JOURNAL

ANZIIF

AUSTRALIAN & NEW ZEALAND INSTITUTE OF INSURANCE & FINANCE

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ISSUE NO. 2 / 2022

Insuring our furry friends

Customer retention

Are you an active listener?

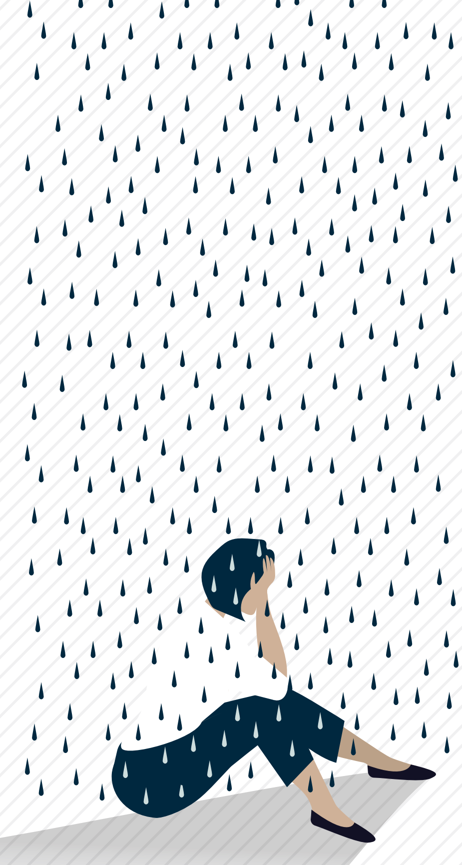
TAKAFUL TAKES OFF

Islamic insurance is on the rise and Asia Pacific markets are primed for growth

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

Contents.

Technical.



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Takaful takes off — 'Takaful seems like the perfect option in a world increasingly concerned with social and environmental issues.'

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Active listening — '... When dealing with people in crisis or analysing risk ... active listening is one of the most powerful tools at your disposal.'

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Selling women on life insurance — 'Tailoring cover to meet [women's] needs can benefit both society and the bottom line of insurers.'

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GLOBAL CONSUMER INSURANCE INSIGHTS WHITEPAPER

A Call to Action for the Global Insurance Market

Consumers reveal opportunities for improvement in insurance

Accelerate Speed to Market

Maximise Operational Efficiency

Harness Innovative Technology

Grow Distribution Channels

Optimise Experiences

Download the Report

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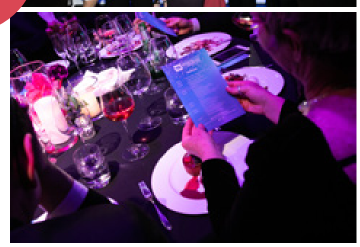
Cover all your bases with ANZIIF's guide to what you should be reading, watching, listening to and learning right now.

Australian Insurance Industry Awards

25 August | The Star, Sydney, NSW

GO



The countdown is on for the Australian insurance industry's night of nights, when we come together to celebrate the outstanding accomplishments of individuals and businesses across all sectors of insurance. This year's event will be held in person for the first time in two years and includes two new award categories — Excellence in Environmental, Social and Governance Change, and General Insurance Claims Team of the Year.

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Reinsurance Rendezvous

15 CIP pts

ANZIIF's Reinsurance Rendezvous Conference is back in 2022 and headed to the beaches of Terrigal, New South Wales. The three-day program is packed with panels and presentations from global reinsurance experts, who will share their insights on trends and major issues affecting the industry. There will also be plenty of networking, as well as opportunities to enjoy the incredible location.

23–25 October
Crowne Plaza Terrigal, NSW

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WATCH //

Responding to the floods

0.25 CIP pts

Flood recovery centres were an essential resource for Australian communities devastated by the east coast floods earlier this year, and insurance staff were among some of the first on the ground to provide support to affected customers. CHU's head of claims David Gow shares experiences from the front line.

→ **Watch the video**

LISTEN //

Business Made Personal: Joan Fitzpatrick

0.75 CIP pts

Former ANZIIF CEO and director Joan Fitzpatrick sits down with *Business Made Personal* host Mark Silveira to share how the challenges of her early life in Northern Ireland during the Troubles helped to shape her professional success. A staunch advocate for diversity and equality, Joan reflects on how adversity can build resilience and why she'll never stop striving for greater equality.

→ **Listen here**

READ //

Making Numbers Count

By Chip Heath and Karla Starr

There's nothing like a spreadsheet to make someone's eyes glaze over. So, how can we transform cold and clinical data into something that triggers an emotional response? It's as easy as one, two, three, according to Stanford Graduate School of Business professor Chip Heath, who has teamed up with journalist Karla Starr to outline the challenges that we often face in communicating numbers. The book includes plenty of tips to help you translate figures and stats to tell a memorable story.

Available now. Bantam Press.

by Domini Stuart

Hanging on to a good thing

Comparing and switching insurance providers has never been easier for customers, so how are insurers responding to the retention challenge?

For many insurance policyholders, when it comes to engaging with their insurer, no news is good news. However, an annual renewal email — and price increase — is hardly a great foundation on which to build a long-term relationship with a business.

There are good reasons for insurers to focus on keeping their existing customers happy. Acquiring new ones is expensive — estimated at five times the cost of retention. Plus, customers who stay loyal because they're pleased with the way they're treated can be the best ambassadors for a brand.

However, research by United States company Invesp found that just 18 per cent of businesses prioritise customer retention, compared with the 44 per cent that put acquisition first.

This could be a hangover from the time when customers were more inclined to stay with one provider for a lifetime. Back then, with retention pretty much in the bag, it made sense to concentrate on writing new cover. Building loyalty can be hard work and, because it takes time to see results, acquiring new customers is a much faster and more visible way to boost revenue.

Now, the internet and social media have made it easy for customers to compare features, prices and quality of service, and buying insurance has become a far more active process. Changing providers is as easy as a few taps on a screen, so it's up to insurers to convince their customers they've made the right choice. Yet, there are still many policyholders who don't hear from their providers from one renewal to the next.

IN SHORT

- **Today's insurance consumers have the power to compare policy features, prices and service, and to switch providers quickly and easily.**
- **Insurers need to work harder to retain customers — and good communication is key.**
- **Technology provides new opportunities for more frequent communication, but it's important to remember that many customers still prefer personal contact, particularly when they're looking for advice.**

The what, when and where

More frequent communications is an obvious place to start a retention strategy, but there are provisos.

'Insurance is still a lower-touch connection,' says Richard Park, general manager of marketing, portfolio and pricing at AA Insurance. 'Today's consumers are overloaded with information on multiple fronts, so your messages need to be relevant. We found that clear, succinct and pertinent communications are more likely to be read — and they also make it easier for customers to make informed decisions about their insurance.'

To put this into practice, AA Insurance launched a range of educational videos on social media to help its customers better understand their cover. It also began working with WriteMark, an accreditation awarded to documents and websites that achieve a high standard of plain language.

'We've achieved WriteMark accreditation on several policy documents and we plan to upgrade all of our policy documents to WriteMark Plus,' says Park. 'This shows that, as well as meeting a set of established plain-language criteria, you've tested the content on policyholders.'

Christian Bieck, global insurance leader for the IBM Institute for Business Value, believes that insurance policies are often too complex and verbose for the average consumer to comprehend.

'As a result, consumer trust in the industry is strained, and understandably so,' he said at a round table event hosted by Reuters Events and IBM. 'Why trust something that you don't understand?'

Digital with a touch of the personal

Meanwhile, the latest Accenture Global Financial Services Consumer Study found that, while the appeal of digital channels and services is higher among younger demographic segments, desire and preference for digital among older consumers is growing. For example, 71 per cent of older consumers say they would like the internet chat/video insurance claim process to replace the traditional in-office claim process — up 3 per cent from two years ago.

‘[Customers] aren’t just comparing you with other insurers. They’re used to the seamless, cross-channel and end-to-end experiences they get with global technology giants.’

Richard Park / AA Insurance

Photography: iStockphoto

‘You have to remember they aren’t just comparing you with other insurers,’ says Park. ‘They’re used to the seamless, cross-channel and end-to-end experiences they get with global technology giants.’

An insurer’s market also embraces a wide range of ages and technology skills. A significant percentage of people surveyed by Accenture still preferred channels other than digital.

Successful multichannel networks require more than just easy access, according to Jean-François Gasc, who leads Accenture’s insurance strategy industry group in Europe. ‘What’s also essential is the right mix of automated and human contact with customers,’ he writes on his blog. ‘Consumers tend to like the speed and convenience of digital services, especially when performing administrative tasks, but hanker after human attention when looking for advice.’

Accenture’s study bears this out. Just 12 per cent of respondents said they’d trust an automated service to give them advice about products or services, or to help them make a claim.

AA Insurance understands the need for balance.

‘We have continued to invest in our data and digital capability to enhance our customers’ online experience,’ says Park. ‘They can now update aspects of their policy via a self-service online option or make a claim online for many non-urgent items. At the same time, we have retained our face-to-face channel as this remains very important to many of our customers.’

Asia’s latest insurtech unicorn, bolttech, also has the flexibility to meet customers according to their level of digital maturity and using their preferred mode of interaction. Speaking to Harish Agarawal, head of CX strategy, South East Asia, at Qualtrics, bolttech chief customer officer Ryan Mascarenhas also made the point that, as an emerging insurance provider, bolttech had the advantage of being able to focus on the experience it wanted to create from day one.

‘Initially, our focus area was on things like making it easier for a customer to submit a claim,” he said. ‘However, by listening to the feedback we learned what mattered most to customers was faster processes and for customer service to be more accessible. Guided by this insight we were able to make scalable improvements benefitting the end-to-end customer journey, not just individual moments in the journey.’

Claim time is the ultimate moment of truth for customers, and a well-managed experience can be a powerful retention tool for insurers — and turn customers into brand advocates.

Says Park: ‘Our people go out of their way to support customers then, sorting their claim as quickly and efficiently as possible. With the current supply-chain issues impacting claim timeframes across motor, home and contents, communication and keeping our customers updated on the progress of their claims is essential, as well as looking for alternative solutions where we can.’

Mandarin feature

Interested in reading this article in Mandarin?

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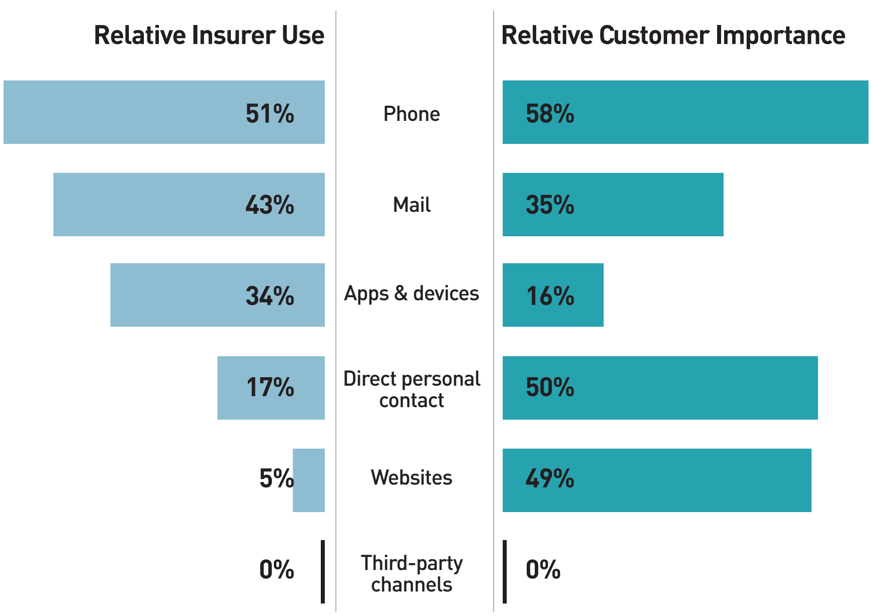
CHANGING CHANNELS

The IBM Institute for Business Value interviewed 1,100 insurance executives in 34 countries about their customer experience initiatives. It then surveyed 10,000 consumers to get the customer side of the story. The responses suggested that many insurers still rely on phone calls and emails, whereas insurance customers highly value contact by phone, in person or via the web.



Source: Elevating the insurance customer experience, IBM Institute for Business Value, 2020

Rewarding loyalty

One tried-and-tested customer retention strategy is to actively reward customers for staying with a brand. To that end, some insurers offer loyalty programs, with a range of conditions and rewards. There are additional benefits of rewards programs for insurers: they have a reason to contact customers more often, and they can also use the program and incentives to influence customer behaviour and help reduce claims.

For example, Prudential Vietnam's PRUrewards is based on how much a customer spends with the insurer each year. The more they spend, the bigger the discounts on things like shopping, dining out and weekends away. And anyone who purchases an eligible policy from AIA Hong Kong and joins the AIA Vitality program has an option of paying 10 per cent less or receiving 10 per cent extra cover. Members are further encouraged to adopt a healthier lifestyle through reward incentives such as travel discounts and movie tickets.

In Australia, Budget Direct offers similar cost savings to customers with two or more eligible policies, while members of ClearView's Health Maintenance Reward program start out with a 10 per cent discount on life insurance cover, which continues as long as policyholders are taking steps to actively protect their health.

Data privacy's catch-22

Data is fundamental to these loyalty initiatives and to the new, personalised services customers enjoy. The irony is that many people are reluctant to share their personal data.

Australian privacy laws also limit the creation of personalised data, and these limitations are likely to increase when proposed changes to the legislation come into force. These could expand the definition of personal information, allow customers to erase their personal information and strengthen consent requirements. Daniel Levy, Swiss Re's head of platform analytics ANZ, describes this as 'the catch-22 of data privacy legislation'.

For the future, one of the most important communication tasks for insurers could be explaining how data is collected, used and protected and the potential benefits for consumers, such as greater personalisation, more choice and increased value.

As consumers continue to grow more sophisticated and tech-savvy with higher expectations of their providers, insurers will need to use every opportunity at their disposal to win the loyalty of the customers they attract.

DOMINI STUART
Freelance financial journalist

'Personalised communication is more than addressing customers by name; it's about understanding their individual needs and preferences. Data is essential to this process, so, as personal data protection legislation tightens, insurers must be able to reassure customers that any information they provide is safe and used for their benefit.'

by Anna Game-Lopata

IN SHORT

- Takaful, a form of insurance with origins in Islamic law, is growing steadily throughout the ASEAN region.
- The growing Muslim population, Islamic finance market and digitisation will provide a significant boost to the evolution of takaful versus conventional insurance.
- Constraints include low awareness and penetration, developing and implementing appropriate regulation and governance, and the lack of human capital.

Time for **takaful** to take off

Takaful insurance is on the rise, with an anticipated market value of US$97.17 billion by 2030. And with major growth opportunities in Asia Pacific, its risk-sharing principles could hold broader appeal.

Takaful, a form of insurance based on the principles of mutual protection, co-operative risk and the sharing of surplus capital, has its origins in Islamic law, but it's potentially available to anyone.

The word takaful means 'mutual obligation' or 'mutual guarantee' and it has been around in some form for 1,400 years. Modern takaful insurance products began to emerge in Sudan in 1979, in response to a growing demand for alternatives to conventional insurance, which is considered unlawful due to its in-built uncertainty and the requirement for charging interest.

In 1985, the Grand Counsel of Islamic Scholars gave takaful insurance its seal of approval, declaring it the 'correct alternative' to conventional insurance and fully compliant with sharia (Islamic) law.

Since then, takaful has become increasingly popular in the Middle East, where it is now the region's main form of insurance. However, there's an important, untapped market in Asia Pacific, which is home to 62 per cent of the world's Muslims.

According to Allied Market Research, takaful in Asia is expected to witness significant growth owing to 'rising digitisation in various countries and adoption of advanced technology by takaful insurance service providers to increase sales'.

However, with a lack of standardisation in takaful insurance, its market growth has been limited by factors such as regional differences and lower consumer awareness.

Protection gap

In Malaysia, where 60 per cent of the population is Muslim, more than 38 per cent do not have personal insurance protection, according to a 2021 report in *The Edge Markets*.

The business news site quotes Zurich Malaysia-commissioned research, which found that 84 per cent of respondents agreed the pandemic had increased their awareness of the need for insurance, but 62 per cent said it had also impacted their ability to afford insurance. About 23 per cent of Malaysians can't afford personal insurance.

The Malaysian Takaful Association (MTA) says the industry's penetration rate, which has always been a stumbling block, rose to 18.6 per cent in 2021, from 16.9 per cent in 2020.

Elmie Aman Najas, the organisation's chair, is bullish about the prospects of takaful. He told *The Edge Markets* that the increase was the highest to ever be recorded over a five-year period. The growth, though still comparatively small, was mainly driven by takaful life insurance products known as family takaful. In 2021, he says, 'in-force family takaful certificates grew to 6.07 million certificates versus 5.51 million in 2020'.

Photography: iStockphoto

TOP TAKAFUL NAMES IN THE GLOBAL MARKET (2021)

- Islamic Insurance Company
- JamaPunji
- AMAN
- Salama
- Standard Chartered
- Takaful Brunei Darussalam Sdn Bhd
- Allianz
- Prudential BSN Takaful Berhad
- Zurich Malaysia
- Takaful Malaysia
- Qatar Islamic Insurance Company

Source: Investopedia

'The family takaful market has shown exceptionally strong resilience despite the pandemic, with annual takaful contributions of new businesses reaching the two billion ringgit-mark for the first time, recording RM2.23 billion, an increase of 48.8 per cent, compared to RM1.5 billion in 2020,' he told the site.

Najas is also CEO of AIA Public Takaful Berhad, a subsidiary of AIA Malaysia and part of the AIA group. He says takaful in Malaysia is growing faster than conventional insurance because of Malaysia's demographics. He sees takaful's low penetration rate as a growth opportunity.

'There is strong appeal for takaful among the Muslim market segment as it is sharia-compliant,' he says. 'This is [in part] driven by the huge protection gap that exists.'

Role of Islamic finance

Meanwhile, in Indonesia, which has the world's largest Muslim population, takaful currently has a penetration rate of around 9 per cent, a rise from 7 per cent in 2021 and about 5 per cent the previous year, according to Fitch. Last year, life insurance sharia products made up 86 per cent of the takaful market, followed by general sharia products at 14 per cent.

Tati Febriyanti, head of the Insurance Council of Indonesia's (DAI) Education and Development Commission, says the local takaful sector continues to expand, driven by growth of the Islamic banking and financial services sector more generally.

'In 2021 the total gross contribution of sharia insurance increased by 35.2 per cent (YoY), mostly due to a growth in contributions for personal accident and combined endowment business lines,' she says. 'Other factors include a growing awareness of, and demand for, takaful products, government support for the Islamic finance industry, and a recovering economy.'

Aside from the expansion of the Islamic finance industry, Tati says several factors will ensure the growth of sharia insurance in Indonesia.

'First and foremost, the improvement of public understanding and awareness of sharia finance in recent years can potentially aid in the advancement of the industry,' she says. 'Secondly, the expansion of the Islamic economy — halal food, halal travel, modest fashion, media and amusement, pharma and cosmetics — necessitates the use of sharia insurance to manage company risks. This becomes a great opportunity for local insurance companies, as well as joint venture insurance organisations, to evolve.'

Insurance with values

Mukesh Dhawan is the former CEO of Zurich Takaful Malaysia Bhd and is now founder and CEO of embedded insurtech company Drivn Fintech Sdn Bhd, which operates out of Kuala Lumpur. He says takaful thrives on mutual benefit and that its unique design — incorporating the sharing of surplus capital and in-built environmental social and governance (ESG) — means it holds wide appeal.

'Every takaful operator must share the surplus made from every product with the customer, who is the product owner. In simple English, this can be called profit sharing. In takaful, we don't use the word profit. It is more about surplus or gains.'

In Malaysia, he says the most common ratio is 50:50. So, in motor insurance or health, as in conventional products, you have a no-claim bonus. 'But over and above that, takaful gives you 50 per cent of any surplus after claims that must be paid.'

In addition, Dhawan says sharia law ensures takaful guidelines for operations and investment are aligned with ESG.

'Islamic banks have always practised ESG; it's not a new development over the last five years,' he says. 'Takaful guidelines never allowed investment in companies or organisations that are harmful to society or the environment. For example, takaful never allowed us to invest in tobacco. Takaful insurance operators will not invest in a company that is not eco-friendly.'

Sharing the risk

For Tati, the most essential and unique distinguishing feature of takaful insurance is its concept of managing risk. 'In sharia insurance, risk is shared, whereas in conventional insurance, risk is transferred,' she explains. 'The concept of sharing risks among fellow participants, or risk owners, is implemented through two contracts — the *tabarru* between fellow participants, and the *wakalah bil ujrah* between participants and the insurance company that manages the funds.'

Participants make contributions to tabarru funds in the form of grants or donations based on their risk profile. 'Tabarru funds are kept strictly for compensating participants who have been legitimately affected by losses or claims,' Tati says. 'In addition, fees come out of tabarru funds to pay the insurance company for its role managing the funds. These fees also go towards taking care of any issues that might arise and undertaking investments on behalf of participants.'

Tati says this risk-sharing approach has the advantage of being a non-commercial contract. 'The entire sharia insurance system is in accordance with Islamic law where the management of participant tabarru funds, corporate/operator funds and investment funds being free of *gharar* (uncertainty), *riba* (usury), *maysir* (gambling) and other practices prohibited by Islamic law.'

Photography: iStockphoto

Managing governance

Given the religious ethical requirement and the fact that the takaful industry is relatively new, regulation and governance are a work in progress.

Notably, Malaysia took a step forward in 2013 by amending the previous *Takaful Act 1984* to improve several aspects of the regulation and supervision of Islamic finance.

'In the past, Islamic finance was governed under the same Act as conventional insurance,' says Najas. 'Under the *Islamic Financial Services Act (IFSA) 2013*, the takaful sector in Malaysia underwent one of the biggest policy changes to date, whereby operators needed to hold separate capital requirements for general and family takaful businesses.'

Najas says that, comparatively, the Malaysian takaful market is more advanced than others because the country's central bank, Bank Negara Malaysia, 'has established a sound framework and market environment for its growth'.

As well as the IFSA, operators are regulated by the Risk-based Capital Framework for Takaful Operators, the *Financial Services Act (FSA) 2013* and the yet-to-be-implemented IFRS 17.

'A key difference between the FSA and the IFSA is the introduction of a new provision to strengthen sharia governance, whereby Islamic financial institutions shall ensure end-to-end sharia compliance with regard to policies, procedures and operations,' says Najas.

However, according to Fitch, implementation of IFRS 17 remains a challenge. 'The takaful industry

TAKAFUL VS. CONVENTIONAL INSURANCE

Most Islamic jurists conclude that conventional insurance is unacceptable in Islam because it does not conform to sharia law for the following reasons:

CONVENTIONAL

+ Conventional insurance includes an element of *al-gharar* or uncertainty.

+ Conventional insurance is based on the concept and practice of charging interest. Islamic insurance, on the other hand, is based on *tabarru*, where a portion of the contributions made by participants is treated as a donation. This is why policyholders in takaful are usually referred to as participants.

+ Conventional insurance is considered a form of gambling.

TAKAFUL

An Islamic insurance company operating a takaful fund must abide by the following principles:

+ It must operate according to Islamic co-operative principles

+ A reinsurance commission may only be received from or paid out to Islamic insurance and reinsurance companies

+ The insurance company must maintain two separate funds: a participant and policyholder fund, and a shareholder fund.

Source: Investopedia

continues to face uncertainty over the interpretation and application of IFRS 17 as the January 2023 implementation deadline draws nearer,' says the organisation, adding that 'the selection of measurement models and treatment of various funds will be resolved'.

Spinning off sharia units

In Indonesia, the Financial Services Authority (OJK) and Ministry of Finance have taken a proactive approach to the financial services industry; however, specific laws governing Islamic insurance are lacking.

The Indonesian Government is attempting to strengthen sharia insurance and reinsurance (retakaful) through its Insurance Law of 2014 and OJK provisions, which require sharia window businesses (which dominate the Indonesian takaful market) to spin off from their non-sharia parent companies into fully-fledged takaful businesses.

To support the process, the government has partnered ASEAN general insurers with domestic ones under the spin-off program and exempted new sharia entities from the 80 per cent limit on foreign ownership. The OJK called for those eligible to submit their plans of action by October 2021, with a deadline of October 2024 for strategic business units (SBUs) to be spun off or face losing their licence.

'In general, the insurance industry has responded positively to the spin-off requirement for sharia insurance units into independent entities,' says Najas.

So far, just five companies have completed the spin-off process. According to Fitch in 2021, most were 'progressing slowly' and struggling to spin off SBUs in the short term 'due to high capital requirements and operating expenses, while the implications for profitability and financial viability are unclear'.

Fitch further argues that for the sector to continue growing, 'several structural constraints need to be addressed'. These include 'developing an Islamic finance ecosystem that supports takaful operators, attracting adequate capital, strengthening the regulatory framework, providing additional incentives for takaful operators, introducing new products, raising awareness of insurance products and Islamic finance in particular, and developing human capital'.

Refining marketing and skills

Despite global takaful marketing efforts, Dhawan says the use of sharia terminology is currently a barrier to the market awareness required for significant growth. He says if takaful companies simplified their communications, product acceptability and penetration would improve.

'For the general buyer, the language in the documentation immediately comes across as jargon and therefore fails to get read properly,' he says. 'That's human nature. But if you tell a customer they'll get more money back than in conventional insurance, it makes more sense to them.

'That's why in my three years as CEO of Zurich Takaful, I tried to de-jargonise as much as I could, whether through the PDS, agency training, seminars or other kinds of communications.'

Developing talent is urgent.

'Managers, especially on the money management side, whether it's investment or accounting, must be qualified as per sharia guidelines,' says Dhawan. 'Currently in Malaysia, we need more people to undertake the many available courses and qualify, because there aren't sufficient numbers in the market.

'In addition, I would say that organisations that haven't opened or expanded takaful businesses are concerned about costs because of the need to source people who are high in demand and to pay them a premium. It's a similar situation in Indonesia.

'Growing the number of sharia-qualified people is currently a critical need for the takaful industry and this can be well supported by technological disruption, which will increase the probability of success in Malaysia and the region. Malaysia's digital roadmap is inclusive of takaful, so I foresee that Malaysia will be an industry leader in the growing "tech-aful" space.'

EYES ON INDONESIA

Tati Febriyanti, head of the Insurance Council of Indonesia's (DAI) Education and Development Commission, says there are several key factors contributing to the growth of sharia insurance in Indonesia of the next three to five years:

+ a large Muslim population (237.53 million people), which accounts for 86.9 per cent of the country's overall population
+ the growth of the Islamic financial services sector
+ the growth of the sharia economic sector, which includes halal goods and services
+ an increase in awareness of sharia insurance
+ strong support from government and the Financial Services Authority through the Indonesian financial services sector master plan 2021-2025, which focuses on strengthening resilience and competitiveness, developing a financial services ecosystem, and accelerating digital transformation.

ANNA GAME-LOPATA
ANZIIF content writer

'The benefits of takaful insurance versus conventional insurance are clear to me — it seems like the perfect option in a world increasingly concerned with social and environmental issues. Given the protection and skills gaps, I think it will be the next high-growth market to be in for both Muslims and non-Muslims in the insurance industry.'

After an intense final year of secondary school studies, Sarah-Jane Wild applied for a role at New Zealand's State Insurance that was only ever meant to be a stopgap before doing something else — although what, she wasn't exactly sure.

Wild admits she never expected to find such a fulfilling career in insurance, but in 26 years, she has never doubted her choice to remain in the industry.

'I've loved the variety of roles that I've had and the personal growth that's come with it,' she says. 'But really, what underpins it all is an alignment of purpose that I find very satisfying. I passionately believe in insurance as a means to provide financial resilience for individuals and communities.'

This conviction was reinforced when she witnessed the aftermath of two devastating natural disasters: the 2011 Christchurch earthquakes in New Zealand and Cyclone Winston in Fiji in 2016.

'Insurance is about being there for people when they need it most. Whilst the trauma of the experience cannot be removed, when I saw the devastation, it brought home that insurance significantly reduced the financial stress of those affected.'

Trouble in paradise

After moving to Tower in 2006 as a claims team leader, Wild took up the role of head of claims in 2013 before being promoted to general manager of Tower Fiji in 2015 and moving to Fiji with her husband and their two young children. Less than a year later, Cyclone Winston struck the island nation and caused the deaths of 44 people.

The category five cyclone was the strongest tropical cyclone to hit Fiji in recorded history.

Approximately 350,000 people — almost half the population — were affected by the storm and 40,000 homes were damaged or destroyed.

Making the situation even more challenging was the fact that only 6 per cent of properties in Fiji were insured. The Attorney General of Fiji criticised the insurance industry for not doing more to improve low penetration rates of insurance.

'It was difficult to go to villages that were completely devastated and then see the insured properties, which had been built to high standards and had mostly only suffered superficial damage,' says Wild.

SARAH-JANE WILD

SKY HIGH AT TOWER

COMPANY // Tower Insurance

TITLE // Head of partnerships

ANZIIF // Senior Associate

Having experienced the aftermath of two major natural disasters firsthand, Tower Insurance head of partnerships **Sarah-Jane Wild** is on a mission to make insurance more accessible to those who need it most.

STORY *Jessica Mudditt* **PHOTOGRAPHY** *Mark Smith*

She realised that there was an opportunity — and an imperative — to build resilience within Fiji and extend insurance coverage to more of the population. Wild became chair of the Insurance Council of Fiji and started working closely with the government to address the barriers to insurance. She looks back on the challenge as a career highlight.

'Low levels of awareness around insurance contributes to low penetration rates in Fiji,' she says. 'More education was needed and insurance needed to become more affordable.'

Making insurance more accessible

Wild and her colleagues at the insurance council began exploring the idea of a tiered approach to insurance that would increase the cyclone resilience of properties while at the same time provide access to cover for lower-valued properties. She also developed ties with the World Bank, which invited her to join the board of the Pacific Catastrophe Risk Insurance Company (PCRIC) in 2019.

PCRIC is a captive insurance company that helps reduce the financial vulnerability of small island nations to natural disasters. It does this by providing disaster risk finance products, including catastrophe risk insurance against natural and climatic disasters to Pacific Island countries. Wild returned to New Zealand in 2020 but has continued to serve as its chair — a position she has held for the past two years.

The problem of low insurance penetration in Fiji is ongoing and is an issue that requires urgent attention, says Wild.

'Asia Pacific is one of the most underinsured regions in the world, and it's very much at risk of climate change, with rising sea levels that could completely submerge some islands. Tower Insurance operates in eight Pacific Island countries and we see the need to drive affordability and accessibility among the populations.'

Tower has launched an insurance platform in the Pacific that will allow people to pay affordable premiums, and it is also looking at new products that will provide cover for events such as earthquakes. In April this year, Tower launched My Tower Fiji, which allows customers to pay their insurance premiums, lodge a claim, get a quote, update their personal details, purchase a policy and view their policies all in one simple online portal.

My Tower is the insurer's signature self-service platform, previously only available to New Zealand customers. Its launch in Fiji is the latest in a suite of Tower Pacific technology upgrades this year and represents the final part of Tower's digital transformation project in the region. Tower now plans to launch My Tower in the other Pacific Island nations in which it operates by October 2022.

> 'It was very unusual for a female in their mid-thirties to be in a senior position like that. A few people actually said that they didn't think I would be successful.'

Encountering resistance

Wild says she loved her time in Fiji, although it was a rocky road to begin with. Her predecessor had been Tower general manager Fiji for more than 15 years and his larger-than-life style of leadership reflected local sensibilities. So, she faced some resistance initially, including from the wider business community, who simply didn't think that a woman of her age was capable of doing the job.

'It was very unusual for a female in their mid-thirties to be in a senior position like that. A few people actually said that they didn't think I would be successful,' she recalls.

On a number of occasions, when she and her husband were introduced, it was assumed that Wild was the trailing spouse and her husband was the general manager. People were visibly taken aback when they realised their mistake. Wild maintained a personal belief in her abilities and cultivated new relationships through networking. Happily, within a few months she had won most of the naysayers over.

'Historically, insurance as an industry has been very male dominated, but I do feel that that's changing,' she says.

Improving customer outcomes

Wild is currently head of partnerships at Tower, where she strives to improve customer outcomes in terms of insurance accessibility. For example, Tower has partnered with the New Zealand Defence Force to provide bespoke barracks cover,

TWO-MINUTE BIO

BACKGROUND
Sarah-Jane Wild was born in Gisborne, on the east coast of New Zealand's North Island. She currently lives in Auckland with her husband and two children, aged 12 and 14.

CAREER
After starting her insurance career straight out of school with a role at State Insurance, Wild has held a number of positions at Tower Insurance, where she has worked for almost 16 years. These include general manager of Tower Fiji, head of Pacific operations, head of claims, head of sales and distribution and now head of partnerships.

OUTSIDE THE DAY JOB
'At the moment I'm learning guitar,' says Wild. 'I'm also an avid trail runner, so I'm often out doing a long trail run on the weekend. I am gearing up for the Xterra Totara Park 21.5km trail run in July and the Tarawera 50km [ultramarathon trail run] in February next year.'

TOP TIP
'If you find yourself in a situation as I did where you encounter resistance, maintain a personal belief in yourself and your abilities. Do not let any negativity get in the way of that.'

which includes free cover for military equipment. Through its partnership with Coastguard New Zealand, Tower is working to help keep Kiwis safe out on the water, and Tower customers can even access Coastguard memberships at a reduced rate.

A first for New Zealand, Tower's partnership with global industry leader Risk Management Solutions has resulted in the launch of flood-risk ratings for every residential address in New Zealand — a crucial development, given the increase in the frequency and severity of weather events due to climate change.

'We want to help our customers — Kiwis and Pacific Island nations — reduce and prepare for their risks wherever possible,' says Wild. 'I enjoy thinking innovatively about how we can help people to reduce their risk profile and make insurance more accessible to a wider group of people.'

Before & after

by Abigail Murison

IN SHORT

- Pet insurance is a comparatively young category, with very low penetration levels in the Asia Pacific.
- The pet humanisation trend and rising medical costs make a compelling case for taking out pet insurance to protect furry family members.
- Market entrants have the opportunity to do things differently, whether that's a digital-first platform or circumventing the traditional reimbursement model.

THE RISE *of*

Nowadays, pets are much more than just a guard dog or a mouse catcher: they are fully-fledged members of the family. For pet insurers, that spells a huge opportunity.

the FUR BABY

How much would you pay to save your fur baby's life?

According to a 2021 Budget Direct survey, almost half of us would be willing to shell out $10,000 of our hard-earned cash to save a pet. However, Southern Cross Pet Insurance general manager Anthony McPhail says many pet owners simply don't have that kind of money on hand. 'In our own New Zealand survey a few years back, it's at the $1,000 mark people start to feel like the vet bills are beyond their means,' he says.

iSelect says the average cost of a routine visit to the vet in Australia is A$397 for dogs and A$273 for cats. Even relatively common medical problems, including skin allergies and infected cuts, can quickly add up to thousands of dollars in treatment costs.

Given how much we love our pets — Asia Pacific has some of the highest rates of pet ownership in the world — pet insurance seems like a no-brainer. And yet even in Japan, the APAC country with the highest pet insurance penetration, only 12 per cent of pet owners have cover. In Australia and New Zealand, levels stand at around 6 or 7 per cent, while penetration is less than 1 per cent in most South-East Asian countries.

Why aren't more pet owners signing up to protect their furry family members?

Photography: iStockphoto

MOST EXPENSIVE CLAIMS

According to Budget Direct data, snake attacks and tick paralysis can cost up to A$23,000 to treat. However, infections (costing up to A$2,000), allergies (up to A$7,000), cuts and breaks (up to A$4,000) and ingesting foreign bodies or harmful substances (up to A$6,500) are the source of most pet insurance claims.

Here are some of the highest pet insurance claims Southern Cross Pet Insurance paid in 2021:

NZ$14,588.66: to remove an eye and treat leg fracture for a ragdoll cat hit by a car

NZ$13,772: treatment for ears, vomiting and peritonitis for a German shepherd

NZ$7,000: cruciate ligament injury treatment for a rottweiler

What is pet insurance?

'If I talk to my marketing team, they say pet owners simply don't realise that pet insurance is an option,' says Southern Cross Pet Insurance's McPhail. 'Raising product awareness is the biggest job to be done.'

Word of mouth is one of the most powerful marketing tools for pet insurers. Many first-time pet owners simply aren't aware of how much vet visits cost, and even experienced pet owners may not know about all the sophisticated — and expensive — treatments now available to ensure pets live longer, healthier lives.

Once people know about pet insurance, then common insurance barriers — exclusions, product costs and complicated, sometimes paper-based claims processes — become the issue.

Kevin Hoong is the co-founder and CEO of Oyen Pet Insurance in Malaysia, a digital-first insurance and pet wellness platform that was launched in April 2021. Oyen customers sign up and manage their cover and claims online.

'The reason Oyen was founded is because we saw pet owners weren't having a good experience with traditional insurance companies,' says Hoong. 'I think the majority of pet owners are millennials, and millennials don't want to fill in forms anymore, and they don't want to talk to an agent anymore.'

Hoong says Oyen focuses on trust, transparency and simplicity. 'How transparent are you in communicating what's covered and what's not covered? We have got rid of all the insurance jargon, and then we've tied everything together with technology.'

More than a pet

Aiding growth in the pet insurance market is the pet humanisation trend. Says Hoong: 'More and more people treat their pets as family members. In some developed countries such as Taiwan and Japan, there are more pets than children under the age of 12.

'If we have all these tools and resources for parents and their children, we need to start thinking about how we can help pet owners as well, because they're also going to be a large part of a population.'

Pet insurers can also help strengthen and grow petcare ecosystems, especially in countries where pet ownership is just starting to take off.

'In Australia, vets are one of the most trusted professionals out there,' says Jose de Franca, PetSure's chief strategy and growth officer.

'That's not the same in all markets. For example, we've looked at the Chinese market in some depth, and it's very different there. Many companion animal vets in China were originally agriculturally trained, and there have been some bad experiences around inexperienced vets. This means that trust in the local vet has to be built up and the insurer can play a really key role as a trusted and known entity for pet parents.'

Alternative market competitors

Beyond traditional insurers and specialist pet insurers, other players — such as supermarket brands Woolworths and Coles, as well as ecommerce retailers like Kogan — are also carving out their share of the pet insurance market.

De Franca says that pet insurance is seen as a part of the supermarket whole-of-pet strategy.

'Woolworths and Coles are both aiming for a greater share of the pet parent wallet,' he explains. 'This has seen changes such as more premium offerings in the aisle and fresh foods for pets, and they have also brought in a pet insurance offering alongside their other financial services.

NZ$6,500+:
bite wound infection treatment for a border collie cross

NZ$6,500+:
to treat a samoyed that accidentally ingested a tennis ball

'They are able to use their strong brands, rewards programs and what they already know about pet parents to create compelling offers in market.'

For ecommerce brands, adding a financial service like pet insurance extends the customer relationship.

'Kogan is part of a growing trend of digital retailers looking to expand the range of services that they offer their customers,' says de Franca.

'Their hypothesis is that they sell pet products and pet parents are on the site, so why not offer pet insurance? Since 80 to 85 per cent of pet insurance in Australia is already sold directly online, it presents an opportunity for existing digital retailers with large customer bases.

'It also allows the digital retailer to build a longer-term relationship with the customer. The average pet insurance policyholder keeps the product for at least four to five years. Typical digital retail customer relationships are much shorter than that, so adding pet insurance provides an opportunity to strengthen customer loyalty.'

BETTER BY DESIGN?

Mixes of purebred dogs — such as cockapoos, labradoodles, schnoodles, goldendoodles and chorkies — are becoming increasingly popular. But are these designer dogs healthier and do they live longer than their purebred cousins?

'We have certainly seen an increase in the purebred and designer dog breeds, particularly since COVID began,' says PetSure CEO Alexandra Thomas. 'Cavoodles, French bulldogs, golden retrievers and dachshunds are by far the most popular breeds, representing almost 20 per cent of all new PetSure policy sales in 2021, and moodles, groodles and labradoodles are also growing in popularity.'

Designer pets come with a hefty price tag: A$3,500 on average for a top-10-insured dog breed.

While mixed breeds are often thought to be healthier — avoiding some of the congenital abnormalities that might arise in the offspring of purebred dogs — potential pet parents should still do their homework. Some designer crosses can bring with them the worst health issues from both breeds, such as epilepsy and Legg-Calve-Perthes disease in moodles (also called maltipoos), or hip dysplasia and progressive retinal dystrophy in labradoodles.

Depending on the breed, you may need to ask the breeder about the results of hip scoring, elbow grading and patella certification, eye and deafness (BAEP) tests, cardiac and kidney tests, thyroid testing and checks for Legg-Calve-Perthes disease.

Photography: iStockphoto

> **'There are a lot of interesting ecosystem opportunities — like connecting customers to vets, digital telehealth services and pharmaceutical access ...'**
>
> **Jose de Franca** / PetSure

Sign on the dotted line

According to PetSure, almost 80 per cent of pet insurance sales are made in the first three years of a pet's life. While some pet owners sign up because a friend, breeder or rescue centre has recommended it, others find out about pet insurance the hard way — when they visit the vet and discover just how costly pet health care can be.

Says McPhail: 'There are no government subsidies for animal care like there are for human health care. That creates a lot of stress for the vets, because no vet wants to have a conversation with someone about the best treatment for a pet, where the decision is financially driven.'

Hoong says that many of Oyen's customers are first-time pet owners and — in some cases — first-generation pet owners, not having grown up with pets in the home. This means that they need information about the basics of pet health and care: an education demand that insurers can help meet.

'We write about two to four blog articles weekly, covering all topics ranging from the most common illnesses in cats and dogs, to what the routine vaccinations and check-ups are, to the best food and the vet clinics in a certain neighbourhood,' he says.

The second communications and marketing element Oyen uses to engage prospective customers is user-generated content from the pet-parent community.

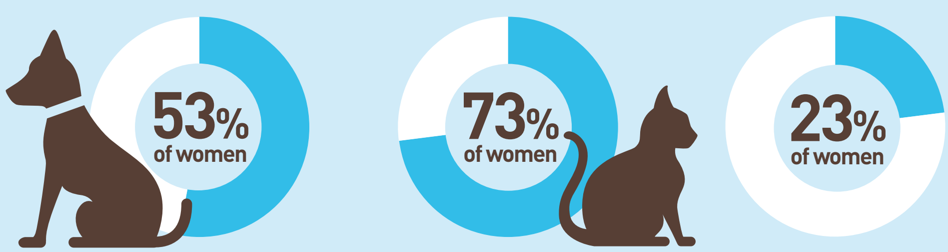
'We did a competition for New Year to create a calendar featuring 12 of our top customers, and the number of stories and the amount of engagement that we got out of it was insane,' he says. 'We want to share these pet stories and pictures and videos with our community, and that's also how people recognise we're a pet-care brand, not just an insurer.'

McPhail agrees that the pet insurance space is a fun category to operate in — and it allows insurers to try new things. He points to two recent campaigns Southern Cross ran. The Live Your Pet Life road safety campaign told drivers to slow down because a particular pet in the area might be crossing the road; and New York designer Matthew Adams Dolan, who has dressed Lady Gaga, Gigi Hadid and Rihanna, created a fashion collection of high-vis dog vests — again, linked to a pet safety message.

'We'll do some bandanas too, which anyone can get hold of, because people love it. They just love that almost human connection with their animal,' he says.

PET PROTECTION

According to a survey by New Zealand charity Women's Refuge:



53% of women whose pets were abused as part of domestic violence delayed leaving out of fear for their pet's safety.

73% of women would have found it easier to leave if there was temporary shelter for their pets.

23% of women had an animal killed by their partner.

Southern Cross Pet Insurance is a sponsor of Pet Refuge, providing funding to build a shelter and helping the charity provide emergency housing for pets from homes where there is domestic violence.

Says Southern Cross Pet Insurance general manager Anthony McPhail: 'Pet Refuge had a vision to create a pet shelter for women and families leaving domestic violence situations, because one of the biggest fears was what would happen to pets that were left behind.

'Sadly, the demand was there before the first shelter was even completed. Now, they are looking at building a second shelter, and we'll continue to support the initiative and promote their messages around giving people the choice to leave violent situations.'

Overcoming barriers

There are also challenges pet insurers have to overcome to make the sale. Some misconceptions pet owners have about pet insurance include that it's only for young pets, and that most pre-existing and congenital conditions won't be covered.

Alexandra Thomas, CEO of PetSure, says the industry has worked hard to address these barriers. 'Through our client research and working closely with key stakeholders including regulators, vets and underwriters, we have made significant progress in understanding and addressing the barriers to buying pet insurance.

'Policies have evolved and improved to cover pets of various ages and provide more clarity around pre-existing conditions.'

Thomas says that PetSure does not offer policies where cover stops when a pet reaches a particular age. 'Older pets are more prone to develop chronic illnesses like arthritis or cancer, and it's important to us to have cover available to pet parents when their pet needs it,' she adds.

Some insurers also offer products such as accident-only insurance, which provides more affordable emergency cover for older pets.

For pre-existing conditions, most insurers distinguish between chronic and temporary conditions, and they will also cover pets where the previous health history is unknown — as is often the case with rescue adoptions.

As the market develops, underwriters will also be able to dig down into claims data to price coverage more accurately according to breed and other risk factors. Some insurers already price small and large dogs differently, but there's no distinction between cat breeds.

'Over time, we will look at how we can price breeds differently, because they have different life expectancies and different types of common illnesses and genetically predisposed disease,' says Hoong. 'We need to take this into account, so everyone pays their fair share of premium that reflects their pet's health risks.'

Old dogs, new tricks

For those insurers not hampered by legacy systems, the relatively young pet insurance market and growth potential offer the chance to do things differently.

'I think the scope for innovation in pet insurance is really broad compared with other types of insurance,' says de Franca. 'Pet insurances is a young category, and there's an opportunity to jump over hurdles that there might have been in other categories of insurance. There are a lot of interesting ecosystem opportunities — like connecting customers to vets, digital telehealth services and pharmaceutical access, as well as innovations in claims management.'

De Franca points to the reimbursement model as a case in point.

'Traditionally, you had to pay the vet bill first and then make a claim,' he says. 'Now, we have integrated a new system called GapOnly, which works with veterinary practice management software, at 700 vet clinics in Australia and counting. When an insured customer goes to a vet, they tell the vet that they would like to lodge a GapOnly claim. The vet captures the information and we assess the claim in less than 10 minutes and pay the vet directly, with the customer only paying the "gap" between the total costs and what is covered.

'Currently, we pay about 15 per cent of our claims dollars through the GapOnly system.'

Adds de Franca: 'Insurers are also at the early stage of deploying loss prevention strategies to try to enhance the sustainability of the category: for example, by encouraging healthier choices from the early stage of pet parenting, or through technology like wearable tech to generate early warning signals when there may be an upcoming health concern.'

With social trends promoting long-term pet ownership, the chance to introduce new processes and technology as standard practice and a market that remains virtually untapped, the future looks bright for pet insurers.

'I'm very bullish,' says Hoong. 'The APAC pet insurance space is projected to grow by 16.8 per cent per annum and reach a value of US$18.82 billion over 2021 to 2030. This is a very exciting region to operate in, where people discover pet insurance and want to get their pets insured: they just haven't found the right company to do it with.

'We can be a market leader in some countries, and we can be a disruptor in some markets, introducing new technology and new ways of getting pets insured.'

ABIGAIL MURISON
The Journal editor

'Just six days after his adoption, Spud became the most expensive rescue cat I've ever owned, drumming up NZ$1,400 in vet bills after eating a piece of string. We now have pet insurance — and a total household ban on string, ribbon and wool.'

by Chris Sheedy
Illustrations by Cami

Switch on a SUPER POWER

The often under-appreciated and under-utilised skill of active listening is proving increasingly important in a post-pandemic business environment where deep empathy is no longer optional.

IN SHORT

- People don't naturally actively listen, but it's a skill that can be taught.
- Remove all distractions and be aware of the 'voices' in your head that judge, rather than listen.
- For insurance companies, active listening is central to success when it comes to identifying vulnerable customers and understanding their needs.

It's an interesting fact that humans are not naturally active listeners. And yet, to understand somebody, to help, to have an excellent relationship and to be empathetic, we need to listen intently to others' arguments, thoughts and opinions.

'As we listen to people, we sometimes relate what they're saying to our own past experiences,' says Karen Winfield, managing director of PD Training.

'We start to conjure up what we want to say back to them. Or we decide to tell them they're not correct. Or yes, we agree, and offer our own experience. Or we simply disengage because we don't believe in that person, or in the way they're communicating, or in the content they're offering.'

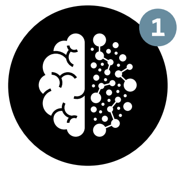
The message we give to the listener when we're not actively listening is that we have something more important to communicate, or something more important to be thinking about or doing, Winfield says. In doing so, we're missing the point of what the person is trying to say, and why they're saying it.

Andy Monks, personal performance coach with Landmark Worldwide, agrees.

'We don't generally actively listen,' he says. 'We're not wired that way. Everybody has a little voice in their head that is constantly evaluating what's being said. But when you want to make a difference with someone, when you want to support them in solving their problem, help them feel better, bring an argument to a diplomatic end or whatever it may be, listening is the secret sauce.'

Even though we might not do it naturally, active listening can be taught and learned. It's often simply a matter of recognising what gets in the way, and then removing those obstacles.

HOW TO ACTIVELY LISTEN



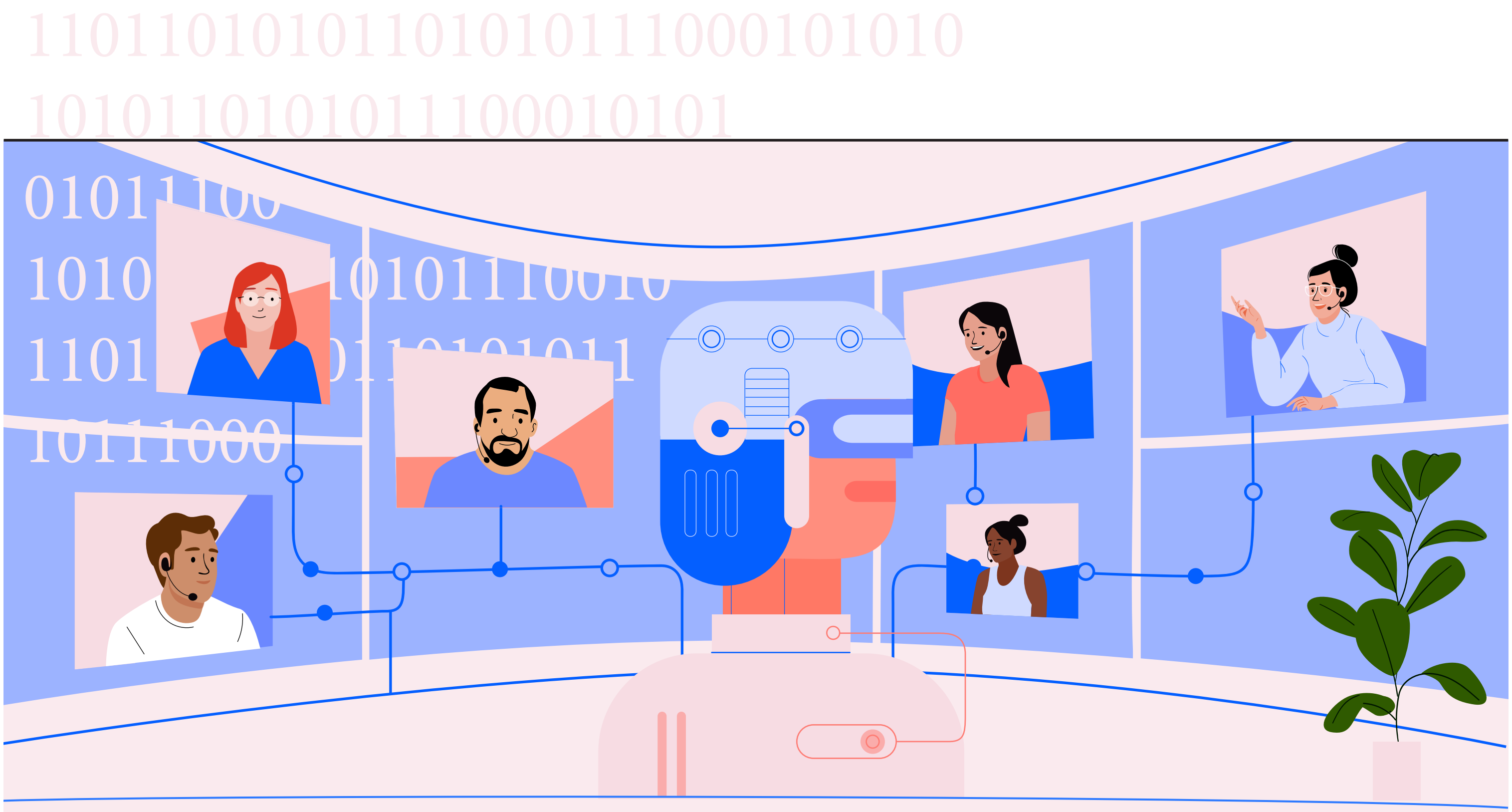
1. Recognise the thought processes and **'noises' in your head** that distract you from truly listening to a person. 'Your clearest thought should be, "I want to make sure I'm deeply understanding the problem, so I can provide the perfect solution",' says Landmark Worldwide personal performance coach Andy Monks.

2. Prior to an interaction, **take a deep breath** — inhale through the nose and exhale through the mouth. This not only reminds you to clear your mind, but also has a physical effect. 'Your body relaxes after a deep breath because it receives a hit of oxygen,' says Annmaree Bell, Zurich Australia's chief of staff.

3. Create a **'third space' between conversations**, says psychologist Marny Lishman. 'Even if it is just standing up, unplugging your headphones, doing a one-minute meditation, you need to insert a break in between two clients,' she says. 'It's a reset.'

4. **Get rid of 'shiny objects'**, particularly screens. 'Switch off the shiny object or put it in do-not-disturb mode and place it face down,' says Karen Winfield, managing director of PD Training. 'If a screen is required for the conversation, ensure it only contains information relevant to that conversation.'

5. Finally, Winfield recommends, if you're actively listening at your desk, consider attaching a small mirror to your computer. Before every call, look into that mirror and smile. Essentially, this is a **reset for your next call** — a way to ensure you're in a positive mindset.



EMOTIONAL INTELLIGENCE GETS A DIGITAL BOOST

Believe it or not, artificial intelligence is now helping people to be better listeners. Richard Kimber, founder of speech analytics platform Daisee, tells us how.

'The reason Daisee exists is because excellent emotional intelligence is not universal in people.

'Humans are very good at understanding emotion, sentiment and meaning, but there is a large variation in the population. The ultimate challenge for companies is to constantly lift the bar of the average interaction with a customer.

'That's where our technology comes in. It's about lifting the overall performance of the customer-facing team, not only having your superstars handling your best customers.

'The average agent might take 30 or 40 calls a day, so the software looks at how agents went over the day. This helps businesses identify where and when training will help.

'The tech, known as conversational analytics, looks at the interplay between the two parties. What are its red flags?

'Having analysed millions of conversations, we see conversations fall down around things like interruptions or over-talking the customer, which indicates the agent isn't listening or isn't being patient.

'Another one is silence. Silences are indicative of inefficient processes, particularly when the client has been put on hold or the agent needs to escalate issues to a supervisor.'

The active listening process

Although she's an expert on the topic of active listening, Winfield says she still needs to prepare herself prior to a conversation.

'I need to switch on to be prepared to listen, and that means letting go of everything else around me,' she says. 'Whatever I had in my mind, I need to be able to switch that off.'

That self-awareness, says Monks, is an essential ingredient in the recipe for success.

'Active listening is about firstly recognising and understanding what's going on in your own head,' he explains. 'The first thing is to be able to set aside that little voice — your thoughts and opinions — or to simply at least be aware of it if you can't stop it.'

When we're not tempering our inner thoughts during a conversation, it makes us 'flippant with our listening', says psychologist Dr Marny Lishman.

'That needs to change, and it makes commercial sense,' she says. 'If you're actively listening, the other person is actually trusting you. This helps you establish a stronger connection, meaning they're more likely to buy from you or utilise your services because you clearly care.'

Once the inner voice has been muted and the other person in the conversation has been given your full attention, you are consciously in the moment, offering the other person what psychologists call a 'psychological holding space', says Lishman.

'Everything, from your body language to your own thought patterns, is focused on hearing what the other person is saying, and deeply understanding what is driving their reasoning.'

Insurance: what's listening got to do with it?

The art of active listening is increasingly important in the business space, particularly as artificial intelligence-enabled robots are taking over interactions, and as the pandemic dramatically increases customer expectations around individualisation and empathy.

'Deep listening has, in the past, been relegated to the psychologist's office,' says Lishman. 'Now, it has become an essential in the corporate space where a lot of leaders, managers and employees are being trained to actively listen. It's a superpower skill for a fast-moving world.'

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In sectors such as insurance, where customers often make contact after experiencing a traumatic event — a fire, flood, car crash, robbery, threat to their business — the art of active listening becomes even more important.

For this reason, at Zurich Australia and New Zealand, a Vulnerable Customer Training program has been rolled out for all general insurance staff.

'In Australia specifically, coming off the back of the flood catastrophe that has just hit the east coast, whenever you hear the word "listen", it's got to be about listening to the customer beyond the asset you're potentially covering,' says Annmaree Bell, Zurich Australia's chief of staff.

'It's about understanding each person's needs and experiences by closely listening to what they're going through, which is far above and beyond having to get their car fixed.'

As an industry, she says, insurance is getting much better at recognising and managing issues around vulnerable people and mental health, for customers and staff. Central to this success is active listening.

'A lot of the vulnerable customer training is about listening,' she says. 'It's about picking up on cues that help you identify if someone is in a vulnerable situation. If you don't listen, you'll miss those cues.'

Get it right, Lishman says, and active listening helps to create a strong bond of trust and respect.

'Demonstrating empathy means you are seeing the world through the lens of another person,' she says.

It's a powerful offering — one that will deeply influence the outcome of any human interaction.

'It's actually quite simple,' says Monks. 'The better we listen, the more we create the possibility of making a difference by contributing solutions and empowering people.'

CHRIS SHEEDY

Freelance writer

'As a journalist, I've long been aware of the importance of active listening and have always appreciated how challenging (and tiring!) it can be. Once I mastered the art, it helped not only in my work, but also in relationships with people who matter to me most. In the insurance sector, when dealing with people in crisis or analysing risk to ensure the placement of relevant cover, active listening is one of the most powerful tools at your disposal.'

PHILIP KEWIN
A DATE WITH DESTINY

COMPANY // National Insurance Brokers Association

TITLE // CEO

Philip Kewin, CEO of the National Insurance Brokers Association, believes that the broking industry is at a critical juncture in terms of its ability to shape its future.

STORY *Jessica Mudditt* **PHOTOGRAPHY** *Michael Amendolia*

When Philip Kewin started out as a clerical assistant in a reinsurance company in Sydney 35 years ago, the industry looked very different to what it does today.

'The role of the broker or adviser was to take care of everything, including all the paperwork and the transactions, and it was very manual-intensive. It was also expensive, because there were staff behind the scenes doing all of that,' he says.

Nowadays, many of these processes have been automated and, as a result, they are carried out much faster and with fewer errors. However, the emergence of digital brokers has left some worried about their long-term future.

'There's a lot of discussion around whether technology is replacing many of the functions of the broker, but I think it's actually highlighted the value of personal advice,' says Kewin. 'I think the use of AI [artificial intelligence] is fantastic, and anything we can do to make the delivery of personalised cover more efficient is an advantage. It doesn't replace the value of personal advice.'

People person

Kewin spent just six months in his financial services entry role before the penny dropped about where his real interests lay and he took up an opportunity at an insurance company.

'I started to realise very early in my career that when I had direct contact with clients, I felt as though I was part of the solution — and that it was very fulfilling.'

Throughout his career, Kewin has sought out roles where he feels he can make the most impact. This, of course, includes his current role as CEO of the National Insurance Brokers Association (NIBA), which he describes as being a 'senior servant' to the association's members.

'I deal with the numbers because I have to — it is people I love dealing with most,' he says.

Better together

Prior to taking the helm at NIBA in November 2021, Kewin was CEO of the Association of Financial Advisers (AFA). He took on the role when the industry was navigating a difficult time and adviser numbers were shrinking. Under his stewardship, there was significant growth in AFA membership.

'I came in at a very fractured time, both for the industry and the association,' he says. 'The life insurance framework legislation and professional standards legislation had just been introduced. Some members felt that it wasn't in their best interests and that the association hadn't represented them.'

Kewin sought to repair some of the damaged relationships and to create a more cohesive industry voice. He approached federal minister Stuart Robert and was basically told, 'You're a fractured industry; we don't know what you represent.'

Recalls Kewin: 'I said, "Well, if I bring the other industry associations with us, will that enhance things?" The answer was yes. Then, when Jane Hume became the Minister for Financial Services [in 2020], we were all trying to get a meeting with her. And we said, "If we come together with the Financial Planning Association [FPA], would that make it easier?" And the answer again was yes.

'We agreed on a list of issues that we wanted to raise with the minister, and I believe this was a major factor in achieving the necessary extension to the deadlines for education standards.'

For the first time in a very long time, the industry came together to work collaboratively, including a host of different industry bodies such as the FPA, the Self-Managed Super Fund Association and the Stockbrokers and Financial Advisers Association.

'There were many different voices, but I knew that if we had the one message, it would make us more powerful. I was very proud of the way we worked together,' says Kewin.

'There were many different voices, but I knew that if we had the one message, it would make us more powerful. I was very proud of the way we worked together.'

The time is now

When Kewin was approached about taking over from retiring NIBA chief executive Dallas Booth, he saw it as another interesting career challenge.

'The general insurance industry is in a critical phase,' he says. 'We haven't been hit with as much regulation and legislation as some other areas of financial services. I felt there was a real opportunity to use my skills and expertise to help create the future for brokers.'

In other areas of financial services, the lack of transparency around disclosure of remuneration has prompted the government to intervene with new legislation. According to Kewin, that has produced unintended negative consequences.

'There has been an overreach that has been detrimental to both the financial services community and the clients they serve,' he says. 'By comparison, the broking industry is in a position to set its own standards: to be proactive and control its destiny so that it's not controlled for us in terms of what we want brokers to be.'

Key to this is setting a Code of Practice for brokers that meets or exceeds the public's expectations. The new Insurance Brokers Code of Practice will come into effect on 1 November and covers a range of commitments, including compliance, education standards, disclosure of remuneration, managing conflicts of interest and acting fairly with integrity.

Stepping up

Kewin says there will be two measures of success for the new Code: how well brokers adapt to the new environment and the response to the quality of advice review that is underway, with a report expected in December.

'We have a great opportunity to once and for all show the value of how brokers need to get paid in order to serve their clients,' he says.

His goal is to prove that commissions are a valid form of remuneration and to end the debate on whether they should be abolished. Some consumer groups have argued that commissions give brokers a vested interest in selling a particular insurance product, but Kewin doesn't see it that way. 'It's an appropriate form of remuneration for a broker for the services they provide their client.'

He believes that there ought to be disclosure whenever a commission will be paid, regardless of whether it is general advice or personal advice being given. 'If you're getting paid for something, it is appropriate that you tell the client what the value of your services are.'

When it comes to the different service models available — fee only, commission only or a blend of the two — Kewin is pro consumer choice.

'I support the fact that brokers and consumers have a choice,' he says. 'Whatever works in terms of paying for the advice and getting the best outcome for the client — so long as any commission is disclosed — is the right way forward.'

TWO-MINUTE BIO

BACKGROUND

Philip Kewin was born in North Sydney. He grew up on the North Shore — and still calls it home — and attended St Aloysius' College, Milsons Point. He has three children and two grandchildren.

CAREER

Kewin took over the reins at the National Insurance Brokers Association in November 2021, having previously spent four years as CEO of the Association of Financial Advisers. Prior to that, he was general manager of Life and Investments at Zurich Australia and also had his own financial planning business in Sydney.

OUTSIDE THE DAY JOB

Kewin goes to the gym several times a week and prefers to attend a class rather than train on his own. 'I find combat particularly good to get the blood pumping and punch out some aggression.' He loves travelling and was quick to jump on a plane when international travel became possible again. He went to London for Christmas last year, although he says it was quite an ordeal in terms of the paperwork and COVID-19 testing required.

TOP TIP

'If there's one way that you can really make a difference, it's to be the CEO of an organisation. It's not the only way — you can make a difference in any role that you do — and if you don't enjoy pressure, I wouldn't do it. I just happen to enjoy the fact that I'm in a position where I can not only control my future, but I can help the industry control its future. That is empowering and satisfying.'

by John Sloan

After the floods

In the wake of devastating natural catastrophes across Australia, will the new cyclone reinsurance pool provide a more effective solution for victims of future flood disasters?

The recent disastrous floods in northern New South Wales and Queensland, estimated to cost insurers at least A$4.38 billion, have focused attention on the cyclone and related flood damage reinsurance pool for northern Australia that commenced on 1 July 2022. The pool was actively promoted by former Prime Minister Scott Morrison and is backed by a A$10 billion government guarantee.

The mechanism of the new reinsurance pool can be accurately compared to Pool Re, a terrorism pool in the United Kingdom, defined in the following way by its administrators: 'In the event of a loss resulting from an act of terrorism (substitute cyclone and/or flood event in the Australian context), each member must first pay losses up to the threshold that is determined individually for each insurer. If losses exceed that threshold, the insurer can claim on the Pool Re reserves.

'These reserves have been accumulated by the members of Pool Re since its inception. It is only in the event that the reserves are exhausted that Pool Re would draw upon government support.'

Will the pool reduce premiums?

The northern Australia pool is intended to apply to residences and small businesses as an alternative to current insurance arrangements. The former federal government suggested it would reduce premiums by 46 per cent to 58 per cent for private insureds and up to 34 per cent for small to medium-sized enterprises.

However, the new Labor government launched the pool on 1 July confirming the pool would not deliver the savings it had promised.

IN SHORT

- **The Northern Australia Cyclone Reinsurance Pool commenced on 1 July, backed by a A$10 billion federal government guarantee.**
- **Critics questioned the pool's workability and the new government confirmed it would not deliver the savings initially promised. Experts agree the best path forward is investments in mitigation, resilience and tax reform.**
- **Some state governments have launched initiatives that could help to kick-start resilience. However, cover in flood-prone regions will remain unaffordable until collaborative mitigation strategies are fully realised.**

Industry critics had already raised doubts about the projected premiums savings for customers. Sure Insurance managing director Bradley Heath told a Senate committee hearing 'the mandatory participation for the cyclone reinsurance pool could see some policyholders paying more rather than achieving savings'.

Another point of contention was the lack of disclosure around the modelling that will be used to establish the parameters of the pool's mechanism. Assistant Treasurer Stephen Jones released the modelling at the pool's launch, saying the former government had misled voters, *ABC* reported.

'The modelling at the moment suggests in high-risk areas you could see an [average of] 19 per cent reduction for home owners and 15 per cent for strata,' Mr Jones said.

University of Melbourne post-doctoral research fellow Dr Antonia Settle told the Senate committee, the pool would be a 'blunt instrument' expanding 'the unavailability of insurance', which has rapidly become a national problem reflected by 'the beginning of price realignment in real estate as climate change starts to be priced into the market'.

The publication *Crikey* remarked: 'A taxpayer-funded reinsurance [pool] simply treats the symptom, not the problem which is climate change.'

Reinsurers express concern

On virtually the same day as the federal government conveyed its support for the cyclone reinsurance pool, major insurer Suncorp advised that it had 'sufficient reinsurance to cover its expected losses from the recent floods' but warned that 'reinsurers are losing interest in Australia because of its

PICTURED

Devastating floods in NSW and QLD in early 2022 have focused attention on the cyclone and related flood damage reinsurance pool for northern Australia.

Photography: iStockphoto

escalating risk profile and high costs, which need to be passed on to customers in the form of higher premiums'.

Further, in a recent commentary regarding catastrophic losses in the current hard insurance market, American insurance software company Zywave stated: 'Floods and similar disasters are increasingly common and devastating. Years of costly disasters like these have compounded losses for insurers, driving up the cost of coverage overall, especially when it comes to property policies.'

On reinsurance, Zywave remarked: 'Reinsurers have exposures to many of the same flood events and trends that are affecting insurance companies. For 2022, reinsurance is becoming more expensive to obtain, which is reflected in the overall cost of insurance.'

An even more compelling view was expressed by Swiss Re, one of the largest international reinsurers in the market. Advisen reports that 'Swiss Re said worldwide flooding caused US$82 billion of damage in 2021, warning that the amount of uninsured losses was likely to grow with climate change'.

Swiss Re further commented that 'floods affect nearly one-third of the world's population, more than any other peril, but a full 75 per cent of flood risks are still not insured'.

Swiss Re's awareness of flood frequency and costs reinforces Suncorp's warning about reinsurers' potentially responding to Australian flood frequency, severity and costs by increasing premiums.

The proposed pool initially received qualified support from the Insurance Council of Australia (ICA), which also suggested larger businesses should be included. At the time, the ICA pointed out that between 2007 and 2020, insurers in northern Australia suffered combined losses in the region of A$856 million, which 'was not financially sustainable'.

In February 2022, then Prime Minister Scott Morrison stated that 'a reinsurance pool would deliver on the government's commitment to maximising northern Australia's potential and ensure Australians in cyclone-prone areas have access to affordable insurance'.

Nationwide expansion?

This sparked a new debate about whether the cyclone reinsurance pool should be extended to include nationwide flood risks.

Prompted by the *Western Advocate* newspaper, the idea was rapidly supported by some politicians, including former federal Treasurer, Josh Frydenberg.

The Guardian newspaper reported that Frydenberg was 'open to the idea of extending the pool' but qualified his concern about creating 'expectations'.

'There are questions about how to make it workable, so we will have to get further work done,' the Treasurer told *The Guardian*.

Having raised the concept initially, the *Western Advocate* later slammed it, claiming that 'we must find a better solution to the insurance crisis than is being offered to northern Australia.

'A reinsurance pool cannot be a national solution, because it isn't a solution for northern Australia.

'There are no cheap and easy solutions, but the terrain is clearly mapped out across an array of inquiries. More than a blanket subsidy for the insurance industry, the time has come for climate vulnerability to be taken seriously by the federal government.'

Transparency changes the game

A nationwide reinsurance pool for all flood risks would present tremendous logistical and underwriting challenges, to say the least.

This was borne out with the release of the modelling used to design the Northern Australia Reinsurance Pool, which prompted the ICA to reiterate its long-held view, in line with the *Western Advocate*, that 'investment in mitigation and resilience, alongside changes to building standards and land-use planning and the removal of state taxes on insurance, offer the best opportunity for sustainable premium reductions over the longer-term'.

ICA CEO Andrew Hall welcomed 'full transparency to the modelling' and asserted that 'insurers have been concerned that consumer expectations around premium decreases were never going to be met through this scheme.'

'Ultimately this data highlights that driving sustainable relief to people's premiums will require long-term co-ordinated investment across a range of measures from all levels of government,' Hall said.

FLOOD RELIEF FUNDING

Queensland's A$721 million extraordinary circumstances package is jointly funded by the state and federal governments to address broader recovery needs across impacted communities. It includes:

- **A$178 million for human and social initiatives**
- **A$200 million for economic recovery**
- **A$57 million for environmental recovery and management**
- **More than A$300 million for infrastructure programs**

With varying statewide flood risk profiles and differential base premium rates, as well as multiple insurers' views, there would be significant hurdles for a national pool.

And since the cyclone reinsurance pool had a gestation period of seven years, just how long would it take to reach a consensus on a national flood reinsurance pool, let alone the costs involved?

Another problem is that non-residential insurances are not the only policy type affected by floods.

Motor vehicle, mobile plant, large business, crop, agriculture, construction works, infrastructure, business interruption and pleasure craft are all obviously impacted by floods as well.

So, what is the answer?

Queensland takes a stand

Flood risk control rather than a reinsurance pool is clearly the most practical solution. The Queensland Government has the right idea with its own A$10 million North Queensland Natural Disaster Mitigation Program, which aims to reduce disaster risk in cyclone-prone coastal areas. With support from the federal government, the Queensland Government has also announced a A$771 million flood relief package including a A$741 million Resilient Homes Fund providing options for eligible flood-affected Queenslanders to raise, retrofit and take part in a voluntary buy-back scheme. The state and federal governments are also jointly funding a further A$721 million to support broader community recovery (see breakout, left).

This proposal is intended to help implement the 'flood mitigation solution', which is often mentioned but rarely supported with such a substantial budget and set of promises. If the proposed funding eventuates, many currently uninsurable homes should qualify for insurance in the future.

The former Prime Minister Scott Morrison initially advised that the proposed package was the entire responsibility of the Queensland Government, but he later reversed the decision, promising to fund 50 per cent as requested, subject to 'conditions'.

The buy-back provisions suggested might also encounter resistance from homeowners who object to moving and rebuilding elsewhere.

Meanwhile, the New South Wales Government is yet to match Queensland's lead on relief but has agreed to provide A$112 million for flood victims, including up to A$20,000 each for uninsured homeowners, with no federal involvement.

What can government do?

Potentially, government could arrange insurance for flood risk, but at a cost. Some countries have special reinsurances or funding arrangements to cover risks such as earthquakes, floods, cyclones or even drought, often with support from the World Bank.

Most of these arrangements come under the definition of 'parametric insurance', which is a solution based on a predetermined parameter, with a payout triggered by that parameter, regardless of known or estimated damage.

For instance, the predetermined parameter might be an earthquake of a stated intensity in a pre-agreed region. If the event occurs as determined, the sum insured is promptly paid out.

A parametric flood arrangement might entail a specific rainfall, river volume or inundation in nominated areas or rivers as the trigger for a preagreed sum insured to be paid in full.

The complexities and costs of such a scheme for flood in Australia would be mind-boggling and have likely exercised the minds of those initially designing the cyclone reinsurance pool in northern Australia, only to be rejected as unfeasible. It would be the same for nationwide flood risks.

One of many solutions

In Western culture, there is a saying: to 'cut the Gordian knot', which means to solve a very challenging or intractable problem decisively.

There is no cut-the-Gordian-knot solution for the flood insurance challenges facing Australia. Insurance and reinsurance cannot be the only solution.

The Queensland and New South Wales governments plan to fund extensive flood-mitigation measures, which appears to be the most logical and effective approach to systematically and quickly take action in proven flood-prone areas.

Insurance will meanwhile remain affordable in non-flood-prone regions. It will become obtainable in flood-prone areas when the proposed mitigation measures are implemented and become effective.

The July flooding in previously affected regions serves to reinforce the costly and practical challenges facing all impacted parties including state and federal governments who promptly promised additional immediate financial and logistical support.

This commentary is a personal view and does not claim to be exhaustive on the topic of flood risks.

JOHN SLOAN
Risk & insurance management consultant

John Sloan is a risk and insurance management consultant. Previously based in New Zealand, he has since relocated his practice to Melbourne.


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On borrowed time

Two years of intermittent lockdowns have disrupted our routines — including regular health checks. And it's only a matter of time before delayed diagnoses result in a barrage of insurance claims.

IN SHORT

› **People stayed away from their GPs during the COVID-19 lockdowns, and routine testing for a range of cancers dropped significantly across the Asia-Pacific region.**

› **This increases the risk of conditions going undiagnosed, preventing early intervention and leading to larger, longer claims.**

› **Life and health insurers are well aware of the link between early intervention, health outcomes, insurance claims and premiums. Many have been active in health promotion programs, which are a win for both customers and insurers.**

PICTURED

Empty waiting rooms at GP clinics during COVID-19 lockdowns have sparked concerns that missed health checks could result in delayed diagnoses and an avalanche of insurance claims.

Photography: iStockphoto

Nick Kirwan was living in the United Kingdom several years ago, when the government introduced nationwide breast cancer screening through the National Health Service (NHS).

The result was that the life insurance industry soon saw a temporary acceleration in claims, largely for income protection. However, because many of the cancers were caught at an early stage, the long-term impact was an observed reduction in claims and payouts.

'Now, we have exactly the reverse in Australia,' says Kirwan, now policy director — life insurance, with the Financial Services Council (FSC).

'Because of COVID and the lockdowns, many people have delayed going to their GP and getting the tests they would normally get, so the industry is likely to see a spike in claims going forward.'

Life-changing times

The evidence on people skipping testing is more than anecdotal. The FSC engages KPMG to do annual experience investigations based on claims data, and Kirwan says that since the start of the COVID-19 pandemic, there have been marked changes in claims patterns.

'Our most recent data is from 2020, the first year of COVID, and it shows a correlation between the material reduction in the number of women going for mammograms, and a consequent reduction particularly in female cancer claims,' he says.

'There is no reason to believe those women don't have cancers; they just haven't had a diagnosis of it yet.

'We have fewer cancer claims, and that is not a good thing because it's the timing effect and we know they will come through.'

Delayed diagnoses are not just an issue in Australia. In December 2021, a Hong Kong Anti-Cancer Society poll revealed screening for four types of cancer had dropped by 26–44 per cent, and 34 per cent of people only got tested when symptoms appeared. The situation has been exacerbated by health centres in the country scaling down or suspending health screening services.

In Malaysia, pharmaceutical company AstraZeneca, the National Cancer Society Malaysia and Lung Cancer Network Malaysia collaborated on New Normal Same Cancer in November 2021.

> 'Because of COVID and the lockdowns, many people have delayed going to their GP and getting the tests they would normally get, so the industry is likely to see a spike in claims going forward.'
>
> **Nick Kirwan** / FSC

To counter the drop in screenings during the pandemic, at-risk individuals can access screening vouchers for breast, lung and prostate cancer consultations at 18 hospitals across the country.

Launching the campaign, Dato' Dr Saunthari Somasundaram, president of the National Cancer Society Malaysia, said: 'For the past one-and-a half-years, cancer care has taken a dip as the healthcare system has been overwhelmed with COVID-19 cases. Cancer is a silent killer and unbeknownst to people, it may be affecting them at this very moment.

'As we progress towards the new normal, we cannot ignore the elephant in the room, which is cancer. A late cancer diagnosis lowers one's chance of survival and increases the cost of treatment and care. We need to amplify the importance of early detection, and our time to act is now.'

Apart from delayed diagnoses, lockdown living has created additional risks. AIA Australia chief executive and 2021 ANZIIF Australian Insurance Leader of the Year Damien Mu says the pandemic lockdowns also increased 'risk-associated lifestyle factors such as smoking, lack of exercise, poor diet and alcohol consumption'.

> 'We're concerned that we haven't been seeing enough preventative health check claims ... Outside the impacts of COVID-19, we regularly see claims for serious diseases that might have been more easily treated had they been detected at an earlier stage.'
>
> **Nick Stanhope** / AIA New Zealand

On the back burner

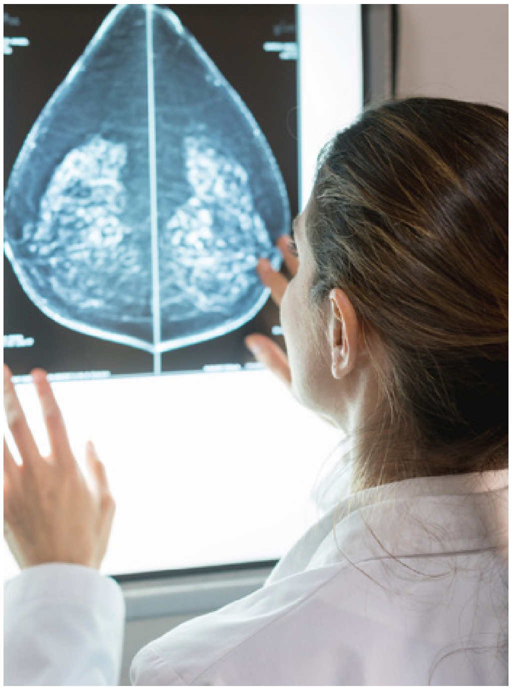
Delaying a diagnosis, says Kirwan, is likely to not only increase the number of claims but also impact the duration of income protection claims.

'If people are diagnosed later, it could mean their illness is more serious and may take them longer to get back to work and health,' he says.

It is not only the FSC that has noted this. The industry is seeing evidence of delayed testing and diagnosis, too.

The *TAL SpotChecker Australian Skin Safety Report* conducted in 2021 found that 40 per cent of Australians had delayed a visit to their GP during the pandemic, and 24 per cent said they had been distracted from regularly self-checking their skin.

At Southern Cross Health Insurance in New Zealand, chief medical officer Dr Stephen Child says the insurer saw a significant drop in claims from members during the lockdown of March and April 2020, when people were unable to access many health services, including surgery.



Photography: iStockphoto

'Over the course of the pandemic, we've seen a material decrease in some of the services we fund that are key to diagnosing cancer — such as mammograms and colonoscopies,' he says.

'Because these are used for routine screening and monitoring where elevated risk factors are present, it's difficult to say if any diagnoses were missed or delayed.'

Nick Stanhope, chief executive at AIA New Zealand, refers to research conducted for the *The Lancet* that shows a 40 per cent reduction in cancer diagnoses during New Zealand's national shutdown from March to April 2020.

'We're concerned that we haven't been seeing enough preventative health check claims in both New Zealand and Australia over the past two years, as customers delay or skip their appointments due to COVID-19 restrictions,' says Stanhope.

'Outside the impacts of COVID-19, we regularly see claims for serious diseases that might have been more easily treated had they been detected earlier. Regular skin checks, bowel and breast screenings, along with prostate checks and other general health tests, can help customers detect issues at an earlier stage.'

Ready and waiting

Kirwan says the reality is that while the impact of COVID-19 is likely to be an outlier in terms of its impact on delaying an increase in claims, it is unlikely to result in a revision of the standard tables the industry uses to calculate the cost of premiums.

'Everyone is thinking this is a pandemic one-off thing, and we are expecting it to become endemic and something we have to go on living with,' he says, 'but the messages are that people shouldn't put off their tests. The industry stands ready, willing and able if people need to make a claim, but it's in everyone's interest to catch these things earlier. 'That is the whole reason for screening and, in terms of insurance, it makes it better for those who don't claim too, because their premiums are lower, so everybody wins.'

The power of prevention

One of the first case studies on the effectiveness of this prevention approach came out of the South African market with the Vitality health promotion program adopted by insurer Discovery. This program has now extended to 36 global markets and is widely emulated by other providers, including AIA in both Australia and New Zealand.

Damien Mu says the aim is to use 'behavioural economics' to empower more health-conscious lifestyle decisions. Points are accumulated for attending breast, cervical and bowel cancer screenings, all of which can result in discounted premiums for customers.

Southern Cross in New Zealand has its Pause Breathe Smile program for mental health, and the insurer is currently offering counselling or wellbeing coaching and online GP consultations free of charge for all members.

TAL has a program called Health Sense Plus, which also acts as an incentive for clients to proactively manage their health through lump-sum discounts on premiums.

'These are all examples of customers understanding the value of keeping healthier and reducing the risk of death and illness, and also being able to offer cheaper premiums,' says Kirwan.

Time for a new model?

Regulations in Australia limit what life insurers can pay for treatment, but Kirwan is in favour of changes similar to the UK model in which insurers can pay for treatment, rather than customers waiting for a longer period on an NHS waiting list.

'That way, they get back to work sooner and the claim is smaller,' he says.

'It's ultimately less expensive and the insurer covers the cost of the treatment. Why wouldn't an insurer do that?'.

LACHLAN COLQUHOUN
Freelance journalist

'In researching this topic, I realised with some shock how long it had been since I had visited my GP and had my series of annual routine tests. It sparked me to make those appointments and I've been exhorting family and friends to do the same.'

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Selling women on life insurance

As a group, women are the most underserved financial services customers, and that remains true of life insurance. However, some insurers are working to change that through deeper customer research and bespoke product development.

Female customers

by Susan Muldowney

IN SHORT

- **Women are less likely to have life insurance than men.**
- **Closing the life cover gender gap presents huge opportunities for insurers.**
- **To engage female consumers, life insurers are matching product offerings to women's other insurance preferences and are offering customisable cover.**

Despite the persistent pay gap, women's financial power is continuing to grow. About a third of the world's wealth is under their control; almost 50 per cent of Australian women call the financial shots within their families; and more than a quarter are the breadwinners in heterosexual households across Asia.

When it comes to life insurance, however, women are less inclined to buy it than men are and, when they do, their average cover is about half as much.

Research from Oliver Wyman shows women are the most underserved group of customers in financial services and their needs are not being met, despite their influential role as buyers.

'There's a traditional construct of the male being the primary breadwinner and women being the domestic caregiver and I don't think the financial services industry has reviewed that over the past 40 years,' says Rama Gollakota, principal — insurance at Oliver Wyman.

He says this presents two key challenges for life insurers.

'The first is that modelling and underwriting may still be based on those historical constructs. The second is that insurance products are still largely distributed via financial advisers, and a lack of direct connection with policyholders can sometimes be a barrier to understanding who they are and what they really need.'

Closing the gap

Understanding what women want from life cover brings significant opportunities for insurers. Oliver Wyman research shows that if life insurance were sold to women at the same proportion of their income as men, there would be US$500 billion in written premiums from new customers, and a higher premium per customer.

Closing the life insurance gender gap can also improve social equality. For single women and single mothers, life insurance — as well as disability and impairment cover — may be vitally important.

BY THE NUMBERS...

Almost 50% of Australian women call the financial shots within their families

Women are less inclined than men to buy life insurance and when they do, their average cover is about half as much

US$500 billion new premiums could be written if insurers sold life insurance to women at the same proportion of their income as men

Source: BT, Haven Life, Oliver Wyman

Stay-at-home mothers may not realise that life insurance can help to cover the burden of unpaid labour should something happen to them. And, because women generally live longer, life cover is usually cheaper for them than it is for men, so it makes financial sense.

Research from Swiss Re shows women have different behavioural preferences that may impact their insurance purchasing decisions *(see breakout pg. 48)*. For instance, they tend to be more influenced by recommendations from friends and family than men are. They also prioritise health insurance over life insurance and are typically less prepared for mortality and longevity risk than men are.

'When it comes to designing life insurance products, filtering our data from the Asia mortality protection gap by gender, we found that to attract women specifically, life insurance should be bundled with other valued features, such as health,' says Leigh Watson, head of Life & Health, Australia and New Zealand, Swiss Re. 'We can help achieve greater life insurance coverage through flexible levels of sum assured, as well.

'Furthermore, [insurers should] treat women seriously as both primary breadwinners and business owners — and insurance decision-makers — by focusing on women-specific illnesses, such as certain types of cancer.'

Tailoring distribution channels to women's preferences can also help to close the life insurance gap, says Watson.

'Distribution and communication with women should be done increasingly through digital channels, but also by focusing on community platforms and women's networks.'

Meray El-Khoury, chief insurance officer, MetLife Australia, says distributing life insurance through superannuation can also present an effective solution for women. However, she notes that few women are adjusting their life cover to meet their changing needs.

'MetLife research shows one in five women has ever modified or changed their insurance cover in any way,' she says. 'Considering insurance needs change several times over a lifetime, this is very low. It means that many women don't have cover that's appropriate for their life stage.'

WHAT DRIVES WOMEN'S INSURANCE PURCHASING DECISIONS?

According to a review of published papers by the Swiss Re Institute, women demonstrate certain behaviours and attitudes more often than men do. These preferences can impact women's insurance purchasing patterns.

Women are more likely to:

+ **feel regret strongly**
+ **show reciprocal generosity towards others**
+ **be altruistic towards others**
+ **be honest**
+ **be community-minded**
+ **be averse to making a loss**
+ **give unlikely scenarios higher probabilities.**

Women don't want to be a burden on their families and communities (who would look after them if they were ill), but they also often don't view themselves as very important in the hierarchy (the family would be okay if they weren't there). As a result, they are often more prepared for morbidity risk (through health insurance) but less prepared for longevity risk (with life insurance).

However, because women tend to be more risk averse, if life insurers are able to engage women better, they are likely to take out high levels of life cover.

Source: *Women as insurance decision-makers*, Swiss Re Institute 2021.

What women want

Some insurers are aiming to close the life insurance gap by designing and marketing products directly to women. AXA, for instance, has rolled out targeted insurance packages for women globally. One such example is AXA CritiCare for Her from AXA Singapore. The product includes free coverage of S$5,000 to a customer's child should they be diagnosed with a critical illness — leveraging women's preference to look after others.

Other targeted life insurance products provide benefits specifically geared to address common health issues in women. Lady 360 from Singapore-based composite insurer NTUC Income insures specific female illnesses and surgeries, and includes post-diagnosis support and biennial health screening for customers. A-Life Lady from AIA Malaysia provides benefits such as a one-off payment for medical complications that may arise from treatments such as hormone replacement therapy for menopause.

Guardian Life and Ethos Life in the United States have calculators and calls to action for women to purchase life insurance, backed up with research and statistics on women's mortality and health risks. This strategy addresses two common problems: women are often less financially literate, plus there is less data on women's mortality risk. Given that women are more risk-averse than men, explaining the risks and scenarios can help convince women to take action to protect themselves and their families with life insurance.

Seema Bangera, executive manager claims and customer solutions at Asteron Life in New Zealand, says customisable cover can also help to support the long-term financial wellbeing of women.

'We've built a customisable product set that can often be adapted to customers' changing needs over time, and which financial advisers can help customers to manage in a way that suits them,' she says. 'Asteron Life's Mortgage and Living Cover,

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View from the top senior women in insurance

By Anna Game-Lopata

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for instance, has different blocks of cover so customers can structure it to suit their needs. These considerations can be more important for women, who are more likely to be in and out of work or have changing income levels over their careers, or who may be more financially impacted by children falling ill or by divorce, for example.'

Women represent a diverse market and Gollakota says insurers must invest time to understand what they want.

'It's not enough to say: "Here's 50 per cent of the population that we have not really accounted for" because that 50 per cent is not homogenous.'

Gollakota adds that if insurers are to close the life cover gap and tap into the huge opportunities that the women's market presents, they must also walk the talk on gender equality.

'Insurers need to be leaders on gender and financial inclusion, and this involves reporting on commitments to diversity,' he says. 'This will not only help attract women customers, but also attract employees who can help build the products and services that women really want.'

SUSAN MULDOWNEY
Freelance writer & editor

'Women represent one of the greatest drivers of economic growth but remain vastly underserved across financial services. Tailoring cover to meet their needs can benefit both society and the bottom line of insurers.'

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- Disaster recovery and backups

Client Requirements

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by Adrian Rollins

RISKS *beyond* BORDERS

Global conflict, climate change and cyber threats are reshaping the geopolitical risk landscape. Now experts are calling on reinsurers to think beyond exclusions and find new approaches to closing the protection gap.

IN SHORT

- Geopolitical risks are multiplying and becoming more threatening, partly because of our increasingly interconnected world.
- While reinsurers typically pull back when faced with major geopolitical incidents and losses, there are significant growth opportunities.
- To take advantage, reinsurers need to reconsider patching cover with exclusions and instead look for ways to diversify the risk.

Mandarin feature

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Across the world, geopolitical risk indicators are flashing red. The first half of 2022 has been marred by the worst outbreak of armed conflict in Europe since World War II, together with galloping inflation, natural disasters, China lockdowns and political divisions bedevilling major economies.

With transnational supply and trade the norm, it's becoming increasingly clear how a war thousands of kilometres away in Europe can lead to higher food prices in New Zealand, and how a pandemic-related shortage in semiconductors from East Asia translates into a 3–12-month wait for a new car in Australia.

The widescale loss of life, destruction of property and severe disruptions to systems of trade, transport and production caused by the Russia–Ukraine conflict — coming on top of the ongoing effects of the global financial crisis, the COVID-19 pandemic and the accelerating impacts of climate change — have businesses and investors on high alert.

Measures of uncertainty and stress such as the CBOE Volatility Index jumped as tanks rolled into Ukraine. They have remained elevated amid expectations that interest rates will rise as central banks to try to contain surging food and fuel prices.

The widescale loss of life, destruction of property and severe disruptions to systems of trade, transport and production caused by the Russia–Ukraine conflict ... have businesses and investors on high alert.

> ‘Clearly, we see premiums increasing for certain lines, like cyber, and … companies are popping up to deal with various issues, including property cat, cyber and crypto.’
>
> **Larry Schiffer** / Reinsurance legal expert

Know your enemy

Among reinsurers and industry analysts there is broad consensus on the top geopolitical risks that confront the sector.

The war in Ukraine has thrust tensions between the West and Russia and China to the top of the list, overshadowing — for now — other high-profile threats, including climate change, cyber attacks and pandemics.

New York-based reinsurance legal expert Larry Schiffer says Russia's invasion of Ukraine has thrown up 'myriad' related risks that will concern reinsurers, extending across shipping, aviation, manufacturing, energy, credit and repatriation.

The BlackRock Investment Institute goes so far as to warn of a high risk the war will escalate into direct Russia–NATO conflict, threatening to further fragment international financial, trade and production networks.

Cyber crossing borders

Linked to the physical war is concern about a proliferation in the number and scope of cyber attacks.

'Cyber is the other major risk because of nation-state support for cybercriminals and cyber warfare and commercial espionage,' Schiffer warns.

Insurer Lloyd's of London rates cyber attack as one of the most important threats reinsurers need to consider.

'Cyber has grown to one of the most expensive threats to businesses, with more than US$5 trillion in losses annually,' says Lloyd's. 'Cybercrime represents the largest transfer of economic wealth in history.'

This risk is amplified by Russia's attack on Ukraine by not only potentially providing safe havens for criminals but raising the possibility of state campaigns targeting essential infrastructure such as national power grids or water systems, costing tens or hundreds of billions of dollars in economic losses.

Better off alone?

These are not the only geopolitical risks insurance industry analysts think reinsurers need to take into account.

Lloyd's warns the pandemic is accentuating an international backlash against globalisation, with implications for trade and production networks and multinational firms.

The potential consequences for transnational corporations, it says, include disruptions to supply, loss of sales opportunities, price and currency fluctuations, and legal and reputational risk. All these possibilities were thrown into stark relief when the United States and Europe imposed significant economic sanctions on Russia over the Ukraine conflict, causing many companies that do business there to sever supply chains, dump investments and offload assets at risk of legal sanctions or consumer boycotts if they did not.

Even before the Ukraine conflict sent global fuel and food prices soaring, cost-of-living pressures and low growth were exacerbating political tensions in emerging economies. BlackRock says there is a long history of food shortages and inflation causing political instability in such countries, raising the prospect of a wave of sovereign defaults in the years ahead.

ONES TO WATCH

Although Russia's war with Ukraine has seized global attention, reinsurers are watching other areas of geopolitical risk closely, too.

Major cyber attacks

Hacking and spying, particularly targeting critical infrastructure and networks like power grids and banking

Likelihood **High**

Global decoupling

Fragmentation of transnational supply chains and economic, political, social, technological and financial networks

Likelihood **High**

Gulf tensions

Iran nuclear talks collapse, tensions escalate, raising the risk of a regional conflict.

Likelihood **High**

Climate policy gridlock

Heightened energy insecurity inspires divergent approaches to achieving zero-carbon emissions

Likelihood **Medium**

More positively, however, it assesses that the risk of European fragmentation has receded because of Russia's aggression, improving prospects for eventual fiscal union.

Changing, not growing

How are reinsurers responding to the current febrile environment?

Schiffer says the reinsurance industry is adapting swiftly, pointing to the recent extension in cover for cryptocurrencies and blockchain-related activities.

In some ways, he says, this is all business as usual.

'There will always be risks expanding, and the reinsurance industry has a good history of meeting those risks by innovating and providing capital to address those risks,' he says.

'Clearly, we see premiums increasing for certain lines, like cyber, and ... companies are popping up to deal with various issues, including property cat, cyber and crypto.'

However, Schiffer admits that the reinsurance industry is not growing. Instead, it is shifting to meet demand as risks emerge, by beefing up exclusions on some products even as it develops new ones.

Conservative and reactive

Philip Bilney, chief executive of Rare Earth Insurance Partners Hong Kong, says this is not good enough.

'Where the industry is apt to let itself down is in its perpetual habit of underwriting via the rear-view mirror,' says Bilney. 'The instinctive response to a major loss event is to write another exclusion into every policy, as if that addresses the needs of policyholders.'

PICTURED

Russia's invasion of Ukraine has created various risks that will concern reinsurers, from shipping, aviation and manufacturing, to energy, credit and repatriation.

Political instability
Rising living costs and slow growth exacerbate social and political tensions, particularly in emerging economies

Likelihood **Medium**

Terrorism
Social and political discontent fuels local and international terrorist attacks

Likelihood **Medium**

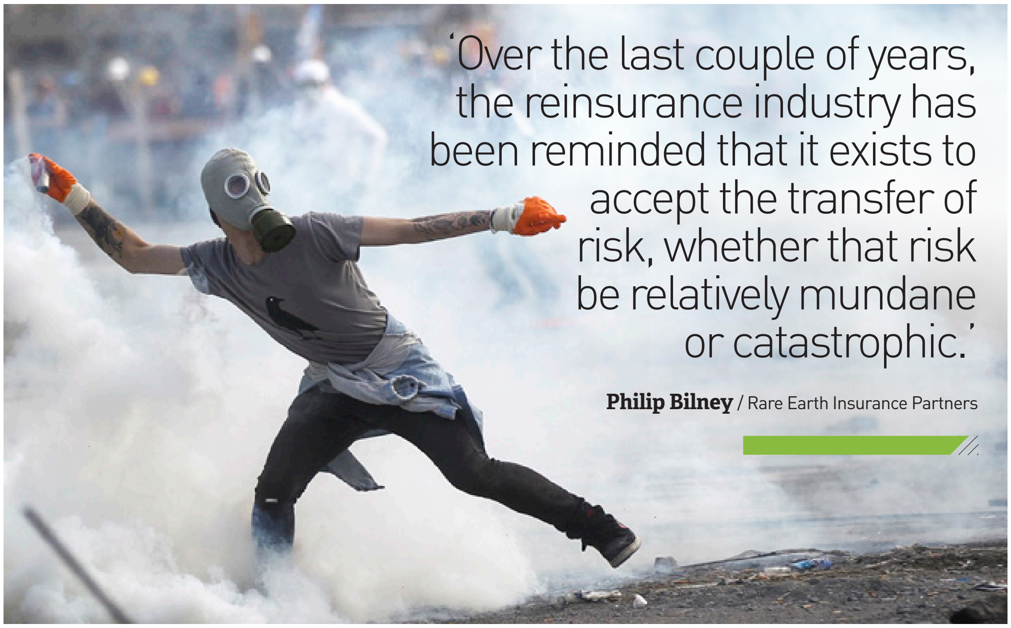
Gulf, North Korean nuclear threat
Attempts to rein in Iran's nuclear program falter; North Korea advances nuclear capability

Likelihood **Medium**

US—China competition
China takes military action to accelerate reunification with Taiwan or more forcefully assert claims in the South China Sea

Likelihood **Medium**

Source: BlackRock Investment Institute, Geopolitical Risk Dashboard, June 2022.



'Over the last couple of years, the reinsurance industry has been reminded that it exists to accept the transfer of risk, whether that risk be relatively mundane or catastrophic.'

Philip Bilney / Rare Earth Insurance Partners

His criticism is echoed by the authors of a Lloyd's report on emerging risks released in September 2021.

While noting that geopolitical risks have in the past resulted in innovations such as national pools, private mutuals, swaps, government backstops and risk sharing across multiple stakeholders, the report nonetheless notes that often the initial industry reaction has been to pull back.

For example, it says, many companies reacted to the 2001 US terrorist attacks by deeming terrorism 'uninsurable'. Over time, experience and developments like better quantitative models shifted views and now terrorism coverage is a routine and profitable area of business.

Facing geopolitical risks that typically straddle multiple lines of business, reinsurers are urged in the report to be more open-minded in their approach. Just because a risk is systemic does not make it universal. Geopolitical events have winners and losers, making it possible for insurers to diversify the risk if they are armed with good information and analysis.

'Insurers typically view losses, underwriting and capital allocation within siloed categories of business, because these risk classes are usually independent of each other,' the report says. 'Increasingly sophisticated aggregation control systems and new generations of analytics have made it easier for insurers to monitor [clashes] and ... price and reserve capital for multi-line correlations of loss.'

For example, it says, political risk insurance — widely dumped amid the 2009 global financial crisis — has rebounded, particularly in Bermuda, the US and Britain and is now worth around US$3.7 billion.

Sharing geopolitical risk

There remains a gap in protection for geopolitical risks, and here the Lloyd's report spies opportunity.

One such area of potential growth is cover for supply chains. To date this has been a niche activity because of issues around complexity, pricing challenges and a lack of transparency. However, Lloyd's argues that improved information sharing, better data collection and analysis, and creative product design could turn this into an area of significant growth.

Overall, Lloyd's urges reinsurers to take a more expansive view of their role by working more closely with clients to not only tailor their products but also help reduce the risks they face.

'By providing products and services to de-risk some of the challenges ... the insurance industry has the potential to improve the resilience of companies operating internationally and to contribute to the resilience of growing economies to the geopolitical risks they face,' says Lloyd's.

Bilney is blunt: 'Over the last couple of years, the reinsurance industry has been reminded that it exists to accept the transfer of risk, whether that risk be relatively mundane or catastrophic.

'What really matters in the end are products that the great majority of people and businesses are able to buy. If the industry is to remain relevant, and even gain the trust of the buying public, then it must focus on intelligent, properly priced risk participation where the rubber meets the road. We exist to share risk, not avoid it.'

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ADRIAN ROLLINS
Freelance writer

'By some estimates, around 75 million people have been pitched into poverty by the COVID-19 pandemic, most of them in vulnerable nations and emerging economies. It is an enormous setback to human wellbeing globally. The idea that reinsurers could assist in increasing prosperity in these countries by partnering to reduce their exposure to geopolitical risk is one that deserves to be taken seriously.'

by Cameron Cooper

BROKING

IN SHORT

- An imminent new Australian Insurance Brokers Code of Practice is prompting some brokers to fine-tune their complaints-handling processes.
- Treating complaints as opportunities to learn and improve interaction with clients helps brokers turn a negative into a positive.
- Creating a culture in which self-reporting complaints is encouraged can lead to broking firms delivering better service.

A new era in complaints handling

As insurance brokers respond to imminent new industry standards for good practice, all eyes will be on how they can better manage complaints and implement strong self-reporting regimes.

Veteran insurance professional Nick Cook's pride in how the industry has helped customers and minimised complaints during COVID-19 is tempered by one warning — he thinks an even bigger test is around the corner.

Cook, executive general manager — partner, broker services & agencies at Steadfast, notes that the Own Motion Inquiry report from the Insurance Brokers Code Compliance Committee (IBCCC) has praised brokers for how they responded to bushfires and the pandemic in 2020. The findings, released in April 2022, suggest brokers often went 'above and beyond' to get positive outcomes for clients.

However, Cook fears the devastating recent east coast floods and related supply chain issues will create a 'perfect storm' of housing and property losses, insurance claims, tradie shortages, building cost blowouts and potential knock-on impacts for underinsurance that will inevitably lead to challenges for insurers and brokers. 'I honestly expect that these weather events will lead to more complaints — it's just the nature of the losses occurring,' he says.

This reality makes it more imperative than ever for brokers to have strong complaints-handling and self-reporting systems as Australia prepares for a new Insurance Brokers Code of Practice, which will take effect in November 2022.

Compliance in focus

In late 2021, the IBCCC released its Annual Report 2020-21 and a companion Annual Data Report that highlight potential concerns about how some brokers manage complaints.

The reports show that while breaches and complaints under the Code have risen year on year, the percentage of Code subscribers self-reporting such breaches has dropped significantly. There were 3,328 self-reported Code breaches in 2020, up from 2,006 the previous year. However, just 44 per cent of Code subscribers self-reported breaches in 2020, down from 51 per cent in 2019.

With more than half of all Code subscribers not self-reporting any breaches during the reporting period, Clyde & Co legal consultant and IBCCC chair Oscar Shub says the issue 'will remain an area of focus going forward to ensure all breaches are captured and reported'.

He points out that an influx of Steadfast brokers into the Code community in December 2019 has resulted in those new members familiarising themselves with the requirements of the monitoring and reporting process. 'It's a learning process,' says Shub. 'I am quite confident that data will rise when more education and guidance is put in place.'

In general, Shub says brokers are managing complaints 'reasonably well', with very few reaching the Australian Financial Complaints Authority (AFCA) Ombudsman. For those seeking best practice, he advises having accessible and visible internal dispute resolution information for brokers, as well as clear, written procedures for responding to disputes. 'And, it is important that brokers maintain training programs to ensure staff are aware of complaints-handling responsibilities,' says Shub, adding that this will be a priority area when the new Code is implemented.

A learning opportunity

The starting point for better complaints handling, according to Shaun Standfield, managing director of Insurance Advisernet Australia & New Zealand, is to change the mindset around claims disputes.

'I think "complaints" is the wrong word,' he says. 'We should see complaints as opportunities.'

Standfield says a complaint should have two flow-on effects. First, it gives firms a chance to assess if individual files, brokers or issues need remediation. Second, if systemic and repeat issues are identified across a number of practices, it 'becomes a training opportunity and a learning opportunity for the organisation'.

He wants his brokers to openly report any disputes, rather than work in a 'risk-averse culture where people don't make complaints because they think they're going to get into trouble'.

'We actually want those complaints coming forward so we can learn from them, at an individual level and also at a systemic level across the organisation.'

AFCA's 2020-21 Annual Review states that of 16,912 general insurance complaints lodged, just 309 were against brokers. However, there is no room for complacency according to Karenne Hill, Insurance Advisernet's general manager, risk, compliance & HR. To reduce the number of complaints and any fallout from them, she suggests pursuing the right policies from the outset; showing empathy for clients; advocating for them; communicating clearly; responding quickly to disputes; being open and fair; and listening to consumers to understand their frustrations.

'We encourage our brokers to report complaints quickly, so they don't escalate,' says Hill.

Roger Abel, managing director of Rothbury Insurance Brokers in New Zealand, agrees that complaints can and should be appreciated 'as the most important client feedback we can receive' and treated as a chance for learning.

To help mitigate complaints, Rothbury brokers are required to adhere to a comprehensive complaints-management policy to ensure issues are actively managed and resolved, while clients are sent a complaints guide providing clarity around how a complaint will be managed.

Abel says this process, as well as identifying dissatisfied clients early and capturing information about their issue, strengthens Rothbury's self-reporting culture.

He also advocates:

Speed: simple things are addressed immediately, and complex issues are escalated to specialist or senior management quickly.

Client focus: understanding and prioritising the best-possible outcome for the client.

Fairness: a healthy, long-term relationship must involve fair outcomes, even when expectations are not met.

BY THE NUMBERS

AUSTRALIA

4,378,289

General insurance claims lodged in 2020-21

226,458

Claims declined
(down 2% from 231,480 in 2019-20)

66

insurance broker breaches relating to claims handling in 2020 comprised just 2% of total breaches for the year

The overall percentage of life insurance claims paid (in the years 2016 to 2021) was

92% – 94%

(Statistics from the Australian Securities and Investments Commission and the Australian Prudential Regulation Authority)

NEW ZEALAND*

1,158,517

Claims lodged

212

Complaints referred to external dispute resolution schemes

47

Complaints referred to external dispute resolution schemes settled

23

Complaints referred to external dispute resolution schemes upheld against insurer

** Fair Insurance Code statistics for 2021*

Illustration: iStockphoto

For Steadfast, a review of processes within its vast broker network led to the launch of its Gold Seal CCX360 cloud-based compliance-management platform that allows its brokers to triage complaints and breaches and better deal with their regulatory reporting requirements. It captures complaints data for reporting purposes and shares it with insurers, too.

The last piece of the jigsaw is having a dedicated customer advocacy manager. 'If a customer feels they may have an issue with a Steadfast broker, we have our customer advocacy manager for the customer to reach out to,' says Cook.

Code guidance

New Zealand adopted the Fair Insurance Code in 2020, which was developed by the Insurance Council of NZ to apply to insurers. Brokers are instead subject to the Insurance Brokers Association of New Zealand (IBANZ) Code of Professional Conduct as they advocate on clients' behalf.

Abel says the impact of the IBANZ Code has been minimal on Rothbury in terms of advocacy for clients, because many of the standards outlined are already embedded in the company's values and processes, including the complaints-management policy and client complaint guide. These cover factors such as being fair when considering client complaints; responding within prescribed timeframes; keeping a record of all correspondence, meetings, conversations and findings; keeping the client informed of progress; forwarding the complaint to the appropriate level of authority for resolution; and ensuring the resolutions are consistent with company policy and company values.

However, Abel says the Code helps in that it sets out insurer and client obligations in a clear, structured and user-friendly manner.

In Australia, Cook believes the revamped Insurance Brokers Code of Practice will place greater emphasis on:

COMPLAINTS BREAKDOWN

The top issues involved in complaints:

- Service (43%)
- Cover (11%)
- Pricing (8%)
- Premium funding (4%)
- Instructions (4%)
- Charges (4%)
- Advice (3%)

The main products involved in complaints:

- Motor vehicle insurance (16%)
- Small business insurance (14%)
- Service rather than any specific product* (9%)
- Domestic insurance (5%)
- Landlord policies (5%)

* A new category introduced in the 2020 Annual Compliance Statement (ACS) Verification Program

Source: *Insurance Brokers Code Compliance Committee Annual Data Report*, 2020

+ **higher standards** above those required by law
+ **obligations** to report brokers who breach the Code
+ **increased remuneration** disclosure requirements
+ **obligations** to identify and support vulnerable customers such as the aged, those with a disability, or people who are in financial distress.

Hill says one of the key new measures is that brokers should seek to ensure that complaints are resolved to the satisfaction of the complainant within five days.

'We've always worked to get complaints resolved as quickly as possible anyway, so for us, it probably just requires a little bit of a refinement while holding true to what we've always held as best-practice standards,' he says.

Shub notes that the Australian Code introduces the power to sanction brokers who do not comply with their obligations. However, he says the IBCCC's overarching goal is to monitor the Code and broker behaviour and 'instil a culture of compliance'.

'It's important to understand that complaints-handling obligations need to be met by the largest, most well-resourced brokers, down to the small, single-person operations,' he says

Collaborative effort

Cook urges brokers to embrace the new Australian Code as a foundation of their future planning.

'Brokers should continue to build a culture where it's OK to have complaints, knowing that having complaints and reporting them ultimately leads to better outcomes for the broker's customers.'

Shub says the IBCCC's aim is to ensure that brokers continue to provide a strong level of service to the community. Stressing that it will not be a 'policing body', he says the plan is to work co-operatively with all involved brokers and institutions.

'We want to create a culture of avoiding breaches and complaints, rather than one of accepting complaints and then needing to deal with them,' he says.

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CAMERON COOPER
Freelance writer

'The recurring use of the words "opportunities" and "culture" by commentators for this story shows how brokers are leading the charge to change perceptions of the broader insurance industry. Complaints are a chance to engage with clients and improve services. Creating a better culture is a means of making lives better for employees and clients. It is a refreshing approach, and one that will ultimately benefit all in the broking industry.'

by Abigail Murison

IN SHORT

- **Claims teams can use plug-in and mobile vehicle telematics data to verify incident details — including the location and speed of a vehicle and the severity of any impacts.**
- **The data can also help claims agents spot and prevent fraudulent claims, avoiding losses and streamlining the claims investigation process.**
- **Now, telematics companies are developing end-to-end car insurance claims processes, which will also incorporate repair estimates from images of an incident.**

The drive *for* more data

Claims teams are already using vehicle telematics to make the car insurance claims process faster and more efficient, but there are multiple ways to use data more extensively to benefit customers and insurers.

Around the globe, insurers are using vehicle telematics as part of their car insurance ecosystem. While telematics is used widely in countries such as South Africa, Italy and the United Kingdom, this data-led approach has yet to be fully utilised in Australia and New Zealand.

Telematics is a powerful tool for insurers. It not only helps claims teams streamline the claims process and prevent fraud, it can also help drivers avoid the incidents that lead to claims in the first place, reducing loss ratios.

Limiting losses

Worldwide, 62 per cent of new cars sold in 2020 had built-in telematics, and there are plug-and-play telematics units and mobile apps for cars that aren't preinstalled with telematics hardware.

Drew Schnehage, managing director of Innovation Group Australia, has watched how telematics use has developed in South Africa over the past 10-plus years, largely in response to the growing number of vehicle hijackings and thefts.

'Today, about 80 per cent of vehicles that are insured through an insurance company in South Africa have a telematics device fitted,' she says. 'The big insurers such as Discovery Insure, OUTsurance, Santam, Old Mutual and Hollard all use it in their car insurance products.

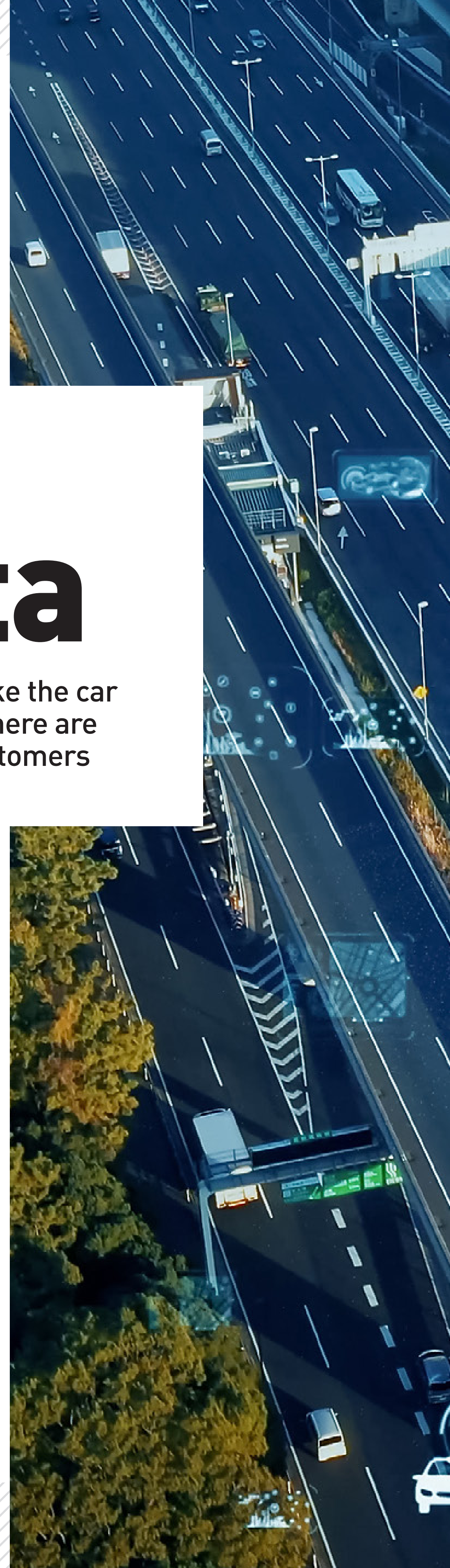
'The insurer's data and analytics teams deal directly with the tracking companies to access the telematics data.'

Because this data includes the location of the car, insurers have a greater chance of recovering a stolen vehicle, reducing the cost of the claim.

This functionality has also driven the 25 per cent penetration of telematics in Italy, where stolen cars constitute one of the most common car insurance claims types.

That same location data helps reduce fraudulent claims and claims investigation times, too.

'You can immediately verify what the driver is saying, using the data you receive via the telematics device to check it all lines up,' says Schnehage. 'If a claim triggers one of your built-in fraud indicators, then you know that you need to investigate further.



'It helps the claims agent focus on the issue that stands out, without a drawn-out investigation and a delayed claim. You can short-circuit that whole experience because you're connecting all this available information.'

Collision course

Beyond vehicle theft, telematics can also help claims teams reduce fraudulent collision and personal injury claims, using information about a vehicle's location and speed.

In QBE's 2021 Australian claims data, the most common car insurance claim was for a vehicle collision — either with another car or with fixed property — comprising 63.2 per cent of all car insurance claims.

Michael Graham, CEO of commercial motor insurance and fleet management company Mercurien, shares his own example of telematics in action: 'We had a client who received an $8,000 letter of demand for damage that a driver in a company-branded car had done to a third party. We pulled the telematics data and found he was only travelling at 3–4 kmh. We could see it was impossible that he had caused the damage they were claiming, so our client sent a letter with all the data files to the person making the claim, and they stood it down.'

> 'Around 46 per cent of all workplace injuries and fatalities [in Australia] involve motor vehicles. The cost to the economy is about $9 billion a year. Our mission is to protect people and assets in the mobile workplace.'
>
> **Michael Graham** / Mercurien

> ‘We have seen technology that can provide an estimate of the damage based on the collection of data from telematics. You don’t even have to verify the details of the incident directly with the driver.’

Drew Schnehage / Innovation Group Australia

In the UK, similar telematics data is being used by claims teams to verify or disprove personal injury claims of whiplash following a vehicle collision.

Safer drivers

On the commercial fleet side, vehicle-related claims present both short-tail and long-tail losses for insurers. ‘Around 46 per cent of all workplace injuries and fatalities [in Australia] involve motor vehicles,’ says Graham. ‘The cost to the economy is about $9 billion a year. Our mission is to protect people and assets in the mobile workplace.’

Mercurien uses Geotab telematics to help fleet managers monitor and coach drivers, and manage insurance claims.

‘It’s a device about the size of a matchbox, and it plugs into the onboard diagnostic port. It transmits data in packets, then we recreate that trip in the cloud,’ says Graham.

Beyond active claims management, much of the positive impact of telematics on claims comes from safer driver behaviour — and fewer incidents — because drivers are aware they are being monitored and scored. This is known as the Hawthorne effect, named for a series of experiments with factory workers in Chicago in the 1920s and ’30s.

‘Telematics can contribute to improved driver safety if it provides real-time feedback, and if it is linked to improved driver education and behaviour,’ says a QBE Insurance Australia spokesperson. ‘The ability to give real-time feedback is important because it can coach and train on the spot, rather than provide feedback after the event, which some systems do.’

Graham has seen multiple examples of the Hawthorne effect with telematics.

‘Our first significant deployment was for a client of about 150 people working remotely,’ he says. ‘They had 66 at-fault claims in the previous year. Over the next two years, it came down to 21: a big safety dividend and a big productivity dividend. The business saved an awful lot of money on not paying excesses.’

Innovation Group Australia resells the Mentor telematics software locally, and manages end-to-end claims for insurers, underwriting agencies, brokers, fleet management companies and self-insured corporate fleet clients. Mentor is an app that

IT’S NOT ME …

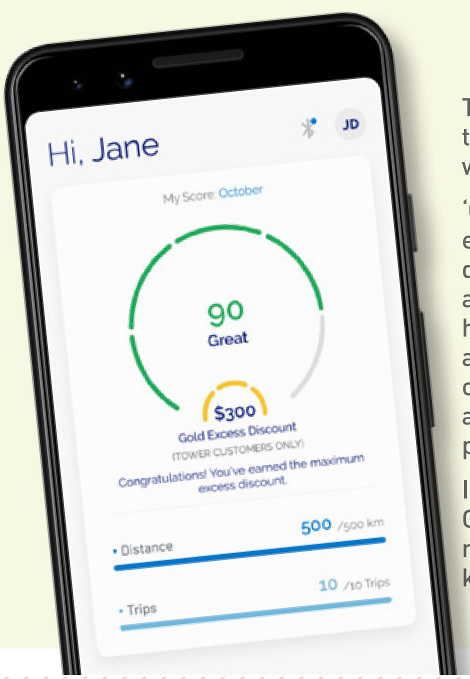
Are you a bad driver?

According to Tower Insurance’s research, nine out of 10 New Zealand drivers think they are a better-than-average driver, and 96 per cent say other New Zealanders need to improve their driving skills.

One way to put this to the test is to use GoCarma, a telematics app Tower developed with insurtech company Amodo, that’s available to all New Zealanders, regardless of their insurer.

Says Michelle James, Tower managing director, Tower Direct and Digital: ‘Each time users take a trip, their driving is scored out of 100 and users can get a sense of where they scored well and where they could improve across speed, acceleration, braking, cornering and phone usage.’

Tower car insurance customers who use GoCarma qualify for discounts ranging from NZ$100 to NZ$300 per incident on their car insurance excess when they achieve a score of 70 or more out of 100. Every three months, a driver’s average score is updated, with the discounted excess applied for six months.



The excess discount applies if there’s an incident, no matter who is at fault.

‘GoCarma is a fantastic tool to encourage safe driving, help drivers improve driver safety and gain valuable insights on how we behave on our roads, all while giving customers the opportunity to gain rewards and discounts on their premiums,’ says James.

In its first year since launch, GoCarma users recorded more than 10.5 million kilometres of driving.

monitors driver behaviour and provides real-time feedback to the driver, plus training modules to improve driving skills.

Schnehage says there's a massive opportunity for insurers in Australia and New Zealand to embed this product into motor insurance products to ensure drivers get home safely, change driver behaviours and reduce collisions.

Speed kills

In both Australia and New Zealand, speeding is one of the top four causes of car accidents, leading to major and minor injuries and deaths. Graham says Mercurien has a database of the current speed limits in Australia and can match trip data with this database to work out if someone is speeding.

'One of our customers introduced the "don't die for a deadline" rule,' he says. 'You can't insure against the duty of care.'

Telematics scores can also be used to coach drivers to focus on their common mistakes and improve their driving behaviour. 'In a fleet, the bottom 10 per cent of your drivers can be responsible for as much as 90 per cent of your crashes. It's ridiculously concentrated,' says Graham.

An additional benefit of telematics is that information about an incident can be shared, even if the driver isn't in an immediate position to contact others, or can't clearly recall what happened. Cartrack is a subscriber-based telematics service with more than 1.5 million fleet and private users worldwide across South-East Asia, Africa, Europe, New Zealand and the US. If a Hong Kong driver is involved in an accident, the local Cartrack control room is automatically notified, and emergency services are dispatched. Data from the incident can be used in claims processes — especially if there are any questions about who is at fault, or what led to the event.

Automating claims with telematics

Claims teams overseas are already using telematics to verify claims details, limit losses and prevent fraud, but both Schnehage and Graham say the opportunity is there to create an end-to-end claims process entirely driven by the data.

In China, pay-as-you-drive insurance is common, and many drivers use telematics apps on their mobile phones. Alibaba subsidiary Ant Financial (now rebranded as Ant Group) has developed a photo-estimating tool that can calculate a claim for exterior damage to a vehicle in half a second using artificial intelligence (AI).

To gather the data required for machine learning, Ant Financial offered Chinese insurers free access to the platform. The company estimates that about 60 per cent of the 45 million private-vehicle insurance claims filed in China each year are claims for exterior damage to a vehicle.

Launching the technology, Ant Group's vice president and head of strategic development department Ming Yin said: 'We are opening up our AI capabilities to our partners, so that they can reduce cost and better serve small and micro-businesses.'

Other insurers are also building apps that can manage the end-to-end claims process. Says Schnehage: 'We've developed a first-notice-of-loss app, where a driver can report an incident via their mobile phone, allocate a repairer and upload images. What we're working on now is the image piece: to provide an estimate of the damage from the photograph, without the driver having to take the vehicle in physically to a repairer.

'We have seen technology that can provide an estimate of the damage based on the collection of data from telematics. The imagery from Google Maps can describe the incident, while the impact of the collision determined from the g-force data can determine the severity of the damage.

'You don't even have to verify the details of the incident directly with the driver. Telematics devices are all linked to satellites. They can tell you what's happened and who was involved, using data from Google Maps and Google Images.'

Adds Graham: 'If you know you've got a Corolla travelling at 55 kmh and it decreases straight from 55 kmh to zero within half a second at g-force 4.5, over time you'll know that you're going to need a new bonnet and a windscreen and so on. You get all this data to understand what the notice-of-loss code is going to be, and it's much more accurate than sending someone out with a camera.'

Australian and New Zealand insurers may have been slow to adopt telematics, but they can benefit from the solutions and processes developed overseas, many of which are available locally.

Concludes Schnehage: 'If insurers start looking externally, they'll find that there are so many telematics solutions already out there that they can use and integrate with, without having to build it all themselves.' //

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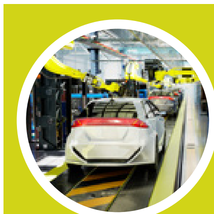

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ABIGAIL MURISON
The Journal editor

'Telematics is currently being underutilised in the Australian market, but overseas claims teams are reaping the rewards of access to real-time, objective data to make the claims process more efficient for customers and claims investigators. I'll be downloading a telematics app myself, to see how my own driving measures up.'

NEW ANZIIF MEMBERS

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

*For the period 19 March to 30 June 2022.

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THE LIST
by Susan Muldowney

5 ways to ask for customer referrals

A referral from a happy customer is a very effective way to find new business. Try these tactics to generate leads.

A positive customer experience can give insurers a competitive edge — not only are happy customers more likely to stay with you, there's also a good chance they'll send their network your way.

Results of a recent survey of Australian insurance customers by Facebook IQ show 76 per cent were influenced by recommendations from friends and family when deciding which insurance option to take up.

Milton Collins, principal of The Action Business Coach and author of *Delight Disrupt Deliver*, advises businesses on ways to ask customers for referrals. We've asked him to share his tips here.

01 // Choose your moment

Collins recommends timing your request for a referral immediately after a positive customer experience. 'The best time to ask is when someone receives a product or a service, because that's when the maximum benefit has been achieved,' he says.

If a client has just filed a quick online claim, for instance, don't delay in asking for a referral.

02 // Target your biggest fans

Metrics like Net Promoter Scores (NPS) can help you to identify your most satisfied customers. It could be as simple as an online pop-up survey question, such as 'How likely are you to recommend us to a friend or colleague?', which they can answer after purchasing a new insurance product online.

'I'm also a big believer in customer surveys that businesses send directly to clients,' says Collins. 'They can feel more personalised than a random NPS question and you can time their delivery with a recent product launch or a service delivery to help gauge its success.'

03 // Make it worth their while

Consider offering an incentive in exchange for a customer referral. It could be a gift card, for instance, or one month's free premium up to $100.

'If you offer a discount or incentive on a product line, you may get the referral to a new customer and introduce your existing customer to a new product, so it's a double whammy,' says Collins.

04 // Create more points of contact

'There's a marketing theory that people need to be exposed to a product seven times before they are motivated to make a purchase,' says Collins. 'That can also apply to referrals — the more ways you connect with customers, the more likely they are to keep your brand top of mind.'

He suggests maintaining and cultivating your networks by connecting on social media, liking their LinkedIn posts or inviting them to catch up for coffee. You could also offer them valuable opportunities, such as invitations to webinars or events on a topic of interest.

05 // Keep the process simple

Customers value a seamless experience — and that extends to providing referrals. Collins suggests giving them a range of options for providing feedback and recommending your business.

'Don't just ask them for direct referrals,' he says. 'Invite them to like you on Facebook, ask them to write a testimonial for your website or send them a link to write a Google review about your business. People are busy, so give them easy ways to refer you.' //

Illustration: iStockphoto