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COUNTING THE COSTS

Between natural disasters and rising inflation, how can we keep insurance accessible?

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

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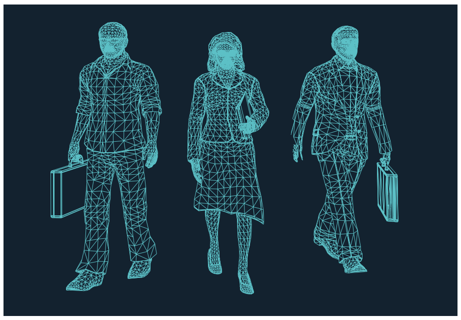

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ANZIIF

Making a Difference Awards

Recognising Professionalism

The Making a Difference recognition awards highlight individuals across different sectors in insurance who have gone above and beyond to display exemplary professionalism in their workplace, and with their customers.

Throughout 2023, each award will recognise one individual across the sectors:

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Join us and shine a light on professionalism

Check the award open dates and submit: *anziif.com/making-a-difference*

In the know.

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

GO

ANZIIF Insurance Industry Awards

The 2023 awards season is almost upon us, and we can't wait to celebrate the excellence and professionalism of individuals and businesses across all sectors of insurance. It all kicks off on 24 August with the Australian Insurance Industry Awards in Sydney, followed by the New Zealand Insurance Industry Awards in Auckland on 22 November. This year's theme for both events is 'Nurture Talent', and gives us an opportunity to foster growth and development in the industry leaders and recognise the achievements of up-and-coming leaders. You can still purchase tickets for the Australian awards event and keep an eye out for tickets to the New Zealand event when they are released in September.

Australian Awards

24 August | The Star, Sydney, NSW

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New Zealand Awards

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LEARN //

Reinsurance International Study Course

6–9 August
Crowne Plaza Hawkesbury Valley, Windsor, NSW

Australian Reinsurance Pool Corporation chair Dr Chris Wallace and Guy Carpenter senior vice president Teresa Aquilina are among a strong panel of expert speakers lined up for this year's Reinsurance International Study Course (RISC). The four-day program combines hands-on syndicate group work with presentations and team-building activities.

→ Register now

1 CIP pt

ACTIVITY //

Becoming resilient

In the insurance industry, we often think of resilience as a strategy to mitigate the risks we cover, but have you considered resilience as a professional development tool? Developed in consultation with The Resilience Institute founder Sven Hansen, this activity covers simple tips to help build your resilience at work and in life.

→ Start activity

0.75 CIP pts

WATCH //

Communicating premium changes

Premium increases are a tough topic to broach at the best of times, but a cost-of-living crisis makes these conversations with customers even more complex. In this recorded webinar, CHU's head of underwriting Renee Reiri shares how to manage the realities of the market while maintaining strong relationships with customers.

→ Watch here

READ //

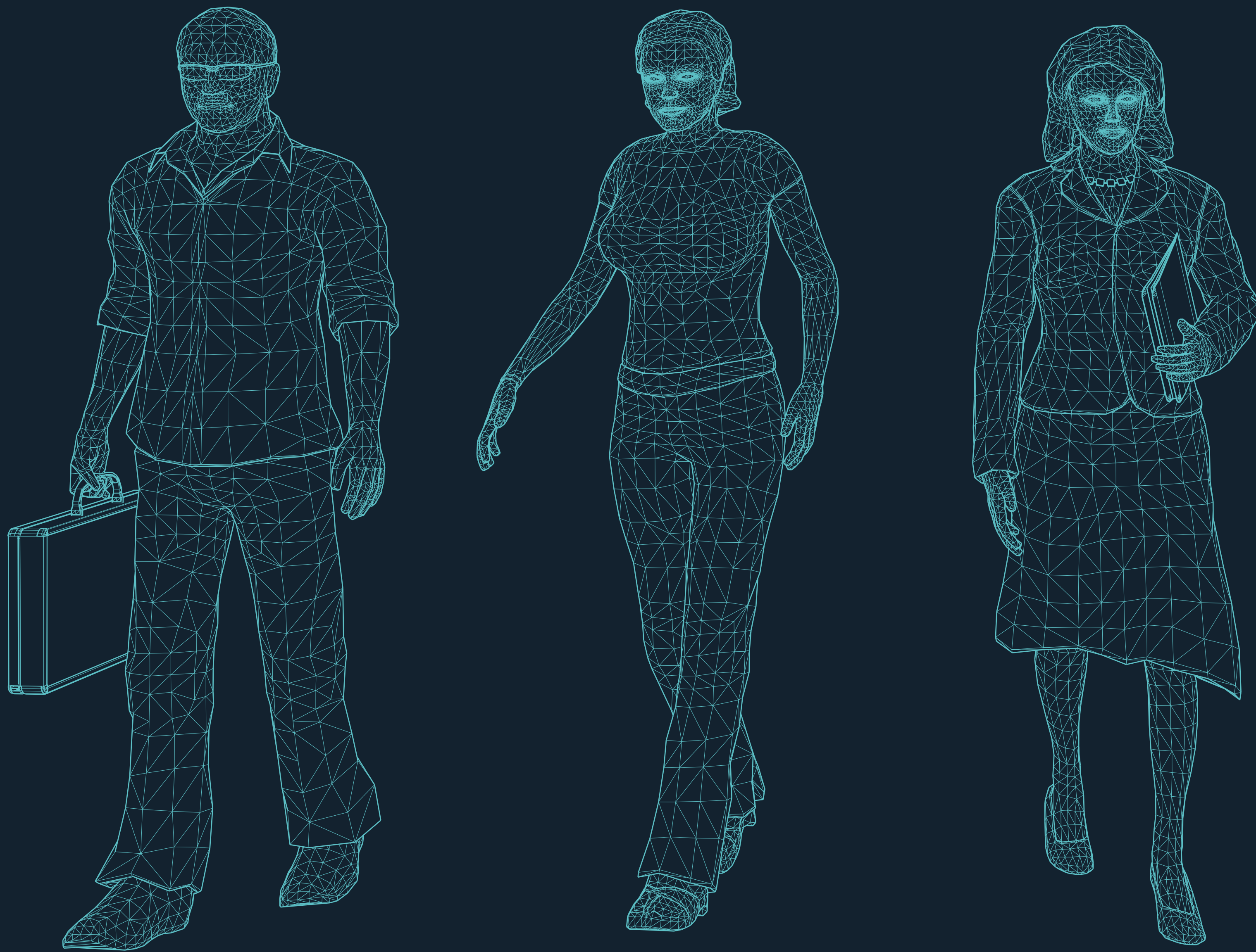
The Digital-First Customer Experience

By Joe Wheeler

What does digital insurer Lemonade have in common with brands like Nike, Spotify and Starbucks? They all deliver a gold-standard customer experience online, according to customer experience expert Joe Wheeler. His book aims to cut through the confusion caused by new technologies and shifting consumer trends and serve as a definitive guide to help brands design a digital experience that exceeds expectations.

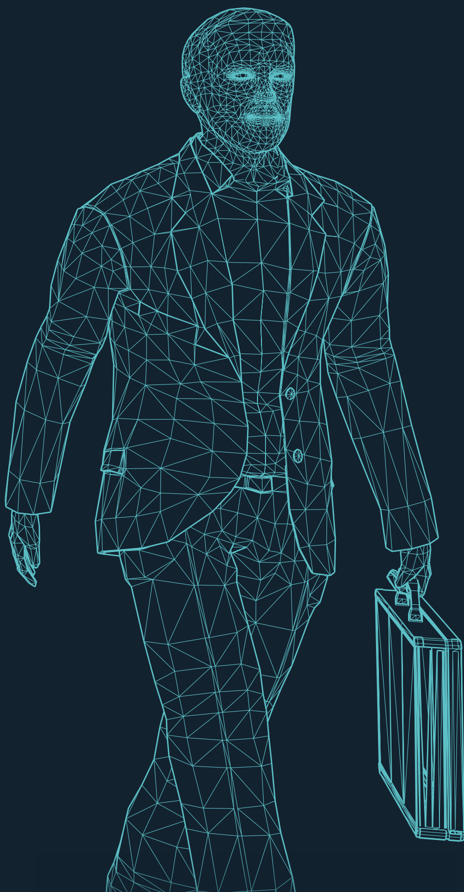
Available now. Kogan Page.

by Cameron Cooper
Illustrations by iStockphoto



As insurers position themselves for success in the future, they must understand and respond to demographic shifts and changing customer expectations.

MEET THE CUSTOMER OF TH



If you were around in 1987, you might remember seeing the first modern mobile phone in the movie *Wall Street*. The brick-like, 1kg Motorola DynaTAC 8000X in Michael Douglas's hand looks nothing like our 2023 smartphones, but it marked the start of a huge, unstoppable shift. If you're a younger millennial, a zoomer or part of generation alpha, you've never known a world without mobile phones — or the internet for that matter.

As technology, climate change, immigration, culture, education and other factors shape society, insurers have to anticipate who their future customers will be and how to meet their needs and expectations.

Start with generation Z

As the brains trust at reinsurance giant Gen Re contemplates the future of insurance, it is focusing on the increasingly important — and complex — generation Z market. Zoomers, as they're known, were born between 1997 and 2012, making them 11 to 26 years old.

A recent study that Gen Re commissioned based on psychological interviews with young people throughout Germany — *Generation Z: What Brings Stability in Life?* — shines the spotlight on what zoomers expect from insurers.

First, they demand insurance products that are flexible and better tailored to their differing needs during their lives. Second, they expect quality customer service through fast, non-bureaucratic communication channels such as apps, chats and video calls. Third, they are seeking allies in the face of global challenges, including climate change, and they want insurers to make clear their common goals, values and positions.

There is a sobering finding in the survey, however. Ulrich Pasdika, Gen Re's head of Life and Health for Europe, Latin America, the Middle East and North Africa, says the study delivers a wake-up call for some insurers, noting that younger people generally find the experience of dealing with insurance "unpleasant" and survey respondents describe insurance across the board as "non-transparent, confusing and untrustworthy".

IN SHORT

- **Hyper-personalisation of insurance will be fast-tracked as generation Z matures.**
- **Ageing populations and people living longer, healthier lives in many developed nations will see smart insurers extending life protection to areas of risk such as health care and home care.**
- **Digitisation is a cross-generational imperative and will only get more sophisticated as artificial intelligence and machine learning develop.**

E FUTURE

INNOVATION TO THE FORE

From 'clumsiness cover' to lifetime bonuses, insurance is changing with us.

As proof that insurance innovation is real, think of Hedvig. The Swedish insurer provides digital home and motor insurance targeted at generation Z that includes 'clumsiness' cover for spilling coffee on a laptop. It also donates surplus end-of-year funds to charity.

In New Zealand, one of Gallagher Bassett's life insurer clients offers a funeral cover product that caters to an ageing population, providing funds for funeral costs without burdening their families.

"This product serves a niche group of customers with an ageing profile that may not have any life insurance, or who would find traditional life products more difficult to obtain, if at all," says Gallagher Bassett's Steven Walsh. "With little to no underwriting on funeral products, those customers that have had health issues or who may suffer from obesity can still obtain cover and thereby satisfy a niche market within the wider stable of life insurance product offerings."

For its part, life insurer TAL is committed to providing smart digital experiences for customers, not just at claims time but through the entire customer journey, from their first job to retirement.

For example, late last year TAL partnered with AMP to launch MyNorth Lifetime, a market-first retirement solution. As the insurer, TAL guarantees a lifetime bonus that provides retirees the peace of mind and certainty of higher income for life. "We see great value in helping our partners deliver tailored retirement solutions and give customers confidence in retirement," says TAL's Ashton Jones.

Mandarin feature

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At the same time, gen Z has a strong desire for greater market coverage and protection as a result of the COVID-19 pandemic and geopolitical uncertainties.

This presents an opportunity for insurers to woo the gen Z market, according to Pasdika. As younger insurance customers revel in the unlimited opportunities of a globalised world, he says they are simultaneously becoming overwhelmed and experiencing a loss of orientation as they seek to master challenges such as sustainability, the climate crisis, social responsibility and more.

"To solve this dilemma, gen Z is looking for guidance, role models and anchor points that promise orientation and help them make the 'right' decisions," says Pasdika. "The understanding of this customer group seems to me to be extremely important in dealing with them and in providing suitable offerings for them. After all, the pressure on them and their search for orientation and support offer enormous opportunities for insurers."

For Gen Re, this translates to working on new technologies and concepts for life insurers. "In particular, we want to keep the application process as simple as possible and underwriting as painless as possible," says Pasdika. "We are thinking, for example, of the use of electronic health records to largely avoid health questions, or to use very short health questions that are tailored to gen Z in terms of wording and targeting."

New lease on life

Looking at the other end of the generational timeline, Australian life insurer TAL is one of many players in the insurance sector responding to a number of demographic changes, including an ageing population.

Ashton Jones, general manager — Investments, Retirement & Operations at TAL, says there is no doubt that demographic shifts are having a significant influence on life insurers' products, services and distribution models. In Australia, between 1991 and 2021 the life expectancy for females increased by 5.1 years and for males by 6.9 years, while advancements in health care and shifts in the nature of work from higher-risk occupations to white-collar jobs are among many factors impacting today's mortality and morbidity risks.

Jones says responding to an ageing population has been firmly on the radar for TAL in recent years, as people live longer and an increasing proportion of the working population is transitioning to the retirement phase. "As a life insurer, we have been focused on what this means for our customers as well as our superannuation fund partners and their members."

He points out that people approaching retirement often worry that they will not have enough money to last them for the remainder of their lives. Significantly, the Australian Parliament passed a retirement income covenant in early 2022 that is intended to help improve retirement outcomes. The covenant also challenges the financial services industry to consider how existing products are serving the needs of members in retirement and what products could augment those needs to help ensure access to a dignified retirement.

Jones believes life insurance meets a critical need in the lives of working Australians and their families, protecting their financial wellbeing in the event that they become ill or injured and are unable to work. Therefore, it is critical for life insurers to stay relevant and ensure these important protections remain accessible and affordable. Australians, he says, are increasingly

RELATIONSHIPS AND COBOTS
THE NEXT BIG THINGS IN INSURANCE

Customer expectations of insurance are changing — and quickly.

Just ask Chris Raimondo, a Chicago-based partner and leader in EY's Insurance Technology sector. He says evolving consumer needs present a chance for insurers to innovate in pursuit of growth and stay ahead of new competitive threats.

Raimondo believes the next decade will see a fundamental reorientation of the insurance business, with the traditional focus on products, policies and paying claims shifting to services, experiences and creating value. "The way we see the industry evolving is really for the customer to be at the core," he says. "What gives us that sort of thought pattern is the insurance purchase, which is a relationship. It's not a one-time transactional purchase."

focused on navigating their journey into and through retirement.

"By realising the objectives of the retirement income covenant, and by helping more people understand both their needs and potential risks in the latter stages of their life, we expect that in the future, people will engage with these considerations even earlier in their working lives," he says.

"We have an opportunity to help our superannuation fund partners support the unique risks their members face — not just throughout their working lives with life insurance through their super, but also as they transition into and move through retirement."

Communication shift

Carl Christensen, global head of Life & Health Solutions for Swiss Re in Zurich, says with people now living for so much longer, the demand spectrum for life insurance is clearly changing.

As well as a basic line of life protection, consumers may also be seeking other benefits from their insurance. "So, it could be a question of how does it pay for their health care, or how does it pay for their home care?" he observes.

Nevertheless, while issues of an ageing population, greater longevity and any associated health implications are important, Christensen believes the real key to the success of insurers in the face of demographic changes will be digitising distribution.

He says this phenomenon is picking up speed in terms of the tangible value it creates. "And digitalisation does not only touch upon the gen Zs — it goes beyond that and has an impact on all our purchasing behaviours and engagement behaviours. Yes, it might be highly embraced by gen Z, but in the end it's relevant for every generation across different insurance categories. And I think that digital transformation probably has the largest influence on the insurance sector."

In New Zealand, Gallagher Bassett chief client officer Steven Walsh says that, as a claims and risk management provider, it is witnessing several demographic trends, including a growing number of customers — and not just younger ones — who prefer digital channels for interaction.

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Reaching customers in a digital age

By Andy Jamieson

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The upshot is that insurers will have to factor in a new set of value drivers for consumers that goes beyond price and products and includes important new elements such as consumer data protection and a commitment to sustainability.

EY's research points to modern insurance customers demanding hyper-personalised and real-time risk protection, which in turn will require broad adoption of artificial intelligence (AI), machine learning and digital platforms.

Raimondo has identified a range of key customer types that will define the market by 2030.

- **Virtual vanguards** seek protections that cover digital assets such as crypto keys and virtual identities.
- **Environmental, social and governance devotees** want to do business with environmentally and socially engaged companies and avoid those that are greenwashing.
- **Bubble protectors** are after holistic and dynamic coverage for entire lifestyles.
- **Data capitalists** desire risk prevention and protection management with a portfolio of coverages for their personal data.
- **Conscious owners** engage with insurers that have sector-specific expertise and services that help them pursue sustainability goals.

Raimondo believes the insurance industry's transformation in the past decade has been impressive. "But the speed at which insurers are going to need to continue to transform around the changing customer and the future customer will be critical to their survival."

To that end, they will have to double down on digitisation and data and how they can improve the customer experience. "That's how you get hyper-personalisation; that's how you create tailored products and services at the points where the customer wants them or needs them. So, being able to really harness that data to create products and services through a spectrum of distribution channels will be critical."

The use of ubiquitous technology is at the heart of a generational shift that now sees insurance customers making instant mobile purchases and expecting providers to understand their identity. Raimondo says the next phase will involve embracing generative AI and collaborative robots, or cobots, that further transform the insurance sector.

"Generative AI will become ubiquitous as future generations of consumers become much more comfortable interacting in a digital world with digital service and cobots, rather than interfacing with humans, because the technology will eventually be so sophisticated."

Insurers are also adapting to different ethnicities and cultures. For example, during recent severe flooding events in Auckland and Cyclone Gabrielle, Gallagher Bassett experienced extra demand for its multilingual claims team to speak to customers or act as interpreters in their preferred language.

"This highlights the importance of adapting communication strategies to meet diverse customer needs," says Walsh. "While the demand has not been to the level that has warranted written communications across multiple languages for customer updates or claims notifications, it is an area in which insurers may look to improve and adapt to their multicultural customer base."

Looking to the future, Walsh agrees that New Zealand customers will likely place a greater emphasis on digital services and communication channels, demand more personalised and customised products, and expect faster and more efficient claims processing.

Trends to watch

For Swiss Re's Christensen, product "adoptability" will be crucial as insurers take on major challenges such as demographic changes. Instead of signing up for a 20-year life insurance contract, for example, people may prefer annually renewable products.

However, he warns that the insurance industry needs to be more cognisant of tackling the acquisition cost of products. "We tend to not talk enough about this in my view," he says. "So, yes, we'd all like to have an insurance product that could change every year, but if the acquisition costs are so expensive to find a client and to sell the product to a client, then we can still have a big challenge in the sense that those costs need to be amortised over a longer period of time to make it a sustainable product. And it's not automatically getting cheaper through digitisation."

At Gen Re, Pasdika envisages three core demographic trends for Germany that are instructive for other international markets:

The 25–45 age group. For decades, the main target group of life insurers will become significantly smaller, despite immigration, requiring new sales and product concepts to close the still considerable gaps in coverage for death and disability. "Even in this shrinking target group, there is still significant potential to boost future sales," he says.

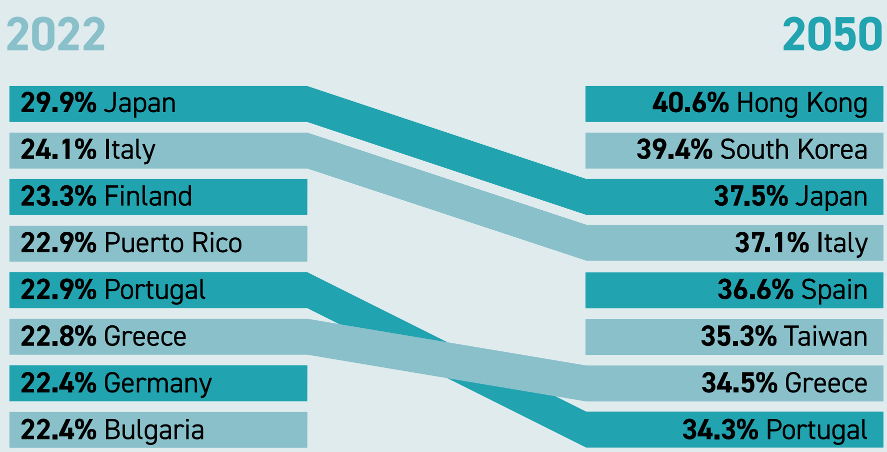
The over-70 cohort. This group is expected to grow by about 30 per cent over the next 25 years, meaning that the number of people in need of long-term care will continue to rise sharply. "The German insurance industry is already involved in providing care for people in need of long-term care and in making provisions for those who will eventually need long-term care. New approaches are needed that will enable insurers to make even greater contributions in this future field."

New target groups. For example, what are the protection needs of people aged 45 or 50 and older until they retire, and how can they be met? How do you reach the more than six million people who have immigrated to Germany in the past 10 years? Last, but not least, how can the customers of tomorrow be addressed — those people under the age of 25 — and how can they be made aware of their protection needs?

"If insurers successfully develop answers to these questions," says Pasdika, "their business will flourish, notwithstanding the further ageing of the population."

THE WORLD'S OLDEST POPULATIONS

Countries / territories with the highest share of people aged 65 or older*



In 2022, the country with the highest percentage of people aged 65 and over was Japan, at 29.9 per cent. By 2050, many more countries — including Hong Kong, South Korea, Italy and Taiwan — will have populations where people aged 65 and older comprise more than a third of the total population.

CAMERON COOPER
Freelance business journalist

"Ageing populations and gen Z's expectation of fast, digital access to products have the potential to transform the insurance landscape. Two key observations emerge — customers must be at the core of insurance in the future, and the acquisition cost of insurance products is an issue that requires greater industry discussion."

*Only includes countries / territories with a population of more than 1 million people.

Source: The World's Oldest Populations (Statista, 2023)

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IN SHORT

- Speculation about Australian and New Zealand concussion-related cases has become a reality, with at least two high-profile lawsuits looming.
- Players often have some insurance in place but CTE often only emerges after they retire and a diagnosis can only be confirmed by autopsy.
- Legal action and insurance claims may focus on the liability of codes in preventing repetitive head impacts.

COLLISION COURSE

More than a decade after the National Football League agreed to a US$1 billion concussion settlement, the consequences of high-impact sport are being reconsidered worldwide, including in sporting codes closer to home.

'Punch drunk' is a term that has been thrown around boxing circles for almost a century. First coined by pathologist Dr Harrison Martland in a 1928 paper on the physical effects of boxing, punch-drunk syndrome became synonymous with combatants staggering in the ring and developing speech and behavioural problems in later life. It was re-termed dementia pugilistica — literally 'boxer's dementia' — and then became more popularly known as chronic traumatic encephalopathy, or CTE, in the 1940s.

Whatever the label, the premise was the same: anyone subjected to multiple head knocks over an extended period of time was at risk of developing this fatal condition.

A degenerative disease, CTE causes the death of nerve cells in the brain. The early stages are commonly marked by mental health and behavioural issues, such as depression, anxiety and aggressive tendencies. As the condition worsens, it increasingly impacts thinking and memory, with symptoms including speech difficulties and problems with movement and balance.

It was American football, or gridiron, that catapulted CTE into the spotlight. A string of suicides involving former National Football League (NFL) players began with Andre Waters, who died in 2006, followed by Dave Duerson (2011) and Junior Seau (2012). Autopsies revealed all three had CTE. Then, awareness reached a crescendo with *Concussion*, a 2015 Hollywood movie based on a true story that saw Will Smith play Dr Bennet Omalu, a Nigerian-born forensic pathologist among the first to publish CTE findings related to NFL players.

However, this disease has not been confined to the United States, the NFL and boxing. In recent years, cases and lawsuits have sprung up globally. Where billions of dollars have been poured out for compensation in the US, differing policies between sporting codes and countries ensure that claims and settlements remain inconsistent worldwide.

Fade to black

New Zealander Geoff Old, 67, cannot remember a single second of his glittering rugby union career. That period from the mid-1970s to mid-1980s included a tour of Wales and a tour of France. It even included the phone call that confirmed him as an All Black — a go-to moment immortalised in the All Blacks Experience in Auckland that shows a compilation of past players sharing their stories.

Photography: iStockphoto

WHAT IS CTE?

By Dr Michael Buckland

Chronic traumatic encephalopathy (CTE) is a degenerative brain disease with some similarities to Alzheimer's disease or frontotemporal dementia. The only known risk factor for developing CTE is exposure to repetitive head impacts (RHI), both concussions and sub concussive impacts.

In the past, CTE was thought to occur only in ex-boxers; however, we now understand that CTE occurs in a wide range of sportspeople exposed to RHI, as well as people who are exposed to RHI due to their work (military veterans, for example) or illness (people with very bad epileptic seizures). In Australia, CTE has been identified in ex-players of rugby union, rugby league and Australian Rules football.

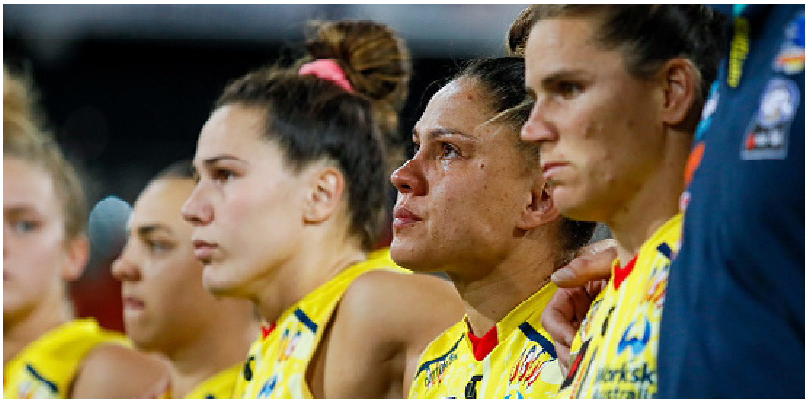
There are many ways that CTE can manifest in life. In earlier or younger cases, people may have symptoms such as anxiety, depression, aggression and impaired impulse control. In later cases, in older people, the symptoms may mimic Alzheimer's disease, with difficulties in thinking and short-term memory.

On a visit to this popular interactive attraction a few years ago, Old broke down when he realised he couldn't recall his personal experience. For Old, memories have disappeared in much the same way Ernest Hemingway wrote about bankruptcy: "Gradually, then suddenly."

"Sometimes, and especially in the beginning, it's not dangerous. It's just so odd," says Old's partner of 20 years, Irene Gottlieb-Old. "It's like out of the blue. If you think you know [that person], you go, 'Wow, that's different'. If it's making a decision or physically moving from one place to another, [you use] a workaround to get to the same place." This could be dinner plans, travel destinations or something as simple as what to wear.

Of rugby, she says: "It's a tough sport. None of them walk in with rose-coloured glasses, but nobody told them they would end up with a brain disease two decades later."

Old is not covered under the no-fault compensation scheme operated by New Zealand's Accident Compensation Corporation (ACC), according to Gottlieb-Old.



PICTURED

(top to bottom) Figures from New Zealand's ACC show there were at least 1,934 new claims for rugby union-related concussion / brain injuries in 2022; the AFLW Adelaide Crows during a moment's silence for former teammate Heather Anderson in 2022; (opposite) former Western Bulldogs player Liam Picken has launched legal action against the AFL, the club and doctors in regard to ongoing concussion symptoms.

"Currently, CTE can only be diagnosed by examination of the brain at autopsy."

Dr Michael Buckland / Royal Prince Aldred Hospital

Rugby Australia's National Risk Management and Insurance Programme, which Aon underwrites, currently offers a payout of A$300,000 for permanent disability that is not paraplegia or quadriplegia (where the payment is A$750,000).

Old's faculties have disintegrated to the point where his communication with the *Journal* was limited, but his New Zealand accent was unmistakable. Gottlieb-Old recalls what has been lost: "Just a real gentle, lovely, kind-hearted, funny man ... and it's as if the excitement fell off his face. I don't know how else to share [it]. He became dull and maybe a little combative, but it's more from frustration. I can analyse the behaviour but, for the most part, everything became a lot more difficult. It was not easy. I do feel a bit like a survivor."

Gottlieb-Old is an American-born businesswoman who met the former All Black in Colorado after his time as technical director of USA Rugby. She estimates Old has had symptoms of CTE for 18 of the 20 years they have been together.

"We've lived through so much tragedy, scary things and actually laugh-out-loud, funny stuff," she says. "I've been running him literally around the world looking for support, [searching for] like minds or new technology. Something to help. Something to try to put our finger on what was going on."

Ticking time bomb

Figures from New Zealand's ACC show there were at least 1,934 new claims for rugby union-related concussion / brain injuries in 2022. Those figures are down from three years earlier. In 2019, the ACC saw 2,641 new claims, 366 of those being females.

Active costs in compensation and treatment are registered at NZ$6.75 million. However, a spokesperson for the ACC says: "Very few concussion-related claims lead to diagnoses of CTE. The ACC has provided cover and entitlements for fewer than four probable diagnoses of CTE. None of these claims were related to rugby."

Diagnosing the condition is a stumbling block. "Currently, CTE can only be diagnosed by examination of the brain at autopsy," explains Dr Michael Buckland, head of the department of neuropathology at Royal Prince Alfred Hospital in Sydney. "In fact, the current definition of CTE is based on the finding of an abnormally folded protein called tau in specific regions of the brain."

Over the past year, the Boston University CTE Center has conducted an extensive postmortem study of 376 former NFL players. In February this year, it announced that 345 of those players — or 92 per cent — were found to have CTE.

Day of reckoning

What do these numbers and cases mean for insurance claims in Australia and New Zealand?

"It is difficult to speculate," says Dr Annette Greenhow, a legal academic at Bond University. "In my opinion, as the rumours of litigation were circulating for several years, the sports involved have likely had their legal teams fully engaged in preparing for the eventual filing of claims."

Former All Black Carl Hayman is one of many former rugby union players — most of them from

Photography: Getty Images

Britain and Ireland — taking legal action against World Rugby. Players from other sporting codes are also joining the growing list of claimants. London-based law firm Rylands Garth announced in April that it would formally start a lawsuit on behalf of 260 rugby union players, 100 rugby league players and 15 soccer players, who allege that authorities in their respective sports "were negligent in failing to take reasonable action to protect players from permanent injury caused by repetitive concussive and subconcussive blows".

Bill Sweeney, CEO of the United Kingdom's Rugby Football Union, has previously stated that making rugby risk free is a "journey with no conclusion". Regarding insurance claims, Sweeney adds: "I've got no reason to believe we wouldn't be covered for this, but we're not going into that detailed discussion until we see the nature of what is being submitted."

On this side of the world, the Australian Football League is facing a class action by dozens of former players seeking compensation for the "serious damage" allegedly caused by concussion-related injuries during their careers (see breakout right).

"Now that this has happened, the outcome will very much depend on the attitude of the sport's governing body and whether it adopts a strategy of working towards a settlement on a 'no admission of liability' basis, or whether it adopts a defensive litigation strategy pushing for a full-blown hearing on the issues," says Greenhow.

"If matters proceed to trial, then one of the procedural matters to consider is discovery, where each party is required to disclose relevant information with respect to the particulars of the claim, the state of scientific understanding at the relevant time, and what was known or ought to have been known about the risk of harm."

Wait and see

In the meantime, despite his deteriorating condition, Geoff Old has lost none of his passion for rugby union and, more particularly, the performance of the All Blacks.

"He follows everything," says Gottlieb-Old. "And what he does is he watches the games and he watches it like a coach, and he makes notes and he analyses this and that. It's almost like he's still working."

That will most certainly include this year's Rugby World Cup, which is being played in France and sees the All Blacks chasing a record fourth title. But what happens in the ensuing years is yet to play out.

LUKE DODEMAIDE
Freelance writer

"Geoff Old and Irene Gottlieb-Old are a heartwarming couple, even when discussing such an agonising issue as Geoff's probable CTE. For both ex-athletes and insurers, stories like theirs send a shiver down the spine."

CHANGING THE (AUSTRALIAN) RULES

Dramatically reducing instances of head-high contact will be one of the legacies of departing Australian Football League (AFL) chief executive Gillon McLachlan, with the league having announced a crackdown on dangerous tackles in the 2022 season. But that hasn't eliminated the lawsuits pertaining to concussion and CTE claims.

In March this year, Western Bulldogs 2016 premiership player Liam Picken launched legal action against the AFL, his former club and club doctors in regard to ongoing concussion symptoms that plague his physical and mental health. Picken, now 36, retired four years ago on medical advice.

Max Rooke played 135 games for the Geelong Cats, including premierships in 2007 and 2009. He has been named as the lead plaintiff in a class action involving 60 former AFL players who played between 1985 and 2023. Court documents lodged by Margalit Injury Lawyers allege Rooke was concussed up to 30 times and that the AFL "breached the duty owed to the plaintiff".

The AFL has pledged A$25 million for an ongoing study into the long-term effects of concussions and head knocks on players in both the men's and women's competitions. Among a range of measures are the AFL Brain Health Initiative, a longitudinal research program that will monitor the brain health of AFL and AFLW players across their careers and into later life and a new AFL concussion governance structure. This follows the 2021 introduction of a mandatory minimum 12-day post-concussion recovery period for all players and medical substitutes where a player is deemed medically unfit to continue playing.

The changes have been introduced too late for former AFLW player Heather Anderson, who in July 2023 became the first female professional athlete diagnosed with CTE. Anderson played seven games for the Adelaide Crows before retiring in 2017. She took her own life in November 2022.

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JANE BREWER

Simplifying the VALUE CHAIN

Suncorp New Zealand's **Jane Brewer** explains why automation will be key to connecting with customers in the future.

STORY *Anna Game-Lopata*

PHOTOGRAPHY *Stephen A'Court*

TITLE / Executive General Manager, Consumer

COMPANY / Suncorp New Zealand

Suncorp New Zealand's Jane Brewer remembers the first call she ever made as a contact centre consultant.

She had returned to New Zealand completely broke from a gap year in Canada and the United Kingdom, having finished her Bachelor of Arts in classical studies and art history at Dunedin's Otago University.

It was the early 1990s and, with a recession setting in, it was hard to find employment. Brewer found herself either overqualified or too inexperienced for corporate roles. Luckily, AMI Insurance was looking for people with potential.

Brewer became one of 15 people hired for the company's first contact centre in Manukau, in south Auckland.

The opportunity to travel to Christchurch for eight weeks of extensive customer service and product training was an exciting prospect as it was her first time travelling for work. But even with all the preparatory build-up, taking that first call was a little nerve-racking.

"The first query I got was about the New Zealand Automobile Association, with whom AMI was in partnership at the time," recalls Brewer. "I didn't know the answer and the customer said to me, 'Well, you're no good, are you?'"

Undeterred but still nervous about what to expect, Brewer was able to help her second customer — and the company turned her initial experience into a learning opportunity. "New responses such as 'I'm really sorry, but it's actually my first day' and 'that's a different area, but I'll get the answer for you' were built into our scripts and incorporated into ongoing training for handling customers," she says.

New industry experiences

It wasn't too long before Brewer was looking for new challenges. She took up a role with ERGO Financial Services selling home loans and financial products, which quickly led to an opportunity in the operational side of the organisation. There was, however, an issue that required some serious consideration: the new role would mean a pay cut.

Enter Brewer's father, who had always been her mentor and supporter. He explained that careers can't always be laid out nicely and that sometimes you have to go backwards or sideways to advance.

"He was confident that within six months I'd be earning more than I did at that time," she says. "I'd also have more skills and a wider experience to build on for the future."

Brewer took the role and, sure enough, within two months had moved into leading a specialised team to handle the customer side of a systems migration implementation. It was her first introduction to leadership — and she discovered she really enjoyed it.

"Throughout my career," she says, "I've moved between leadership and technical specialist roles because I always like to keep a broad view and take opportunities when they come up."

Surrounded by culture

Brewer's father was a university student in Canada and her mother a nurse from New Zealand when they met in Russia. They ended up back in New Zealand, where Brewer's father had landed a job running operations at a steel mill located in Glenbrook. The family moved to be near the source of the iron sands in the small Māori community of Tahora, on the west coast of the country's North Island.

"For me, as a very young kid, being surrounded by the amazing Māori culture was very influential," says Brewer. "I have great memories of all my time there, including being part of the formal greetings as my dad and members of NZ Steel were welcomed to the marae."

The end-to-end journey

Brewer has worked at Suncorp New Zealand for 15 years in both claims and technology leadership positions. Her current role as executive general manager, consumer, was created in 2022 with the aim of fashioning a company structure that more closely reflects the customer's end-to-end journey.

"I've really enjoyed establishing the team," enthuses Brewer, whose responsibilities include product design, service and claims within the consumer insurance portfolio.

Due to the well-known legacy of complexity from the longstanding intermediated Vero businesses, Brewer has been especially inspired by the ability to formulate the consumer team's vision. "We've taken the opportunity to delve into the difference we want to make and what value our team will bring by having everyone accountable for the customer journey in one area," she says.

Given her technology background, Brewer and her team are looking to bring simplicity and automation to the insurance value chain. "Since we started working together in August 2022, we're clear that the majority of the simple transactions and engagements could be offered digitally, so that our internal staff members can spend their time focusing on the more sophisticated customer requirements," she says.

"That might be complex claims, helping customers to understand their cover or working with the broker on what's the right cover for that customer going through complicated changes in their life or business."

Keeping things simple

Brewer believes automation will be at the heart of the customer proposition of the future, as it will help insurers crystallise what customers need and expect from their insurance products.

"It's still quite hard for people to understand insurance, in terms of what it offers and how it works," she says. "So our focus is to really drill into how we can simplify the whole process as much as possible, how we can remove technical jargon and how we can pivot so that we operate the way customers do rather than the other way around."

Meanwhile, she observes that data collection and analysis is a never-ending journey. "You can never really say you're there with data," she says. "There's always new data to collect, fresh insights to draw and different areas that you can uncover."

Collaborating to build resilience

From an industry perspective, elevating the customer experience requires working and collaborating closely with government and local councillors on the tougher issues, like climate change, to ensure that insurance remains available to all New Zealanders.

"The real intent of the wider collaboration piece is building community resilience," says Brewer. "As an industry, we are looking at different customer segments and thinking about different ways to achieve better outcomes for customers."

As a case in point, Brewer cites the powerful way insurers worked with Toka Tū Ake EQC (the Earthquake Commission) and the Insurance Council of New Zealand during Cyclone Gabrielle and the floods that hit New Zealand's North Island in early 2023.

"Our industry's response to those events was a big test of how well we collaborate and improve our services while putting the competitive side of business to one side in a time of need," she says.

"It's still quite hard for people to understand insurance, in terms of what it offers and how it works. So our focus is to really drill into how we can simplify the whole process as much as possible …"

For example, faced with an all-consuming volume of claims and feedback suggesting the need to sharpen up the claims process, Suncorp New Zealand mobilised its entire organisation during the disaster to develop a faster response.

"From early on, we were joined by colleagues from Australia who had experienced their own recent flood events," says Brewer. "We also had a group of volunteers from several different departments helping to answer phones and support customers, which in some cases required retraining our people."

In Hawke's Bay, whose community suffered a significant impact, the team created a system they unofficially dubbed 'claims clinics' to resolve claims on the spot.

"We want to keep working on understanding different customer segments. It takes time, because you need to be coming from the right place to establish genuine relationships."

"Our claims team from Auckland was brought into Hawke's Bay to work side by side with local brokers, administrators and claims teams in their offices," says Brewer.

"Instead of processing claims one by one using email, teams sitting together were able to power through large volumes in a few hours. It also helped our people build relationships with each other and cut through any misconceptions or misunderstandings."

Brewer says claims clinics received such great feedback that the organisation now schedules them regularly in Auckland and three days a week in newly opened offices in Northland and Napier.

As well as the successes, she adds that there were many challenges and learnings that unfolded along the way. "I'm just really proud of how we took on all the feedback and continued to adapt," she says.

Similarly, Brewer points to Suncorp New Zealand's motor product offering Drive as an example of how the team is tailoring insurance to different customer segments.

Originating from an 18-month pilot, Drive is targeted to financially vulnerable customers.

"We want to keep working on understanding different customer segments," she says. "It takes time, because you need to be coming from the right place to establish genuine relationships. You need to work together to come up with a proposition, then test it, build it out and invest in it. I don't think that can be rushed."

TWO-MINUTE BIO

BACKGROUND
Jane Brewer grew up in the small regional towns of Waiuku and Pukeoware, on New Zealand's North Island. Her Canadian-born father worked at New Zealand's steel mill near the small Māori community of Tahora all his life.

EDUCATION
Bachelor of Arts, majoring in classical studies and art history at Otago University in Dunedin.

CAREER
Brewer has been a part of the Suncorp New Zealand team for 15 years and has held a variety of leadership roles in the technology and claims teams. Prior to joining Suncorp, she worked in the insurance and banking industries in a mix of technology and business roles.

OUTSIDE THE DAY JOB
Brewer enjoys spending time with her family in Wellington and participating in charity fitness events such as the Firefighter Sky Tower Challenge, which required her to train by carrying 25kg up and down stairs every day. She also loves organising large volunteer charity events; last year, Suncorp New Zealand raised NZ$265,000 for Leukaemia and Blood Cancer New Zealand and for research through New Zealand's Cancer Trust.

PHILOSOPHY
"Sarah Harland, one of my previous leaders, used to say 'never waste a crisis'. This saying has always helped me to drive decisions or try new things. From my father, I learned to make a decision quickly and move on without dwelling on it. Even if the decision is a no, it's better than no decision. Just make one decision at a time and take one step at a time but keep pushing forward based on what you know today. And if you get different information tomorrow, you can make changes if you want to."

TOP TIPS FOR YOUNG PROFESSIONALS
"Insurance is such a great industry and kind industry. There's a real sense of purpose in helping customers and making a real difference to their lives. Be open to trying different roles and moving within them. Always go for challenges — the hard projects."

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IN SHORT

- Insurance has become less affordable owing to inflation, supply chain disruptions and other external factors, combined with a series of extreme weather events.
- The people who live in flood- and bushfire-prone areas are often also the households least able to afford pricey insurance.
- In the short to medium term, subsidised mitigation work and access to basic cover can contribute to longer-term insurance affordability; in the long term, better settlement planning and building standards are essential.

For one or two weeks when bushfires rage or storms roll in — followed by stormwater and flooding — every news headline is dominated by the devastation. For the communities involved, however, the trauma and recovery long outlast the news cycle.

Those people lucky enough to have insurance lodge their claims, get quotes and join the months-long wait list for tradespeople, hoping to have a habitable home, replacement belongings and functional workplaces once again.

For many, the annual insurance renewal after an event is the sting in the tail.

"Price increases from insurers during 2022 have been averaging 10–15 per cent, including covering for the inflationary effects on the labour and material costs. However, there are pockets in the market that have experienced higher pricing changes," says Kaise Stephan, partner, Actuarial & Insurance Solutions, Deloitte Consulting. "Further price increases are expected in 2023 in anticipation of ongoing but moderating inflation and higher natural catastrophe and reinsurance costs."

Faced with significant premium increases, some customers opt to pay higher excesses; others choose to leave off flood cover and 'self-insure'; others abandon their insurance altogether.

by Abigail Murison

Counting the COST OF INSURANCE

After 18 months of devastating natural disasters in Australia and New Zealand, insurance affordability is a hot topic. How can we keep cover accessible?

Photography: iStockphoto

... The increasing value of a property will also affect a customer's annual premium ... a home built 10 years ago for A$300,000 cannot be built for the same amount today."

/ Insurance Council of Australia

PICTURED

Victorian communities (top) were impacted by floods in 2022; a back burn to secure residential areas from encroaching bushfires in the NSW Central Coast in 2019.

According to the independent lobby group Climate Council, by 2030 up to 500,000 Australian homes may be uninsurable because of climate change and extreme weather events (see breakout). This is because either insurance premiums will be too expensive for homeowners, or they will be refused insurance cover entirely. Meanwhile, New Zealand's first national adaptation plan says homes worth a total of NZ$100 billion are at risk of flood, potentially impacting 675,000 New Zealanders.

Piling on costs

Part of the increase in insurance premiums comes down to external factors impacting the entire global economy, which also explains why properties outside of high-risk zones are seeing higher premiums.

Deloitte's Stephan says these factors include: increases in costs for material, parts and labour; supply chain issues ("which most insurers are still dealing with"); three La Niña weather patterns in the past three years; heavy flooding along the east coast of Australia; an elevated frequency of smaller weather events; a war in Europe; rising reinsurance rates; labour shortages and wage inflation; and the adoption of the new insurance accounting standard IFRS 17.

"All of these factors are aligning and driving increases in insurance costs and claims and hence in insurance premiums, particularly for short-tail lines such as home and motor," he says.

"Irrespective of flood risk, the increasing value of a property will also affect a customer's annual premium," adds an Insurance Council of Australia (ICA) spokesperson. "For example, a home built 10 years ago for A$300,000 cannot be built for the same amount today."

These factors also drive up the cost of claims for insurers.

An additional factor is the hardening reinsurance market. S&P Global says climate risk is one of the region's top three threats. After a spate of costly natural disasters in 2022 and early 2023, reinsurers are charging more. Insurers are forced to make greater allowances for future natural disaster events, while increasing their own risk-retention levels.

Photography: iStockphoto; Getty Images

Right now: build resilience

Insurance affordability is clearly a complex problem. Scott Hawkins, managing director at Munich Re Australia, sees the solution involving a combination of short-, medium- and long-term interventions.

Given that we are working with existing building stock, the first approach should be to make those buildings and communities more resilient, he says. To achieve that, some temporary government subsidies may be required to help those property owners who are least able to afford mitigation measures.

Munich Re is part of the Australian Business Roundtable for Disaster Resilience and Safer Communities. The roundtable found that every dollar spent on mitigation can save at least two dollars in recovery costs.

"What's also important is that we keep adequate risk signals, so we know what the expected cost is from claims on properties," says Hawkins.

The ICA says it welcomed the establishment of the Disaster Ready Fund (DRF), which began providing up to A$200 million annually to be invested in disaster mitigation for five years, from July 2023. However, the ICA is calling for this funding to be extended to a 10-year, indexed rolling program.

"An ongoing DRF would ensure that Australians receive the benefits of resilience and mitigation investment for years to come, and allow governments and communities to plan for long-term projects that put downward pressure on insurance premiums," says the spokesperson.

Medium-term goals — greater insurance penetration

While existing homes are improved and risks mitigated through community activities and investment in infrastructure such as planned burning to reduce bushfire fuel, and drainage systems and levees to address flood risk (see breakout pg. 28), property owners still need insurance.

In its August 2022 green paper, *Home insurance affordability and socioeconomic equity in a changing climate*, the Australian Actuaries Institute noted that there is an overlap between areas with high insurance premiums and people with low incomes. Essentially, low-income households are often only able to afford homes that may be built on flood plains or located in outer or rural suburbs with greater risk of bushfire. Says Hawkins: "I'm passionate about creating mechanisms that increase the penetration of insurance. We need more people to have basic insurance cover in place."

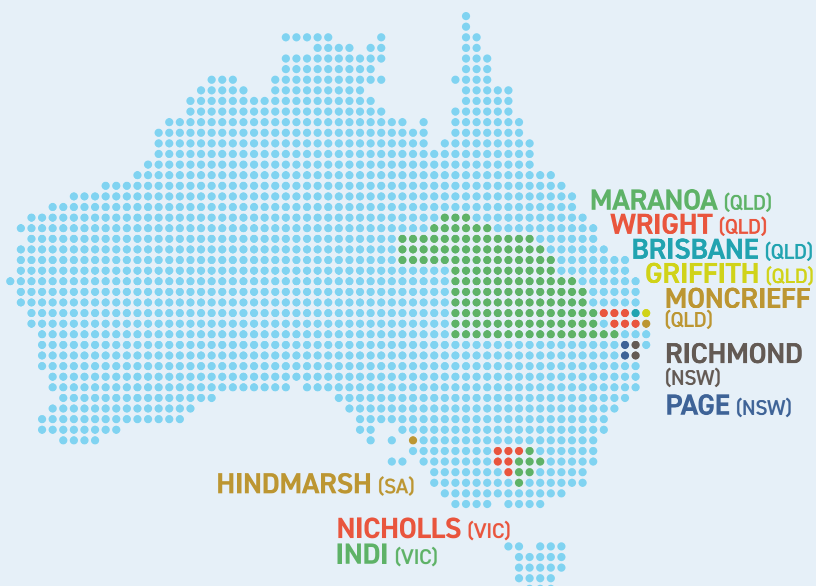
The green paper recommends subsidised insurance for low-income households. At the same time, some state taxes and charges on insurance such as stamp duty that are inflating insurance premiums could be removed. The ICA observes, for example, that the Emergency Services Levy in New South Wales adds around 18 per cent to home insurance premiums and up to 40 per cent to business cover.

PICTURED
Debis litters a Lismore street after the 2022 floods.

MOST AT RISK

The top 10 Australian electorates most at risk of being uninsurable by the end of the decade.

According to Climate Council research, certain areas face greater risks from climate change and extreme weather events (including bushfires, extreme wind and different types of flooding). In the electorates most at risk, 15 per cent of properties will be refused insurance cover by 2030, or cover will be too expensive to afford. These are:



Source: *Uninsurable nation: Australia's most climate-vulnerable places* (Climate Council, 2022)

> "It's really a redistribution of who pays, and if the costs go beyond the premiums collected, then it's the taxpayer who foots the bill."

Scott Hawkins / Munich Re Australia

PLANNING WITH RISK IN MIND

Following earthquakes in Christchurch in 2010 and 2011, officials deemed certain areas as at high risk of future damage. The decision was made not to rebuild in this 'red zone'. The government purchased close on 8,000 properties through voluntary buyouts. The buildings were demolished and residents were relocated to different, safer areas of the city. The red zone is now a green belt.

"We can certainly work with government to help ensure we identify locations where we shouldn't build in the future. That's where the industry certainly has very valuable data," says Scott Hawkins, managing director of Munich Re Australia.

"The New South Wales Government has put a similar buyout process in place for some of the properties in Lismore. That's an example of working to try and improve the future situation."

PICTURED

A home sits perilously close to a cliff edge after the 2011 earthquake in Christchurch, New Zealand.

The long view

Risk mitigation should result in more resilient housing and infrastructure, and a broader insurance base will result in a more resilient community. But today's children, and their children's children, will face even greater impacts from climate change. They deserve housing that is designed with this future world in mind.

Here, insurers can work with government to ensure new settlements aren't located in high-risk areas — the data and risk modelling the industry has been collecting will be invaluable once shared.

The ICA has called on state governments to amend land use planning legislation to include a mandatory requirement for planning approvals to consider property and community resilience to extreme weather and to improve building codes so future homes are made more resilient.

Hawkins agrees with the proposal. "The building standards being applied today may not be fit for purpose for our future homes. Insurers can help inform these new requirements, so that today's mitigation efforts are built into our planning."

Government help

If local insurers can't afford to take on natural disaster risks, should we turn to government to step in? In some countries (including the United States and Canada), government provides flood cover, commonly in partnership with insurers.

In New Zealand, Toka Tū Ake EQC (the Earthquake Commission) provides limited cover for damage from earthquakes, volcanic eruptions, hydrothermal activity, storms, floods, tsunamis and landslips. However, it's only for homeowners who have private insurance that includes fire insurance, and it doesn't cover flood damage within a property. In Australia, the Australian Reinsurance Pool Corporation (ARPC) extended its operations to cover cyclone events from July 2022, but again, it links reinsurance aid to existing insurance policies. Non-cyclone-related flooding is also not eligible for ARPC relief.

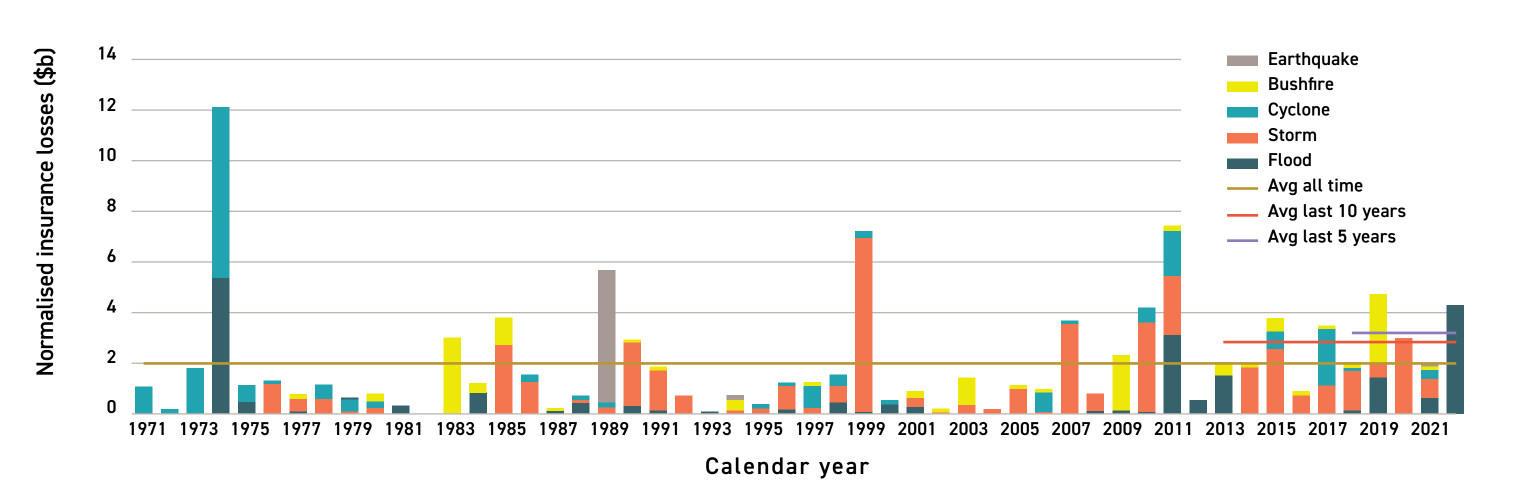
Stephan says some government–private sector initiatives have been well accepted. "However, these collaborations should not be treated as a set-and-forget solution but should be adjusted regularly through two-way consultation and dialogue between the insurance industry and government to ensure that the solutions remain appropriate and, in the longer term, achieve the intended insurance affordability outcomes."

Hawkins warns that government-run insurance pooling is no panacea. "It's really a redistribution of who pays, and if the costs go beyond the premiums collected, then it's the taxpayer who foots the bill," he says. "It can also mask the risk signals the insurance market needs to price risk correctly."

Photography: iStockphoto; Getty Images

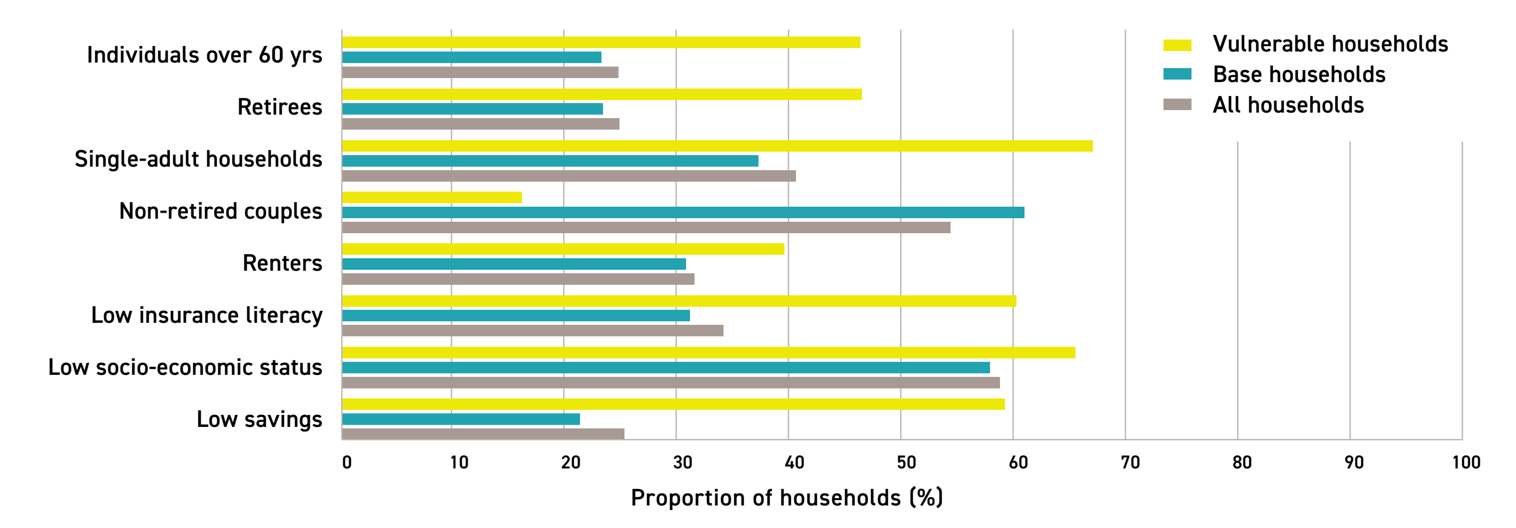
CAUSES OF LOSS

The Australian Actuaries Home Insurance Affordability (AAHIA) Index reveals the sources of insurance losses over 50 years, from 1971 to 2021.



WORST-IMPACTED HOUSEHOLDS

The households most vulnerable to climbing insurance premiums include single-adult households, those in low socio-economic brackets and those with low insurance literacy.



Source: *Australian Actuaries Home Insurance Affordability Index in Home insurance affordability and socioeconomic equity in a changing climate* (Actuaries Institute, 2022)

INVESTING IN RISK MITIGATION WORKS

From 2010 to 2012, Roma in Queensland was flooded repeatedly, when the Bungil Creek broke its banks. In 2014, the Queensland Government began work on an A$8.3 million levee to protect the town. On completion of the works, the flood risk for more than 500 properties was downgraded.

Says an Insurance Council of Australia (ICA) spokesperson: “Premiums dropped by an average of 34 per cent, and a joint program between the Queensland and federal governments to improve the resilience of homes to extreme weather in that state saw reductions of up to 25 per cent.”

“By placing resilience at the heart of housing and building policy, it is possible to reduce householders’ vulnerability to extreme weather events …”

Andy Bord / Flood Re

PICTURED

Floodwaters surround the Queensland town of Gympie in 2022.

Futureproofing affordable insurance

Perhaps one example of a bridging solution comes from the United Kingdom, where not-for-profit scheme Flood Re is buying homeowners and insurers time. The scheme — a joint initiative between insurers and the government — is funded by insurers, to pool the risk for customers at high risk of flooding. Premiums are linked to council tax bands, so the cover targets low-income households.

The fund is designed to run for 25 years (until 2039), at which point the goal is for the free market to offer and maintain affordable flood insurance options.

To prevent bad planning leading to yet more homes built on flood plains, Flood Re only covers homes built prior to 2009. If a flooded home is rebuilt, the fund can tip in £10,000 (A$18,600) over the like-for-like repairs to go towards resilience and mitigation improvements.

On a recent visit to the United States as part of a UK government trade delegation, Flood Re CEO Andy Bord stressed the “global nature of the challenges around flood and the need for international collaboration and sharing of best practice”.

He said that Flood Re’s success underlines that “by placing resilience at the heart of housing and building policy, it is possible to reduce householders’ vulnerability to extreme weather events and help communities reap the benefits of a safe, better-planned built environment.”

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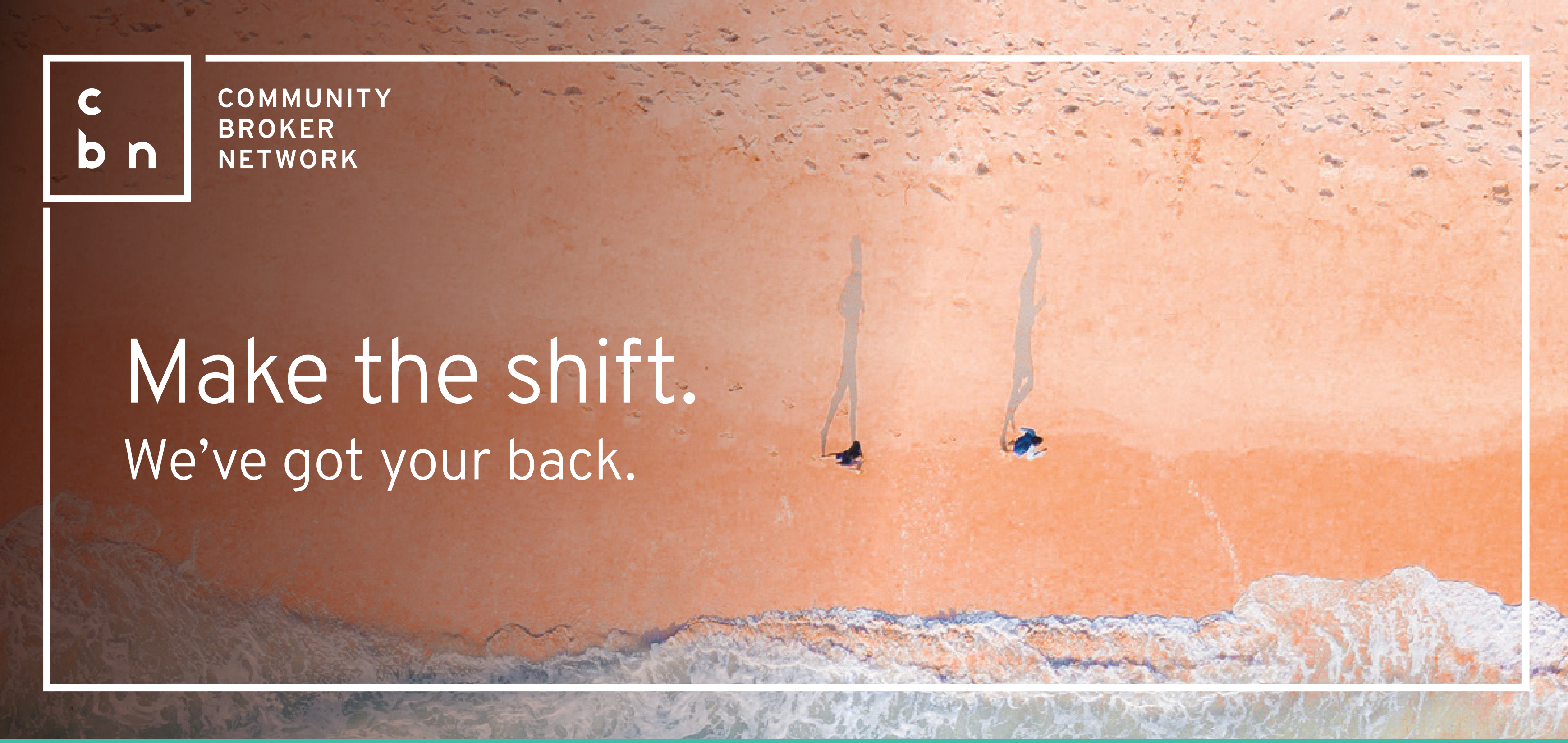
ABIGAIL MURISON

The Journal editor

“For the first time when looking at properties, I’ve included accessing the council flood maps as a must-do. I’m seeing more and more new builds include covenants for better insulation, solar power, rainwater tanks and other climate change-related improvements. If these measures also make my insurance more affordable, it’s a win–win.”

Photography: Getty Images



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by Siew Wei Chai

Insurance premiums and affordability

How can we curb the cycle of loss and costs?

With insurance premiums expected to increase by 10 per cent, regulatory authorities have teamed up with insurers to identify and invest in vulnerable areas to improve resilience and reduce the impacts of potential disasters.

IN SHORT

- **Rising insurance premiums have increased concerns of underinsurance, particularly among low-income earners and small businesses.**
- **Regulatory authorities need to work with insurers to identify and invest in vulnerable areas to improve resilience.**
- **More comprehensive and reliable data sources would help with resource allocation and enable insurers to incorporate mitigation strategies into risk pricing.**

The emergence of environmental issues such as global warming and climate change have triggered a dramatic global shift, including in Australia, where natural disaster losses continue to accumulate.

Given the copious losses, reinsurance companies are increasingly under pressure as they underwrite the riskiest portion of insurers' portfolios.

The need to recapitalise could lead to a continuation of the current hard market as both reinsurance and insurance companies transfer their costs to their customers and, in turn, premium prices continue to increase. This concern was raised in a 2022 Fitch Ratings study, *Commercial Insurance: Past the Market Peak*. It stated that commercial insurance premiums had increased consecutively for 17 quarters globally, driven by high claims volumes, substantial underwriting losses and COVID-19.

Now in the third quarter of 2023, we can observe the predicted cycle in the market, with several media sources (including *insuranceNEWS.com.au*, *The West Australian* and *The Sydney Morning Herald*) pointing to IAG's decision to increase premiums, citing a "massive influx of disaster payout claims, inflationary pressures and rising reinsurance costs".

Suncorp has since followed suit, also citing "the need to recuperate loss margins as the reason for increasing prices".

Perils of higher premiums

If other insurers follow IAG and Suncorp's example, we could soon see a domino effect impacting the incomes of consumers and businesses.

UNSW Business School's Michael Sherris identifies these challenges as systematic risks. Systematic risks, or market risks, are associated with an entire market segment. In contrast to unsystematic risks, which can be mitigated through diversification, systematic risk is unpredictable, hence impossible to avoid.

Even through an extensive process of diversification and hedging, there will still be some form of risk retained in the portfolio.

If insurance becomes significantly less affordable, low-income earners and small businesses stand to be the biggest losers. Rising insurance premiums coupled with the rising cost of living due to recent continuous interest rate hikes could even lead the economy into a recessionary period.

As a result, more vulnerable stakeholders may end up falling behind on their insurance premiums, in the hope that the worst "won't happen to them". The idea of self-insuring their properties and premises can be terrifying, consequently putting them in a very precarious position.

Vulnerable stakeholders

According to a 2022 study by the Institute of Actuaries of Australia, "vulnerable households" are mainly older individuals who are renting homes, have a lower savings ratio and are typically living in areas most affected by natural disasters. These vulnerable households are paying an average of 7.4 weeks of their gross annual income on home insurance, compared with the Australia-wide average of 1.1 weeks.

Where forced to choose between putting food on the table or paying a large sum for insurance policies, households are faced with an opportunity cost. In my opinion, most are likely to pick the former.

The continuous increase in interest rates since May 2022 has created a compounding effect on the economy. Also, the response lag between the implementation and effect of the current contractionary monetary policy has indirectly hit businesses and consumers. As a result, consumers and businesses are now feeling a rise in the cost of living before the economic cycle has smoothed out.

Whether regulatory authorities adopt a monetary or fiscal policy stance, changes in interest or tax rates with the intention of curbing inflationary or deflationary cycles will have a direct impact on the economy.

Insurance options decrease

Meanwhile, insurers have been forced to remediate to reduce risk so that certain products can be continued rather than discarded. Research from the Australian Industry Group back in October 2020 found that the global insurance hard market is causing a lack of insurance options, as many insurance companies are reluctant to provide coverage for the risks that have been presenting.

Hence, some businesses are pushed to choose between either paying an exorbitant insurance premium or risk being under-insured or not insured at all.

According to the Australian Small Business and Family Enterprise Ombudsman's *Insurance Inquiry Report December 2020*, small businesses are more likely to have to close down due to the inability to invest in risk management or the allocation of their annual funding and budget for increasing insurance premiums.

Of course, businesses have the option to reduce their insurance premium by increasing their deductibles. A higher deductible payment allows businesses to absorb some risk from the insurer. However, this may not be the best option for businesses, as they would need to pay a larger excess to make a claim. In the event of the need to lodge multiple claims at once, choosing higher deductibles may turn out far worse for a business in terms of its cash flow.

"The idea of self-insuring their properties and premises can be terrifying, consequently putting them in a very precarious position."

Between a rock and a hard place

For brokers, operating in such a hard market driven by factors they can't control is always challenging. With the increase in sanctions and various exclusions applied by insurers, brokers must spend more time reviewing numerous endorsements and wordings to ensure that their clients have adequate insurance cover. Given some businesses choose to be more price-focused in this climate, a difficult conversation is often required. On the one hand, the broker wishes to serve the client with adequate coverage, while on the other, the client leans towards a cheaper, less optimal option.

Adding to the challenge is the often-low level of financial literacy in the community, including within businesses, and the resulting lack of awareness of the importance of risk mitigation strategies. Poor financial decision-making over the long term is the likely unfortunate outcome. One case in point is highlighted in a recent *insuranceNEWS.com.au* article, which tells of hotel owners unable to obtain a full claim payout when their premises was damaged by fire because of an under-insurance clause.

Call for intervention

Given these unprecedented circumstances, whereby reinsurers, insurers, households and businesses are all negatively impacted, regulatory authorities could intervene further to ensure that the interests of all stakeholders are covered.

In my view, continuous increases in premiums and the inability to afford insurance for individuals and businesses could potentially lead to a market failure in the economy. Market failure occurs when an economy has failed to allocate resources efficiently in the absence of intervention.

The Australian Government is making swift changes to ensure that insurances for households and businesses are accessible. A new Disaster Ready Fund will provide up to A$200 million a year over five years. Nevertheless, in a recent article published by Insurance Business, the Royal Automobile Club of Queensland (RACQ) raises the concern that the government may not correctly prioritise the allocation of the funds. In the article, RACQ spokesperson Josh Cooney urges that the funds be put to "shovel-ready projects" rather than postponing their distribution until the final report on the government's independent review of disaster funding arrangements comes out in 2024. Cooney also points out that disaster prevention funding in Australia significantly lacks investment, with 97 per cent of funds spent on recovery.

A need for collaboration

Along with the need for funds, a lack of comprehensive data and information available to insurers makes it difficult for them to accurately incorporate any mitigation strategies that have been undertaken in the community when assessing their risks.

Precautionary underwriting in the circumstances means that insurance premiums are likely to continue increasing.

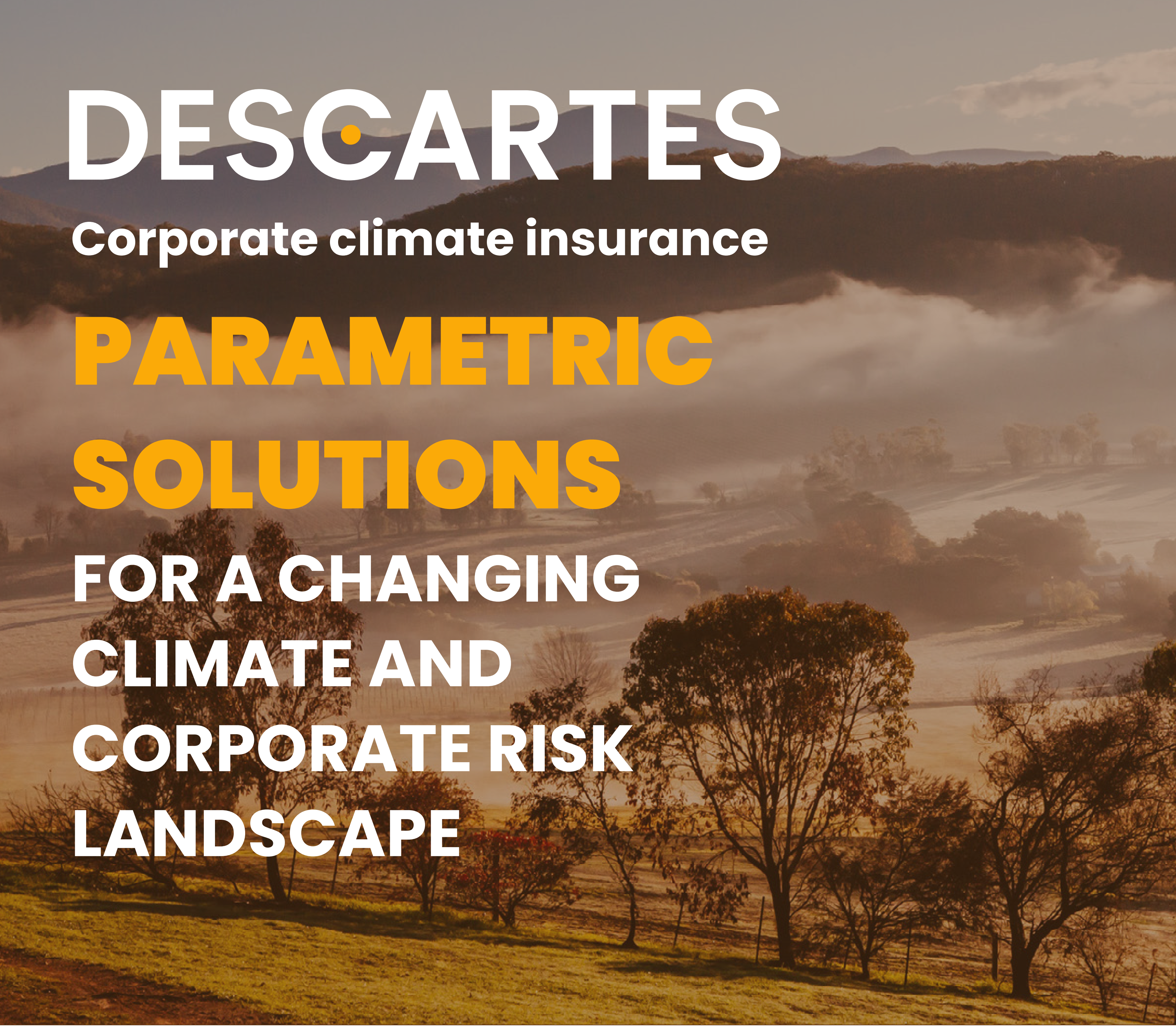
A lack of readily available information is also one of the factors that contributes to the inefficient allocation of resources. For example, according to a 2021 report published by the Insurance Council of Australia (ICA), *Climate Change Impact Series: Tropical Cyclones and Future Risks*, key data gaps have prevented insurers building an accurate picture of flood risk, especially during a changing climate. Other ICA reports, published in May 2022, point to a lack of available flood data due to "licensing issues". Recommendations include a call for regulatory authorities to establish and maintain a reliable, quality-assured database that is freely available and promotes an improvement in awareness and, in turn, risk-assessment processes.

In my view, the ideal scenario would be to see regulatory authorities working together with insurers to identify and invest in vulnerable areas where resilience measures could be improved. Such initiatives could reduce the impact of potential disasters and cushion the economy from further economic losses.

According to *insuranceNEWS.com.au*, insurance companies are suffering from previous and outstanding claim payouts amounting to almost A$7 billion in insured losses. Given a chance to recover, the resulting reduction in loss ratios could give more insurers the flexibility to offer lower premiums to households and businesses, in turn enabling affordable insurance to become a reality for more consumers.

SIEW WEI CHAI
Aon

Siew Wei Chai is a corporate authorised representative at Aon and is based in Sydney. She has completed a Diploma of Insurance Broking with ANZIIF and is a senior associate CIP member.



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Ben Qin's interest in insurance exists outside the mainstream, so his role at Descartes Underwriting should come as no surprise. As head of the firm's North Asia and Australia operations, Qin is seeking to expand its parametric insurance coverage to help build resilience against climate risk.

Unlike traditional indemnity insurance, parametric insurance provides pre-agreed payouts based on qualifying events, such as flood heights or specific rainfall levels. The unconventional nature of its products was a drawcard for Qin, who joined Descartes in 2021.

"I feel that if you walk in the same direction as everyone else, you risk losing your value," he says. "There's a lot of comfort in following the same path as all the others, and it takes confidence to go in a different direction, so maybe it's best to become an expert in the mainstream before you find your niche and venture out."

A quick learner

Born in China, Qin immigrated to Australia with his family when he was eight and grew up in Sydney's western suburbs.

"I started at Parramatta Public School in Grade 3 and was given a language teacher because my English was shocking," says Qin, adding that the first six months were a blur.

"I just remember the teacher had a book with pictures of apples and bananas in it, so they were probably the only English words I knew in the beginning. I must have caught on pretty quickly, because I got into the school debating team by the time I was in Grade 6."

Approaching his final year of high school, Qin's career adviser suggested he channel his love of maths into an actuarial degree. While completing his degree in commerce and science at Macquarie University, majoring in actuarial and statistics, he was offered an internship at Vero.

"My main memory of my internship is looking at a lot of colourful spreadsheets, but I also learned the ropes of insurance."

BEN QIN
A FRESH APPROACH

COMPANY // Descartes Underwriting

TITLE // Head of North Asia and Australia

ANZIIF // Affiliate

Ben Qin at Descartes Underwriting is no stranger to climate risk-related insurance claims across the Asia Pacific — and he believes parametric insurance is a fair and practical way forward.

STORY *Susan Muldowney* **PHOTOGRAPHY** *Christopher Ireland*

Qin took a graduate role at analytics and actuarial consultancy Taylor Fry and became a founding member of its insurance team, where he consulted on niche products such as title insurance. A desire for international experience led him to Singapore in 2010, where he worked as actuarial manager for MSIG Insurance, gaining exposure to portfolios within Asia Pacific.

"This was a huge step career wise, because I was suddenly sitting down with CFOs to explain insurance accruals," says Qin. "I saw a lot of the commercial line that a typical actuary wouldn't see and did a lot of site visits. When there was severe flooding in Thailand [in 2011], we went to sign off on reports with numbers that had many zeros behind them."

Qin returned to Sydney in 2012. Following a short stint at IAG, he worked at Marsh for eight years, leading the firm's alternative risk transfer function for Asia Pacific, before taking up his current role at Descartes Underwriting.

"I'd known the Descartes co-founders for a few years and I knew that they had a dream to do things differently," says Qin. "When they tapped me on the shoulder to help grow their Asia-Pacific book, I wanted to be a part of it."

> "Parametric insurance is basically about pre-agreed-value policies. There's no argy-bargy because it's all black and white."

New approach to pricing

Launched in France in 2018, Descartes Underwriting offers data-driven parametric insurance to help address the increasing cost of traditional policies and the natural disasters brought about by climate change. It combines technology — such as machine learning, real-time monitoring from satellite imagery and data from Internet of Things (IoT) devices installed at insured properties — with publicly available data on natural catastrophes to individually price risks anywhere in the world.

Today, Descartes has more than 200 corporate and public sector clients and US$200 million in capacity per contract.

Qin says the impact of climate change has led to a spike in the company's growth.

"I didn't expect the pace of conversion [to parametric insurance] to be so quick, but it has really accelerated because of extreme weather events," he says. "More people are embracing it, and we're building up a strong network of loyal clients and broker partners, but we also see huge potential for growth."

Qin points to the floods in Queensland and New South Wales last year, adding: "The whole insurance industry prides itself on helping people and paying claims, but the problem is that floods were not priced in. The existing models haven't factored in these flood events so frequently, and so incurring losses outside of expectations has gotten insurers into the news."

Capacity for risk

Qin describes parametric insurance as "a means to an end".

"It's an instrument that allows for rational pricing in the market," he says. "About 80 per cent of Descartes is dedicated to hard science — from seismology to meteorology — and we're trying to study the truth behind why extreme weather events happen.

"Basing assumptions on historical events and losses just doesn't cut it anymore, and there's thousands of atmospheric variables to study. You can easily access all of this information once you have the infrastructure in place."

Qin adds that Descartes' business benefits from its global footprint.

TWO-MINUTE BIO

BACKGROUND
Ben Qin was born in China and immigrated to Australia in 1993 when he was eight years old. When he started at Parramatta Public School, he spoke very little English. By the time he was in Grade 6, he was in the school debating team.

CAREER
Qin started his insurance career in 2007, joining consulting firm Taylor Fry in a graduate role. After gaining experience in large statutory workers compensation schemes, SME personal lines insurance and title insurance, he moved to Singapore in 2010 to take up an actuarial manager role at MSIG Holdings. He returned to Sydney in 2012 and worked for several months as a reinsurance actuary at IAG before moving to Marsh, where he worked for eight years in roles such as head of alternative risk transfer for Asia Pacific. In 2021, Qin joined Descartes Underwriting as head of North Asia and Australia.

OUTSIDE THE DAY JOB
Qin and wife Jessie welcomed their first child, Oliver, in 2020. Family is now the focus of his free time, but Qin still tries to get to the gym every second day.

TOP TIP
Qin recommends rising to new challenges. "Early in my career, people would say, 'if it's too hard, or if it's outside your remit, give it to Ben', because I always volunteered to take on the stuff that was outside of the mainstream. You can learn a lot by putting your hand up to help others."

"We balance our book globally, so while we're paying out bushfire claims in one location, we're collecting premiums for wet risks in another part of the world," he says. "You really do need that kind of global capacity to be able to offset risks."

Crop risks currently account for about a third of Descartes' underwriting book, and the farming sector is feeling the impact of climate change more than many others. Agricultural profits in countries such as Australia fell 23 per cent over the two decades to 2020.

Last year, Descartes launched parametric frost cover in Australia to help protect broadacre and horticultural crops, orchards, nut farms and wineries. Qin explains that Descartes designs trigger points, such as specific ground temperatures, in partnership with brokers and their clients. It customises them to suit the locations, long-term regional climate trends and growers' anticipated losses.

Room for growth

Qin's international experience has given him a strong understanding of the nuances across the market.

"In places like China, Japan and Korea, where there are huge, state-owned local insurers and cashed-up conglomerates with in-house brokers, the power balance tends to be weighted more towards the local insurers and in-house brokers than the international brokers," says Qin. "That's not so much the case in Australia and New Zealand, but I'd say those two countries are quite risk-mature, in that if you're trying out new things, you can find clients to test it on."

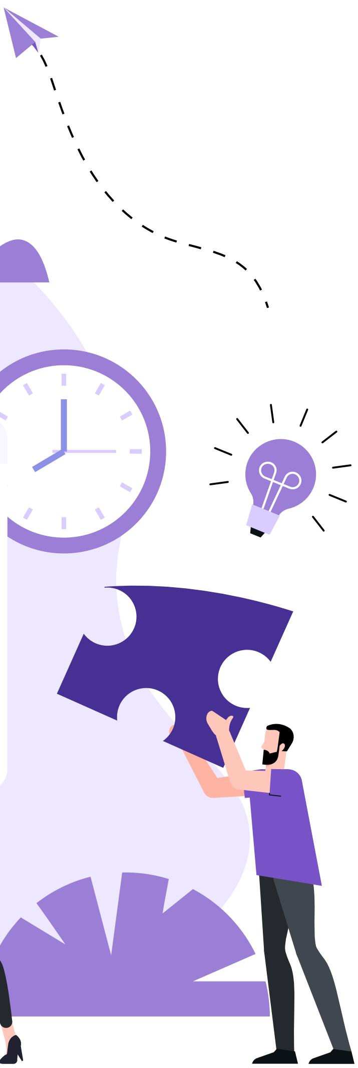
Despite the differences, each market faces the growing challenge of climate change and Qin sees potential for parametric insurance to expand across the region.

"Parametric insurance is basically about pre-agreed-value policies," he says. "There's no argy-bargy because it's all black and white. It's a pre-agreed value for a pre-agreed event and you just need robust, ongoing monitoring to make it work."

by Anna Game-Lopata

Testing for the right fit

Insurance companies should carefully consider the pros and cons of using psychometric tests and weigh them against their hiring goals to determine the best approach.



If you've ever sat a psychometric test, you'll know exactly why it might not tell an employer everything about a candidate, especially in relation to their long-term potential.

"Psychometric tests can provide valuable information about a candidate's abilities and characteristics, but they should be used in conjunction with other forms of assessment — interviews, reference checks, work samples — to get a complete picture of the candidate," says Dan Marsh, managing director of insurance recruitment company Blake Oliver.

A scientific approach

It's important to note that while the terms 'psychometric test' and 'aptitude test' are often used interchangeably, they are not necessarily the same thing.

"Think of psychometric tests as an umbrella term for a number of different types of tests," explains psychologist Jenny Simonovska, director of Plum Consulting. "Aptitude [or cognitive] tests predict someone's ability to reason using language or numbers. Behavioural or personality questionnaires — depending on the assessment used — can give you information about a candidate's strengths, motivators and preferred ways of working."

Marsh adds that aptitude tests specifically measure a candidate's potential for learning and applying new skills. "They are often used in educational settings to assess a student's readiness for a particular course of study or career path," he says. "While there is some overlap between these two types of tests, it's important for companies to understand the specific goals and outcomes they're looking for when choosing which type of test to administer."

Whichever type of assessment is chosen, Marsh offers some further advice for recruiters: "Ensure that the testing is conducted in a fair and objective manner."

Part of the bigger picture

At ANZIIF, SACS Consulting administers psychometric assessments and conducts cognitive ability, values and personality testing during the recruitment process.

"Psychometric tests are used alongside behavioural-based interviews and reference checks to determine the likelihood of a candidate being successful in the role and if they will be the right fit," says ANZIIF head of People and Culture Veng Lim.

The assessments are completed by the candidate after the initial interview and prior to the second interview. "This allows us to probe the cognitive areas that are key for the role and that the candidate scored low in, or were areas of concern in the values and personality tests," explains Lim.

She stresses that psychometric assessments are just part of ANZIIF's broader recruitment process, and decisions on a candidate's suitability are never solely based on the results of those assessments.

Similarly, Insurance Brands Australia does not use psychometric tests to qualify candidates, according to the organisation's head of talent Athanasia Corso.

"Think of psychometric tests as an umbrella term for a number of different types of tests."

Jenny Simonovska / Plum Consulting

IN SHORT

- **Psychometric tests can be a useful recruitment tool to discern a candidate's abilities, characteristics and preferred ways of working.**
- **Psychometric testing should be used in conjunction with other forms of assessment, such as interviews and reference checks, to ensure fairness and objectivity.**
- **There are many types of psychometric tests, and recruiters must ensure they select a reputable provider and use the right test for their needs.**

PROS AND CONS OF PSYCHOMETRIC TESTING

Pros

- Tests can find the best candidate for the role based on personality type, which is advantageous to those who don't necessarily interview well.
- Combined with a behavioural interview, they can be a strong predictor of future individual job performance and fit.
- They can reduce any potential bias.
- They can improve retention rates, because you hire the right candidate for the role and company culture.

Cons

- Candidates may respond to questions – particularly in the personality and values tests – in a way they think they should, rather than in a way that truly reflects what they believe.
- The tests can create anxiety for the candidate, impacting the results and masking the candidate's capabilities.
- For organisations that do not have a trained adviser to assess the results, there are additional costs to engage a qualified assessor.
- Tests can provide very black and white responses, but real life isn't always that rigid.
- Relying solely on test results ignores intuitive feelings about a candidate.
- It is possible to use the wrong type of test for the intended outcome.
- Test results can be misinterpreted by managers who are not trained assessors.

"The role of behavioural testing is purely to ensure we, as an employer, are best informed to set the new employee up for success," she says. "We seldom use tests and only ever after making the appointment in executive roles where the candidate might have multiple direct reports or be juggling a relatively large and diverse remit."

Corso adds that psychometric tests are used to help Insurance Brands Australia leaders uphold their commitment to their team and to support all employees to best utilise their skills.

"They [the tests] will not tell you someone's potential, if they have company-aligned values or how they show up to work each day," she says. "Recruitment is no longer about ticking boxes and how someone scores in the selection criteria — and thank goodness for that.

"We are proud of the safety, inclusivity and diversity that underpins the culture at Insurance Brands Australia, and this is why we've taken this position on the use of psychometric testing in our recruitment process."

Bespoke development for specific groups

Great Eastern Life (GEL) Asia takes a different approach. The multinational commissioned Aston Business Assessments (ABA) to develop standardised assessment tools in English and Mandarin, rather than an 'off the shelf' solution.

ABA, a company that specialises in the bespoke development of psychometric tests, notes in its case study that the tools GEL required needed to be suitable for different respondent groups and flexible for use by multiple stakeholders.

"ABA's brief was to develop psychometric assessments of key strategic competencies and personality traits in order to help GEL recruit their agency sales force and leaders in Malaysia and Singapore with complete confidence," the company writes.

"For the recruitment of agency leaders, a more detailed assessment and customised development report (the Great Eastern Manager Search) was created, which included specific development actions and solutions, and a prioritised development plan."

CAN CANDIDATES 'BEAT' A PSYCHOMETRIC TEST?

Robust psychometric assessments are difficult to outsmart, though it's "technically not impossible", according to psychologist Jenny Simonovska from Plum Consulting.

"Ability or aptitude test results are unlikely to change significantly over time, but it is advisable for candidates to do the practice tests before the actual assessment, to familiarise themselves with the format," says Simonovska, who has worked in a broad range of organisations that use psychometric tests.

Behavioural and personality questionnaires often use a forced-choice or ipsative format, where the candidate must choose or rate a statement from a number of options. For example: "Which of the following four statements is most like you?".

The tests include some repetition (similar statements appearing in different combinations), and they often provide combinations of statements that force the candidate to say something positive or negative about themselves.

"Most people who think they can 'outsmart' the questionnaire realise early on that it's going to be difficult," says Simonovska. "The tests actually report on how consistently you answered the questionnaire too, and provide a score for interpretation by the trained assessor."

HOW TO CHOOSE THE RIGHT TEST

There are many psychometric tests on the market, so how do you choose the best one for your needs? Corporate psychologist Jenny Simonovska offers some suggestions.

1 The best psychometric assessments to use are ones that are:

VALID — does the test measure what it says it measures?

RELIABLE — if my candidate completes this assessment today, will I get the same result if they complete the assessment next week, or if someone else sends them the instructions?

RELEVANT — don't use a numerical reasoning test if numerical reasoning is not going to be a strong predictor of on-the-job performance.

2 Look for test publishers who share their reliability and validity data

Robust psychometric assessments take years to develop, and when reliability and validity are high, test publishers proudly promote this information. Be wary of test publishers who can't or won't provide this information.

3 Choose a test that has relevant comparison or 'norm' groups

To make sense of a raw test result, we need to compare the result to a meaningful benchmark. For example, if a candidate scored 35/40 on a numerical reasoning test designed to measure financial literacy at senior leadership level, what does it actually tell us? If we compare that result to the average result on the same test completed by recent graduates, we might think the result is above average, because the average raw score for graduates is 30/40. However, if we compare it to a group of senior leaders, we might find that their average raw score was 35/40. So, our candidate's financial reasoning is similar to most other senior leaders.

For the recruitment of the sales agency teams, ABA worked with GEL to develop a five-minute assessment — the Great Eastern Talent Search — with reports presenting competency scores, recruitment recommendations and interview questions. They also took up the challenge of creating a one-minute version of the assessment for use at recruitment fairs.

Following the banking industry

According to Marsh, the banking industry commonly uses psychometric tests, and he expects the insurance industry to follow suit.

"Although not many of our own clients are utilising them, the use of psychometric tests in insurance recruitment is definitely happening as we do see it from time to time," he says. "There is more [psychometric testing] than in previous years prior to talent shortages in the insurance industry."

From what Marsh has seen, the use of psychometric testing varies depending on the size of the company. "Larger insurance companies use psychometric testing more frequently as part of their recruitment process, while smaller companies don't necessarily have the resources to do so," he says. "[Testing] is becoming more common as companies are looking for ways to improve their hiring processes and select candidates who are more likely to succeed in the role."

Simonovska, who has worked in a broad range of organisations that use psychometric tests — from manufacturing and mining services to insurance and finance companies — says most often they're used for development purposes.

"For example," she says, "they may be used as part of a leadership development or talent program to provide self-insight and act as a springboard for coaching. Any organisation that has a competitive

“I think the popularity of psychometric tests will continue to grow in the future, particularly for senior roles. But their effectiveness and ethical implications will need to be carefully considered and addressed ...”

Dan Marsh / Blake Oliver

graduate selection program is also likely to incorporate some psychometric testing to ‘sift’ through large numbers of applicants.”

Simonovska believes that when used appropriately, psychometric testing has very few drawbacks — but she can understand why others may be wary. “Some people may have had an off-putting experience with psychometric tests in the past and may require some reassurance that the test will provide meaningful information and the results will be treated with sensitivity.”

Further to this point, she says it’s important to understand the intended use of each psychometric test. The Myers-Briggs Type Indicator, for example, should not be used for selection, as it is not a predictor of performance.

“Never interpret psychometric tests beyond their intended use and be clear about the limitations of different tests when choosing them,” counsels Simonovska.

Value in the longer term

Marsh says that outsourced tests can be costly, but they can save time and money by improving retention rates.

“Less staff turnover results in fewer hiring costs and reduced training costs,” he says. “When you hire people who are a good fit for the role and culture, they’re more likely to have job satisfaction and stay at a company longer.”

Lim agrees that while there are benefits in conducting psychometric tests, it is important to weigh up value versus cost and use them in conjunction with other processes when making hiring decisions.

“We are currently reviewing our recruitment processes, but is likely that we will continue to use [psychometric tests] as part of our broader recruitment processes,” she says.

More generally, Marsh thinks it’s likely that testing will become increasingly popular in the insurance industry, given current talent shortages and the emphasis on data-driven hiring practices.

“I think the popularity of psychometric tests will continue to grow in the future, particularly for senior roles,” he says. “But their effectiveness and ethical implications will need to be carefully considered and addressed in order to ensure they remain a valuable tool in the recruitment process.”

ANNA GAME-LOPATA
ANZIIF content writer

“As a job applicant, my approach to the recruitment process has always been to ‘win’ each stage, whether it’s an interview or a psychometric test. In my view, the best test of a candidate’s skills and characteristics happen on the job once they are employed. All the rest is social cues and gut feeling.”

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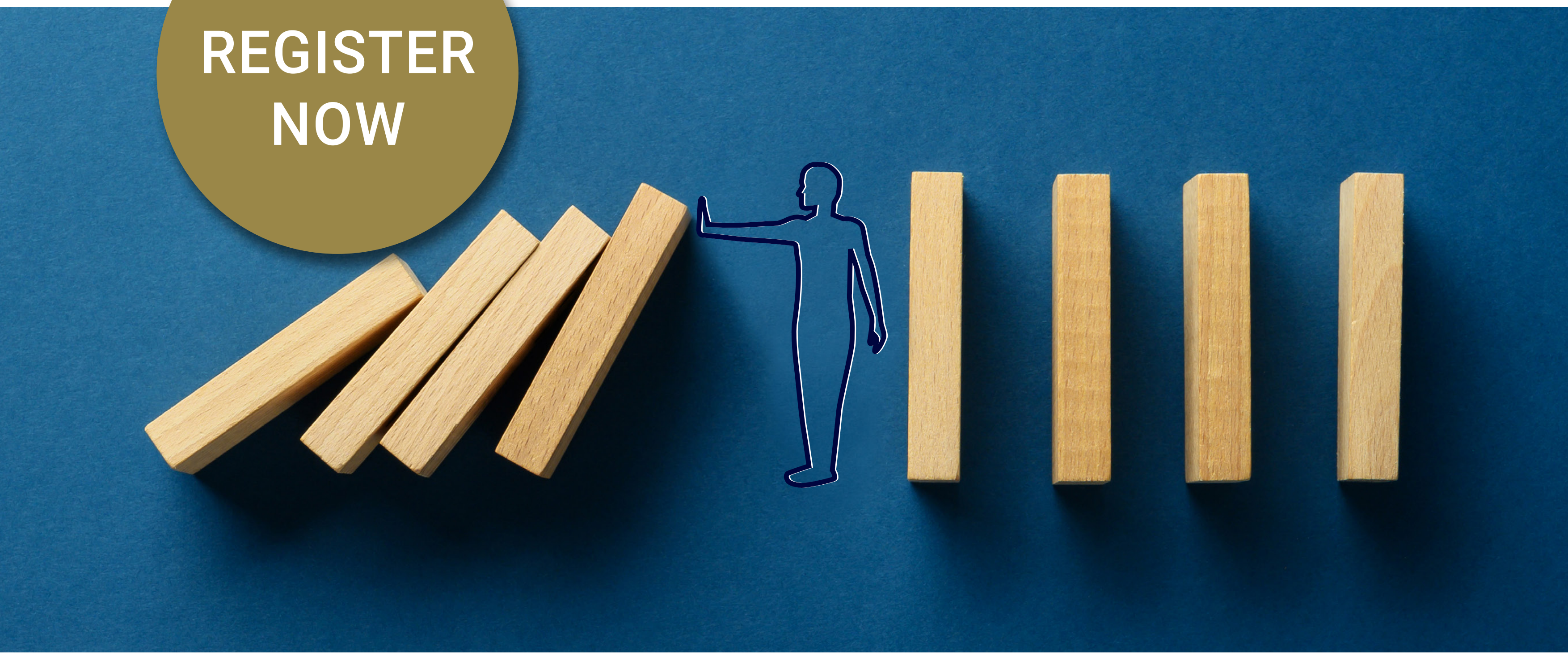

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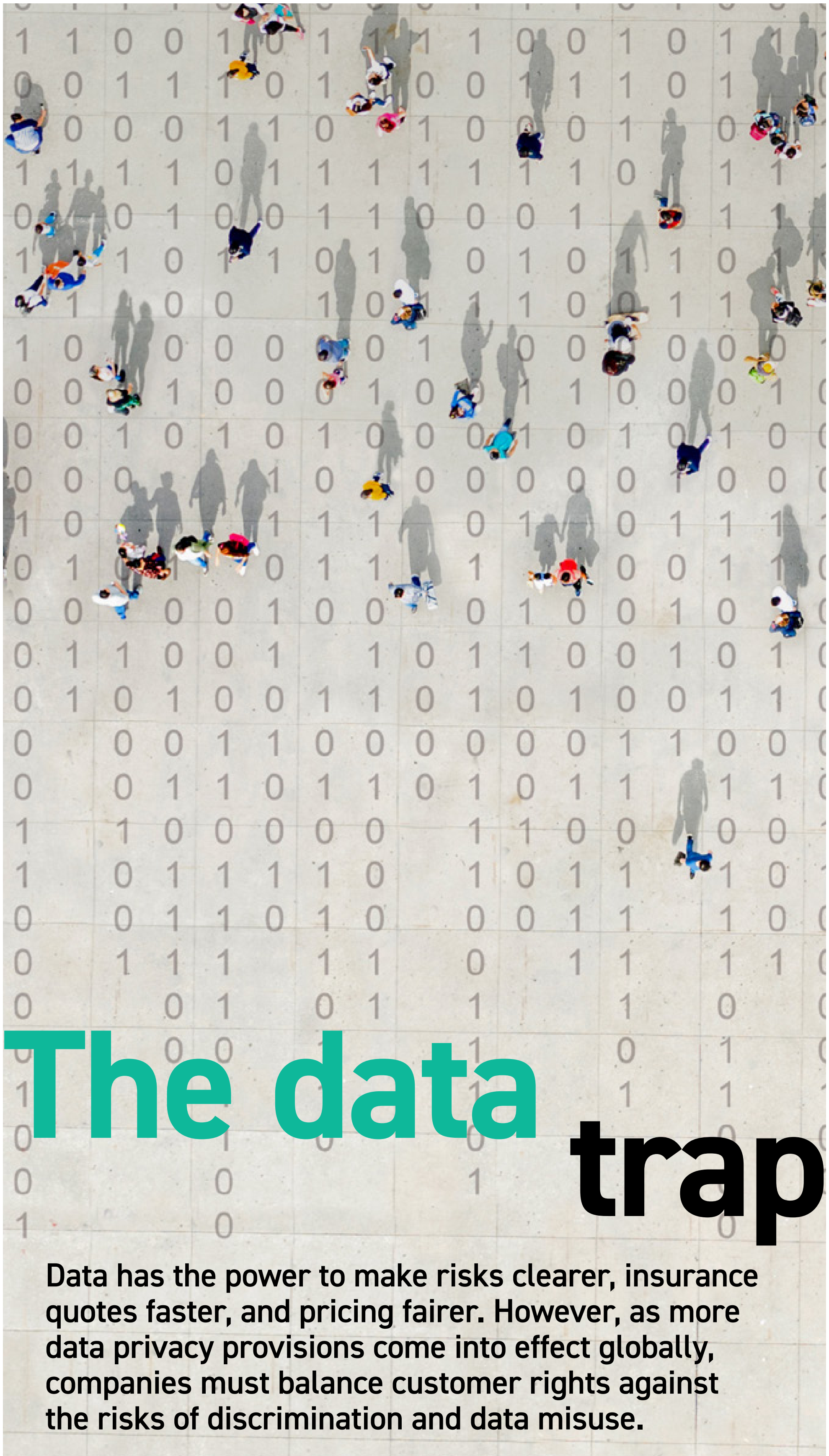
by *Ben Falkenmire*



The data trap

Data has the power to make risks clearer, insurance quotes faster, and pricing fairer. However, as more data privacy provisions come into effect globally, companies must balance customer rights against the risks of discrimination and data misuse.

Australia's move to reform its Privacy Act more in line with the European Union's General Data Protection Regulation (GDPR) is expected to see insurers do more heavy lifting around de-identified data and data that is deemed sensitive.

The 116 flagged changes could see de-identified data captured under the Act and additional safeguards around the data of vulnerable persons put in place.

Clyde & Co's privacy and data protection expert Alec Christie says the proposed reforms come down to the view that there is almost no such thing as de-identified data. "If there's any way that personal and anonymous data can be linked, then it's not de-identified data, it's always personal information," he says.

In response to the new laws, Christie says insurers will need to put a "wall" in place between personal data and anonymous data used for actuarial activities, to meet de-identified data and anti-discrimination provisions. Such a wall might take the form of an information barrier, or some physical or digital separation between the de-identified data and identified personal data, and anything that could re-identify the de-identified data.

Says Christie: "For example, if an insurer has de-identified data to run analytics but anyone who has access to that de-identified data has access to any other data — a look-up table, key or other mechanism which, when combined, re-identifies it — then the so-called de-identified data is considered never to have been de-identified and it remains personal information. It could be that the easiest way to ensure that data remains de-identified is to have it held in a separate or third-party space where there is little risk of re-identification but, of course, giving the data to a third party has its own different set of risks."

One thing insurers can do is extract aggregate data from a third party or a pool in the region. "That is considered separate processing, and it's almost impossible then for any particular country to re-identify its information," Christie says.

IN SHORT

- **Insurers need to assess their risk in light of data privacy reform in Australia and other countries across the Asia Pacific.**
- **In particular, the way the data of vulnerable customers is treated may require closer attention.**
- **Insurers operating across international borders need to be aware of the nuances of privacy laws in different countries and adopt one standard that meets the strictest provisions.**

“If there’s any way that personal and anonymous data can be linked, then it’s not de-identified data, it’s always personal information.”

Alec Christie / Clyde & Co

Another option is to upload the data into separate, secure cloud analytics storage and robustly de-identify the data as it leaves the insurer’s day-to-day system or de-identify it as soon as it lands in the cloud. However, Christie stresses that both these options require the creation and implementation of a data de-identification framework to ensure that the data is truly not re-identifiable.

“In order to prove that their company has de-identified its data, insurers will need a de-identification policy. The ones we’ve done range between 25 and 65 pages. It’s almost like a data retention plan or data breach response plan, looking at how you both de-identify data and maintain an anonymous aggregate database.”

In addition, Christie says insurers will have to test the framework every 12–24 months and adjust the steps taken to de-identify the information to ensure it remains de-identified against new added data points and technological advances, such as AI analytics.

Assessing the risk

For large insurers like Zurich, separating data is not a straightforward process.

“The solution is not as simple as having separate processes for actuarial teams and functions,” says Zurich’s chief data officer in Australia and New Zealand John Kim.

“We take an organisation-wide approach to the management of structured and unstructured data to ensure we meet our privacy and data retention obligations. This includes the use of a data and records retention policy, framework, and approach for managing sensitive customer data, and de-identifying information where appropriate and required.”

The idea of a wall may be more palatable for life and health insurers. Partners Life managing director Naomi Ballantyne says her organisation is already fit for purpose, thanks

Photography: iStockphoto

RECENT PRIVACY LAW CHANGES IN ASIA PACIFIC

Australia

Major reform is taking place in 2023, including proposals to add a right to erasure, explanation and objection, a direct privacy right, broad interpretation of consent and personal information, a new fair-and-reasonable test, privacy impact assessments and others. Increased penalty provisions were added in 2022.

Thailand

In mid-2022 Thailand’s Personal Data Protection Act entered into force, specifying security standards for controllers, record keeping for processors, the handling of data breaches and criteria for fines, as well as providing guidance around obtaining valid consent.

New Zealand

The government is considering making changes to current privacy laws that would broaden the requirements for an individual to be notified when an agency collects their personal information indirectly through a third party.

Japan

Privacy laws were changed in 2022 to cover local and offshore businesses, increase penalties and add new rules around breach notification, cross-border transfers, the use of cookies (which can be deemed personal information) and prior notice and opt-in consent provisions in some circumstances.

Vietnam

A Decree on Personal Data Protection came into effect in July 2023 that mirrors the European Union’s General Data Protection Regulation around data controlling and processing, consent, sensitive data and privacy impact assessments.

Sri Lanka

Sweeping privacy reforms were implemented in early 2022, addressing data processes and controllers, consent, transfers to countries offering adequate protection, the need for a data management program and data officer, breach notifications and privacy impact assessments.

Indonesia

Effective from October 2022, the new personal data law covers data processing, impact assessments, breach notification, the appointment of a data officer, cross-border transfer rules, data portability and non-compliance penalties.

China

The 2021 Personal Information Protection Law and its follow-up provisions impose demanding requirements for cross-border transfers (standard contract clauses can be an out), security assessments, certification and breach notification.

India

A Digital Personal Data Protection Bill was introduced for consultation in late 2022, covering grounds for processing data, consent and basic individual rights, with the law to apply to local and offshore entities.

Singapore

In October 2022, tougher financial penalties came into effect for contravening Singapore’s Personal Data Protection Act. These include the higher of S$1 million or 10 per cent of an organisation’s annual turnover.

to a hotly contested market in New Zealand.

"We operate in a small market and reputation is everything," says Ballantyne. "We mostly deal with independent financial advisers who provide customers with choice, so if you don't get it right, they take the customers with them. It forces the industry to do the right thing for customers, as opposed to being regulated to do it."

> "We mostly deal with independent financial advisers who provide customers with choice, so if you don't get it right, they take the customers with them."
>
> **Naomi Ballantyne** / Partners Life

Less individual pricing for vulnerable customers

New vulnerable-customer protections proposed as part of a review of Australia's Privacy Act are expected to further impact insurers' ability to price for individual risk, particularly when it comes to pricing for mental-health factors.

The draft bill, which was still being reviewed by the government at the time of writing, proposes protections such as a fair-and-reasonable test for the handling of personal information; privacy impact assessments; rights to seek an explanation and object; and additional safeguards around customer consent.

"Individuals will need to have capacity in order to provide valid consent, and the reforms also propose that consent needs to be unambiguous," says Annelies Moens, managing director of privacy risk management consultancy Privcore.

In practice, this means that prefilled checkboxes and assumptions of consent if a person continues to fill in a form or read a webpage are out. Customers may need to actively tick a checkbox or click an 'I consent' button presented with the company's privacy statement. They may also be required to choose from a range of privacy settings — including opting out of all cookie-style web tracking and data collection.

HOW DO OUR PRIVACY LAWS MEASURE UP?

Below are some of the differences — and proposed changes — in privacy laws between the European Union's GDPR and regulation in Australia and New Zealand.

Company obligations	GDPR	Australia	New Zealand
Individual consent to data can be implied	No	Limited	Yes
Privacy impact assessments required	Yes, in some circumstances	Yes, for government (change expected to include private companies)	No, but recommended
Separate data controller and data processor definitions	Yes	No (change proposed)	No
Keep records of processing activities	Yes	No (some change proposed in relation to source of data)	No
Penalties	Up to 2% of annual global turnover or €10 million, or up to 4% of annual global turnover or €20 million	Greater of A$50 million, 3x value of the benefit obtained, or 30% of company's turnover	Up to NZ$10,000
Individual rights	**GDPR**	**Australia**	**New Zealand**
Right to explanation	Yes	No (change proposed)	No
Right to erasure	Yes	No (change proposed in limited circumstances)	No
Right to object	Yes	No (change proposed)	No
Right to data portability	Yes	No (though partially enacted through the Consumer Data Right)	No

Sources: privcore.com, dataguidance.com, termsfeed.com

Photography: iStockphoto

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The proposed changes also include a provision to prevent customers being discriminated against or penalised if they choose not to let an organisation collect data about them or track them, or if they request their data be corrected or deleted. That said, insurers can also explain that their ability to provide a quote or insurance cover may be limited without access to relevant data — which could include health records, details of assets and personal information.

Ballantyne is concerned that if further reforms reduce insurers' ability to price for individual risk, there will be an increase in premiums.

"The consequence of removing the ability to assess individual risk is that everybody pays for it. If that then reduces affordability for other chunks of the population, what is the benefit?" she asks.

"I generally advise companies that if they want to be operating globally … [they need] to pick one standard, which inevitably needs to meet the strictest provisions of privacy laws globally."

Annelies Moens / Privcore

Aim for the highest standards

Regulators across the Asia Pacific are playing catch-up on data privacy laws. Australia's proposals set the bar high, matching the European Union's General Data Protection Regulation (GDPR) on the personal information definition and on three additional consent provisions (see breakout, left).

Much of the world looks to the GDPR as best practice in data privacy management, with some of the strictest data privacy laws in the world and some of the toughest monetary penalties for companies that breach them. Insurers operating across borders could be tempted to relax their data strategy in countries where laws are less strict. According to Moens, that would be a mistake.

"Customers don't want to be treated differently just because they happen to be in country A as opposed to Country B," she says. "I generally advise companies that if they want to be operating globally, the simplest and most effective approach is to pick one standard, which inevitably needs to meet the strictest provisions of privacy laws globally."

According to Kim, that's Zurich's modus operandi. He says that where regional or global requirements differ, the insurer takes a pragmatic view to do what is right by the customer, which can mean adhering to stricter regional and global standards.

This means that even if some countries decide to move to more business-friendly privacy provisions, insurers will likely err on the side of caution. Says Christie: "Since the GDPR was enacted, Britain has moved away from some of the provisions around consent that impacted insurers," he says. "Meanwhile, we [in Australia] seem to be going back to the original GDPR and putting in very strict rules.

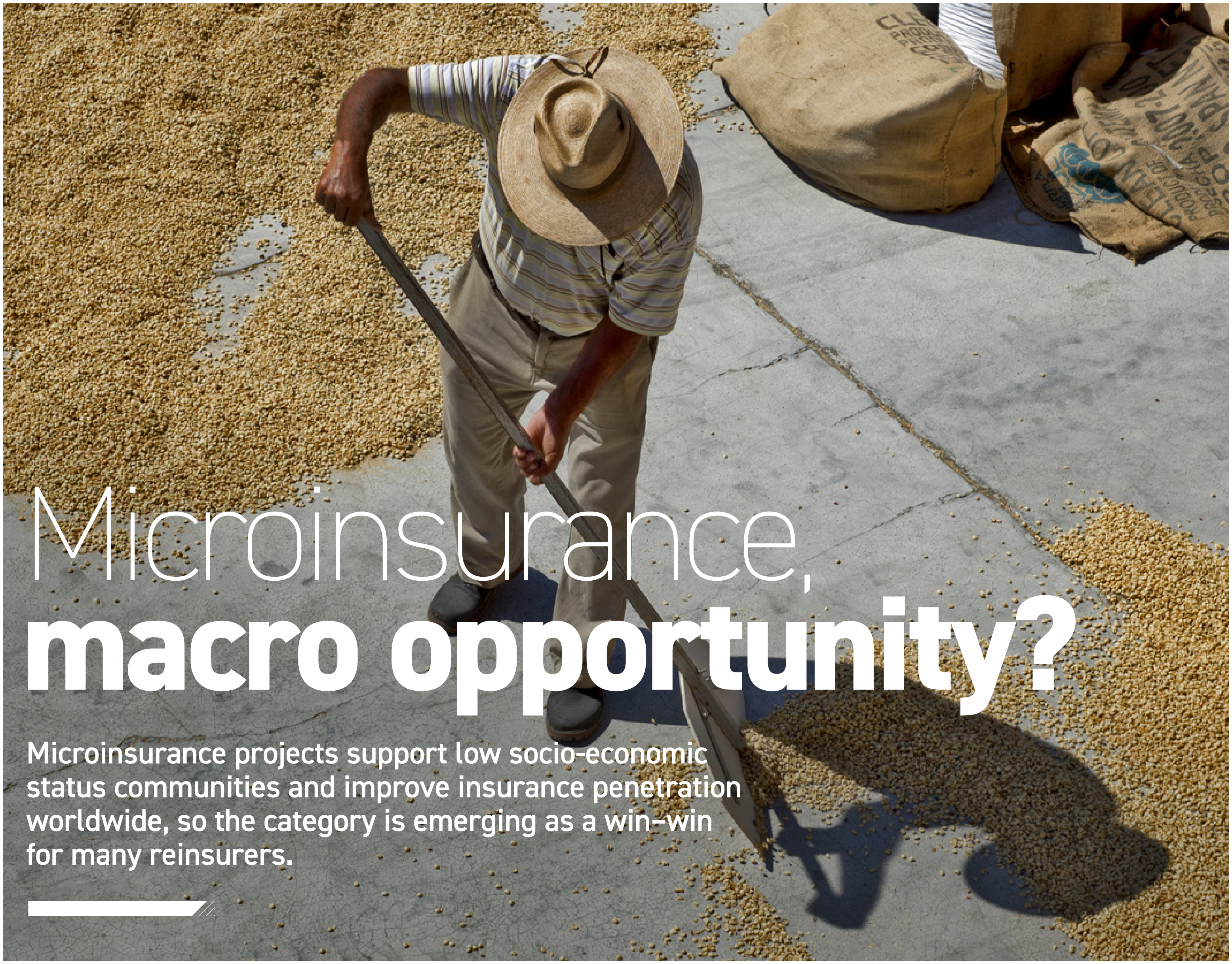
"I think any insurance company that holds a lot of personal and sensitive information will be impacted."

BEN FALKENMIRE
Freelance journalist

"Governments are weighing in in favour of the consumer. However, there's market share on offer here for insurers who can get their systems primed and pitch transparency and trust to the consumer, while keeping their overheads in reasonable check."

IN SHORT

- Microinsurance offers reinsurers a range of advantages, including increased market penetration, supporting low-income communities and delivering on sustainability agendas.
- Munich Re and Swiss Re already run microinsurance projects in South-East Asia, Latin America and Africa.
- Future projects can further address the protection gap, particularly in emerging markets.



Microinsurance, **macro opportunity?**

Microinsurance projects support low socio-economic status communities and improve insurance penetration worldwide, so the category is emerging as a win-win for many reinsurers.

Photography: iStockphoto

PICTURED

There is a huge market of emerging insurance customers in developing countries such as Guatemala, says Katharine Pulvermacher from the Microinsurance Network.

Microinsurance

by Lachlan Colquhoun

Microinsurance — a protection designed to serve low-income individuals and businesses in developing countries — emerged in the 1990s, when the International Labour Organization began experimenting with cheap insurance policies in developing countries.

But what began as a form of charity has developed into a major opportunity for innovative, low-cost models of insurance to penetrate previously untapped markets.

The Microinsurance Network (MiN) defines microinsurance products as having modest premium levels based on the risks insured. The insurer is the risk carrier, and the product must be working towards profitability, or at least sustainability, and be managed on the basis of insurance principles.

Katharine Pulvermacher, MiN's executive director, based in Luxembourg, says microinsurance started out using a donor model, which has evolved into more of a partnership approach with products subsidised by governments, NGOs and corporates.

For reinsurers, microinsurance has multiple upsides, from opening up new markets and increasing insurance penetration to delivering on the sustainability agenda increasingly demanded by shareholders, governments and the wider stakeholder community.

For individual customers and businesses in developing countries, microinsurance offers a new safety net where they might not otherwise have been able to afford it.

An inclusive model

Munich Re is an example of company that has been active in microinsurance for some time. The reinsurer partnered with digital lenders and supply-chain platforms in South-East Asia to offer wholesale insurance protection.

In Indonesia, Munich Re protected more than 3,000 small-to-medium-sized businesses through a similar partnership and was able to deliver financial relief using loan waivers after the Cianjur earthquake of November 2022.

Weihao Choo, head of consulting at Munich Re, says microinsurance is both a business opportunity and a sustainability initiative, and these aspects are not mutually exclusive.

"We hope to use what we are doing in South-East Asia as a microinsurance template or reference point, and extend it across Asia Pacific and beyond," says Choo. "Also, financial inclusion is a real issue in Indonesia, where many people have limited access to financial products, and we see insurance and financial inclusion as inseparable. To have sustainable financing, you need to have insurance."

Catering to emerging markets

Pulvermacher sees microinsurance as a potentially transformative opportunity for models of global development.

"We have this massive market of emerging consumers, and the reality is that 90 per cent of them don't have any insurance at all," says Pulvermacher.

"Many of them live in countries where state social protection is rather limited if it exists, so there's a huge gap in insurance,

> "We have this massive market of emerging consumers, and the reality is that 90 per cent of them don't have any insurance at all."
>
> **Katharine Pulvermacher** / The Microinsurance Network

MICROINSURANCE STATS

US$61.8 billion
Total estimated global market value

223 million
People covered by a microinsurance products in 34 countries, across 253 insurers

US$2.2 billion
Total premiums in 2021

US$15.9 billion
Estimated Asian market premium value

2%
Proportion of the Asian microinsurance market value currently captured

TOP 3 PRODUCT LINES

1. **Life insurance**
2. **Credit life / loan protection**
3. **Health insurance**

Source: *The Landscape of Microinsurance* (Microinsurance Network, 2022) which is not just a risk to these individuals but to the global corporates that invest in these countries and to the global supply chain."

Pulvermacher says there are between one and two billion people living on the equivalent of less than two international dollars (Intl$2) per day (in purchase power parity), while "sitting in the middle" there are around five billion people living on between Intl$2 and Intl$20 a day. Only around 8 per cent of the people in this middle segment have any kind of insurance, representing a major opportunity for reinsurers.

Customers do have some skin in the game, but the model recognises that their risk is linked to other risks that can reverberate on a much wider scale. Some successful projects in individual countries could also provide a template for more global projects.

Pulvermacher cites the South African example of Lumkani Fire Detection and Insurance, a social enterprise which seeks to address the challenge of fires in informal settlements and townships. Over the past decade, residents of these informal settlements in South Africa have lost R1.4 billion as a result of fires.

Global mobile phone industry association GSMA, Hollard Insurance and Islamic Relief worked with Lumkani to install internet-connected fire sensors at zero cost to consumers, mitigating fire risk through network alarms.

"It is proving hugely popular and [Lumkani] wants to expand it in South Africa and the rest of the continent," says Pulvermacher.

Serving the underserved

Cherie Gray, Swiss Re global lead, Sustainability and Market Development, says the company has several microinsurance projects "benefitting underserved segments such as smallholder farmers and women, particularly in emerging markets".

Since 2017, Swiss Re has been the sole reinsurer for the Microinsurance Catastrophe Risk Organisation (MiCRO), which specialises in disaster risk protection to underserved communities in Latin America. In 2022, MiCRO expanded its presence in Guatemala to deliver catastrophe insurance for up to 40,000 smallholder farmers, bringing the number of individuals benefitting from its products to more than 100,000.

Swiss Re has also been active in Egypt, partnering with not-for-profit organisation Women's World Banking to provide affordable microinsurance to women entrepreneurs, helping build their resilience in the event they suffer loss of income due to hospitalisation. Coverage also extends to the policyholder's immediate family members.

Bridging the gap to growth

These initiatives, says Gray, support individual and small-business resilience "by providing a simple risk-transfer mechanism".

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By Domini Stuart

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LOW SOCIO-ECONOMIC STATUS IN AUSTRALIA AND NEW ZEALAND

Both Australia and New Zealand identify geographic areas, rather than individuals, as having low socio-economic status.

In Australia, this is measured in quintiles based on census data, with quintile 1 comprising the 20 per cent most disadvantaged areas and quintile 5 comprising the top 20 per cent most advantaged areas. From 2016 census data, the 10 most disadvantaged local government areas in Australia are all located in rural Queensland and the Northern Territory.

In New Zealand, socio-economic status is measured in deciles, with decile 1 being the least deprived areas and decile 10 being the most deprived areas. Scores are also based on answers in the national census. In the most recent results — Deprivation Index 2018 — decile 10 areas are concentrated in Northland, Gisborne, eastern Bay of Plenty and northern Hawke's Bay.

Based on GDP per capita and the Human Development Index, both Australia and New Zealand are considered developed countries and so are well off compared with some of their neighbours in the Pacific and South-East Asia. Consequently, there is greater initial microinsurance potential for reinsurers in other countries in the Asia Pacific.

"For example, it may provide an entrepreneur greater financial resilience, as well as peace of mind as they start and run a new business, by taking care of the potential negative consequences of sudden health-related events," she says.

"This could increase their willingness to invest in growing their business more rapidly, increasing the benefit to themselves as well as the local economy."

Gray says there is "exciting potential" for microinsurance, although the many variables make it difficult to make predictions about market development.

"What's clear is that there is a significant protection gap for which microinsurance could be part of the solution," she says.

LACHLAN COLQUHOUN

Freelance writer

"This story really opened my eyes to the transformative potential of microinsurance. It was exciting to understand that not only is this a major market opportunity for reinsurers, but it is also part of their sustainability agendas and represents a win for many small businesses and communities."

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Life on a hotter, more polluted planet

IN SHORT

- Climate change will affect populations in different ways, depending on their geography, demographics and health status.
- Insurers need to identify which impacts will have the biggest effects on their business.
- New approaches such as microinsurance, parametric risk transfer solutions and digital technology could help insurers to close the protection gap.

Climate change

by Domini Stuart

Climate change isn't just impacting our weather; it's bringing about new health challenges that could transform life expectancy.

From vaccinations to industrialisation and even pasturisation of cows' milk, history holds plenty of examples of human interventions that have dramatically increased, or reduced, humanity's life span. However, according to Dr Irene Merk, emerging risks ambassador at SCOR, the magnitude of climate change may have an even greater impact on how long we can all expect to live.

"Most importantly, it's happening faster than the ecosystem can adapt, leading to disruption and higher volatility," Dr Merk says. "This means that projections of future morbidity and mortality are becoming more challenging, and we are increasingly likely to need protection and resilience against shock events and trends. It's therefore imperative that companies with long-term business interests, such as life insurers, work towards an understanding of climate change and its direct and indirect impacts on their businesses."

Complex and variable

The impact of climate change on health and longevity will be complex and multifaceted — in part because its effects are so variable.

"We expect regional disparities to be pronounced," says Priya Dwarakanath, Swiss Re's head of Life Research and Strategic Forecasting. "The socio-economic differences in mortality outcomes we can already see may become more pronounced if those in higher income brackets have more access to mitigation measures and healthcare services. There is also likely to be a bigger threat to clinically vulnerable people, including those with comorbidities, the elderly, the disabled, pregnant women and children."

Swiss Re has also found that, while the effects of climate change on morbidity are gradual and slow-moving, the consequences could be felt for many decades.

Damien Mu, CEO and managing director of AIA Australia, is yet to see a direct connection between climate change and claims experience, though he has no doubt that related health impacts will develop over time.

"We are particularly concerned about the impact on chronic conditions, as these are our major cause of insurance claims," he says. "For example, in Australia, heatwaves, bushfires, floods and droughts can all affect chronic conditions such as respiratory and cardiac disease directly. They can also have indirect effects through changes to food availability, as well as a major impact on mental health."

> "In Australia, heatwaves, bushfires, floods and droughts can all affect chronic conditions such as respiratory and cardiac disease directly."
>
> **Damien Mu** / AIA Australia

Mandarin feature

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Identifying the risks to business

Life insurers should all be clear about the ways climate change will affect their business. "This will depend on the individual profile of the insurer and can only be assessed on a case-by-case basis," says Merk.

She outlines five major areas to consider:

1. **The type of insurance product.** For example, vector-borne infectious diseases such as malaria and dengue fever are expected to occur more frequently and over a wider geographic range. However, because they are generally non-fatal, this peril is only relevant to disability or medical covers.
2. **The region of the world.** According to the World Bank, South Asia is home to nine of the world's 10 cities with the worst air pollution. Extreme floods, droughts and hurricanes are unevenly distributed, as are food and water shortages.
3. **The age profile of insurance customers.** The majority of climate change victims will be the very young and the very old.
4. **The health and socio-economic status of customers.** People who can afford life insurance have better socio-economic status and health than average, partly by selection through medical underwriting. However, there are exceptions. Wealth can protect against malnutrition, but not as easily against poor air quality.
5. **Indirect impacts.** These are difficult to gauge and to detect. Mental health, for example, is a very relevant concern for all parts of the population because it is linked to the immune system and also to accidents and suicides.

Shaping the future

At AIA, a greater understanding of the impacts of climate change on human health will be an important factor in future planning, product design and pricing.

"We also take account of the fact that every country, business and individual needs to do what they can to reduce their carbon footprint," says Mu. "Reducing the emission of greenhouse gases through better transport, food and energy-use choices can also result in improved health. For example, choosing to walk or cycle rather than drive is good for our physical and mental health, as well as the environment. We focus on the small things everyone can do — broadly, to look after your own health and wellbeing and, specifically, to reduce your environmental impact."

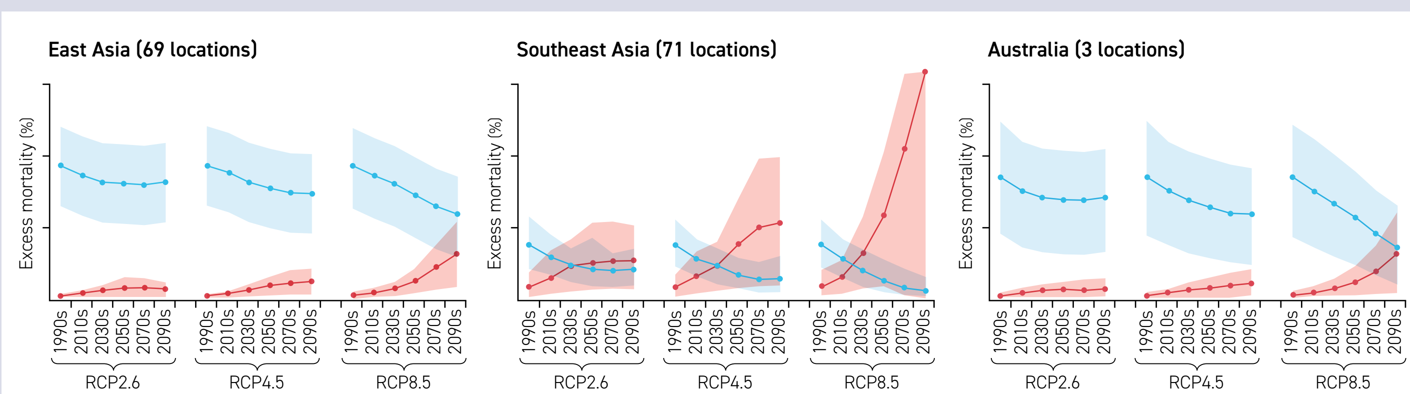
Dwarakanath encourages insurers to look for ways to expand access and coverage to more vulnerable consumers by leveraging alternative approaches such as microinsurance, parametric risk transfer solutions in partnership with government organisations, and digital technology.

"These solutions can help to close the protection gap by providing more people with the insurance they need to protect themselves against the negative impacts of climate change," she says.

"Insurers can also partner with public and private sector stakeholders to gather richer data for mapping and modelling evolving climate, mortality and morbidity trends. This will support better decision-making around future health outcomes and enable providers to develop life and health insurance products that are more aligned with consumer needs."

THE LINK BETWEEN CLIMATE CHANGE AND MORTALITY

Representative Concentration Pathways (RCPs) quantify future greenhouse gas concentrations and the radiative forcing (additional energy taken up by the earth), due to increases in climate change pollution. The projections below predict that as the planet warms and deaths related to cold conditions drop, mortality from extreme heat is going to climb in the Asia-Pacific region.



Source: Gasparrini et. al. (2017) Projections of temperature-related excess mortality under climate change scenarios, *The Lancet Planetary Health* 1(9):e360-e367

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UNDERSTANDING THE RISKS

From a risk management perspective, Dr Irene Merk from SCOR sees climate change as an umbrella term encompassing wide-ranging perils, including those outlined below. Insurers need to identify the risks most relevant to their business.

INFECTIOUS DISEASES

- The spread of pathogens, parasites and diseases due to climate change and shifts in ecological conditions.
- A much higher burden of climate-sensitive diseases in poorer countries with fewer resources to prevent and treat illnesses.

EXTREME HEAT

- Increased cardiovascular and pulmonary events.
- Parts of the world potentially becoming uninhabitable for humans.
- Disrupted natural defence cycles against, for example, certain insect pests.

SEVERE WEATHER

- Increasing frequency and severity of events leading to direct loss of life.
- Long-term detrimental impacts on human wellbeing.
- Famine, social unrest and displacement of population groups.
- Stunted economic development.

AIR POLLUTION

- An increased risk of respiratory infections, heart disease and lung cancer, as well as premature births, due to the surge of pollutants, including those that follow a bushfire.
- Extended length and scope of pollen season.
- Thawing permafrost that releases methane.

WATER AND FOOD SECURITY

- Increased global mortality and morbidity due to poor water quality.
- Forced migrations of populations, as tropical developing regions are hit hardest by climate change.

INDIRECT IMPACTS

- A greater incidence of mental ill health resulting from the stress of being exposed to extreme weather events, anxiety about the future of the earth, and despair about the destruction of nature.
- Public resources funnelled to reacting, rebuilding and adapting become unavailable for education, public health and prevention.

DOMINI STUART
Freelance journalist

"Insurers may not be able to see a direct link between climate change and claims just yet, but this is no time to wait and see. Experts predict that it will happen, and that the impact will be felt over many years. It's vital that life insurers have a strategy in place to ensure their business remains sustainable."

IN SHORT

- Education institutions face an expansive set of liability risks, with the COVID-19 pandemic exacerbating and adding to traditional threats.
- The escalating threat of cyber attack and recent data breaches targeting schools and universities have compelled many institutions to purchase cyber cover.
- With insurance litigation on the rise, education establishments must ensure they have fit-for-purpose insurance in place, so they are protected if something goes wrong.

Spotlight on: education insurance

Education institutions must manage risk correctly to protect themselves from an ever-expanding set of exposures.

by Beth Wallace

> "We're seeing a lot more discrimination-type claims, whether for ability, gender or race."
>
> **Mark Johnson** / Howden Insurance Brokers

Schools, childcare centres, universities and other education institutions have complex insurance needs that are steadily diversifying as the academic landscape evolves.

While such establishments have traditionally focused on risk areas such as public and property liability and workers' compensation, over the past 10 to 15 years it's been 'softer' exposures that have come to the fore, says Mark Johnson, CEO of Howden Insurance Brokers Hong Kong. "We're seeing a lot more discrimination-type claims, whether for ability, gender or race," he explains, adding that staffing matters — anything from decisions regarding tenure to accusations of inappropriate behaviour — are also generating more claims.

According to Janine Rodgers, group broking manager at Crombie Lockwood, this broad set of exposures means underinsurance is one of the greatest risks to the sector. She points to recent surges in building and labour costs — as well as the complexities associated with replacing contents for schools, including specialist equipment — as just one area where institutions must ensure they have adequate protection. "Costs have increased dramatically over the last two years and the availability of some products is still an issue, with large delays in replacement," she says.

Covering all bases

A truly effective insurance program must undergo a fit-for-purpose design phase so that it caters for the niche risks associated with education, says Lynette Walsh, Australia's national client director at Aon. "The most difficult-to-place risks surround a school's liability program, specifically in relation to sexual molestation, concussion exposure and hazardous activities," she explains.

EDUCATION UNDER ATTACK

In the first half of 2022, the global education / research sector:

experienced more than double the number of **weekly cyber attacks** compared with most other industries

faced an average 2,297 **cyber attacks against organisations** every week, an increase of 44 per cent compared with 2021

Source: Check Point Research, 2022

As well as covering these risks, Walsh says specialist education brokers must create comprehensive insurance packages to ensure clients are protected from a wide range of other exposures, including industrial special risks, student personal accident, cyber, travel, motor, directors and officers, crime, employment practices liability, statutory liability and professional indemnity. "Kidnap and ransom coverage, as well as active assailant protections, can also be of relevance to a school," she adds.

A mounting cyberthreat

Cybercrime has intensified over the past decade, and the shift to online learning during the pandemic triggered a significant spike in attacks. According to Check Point Research's *Cyber Attack Trends: 2022 Mid-Year Report*, the education / research sector is the most targeted industry globally, experiencing an average of 2,297 attacks against organisations every week in the first half of 2022 — a 44 per cent increase compared with 2021.

Photography: iStockphoto

EDUCATION INSURANCE: EMERGING RISKS AND SOLUTIONS

1 **Cyber attacks:** the availability of sensitive data and increased digitisation have heightened vulnerability to cybercrime.

Insurance solutions: cyber cover, business interruption cover.

2 **Complaints:** a growing number of claims relating to breaches of contract or duty of care, inappropriate behaviour, negligence or discrimination.

Insurance solutions: educators' liability.

3 **Construction:** amidst a rise in insolvencies, schools are shifting to principal-owned construction policies, rather than relying on builders' insurance.

Insurance solutions: principal-controlled contract works, construction all-risks cover.

Over the past 12 months alone, Australian institutions including TAFE South Australia, Deakin University, the University of Western Australia and Queensland University of Technology have been hit by data breaches, with attacks often causing financial loss, reputational damage, business disruption and legal repercussions.

In response, educators are increasingly buying cyber cover to soften the blow of a ransomware attack or data breach, says Johnson, who explains: "What you're really paying for is access to a team that will swing into action with their IT forensics, PR people, legal team and ransomware negotiators."

Adapting post-COVID

Education institutions globally are facing teacher shortages, exacerbated by the challenges encountered during COVID-19, alongside other factors such as heightened workloads and burnout. Modelling undertaken by the Australian Government indicates that between 2021 and 2025, demand for secondary school teachers is projected to exceed the number of new graduate teachers by approximately 4,100.

In Hong Kong, Johnson says the post-COVID exodus of many residents, including teachers, has presented a major challenge for education employers. "Attracting teachers is a big issue for a lot of these establishments, and there's now a lot of attention being paid to the employee benefits side of the equation," he says. "As an industry, we need to make sure we're providing good-quality medical, life insurance and travel plans to help our clients attract and retain talent."

Unsurprisingly, travel insurance requirements for schools have evolved over the past few years, too. Before the pandemic, Rodgers says a fully comprehensive travel program in New Zealand could cover administration staff as well as students travelling overseas without prior notification.

"Now, insurers are a lot stricter with student school trips, depending on locations and the type of trip, and costs are a lot higher than previously," she says. "Schools need to plan well ahead, but also understand the risk with each trip."

Catering for specialist risks

Although most education institutions have similar baseline insurance needs, some require specialist cover. Johnson cites the example of a university client that keeps radioactive material onsite, explaining, "We have to word the radiation exclusions in their policy, so they aren't inadvertently uninsured."

Likewise, Rodgers says there can be confusion around which parts of an establishment's physical premises are (and aren't) covered by property policies. Community-funded assets or buildings, for example, are commonly referred to as overcode and therefore require additional insurance cover.

With schools and other education establishments accountable to a diverse number of stakeholders, often including children, it's essential they understand and properly manage any 'special' risks, as well as the standard risks that are part and parcel of running a business. Walsh adds: "Any insurance program should be aligned with and tailored to match the unique risk profile of the school."

BETH WALLACE
Freelance writer

"Given that the primary purpose of education institutions is to teach, it's easy to forget what goes on behind the scenes: principals, trustees, boards and other administrators striving to provide a safe environment for students, oversee often sizeable property assets, manage staff and perform a range of other tasks. As a parent who also has family members working in education, I feel for both sides when it comes to handling these challenges."

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PICTURED

Flooded buildings and streets around a major intersection in Lismore, Australia in 2022.

IN SHORT

- During a major disaster event, claim numbers can be triple or quadruple usual volumes, so insurers need a comprehensive plan that allows them to scale up their operations quickly.
- Communication with customers before, during and in the immediate aftermath of an event is crucial, and claims teams often draw on staff from other parts of the business to help.
- Insurers use cash settlements and fast-track approvals for building and repair works to get claims settled as quickly as possible.

by *Chris Sheedy*

Responding *to* disasters

Insurers in Australia and New Zealand have weathered more than their fair share of storms over the past few years. But they have also learned important lessons about how claims teams can improve their operational efficiency.

During the latest floods in the New South Wales town of Lismore, IAG's executive general manager Direct Claims Luke Gallagher travelled with a small army of IAG claims managers to the disaster zone to offer personal support to customers.

He recalls sitting face to face with a couple who had been rescued from the roof of their two-storey house. While they were waiting for help, they had also managed to pluck a neighbour out of the floodwaters, saving her life.

In almost three decades working in the claims space, Gallagher has been on the ground in some of the worst-impacted areas in the immediate aftermath of a disaster. During that time, he says he has seen a lot of change, "including the frequency and severity of major events", but one key lesson remains a constant: "The best thing an insurer can do is to make sure they've got a very robust plan that allows them to scale quickly and introduce digital lodgements to take the pressure off the claims team," he says.

When disaster strikes

At IAG, there's a documented plan for major events that the entire organisation uses when disaster strikes, and sometimes, even beforehand.

"We've got a dedicated natural hazards and natural perils team that includes meteorologists, scientists, mathematicians and hydrologists that help us understand weather patterns and give us a really clear indication around forthcoming events, and the potential scale and criticality of the event," says Gallagher. "That helps us invoke the major event plan."

Prior to the recent events, meteorologists and hydrologists on the IAG team were able to identify risk in advance and pinpoint specific areas that were most likely to see flooding. This enabled text messages to be sent to customers, both to warn of the risk and to provide a link that customers could use to lodge a claim immediately after the event.

This meant the team could ready itself, knowing the shape and scale of what was approaching.

COUNTING THE INSURANCE COSTS

In the last three years, Australia and New Zealand have both experienced natural disasters that have caused significant damage and required fast and coordinated responses from claims teams. Here are four of them ranked in order of costs.

Auckland floods and Cyclone Gabrielle 2023
NZ$1 billion+

Australian hailstorms 2020
A$1.9 billion

Australian bushfires 2019/20
A$2.3 billion

South East Queensland floods 2022
A$4.3 billion

Sources: *New Zealand Herald* and the Insurance Council of Australia

Images: iStock

Gallagher says IAG's major event plan is regularly practised through simulations within the organisation to ensure that when real events occur the business is ready.

"The dedicated major events team has a proven ability to support the rapid scale-up to an extra 200 or 300 claims consultants," he says.

"We have what's called an 'all hands on deck' approach, so digital lodgements can go to people outside our claims team and across the business ... people in sales, service or strategy come on board to help us scale up as fast as possible."

AA Insurance in New Zealand has been going through a similar program of efficiency and productivity improvements as a result of its learnings over many years. These improvements have helped its claims teams cope with major events, including the Auckland floods in January 2023 and the more widespread damage caused by Cyclone Gabrielle just a few weeks later.

"Customers need to be able to get hold of you immediately when something really terrible happens," says Simon Hobbs, general manager Operations at AA Insurance New Zealand.

"We swarm the whole business around these events. We pull in staff from every corner of the business — including the Suncorp New Zealand and Australia teams — to support customers who need to make a claim. We also enable customers with less urgent business to lodge claims online, in a really simple and effective process."

That frees up the claims teams to focus on those who need immediate assistance.

"Within four days of the Auckland event, our call stats were back to normal," says Hobbs. "That meant customers who really needed us could get hold of us."

"We have what's called an 'all hands on deck' approach, so digital lodgements can go to people outside our claims team ... people in sales, service or strategy come on board to help us scale up as fast as possible."

Luke Gallagher / IAG

PICTURED
A Lismore resident waits for the council to collect water-damaged goods after the 2022 floods.

FIVE KEY LESSONS FROM RECENT DISASTERS

Agree on a company-wide plan to scale fast, including drafting people from within the organisation, from other companies in the group and from contractor networks.

Practise putting the disaster plan into action regularly, to ensure a good level of performance when disaster strikes.

Use technology, particularly via smartphones, to make it easier for customers to lodge claims.

Develop more efficient ways of working with trusted disaster recovery agencies and trades, removing as much administration as possible to ensure their fast deployment.

Leave a disaster-affected area in better shape to look after itself next time, by working as much as possible with local trades and agencies on the rebuild.

That human element

Scaling up claims operations when major events occur has been one of the major learnings for insurance companies during the most recent disasters.

According to Hobbs, the process begins with a trained triage team to filter calls. Using humans rather than an interactive voice response system at this entry stage means customers who require urgent help, as well as vulnerable customers, can be identified and prioritised.

As more claims are lodged, AA Insurance brings on board a specialist project management company that works exclusively with AA Insurance and Suncorp in New Zealand. That business is also able to scale at pace and has worked closely with AA Insurance during many events to have assessments completed as quickly as possible.

Similarly, IAG adapted its approach to make lodging and processing claims easier and faster during the recent New Zealand weather events.

"Our 'all hands on deck' program was activated, enabling a large team to be available immediately," says Gallagher. "We also trained several hundred more of our people to join them, including 200 contractors from New Zealand and Australia, to help manage claims. Support was also brought in from Australia so we could strip out and dry more homes, faster."

> "We estimate the value of the contents with a customer and reach an agreement on the settlement, rather than making traumatised people complete lists. The right thing to do is just pay out the sum insured really quickly, if that's what the customer opts for, and allow them to move on."
>
> **Simon Hobbs** / AA Insurance

Making cash king

AA Insurance has settled over half of the contents insurance claims from both recent events with cash.

"In these situations, we just have to be really pragmatic around it," says Hobbs. "We estimate the value of the contents with a customer and reach an agreement on the settlement, rather than making traumatised people complete lists. The right thing to do is just pay out the sum insured really quickly, if that's what the customer opts for, and allow them to move on."

IAG also fast-tracks approvals for work being done by disaster recovery businesses such as builders and automotive repairers during and following disasters.

"We have over 400 property and motor assessors nationally that we can fly into the relevant areas," says Gallagher.

"We also have a dedicated national repair model, with national-scale builders and smash repairers. We have the ability to move builders into areas that are worst impacted, but always under the premise that those builders will, in the first instance, engage suitably qualified local trades, to give back to the community."

Empowering partners

To enhance the speed of repairs and unlock other efficiencies, IAG also works with what Gallagher describes as "higher levels of trust" with disaster recovery providers.

"What we say to our partner builders, for example, is that we're going to give you auto-approval limits," he says. "We lift those limits so they can get straight out there and do make-safe repairs. There's not that requirement to send a quote and wait for assessment."

All of this makes insurers and disaster recovery businesses more flexible, efficient and able to offer assistance to people at a time they most need it.

"During recent major events, we've been managing 137,000 claims when, at the same time of a year without an event, we'd have around 45,000," says Gallagher.

"We have become a finely tuned machine. Proper planning prevents poor performance. That's why we've got the major event plan that we can pull off the shelf when we need it. And that's what we do regularly, sometimes as a result of real events, and sometimes just to make sure we're ready."

> "We have become a finely tuned machine. Proper planning prevents poor performance."
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> **Luke Gallagher** / IAG

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CHRIS SHEEDY
Freelance writer

"Claims handling sometimes attracts criticism after a disaster or an extreme weather event. But you don't have to look too far to see the effort, expense and expertise that insurers bring, adding immeasurably to the recovery process. The 'fitness' level of insurers, particularly their claims teams, might be the very best thing to come out of natural disasters."

Image: iStock

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

*For the period 21 March to 4 July 2023

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THE LIST
by Chris Sheedy

5 positive phrases to use in **customer support conversations**

The language you use during customer conversations has an enormous influence on their outcome.

Our experts:
LISA CARTER // *managing director of Clear Insurance*
RIA LEASON // *chief people and culture officer at Gallagher Bassett*

WHETHER IT'S AN introduction to a potential client, an emotional call from a customer after a natural disaster or a renewal meeting, your choice of language and willingness to listen deeply will contribute to the success of the discussion.

Lisa Carter, managing director of Clear Insurance, and Ria Leason, chief people and culture officer at Gallagher Bassett, share some phrases that help ensure customer conversations are positive experiences.

01 // "Help me understand the risk we need to manage."

"It's important to ensure clients understand the value of managing the risk in their business or life," says Carter. The best way to engage with a client is to discuss 'risk' rather than 'insurance'.

"So, we ask clients to help us understand their business, what they do, how they operate and the associated risks. Then we start to dig deeper."

02 // "What worries you most?"

"Here, we're getting deeper into why we're having this conversation in the first place," says Carter.

"What are their major concerns? What would impact cash flow? What would cause damage to assets? What could go pear-shaped?"

Insurance is a risk-transfer mechanism, she adds. "To design the perfect solution and to have a collaborative conversation around it, we must engage the client in shaping the solution."

03 // "Let me make sure I've got this right."

Many customer conversations are complex — whether you're being briefed on how a company works or discussing the timeline that led to an insurance claim. It's easy for the customer and / or the insurance professional to get confused.

"Clarifying a customer's concern demonstrates that we are actively listening and committed to understanding their needs," says Leason. "It's an excellent way to ensure we're on the same page, before offering a solution."

04 // "Thank you for bringing this to our attention."

You can't fix a problem and you can't acknowledge outstanding performance if you don't know about it. Customers who take the time to share their experiences are incredibly valuable.

Leason says expressing gratitude for a customer's feedback, whether positive or negative, highlights that you value their input and are committed to continuous improvement.

05 // "My job is to get the best outcome for you."

"Often it's our job to reassure the client at the same time that we gather important information," says Carter. "In the event of a claim, we are there to represent them, to get the best outcome for them.

"We should also remind them that we'll work with the insurance company to get the best outcome for everyone, including maintaining a relationship with the insurer." //

Illustration: iStockphoto

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