in the past 150.'

Simon Phipps / The Digital Insurer

bring in more value-add products and services,' says Hong Kong-based Simon Phipps, co-founder of The Digital Insurer. In his view, this is one of the most significant opportunities for incumbents.

Phipps says: 'Open insurance is an exciting lifeline for incumbent insurers as it creates an opportunity to address many of the material issues faced by the industry, such as the lack of trust, lack of satisfaction with digital services, legacy drag, lack of innovation and an inability to move quickly. So, it's a great opportunity for insurers to reinvent themselves fairly quickly.

'We expect to see more insurance innovation in the next five years than we've seen in the past 150.'

Incumbents not ready

While APIs are critical for bringing open insurance to life, Phipps says they are only a technology enabler. 'Open insurance in itself is a new business model that requires its own strategy, IT and business architecture, organisational design, processes, and partnership management,' he says. He believes that open insurance is about 'insurance executives opening their minds to the art of the possible and the exciting potential that lies ahead'.

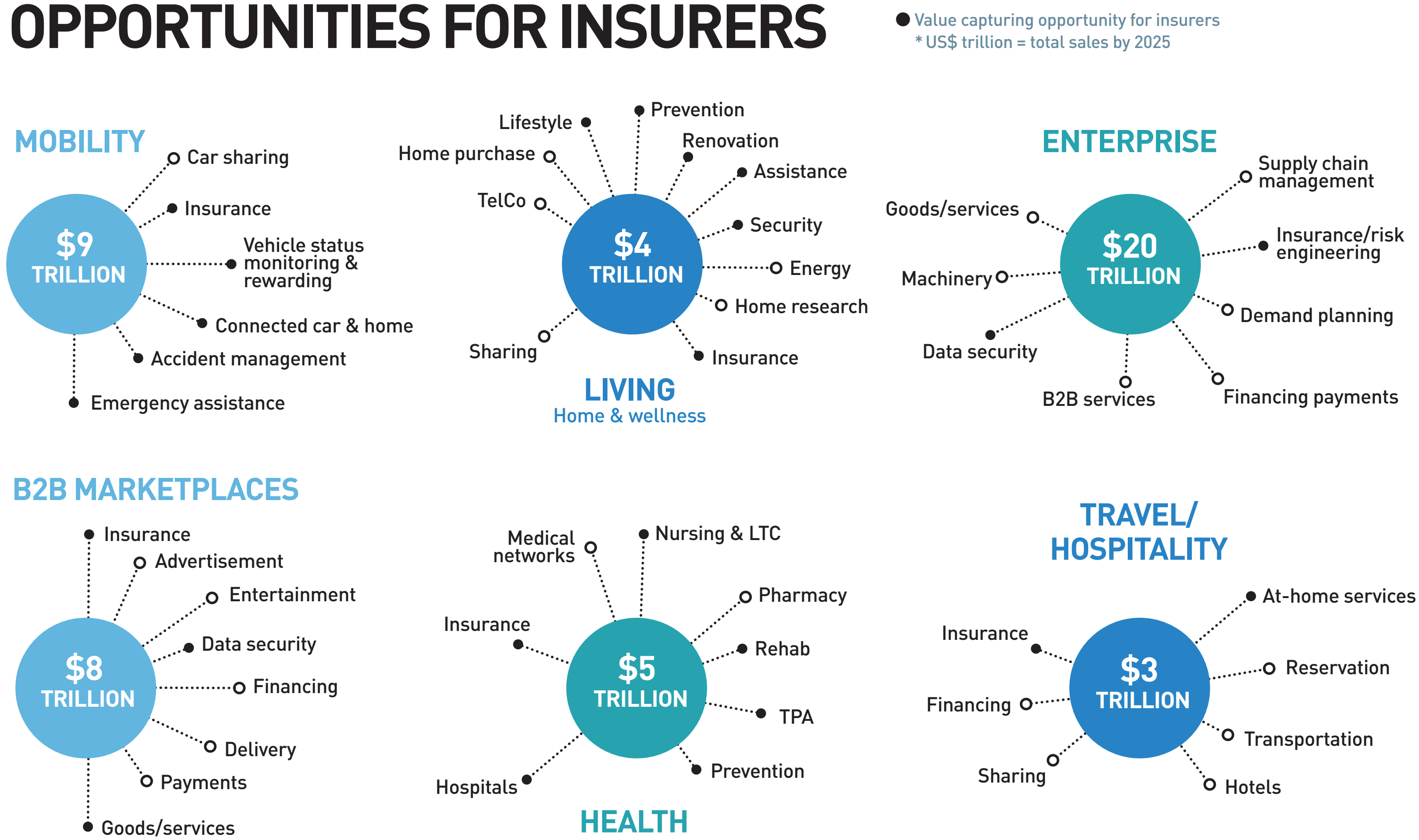
'It's about leaders realising that a new world is opening up, driven by more advanced sectors like banking and technology that are recalibrating customers' expectations of what good looks like. The sector is changing and creating signposted solutions for insurance leaders.'

As Phipps sees it, the biggest challenge for incumbents is that customers are being encouraged to expect different ways of engaging with companies, and these expectations are 'rising faster than insurers' ability to deliver'.

He believes the global pandemic acted as a wake-up call to most executive teams that digital transformation is no longer a question of when, but how. 'The key risk for many is that in their enthusiasm to drive action through projects, they overlook the critical importance of changing the culture at the same time,' he says.

'Over three-quarters of digital transformation efforts

BIG DIGITAL ECOSYSTEM OPPORTUNITIES FOR INSURERS



Source: *The Ultimate Guide to Open Insurance*, Accenture

fail, and almost always this is because companies don't focus on the critical importance of moving digital engagement from the few to the many.'

To Phipps, insurtech is the key that unlocks many opportunities for open insurance. He believes there is an increasing focus among insurtechs on helping incumbents to innovate.

The good news is that the penny has finally dropped, but insurers need to step on the gas, he says.

Building open architecture

Building open insurance architecture requires taking a traditional value chain and breaking it into small pieces and making them available to other organisations, says Steven Raynor, APAC insurance leader at Genpact, a global professional services firm.

Raynor notes that top insurers like Ping An, AXA and AIA are using open architecture to embed their services in other channels. These insurers committed to ecosystems very early on and are ahead of incumbents around the world. It's helped them to come up with a range of innovations.

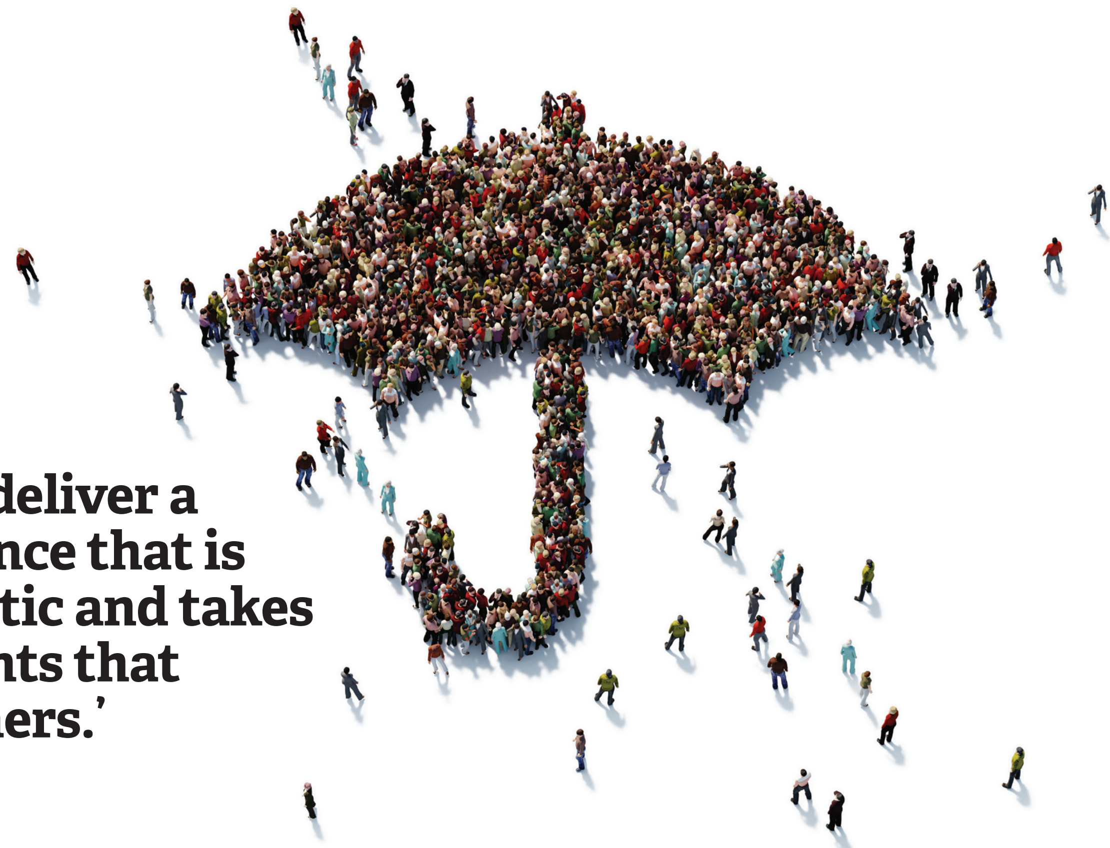
For example, when you buy a Tesla car, Tesla offers a tailor-made car insurance policy underwritten by AXA that even includes protection for your wall charger.

AXA has linked up with WeChat, the Chinese messaging, social media and payments firm, to create travel insurance. The benefit to consumers is convenience.

'Instead of trying to find the right product from the right insurance company in the right jurisdiction, you can buy cover on your phone by replying "yes" to a text message,' says Raynor.

Another example is AIA's partnership with WeDoctor, which has allowed the insurer to tap into WeDoctor's 2,700 top-tier hospitals, 220,000 doctors and more than 15,000 pharmacies in 30 provinces across China. In turn, WeDoctor's over 110 million registered users have access to AIA's protection solutions.

Ping An has partnered with Samsung to create a combined digital health platform, with capabilities such as heart rate sensing smart watches. Two years ago, Ping An and AXA both partnered with HiNounou, a Chinese insurtech that provides a one-stop, comprehensive home healthcare product.



'Insurers have to deliver a customer experience that is far more humanistic and takes care of the moments that matter for customers.'

Steven Raynor / Genpact

When it comes to product distribution and customer acquisition, open insurance can help insurers position themselves earlier in their customers' buying processes, Accenture notes in a blog. For example, greater access to real-time customer information gives insurers the opportunity to alert policyholders to appropriate risk management solutions as soon as their circumstances change. They are then able to move quickly to provide customers with the cover they need.

Raynor cites Tesla as an example of this. He questions the long-term viability of an insurer selling directly to consumers as opposed to the motor vehicle industry offering its products as part of the car purchase. Will we see more automotive brands like General Motors, Ford and Toyota offering insurance as part of the sale of the vehicle? And, because autonomous cars will reduce motor vehicle accidents, insurers will need to redesign their products to suit the changing nature of risk. 'This will all play out over the next five to 10 years,' says Raynor.

This will radically change the role companies will play in the insurance value chain, so having an open architecture that allows insurers to offer insurance as part of the sale of the vehicle will be a critical capability that insurers will need, he explains.

'Insurers have to deliver a customer experience that is far more humanistic and takes care of the moments that matter for customers,' adds Raynor. 'This more proactive and integrated customer experience model is becoming possible, and insurers must place it at the centre of their digital transformation plans to be in sync with their customers' lives.'

According to Elysia Chan, Accenture's managing director — insurance practice lead in South-East Asia, having access to a whole lot of ecosystem-aggregated data for their customers opens up opportunities for insurers to create more personalised services and experiences for customers.

'This results in greater business value for everyone,' she says. 'However, on the flip side, this also means that the playing field is levelled, with every actor having equal access to the same information.'

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By Andy Jamieson

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ELIZABETH FRY

Freelance financial journalist

'Customer expectations are currently rising faster than insurers' ability to deliver. But COVID-19 has acted as a wake-up call to insurers that digital transformation is no longer an option.'

by Abigail Murison

How Hayne changed customer service

As insurers implement changes in response to the banking royal commission, customer service teams are charged with making sure customers get the message.

When the two-year anniversary of the Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry came around in February 2021, many Australian news outlets lamented how little progress had been made. However, as new legislation rolls out, it's all systems go for insurers — especially for their customer service teams.

Regulation rollout

'Going back to the heart of the issues before the royal commission, it is clear that there were failures to appropriately respond to customers' needs,' says Bhrajna Kalaiya, a director in Deloitte's Governance, Regulation and Conduct practice and an insurance sector specialist.

'For example, claims handling issues highlighted in the case studies emphasised both the importance of certain moments for customers and the Australian Securities and Investments Commission's limited ability to intervene.'

Customer service teams operate on the front line, and so they potentially have one of the most important roles to play in converting regulation into action.

'Where insurers prioritise good conduct outcomes and effectively manage non-financial risk, they will be better able to comply with complex regulatory regimes in a robust manner that also fosters a positive culture,' says Kalaiya.

Insurers in New Zealand have also closely followed the regulatory changes resulting from the royal commission. 'A number of insurers operate in both New Zealand and Australia, so they've kept across what has happened,' says Tim Grafton, CEO of the Insurance Council of New Zealand (ICNZ).

'Around two years ago, the Reserve Bank of New Zealand and the Financial Markets Authority [FMA] undertook reviews of how life insurers and banks operate. General insurers also did a gap analysis and were required to present their findings and recommendations on conduct risk to their boards.'

The outcome of the reviews was the Financial Markets (Conduct of Institutions) Amendment Bill, which is currently in the New Zealand Government's hands and going through targeted consultation with stakeholders.

Independently, ICNZ first developed a Fair Insurance Code for general insurers in 2006 and released a revised Code in March 2020. Grafton says: 'It puts customers at the heart of what we do. We are also aligned with the FMA's Good Conduct Guide, and after the Canterbury earthquakes, we worked with the Human Rights Commission on guidance for the prioritisation of vulnerable customers in a natural disaster.'

Clear messages

While the COVID-19 pandemic may have delayed regulatory reforms, it didn't reduce increases to both compliance costs and the burden on compliance functions. 'Insurers will need to invest in these support functions to meet incoming legislation and demonstrate that they are prioritising fair and suitable customer outcomes,' says Kalaiya.

Importantly for customer-facing staff, the new Australian regulations require explicit consent, greater disclosure on both sides and a need to ensure customers understand their rights and responsibilities.

IN SHORT

- **The *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* has resulted in changes that impact every operating area of insurance, including the customer service team.**
- **Greater requirements around consent and disclosure have increased compliance and training costs for frontline service agents.**
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‘Where insurers prioritise good conduct outcomes and effectively manage non-financial risk, they will be better able to comply with complex regulatory regimes in a robust manner.’

Bhrajna Kalaiya / Deloitte

Images: iStockphoto

MANY CHANNELS, ONE VIEW

Technology that gives an organisation a single view of a customer's history is more important than ever, according to customer experience expert and author Adrian Swinscoe.

'When customers contact a company using different channels, they don't think they are having a series of separate conversations,' he says.

'They think they are having one conversation focused on trying to solve the one problem that is in front of them.'

'Adapting to change means upgrades to system infrastructure and changes to the way data is recorded and collected.'

Bhrajna Kalaiya / Deloitte

Bhrajna Kalaiya, a director in Deloitte's Governance, Regulation and Conduct practice, agrees. 'Designing sustainable data and technology solutions that support regulatory change has proven to be one of the greatest recent challenges for insurers,' she says. 'There is a particular need for data and technology solutions that can help monitor customer and conduct outcomes.

'Adapting to change means upgrades to system infrastructure and changes to the way data is recorded and collected. This will not be easy, but doing the work now will be beneficial for insurers over the longer term.'

'To reduce the knowledge gap or information asymmetry between customer and insurer, questions will need to be asked in a way that is clear and specific,' says Kalaiya. 'In seeking information from customers, open-ended, general or long questions that are difficult to understand or interpret must be avoided. Policy terms and conditions may need to be simplified. For underwriting processes, simplification will require scripts to include questions which are clear and relevant, and staff will need to be trained in administering these questions.'

To address this, MetLife has developed its own learning platform — Claims Academy — for its 3,000-strong global workforce.

'There are currently no minimum education standards in place for claims management, despite it being a highly skilled role at the heart of the industry. The new licensing regime will be a driver for improved competency,' says David Campbell, chief operating officer at MetLife Australia.

'Claims managers must master technical skills to make fair and accurate assessments, but they are also speaking with people every day who have been through life-changing, often traumatic experiences. These conversations can often be challenging, so our Claims Academy and broader learning framework are focused on improving both the hard and soft skills of our claims managers, bringing IQ [intelligence quotient] and EQ [emotional quotient] together.'

The current reforms are also not going to be the last. Grafton says: 'This year, we expect there will be a full review of insurance contract law in New Zealand, which will no doubt highlight other issues.'

Another challenge, especially with intermediaries involved on the sales and claims handling side, is how far insurer responsibility extends.

'One of the key questions is whether insurers should be accountable for outcomes that they don't oversee directly — how can we transfer good conduct down the chain in the intermediated space?' asks Grafton.

'While empathy has not been an operational performance metric in the past, it absolutely is a prime area of focus now and will continue to be.'

Steven Petruk / CGS

Mandarin feature

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He says New Zealand insurers are already grappling with this issue, and customer service is often the department dealing with the fallout if things go wrong.

Moving the dial

In the United States, Steven Petruk, president of the Global Outsourcing Division at enterprise learning and outsourcing services group CGS, says the COVID-19 pandemic led customer care centres to abandon metrics such as call duration. Instead, leaders encouraged service representatives to spend more time on the phone with customers.

'While empathy has not been an operational performance metric in the past, it absolutely is a prime area of focus now and will continue to be,' says Petruk. 'Many companies are adding empathy-specific questions to their post-call surveys.'

Kalaiya says that monitoring and oversight of customer service teams will also need to be boosted. This ranges from monitoring frontline distribution staff to understanding the activities of claims assessors and third-party brokers.

'Most importantly,' she says, 'we anticipate that there will be a shift in culture across customer service teams to respond in a timely manner and truly understand the needs of the customer.'

Grafton has definitely seen a shift in customer service among New Zealand insurers. 'While each insurer is developing its own response, the whole direction of travel is customer-centric, and many New Zealand insurers had started well before the issues in Australia had come to light,' he says. 'Already, many insurers have changed their performance indicators, remuneration and rewards structures, and outcome measures for customers.'

Grafton adds that underwriters are using plain English policy wording, and customer service representatives are proactively retiring legacy products and migrating customers to the most current products.

Slow and steady

Jonathan Allan, chief marketing officer at customer service platform Puzzel, says customers sought reassurance from contact centres last year, when pandemic restrictions on face-to-face service applied. He expects phone customer service to remain the primary brand touchpoint in 2021, and possibly longer.

'We'll increasingly see the contact centre have full and official ownership of all inbound customer interactions, encompassing both operations and marketing, revenue generation and customer service,' he told *Forbes*.

CASE STUDY

TRAINING FOR BETTER OUTCOMES

For IAG, a virtual learning centre dedicated to risk and compliance training has proven vital in empowering its employees to make decisions that improve outcomes for customers.

IAG established the rQ Academy in early 2020 to increase the amount of risk and compliance training available to its 13,000-strong workforce across Australia.

> 'By introducing the concept of "risk intelligence", or rQ, we've highlighted the ability to manage risk as a desirable personal attribute that can be trained like a muscle.'
>
> **Manny Arabatzis** / IAG

The virtual learning centre was developed to complement mandatory risk and compliance training at IAG. The additional education modules were designed to reinforce common risk management vocabulary and provide ways to better understand and embed key obligations to customers, such as those outlined in the General Insurance Code of Practice.

Manny Arabatzis, executive general manager — risk transformation and strategy at IAG, says the aim of the rQ Academy was to 'build a more risk-aware culture' amongst employees.

'By introducing the concept of "risk intelligence", or rQ, we've highlighted the ability to manage risk as a desirable personal attribute that can be trained like a muscle,' he says. 'The rQ Academy is the "mind gym" we've built to help people strengthen their decision-making muscles.'

Despite the challenges of implementing a new training program remotely during pandemic lockdowns, IAG is reporting a high level of take-up and overwhelmingly positive feedback, and not just from its customer service teams. Arabatzis says rQ Academy is on track to have delivered around 25,000 hours of discretionary training to a large percentage of the business.

'We know that everyone has a role to play in risk management, regardless of their day-to-day job,' he says. 'We've had a fantastic response from all IAG employees, including our customer-facing teams.'

The team behind rQ Academy was recently recognised as a finalist in ANZIIF's Most Valuable Team Award as part of its Year of the Insurance Professional *[see pg. 42]*.

‘We’ll increasingly see the contact centre have full and official ownership of all inbound customer interactions, encompassing both operations and marketing, revenue generation and customer service.’

Jonathan Allan / Puzzel

UPCOMING REFORMS

The *Financial Sector Reform (Hayne Royal Commission Response) Act 2020* has resulted in a number of reforms rolling out across 2021. They impact every operating area of insurance, including the customer service team. Regulations that come into effect in October include:

+ **strengthened breach reporting obligations**
+ **product design and distribution obligations**
+ **hawking prohibitions**
+ **Regulatory Guide 271** regarding internal dispute resolution system requirements
+ **deferred sales model** for add-on insurance
+ duty to take **reasonable care** not to make a misrepresentation

While the new reforms and upcoming Australian financial services licensing requirements are an immediate compliance issue for insurers, Campbell suggests there’s a bigger picture for customer service.

‘Securing a licence is one step,’ he says, ‘but lifting claims competency standards means we must ensure our customer-facing teams are equipped with the necessary mix of skills they need to deliver a positive, caring experience for the customer, and also that the process is as fast and easy as possible. The focus is to ensure claimants are treated with empathy and respect and are provided support along the way.’

Kalaiya adds that insurers should also consider whether there are any potential strategic and marketing opportunities arising from the reforms. ‘Examples include opportunities to take the lead in adapting to new requirements, making the most of increased customer touchpoints to better understand their market, and publicising their new ways of working,’ she says.

While insurers have already made operational changes that are reflected in how customer service teams treat and speak to customers, it may take some time to see improvements in customer satisfaction surveys and retention data directly related to the new legislation.

‘These positive differences may not be felt by customers overnight, particularly in light of eroded trust following recent scrutiny,’ says Kalaiya. ‘However, a general uplift and greater connectivity between insurers and their customers can be expected over time, as a result of the reforms.’ //

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ABIGAIL MURISON
Freelance journalist

‘Customer service is where insurers’ post-Hayne response becomes visible to customers. It’s a big responsibility, and it remains to be seen how quickly the reforms will translate into greater customer trust, satisfaction and loyalty.’

by Abigail Murison

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Au Quang Hien

Story *Anna Game-Lopata*
Photography *Matt Thomas*

A network of conversations

In stepping into the role of Asia-Pacific regional manager for global firm Brokerslink, **Au Quang Hien** has his sights set on new business opportunities while maintaining a strong focus on collaboration, respect and the needs of customers.

Au Quang Hien had two job offers after completing higher education in the United Kingdom — one was from a bank and the other with Royal Insurance (now RSA Insurance Group). For Hien, the choice was obvious.

'I figured that insurance is about analysing risks and therefore was probably more interesting,' he says.

Over the course of a 30-year career, Hien has worked extensively with multinational corporations, global accounts and large projects and has represented some of the UK's leading insurance companies in Asia.

Starting as an underwriter in general accident insurance, Hien progressed through a variety of roles, including account executive, business development manager and marketing director for Vietnam International Assurance, before making the move to set up his own broking company in 2002 — AEGIS Insurance Services.

'Having been a commercial underwriter for a number of years, I decided to "see the other side" as a broker, as well as set up a vehicle to remain in my city and country of birth — Saigon, Vietnam,' he explains.

Return to Vietnam

For Hien, the return to his native Vietnam was always going to be significant.

After North Vietnamese forces took control of Saigon in 1975, signifying the end of the Vietnam War and the start of communist occupation, his was one of many southern Vietnamese families forced to endure substantial hardship for their association with the Republic of Vietnam.

Hien started his 'working career' from the tender age of eight, both in the local commune market, and selling snacks by jumping on and off provincial buses.

'Each day was long, typically 6am to 9pm,' he recalls. 'Life was hard, we suffered severe malnutrition bordering on starvation and many Vietnamese saw no future for themselves or the country.'

A new beginning

Things began to turn around for Hien's family when his father, who had worked in a senior advisory role for the UK Embassy in Saigon, reconnected with contacts in the UK.

'We finally left Vietnam, believe it or not on my birthday, and arrived as immigrant refugees in the UK in October 1978.'

Hien says his parents can't find the words to express how grateful they are to the UK.

'My father became the first representative of the Overseas Vietnamese Community in the UK, while looking after 10 brothers was left to my mother.

'I grew up based on the ingrained spirit of her teaching, which included the values of staying true, honest and acting with integrity, remaining humble and modest, plus giving everyone you meet in life the benefit of the doubt by first and foremost trusting them.'

AEGIS takes a fresh approach

The launch of AEGIS almost 20 years ago is one of the achievements Hien is most proud of to date, especially given the extremely difficult market conditions and complex regulatory environment in Vietnam at the time.

'As a founder of AEGIS, I wanted the business to be different in a market already somewhat dominated by multinational brokers,' he says. 'I wanted it to be a more personal service for our customers, who mean more to us than just clients. Many of them have become close personal friends to me and the other AEGIS directors over the years.'

Hien says the AEGIS founding directors felt the quality of service on offer was inconsistent and wanted a more methodical and professional approach to insurance and risk management.

'We decided to become the number one independent broker in Vietnam and Myanmar,' he says.

'I figured that insurance is about analysing risks and therefore was probably more interesting.'

'Being the first Vietnamese-based insurance entity to set up an office beyond its borders in Yangon, Myanmar, is the second of the achievements I am most proud of.'

Collaborative leadership

With Hien at the helm as CEO, AEGIS has grown to become one of the top firms in the country. He describes his leadership style as 'open and democratic'.

'I remain humbled by collaboration amongst friends and colleagues, and I'm always keen to learn from each country's leaders and their teams,' he says.

'I can engage with and hope to add value to the team through my understanding of the fusion between the Western culture of individuality and creativity and the Asian spirit of community and respect.'

A tough market

In Hien's view, insurtech is currently one of the hottest topics in the Vietnamese insurance market: 'Who will crack this nut?'

'Additionally, as our market continues to open, we are seeing far more competition with the entrance of new players, which, along with changes in the overall economy, will mean a tough environment ahead,' he says.

The coronavirus pandemic continues to wreak havoc on the overall Vietnamese economy, especially for the ongoing number of small to medium-sized enterprises facing bankruptcy.

'The insurance sector has yet to feel the full impact of the associated disruption,' says Hien. 'However, as the local market is heavily reinsured, with low net retentions as a general rule, we anticipate harder terms in the coming period as the full extent of losses around the global markets are accounted for.'

Responding to the challenges

At AEGIS, Hien says the approach to COVID-19 has been conservative.

'We took the lead in allowing staff the flexibility to work from home,' he says. 'The wellbeing of staff and clients has been our initial and number one concern.'

He says AEGIS staff have been asked to engage consistently with valued clients during this time.

'We're keen to provide a listening ear but also to ensure that we truly understand our clients' situation and, where it is necessary, to assist in the restructuring of their insurances.'

For Hien, the key to improving the customer experience is to deliver a highly personal service — and listening to customers is paramount in this process.

'As brokers, we need to be specifically focused on addressing customer concerns, needs and requirements,' he says. 'It may sound clichéd, but listening is so important.'

The man for the job

According to Brokerslink's chairman José Manuel Fonseca, Hien's appointment reflects the company's desire to 'represent a broader diversity of opinions, ideas and inspiration'.

As regional manager for Asia Pacific, Hien will identify and develop new cross-border and global business opportunities for a network of independent brokers in 22 countries across the Asia-Pacific region. He says following in the footsteps and fellowship created by his predecessor, Sid Garcia, is daunting but exciting.

Garcia, who was the first regional manager for Brokerslink in Asia Pacific, held the role for almost a decade. He is also founder and chairman of Trinity Insurance Brokers, Brokerslink's partner in the Philippines.

'I've been privileged to serve and work with, first and foremost, my friends and mentors across the Asia-Pacific region, especially Sid Garcia, as well as the Brokerslink family worldwide,' says Hien.

'I hope to take that fellowship forward to achieve greater collaboration across the spectrum and closer integration with our friends and colleagues across the globe.'

Solid foundations

Originally incorporated in Switzerland, Brokerslink is an independent business combining a global broking company with a worldwide broking network. It provides its shareholder partners and business affiliates with risk management and insurance expertise, international market connections and consulting services in more than 122 countries.

According to Hien, shared equity among and between Brokerslink partners creates a unified purpose and vision that does not compromise the independence or local focus of each partner firm.

'Cross-shareholdings between Brokerslink and its partners make its combined value much greater than a loose association of independent firms,' Hien explains.

In his new role, Hien aims to build on the solid foundations already laid by continuing to reach out to partners and affiliates in the network around the world and creating greater visibility for the Asia-Pacific region.

'My goal is to enhance the overall Brokerslink footprint in Asia in terms of branding and business opportunities,' he says.

TWO-MINUTE BIO

Au Quang Hien

COMPANY // Brokerslink

TITLE // Regional manager for Asia Pacific

BACKGROUND

Following the fall of Saigon in 1975, Au Quang Hien's family endured substantial emotional and physical hardship before emigrating to the UK, where his father became the country's first Vietnamese community representative from overseas.

Hien's 30 years of insurance experience includes working with multinational corporations, global accounts and large projects, as well as representing some of the UK's leading companies in Asia. He began his insurance career with Royal Insurance (now RSA Insurance Group) before forming AEGIS Insurance Services in Vietnam in 2002. Under Hien's leadership, AEGIS has grown to become one of the top firms in the country and is Brokerslink's partner in Vietnam.

OUTSIDE THE DAY JOB

Hien has a love of music and astronomy, as well as all things related to flying. He also enjoys immersive reading and 'seeing pleasure in the simplest things around us'. But top of his list, he says, is the love he has for his two beautiful daughters. He also points to his beloved mother as a major priority in his life, as she was a constant reminder for him and his brothers to do their best.

TOP TIP

'As human beings, we have a pair of eyes that look outwards. I believe everyone, myself included, must always try to look inwards, as this will give perspective on how to approach life and work. It is truly amazing if you can practise doing this every day, even for five minutes. Most people would become far less arrogant, more humble and more hard working. Make every day special and appreciate every little thing — the beauty of life all around you.'

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2021 AUSTRALASIAN LAW AWARDS EXCELLENCE AWARD DIVERSITY INITIATIVE OF THE YEAR by Domini Stuart

The new rules for complaints handling

Customers can look forward to fairer and more timely complaints handling following new regulatory reforms. Savvy insurers will benefit, too.

Customer complaints can provide the insights and feedback insurers need to fine-tune their products and processes. Managing them well can also strengthen customer relationships and the insurer's reputation.

'Complaints handling is a crucial first step in the dispute resolution process,' says Olivia Hua, a lawyer with Sophie Grace Compliance and Legal. 'It plays a vital role in building business success.'

There can also be significant economic benefits. The 2018 *Return on Investment of Effective Complaints Management Report* from the Society of Consumer Affairs Professionals and the University of Newcastle found that every dollar invested in complaints handling has a potential return of up to A$10 for the organisation — a return on investment of 1,000 per cent.

Between 1 January 2020 and 31 December 2020, the Australian Financial Complaints Authority (AFCA) received 19,562 general insurance complaints. John Price, AFCA's Lead Ombudsman for Insurance, believes that many complaints, particularly those concerning the denial of claims, arise because people often don't understand what their insurance policies cover or their rights under those policies.

IN SHORT

- **Recent regulatory reforms are designed to support a fairer and more consumer-centric model.**
- **Major changes include a faster response to standard complaints, a wider definition of 'complaint' and the requirement for an online complaints policy.**
- **Anyone who handles or settles an insurance claim must have an Australian financial services licence, be a member of the Australian Financial Complaints Authority and have a compliant internal dispute resolution process.**

'Research conducted by the Australian Securities and Investments Commission [ASIC] and the Insurance Council of Australia confirms that few consumers read the Product Disclosure Statement at all and those who do rarely read the full document,' says Price.

'They often don't understand the extent of cover or the exclusions that might apply until it's time to lodge a claim. There can be confusion between an accidental damage policy and an insured events policy and a lack of understanding that, while a policy may refer to additional benefits such as temporary accommodation or removal of debris, that may not be in addition to the sum insured.

'When it comes to life insurance, people may struggle to understand just what is meant by a pre-existing condition, particularly where some income disability products or life products are sold without the need for medical information.'

A new approach to complaints

Recent regulatory reforms were designed to improve consumers' financial awareness and literacy, along with industry behaviour.

Anyone who handles or settles an insurance claim must have an Australian financial services licence (AFSL) by January 2022. They must also be members of AFCA and have an internal dispute resolution process that complies with the requirements introduced by the new ASIC Regulatory Guide (RG) 271, which comes into force in October this year.

'The updated standards and requirements in RG 271 are designed to benefit customers by ensuring they have access to fair and timely complaints handling processes,' says Hua.

And, more than ever, insurers need to make sure they communicate in a timely manner and listen to what their customers have to say, adds Price.

Price sees the various reforms working together to support a fairer and more consumer-centric model. 'They also sit neatly with the fairness project we are developing in partnership with the University of Melbourne,' he says.

CHANGING THE RULES

The Australian Financial Complaints Authority (AFCA) has amended its rules to provide clarity for consumers and financial firms regarding its jurisdiction to receive complaints about the conduct of an authorised representative of an AFCA member.

The rule changes were demanded by the Australian Securities and Investments Commission (ASIC) following the NSW Supreme Court's judgement in DH Flinders Pty Ltd v Australian Financial Complaints Authority in November 2020.

This case related to AFCA's jurisdiction to consider a complaint against a licensee in relation to the conduct of its corporate authorised representative, specifically where the conduct of the representative was without or outside authority.

The judgement highlighted that AFCA's rules needed to be clearer to ensure that they reflected the same obligations and liabilities for licensees as set out in the Corporations Act.

At ASIC's direction, the rules now clearly reflect the same statutory liability for licensees regarding their authorised representatives as set out in the Corporations Act and the National Consumer Credit Protection Act.

COMPLAINTS RECEIVED BY AFCA

between 1 January 2020 and 31 December 2020^

Total number of general insurance complaints:

19,562

Products with the most complaints*:

1. Travel
4,429
2. Motor vehicle — comprehensive
3,847
3. Home building
3,724
4. Motor vehicle — uninsured third party
1,032
5. Home contents
962

Top 5 issues*:

1. Delay in claims handling
3,629
2. Denial of claim — exclusion / condition
3,592
3. Claim amount
3,237
4. Denial of claim
2,594
5. Service quality
1,354

COVID-19:

- Between 1 January 2020 and 31 December 2020, AFCA received 4,026 general insurance complaints relating to COVID-19, representing around 20 per cent of all general insurance complaints in the period.
- Of this number, 3,382 related to travel insurance.
- AFCA closed 3,470 general insurance complaints relating to COVID-19 during the period.

* One complaint can have multiple products / issues.
^ Data correct as at 21 May 2021.

AFCA's Fairness Project aims to create clarity and certainty for stakeholders about how the organisation assesses what is 'fair'.

'We've created a framework that encapsulates the essential elements against which AFCA will assess financial disputes in accordance with our jurisdiction,' says Price. 'It provides transparency in terms of how we exercise our fairness jurisdiction and articulates a framework that supports how we'll exercise it in our decision-making processes. It will also promote consistency in decision-making.'

A new charter

AFCA recently consulted on an engagement charter that sets out how it expects people to behave when they engage with it. This includes financial service providers, small businesses and individuals, as well as AFCA itself.

'We want to ensure parties conduct themselves in a way that is respectful to our staff and to one another,' says Price. 'We'll be releasing the charter in the coming months.'

AFCA completed an informal consultation on the broader framework and Fairness Project in 2020 but is continuing to engage with stakeholders on ways to improve service delivery.

Price says the project formally wrapped up on 30 June, but emphasised AFCA would retain its focus on 'delivering fair outcomes in a timely and efficient way'.

'Stakeholders have been participating in the Treasury Independent Review of AFCA and we also look forward to those outcomes.'

Insurers need to make significant changes in order to comply with the new obligations, but Price is optimistic about compliance.

'I've heard that many firms are already practising the new timeframes,' he says. 'Following discussions with people in the industry, I'm confident that insurers are fully aware of what is required and that preparations are well underway.'

DOMINI STUART
Freelance writer & editor

'For many insurers, the new regulations support what they already knew — that playing fair, listening to customers and treating them with respect is the foundation of a successful business. Hopefully, the new regulations will improve trust and confidence in the industry by bringing all insurers up to the same standard.'

KEY CHANGES INTRODUCED BY NEW LEGISLATION

- The definition of 'complaint' has been amended to include those made via social media.
- Insurers must respond to standard complaints within 30 rather than 45 days.
- Information required for written internal dispute resolution (IDR) responses must be clearly set out to help consumers decide whether to escalate a complaint.
- There are new timeframes for customer advocates to review appeals against IDR decisions.
- Insurers must provide guidance relating to how they will deal with representatives who are not acting in the best interests of the consumer.
- The firm's complaints policy must be published on its website in a range of formats and languages.

Story Domini Stuart
Illustrations by Cami

Staying connected while working apart

In the wake of COVID-19, insurers took steps to manage a 'new normal' – working from home – and the mental health risks that can be brought on by isolation and disconnection.

IN SHORT

- The pandemic made working from home a reality, which has generally worked well for both insurers and their employees.
- The downside includes risks to mental health and trying to balance work commitments with other challenges at home.
- Identifying the risks and taking practical steps to protect workers' wellbeing could create flexible, sustainable and productive workplaces for the future.

There's nothing new about the idea of working from home, but it took a pandemic to make it a reality for most workers.

A 2020 survey of 600 professionals across the insurance and risk industry found that more than 85 per cent were office-based all or most of the time before the COVID-19 outbreak. Since the pandemic, that figure dropped to just over half.

Some loved it; others hated it. The *Local Voice, Global Impact: Deep Dive on Inclusion Survey 2020* released by ANZIIF, Liberty Specialty Markets, SURA and Wotton + Kearney revealed that while remote working brought many positive outcomes, 75 per cent of respondents reported a negative psychological impact from changes to their work due to COVID-19.

'Many employees like the flexibility, autonomy and lifestyle that can come with working remotely, but we do need to be mindful of the risks to mental health,' says Glenn Baird, head of mental health at TAL.

As risks go, loneliness is one of the most concerning.

'Being isolated and feeling disconnected from people tend to impact our mental wellbeing,' says Ryan McGrory, head of employee experience and internal communications at Youi. 'It may also remove us from our support network.'

'Some people derive their energy from human interaction and collaboration,' adds Sarah Brown, head of Mercer Marsh Benefits. 'When they don't have others to bounce things off, self-doubt can set in.'

Casual human contact can also strengthen relationships and build a sense of connection.

'Small talk at the start of the day, tea breaks and even banter around a desk are all opportunities to ask quick questions or check in on progress with teammates,' says Baird.

While QBE is reinforcing work as a thing you do rather than a place you go, it also recognises the value of connecting in person.

'It's essential for collaboration, achieving shared outcomes, building social networks and workplace culture and supporting wellbeing,' says Shiona Watson, interim chief HR officer at QBE Australia Pacific.

The role of communication

Brown stresses that it's far better for managers to over-communicate rather than under-communicate. 'This will help to compensate for the lack of incidental conversations,' she says.

New Zealand-based Tower Insurance boosted communications to encourage regular connections and maintain relationships between colleagues.

'We shared the latest health and government advice and updates through specific communications channels and encouraged staff to share their working-from-home set-ups, as well their own tips to manage their wellbeing,' says Tower's chief people officer Michelle McBride.

During lockdown in Singapore, an inter-agency team, including the Ministry of Manpower and Institute of Mental Health, encouraged leaders to check in with employees at least once a week.

'Managers could have informal chats with staff, such as via video conferencing or messaging applications, and ask how they were coping,' the team said in a joint release. 'Leaders can also encourage the team to support one another. You can even engage on "after work" chats or activities.'

Youi trialled a number of communication innovations, including 'chat roulette'.

'We paired people at random for informal one-to-one chats on Teams or Zoom,' explains McGrory. 'It was a great way to facilitate discussions and human interaction as well as create new connections. Pairing people up as "buddies" worked well for us, too.'

By chance, QBE launched a 'Learning for All' virtual training platform just before the pandemic hit.

'This is part of our long-term strategy to connect employees across our many Australian and international offices, and it has proved invaluable during the period of remote working,' says Watson.

Setting boundaries

When you're at home all day, it can be hard to draw a line under work.

'I've heard it described as living at work rather than working at home, but switching off is vital,' says Brown. 'I believe leaders should recommend and model some kind of ritual or routine to mark the end of the working day. I use what I called the commute — walking around the block.'

Ideally, the home office will be in a separate room, though not everyone has this luxury.

'If you've no choice but to work at the kitchen table, on the couch or in the bedroom, it's very difficult to establish boundaries, and poor boundaries can lead to burnout,' says Baird.

Working remotely can be particularly challenging for people with dependants and extended family at home.

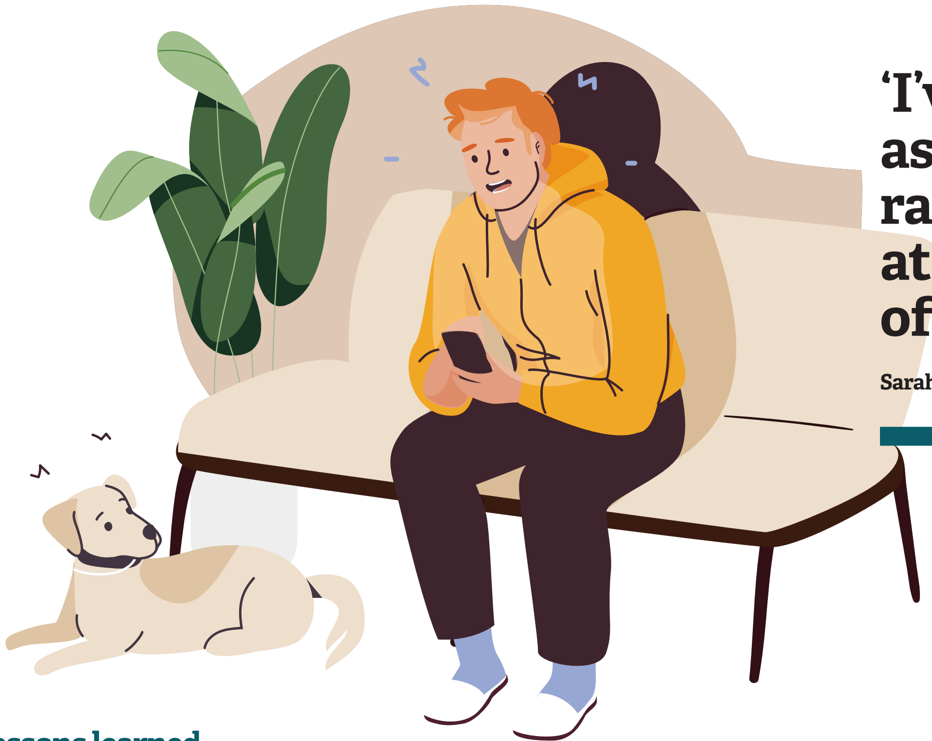
'We were very mindful of this and did our best to give people in this situation the support they needed to balance their home lives with their work requirements,' says McBride.

SETTING UP FOR SUCCESS

These are the skills insurance professionals would most like to develop to help them adapt to the new world of work:

58%
DIGITAL AND TECHNOLOGY SKILLS

42%
TIME MANAGEMENT & REMOTE WORKING



‘I’ve heard it described as living at work rather than working at home ... switching off is vital.’

Sarah Brown / Mercer Marsh Benefits

Lessons learned

ANZIIF recently conducted its 2020 *Learning in the New World* study to understand the implications of the mass transition to a remote workforce. It found that many insurance professionals recognised the need to update their digital and time management skills, but barely a third (34 per cent) rated personal health and wellbeing as significant in adjusting to the new world of work. It will be interesting to see from this year’s study how much that percentage has changed.

Allianz has already incorporated the new ways of working and positive learnings from 2020 and is maintaining its hybrid, flexible working model.

‘We have learned from the pandemic, and we will adopt the supports we put in place as part of our new normal,’ says Vicky Drakousis, chief human resources officer at Allianz Australia. ‘This will ensure we stay adaptable and responsive to the evolving needs of our employees and customers, agile in our ways of working and resilient to challenges as we recognise future opportunities.

‘We will also continue to promote our people’s emotional, social and physical wellbeing to foster the key skills that support remote work. These include establishing and maintaining structure and routine, open communication and practising self-care.’

QBE has also made great inroads into employee health, wellbeing and culture.

‘We recognise that a culture of care for our people is central to our collective success,’ says Watson. ‘What remains a constant is ensuring support is practical, promoted clearly and accessible and that employees are proactively encouraged to access these resources and services.’

34% PERSONAL HEALTH AND WELLBEING

32% TECHNICAL, PRODUCT, ETHICS & COMPLIANCE TRAINING

29% INTERPERSONAL SKILLS

29% ENTERPRISE SKILLS

20% LEADERSHIP SKILLS

Source: ANZIIF 2020 *Learning in the New World* study

‘A workforce that can work more confidently in a rapidly changing business environment will deliver more value.’

Kristine Dery / MIT Sloan School of Management Center for Information Systems Research

Meanwhile, Kristine Dery, a Sydney-based research scientist at the MIT Sloan School of Management Center for Information Systems Research, is seeing high-performing companies shifting their conversations away from where work will be done and focusing instead on what it will take to build a futureproof workforce.

‘Our latest research shows these firms are doing two things particularly well to empower their people to solve more complex problems,’ she says. ‘They’re creating work in a digital format that makes it easier for people to deliver better customer experiences, and they’re providing training and opportunities that enable them to reimagine and reinvent their own work.

‘Our study of over 1,300 large companies found that, where people are both equipped and empowered to work in ways that are relevant in a digital world, companies generate an average of 20 per cent more revenue than their competitors. A workforce that can work more confidently in a rapidly changing business environment will deliver more value.’

THE THREAT OF HARASSMENT

Disappointing as it is, working from home doesn’t necessarily end harassment and abuse.

‘In [the remote working] context, it’s likely to be unsolicited messages or inappropriate images,’ says Prue Gilbert, CEO of workplace gender equality specialist Grace Papers. ‘This can be harder for managers to detect, but following recent publicity and evidence of more widespread support, more women are reporting these kinds of issues.’

Managers must make it clear that workplace policies apply wherever the work is being done.

‘They also have a responsibility to engage with remote workers, checking in regularly, building rapport and ensuring that there is psychological safety within the team,’ says Gilbert. ‘A shift in expectations by staff on employers, combined with the potential for negative impact on workplace and leadership reputation, make a strong case for prevention.’

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DOMINI STUART
Freelance writer & editor

‘A remote workforce can be cost-effective for insurers, and it removes the daily commute for employees. However, human beings benefit from social interactions, including work-focused innovation and collaboration. Perhaps the future lies in a balance between the two.’

Story *Anna Game-Lopata*
Photography *Michael Amendolia*

Protecting human spirit

Resolution Life Australasia CEO Megan Beer says we can learn a lot about making life insurance more sustainable by putting ourselves in the customer's shoes.

For Resolution Life Australasia CEO Megan Beer, it's a privilege to work in an industry where 'you can do great work and achieve wonderful things that customers and families can benefit from'.

She says her role has been an exciting opportunity to transform the AMP Life business, which she was leading when it was acquired by Resolution Life last year.

Beer confirms that the business is flourishing under Resolution Life ownership. 'We've got a great team, and the new agile way of working we introduced last year has enabled our people to feel empowered to make a difference,' she says.

'Our purpose at Resolution Life Australasia is "Protect Human Spirit" and to me, that truly encapsulates what we need to do. It's not just about helping people financially but supporting them and their families to thrive whatever their circumstances, rather than just leaving them to hope for the best.'

Significant improvements

Beer says she's extremely proud of the team's renewed customer focus. 'For example, we knew that we needed to improve the timeliness of our claims assessment and it's been really pleasing to see the progress we've been making,' she says.

To support this, the company has invested in data and digital technologies, as well as a new AMP Life website.

'We have new call centre technology and we're soon to launch our new mobile app. That gives us a base of technology to support our customers better,' she says.

'We're well positioned for growth in both Australia and New Zealand, which means managing existing policies along with other books of business and integrating them into our new business model.'

Beer has spent the best part of her career working in financial services and life insurance. She loved economics and maths at school, but growing up in the country meant exposure to the options was limited.

'I found the job of an actuary in the careers book and I thought that sounded really terrific,' she recalls. 'I was then fortunate enough to receive an actuarial scholarship from Capita, which is now part of MLC Insurance.'

With more than 25 years' experience in the financial services industry, Beer is a recognised leader with a range of executive, finance, actuarial and consulting roles under her belt.

She led NAB's wealth management and insurance offer as general manager, bancassurance and direct, as well as holding both the roles of general manager of group insurance and head of finance for insurance at MLC. She also worked for Tower (now TAL) for six years as chief actuary, chief risk officer and head of claims, and has been a director with actuarial practice Tillinghast. She joined AMP in February 2014 as director, insurance and was appointed group executive, insurance three years later, followed by CEO of AMP Life in January 2019.

Beer transferred to Resolution Life in July 2020 as CEO of both Resolution Life Australasia and AMP Life, having led the transition. She is also managing director of Resolution Life NOHC, AMP Life and RLNM Limited.

Handing over the reins at ANZIIF

Having recently concluded her two-year tenure as ANZIIF president, Beer acknowledges the team for its sense of purpose in supporting insurance and financial services member organisations across Australia, New Zealand and Asia — especially during COVID.

'I think we'll all look back and be amazed at what we were able to achieve,' she says.

Beer is also personally proud of helping develop the life sector's first Professionals Standards Framework during her presidency.

'… I'm a big believer in diversity of thought and experience.'

THE ROAD TO EQUALITY

For Megan Beer, being a woman has never hindered her career. Having said that, she says she's very fortunate that her husband has been the primary care giver for many years, enabling her to focus on her work. 'He's a wonderful partner and support to me,' she says.

'I encourage anybody, whether female or male, to have conversations with their partner about their family goals and their career development and choices.'

Beer concedes that the trade-offs are hard and not for everybody. She says when it comes to the bigger question about supporting more females to have opportunities and careers in financial services and insurance, affordable childcare is critical.

'Diversity means standing in somebody else's shoes and listening to what's going to make the difference for them,' she says.

'Every leader needs to have great individual conversations with their people about what it's going to mean for them to develop their career opportunities.

'Particularly for females, it's important to be able to speak up and be confident about what they need, what they value and how they want to grow.'

'I've always been passionate about developing professional standards within our industry, and that was one of the reasons I was absolutely delighted to join the ANZIIF board,' she says.

'The collaborative work we've done between ANZIIF and several major life insurers covers off a set of professional standards that are fundamental to enhance industry trustworthiness and confidence, and to enable our people to learn, grow and to have recognition as professionals.'

Positive feedback

Beer says the significance of the framework was confirmed by the positive feedback it received from stakeholders and industry people on the ground.

The industry's proactive approach to creating both the standards and the Life Insurance Code of Practice was also commended by Senator Jane Hume, Minister for Superannuation, Financial Services and the Digital Economy. Beer says the next step is for participating companies and other life insurers to incorporate the framework into their learning and development pathways.

TWO-MINUTE BIO

Megan Beer

COMPANY // Resolution Life Australasia

TITLE // CEO

BACKGROUND

Having grown up in the regional New South Wales town of Lismore, Megan Beer graduated with a Master of Economics from Macquarie University and later received her MBA from the Australian Graduate School of Management. Her extensive experience in financial services and insurance includes senior roles with groups such as NAB, MLC, Tower (now TAL) and Tillinghast. She joined AMP in February 2014, rising to group executive, insurance three years later. In 2019, she was appointed CEO of AMP Life, a year before its acquisition by Resolution Life when she became CEO of its Australasia division. She is also managing director of Resolution Life NOHC, AMP Life and RLNM Limited.

ANZIIF MOMENT

Beer joined the ANZIIF board as a director in 2015 and was appointed vice president in 2018. She was elected president in June 2019 — the first female president for ANZIIF — and handed over the mantle to Tim Plant in May this year.

PHILOSOPHY

She is passionate about developing professional standards within the insurance industry, investing in learning and self-development, and diversity of thought and experience. She is also a strong believer in dialogue and collaborative solutions.

TOP TIP

Beer advocates having a strong personal purpose. 'I'm really clear about the work I've been enriched and challenged by, and the people who supported and helped me grow and develop,' she says. 'Others invested in me, but I also invested in the development of my own career.'

OUTSIDE THE DAY JOB

She enjoys spending time with her family, walking on Sydney's inner-west Bay Run and reading. Beer also loves baking, and her family relishes the treats from a Sunday morning spent in the kitchen.

'At Resolution Life Australasia, we're focusing in on doing that right now,' she says. 'The [framework] is a strong foundation to help our people understand all the different skills they need to thrive in an ever-changing world, such as data and analytics.'

Making life insurance work

In terms of the viability of life insurance, Beer says the key is standing in the customer's shoes. 'Spending time with claims assessors and actually thinking about how our products interface with customers when something happens to them will provide a range of insights,' she says.

For example, she notes that many current products are designed and priced using outdated risk profiles. And she believes products need to be integrated with what's happening in the rest of the ecosystem. 'Customer research shows consumers go to their families for support in times of trouble, and we all know some of the challenges that our families are experiencing,' she says.

'In some circumstances, living benefit products provide a financial outcome that far exceeds the impact on the customer's life, and in others there's a shortfall for the insured. We assume large financial payments will benefit people, where actually they're looking for some short-term protection to help them get back on track and readjust their lives.'

Beer believes a better approach would be to co-manage the risk based on a customer's choices rather than having full replacement as the default position, particularly as many customers don't have access to quality advice.

'We know our products are quite confusing for people across Australia and New Zealand,' she says. 'That's an opportunity for us to think about the principles of insurability and going back to the basics.

'I don't have the solution. I don't think any of us do and that's why I'm a big believer in diversity of thought and experience. I'm optimistic that as an industry, we'll be able to find the right solutions collaboratively.'

The COVID effect

Beer believes that COVID-19 has brought a leap in generational change and balance.

'Focusing on agile ways of working where the outcomes delivered are more important than where you're located will provide people the autonomy to grow and develop,' she says.

She adds that regulation and other industry changes have resulted in an internal focus that could now be turned outwards.

'I'd encourage an external perspective and really looking at what we can learn from others,' she says. 'We've all been customers and I think we can reflect on how we could bring those critical moments that make a difference into our industry.'

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2020 NIBA Broker Market Survey

NIBA
National Insurance Brokers Association.

OVERALL

- Is a trusted partner*
- Is a brand that delivers on promises
- Overall satisfaction*
- Overall opinion versus other insurers*
- Responsiveness

BEST BROKER EXPERIENCE

- Underwriting overall satisfaction
- Work with me to find a solution for my client
- Understand underwriting for my client's needs
- Have expert knowledge in specific product areas
- Are comfortable having complex or challenging conversations
- Communicate when underwriting appetite has changed

ACCOUNT MANAGEMENT

- Account management overall satisfaction
- Responsiveness to my needs and the needs of my clients
- Takes ownership for resolving my business issues and follows through on commitment
- Willingness to negotiate for the benefit of my client
- Takes the time to learn about my business and client needs
- Strong product knowledge and technical expertise

PRODUCT EXPERIENCE

- Underwriting flexibility
- Ability to tailor a policy to suit my client's needs
- Product coverage and wording that suits the needs of my client
- Policy conditions and cover

CLAIMS EXPERIENCE

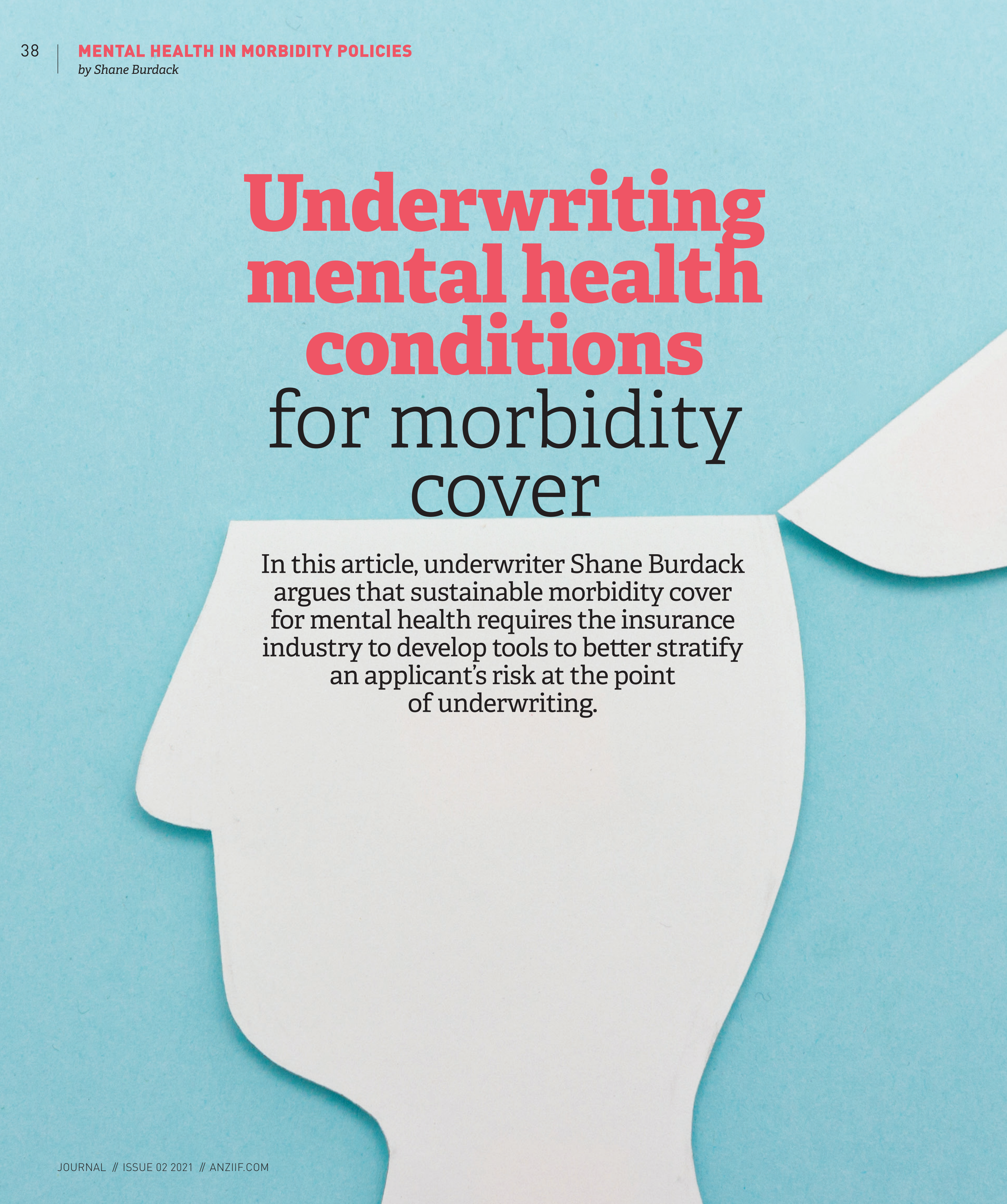
- Staff are knowledgeable about what the product covers in the event of a claim

BRAND EXPERIENCE

- Develops and maintains strong relationships

* Liberty Specialty Markets shares the first place ranking with other insurers in these categories.
The independent NIBA Broker Market Survey was conducted from July to August 2020 and compared 18 general insurers in Australia.

by Shane Burdack



Underwriting mental health conditions for morbidity cover

In this article, underwriter Shane Burdack argues that sustainable morbidity cover for mental health requires the insurance industry to develop tools to better stratify an applicant's risk at the point of underwriting.

Mental health is understandably an extremely topical area for today's society.

Over time, the extensive nature of mental health issues in the community has brought about a reduction in the stigma historically associated with such conditions, and a much greater awareness of the significant personal and financial challenges sufferers face.

From an insurance perspective, the facts are the facts and they cannot be ignored *(see panel far right)*.

The pooling of risk principle

From an underwriting perspective, mental health conditions present a major challenge to the insurance principle of pooling risk, which involves grouping like risks so that insured lives in the pool that suffer an event (the contingency) can be paid entitlements from the total pooled funds.

Effectively, premiums paid by those individuals who do not suffer the event will help supplement the benefit entitlements to those individuals who do suffer the event and claim against their policy.

The actual claims experience of the pool must not exceed the expected claims experience or product sustainability will be seriously threatened.

For this underlying principle of insurance to be workable, the insurer needs to have confidence that only a select group of individuals in the pool will suffer the insured event.

The insurer's pricing calculations are based on its assumptions as to how many claims will occur each year in the pool. Ultimately, sufficient funds need to be available at any given point to meet claims as they occur.

Alarming evidence

This insurance principle is further challenged when we consider surfacing medical literature which seems to suggest that, in time, any given individual in society will demonstrate traits of a diagnosable and recognised mental health condition[6–7].

In his book *Saving Normal*[8], renowned psychiatrist Dr Allen Frances points out that the diagnostic thresholds currently used in clinical medicine are expanding.

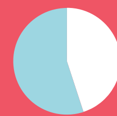
This means that, potentially, the previously labelled symptoms of mental health conditions could become diagnosable impairments, making underwriting the risks an even greater challenge.

Also arising is the controversial question of whether morbidity policies are sustainable if we continue to cover mental health conditions.

IN SHORT

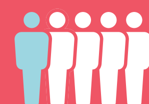
- **Mental health conditions present a major challenge to the insurance principle of pooling risk.**
- **Emerging medical literature suggests that, in time, any individual in society will demonstrate traits of a diagnosable and recognised mental health condition.**
- **As diagnostic thresholds expand, insurers will need to navigate their way through the underwriting of risks and confront the controversial question of whether morbidity policies are sustainable if they continue to cover mental health conditions.**

MENTAL HEALTH IN AUSTRALIA: THE FACTS



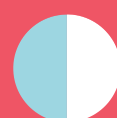
45.5% affected

The prevalence of mental health conditions in Australia is alarmingly high, with just under one in every two individuals experiencing a mental health episode in their lifetime[1].



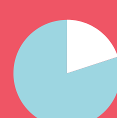
3.2 million Australians

One in five Australians aged between 16 and 85 years experienced mental health disorders in the previous 12 months[2]. This is equivalent to almost 3.2 million people.



50% risk of further episodes

An individual who experiences depression has a 50 per cent risk of suffering a further episode in their lifetime[3], while the relapse of mental health conditions such as schizophrenia and bipolar disorder ranges from 50–90 per cent[4].



20% of all DI claims

Mental health conditions are one of the leading causes of disability income (DI) claims, second only to accidents[5].

Negative reaction

Should insurers decide not to cover mental health conditions, there's no doubt the industry would receive a negative reaction from the community at large, not to mention mental health advocates.

Adding fuel to the fire, the challenge that the Australian Prudential Regulation Authority has set is to create a sustainable disability income (DI) product. Hence, developing a product that does not cover mental health-related conditions needs to be a serious consideration, albeit a contentious one.

Perhaps basic morbidity products of the future will not automatically incorporate coverage for a mental health condition?

Perhaps instead, an applicant wishing to have coverage for this will need to select it as an additional rider coverage benefit under the policy and pay the additional premium rate determined for a mental health condition?

Additionally, such a mental health cover rider benefit may also require a restricted policy benefit period of a maximum two or five years.

Underwriting report card

The current morbidity claims experience itself might be enough to suggest that the underwriting report card might warrant an 'F' (Fail)!

This would be a harsh mark indeed and requires a closer look as to why this may be the case.

Generally, the morbidity underwriting approach for applicants who have experienced a mental health event in their life is rather restricted in nature.

That is, the overwhelming literature indicating the high risk of recurrence, together with the industry claims experience for mental health conditions, more often than not will result in an offer of morbidity insurance terms with a mental health exclusion (note a small percentage of risks may still even need to be declined).

Regrettably, an exclusion clause is often the only option for an insurer, as the reported high clinical rate of recurrence means that these risks cannot be accepted into the insured pool within the current maximum morbidity premium loading framework of 2.5 x the normal premium — that is, +150 per cent Extra Morbidity.

The time factor in patient management

Another material factor is that a large percentage of morbidity insurance applicants who have suffered a mental health episode are diagnosed and managed by their usual general practitioner (GP) over time.

In a clinical setting and from a patient management perspective, this is more than appropriate. Monitoring the patient regularly provides the setting for changes in medical treatment, and possibly diagnosis, as required.

An insurance underwriter does not have the same flexibility as a GP with respect to the ongoing clinical management of the patient.

Underwriting decisions are made at the point of policy application and apply for the entire duration of the morbidity insurance policy, which generally runs through until the insured life's 65th birthday.

This will inevitably result in a more cautious approach from an insurance underwriter relying on the individual medical facts presented together with statistical medical literature and an insurer's claims experience.

Can policies cover mental health?

There is no doubt that the optimal position for all parties is for an insurer to be in a position to provide cover with a premium loading on a policy that provides full cover (meaning coverage for a mental health event — that is, no exclusion on the policy).

Unfortunately, this is not possible given the current maximum premium loading for a morbidity policy, which is insufficient to generate anywhere near the required funds in the insurance pool to meet the claims costs.

On the assumption then that we underwrite this risk factor well and consistently, and that this is reflected accordingly on our underwriting report card, why the sub-optimal claims experience?

Need for confidence

The claims experience conveys a damning story that is perhaps reflective of the changes seen in updated iterations of clinical diagnostic manuals and the emerging evidence referred to earlier suggesting that every individual will, in time, demonstrate traits of a diagnosable and recognised mental health condition[9].

If we believe we can incorporate cover for mental health under sustainable morbidity policies, our industry challenge is to consistently stratify the insurance pool further at the point of underwriting.

We need to confidently identify those individuals who have no evidence of mental health problems but may suffer a mental health event and claim in the future.

This raises the pertinent question of whether this is achievable.

Read the full article on the ANZIIF Members' Centre.

→ **Take me there**

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SHANE BURDACK
Underwriting consultant

Shane Burdack is a senior underwriting consultant with Swiss Re Australia and New Zealand with a focus on cross-functional stakeholder risk advice on underwriting philosophy, automation, innovation and product development. He has more than 25 years' experience in the (re)insurance markets and is an active participant and risk advocate in key industry bodies. He also represented the life insurance industry on the federal government's Human Genetics Advisory Committee from 2009 to 2012.


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by Jessica Muddittt and Anna Game-Lopata

Recognising success

As part of ANZIIF's Year of the Insurance Professional, we recognise those individuals who are going the extra mile to make a difference in our industry and the teams that are working together to achieve excellence. Meet the winners of the Most Valuable Team and Making a Difference awards.

MOST VALUABLE TEAM
PRORISK

Collaboration and communication helped the claims team at ProRisk take out ANZIIF's Most Valuable Team Award for 2021.

Achieving outstanding customer service outcomes amid last year's pandemic and the sudden shift to remote working is an enviable feat — and one that has earned the claims team at Melbourne-based underwriter ProRisk the title of ANZIIF's Most Valuable Team for 2021.

ProRisk's group claims manager Chloe Thomas, who leads the team of six, put their success down to communication and collaboration.

'From that very first week of lockdown in March last year, we knew that communication would be critical to continuing to deliver fast, reliable, fair and empathetic claim services,' she says. 'Our customers were having a difficult time, and we had more claims than ever before. We kept our own team motivated through regular catch-ups. We shared each other's successes and built each other up.'

It was this collaborative approach that put the team in good stead when a franchisee from Jim's Mowing lodged a claim for his damaged trailer and tools, which had been hit by another car on a freeway. Within minutes, the team swung into action and the claim was escalated. Within 24 hours, it was settled.

'The insured was a self-employed, "one-man band", so he needed his tools to earn a living,' explains Thomas. 'It wasn't a massive claim, but it represented his whole livelihood. We knew that we needed to get him back on the road by enabling him to replace his gear.'

Another example of outstanding service involved a psychologist who had provided psychology services to a child of parents going through a custody dispute. The psychologist subsequently received a complaint from the child's mother through the Australian Health Practitioner Regulation Agency (AHPRA) and was understandably distressed. The consequences could have included losing her practitioner's licence, undergoing further education or having conditions imposed on her practice. The ProRisk claims team reassured the psychologist that she would have access to urgent legal advice. A panel of lawyers then assisted the insured with her responses and statement for the AHPRA board. Ultimately, the board decided to take no further action against the psychologist.

'This almost certainly wouldn't have occurred if we hadn't acted really quickly,' says Thomas. 'We knew that she needed prompt assistance because the timeframe given by the overseeing professional body for that initial response is quite short. She was absolutely thrilled, because she'd had no idea what the outcome was going to be and what it would involve, or how long it would take.'

MOST VALUABLE TEAM AWARD RUNNERS-UP

CHU Services, *CHU Underwriting Agencies*

Technical Claims Team, *Westpac Group*

rQ academy, *IAG*

ABOVE

ProRisk team members (left to right): Chloe Thomas *(group claims manager)*, Bianca Parussolo *(claims team leader)*, Lee Cooper *(claims consultant)*, Eden Matene *(claims examiner)*, Daniella Murnane *(claims assistant)*, Emilie Naylor *(claims administration assistant)*.

ANZIIF's Most Valuable Team and Making a Difference awards were launched as part of its Year of the Insurance Professional.

For more information on the Year of the Insurance Professional program of awards, events and activities, visit **anziif.com/professional**

MAKING A DIFFERENCE AWARD (UNDERWRITING)

LILLIAN ZHOU

senior underwriter, Flex Insurance

Rather than declining a difficult strata risk, Lillian Zhou goes the extra mile to help customers get the cover they need, explain any challenges and even suggest ways to lower their premium. Her efforts have been recognised with the Making a Difference Award in the underwriting category.

Zhou started her career as an underwriting administrator at Strata Unit Underwriters (SUU), where she worked alongside the claims team. During her tenure, she witnessed the impact of properties being incorrectly insured and was determined to become an underwriter who helped educate clients about how properties are assessed for insurance.

After 10 years at SUU, where she became an underwriter with authority in both commercial and residential, Zhou joined the Flex Insurance team as senior underwriter.

Recently, Zhou was underwriting a new business policy that seemed unusually expensive. Following a thorough review, she determined that an incorrect disclosure of slate tiles had been made for the roof.

As the customer wasn't sure what the tiles were made of, the broker's assistant selected slate, assuming that in the event of a loss, the tiles would be upgraded to the premium product. Zhou went above and beyond to explain that if the building's details were incorrect, a claim could be denied and that restoration would not result in an upgrade.

When the tiles were confirmed to be terracotta, the client received a 35 per cent premium reduction. Both the broker and customer thanked Zhou personally for educating them and ensuring the property was insured correctly at a more affordable premium.

'Strata is a true test of an underwriter's ability,' says Zhou. 'I try my best every day to help customers understand an important but complex product.'

FINALIST // **Vrisha Bhagat,**
senior claims consultant, CHU

ABOVE

Lillian Zhou (top); Rachael Crick (bottom).

MAKING A DIFFERENCE AWARD (LIFE)

RACHAEL CRICK

team leader — vocational services, IPAR

As someone tasked with helping people identify their return-to-work goals after injury, illness or disability, IPAR's Rachael Crick is described as being 'an amazing all-rounder'.

The inaugural winner of the ANZIIF Making a Difference Award in the life insurance category, Crick has been recognised for thinking creatively, tailoring her programs to the individual needs of clients and being an exemplary member of the wider IPAR team.

In June 2020, Crick developed a tailored program of mindful photography for an income protection client suffering multiple diagnoses, including depression, anxiety and attention deficit hyperactivity disorder. Each session included counselling, followed by taking photographs. Despite initial scepticism, the client appreciated the personalised assistance so much that he sent a letter expressing the positive impact of the program.

With psychology and rehabilitation counselling degrees, Crick has worked in the rehab industry for seven years. She joined IPAR as a consultant in 2015 and was promoted to senior consultant before being appointed to her current role as team leader — vocational services.

According to IPAR management, Crick's input has resulted in an increase in the organisation's return-to-work rates and the growth of its team.

IPAR's Sydney area manager Aleena Jambazian describes Crick as incredibly hardworking with a passion to make a difference in the lives of her clients, as well as going above and beyond with colleagues and staff. 'Many of IPAR's most successful consultants have been inducted and trained by Crick, who loves to share her knowledge and is always generous with her time,' says Jambazian.

FINALIST // **Dolores Bartolomeu,**
team manager — CCI / Life, Allianz

WHAT INSURANCE **CARRIERS CAN LEARN** FROM CONSTRUCTION CATASTROPHES

Discussion with Scott Newland, General Manager - Government & Long-Tails – Gallagher Bassett

When it comes to the liability and risk of construction projects, companies must consider not just the initial build quality but future-proofing actions to protect developments from natural catastrophes and project failures.

From managing premium increases to changing risk profiles, there are some learnings for insurance carriers to ensure they are not left in the lurch by a construction catastrophe.

COMPLIANCE CONCERNS CANNOT BE SWEPT UNDER THE RUG

Your insureds must be well-versed in changing legislation, compliance requirements and government investigations into their profession. Take into consideration the level of regulatory engagement and compliance activities your insureds undertake to understand whether they are fully aware of the environment they operate in or flying blind.

RISK AND REPUTATION GO TOGETHER

Your insureds' reputation can easily dovetail with your own. When assessing an insureds' risk, consider the specificities of their residential or commercial development and what regulations, compliance codes and government scrutiny might apply. The blame game of who is responsible for major faults can take many reputations down before an answer is clear, so it's critical you have a comprehensive understanding of the environment your insured operates in and what the potential outcomes could be.

DON'T WAIT FOR THE DUST TO SETTLE

Insurance carriers must respond as soon as any compliance or safety faults have been identified. As soon as your insured notifies you of a pending issue, make sure your team knows to open the communication lines and keep all relevant team members in the loop on the issue. This will ensure you can begin resource planning for any potential claims and build out a risk profile that incorporates these new findings.

CLAIMS MUST BE TREATED WITH CARE

We all know claims managers must handle every claim with care – but especially when sensitive topics like homes, personal livelihoods and lives are at stake. We work with insurance carriers across construction, engineering, certifiers and building companies – and all the supply chain factors along the way – and have found the best way to mitigate reputational damage and claim costs is treating all clients with care. Whether it's expediting emergency accommodation or cash payouts to ensure claimants feel supported and safe, to working with the various stakeholders in the claims process or regulatory bodies to facilitate effective claims outcome.

It's become clear that the intense demand in the broader construction industry has led to, on occasion, poor building practices and governance, a lack of compliance and significant oversight – and shone a light on weaknesses within the construction and building supply chain. The risks insureds and insurance carriers face in this space will continue to remain a complex challenge.

To speak to our expert team on handling construction risk and liability, reach out to us at insurers.gallagherbassett.com.au

ABOUT GALLAGHER BASSETT

Gallagher Bassett is a global leader in the insurance industry and the largest TPA in the ANZ market, delivering best-practice claims management solutions for all lines of insurance. Gallagher Bassett optimises supply chains and partners with insurers to enhance their brand, values and systems to improve customer service and drive cost and operational efficiencies.

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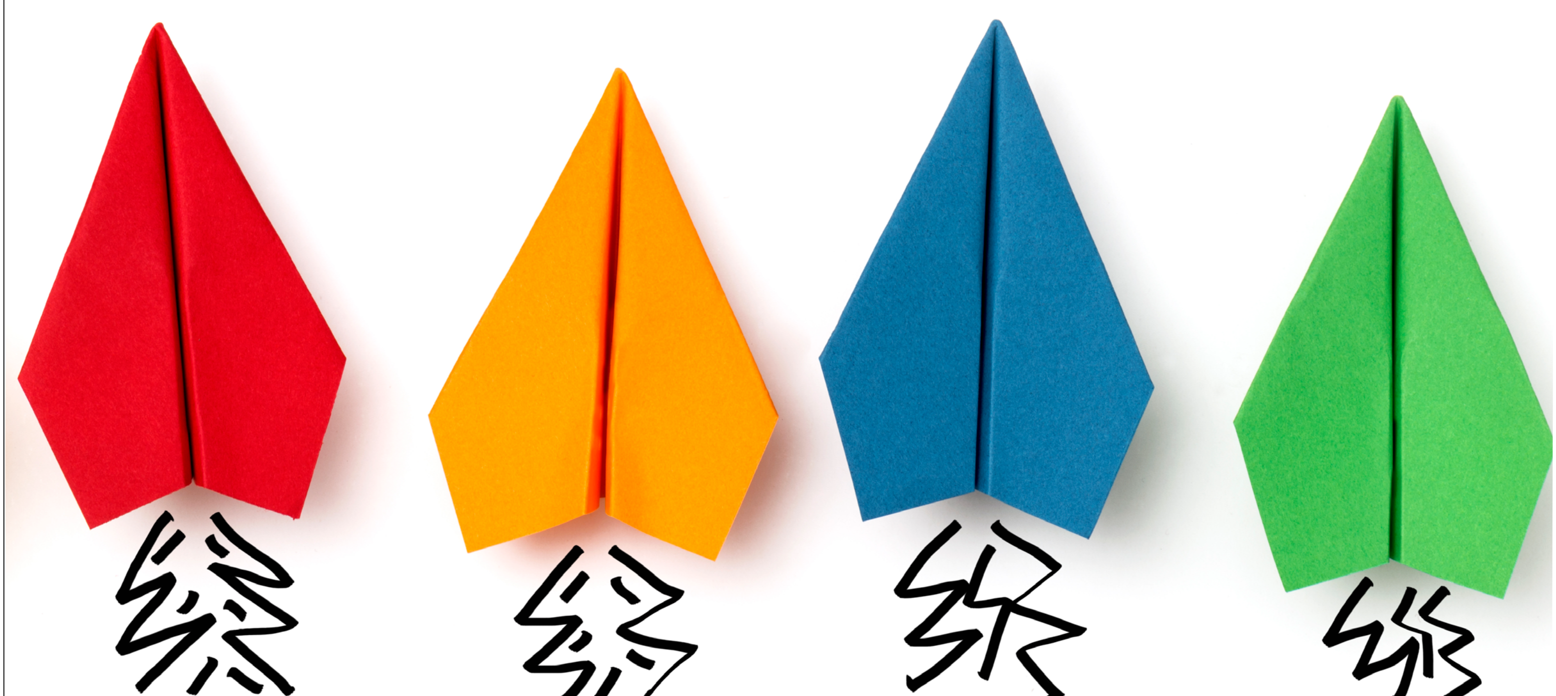
Technical.

Keep up to date with the latest research, market trends and big issues facing the industry.

by Zilla Efrat

A NEW LEASE ON LIFE

Life insurance in Asia Pacific has long been dominated by the agency and bancassurance distribution models. But times are changing. Life insurers are increasingly becoming more customer-centric and receptive to the wider options offered by digitalisation.



Photography: Gettyimages.com

IN SHORT

- **Agency channels and bancassurance continue to dominate in the distribution of life insurance in Asia Pacific.**
- **Life insurers are becoming more customer-centric and are integrating digital analytics into their distribution models.**
- **Increasing data availability and the emergence of new data sources are helping to facilitate this trend.**

According to management consulting firm Oliver Wyman, the rules to building a successful business are conceptually simple: identify customer needs, build solutions to meet those needs, distribute — repeat.

This cycle, it says, has started getting shorter as customer needs rapidly evolve and the pace of change is accelerated by digital solutions.

However, Oliver Wyman says life insurance companies have failed to keep up with these changes.

'For many, the need for and immediacy of change wasn't as high as business performance, for the sector seemed stable and the threat of competition was quite low. The few players that did think about innovating around customer problems were burdened by legacy systems, poor data and internal resistance to change.'

The global firm adds that large-scale digital transformation programs have seen only incremental improvements over the past few years.

'At the heart of it, we have an industry with very complex products, long underwriting times, cumbersome claims processes and disengaged customers.

'The issues in the life insurance industry are deep rooted and can't be simply solved by digitising the easiest steps in the customer journey or plugging existing products into digital ecosystems.'

Distribution in Asia Pacific

Given this, it's perhaps no surprise that Bernhard Kotanko, senior partner, Hong Kong, McKinsey & Company, says: 'Asia-Pacific insurance in most markets is dominated by agency channels. This is very different from the model in Australia and New Zealand. Bancassurance is equally important in many markets, especially for savings-oriented products.

'Digital and telemarketing only play a minor standalone role but are critical enablers as part of an integrated digital hybrid distribution.'

Angat Sandhu, head of Asia Pacific Insurance at Oliver Wyman, notes that bancassurance is now one of the dominant channels across most countries in Asia. Bancassurance accounts for more than 40 per cent of sales in many countries (see breakout pg. 48) but just 10 per cent of sales in Australia and 35 per cent in New Zealand.

'In most markets, bancassurance has emerged as a strong competitor to agency channel,' says Sandhu.

'The exceptions are Vietnam, where agency channel still has a market share of more than 80 per cent, and India, where agency has an 80 per cent share at a market level — although bancassurance is the largest channel for private players, excluding the state-owned Life Insurance Corporation of India.

'Direct online still remains nascent but is fast emerging, especially in China where it has an 8 per cent market share and India where it has 2 per cent market share.'

Sandhu says that telemarketing and overall direct distribution still have relatively low market shares across Asia. And he adds: 'The takaful insurance market is still small but is growing fast and increasing market share in Muslim-majority countries such as Malaysia and Indonesia.'

In contrast to most Asian markets, Kotanko says independent financial advisory channels and brokers are most relevant in the Australian market.

> 'Asia-Pacific insurance in most markets is dominated by agency channels. This is very different from the model in Australia and New Zealand.'
>
> **Bernhard Kotanko** / McKinsey & Company

The agency channel

Kotanko says that, on one hand, the Asia-Pacific agency channel has not materially changed in decades. 'It is based on self-employed entrepreneurs working on an exclusive basis to distribute products of one insurance company. On the other hand, agency has fully transformed and shifted from part-time, opportunistic selling to professional, full-time, advice-based and digitally enabled sales forces.'

Sandhu says there are two main categories of agency channels in Asia Pacific:

> **TIED AGENCY:** Advisers and agents are exclusive to life insurance companies. Generally, more support is provided to tied agents, and there is also a higher level of engagement and supervision.

> **INDEPENDENT AGENCY:** Advisers are autonomous and work with multiple insurers, which means they can offer product options across insurers to clients. Typically, the level of support and engagement is relatively lower compared with a tied agency.

Mandarin feature

Interested in reading this article in Mandarin?

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Sandhu says life insurance distribution remains largely face to face.

'While direct digital [fully online] sales are picking up, it still only contributes a very small share of sales in most markets across Asia.

'But the face-to-face distribution model itself has been reinvented multiple times over the past few years — for example, the "offline to online" model has become extremely common, which means that although there may be a physical consultation, the advisers use digital platforms, including point-of-sale devices, tablets and mobile phones, to help with lead management, pitching and sales process completion.'

But while agency and bancassurance are the dominant retail channels throughout Asia Pacific, Kotanko says productivities across and within countries vary dramatically. 'A top-performing sales force can outperform, on average, by five times and more.'

More choice for customers

For Asia Pacific and specifically Australia, Kotanko says two types of trends are most interesting: the evolution towards more holistic customer-tailored and needs-based life and wealth advice; and the integration of digital analytics in distribution. 'The latter further reinforces the quality and pace of change towards professional hybrid distribution,' he says.

Sandhu adds that there is now a wide range of options for consumers in terms of what is the most preferred or trusted channel through which they want to buy life insurance — for example, through an adviser, through their bank, through an online channel or even through other digital platforms, such as their bank's internet banking portal or ecommerce websites.

He says the pros and cons may vary by type of product. 'For example, for a long-term savings plan, the key advantage of buying it through an adviser is to get advice on the right type of product, right ticket and right term of the policy based on specific needs, which may be difficult to understand online.

'On the other hand, if it is a pure life insurance protection policy that is easy to understand, the advantage of buying it online is that the process is much faster and the premium price may be less.'

Where to from here?

In the future, Kotanko expects life insurance in Asia Pacific to be increasingly sold in a customer-centric way, tailored to individuals and needs-based.

'Insurance selling will be embedded in wider ecosystems and digital platforms,' he says. 'And the advice, selling, onboarding and service process will be 80 per cent in a digital hybrid model, allowing customers to connect when and how they prefer.'

Similarly, Sandhu expects digital channels and ecosystems to play a larger role in life insurance distribution in the near future. 'Key drivers for change are likely to be changing consumer behaviour, accelerated digital adoption and technological advances,' he says.

In a new report, Oliver Wyman observes: 'Along with the escalation of data availability, the emergence of newer data sources — such as wearables, social media and customers' shopping history — and the advancements in digital analytics, the future of life insurance re-imagined will be customer-centric instead of product-centric, as well as digital, simple and accessible.

'Customers should be able to easily get a quote, buy a product, file claims and access agents, not only with a few taps but also with higher transparency and better service.'

Oliver Wyman believes the agency and bancassurance distribution models will continue to remain significant over the next 10 years. 'However, life insurers need to rethink new ways on how to leverage these distribution channels. In this endeavour, digitalisation is the key in reinventing and transforming them.'

SHARE OF BANCASSURANCE IN LIFE INSURANCE SALES IN ASIA PACIFIC

China	41%
Indonesia	46%
Hong Kong	41%
Malaysia	42%
Philippines	48%
Australia	10%
New Zealand	35%

Source: Angat Sandhu, head of Asia Pacific Insurance at Oliver Wyman

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ZILLA EFRAT
The Journal Editor

'Asia-Pacific's life insurers are fast realising the need to put the customer at the centre of everything they do and the role that digitalisation can play here.'

by Abigail Murison

Relief efforts: responding to financial hardship

COVID-19 caused widespread job losses and underemployment, putting insurance claims teams to the test in helping customers experiencing financial hardship. Further challenges lie ahead in 2021.

IN SHORT

› **The economic impact of the COVID-19 pandemic resulted in job losses and underemployment in Australia, which triggered an increase in financial hardship claims.**

› **Claims teams have worked hard to go above and beyond the requirements of their relevant codes of conduct regarding vulnerable customers experiencing financial hardship.**

› **While economic recovery is underway, insurers are waiting to see what impact the end of JobKeeper will have on hardship claims.**

On 25 January 2020, Victoria reported the first confirmed case of COVID-19 in Australia. According to the Australian Department of Health, as of mid June 2021, Australia had experienced just over 30,000 cases and 910 deaths.

While state and federal governments moved quickly to control the pandemic using social distancing, masks, work-from-home arrangements and lockdowns, these actions came with an economic cost. According to the Australian Bureau of Statistics (ABS), in April 2020 underemployment reached a record high of 13.8 per cent. An estimated 1.8 million Australians were working reduced or zero hours. By May 2020, 870,000 people had lost their jobs.

For many Australians, paying the bills — including their insurance premiums — became a challenge. For others, making an insurance claim became more difficult to do, while a swift financial settlement was suddenly more essential than ever.

Responding to hardship

Roy Morgan reports that 10.8 per cent of Australians who experienced adverse employment changes due to COVID-19 reduced their insurance payments or put their cover on hold. Based on 2017 ABS census data, this figure represents more than 950,000 insurance clients.

Faced with a significant uptick in financial hardship claims across the board, the watchwords for insurers over the past 12 months have been 'flexibility' and 'empathy'.

A QBE spokesperson says: 'A key component for us in handling hardship claims during this period was to ensure our frontline teams were empowered to identify customers experiencing hardship and offer temporary relief options in the first instance. We wanted to ensure, where possible, that the customer's experience involved as few touchpoints as possible to make the process more efficient and empathetic.'

Life insurer TAL agrees. 'Paying our customers' claims is the most important thing we can do,' says Alex Homer, TAL chief customer and brand officer. 'Early on in the pandemic, we brought together a specialist taskforce to consider the different impacts COVID-19 might have for our customers making claims.

'We swiftly developed and launched a range of measures to help customers at their time of claim. This included establishing a dedicated team of experts across our claims and health services functions to develop practical claims solutions for customers, and to support claims consultants with technical advice, including guidance on collecting medical evidence and the other requests of our customers.'

The COVID-19 factor

COVID-19 restrictions such as social distancing, self-isolation and lockdowns presented additional challenges for customers trying to collect evidence and documents to make a claim.

An Allianz spokesperson says the insurer simplified the way it processed hardship claims as a result of COVID-19, so that less

Faced with a significant increase in financial hardship claims across the board, the watchwords for insurers over the past 12 months have been 'flexibility' and 'empathy'.

Photography: iStockphoto

LEFT

Deserted city streets in Melbourne (top) and Sydney (bottom) during lockdowns in 2020 laid bare the economic cost of government efforts to control the spread of COVID-19.

CAN WE COPE WITHOUT JOBKEEPER?

The government's JobKeeper subsidy was designed to help eligible businesses and non-profits affected by COVID-19 retain their employees. Payments started on 30 March 2020, and, after a six-month extension, they ceased on 28 March 2021.

Early indications are that a strong demand for workers is offsetting the jobs lost since the end of the JobKeeper subsidy. In its May 2021 announcement, the Reserve Bank of Australia forecast that unemployment would drop to 5 per cent by December 2021 and to 4.5 per cent by December 2022.

This suggests that insurers may avoid a new wave of hardship claims and that clients who have been struggling may be in a better position to resume their payments and cover.

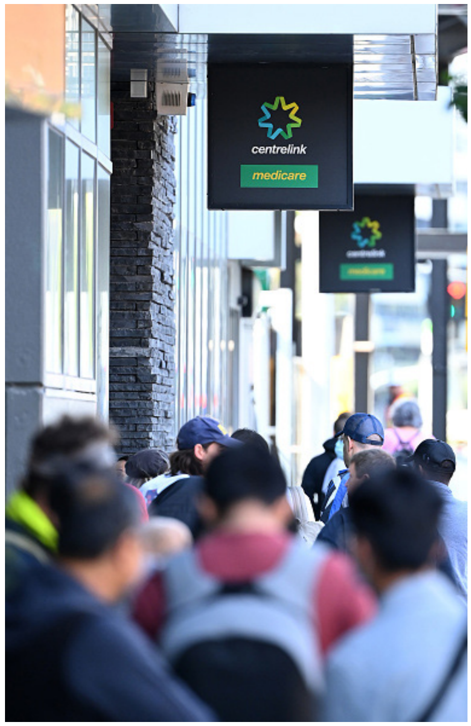
FINANCIAL HARDSHIP AND NEW REGULATIONS

What should insurers be aware of in the context of hardship claims and new regulations such as claims as a financial service and the unfair contract terms ruling?

According to the Insurance Council of Australia (ICA), insurers are currently in the process of implementing these reforms, most of which don't start until later this year.

An ICA spokesperson says the Australian Securities and Investments Commission will soon begin regulating claims handling as a financial service.

'The legislation will require insurers to handle all claims "honestly, efficiently and fairly", including any emergency payments to provide relief from financial hardship.'



> 'We anticipate the health and social impacts of COVID-19 will be with us for some time, and we are ready to support our partners and customers now and into the future.'
>
> **Alex Homer** / TAL

ABOVE

In April 2020, Australia's rate of underemployment reached a record high of 13.8 per cent.

documentation was required. 'This enabled us to provide our customers with the support they needed in a timely manner, whether that was in the form of an excess waiver, deferred payment or payment plan.'

TAL brought in a broader range of options to help customers maintain their cover. This included premium waivers, cover pause options, increased flexibility around premium payments and allowing customers to reduce or change their level of cover with the option to re-increase their cover without further underwriting.

Homer says: 'If our customers do miss payments, then we contact them in a range of ways to understand their circumstances, ensure they're aware of our financial hardship support and help them keep their policies if they wish.'

TAL's team has started to schedule income protection claim payments up to the next three months, where a customer's medical condition or incapacity is likely to continue in the short term. 'This ensures customers have confidence they will receive their benefits on time,' says Homer.

Allianz is offering customers a policy health check to review their insurance and check it still meets their needs.

'We have also developed a package of support measures to help our customers and suppliers at this time, in particular small businesses and those experiencing financial hardship as a result of the COVID-19 pandemic,' says a spokesperson.

QBE similarly adopted bespoke approaches for financial hardship among its small to medium-sized enterprise (SME) and personal lines customers.

'Early on in the pandemic, we initiated temporary relief options for our SME customers by maintaining expiring premiums, deferring premium payments, continuing coverage for vacant premises and accelerating cash settlements,' says a spokesperson. 'For our personal lines customers, we implemented a number of temporary support measures, including extended coverage for involuntary unemployment for customers who were stood down from their employment [rather than terminated].'

A chance to innovate

Codes of conduct such as the General Insurance Code of Practice lay out expectations for how insurers should approach vulnerable customers (see breakout far right) — including those experiencing financial hardship. Insurers will face further challenges this year, when hardship claims are examined through the lens of claims as a financial service, as well as new unfair contract terms (UCT) legislation.

The introduction of claims as a financial service means that those handling and settling insurance claims or potential claims require an Australian financial services licence (AFSL). AFSL holders must have internal dispute resolution procedures in place and must belong to an Australian Securities and Investments Commission-approved external dispute resolution scheme. They must also confirm they have separate, urgent procedures to assess financial hardship claims.

Under the UCT provisions, insureds and beneficiaries of an insurance contract can complain to an insurer, who must deal with the dispute via its internal dispute process. The General Insurance Code of Practice and the Life Insurance Code of Practice also provide consumer protections and outline exactly how an insurer must treat a complaint and the rights and responsibilities of each party.

Given the new legal context, it will be interesting to see whether claims teams will be able to go above and beyond the mandated requirements as some did in 2020.

For example, during the pandemic, QBE identified more than 520,000 eligible customers with private-use motor vehicles and provided them with e-gift cards worth A$25–A$50, with a total value of over A$20 million.

QBE also extended its employee wellbeing program to customers and broker partners, to offer support for those struggling to deal with the uncertainty of COVID-19 and other challenges.

Homer says TAL proactively made its wellbeing and career support services available to people impacted by the fallout from the pandemic. Previously these services focused only on claimants.'The expanded wellbeing and career support services include three phone-based sessions with experts in wellness or career advice,' he says.

Wellness and career support is in addition to increasing TAL's grief support benefit for death benefits payable as a result of COVID-19. 'The grief counselling support has doubled. Customers can be reimbursed for up to six counselling sessions to a maximum of $2,000,' says Homer.

Handling the challenges

Like most Australian businesses, insurers were also executing their own COVID-19 business responses, while supporting customers experiencing financial hardship and other crises. An Allianz spokesperson says: 'Responding to the very fluid circumstances around COVID-19 was a challenge.'

TAL had to transition more than 2,000 staff to full-time working from home. It also temporarily redeployed 160 staff to assist with service and back-office processing, while launching new measures to provide additional support to TAL customers.

In the first five weeks of the pandemic, TAL experienced higher volumes in new business submissions and a surge of customer and adviser enquiries. It also experienced a strong uplift in demand for digital services, with a 31 per cent increase in traffic to digital self-serve platforms. 'We have prioritised investment into these areas, so that we can meet these increasing demands,' notes Homer.

The road ahead

Australia's economic recovery started in late 2020. However, with JobKeeper falling away from April 2021, insurers were waiting to see if people had found their feet or if another wave of hardship claims was looming (see breakout pg. 51).

Either way, claims teams have the lessons and practices from 2020 to build on.

The QBE spokesperson says: 'As hardship claims handling was embedded broadly across our business — with our frontline teams empowered to identify and respond to customers experiencing vulnerability during COVID-19 — this became almost business as usual, with many customers provided with premium relief support or having premiums waived or deferred where deemed necessary.'

Homer sums it up: 'We anticipate the health and social impacts of COVID-19 will be with us for some time, and we are ready to support our partners and customers now and into the future.'

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ABIGAIL MURISON
Freelance journalist

'It's heartening to see how proactively insurers have responded to the economic impacts of COVID-19, supporting customers who may never have imagined they would experience financial hardship.'

GI CODE OF PRACTICE: UPDATE ON VULNERABLE CUSTOMERS

The General Insurance Code of Practice stipulates that insurers must have processes in place to identify and support vulnerable customers, including those experiencing financial hardship. So, how are insurers performing?

'In recognition of the unprecedented impact of the pandemic on insurers and customers, insurers focused their resources on helping customers experiencing financial hardship, vulnerability and family violence,' says a spokesperson from the Insurance Council of Australia.

'Insurers fast-tracked their code commitments to support vulnerable customers, including those experiencing financial hardship, by bringing forward by six months [to 1 July 2020] or earlier where possible, the key consumer provisions in parts 9 *(Supporting customers experiencing vulnerability)* and 10 *(Financial hardship)* of the new Code.

'The Code Governance Committee [CGC] has produced an assessment on compliance with one of the aspects of the new Code, having a family violence policy in place by 1 July 2020. This showed a high level of compliance.'

Parts 9 and 10 of the Code became fully operational on 1 January 2021, and the CGC flagged in its annual report that it would be testing compliance with a focused inquiry. The results are expected in the second half of 2021.

IN SHORT

- Australia's Federal Court found Youi breached its duty of utmost good faith under the Insurance Contracts Act after the general insurer took almost two years to settle a home and contents insurance claim relating to severe hailstorm damage.
- The case has highlighted the importance of transparency and regular communication between claims departments and policyholders.
- Insurers can mitigate delays by ensuring they have robust supply agreements with service providers in place.

KEEPING THE FAITH

A recent court judgement has significant lessons for insurers about what constitutes a breach of the duty of good faith, and the importance of full and frank communication with policyholders throughout the claims process.

The Australian Securities and Investments Commission (ASIC) is expected to pay closer attention to insurers after it succeeded in its legal proceedings against Youi for a breach of utmost good faith. This is the first time ASIC has sought to enforce section 13(1) of the *Insurance Contracts Act 1984*.

The case related to a claim made by policyholder Sacha Murphy on a Youi building and contents insurance policy following a severe hailstorm in November 2016. Youi accepted the claim and appointed a builder to do the repairs, which were not finished until November 2018. Murphy made a number of complaints that the repair works were neither completed nor dealt with in a timely fashion.

The situation was raised at the Hayne royal commission, which found Youi might have breached its duty of utmost good faith. ASIC subsequently started proceedings against Youi in the Federal Court in April 2020.

In his decision, Chief Justice Allsop found the insurer had breached its duty to act with utmost good faith by failing to tell the policyholder the builder had been the subject of complaints and was no longer a recommended repairer. The Chief Justice found the builder failed to ensure the repairs and make-safe works were completed, and the insurer failed to respond to the policyholder's formal complaint and follow-up email.

PICTURED LEFT

(from top to bottom): Sacha Murphy after giving evidence at the Hayne royal commission; Youi's chief operating officer of claims handling Jason Storey (right) after also testifying at the commission.

Youi admitted it had breached the Act's requirements, with head of public relations Belinda Zordan acknowledging its response to the claim was 'inadequate'. '[Youi] accepts the Federal Court judgement of November 26, 2020,' she says. 'Since the lodgement of this claim in January 2017, Youi has made significant changes to the way claims are managed to ensure repairs occur in a timely manner and all customers consistently receive outstanding service.

'These changes include a comprehensive review of our service provider network and the management of repair quality, improved management of temporary accommodation and improved customer complaint identification, capture and resolution.'

The Youi case highlights how important it is for insurers to properly manage relationships with suppliers. It also emphasises the importance of insurers putting in place supply agreements with contractors that set out the requirements the builder or supplier needs to meet to ensure claims are properly run.

Implications for insurers

Steadfast managing director and CEO Robert Kelly acknowledges that insurers can struggle to handle large volumes of claims after major disasters. But he believes that, for the most part, insurers endeavour to act in utmost good faith.

'Insurers are in a difficult situation, because they can't give out rebuild or rectification orders to anybody at any price. They have to make sure they get a market price for repairs. In doing that, they're very much in the hands of the repair networks they use,' he says.

'Sometimes when they put out tenders for those repair networks, the tenderers may look, prima facie, to be able to handle the work and they may bid at prices that are appealing to the insurer.

WHAT IS SECTION 13(1)?

Section 13 of the *Insurance Contracts Act 1984* implies into every insurance contract a provision requiring each party to act towards the other with the utmost good faith. The duty applies in respect of any matter arising under, or in relation to, the contract.

Since the introduction of subsection 13(2A) of the Act in March 2019, a failure by an insurer to comply with the duty exposes it to the risk of a civil penalty, an amendment that Chief Justice Allsop has described extrajudicially as creating 'very real financial consequences for conduct which, when judged against societal standards of decency and fairness, falls short'.

Source: 'FCA declares insurer in breach of duty of utmost good faith', Allens Linklaters

'Insurers are in a difficult situation, because they can't give out rebuild or rectification orders to anybody at any price. They have to make sure they get a market price for repairs. In doing that, they're very much in the hands of the repair networks they use.'

Robert Kelly / Steadfast

Photography: iStockphoto; AAP Photos

‘… the onus is on claims departments to ensure they are meeting the code and properly updating the customer and also properly managing suppliers.’

Priya Paquet / McCabe Curwood

The corollary of that is they can’t do the work for the price. They get into trouble. They get behind in what they’re doing. So that creates a situation from the consumer’s point of view. But for the most part, claims run smoothly.’

The judgement is a good guideline to the conduct ASIC considers to be a breach of duty. Insurers should expect regulators and the courts to focus on timeliness of response to policyholders, timeliness of work conducted by any third parties appointed by the insurer, timeliness of complaints handling and transparency through the claims handling process.

‘In the post banking royal commission environment, ASIC takes allegations of the breach of the duty of utmost good faith in claims handling very seriously and will take enforcement action where appropriate,’ says Dan Robinson, a principal at law firm Gilchrist Connell.

3 LESSONS FOR INSURERS

The Youi case was the first time the Australian Securities and Investments Commission has sought to enforce section 13(1) of the Insurance Contracts Act, but it’s unlikely to be the last. Here’s how insurers can avoid a breach:

1. Ensure policyholders are updated every 10 days about claims.
2. Be transparent with policyholders about any complaints made against service providers.
3. Put in place supply agreements with service providers to ensure a high level of service is delivered to policyholders.

Ramifications for claims teams

The Youi case has sharpened insurers’ focus on ensuring claims departments have robust and reliable procedures and policies in place. They must also have a culture that requires all claims to be handled in a manner that’s consistent with the duty of utmost good faith.

‘This is a message to claims departments that insurers can be held liable if they fail to update claimants about the status of their claim,’ says Priya Paquet, principal at lawyers McCabe Curwood.

‘So the onus is on claims departments to ensure they are meeting the code and properly updating the customer and also properly managing suppliers. I think we’re going to see more and more of these cases,’ says Paquet, who confirms her firm is receiving an increasing number of referrals for advice when there’s a complaint about a delay on the claim.

The outcome of these cases is good news for policyholders, who can expect a more responsive approach to claims in the future and better-quality service. //

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Unfair contract terms: Changing the claims game

By Zilla Efrat

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ALEXANDRA CAIN

Freelance journalist

‘It’s interesting that the ramifications of the Hayne royal commission are only now having practical implications for insurers. While changes may have been some time coming, policyholders are the winners when insurers are more transparent about how claims are handled.’

by Zilla Efrat

VACCINATI the world

The race to vaccinate the world's population against COVID-19 opens the door to new risks. Can the insurance industry serve as a shot in the arm against the challenges of a global rollout?

The development of COVID-19 vaccines has been greeted with a mixture of relief and concern among communities across Asia Pacific. For insurers, they have created new risks and challenges, especially around transport and logistics.

'There are two concerns,' says Damon Finneran, senior marine risk consultant at Allianz Global Corporate & Specialty (AGCS). 'Because [some of the vaccines] are kept under super-cold conditions, they are fragile. But extremely low temperatures must be managed so that the vials do not fracture.'

He adds that while AGCS is involved with ultra-cold, 2–8 degrees Celsius and ambient shipments on a regular basis, the current COVID-19 shipments are a challenge because of their sheer volume and the strain their movement puts on the temperature-controlled transportation industry through to last mile distribution.

Major challenges, he says, include supply chain disruptions and a lack of available power units, trailers and aircraft to move this volume in a world that is right now not operating at 100 per cent capacity.

> 'Because [some of the vaccines] are kept under super-cold conditions, they are fragile. But extremely low temperatures must be managed so that the vials do not fracture.'
>
> **Damon Finneran** / Allianz Global Corporate & Specialty

Finneran notes that the logistics and supply chain processes of a vaccine are substantial and can involve multiple methods of transit and storage. This includes the use of integrated transport providers that specialise in moving ultra-cold, fragile products — trucks and containers are temperature controlled and packaging contains dry ice or cold packs, depending on the temperature range required for the particular vaccine.

'Additional methods of transit will include trucking in conjunction with air and, with more stable vaccines, also by ocean,' he says. 'All methods of transit and packaging of vaccines need to be validated by a governmental body, such as the Food and Drug Administration in the United States, to preserve the cold chain from origin to destination.'

Chris Mackinnon, Lloyd's regional head of Australia & New Zealand, says the complexities of vaccine logistics mean that goods can spoil easily if not properly maintained, especially where infrastructure is weak. He says developing markets in Asia Pacific and elsewhere have been disproportionately affected and doubly challenged by the complexity.

NG

Photography: iStockphoto

IN SHORT

- The rollout of COVID-19 vaccination programs around the world is fraught with many risks, including transport and logistics, crime and cyber attack.
- The issues of transporting vaccines may cause the premiums of some insurance products to rise.
- Industry collaboration is helping to boost coverage and risk mitigation for vaccines being transported across the globe, especially in developing countries.

COVERING VACCINE SIDE EFFECTS IN POORER COUNTRIES

Chubb's and Marsh's collaboration with the World Health Organization (WHO) and Gavi, the Vaccine Alliance (a global health partnership aimed at vaccinating people in the world's poorest countries) will help cover side effects of COVID-19 vaccines.

Eligible individuals in 92 low- and middle-income countries and economies will be offered a fast, fair and transparent process to receive compensation for rare but serious adverse events associated with vaccines distributed through the COVID-19 Vaccines Global Access (COVAX) initiative, up to 30 June 2022.

Through what is known as the Gavi COVAX Advance Market Commitment, up to US$150 million in insurance is being provided for a no-fault compensation program to cover payments to those who are eligible.

The COVAX no-fault compensation program is the first and only vaccine injury compensation mechanism operating on an international scale.

Co-convened by Gavi, the Coalition for Epidemic Preparedness Innovations and WHO, working in partnership with UNICEF as key implementing partner, COVAX was created to accelerate the development and manufacture of COVID-19 vaccines, and to guarantee their fair and equitable access for every country in the world.

The COVAX Facility, the global procurement mechanism of COVAX, aims by the end of 2021 to deliver up to two billion doses of safe, effective and quality-assured vaccines to all participating countries.

Marsh led the global placement of this bespoke solution. Chubb is the lead insurer, supported by a further 10 insurers located in the United States, United Kingdom, Germany, Ireland, Switzerland and Bermuda.

'That complexity, driven by poor infrastructure, challenging access to tracking data and limited risk management knowledge, brings the added difficulty of high premiums and unfavourable terms and conditions,' says Mackinnon.

'The consequence might be that critical shipments are moving through the supply chain with inadequate coverage or even no coverage at all.'

Criminals get in on the action

In addition to transport and logistics risks, the threat of criminals becoming involved in the vaccine rollout is a problem. Indeed, international freight insurer TT Club has warned all players in the global supply chain to be increasingly alert to this.

From theft and illegal sale of authentic vaccines to counterfeiting, substitution with fake pharmaceuticals and contamination, the threats posed by criminals attempting to take advantage of this high-value cargo are widespread, says Mike Yarwood, TT Club's managing director of loss prevention.

'It is probable that the market for counterfeit pharmaceuticals is worth US$400 billion a year, and the World Health Organization estimates that up to one million people die annually from counterfeited drugs,' he says, noting these figures are likely to grow.

Yarwood says multiple incidents of crime have already been reported. For example, two counterfeiting organisations focusing on COVID-19 vaccines were recently broken up. In one case, more than 3,000 saline-filled vials being sold as authentic vaccines were seized in Chinese police raids. In the other case, 400 vials containing fake vaccine — the equivalent of around 2,400 doses — were discovered in a warehouse in South Africa.

In both examples, the counterfeit goods were confiscated and arrests made, but it remains unclear how many other fakes had already been manufactured and shipped elsewhere.

Yarwood adds that a range of COVID-19 vaccines has been posted for sale on the dark web. The prices, in bitcoin, range from US$250–300. He says there's no way to determine whether these vaccines are genuine, or even exist at all, placing potential users at huge risk.

A NEW APPROACH TO INSURING LIFE-SAVING VACCINES

A dedicated risk facility for COVID-related transit and storage risks has been created by Lloyd's, insurtech Parsyl and an alliance of insurance and technology partners.

Called the Global Health Risk Facility (GHRF), it has backing from the US International Development Finance Corporation (DFC), which has approved a loan of up to US$26.7 million for the facility.

The DFC loan will be used to capitalise the new Syndicate 1796 and allow the GHRF to offer cost-effective insurance policies for shipments of vaccines and medical products to developing countries.

Syndicate 1796, which operates at Lloyd's, is the first public–private partnership to address a global health emergency in Lloyd's 330-year history. The number 1796 refers to the year Edward Jenner began work on the vaccine that ultimately led to the eradication of smallpox.

Participating insurers include Ascot, AXA XL, Beazley, Chubb, Talbot, QBE, Tokio Marine Kiln and Aegis. Convex, Canopius, Hamilton and RenaissanceRe, are among the reinsurers that have signed up.

Lloyd's relationship with Parsyl began in October 2018, during the first cohort of Lloyd's Lab, a hub for technology-led innovation.

'Since joining the lab, Parsyl has worked with the Lloyd's market to develop the GHRF, anchored by Syndicate 1796, which was set up using Lloyd's fast-track approval process known as "syndicate in a box",' says Chris Mackinnon, Lloyd's regional head of Australia & New Zealand.

'By applying and adapting Parsyl's existing technology, this solution enables underwriters to track shipment-level data and provides local health workers with temperature-related data and insights to help them not just minimise but mitigate losses of valuable doses of vaccines.

'Without this facility, communities could face extra challenges in the distribution of potentially life-saving testing equipment, treatments and vaccines.'

An opportunity for cyber attack

With some countries and drug manufacturers struggling to secure an effective COVID-19 vaccine, all kinds of data around viable vaccines and their testing have attracted cyber attackers.

In late 2020, for example, North Korean hackers were suspected of targeting British vaccine developer AstraZeneca. And in July 2020, the finger was squarely pointed at Russian spies when a number of cyber attacks were reported at vaccine research centres in the United Kingdom, the United States and Canada.

According to a report by Willis Towers Watson, this second case is being linked to Russia's rapid development of its 'Sputnik V' COVID-19 vaccine, which was approved by the country's health regulator in August 2020. It provided Russia with an opportunity to project itself globally as the first nation to develop and register a COVID-19 vaccine for widespread use.

Lawrence Gostin, professor of global health law at Washington's Georgetown University,

> 'The reason the COVID-19 vaccine has taken on such political symbolism is that the superpowers have seen the vaccine as projecting their scientific prowess, actually validating their political system as superior.'
>
> **Lawrence Gostin** / Georgetown University

observes: 'The reason the COVID-19 vaccine has taken on such political symbolism is that the superpowers have seen the vaccine as projecting their scientific prowess, actually validating their political system as superior.'

The Willis Towers Watson report states that ransomware remains one of the greatest concerns, particularly in the healthcare sector. It notes that because of the disruption brought on by COVID-19, many healthcare organisations were forced to make immediate, almost unimaginable changes to their IT working environments.

Some of these changes may have led to an increase in their cyber vulnerabilities. Hackers moved quickly to learn about and then exploit these vulnerabilities, the report says.

Photography: iStockphoto

Who bears the risks and costs?

Brian McClintock, pharma global practice leader and cargo at AGCS, says it depends on the circumstances as to when an insured's risk responsibilities begin and end.

'Most pharmaceutical manufacturers have the risk of loss from raw materials to the delivery of finished vaccine to a distributor,' he explains. 'The distributor then takes the risk of loss through the last mile distribution to the vaccination site.

'As we have learned with the COVID-19 environment, circumstances can change quickly. As an example, the public–private partnership with the COVID-19 vaccine has significantly changed the norm when it comes to who and when has the risk of loss.'

McClintock expects the renewals of pharmaceutical-type business and accounts to be challenging in the latter half of 2021. 'The marine cargo market is expected to continue to push for rate or premium increases and / or increased retentions and / or reduction in terms in the overall market,' he says, 'but we would expect that pharmaceutical and / or temperature-sensitive type goods to be under greater scrutiny.'

He says the standard cargo policy contains both implied and expressed warranties. 'However,' he adds, 'some standard exclusions would be delay, loss of market, inherent vice, misappropriation and, over the past year, some companies have been adding in a cyber exclusion endorsement as well as a communicable disease exclusion clause.

'A number of years ago when the market was very soft, brokers started including the peril of delay [deterioration] back into the policy as a covered peril. And in this current environment, insurance carriers are now looking to either exclude delay again and / or provide some type of sub limit and annual aggregate.' //

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AON PARTNERS TO COVER VACCINE SHIPMENTS

Working in collaboration with a range of partners, Aon has come up with a new solution that will provide supply chain protection for global COVID-19 vaccine shipments.

Announced in April 2021, the solution provides transparent cargo insurance coverage for COVID-19 vaccines by combining sensor data and analytics.

It enhances all risk marine cargo insurance with timely payment for doses that fall outside of the agreed-upon temperature range while being transported or stored, enabling more effective risk management and claims support.

The offering is the result of a collaboration between insurtech Parsyl and specialist underwriter Ascot Group acting as the lead underwriter, binding insurers Chubb European Group SE and AIG, with reinsurance support from Munich Re. Other insurers involved include AEGIS London, Antares Managing Agency, AXA XL, AXIS Capital Insurance, Beazley, Fidelis Cybersecurity, MS Amlin and Talbot.

Parsyl will serve as the dedicated data platform for the solution on behalf of the insurers.

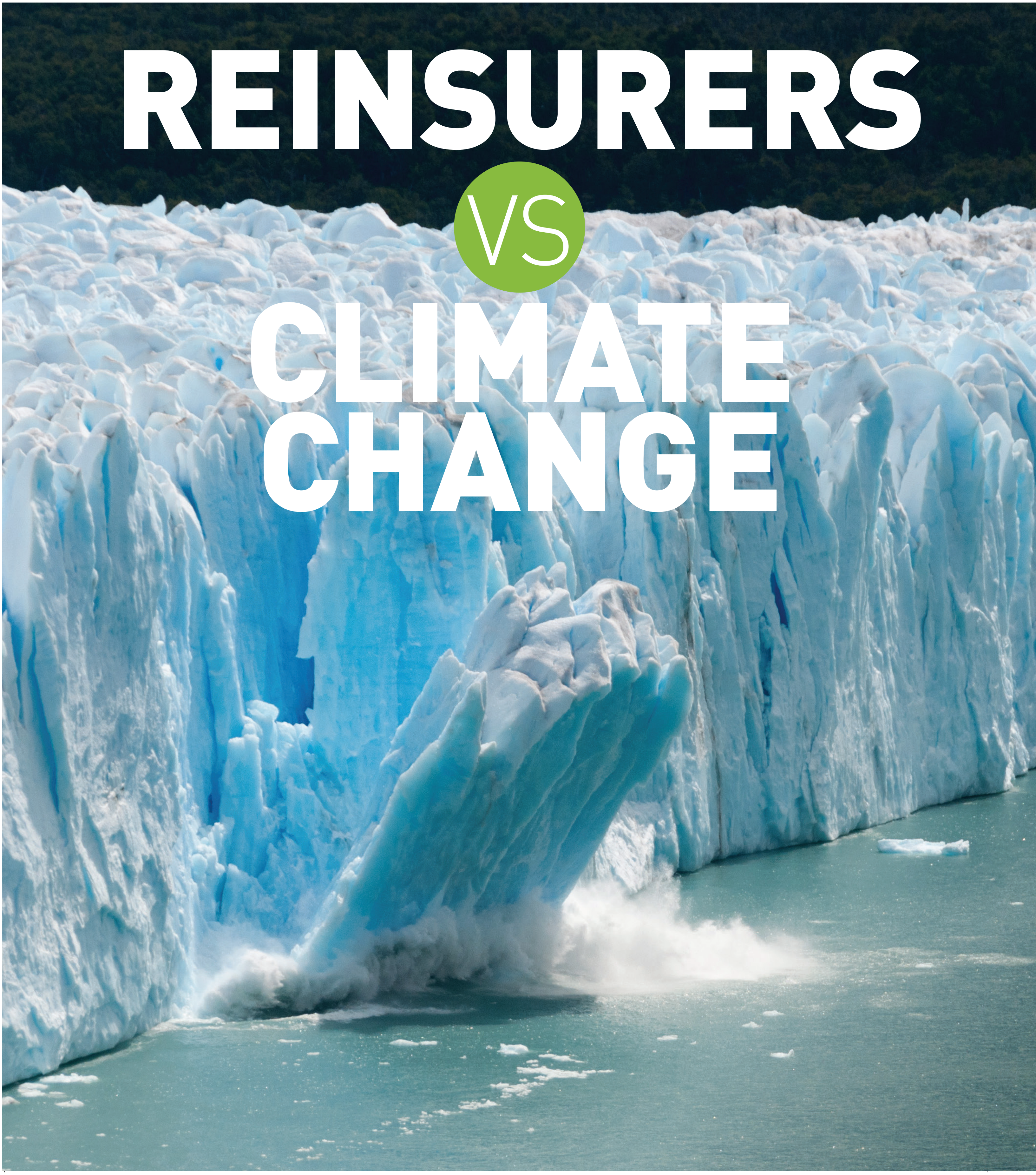
The solution is available to qualified parties in the vaccine supply chain, including pharmaceutical companies, government bodies, transportation and logistics companies, distributors, health systems, pharmacy chains and inoculation centres.

Aon will donate all revenues earned from this collaboration in 2021 to a charity dedicated to eradicating the global human and economic toll of the pandemic.

ZILLA EFRAT
The Journal Editor

'As someone born in a developing country, I applaud all efforts to get the vaccines out everywhere. The scourge of COVID-19 will not be beaten until every nation is able to provide vaccines to its people.'

REINSURERS VS CLIMATE CHANGE



by Susan Muldowney

IN SHORT

› Reinsurers are taking the lead on climate change, drawing on their experience and closely monitoring the latest trends.

› Recent natural disaster loss activity has required annual adjustments of reinsurance pricing to ensure that insurers and reinsurers can continue to offer products on a sustainable basis.

› In the face of increasing climate risk, reinsurers must build resilience through mitigation, smart planning and financial risk management.

Photography: iStockphoto

Reinsurers can play a vital role in helping to ensure that insurability against climate-related risks remains sustainable in an environment where catastrophe losses are rising steeply.

In 2018, global reinsurer Swiss Re signalled its strong stance on climate change when it announced it would no longer insure or reinsure businesses that derive more than 30 per cent of their revenue from thermal coal. In 2023, the company will go a step further by introducing new thermal coal exposure thresholds for treaty reinsurance across its property, engineering, casualty, credit and surety and marine cargo lines of business. The thresholds will be lowered gradually and will lead to a complete phase out of thermal coal exposure by 2040.

'Climate change continues to be one of the most pervasive threats facing us — our planet, our society and our economy,' says Trent Thomson, head of property and casualty at Swiss Re Australia and New Zealand. 'It's also one of the biggest risks for the reinsurance industry and a top priority for us and our clients.'

Swiss Re is just one reinsurer showing leadership in the management of risks from climate change. Munich Re, for instance, has long been modelling the impacts of anthropogenic global warming on natural disasters. Last year, it partnered with property information and analytics provider CoreLogic to model climate risk exposures for individual properties in Australia and New Zealand.

Tobias Grimm, senior manager, climate risks and greentech at Munich Re, notes that taking extreme weather risks has been core to Munich Re's business model for decades.

'We are closely monitoring the latest trends that influence natural disasters' patterns due to climate change,' he says. 'By keeping a close eye on climate risks and ensuring that these are priced correctly, we can provide insight into mitigation strategies and their relative effectiveness.'

Meanwhile, reinsurer Guy Carpenter recently introduced next-generation flood modelling for countries such as Indonesia, the Philippines, Malaysia and Thailand. The new modelling is based on a 10,000-year stochastic catalogue that simulates riverine and rainfall flooding and can be used to produce event-loss tables, probability curves and average annual losses at almost any level of aggregation.

'Reinsurance brokers and reinsurers are well placed to use our knowledge and experience to support our clients in the insurance industry and others across the financial industry, who are now having to deal more with the potential for extreme weather events and the complexities of uncertainty,' says Apoorv Dabral, head of public sector – Asia Pacific at Guy Carpenter.

'By keeping a close eye on climate risks and ensuring that these are priced correctly, we can provide insight into mitigation strategies and their relative effectiveness.'

Tobias Grimm / Munich Re

Addressing affordability

Global increases in temperature may impact the affordability of insurance for those most exposed to climate change risks. This is an issue top of mind for reinsurers.

Thomson says the natural disaster loss activity in recent years has required annual adjustment of reinsurance pricing to ensure that insurers and reinsurers can continue to offer products 'on a sustainable basis'.

'Continued investments in mitigation, proper planning and resilience measures are key, and there are many benefits to be realised,' he says. 'Risk is reduced, risk transfer becomes more affordable and insurance penetration increases, lessening the economic impact of disasters.'

Karl Jones, head of global strategic advisory – Asia Pacific at Guy Carpenter, says catastrophe modelling is only a few decades old and not every country or peril has been modelled. He adds that the industry needs to have 'uncomfortable conversations' about what to do if locations become increasingly expensive to insure.

'If risk and cost cannot be reduced or mitigated, then the potential exists that it will be removed from the pool or risk,' he says. 'This may mean not allowing land to be rebuilt on or making an informed decision on how to finance high-risk areas until they reach their end of life. What shouldn't be allowed is a subsidisation of risk without a long-term plan.'

Grimm notes that risk-based pricing models may increase affordability issues in the highest-risk locations. 'This needs to be addressed across the public sector, private sector and local communities,' he says.

Further to this, Thomson says risk-based pricing presents benefits by putting a 'signal on risk'. 'It can also help governments evaluate the cost benefits of mitigation measures,' he says.

Time for a product change?

Traditional insurance products are an established way to help economies overcome the shock of natural disasters. However, with climate change increasing the severity and frequency of natural disasters, some reinsurers say change may be required to address factors such as increased exposure and population growth.

Dabral says the industry needs to 'step back and consider our products'.

'Insurance contracts have traditionally been one year, with a focus on those designed for property owners,' he says. 'Would we consider property ownership and protection of assets differently if a contract could be designed for a longer period? Why not have a property insurance product for five years, or longer? Could it be linked to the lifetime of a mortgage or lifetime of an asset?

'While these may sound unusual, they would definitely raise questions about how volatility would be priced.'

Dabral points to changes in other insurance products. 'We've seen innovations in motor products, such as pay-as-you-drive, or flexible products for workers in the gig economy, so could innovation look at

ASIA'S ESCALATING CLIMATE RISK

A recent report from McKinsey & Company shows that climate change presents a greater risk to people, physical assets and GDP in Asia than in other parts of the world.

The report, *Climate risk and response in Asia*, examines sources such as geospatial data to provide a perspective on climate change over the next 30 years in 16 countries: Australia, Bangladesh, Cambodia, China, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Pakistan, the Philippines, Thailand, Vietnam and South Korea. Its predictions include:

30%
of annual daylight hours in India could be lost by 2050 due to extreme heat and humidity

10 million – 45 million
people in China could be exposed to extreme heat and lethal heat waves by 2030

46%
of the Australian population will be living in an area with more than 10 high-risk fire days a year by 2050

US$13.1 billion
worth of direct real estate damage from a 100-year flood in Tokyo by 2050

60%
of capital stock in Australia may be exposed to at least five high-risk fire days a year by 2050

Photography: iStockphoto & Getty Images

‘What is clear is that a challenge of such magnitude as climate change requires strong collaboration between insurers and their reinsurance partners, as well as clients and partners from the industry and public sector.’

Trent Thomson / Swiss Re

longer-term issues as well as shorter-term contracts?’ he says.

Rather than a change in existing products, Grimm advocates for greater variety. He says Munich Re has progressed with parametric solutions, for instance, which cover the probability of a predefined event, such as a hurricane or earthquake, and pay out according to a predefined scheme.

‘With such an approach, we can also include the capital market as another potential risk carrier,’ he says.

A collaborative effort

While increases in temperature may impact government-led mitigation, and management measures have improved over the years, warmer average temperatures, rising sea levels, longer and more frequent heatwaves and erratic rainfall patterns present ever-increasing risks.

‘To enable affordable reinsurance in an environment where catastrophe losses are steeply on the rise, and for a nation that is vulnerable to the impacts of climate change, it is even more vital to build our future resilience through a combination of mitigation, smart planning and financial risk management,’ says Thomson.

‘What is clear is that a challenge of such magnitude as climate change requires strong collaboration between insurers and their reinsurance partners, as well as clients and partners from the industry and public sector. Raising awareness of the benefits of pre- rather than post-disaster financing is key.’

Dabral says reinsurance brokers and reinsurers are well placed to support clients in dealing with the potential for extreme weather events.

‘The reinsurance industry is used to managing uncertainty,’ he says. ‘Reinsurance is also an industry that looks at business on a much longer timescale and has relationships developed over long periods of time. Many reinsurers and markets have relationships over decades, or even more than a hundred years in some instances — just think of Lloyd’s — and we have navigated many periods of volatility.

‘Climate change provides us with new challenges, but ones that our industry is well set up to help manage.’

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By Dr Ryan Springall

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SUSAN MULDOWNEY
Freelance writer & editor

‘Risks don’t come much bigger than climate change, and mitigation is a growing priority across the insurance industry. Reinsurers clearly have a vital role to play, but the abatement of climate risk requires greater collaboration between private and public sectors, as well as the insurance industry as a whole.’

ANZIIF 2020 Academic Awards

Every year, ANZIIF presents a number of awards to celebrate individual student excellence. We congratulate the winners for 2020.

BIANCA PARUSSOLO

Bianca Parussolo, claims team leader at underwriting agency ProRisk, was named 2020 Student of the Year in both the Diploma of General Insurance and Certificate IV in General Insurance. She also won the Victorian Regional Student of the Year.

You started your working life in law — why the move to insurance?
When I worked as a lawyer in private practice, I acted for public and private hospitals, allied health practitioners and their insurers. I quickly realised that I love helping people and could transfer my legal skills into claims management. That was my entry into insurance, but I really had no idea what a large and dynamic industry it is until I made the move to ProRisk.

What can you tell us about your role at ProRisk?
I'm a claims team leader at ProRisk and with my background in medical malpractice, professional indemnity and public liability, I manage quite high-value and complex litigated claims. There's no typical day or typical claim so you need to be ready for anything. Claims can be a challenging area to work in because it is unpredictable. However, this is what I love about my job.

What was it like studying with ANZIIF during COVID-19 lockdowns?
It took some getting used to doing exams via Zoom from home and I did have to be self-driven, but I used the time during lockdown to complete my studies faster than I would otherwise have been able to do.

The training has really aided me in my role as a claims examiner. I was able to apply what I was learning into my job straight away and I found that my existing job skills enhanced my learning experience.

If you study at a pace that works for you, it will be a successful and rewarding journey, rather than something that is stressful or a burden.

HOLLY OBERG

Holly Oberg from NZI is a 2020 ANZIIF Regional Student of the Year — New Zealand after achieving top results in the Diploma of General Insurance.

Can you tell us about your career path in insurance?
I started working in insurance from the bottom up, initially in an administrative role in the NZI Earthquake claims team paying builders' invoices — I'm a big fan of spreadsheets.

From there, I worked in claims handling for a few months before moving into the reserving team. I was offered a role in the BAU (Business as Usual) Broker claims team and I'm now a case manager for NZI Broker Claims, handling everything from damaged cell phone claims to major flooding events affecting farms.

What are some of the skills you need to succeed working in claims?
I think those working in claims need to be natural learners. The knowledge you have to have and acquire in order to be able to see claims through to completion means we are always learning.

There are always changes in the industry within internal processes, so keeping up to date is critical. On the plus side, there are so many avenues to pursue for learning and career development. Every claim is different and covers a wide range of policy types and wordings. No two days are the same.

What is your advice to people thinking about studying with ANZIIF?
I found that applying my lessons to my work situation really helped with retaining information.

It also helps that the ANZIIF course timeframes are flexible, so I found it really easy to fit in study with full-time work. The format and layout of the courses were easy to follow and absorb and the selection of courses available for each qualification meant I wasn't stuck learning about something that didn't interest me.

ANZIIF ACADEMIC AWARD WINNERS 2020

NAME	COMPANY	QUALIFICATION/MODULE	LOCATION
STUDENT OF THE YEAR WINNERS			
Bianca Parussolo	Insurance House	Diploma of General Insurance	VIC, Australia
Bianca Parussolo	Insurance House	Certificate IV in General Insurance	VIC, Australia
Pavel Frolov	Crombie Lockwood (NZ) Ltd	Diploma of Insurance Broking (FNS15)	New Zealand
REGIONAL STUDENT OF THE YEAR WINNERS			
Pavel Frolov	Crombie Lockwood (NZ) Ltd	Diploma of Insurance Broking (FNS15)	New Zealand
Cathryn Mitchell	–	Diploma of Insurance Broking (FNS15)	ACT, Australia
Holly Oberg	IAG New Zealand - Operations	Diploma of General Insurance	New Zealand
Rubaiyat Sharafee	IAG New Zealand - Consumer	Certificate IV in General Insurance	New Zealand
Elizabeth Dang	–	Certificate IV in General Insurance	NSW, Australia
Fahima Sadmin	Allianz Australia Insurance Ltd	Diploma of General Insurance	NSW, Australia
Trudie Phelps	Aon Risk Services Australia Ltd	Diploma of Insurance Broking (FNS15)	NT, Australia
Patrice Taylor	Willis Towers Watson	Diploma of General Insurance	QLD, Australia
Wee Mae Tay	–	Diploma of Insurance Broking (FNS15)	VIC, Australia
Bianca Parussolo	Insurance House	Diploma of General Insurance	VIC, Australia
Bianca Parussolo	Insurance House	Certificate IV in General Insurance	VIC, Australia
Peter Jeffrey	GKA Investigations Group	Diploma of General Insurance	WA, Australia
HIGHEST MODULE WINNERS			
Avril Carlsson	Farmers Mutual Group (FMG)	RM504-15 Management of Specific Risk Exposures	New Zealand
Gabriel Ho	Crawford & Company Australia Pty Ltd	LA510-00 Theft, Money and Fidelity Loss Adjustment	NSW, Australia
Jonathan Stagg	–	LA507-00-NZ Business Interruption Loss Adjustment	New Zealand
Joshua Bold	Aon Risk Services Pty Ltd	RM501-15 Introduction to Risk Management	ACT, Australia
Kelly Jones	Crawford & Company Australia Pty Ltd	LA511-00 Construction Loss Adjustment	QLD, Australia
Louise Hardy	Sedgwick	LA502-15 Loss Adjusting Practice	VIC, Australia
Nadira Shaik	St Andrews Insurance Australia Pty Ltd	LI505-15 Life Insurance Underwriting	WA, Australia
Nathan Baran	McLarens	LA504-15 Loss Adjusting Law and Regulation	WA, Australia
Quoc Dang	Suncorp Insurance	LA506-15 Negotiating Effective Settlements	VIC, Australia
Quoc Dang	Suncorp Insurance	LA509-00 Building Loss Adjustment	VIC, Australia
Sing Yong Lee	Sedgwick Singapore Pte Ltd	LA505-15 Managing Operations	Singapore
Tung Yiu Pun	–	LA503-15 Property and Casualty Loss Adjusting	Hong Kong
JOINT HIGHEST MODULE WINNERS			
Avril Carlsson	Farmers Mutual Group (FMG)	RM503-15 Operational Management of Risk	New Zealand
Linh Nguyen	Sedgwick	RM503-15 Operational Management of Risk	NSW, Australia

NEW ANZIIF MEMBERS

ANZIIF would like to extend a warm welcome to its newest members.

*For the period 2 April to 11 June 2021.

FELLOW

Cheuk Pui Chung	China (Hong Kong)
Hui Yi	China (Macau)
Ka Long Li	China (Hong Kong)
Tremayne West	Australia
Zhiying Wu	China (Hong Kong)

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Abdul Moomin Abdul Hadhee	Maldives
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Alyssa Tan	Australia
Amber Coory	Australia
Anika Thomasson	Australia
Arjun Manoharan	United Arab Emirates
Bimei Li	China, People's Republic
Cheuk Man Mak	China (Hong Kong)
Chi Kit Cheung	China (Hong Kong)
Chi San Tong	China (Hong Kong)
Ching Wai Mak	China (Hong Kong)
Cho Fai Li	China (Hong Kong)
Chris Dalzell	New Zealand
Christopher Delaland	Australia
Danli Le	China, People's Republic
Duong Nguyen	Vietnam
Emily Pohnan	Australia
Ewen Stephens	New Zealand
Fangfang Lin	China, People's Republic
Frank Colborne	Australia
Fuqiang Shang	China, People's Republic
Ge Wang	China, People's Republic
Guanlu Feng	China, People's Republic
Guokun Li	China, People's Republic
Hiu Sze Leung	China (Hong Kong)
Hongyu Zhang	China, People's Republic
Huimin Hu	China, People's Republic
Huizhen Ma	China, People's Republic
Jan Horn	South Africa
Jane Jones	Australia
Jayden Frankenfeld	Australia
Jayne Perry	Australia
Jiali Yan	China, People's Republic
Jianan Tong	China, People's Republic
Jiaru Han	Australia
Jie Liang	China, People's Republic
Jinfeng Zhou	China, People's Republic
Jing Lian	China, People's Republic
Jing Xian Liang	China (Hong Kong)
Jinghan Sun	China, People's Republic
JingShu Shi	China, People's Republic
Ju Shi	China, People's Republic
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Kelvin Delamore	New Zealand
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Matthew Gibson	Australia
Matthew Herbig	Australia
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Shaoyang Li	China, People's Republic
Shicheng Tan	China, People's Republic
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Sophie Marsh	New Zealand
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by Georgia Lejeune

5 ways for brokers to **communicate better** during renewals

These communication strategies underscore the importance of proactive dialogue with clients, especially at key times in the insurance journey.

Being an insurance broker is more than selling products; the key to building and maintaining relationships with clients is ongoing, concise and clear communication.

We asked Nick Ainsworth, account manager, private clients & commercial at Willis Towers Watson, and Steven Hill, a director with Capital Innovation Insurance Group, for their best-practice tips for communicating with clients at the time of renewals.

01 // Make first contact

'Reaching out before you are chased is a hugely powerful tool that takes nothing more than a calendar reminder and sets the tone for the whole renewal process,' says Nick Ainsworth.

It helps your clients feel that their time and business is important to you and puts you on the front foot with any potential difficulties.

02 // Use clear and concise language

'Don't use 10 words if six will do,' says Steven Hill, who encourages brokers to adopt language that is clear and straight to the point when communicating with clients.

Communicating clearly around the time of renewals means bringing the client along on the journey with you and signposting the process. 'Signposting is letting them know what is coming up ahead for them, but also letting them know what you've done,' says Hill. 'How many markets have you been to? How many variations have you tried? What responses have you got from all of them?'

The insurance landscape is littered with jargon and abbreviations that can be confusing and alienating to clients. Using concise, familiar language allows everyone to be on the same page from the beginning and will make the process more efficient in the long run.

03 // Take ambiguity out of the equation

'Ambiguity or, at worst, guessing in communications helps nobody, especially the broker,' says Ainsworth. 'If you do not know the answer to a specific query, a colleague will.'

Taking the time to research, review and double-check will help gain the confidence of your clients.

'Confirming every single instruction in writing will also remove the dreaded ambiguity and provides a clear history for all parties of decisions made over the life of the policy,' adds Ainsworth.

04 // Follow up and follow through

Think carefully before promising a deadline, suggests Ainsworth. No matter how innocuous the promised communication, your client will expect you to deliver — and so they should.

'Once you've had the difficult or hard market / rates / capacity conversation, you can then focus on the job at hand,' he says. 'Remember Scotty from *Star Trek* only gained his reputation as a miracle worker by under promising and over delivering!'

Follow up when the client hasn't responded — it's not a chance to set and forget. And follow through with the promises you've made.

05 // Build ongoing relationships

Don't wait for renewal time to prompt a call or email to your clients. 'We all need to move away from transactional relationships — business won on premium one year can easily disappear the next for the same reason,' says Ainsworth.

He encourages brokers to build a relationship with clients so that they aren't competing with other companies on price alone.

'Premiums are a big factor in almost every client's mind, but we should try to tip the scale by showcasing the benefits clients can gain from our experience, not just that we open doors to a market with an admission price.' //

Illustration: iStockphoto