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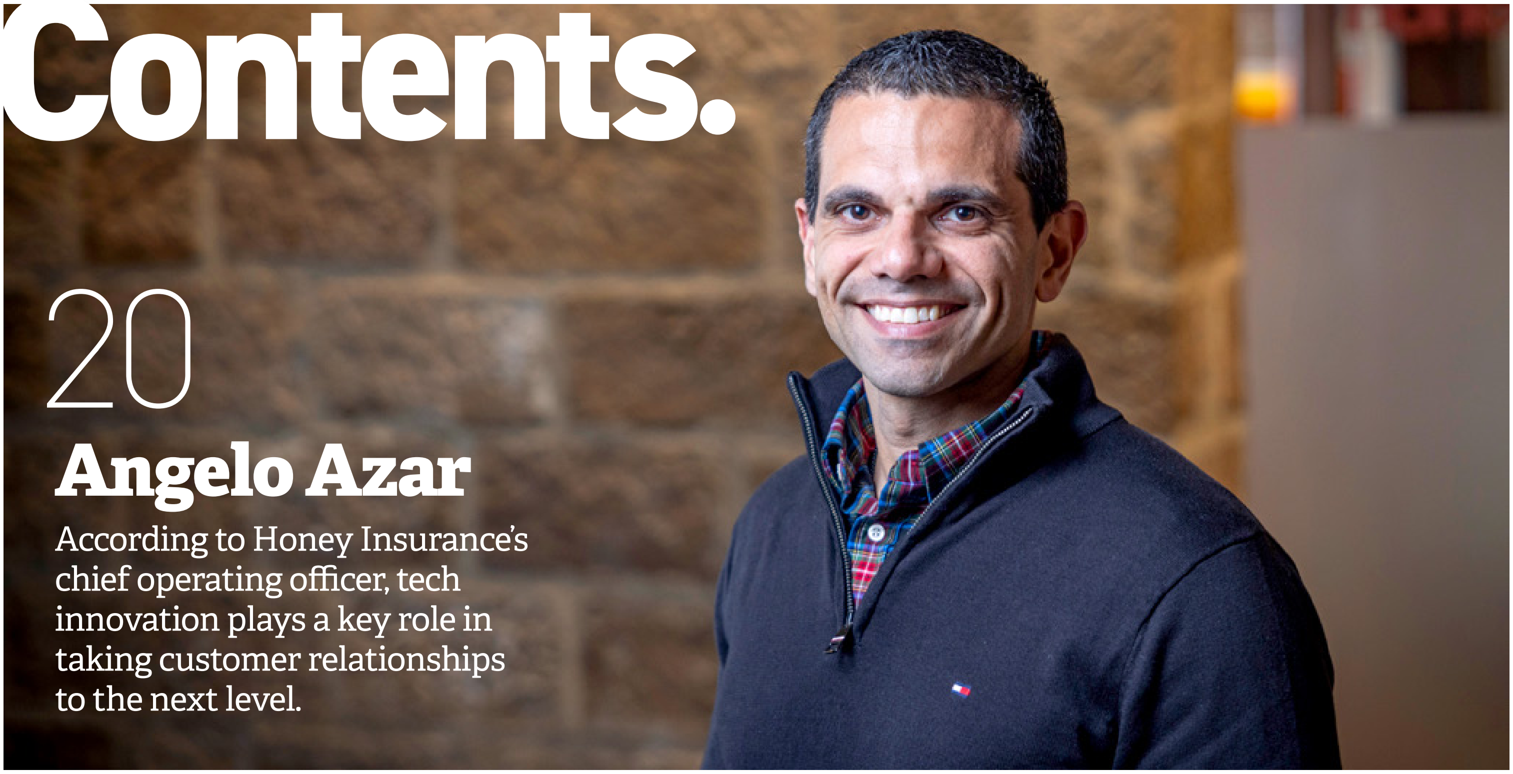
CHANGING PERCEPTIONS

How the insurance industry can reverse its negative reputation

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

Contents.



Technical.

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ANZIIF Insurance Industry Awards

It will be a double celebration for ANZIIF this awards season as we celebrate not only our 140th anniversary, but also 20 years of the Australian Insurance Industry Awards.

The 2024 event recognises finalists and winners across 17 categories, highlighting the outstanding achievements of Australian organisations and individuals across the insurance value chain.

This historic occasion will be marked in style in Sydney on 22 August, with the New Zealand Insurance Industry Awards — now in its 12th year — following in Auckland on 21 November. Secure your tickets today before they sell out.

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21 November | Cordis, Auckland

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3 CIP pts

Group Life Seminar

3 September | Sheraton Grand Sydney Hyde Park & online

The annual Group Life Seminar is the perfect opportunity for those working in or with the life insurance sector to reflect on recent changes, discuss ongoing challenges and explore what the future might hold for the industry.

One key topic this year will be how artificial intelligence has enabled fraud detection in life insurance claims. Sign up to stay abreast of this and other industry trends, hear from expert speakers and network with peers.

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Emotionally Intelligent Customer Service

This activity takes a deep dive into the interpersonal and emotional intelligence (EQ) skills that insurance professionals should aim to cultivate, particularly when working with vulnerable customers. Alongside strategies for improving communication and demonstrating EQ, it shares tips to help customer service representatives maintain their own wellbeing when dealing with challenging interactions.

→ Start activity

WATCH //

Snapshot: IT outage — Are you ready?

The CrowdStrike outage in July triggered IT chaos on a global scale. While such events can be a crisis for many, they also present an opportunity for insurance professionals to make sure customers have the coverage they need. Watch this two-minute video to see some of the questions customers may face during an IT outage, and what you can do to help.

→ Watch here

READ //

Customer Magic the Macquarie Way: How to reimagine customer experience to transform your business

By Joseph A. Michelli

Having analysed customer experience success stories from world-leading brands such as Starbucks, Mercedes-Benz, The Ritz-Carlton and Airbnb, *New York Times* bestselling author Joseph Michelli has turned his attention to Australian telco Macquarie Technology Group.

In *Customer Magic*, Michelli shares lessons on how to leverage world-class customer experience and innovation to grow a business. This includes strategies for identifying and solving customer pain points and crafting a unique value proposition.

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IN SHORT

- **Despite a dramatic improvement to the insurance sector's performance over the past decade, the public's general perception is that there is a lot more work to do.**
- **Media coverage of insurance failures, coupled with a lack of coverage of successes and advancements, creates a serious challenge for the reputation of the sector.**
- **Insurers are focusing on upskilling within their own organisations, as well as offering public education campaigns targeting myths and misperceptions, to begin to change the narrative.**

CHANGING PERCEPTIONS

Customer misconceptions, reinforced by negative media coverage, exist across all areas of insurance. How can the sector communicate the vital, positive role insurance plays?

Like clockwork, the minute a natural disaster occurs, the media begins reporting on home and contents insurance failures. If the event is in another country, that coverage might instead focus on travel insurers. And if numerous people die during or after the disaster, life insurers are also likely to be placed under the microscope.

A level of scrutiny can be a positive thing — it ensures constant improvement and a pursuit of excellence across the sector. At the same time, however, it can have a negative impact by ignoring advances in the industry and creating or further reinforcing misconceptions among customers.

Some of these misconceptions seem as old as insurance itself. In the field of life insurance, says Jane Barron, marketing and digital manager at Pinnacle Life in New Zealand, some of these include: a belief that customers will get their premiums back if they don't claim; that a health loading is a personal judgement indicating the insurance company does not wish to provide cover; and the suspicion that life insurers won't pay out.

Misconceptions also exist in travel insurance. Todd Nelson, CEO of Cover-More Australia, lists some of the most problematic myths:

- Travel insurers hide nasty surprises in the fine print.
- Travel insurance doesn't provide cover for many medical conditions.
- Customers won't be covered if they have a drink while on holiday.
- All policies are the same.
- Travel insurers won't approve claims.

Photography: iStockphoto

"While we work actively to debunk these myths, including publishing content on our website and social platforms, it is difficult to get good traction when online channels and platforms and the mainstream media are much more likely to focus on negative stories and declined claims," says Nelson.

So, what is being done to combat the negative media coverage and educate customers around much-improved outcomes offered by today's technologically transformed insurers?

But first, the facts

Studies by the Australian Securities and Investments Commission and the Australian Prudential Regulation Authority, as reported by Insurance Watch, say that between 2016 and 2021 life insurers in Australia paid out between 92 and 94 per cent of claims.

AIA New Zealand's Annual Claims Data 2022 report says the organisation accepted 93 per cent of all claims received that year, paying out NZ$646.4 million, with life insurance accounting for 42 per cent of the claims. More than 30,000 AIA health claims were submitted via the online self-service portal, making lodgement and delivery of payouts simpler and faster.

A 2023 CHOICE travel insurance report, published by the Australian Government's Smartraveller website, says "Australian travellers lodged almost 300,000 insurance claims in 2018-19, the last financial year before COVID-19 travel bans. Almost 90 per cent of those were paid out".

The top reasons for denying the small percentage of claims were:

- policy exclusions, or events not included in the policy conditions
- the claim amount was below the excess
- the claim was due to a pre-existing medical condition
- the claim was for an item that was stolen while unattended.

Most travel insurers offer specific coverage for people with pre-existing medical conditions. This is vital as, according to the Australian Bureau of Statistics, 49.9 per cent of Australians have one or more chronic conditions. Life insurers offer similar options.

How is the insurance sector changing the narrative?

Barron says the Financial Services Council has been working diligently in the education space to ensure a better understanding of the purpose, function and facts of insurance. In New Zealand, initiatives include financial literacy website Money and You and the new Empower Women network, which aim to improve financial confidence and wellbeing.

"These efforts, along with other proactive measures taken by insurers, enhance financial literacy and trust," she says.

Insurers, including Pinnacle, have made significant efforts to improve communication with customers. The company's documents, websites and other communications have a focus on plain English free of jargon so they are easy for customers to understand. This makes insurance interactions "more comfortable and transparent", says Barron.

At Cover-More Travel Insurance, Nelson says, educative content is regularly published on the company's channels.

"We invest in PR and customer testimonials," he says. "[For example], in the second half of 2023, we invested in a paid editorial campaign, *A survivor's story: What to do if you end up in hospital on an overseas holiday*, which ran on a high-profile news platform."

Still, more needs to be done by mainstream media outlets to help debunk myths and spread news of positive insurance outcomes.

Negative news creates negative outcomes

In 2022, Australian insurers paid out A$36.5 billion in claims, according to the Insurance Council of Australia (ICA).

"This helped people to rebuild their homes and businesses after natural disasters, to get back on their feet after accidents and illnesses, or compensate them for loss through theft or even cyber attack," says an ICA spokesperson.

When media focuses only on the negative, the result tends to be reduced insurance coverage or underinsurance, which can cause significant consequences for individuals, communities and the economy as a whole.

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“Australian travellers lodged almost 300,000 insurance claims in 2018-19, the last financial year before COVID-19 travel bans. Almost 90 per cent of those were paid out.”

2023 CHOICE travel insurance report

“We use the telematic data to create new risk models which can be cheaper in many cases, and to build a truly engaging and valuable car care solution.”

Andrew Wong / KOBA Insurance

The ICA spokesperson says this growing protection gap is a real concern for the industry, as underinsured and uninsured households have significantly less capacity to cope when a significant incident occurs and they need to make a claim.

Barron concurs, pointing to an increase in lapses and cancellations at Pinnacle Life due to the cost-of-living crisis. More people are relying on the generosity of others or on government benefits when they hit hard times, she says.

“The long-term impact of a family coping with the death of the primary income provider can be devastating, turning into a poverty cycle that can be hard to get out of. Ultimately, the losers are often the children, whose life outcomes might have been quite different with life cover.

“In my mind, the media has a fundamental role to play in changing the dialogue, and this means insurers need to work harder to get positive stories into the limelight.”

The Insurance Council of New Zealand (ICNZ) agrees, saying the insurance sector, media and others would do well to promote the great leaps forward in insurance, which result in better service for customers.

CHRIS SHEEDY
Freelance writer

“Having written in the insurance space for two decades, I have witnessed vast improvement in the performance of insurers in our region, particularly around disaster response and the use of technology to improve claims response times. Customer experience is being enhanced across the board. It is undoubtedly frustrating for those in insurance to face mostly negative media coverage, but as insurers and peak bodies learn to better tell their stories to the public — and become more media-friendly themselves — I'm confident perceptions will change.”

“The response to last year's Auckland Anniversary Weekend flooding and Cyclone Gabrielle is an example of how the industry was able to provide certainty to those affected as quickly as possible,” the ICNZ says. “These extreme weather events were New Zealand's second-largest insured loss event, involving over 117,000 claims. Some 91 per cent, or nearly 107,000, of all types of claims had been settled as at 1 March 2024.”

Of course, insurers are taking responsibility for their own consistent improvement, too.

“We continue to invest heavily in training for our own customer service teams and for travel agents and other authorised representatives to enable them to clearly articulate the benefits of travel insurance,” says Nelson. “And we will continue to offer layers of travel insurance policies to cater for different budgets.”

Cover-More Travel Insurance has also developed an in-house, 24/7 medical assistance and travel risk management service. “We invest in this capability because travellers are demanding more connected, more informed and safer travel,” says Nelson.

Insurtechs address emerging customer misconceptions

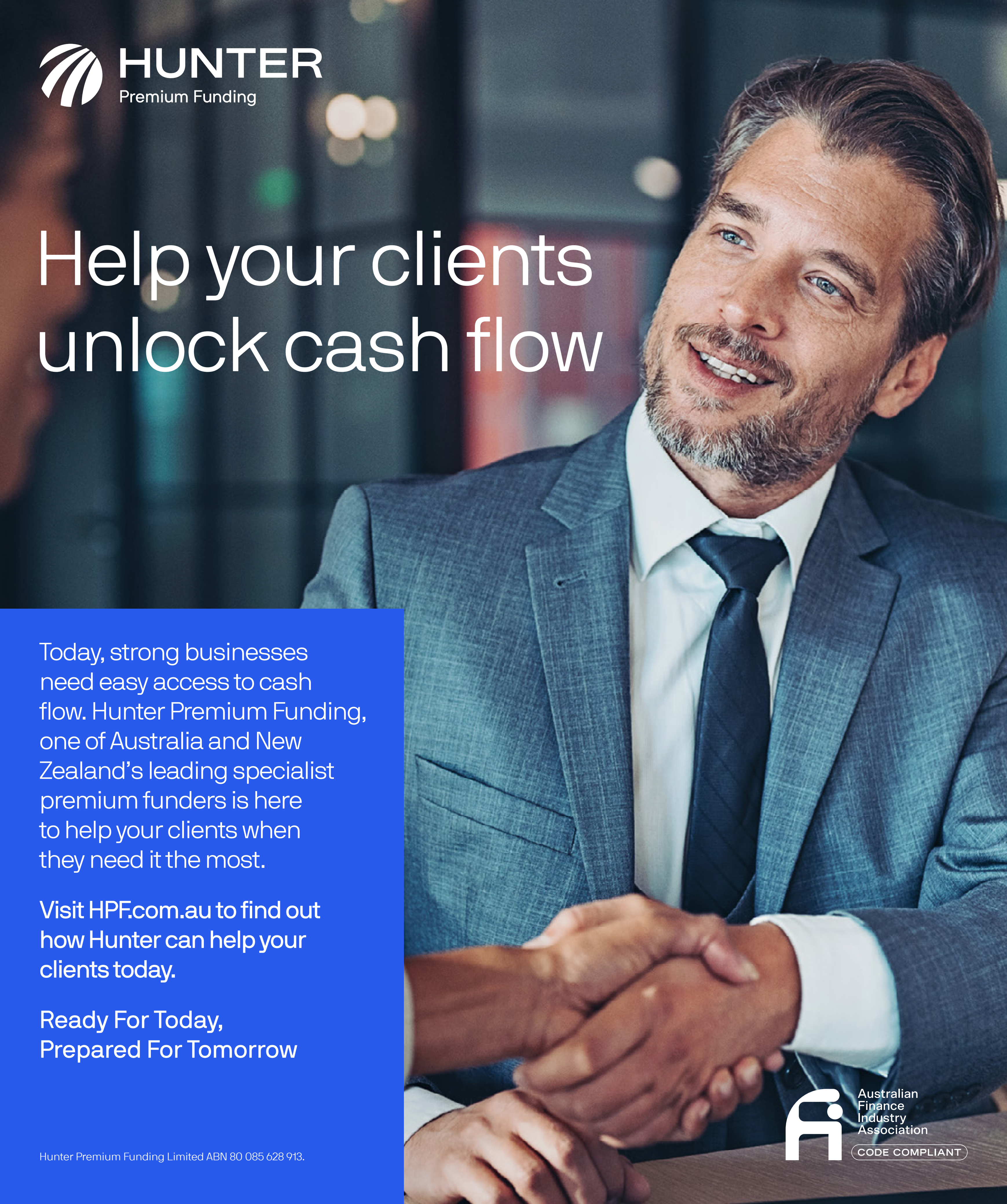
Even the insurtech space is not free from its own, data-related customer misconceptions.

One example comes from Australian insurtech KOBA Insurance, which offers pay-per-kilometre cover by connecting its tech to the onboard computer of a customer's car.

“The biggest misconception is that we are a big, bad insurer and want telematic data so we can find more evil ways to deny claims,” says Andrew Wong, KOBA Insurance founder and CEO. “In truth, it's the complete opposite. We use the telematic data to create new risk models which can be cheaper in many cases, and to build a truly engaging and valuable car care solution.”

He continues: “The data is the key to changing the service offering and resetting customer expectations. Like in all other industries, more data equals more service, equals more convenience, equals more value.”

As one demonstration of this, Wong explains that the smartphone app that packages the company's electric vehicle insurance offering also includes valuable information about how the customer has managed and maintained the EV car's battery. When it comes time to sell the car, evidence of good battery management throughout the ownership period will add to the sale price.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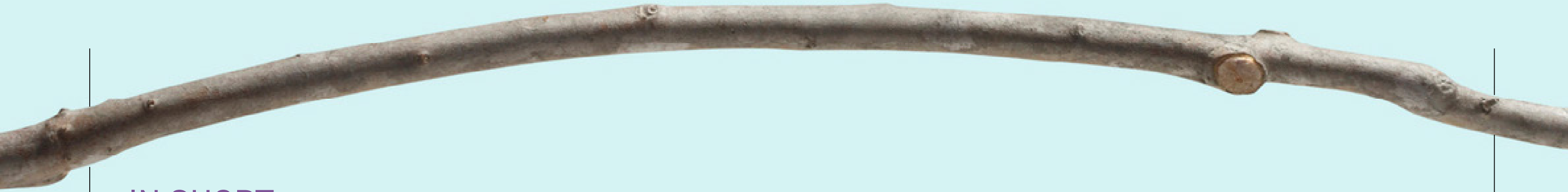
CODE COMPLIANT

by Susan Muldowney



IN SHORT

- Data shows that APAC consumers are loyalty program enthusiasts, but successful programs require leadership buy-in and a deep level of customer understanding.
- Programs that reward risk-averse habits can benefit insurers through customer retention and the potential for fewer claims.
- Loyalty programs present costs and challenges that must be carefully managed and clearly communicated.

UNLOCKING CUSTOMER LOYALTY

Retaining customers is vital for insurers to maintain profitability, reduce expenses and remain competitive. Do loyalty programs give insurers and their customers what they really want?

Photography: iStockphoto

Mandarin feature

中文 A-z

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In a competitive insurance industry, loyalty can be hard won. Given the rising cost of living and soaring customer expectations, insurers can risk losing customers unless they offer a compelling reason to stay. Loyalty programs are widely viewed as powerful tools for driving customer growth and retention, but do they really work and what are the key ingredients for success?

Data from global public opinion company YouGov shows 72 per cent of APAC consumers are loyalty program enthusiasts who subscribe when given the opportunity. At their best, the programs can strengthen customer relationships through tangible, personalised rewards and help to reduce claims by encouraging risk-averse habits, such as safe driving or a healthy lifestyle. At their worst, they can be a costly exercise, with minimal customer buy-in.

Adam Posner, founder and CEO of customer loyalty consultancy The Point of Loyalty, says successful programs share several common traits.

"The number one ingredient for success is having clarity around a program's purpose," he says. "The entire leadership team and everyone else in the business needs to know why they're building a program. I've seen programs fail or experience real challenges when the CEO says to the head of loyalty, 'Why have we got the program again? Why is it costing us this amount? What's the return on investment?'."

"The number one ingredient for success is having clarity around a program's purpose."

Adam Posner / The Point of Loyalty

Giving customers what they want

Loyalty programs come in many forms. Some offer points to be redeemed with program partners, while others promote longer-term engagement through tiered program membership. Members are ranked into groups based on certain metrics, such as exercise milestones. Some programs also target customer acquisition by rewarding members for referring a friend.

Research from IBM shows customer acquisition costs rose from 15.8 per cent of gross written premium in 2018 to 17.9 per cent in 2022. It also shows that 64 per cent of consumers want their insurers to understand them well.

This level of customer understanding is another feature of successful loyalty programs, says Posner.

"Insurers clearly have a wide customer base, but there are opportunities to segment them. There might be an older skew or a younger skew, for example, and certain benefits and rewards are going to be much more appealing to some than others, so knowing your customers will ensure a loyalty program is fit for purpose."

In Singapore, Manulife's ManulifeMOVE rewards program is tailored to customers' preferences. The company's research shows that four in five Singaporeans choose to stay healthy through general everyday movements and that they are significantly more likely to want cashback as a reward, compared with their regional counterparts. ManulifeMOVE, launched in Singapore in 2018, was localised so that customers who achieve an average of 10,000 steps daily will receive a recurring S$50 cashback every six months, until the end of their life insurance policy.

Posner says financial benefit is one of the most attractive customer rewards for loyalty program members (see breakout on next page). "Programs that build community are also attractive," he adds. "One example is Medibank, which sponsors parkrun events."

Medibank has been a parkrun partner since 2016. Eligible members of its Live Better rewards program earn extra points to be redeemed with Medibank retail partners when participating in one or more parkrun events in a month.

A win–win proposition

Loyalty programs that incentivise behaviour like a healthy lifestyle can be a win–win for insurers by helping them to retain customers while potentially reducing claims.

Two such programs in Australia are TAL Health Sense and Health Sense Plus. The Health Sense BMI discount supports and encourages long-term good health by offering customers up to 15 per cent off TAL Accelerated Protection Life, Critical Illness and TPD premiums when their BMI is between 19.0 and 28.0. Health Sense Plus rewards customers for participating in preventive screening programs, such as regular blood glucose monitoring to identify diabetes mellitus at an early stage. While TAL does not request the results of these screening tests, its eligible customers are rewarded with a 5 per cent discount on their lump-sum premiums every two years.

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Aaron Newman, TAL general manager of Individual Life Product, says the programs help to build the brand's reputation and encourage customer retention.

"The programs also align with the evolving expectations of our customers and reward and encourage them for making healthy lifestyle choices," he says.

The AIA Vitality program also provides an incentive for members to make healthier lifestyle choices.

Stephanie Phillips, chief shared value and marketing officer at AIA Australia, says the savings generated from reducing claims and improving retention are passed back to members in the form of lower insurance premiums and behavioural incentives.

"This creates a virtuous circle that benefits AIA customers and society, as well as AIA itself," she says.

The AIA Vitality program in Australia celebrates its 10th anniversary this year. Its data shows that throughout that time, program members have taken more than 420 billion steps, completed almost two million health and wellbeing assessments and earned shopping rewards vouchers worth A$60 million.

"They've also had almost four million visits to our partner gyms," says Phillips.

Easing the cost of living

Times of economic turbulence can present a huge opportunity for loyalty programs to engage and support members. The 2024 *For Love or Money*™ report by The Point of Loyalty shows 42 per cent of loyalty program members become more actively involved with the programs during times of economic uncertainty to maximise their rewards and savings.

New Zealand's largest health insurer, Southern Cross Health Society, rewards its members

Photography: iStockphoto

INGREDIENTS FOR SUCCESS

Adam Posner is author of the annual research report *For Love or Money™*, which tracks key trends and insights on customer loyalty and loyalty programs in Australia and New Zealand. The research has tracked what Posner calls "the collection of six currencies loyalty program members care about".

1 MONEY
Programs that reward and remunerate members with financial benefits such as discounts, cashback, earning points for rewards and members-only pricing.

2 MEMORY
Programs that add 'moments of magic' to members' lives, with experiences such as special events, limited releases and gifts.

3 TIME
Programs that make life easier, such as providing digital receipts, an app with easy payments or a member support hotline.

4 ME
Programs that make members feel special, through personalised communications, tailored offers or product recommendations based on previous purchases.

5 MY
Programs that provide a choice of rewards that members can redeem, such as the choice of a birthday gift or choice from a catalogue of rewards.

6 US
Programs that connect members with other people and causes, such as member forums, fitness clubs or opportunities to donate rewards to charity.

Source: The Point of Loyalty 2024

> **"The tip I give is to always be generous, knowing that there could be a big impact."**
>
> **Adam Posner** / The Point of Loyalty

with a range of benefits, including partner offers from healthcare retailers such as Bailey Nelson, Specsavers, Feel Fresh Nutrition and Les Mills.

Regan Savage, chief sales and marketing officer for Southern Cross's health insurance arm, says details of reward uptake are commercially sensitive, but that "a significant percentage of our membership base" engages with the offers each month.

"Across a year, due to our strong membership, this means hundreds of thousands of transactions where our members take advantage of the deals and offers we have negotiated on their behalf to aid their health and wellbeing," he says.

Savage says the key to a successful partnership is ensuring there's a "win–win for all key stakeholders, with the member at the top of the tree".

"Partners must have good national coverage and meet the needs of members on their healthcare and lifestyle wellbeing journey," he says. "They must also provide valuable products and services in a challenging cost-of-living environment."

The cost of loyalty

Loyalty programs may generate benefits like customer retention, but they also come at a cost. One of the biggest expenses, notes Posner, may be the rewards themselves.

"Are you giving away margin by offering membership discounts? Even if the reward is through a partner, there will still be some kind of cost associated with bringing them on board."

There are also system and technology costs associated with setting up and maintaining a program platform, plus the expense of program resources and management. Data from the *Global Customer Loyalty Report 2023* by loyalty technology provider Antavo shows that the average loyalty program requires a management team of 16 employees from a single or multiple departments. "There are also marketing costs, plus the costs associated with protecting customer data," says Posner.

Along with costs, loyalty programs carry risks associated with rolling back a reward.

"It's the breaking of a promise and members feel they've earned their rewards, so if you change the value or you remove an entire reward, you risk losing trust, which is closely aligned to loyalty," says Posner.

However, partnerships change, and insurers may be required to modify their reward offerings. In some cases, entire reward programs may be discontinued.

"The tip I give is to always be generous, knowing that there could be a big impact," says Posner. "As an example, I rolled back a program for a company, and they closed the points program down and attributed the points to a certain value that they had promised. They turned them into vouchers, and they doubled the value. They had very positive feedback. In fact, some members were surprised by the generosity."

Clear communication is vital when modifying loyalty rewards, but customer engagement is also a valuable outcome of loyalty programs. They give insurers another reason to communicate with customers and to reinforce what's in it for them.

Newman says keeping members connected to its loyalty programs also keeps them connected to TAL.

"The programs provide opportunities for TAL and advisers to regularly engage with customers and clients on a range of topics, beyond the value of life insurance, which can foster more meaningful relationships."

SUSAN MULDOWNEY
Freelance business journalist

"An email from your insurer usually relates to your premium — and that's rarely good news for customers. Loyalty programs create a point of difference, and they give insurers another reason to communicate and reinforce the value of membership."

Photography: iStockphoto


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ANGELO AZAR

THE **TRUE TEST** OF A CUSTOMER RELATIONSHIP

TITLE // Chief operating officer

COMPANY // Honey Insurance

For Honey Insurance's **Angelo Azar**, the company's innovative tech initiative is an important building block to take customer relationships to the next level.

STORY *Abigail Murison* **PHOTOGRAPHY** *Michael Amendolia*

Ask Angelo Azar what his role is at Honey Insurance and he'll tell you: it's to make people's lives easier, "whether it's our people or our customers". However, Honey's chief operating officer confesses he didn't start out thinking that way.

Azar's immigrant parents instilled in their son a strong work ethic and a clear message: study hard and work your way up the ladder to win.

"But winning is not the way that people think of it historically," he says. "Lucky for us, to win doesn't mean someone has to lose. The opportunities are so big, it's not as if there's one slice that everyone's got to take from. So, in reality, everyone can win."

It's a view Azar has taken in his many leadership roles across insurance, banking and even manufacturing and engineering.

"Every person that you encounter is a person who you have the opportunity to make a difference for," he says. "Some days you get it right, and some days you reflect on it and know that you could have done a little bit better. But you should be trying, rather than passively watching what happens."

From us, to you

With his extensive experience on the front line of customer interactions, Azar says that insurance has not changed fundamentally over the past 20 or so years — but customers have changed a lot.

"Essentially, insurance is a promise, and customers want to know that they've got that ticket to cash in on the promise if something were to go wrong," he says. "In the past, insurance companies offered a one-size-fits-all solution. When customers needed to engage with their insurer, they did it in a way that suited the insurance company. Now, customers want a personalised experience, and that's the main reason they no longer make decisions purely based on the brand name."

Azar says it's about treating customers as individuals: taking advantage of technology, so they can engage with you wherever they want to, and using data, so you can make things easier for them.

"You should be taking something complex and making it simple: [if I'm a customer] I don't want to have to rely on a 100-page document alone to understand what I'm covered for. I want it to be simple and easy. And if I've been with you for a number of years, the least you can do is acknowledge our relationship."

Azar says there has been a shift with insurers from what the company needs to what the customer wants. He acknowledges that it becomes more difficult with increasing regulatory obligations, more complex technology and associated costs. "But it's around how you do the simplest things customers want, listen to them and deliver for them," he says. "I find that even just apologising to a customer and looking to remedy anything that's gone wrong is appreciated."

Changing frequencies

Honey Insurance is backed and underwritten by RACQ, and counts AGL, McGrath, Mirvac and Gallatin Point Capital in the United States as some of its investors. When customers sign up for insurance, they receive smart sensors to help detect issues such as flood or fire, and limit the damage.

Azar says risk mitigation is, in some ways, secondary to the role technology plays in the customer relationship.

"Insurance is, by default, a reactive service because of the payment for promises to be delivered when something goes wrong," he explains. "We take that and we say, 'Through the use of technology, we can help you better manage the risks in your home. And if you do we'll reward you through a lower premium.'"

As well as helping to mitigate claims, Azar says a major benefit of the technology is the number of customers who come to the business saying their sensor just went off and that they appreciate that connectedness.

And that changes Honey's customer relationships at a very fundamental level.

"The number one thing that customers tell insurance companies they want is more frequent and meaningful engagement, but insurance communications are very low frequency and very high impact," says Azar.

"If you think about your relationship with your local grocery store, it's high frequency, low impact. If you go to your local supermarket every week, one mediocre experience is not necessarily going to change your mind about shopping there.

"When we look at insurance, we want to try to increase the frequency of interactions with the customer, so that we have a better relationship. And I want to make it so that when we do engage in those high-impact situations, they are pleasant and positive."

Azar says that every time a customer gets a notification through their smart sensors that something may be amiss at their property, they associate this with Honey Insurance and that the company cares about their wellbeing.

"Meanwhile, competitors are silent throughout that entire experience" he says. "They speak to you when you buy something and when it's time to renew, while we might have engaged with you dozens of times in that period."

He points out that what Honey does is not new thinking. "It's not that insurers haven't thought about these things; it's just that they haven't done them. It's an execution piece."

By changing to higher customer interaction frequencies, the company has more opportunities to shine.

And it's working.

Honey has a year-to-date Net Promoter Score (NPS) of 91 in an industry that has had single-digit NPS for some time.

"When we look at insurance, we want to try to increase the frequency of interactions with the customer, so that we have a better relationship."

All on board

As everyone in customer service knows, the true test of the relationship is not when things are going right; it's when they go wrong.

"We don't argue against customer feedback," says Azar. "We tell customers that we would love to hear what we could have done better.

"We reinforce this internally to our people, because our staff get very passionate about the work they do, which is great. But we reinforce that this is not about them. This is about the process and how the procedure can be improved. They have to remove themselves from being emotionally attached and see customer feedback as an opportunity to do things better, and then they are more interested in trying to improve the experience."

Through the customer's eyes

Azar proudly wears his Honey-branded T-shirt and gets lots of impromptu customer responses and interactions. His dad's advice still rings true: everyone is of equal importance and everybody deserves equal respect.

"I've got two boys and when my 11-year-old was in kindy, parents were invited to come and talk about the work they do," says Azar. "There was stiff competition, because one parent was a firefighter and another was a professional football player. I'm like, 'How do I compete with this?'.

"I said to my son: 'Think about when someone's house burns down or floods. I'm the person who helps fix it all up. We make sure that the house they call home is built again.'

"It's funny. Talking to my four-year-old helped me pivot the way I think about this entire industry." //

TWO-MINUTE BIO

EDUCATION
Angelo Azar initially studied for a bachelor of technology degree at Macquarie University before transferring to RMIT to study a bachelor of business, finance and financial planning. He has also completed a number of executive leadership programs and holds an MBA from the Macquarie Graduate School of Management.

CAREER
Azar began his career in insurance with IAG, followed by call centre management stints with St George Bank and MetLife insurance. He then became general manager, sales, customer services and commercial management, at BOC, before moving to CBA as executive manager, insurance operations. Following CBA, he spent four years with Hollard Insurance as head of operations, before joining Honey Insurance as COO in February 2021.

TOP CAREER TIP
"I experienced a marked difference when I realised that my happiness wasn't intrinsically linked to my career trajectory. My happiness is driven by helping and lifting up others," he says. Apart from helping customers, Azar says leaders can help staff members achieve their career goals. "It's a privilege to lead."

OUTSIDE THE DAY JOB
Azar says he and his wife live very disciplined lives. "We wake up at 4.15 am to go to the gym," he says. "It's what I need to be available for everyone in my life and give the best version of myself." They also support their sons' football and basketball commitments, and make time to practise their faith. "We aim to be balanced as people and to instil that in our boys."

by Abigail Murison

Perfectly plain

With more customers purchasing insurance online, the pressure is on insurers to make sure people know what they are actually buying. Enter plain language.

IN SHORT

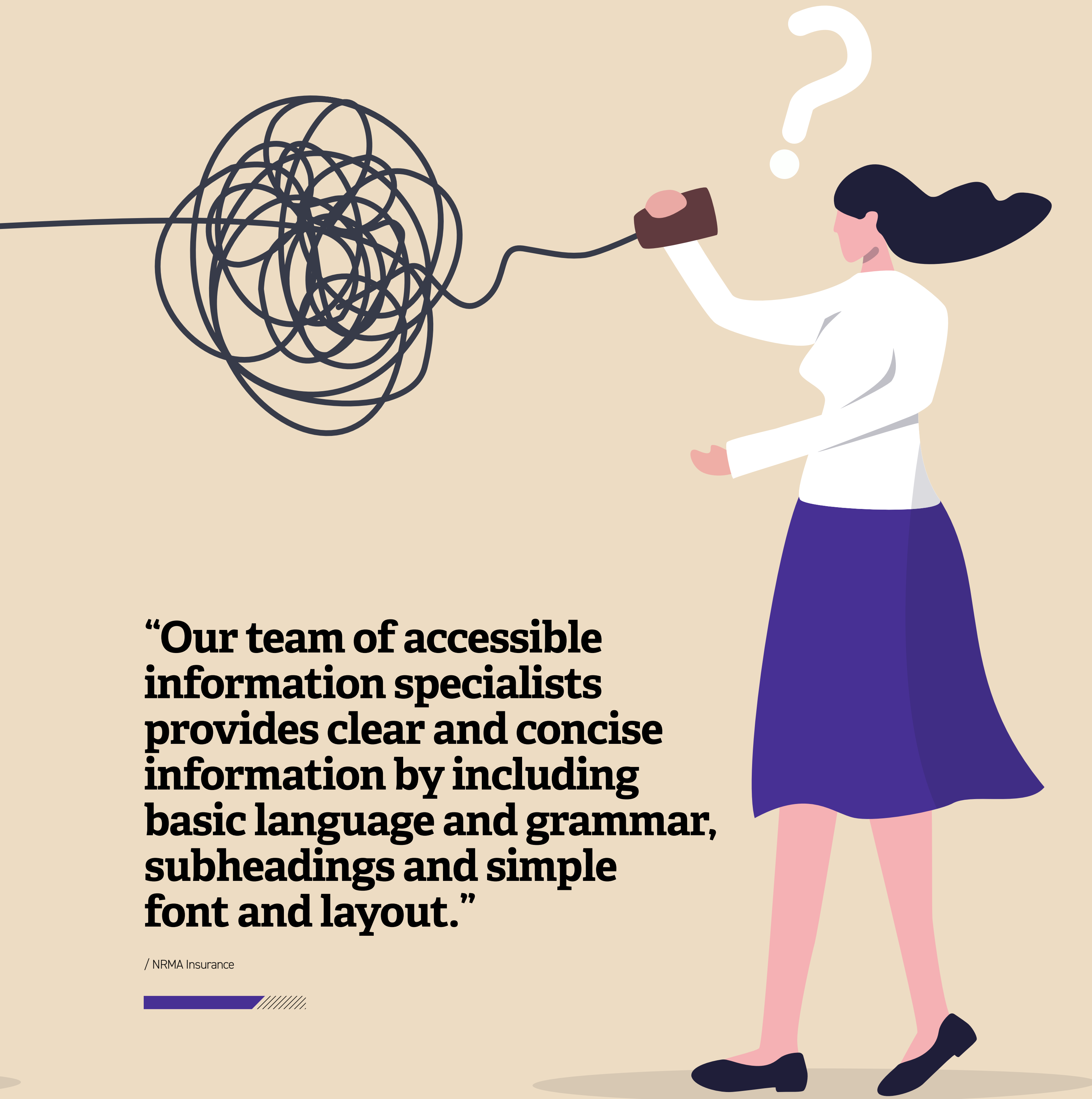
- Plain language uses wording, structure and design to make information easy to understand and use.
- In addition to enhancing the user experience and SEO, plain language can reduce customer enquiries and misunderstandings, saving insurers time and reducing the number of complaints.
- Rewriting insurance product disclosure statements in plain English can make customer and insurer responsibilities clearer, and helps to ensure you have genuine, informed consent when a customer purchases insurance.

In June 2022, communications firm Ethos CRS released a readability scorecard for 26 Australian insurance companies, reviewing their home and motor insurance product disclosure statements (PDSs), FAQs and websites. The firm used a tool called VT Writer to measure average sentence length, passive and active voice and the grade reading level of the content.

On average, insurers scored 74 out of 100, with some scoring in the sixties and others — such as NRMA Insurance — achieving scores in the low eighties.

"Our team of accessible information specialists provides clear and concise information by including basic language and grammar, subheadings and simple font and layout, to help our customers understand the services and support we provide," says an NRMA Insurance spokesperson. "We have also enhanced the layout and content on our website to allow customers to find information more easily about our products and services, access our support and provide feedback about the accessibility of our services during their experience."

So, what are some insurers doing right? And why does it matter?



"Our team of accessible information specialists provides clear and concise information by including basic language and grammar, subheadings and simple font and layout."

/ NRMA Insurance

Illustration: iStockphoto

> **"So many organisations treat their website like a library or a filing cabinet and whack up the documents they have."**

Greg Moriarty / Plain English Foundation

What is plain language?

According to the International Plain Language Federation, "A communication is in plain language if its wording, structure and design are so clear that the intended readers can easily find what they need, understand what they find and use that information."

Director of content at Ethos CRS Helen Portillo-Castro adds: "The focus is on the reader, and whether the reader can understand and use something. While we usually think of word choice when we think about plain language, there are actually three essential elements. Wording is just one of them."

The other two are structure — the information you present and the order in which you present it — and design — fonts, colours, images and the like.

Over the past 85 years, the plain language movement has used brain scans, eye movement monitoring and user testing to confirm how important these last two elements are.

Says Greg Moriarty, product and quality manager at the Plain English Foundation: "If you want to put people off, use italics and all caps everywhere. Have tiered content in dot points 1.1.1 through to 1.4.6. To your customers, it looks like hard work — and the user testing is really clear that people will stop reading. It's too much for the brain; they want an easy read."

How plain language underpins UX

These elements of plain language should be ringing bells for anyone intimately involved with website content and design (see breakout at right).

"Plain language was almost the original form of UX," says Lynda Harris, founder and CEO of Write Limited and creator of the WriteMark® Plain Language Standard. "It is a cornerstone of usability, because users read or access information when they have to use it in some way — particularly insurance documents."

Moriarty says that United States communications expert Ginny Redish draws an interesting distinction between paper documents and information on the web. "She says a paper document is a conversation started by the writer to the reader," he explains. "Online, people look for what they want. If they visit your website, that's a business conversation the visitor started. You should continue having that conversation with the customer using the language they use.

"So many organisations treat their website like a library or a filing cabinet and whack up the documents they have. They should ask, 'What question did the customer form in their head to generate the visit to this webpage?'."

Flight-booking websites provide a good example of the effectiveness of this approach.

"Airlines realised that customers wanting to book a flight didn't want to read a history of air travel," says Moriarty. "They stripped everything back and now your flight booking form is at the top of the page. There's no aviation jargon — just the departure date, destination, passengers and single or return trip. Seconds later, you've got a ticket to take you around the world."

Building in the words and terms customers will use to find your website is a search engine optimisation (SEO) essential. And with voice search and artificial intelligence becoming mainstream, there's an even bigger incentive to use natural language in place of industry jargon or legalese. Ask yourself, do you say: 'Alexa, insurance claims process' or do you say: 'Alexa, how do I make an insurance claim?'.

Whenever you've done a plain-language rewrite, Harris recommends user testing, no matter how reader friendly you think the content is.

"You might have a webpage or document that is really quite clear to you, it reads well and it seems to tick all the boxes. But when you put it in front of real people who don't have any particular understanding of insurance, that's when you pick up those extra things that are still confusing," she says.

Can insurance contracts be written in plain language?

A contract lies at the heart of any insurance product a customer purchases. So, can plain language capture all the legal nuances underwriters need to convey?

According to Harris, the risk-assessment role of an underwriter and a lawyer can lead to a more

7 BASIC PRINCIPLES OF UX DESIGN

According to Dublin's UX Design Institute, there are seven basic principles of UX (user experience) design:

1. **User-centricity –** solve user problems.
2. **Consistency –** meet user expectations, based on what they expect of the product.
3. **Hierarchy –** make the most important information easy to find.
4. **Context –** consider how users access and interact with your product and what their emotional and physical state is when they do.
5. **User control –** how simple it is to undo or redo actions and correct mistakes.
6. **Accessibility –** most users should be able to access and use your product.
7. **Usability –** how functional your product is.

Source: UX Design Institute, Dublin cautious approach. "Naturally they want to revert to wording that hasn't got them into trouble in the past," she says. "I think understanding why there is a reluctance [to change policy language] goes a long way to having a constructive conversation."

In fact, some risk lies in not using plain language in insurance contracts.

Ethos CRS research officer Ethan Howard headed up the 2022 readability research. He says: "Mandated disclosures for insurance products are not enough for customers to make an informed financial choice. Using plain language is one element that can help insurers go beyond what is mandated."

He says a number of regulators, including the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC), are interested in the readability scorecard results and what they mean for consumers.

"Legal teams should be aware that using plain language is something that is mandated by the regulatory agencies themselves," he says, "and I think there is a willingness among insurers to make the change."

Using plain language can also clarify what actions are legal obligations for the customer and the insurer ('you / we must') and what actions are optional ('you / we may'). Legal documents sometimes still use terms such as 'should', which can be open to interpretation by customers and the courts.

Contract structure and design can also play a big part in informed consent — particularly if you use sentence-like, descriptive headings and subheadings.

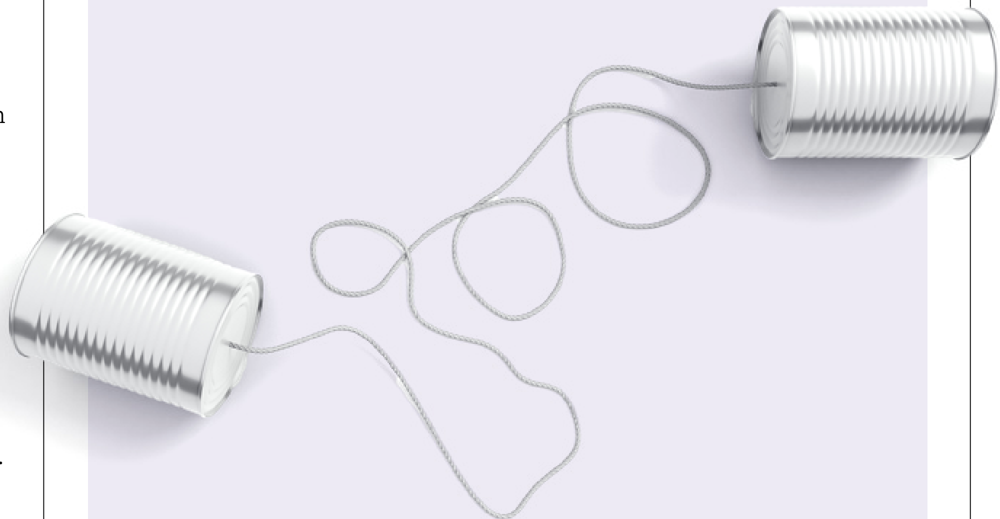
"If a customer looks at the start of a document such as a PDS, they should get a summary of what it says before they read the detail," says Moriarty. "They should be able to scan the subheadings and understand their main obligations. That's a tentatively more ethical way to proceed when people are signing a contract."

Advantages and efficiencies

Beyond creating a better user experience, using plain language can reduce customer enquiries and complaints, saving the company time and money. No wonder, then, that industry codes of conduct, from New Zealand's Fair Insurance Code to the Hong Kong Federation of Insurers' Code of Conduct for Insurers and Australia's Life Insurance Code of Practice, state that insurers must explain key information in plain language. (Notably, the revised Life Insurance Code was rewritten as a plain language document before its release in 2021 — a requirement of ASIC.)

"We know from the work that we've done over the last 20 or so years, how much organisational time gets lost in explaining and clarifying information that's already there, on a website or in a document," says Moriarty.

When it comes to reducing complaints, Howard points to the tangible benefits of clear communication. "Each year, AFCA [the Australian Financial Complaints Authority] summarises the



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MAKE SOME PLAIN-LANGUAGE CHANGES TODAY

PLAIN LANGUAGE SHOULD:

- be clear and concise
- use everyday words instead of jargon or legalese
- explain technical terms in regular language
- keep sentences short (15–20 words)
- use the active voice
- use 'you' and 'we', rather than 'supplier', 'customer', 'insured' or 'applicant'
- use sentence-like, descriptive headings and subheadings, such as 'How to make a claim' rather than 'Claims process'
- use real-life examples and images to help bring concepts to life
- address the most common reasons customers visit a webpage first, going into more detail in deeper layers of the document or website.

To illustrate some simple wording differences, Tower offers the following before-and-after example.

OLD POLICY WORDING:

The correctness of all statements made in relation to this policy or any claim under this policy is essential before we have any liability under this policy or pay your claim.

PLAIN LANGUAGE POLICY WORDING:

You must be honest and fair with us. All your statements about this policy and any claim must be honest, correct and complete.

information about the insurance complaints it receives. These are the complaints that have gone beyond mediation, so they are significant problems for customers and insurers," he says. "One of the leading complaints categories is denials of claims due to exclusions or conditions, or misleading product information. Using plain language is one way to avoid these issues."

In fact, in AFCA's 2023 annual review, denials of claims due to exclusions or conditions made up 17 per cent of general insurance complaints. Misleading product or service information was the most common issue in life insurance complaints, at 19 per cent.

Portillo-Castro notes that the UX concepts of 'accessibility' and 'context' are additional reasons to use plain language — whether for a customer who is a second-language English speaker or for someone who is a vulnerable customer.

"Plus, if someone has experienced a loss through a natural disaster, you need to consider their state of mind when they are dealing with their insurer," she says. "They may be under a great deal of stress or experiencing mental health issues."

Start small, but start now

Reworking all your webpages, PDSs and paper documents may appear daunting, but the SEO and UX benefits — and the efficiencies from reduced customer enquiries and complaints — more than justify the effort and investment.

In 2016, Tower became the first insurer in New Zealand to begin transitioning its policies to the WriteMark® Plain Language Standard. This involved updating policies, removing complex words and phrases, adding comparisons between different levels of cover, and new images and design features.

"The purpose was to make our policies easy to understand, giving customers confidence in what they're covered for, without any surprises when it comes to claims time," says Tower's chief underwriting officer Ron Mudaliar.

"The purpose was to make our policies easy to understand, giving customers confidence in what they're covered for, without any surprises when it comes to claims time."

Ron Mudaliar / Tower

To date, 80 per cent of the company's policies in New Zealand and 70 per cent of policies in Fiji are WriteMark® certified — a practice Tower is pursuing with its policies in other Pacific territories.

"Our team has enjoyed reviewing our policies," says Mudaliar. "Our customers are thrilled with the simplicity, and we've received lots of positive feedback in the years since first launching plain language policies."

Harris says organisations are often hesitant about flagging their plans to address the issue of plain language until they've actually completed the work. "But really, customers appreciate the intention and commitment," she says. "Come out and tell your customer base that you're going to do this. Start off with one thing and say, 'We are so proud of our new terms and conditions', or whatever it is. 'We've made a real effort to get them in plain language. We're on a journey and we're really committed to this. We welcome your thoughts and your feedback'. Just be very open about it.

"You build the trust and the goodwill even before you act, and, as long as you follow through on that commitment, you can only do your reputation a great deal of good." As Ernest Hemingway, a master of plain language, summed it up: "All you have to do is write one true sentence. Write the truest sentence that you know."

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ABIGAIL MURISON

Freelance journalist

"As a business and finance editor, I know how much I appreciate it when companies explain complex information in everyday language. If we really want to engage customers and we're proud of what we do and what we offer, we shouldn't bury our messages in jargon and legalese."

KARIN ZULKARNAEN
A **WIDE-OPEN** MARKET

COMPANY // Prudential Indonesia

TITLE // Chief customer and marketing officer

When Prudential Indonesia chief customer and marketing officer **Karin Zulkarnaen** started her career in life insurance, the market was very young. This challenge sparked her sense of adventure.

STORY *Anna Game-Lopata* **PHOTOGRAPHY** *Muhammad Fadli*

Karin Zulkarnaen, chief customer and marketing officer at Prudential Indonesia, was raised to seek a challenge and explore new experiences without fear. Her father, a professional in the textile industry and an entrepreneur, and her stay-at-home mother always rewarded her for trying something out or starting a new project.

"That approach has shaped the person I am today," says Zulkarnaen, who joined the life insurance industry in 2000 as a management trainee in Singapore.

Helping families

While the insurance industry was initially unfamiliar to her, Zulkarnaen quickly recognised it as one that helps families in difficult times. "I thought, 'OK, this is really cool'," she recalls.

Having experienced a variety of roles across sales, marketing and product during her trainee position in the United Kingdom, Zulkarnaen also observed that the industry in Jakarta was relatively young.

As the current life insurance market leader in Indonesia, Prudential is just 28 years old, and many of its 56 other competitors are much younger. Meanwhile, life insurance penetration is less than 1 per cent of gross domestic product. Financial literacy is just 49 per cent, with insurance literacy even lower.

Distribution challenges

Zulkarnaen says a major challenge for life insurers in Indonesia is distribution, with customers currently concentrated in the country's largest cities.

"Indonesia is a big country with thousands of islands, so access to financial advice in much smaller cities is nearly impossible," she says.

She asserts that there is still a common public misconception that once a life insurance policy is purchased, it covers the insured for everything — and that a health insurance policy means all expenses will be paid.

"Customers perceive insurance to be complex, so gaining an understanding of their product can be a challenge," says Zulkarnaen. "They need to understand what is covered and what is not covered and have exclusions and pre-existing conditions explained to them properly by our agents."

To remedy the situation for customers and the population, she says education and continuous communication from agents and the industry overall is required. She believes this has always presented exciting opportunities for development and innovation — factors that perfectly suit her personality.

"I like doing things that no-one has done before," she says. "This industry has allowed me to explore and implement new ideas and initiatives."

A 25-year career

Born in Manchester, England, Zulkarnaen grew up in Jakarta and went back to the UK to study at The University of Warwick and London School of Economics and Political Science.

As part of the Allianz Asia Pacific insurance management training program, Zulkarnaen spent two years working in Singapore, Germany and again in the UK. Having gained experience in a variety of life insurance functions, she returned home well prepared to start her career. At Allianz Indonesia, she held roles including product manager, bancassurance business development manager and agency general manager.

From 2005, when she was appointed general manager of marketing at AXA Services Indonesia, she progressed to Bank OCBC NISP's head of bancassurance in 2006 and was promoted to the bank's division head of direct sales almost three years later.

Before joining Prudential two years ago, Zulkarnaen held several senior marketing and sales positions back at Allianz Indonesia, culminating in chief marketing officer in 2019.

Leading customer transformation

As chief customer and marketing officer at Prudential Indonesia, Zulkarnaen is spearheading an internal transformation in customer centricity.

"Our new purpose as a group is to revisit how our relationship with customers can improve," she says. "We are currently rolling out our 'Customer is our Compass' values, which intentionally incorporate the insights we receive through feedback from our customers into services and solutions."

Zulkarnaen explains that part of the strategy involves a deep level of communication with agents, who are the company's representatives when interacting with customers.

"We also create various opportunities for our 1,000-plus colleagues to meet with the customer through our 'Customer Day' campaign," she says. "For example, staff can sit in on conversations within call centres and walk-in centres. They can also join our service teams' huddles to witness how feedback — especially complaints — can be turned into real opportunities for service improvements."

Zulkarnaen adds that such initiatives are crucial for back-office staff, who may not have a direct sense of the 'real' customer on a day-to-day basis.

"Staff need to hear what customers say about our services, products or transactions," she says.

"Fulfilling customer needs is not just a task, because each customer is a real person with emotions. When our colleagues experience conversations in the call centre or walk-in centres, the importance of making our services more relevant becomes more tangible for them."

Providing benefits

With the cost of hospital stays and medical treatment rising, Prudential Indonesia also partners with the healthcare industry to help contain customers' expenses.

"We partner with hospitals with strong service standards, and that provides customers with clear clinical pathways and tariffs," says Zulkarnaen. "Such collaboration with 'priority hospitals' has become extremely strategic as it drives the cost of claims and to some extent determines the way we will price premiums in the future."

She adds that Prudential also works very closely with hospital partners to create prevention programs for customers. "We offer breast cancer screening, for example, and access to a discounted rate for vaccines including pneumonia, typhoid and influenza.

"When these vaccines or other treatments are not covered by our products, our wholesale deal with the hospitals means we're able to provide lower prices to our customers and they sincerely appreciate it.

"If our customers can access vaccines, they can hopefully stay healthy for longer. We believe educating the public and maintaining their health and wellness is our larger role in society."

The role of technology

Incorporating technology and automation into the customer experience is another critical aspect of Prudential Indonesia's customer strategy.

"We are proud to say that our existing processes have made us Indonesia's life insurance market leader and service leader," says Zulkarnaen.

"But we're not stopping there. There are always new technologies introduced to the market that we need to review so we can ascertain how their adoption might simplify the customer journey."

Zulkarnaen says the evaluation of technology is based on customer feedback — specifically, the company's Net Promoter Score. This supports decision-making around assigning priority improvements.

She says best-practice customer service brings together an understanding of various customer personas, as each segment comes with different expectations. "We need to acknowledge that there is no one size fits all," she says.

One similarity among all customer segments, whatever their age, is that they want their insurance experience to be fast, simple and seamless. Given this, Zulkarnaen says it's up to insurers to identify the differences between each customer persona and how to simplify their transactions.

Providing transparency

Another similarity customers share is the desire for transparent processes and options.

For example, younger customers want self-services on their mobile; they want access to policy information anytime, anywhere; and they expect it to be easily available online. Anything less than this is deemed not good enough.

Older customers want a personalised service, with agents making time to explain their options. "They like to make their own decisions, but they also want our agents to be available anytime for a conversation," says Zulkarnaen.

"With greater automation we'll also have better control of data privacy, including how customers access the data."

"We frequently observe the demand for comprehensive cover with personalised services from high-net-worth customers. On the other hand, we also have customers who need basic affordable cover.

"Understanding these differences and how we can facilitate all kinds of personalised transactions and channels both on and offline, while maintaining availability for all our customers, is key."

Implementing automation

In the next three to five years, Zulkarnaen would like to implement more automation to customer feedback processes so that it can be received and monitored more systematically.

She also aims to increase automation in back-office operations, so that customer-facing services can be undertaken faster. "For example, if customer service could use an AI chatbot, they could create a much better experience for the customer," she says.

"With greater automation we'll also have better control of data privacy, including how customers access the data. This will give them confidence that their data is secure with us and create greater access across all the online touchpoints.

"With all this in mind, we're currently assessing how we can adopt technology to support the way we design future services for customers." //

TWO-MINUTE BIO

EDUCATION
A bachelor's (honours) degree in Science at The University of Warwick was followed by a master's degree at the London School of Economics and Political Science, and then a postgraduate diploma in Marketing at the Chartered Institute of Marketing.

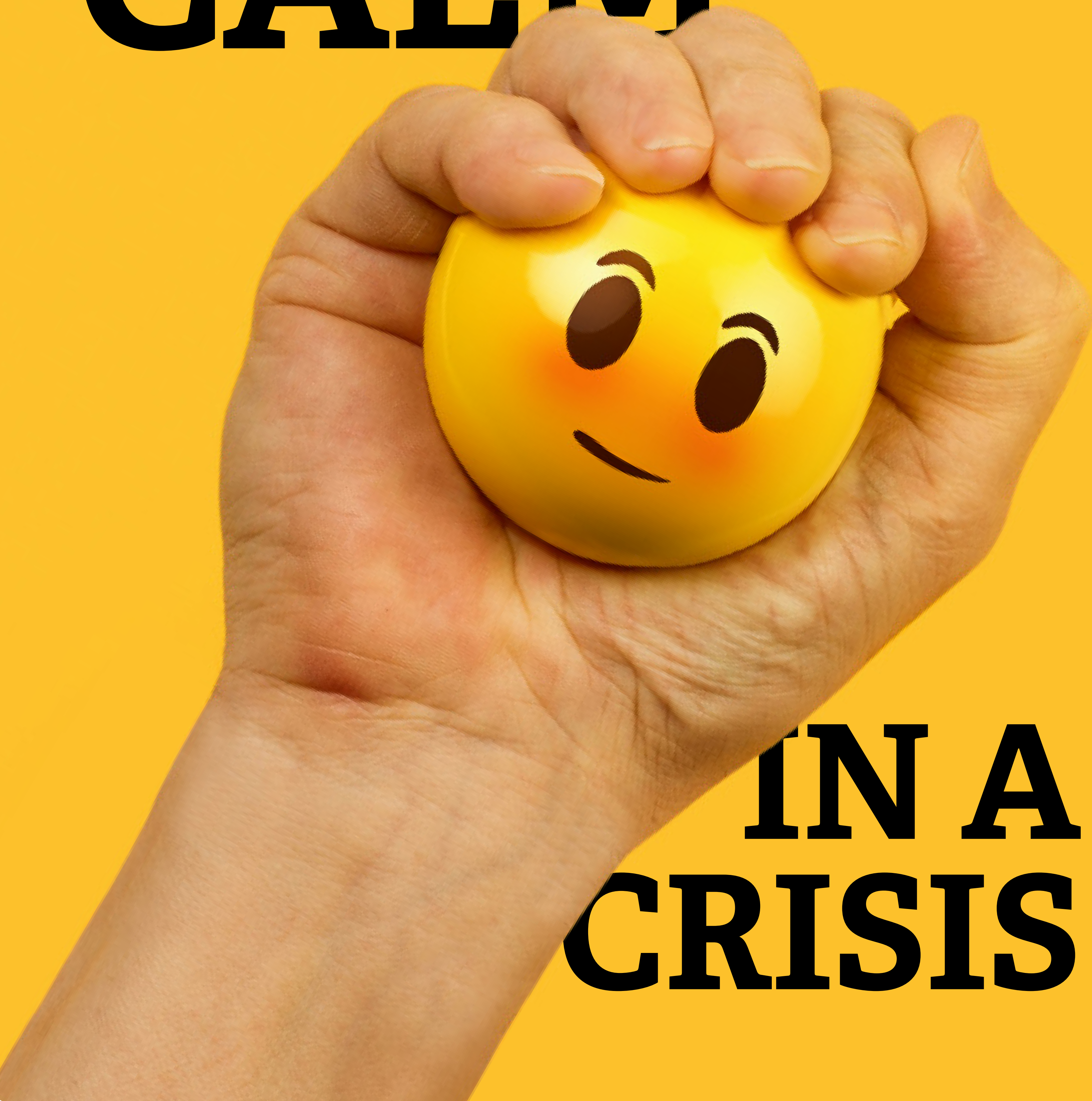
CAREER
After studying in the United Kingdom, Karin Zulkarnaen began her insurance journey as a trainee under an Allianz Asia Pacific management program. She then returned home to Jakarta and joined Allianz Indonesia, where she held various roles before being appointed general manager of marketing at AXA Services Indonesia and then head of bancassurance at Bank OCBC NISP. A further stint at Allianz Indonesia culminated in her appointment as chief marketing officer. She joined Prudential Indonesia in 2022, where she is now chief customer and marketing officer.

OUTSIDE THE DAY JOB
When she's not working, Zulkarnaen likes to be outdoors. Her favourite activities are paddle boating in the ocean and playing golf in the mountains. She is currently training for her second dragon boat race in Jakarta.

PHILOSOPHY
"Nothing is as good or as bad as it seems."

TOP TIPS
"There is no limit to what you can do, so when you join a big company, explore, offer ideas and show what you can provide. That's the advice I give all the young people I have mentored in the past. There are still a lot of opportunities for young people to make their mark [and] there is a lot of room for personal and professional growth in this industry."

CALM IN A CRISIS



Photography: iStockphoto

Are you ready to manage your customer relationships when everyone is under pressure? The best plans take all possible scenarios into account, but it's practice that makes them effective.

Natural disaster, data breach, reputational challenge — whatever the crisis, an insurance company's future can be shaped by how well it responds.

"Effective crisis management is never a last-minute response," says Matthew Collins, director of FastTrack Solutions, a business continuity management consultancy based in New Zealand. "The whole team must be well prepared, match fit and sure of their role."

And preparation begins with a comprehensive crisis management plan.

"This should include clear definitions of everyone's roles and responsibilities, a communication strategy and a process for assessing and mitigating risks," says Craig Furness, CEO of Gallagher Bassett New Zealand. "It should also identify potential crises and their impact on operations, policyholders and stakeholders. This assessment can then inform the creation and implementation of risk mitigation strategies, such as investing in resilient infrastructure, so insurers can minimise the severity of potential crises."

At the same time, the plan must be short and simple enough to make sense under pressure. "One client started out with a 70-page tome," says Collins. "No-one is going to work through that in the middle of a crisis. I managed to condense it to a usable three pages."

Focus on the consequences

When clients are drawing up a plan, Collins asks them to focus on the consequences of an event, rather than trying to pin down every possible cause.

"Whether your IT system failure is due to sabotage, a virus, ransomware or a physical hardware malfunction, the consequences will be the same," he says.

He would also like to see a less academic approach to risk assessment. "I often find that companies have simply updated previous assessments, rather than thinking outside the box and taking a broader view."

Furness says a claims-surge plan is essential if there's a possibility that the crisis will be triggered by a natural disaster or severe weather event.

"The rapid increase in claims, complex customer needs and challenging recoveries mean insurers should have established partnerships with expert claims management providers, loss adjusters, geotechnical engineers, quantity surveyors and the all-important remediation supply chain," he says.

"These plans will detail the collaboration required with partners, with clearly defined roles and responsibilities in advance, so that the insurers can respond to a surge event in a co-ordinated way that protects their customers and reputation."

IN SHORT

- **Every company should prepare for a crisis by assessing risk, creating a usable plan and regularly rehearsing its response.**
- **Effective training programs are tailored to team members' different roles and responsibilities.**
- **In a crisis, saying nothing is not an option. Companies must be prepared to tell their own story before social media takes over with its own version of events.**

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Testing and training

Ben Hamilton, Sydney-based senior managing director at FTI Consulting, points out that even the best plan is worthless if the crisis management and crisis communications teams aren't familiar with it.

"We recommend crisis teams test their plans through regular desktop exercises and at least one full crisis management simulation a year," he says. "These pressure test the teams, and it's much better to do that in a controlled environment than in the midst of a real crisis event."

Collins has found that well-run simulations can have an enduring effect.

"Last year, I did some work with a client I first consulted for in 1998," he says. "People who are still with the firm said they vividly remember the simulations we did back then."

The right responses also demand training, and training programs should be tailored to different roles and responsibilities.

"Senior executives may benefit from training in strategic decision-making and crisis communication," says Furness. "However, as frontline workers are the first point of contact for customers seeking support during a crisis, they're likely to need training in how to support vulnerable or distressed customers, and also [in] the Fair Insurance Code. Running regular upskilling during 'peace time' periods will also help to ensure that any temporary workers brought on to deal with a surge are supported by a highly skilled existing workforce."

Furness adds that insurers and their partners should also remember that speaking to distraught customers can have a negative effect on a team's wellbeing.

"We train our people to ensure they have the tools to manage difficult conversations with customers, as well as cope with the stress, uncertainty and heightened tension that the event can cause for a team member on an individual level," he says.

Essential communication

A crisis communications plan is separate from, but closely related to, the crisis management plan.

"Whatever the nature of the crisis, saying nothing is not an option," says Hamilton. "Customer and broader stakeholder communication is critical, and companies

Photography: iStockphoto

need to be prepared to tell their own story before someone else fills the gap. Once you lose control of the narrative, it can be very difficult to regain the voice of authority."

He advises insurers to act as soon as possible to acknowledge that there has been an event, that you're aware of it, that you're working to resolve it, and that more information will be provided as it becomes available.

"Gone are the days of just relying on a media release," says Hamilton. "Your stakeholders will be listening, watching, browsing — and your communications response needs to take that into account with a multichannel approach."

This can include email, social media and your website, as well as direct communication through customer service channels like text or phone.

"In times of crisis, it's critical that insurers are communicating in a clear and simple way," says Furness. "Customers will be in a state of stress and may be unable to process complex or confusing messages. Ensuring they receive important information through the medium they prefer means they're more likely to retain what you need them to know."

Messages should also be tailored to the specific needs and preferences of different customer segments.

"In New Zealand, for example, insurers need to consider how best to communicate with a diverse and multicultural population," says Furness. "This can include engaging translators, adding image descriptions or utilising non-digital channels."

Common factors for success

Hamilton has supported clients from many different sectors and industries through incident response. In his experience, those who handle a crisis well have a few things in common.

"I've found that their crisis teams are made up of people who trust each other, who know the intricacies of their businesses, who keep calm under pressure and who are able to lead the strategic response to a crisis," he says.

The most common mistake? "Not being prepared," says Hamilton. "If you don't have up-to-date crisis management and crisis communications plans, you won't be able to respond effectively when a crisis hits."

"We recommend crisis teams test their plans through regular desktop exercises and at least one full crisis management simulation a year."

Ben Hamilton / FTI Consulting

A CO-OPERATIVE APPROACH TO CRISIS FOR ASEAN+3

In South-East Asia, some countries are taking a collaborative approach to crisis management. With a large regional population that is mostly underinsured, the initiative acknowledges that disasters don't always recognise country borders.

In partnership with the World Bank, which serves as lead technical partner, the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) provides cover for governments in the region and serves as a platform for rapid payouts in the aftermath of a loss event. Participating nations also receive advisory and financial services to increase preparedness, resilience and co-operation in response to climate and disaster risks.

Cambodia, Indonesia, Lao PDR, Myanmar, Philippines, Singapore, Japan and Vietnam are currently members, and membership is open to all ASEAN+3 countries — the 10 ASEAN member states plus the People's Republic of China, Japan and the Republic of Korea.

Disaster risk financing and insurance products are offered through the SEADRIF Insurance Company, which was incorporated in Singapore in 2019.

DOMINI STUART
Freelance journalist

"Like the crew of an airline, everyone in an insurance company's team should be so familiar with their role in a crisis that they automatically respond smoothly and calmly. Insurers also need to prepare for the emotional toll a crisis takes on both its customers and its frontline workers, who might be affected by the crisis themselves."

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Commentators including cybersecurity leader Palo Alto Networks are highlighting the risk presented by a particularly tenacious hacker group: Muddled Libra.

Exploiting vulnerabilities

IN SHORT

- Hackers are targeting IT help desks to trick people into providing access to organisations' systems and data.
- Cybercriminals are using a range of adaptive and sophisticated techniques to exploit opportunities, meaning that vigilance and educating staff are critical to preventing breaches.
- Out-of-hours help desk requests, logins from strange locations or a barrage of multifactor authentication attempts are all indicators a cyber attack might be underway.

Just like businesses, cybercriminals are also on their own digital transformation journey: they are constantly looking for new and innovative ways to infiltrate organisations. At the top of the list of potential threats are breaches resulting from social engineering, a tactic where hackers trick employees, suppliers or contractors into revealing confidential information, clicking on malicious links or providing entry to IT systems.

A particularly menacing group that is successfully using social engineering tactics is Muddled Libra, also known as Star Fraud, UNC3944, Scatter Swine or Scattered Spider. Over the past two years, these hackers have largely infiltrated organisations via IT help desks and are now believed to be also targeting cloud service providers and software as a service (SaaS) applications to steal data.

The group has already been linked to several high-profile cyber attacks. One example is the September 2023 attack on MGM Resorts, where Muddled Libra used multifactor authentication fatigue attacks (numerous authentication requests) to gain access to the network. The attack resulted in systems across the conglomerate's 30-plus hotels and casinos around the globe being offline for more than 10 days, leading to substantial revenue loss. In the same week, Muddled Libra attacked Caesars Entertainment, gaining access to various parts of the customer infrastructure and causing widespread disruption.

According to an Incident Response Report from Unit 42 at Palo Alto Networks, Muddled Libra is believed to be primarily made up of operatives from the United States and the United Kingdom. Unlike some other hacking groups, members have strong English language skills and a clear strategy for breaches — including targeting clients downstream from the initial breach.

"They are in it for the money. Their ransom demands are very large, often in the tens of millions of US dollars. And, of course, they demand payment in cryptocurrency," says the report.

Here's what we know about Muddled Libra, the techniques they are using and what insurers and their clients should be doing to protect themselves.

Photography: iStockphoto

THE WEAKEST (SUPPLY CHAIN) LINK

"One of the top issues that we're continually talking to our clients about is how to manage potential vulnerabilities in their digital supply chain," says Gill Collins, head of cyber at Marsh McLennan Pacific. "There is an increasing frequency of cyber attacks that stem from infiltration through third-party technology providers who have access to clients' systems or data."

Collins says that, from an insurance perspective, customers who are using either outsourced business operations, cloud service providers, or SaaS platforms and applications may be at a greater risk because that's exactly what Muddled Libra is targeting.

"Our advice to businesses who are about to enter an agreement with a supplier that will have access to any of their critical information technology assets is to take the time to understand what controls and risk management procedures they have in place around cybersecurity," she says.

"Specify your minimum cybersecurity standards in the contract, as well as your right to review those standards on a regular basis, so that you can see whether they're actually upholding their end of the bargain."

"Specify your minimum cybersecurity standards in the contract, as well as your right to review those standards on a regular basis, so that you can see whether they're actually upholding their end of the bargain."

Gill Collins / Marsh McLennan Pacific

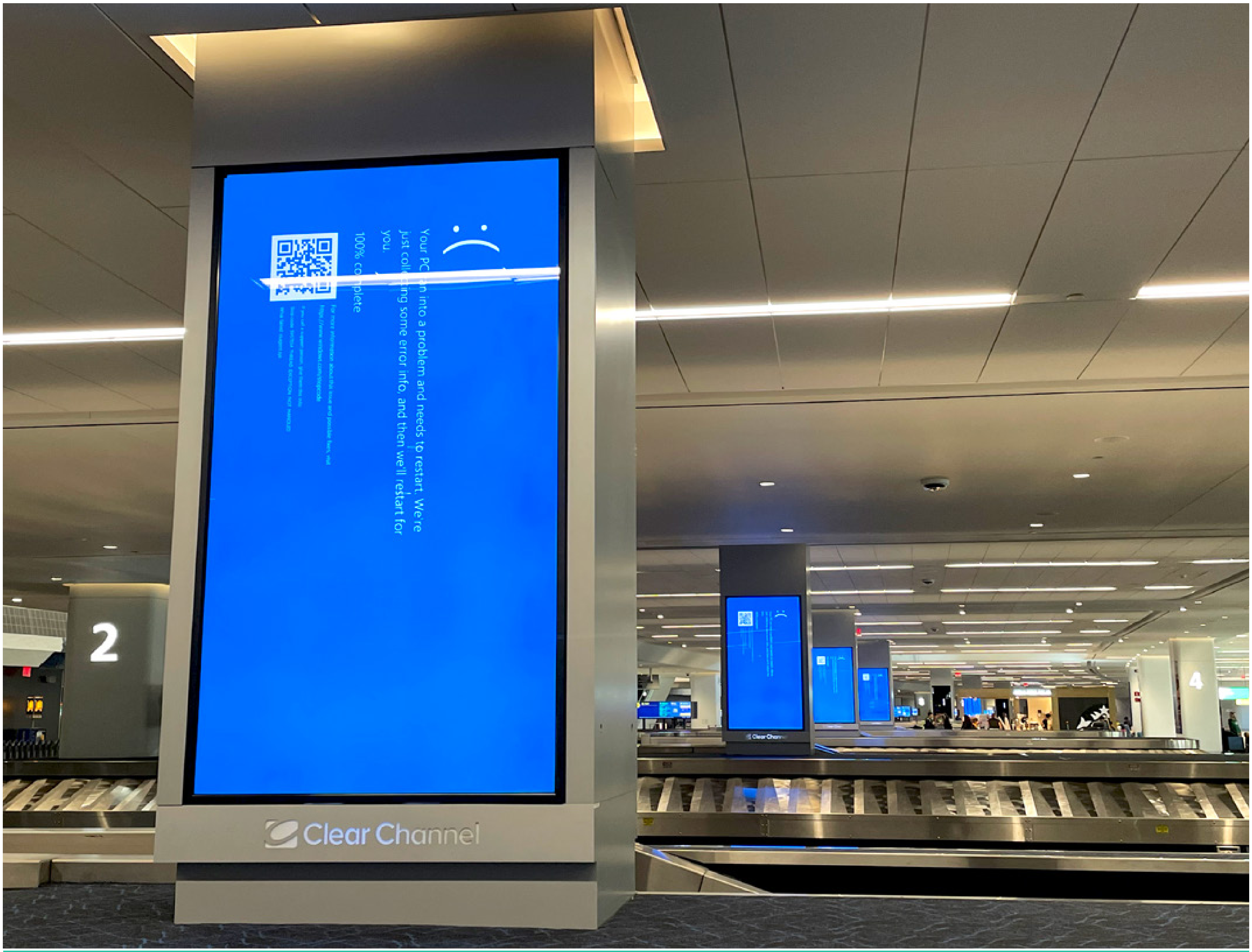
Zero-day vulnerability

Software often has security vulnerabilities that hackers can exploit before developers have time to fix the problem. This is known as a 'zero-day' attack.

Groups like Muddled Libra find those vulnerabilities and then impersonate IT staff or help desk personnel to trick employees into sharing their credentials. Or, they convince the user to perform an action like opening a file or visiting a malicious website. Doing so downloads the attacker's malware, which infiltrates the user's files and steals confidential data.

"They also use phishing, push bombing and SIM swap attacks to gain unauthorised access to networks," says Faisal Yahya, cybersecurity strategist at Vantage Point Security in Indonesia.

"These tactics typify an advanced persistent threat [APT], where sophisticated groups utilise various tactics, techniques and procedures — including social engineering and zero-day exploits — to infiltrate a network and steal confidential data over an extended period.



LESSONS FROM THE **CROWDSTRIKE OUTAGE**

Though widespread IT outages on 19 July 2024 stemmed from a software update released by global cybersecurity firm CrowdStrike, as opposed to malicious activity, hackers were quick to take advantage. The Australian Signals Directorate's Australian Cyber Security Centre reported that a number of malicious websites and unofficial code were being released claiming to help entities recover from the incident. CrowdStrike Intelligence likewise received reports that threat actors were conducting the following activity:

- Sending phishing emails posing as CrowdStrike support to customers.
- Impersonating CrowdStrike staff in phone calls.
- Posing as independent researchers, claiming to have evidence the technical issue was linked to a cyber attack and offering remediation insights.
- Selling scripts purporting to automate recovery from the content update issue.

In addition to exposing CrowdStrike users to criminal opportunists, the disruptions highlighted the dangers of relying solely on single providers for software. Tom Worthington, an honorary lecturer in the School of Computing at the Australian National University, told SBS News that if someone's entire business depends on one particular software product working, they need to make sure they have alternatives.

"These things will happen from time to time," he said, "but you've got to make sure it doesn't take out everything."

Photography: iStockphoto and Wikimedia Commons (Smishra1)

"It is a very methodical operation and it takes time. The frequency of attacks is actually small, but the impact of an attack is massive. Essentially, once the vulnerabilities have been located, the APT group will sell the zero-day to the highest bidder."

What are the warning signs?

Vigilance is a must when it comes to cybersecurity, says Tom Roberts, manager of threat and incident response at cybersecurity adviser CERT NZ.

"Often there is not just one particular thing happening," he explains. "You need to make sure you are across everything and that when you're not necessarily looking at something in particular, the defences are holding up well enough."

Roberts says classic network-infiltration strategies used by groups such as Muddled Libra include: out-of-hours help desk requests, logins from strange locations or devices, people tampering with logs, a barrage of multifactor authentication attempts against a single target or multiple password attempts.

Despite the growing threat posed by Muddled Libra, no arrests have been made public. This means organisations need to take proactive measures to protect their networks, says Yahya.

There are some simple steps to take, he suggests. In addition to implementing strong password policies and multifactor authentication, businesses should keep all operating systems, software and firmware up to date and educate employees on phishing tactics.

"Organisations should also implement application controls to manage and control software execution. Regular auditing of remote-access tools can help identify any unauthorised software or abnormal usage patterns," says Yahya.

"The effectiveness of these measures depends on proper configuration and management. Investing in the right tools and expertise is also important. These should be integrated into a comprehensive security posture, with additional layers like threat detection and incident response."

Human touch

Gill Collins, head of cyber at Marsh McLennan Pacific, says that clients who see cybersecurity and cyber risk as a whole-of-business risk may be far better prepared to respond to these cyber threats.

"An executive team should consider cyber risk management really seriously, and they need to activate that kind of culture throughout the whole of the organisation, so that cyber risk is recognised as a real business risk and that people are well-versed in how to respond accordingly," she explains.

Recognising that the breach may occur because of the actions of employees is also crucial, adds Roberts.

"We need to shift our focus from purely technical vulnerabilities to a more holistic approach that prioritises social engineering threats, because in most businesses — including those in the insurance industry — the weakest link isn't always the software; sometimes it's the person behind the screen."

This means integrating social-engineering awareness training and phishing simulations into employee security education programs.

"Essentially, it's about training your employees," says Roberts, "or your employees will train the hackers."

MEGAN BREEN
Freelance journalist

"With new cybersecurity risks emerging daily, the weakest link is often us humans, which means the safest approach is educating people on what to look out for."

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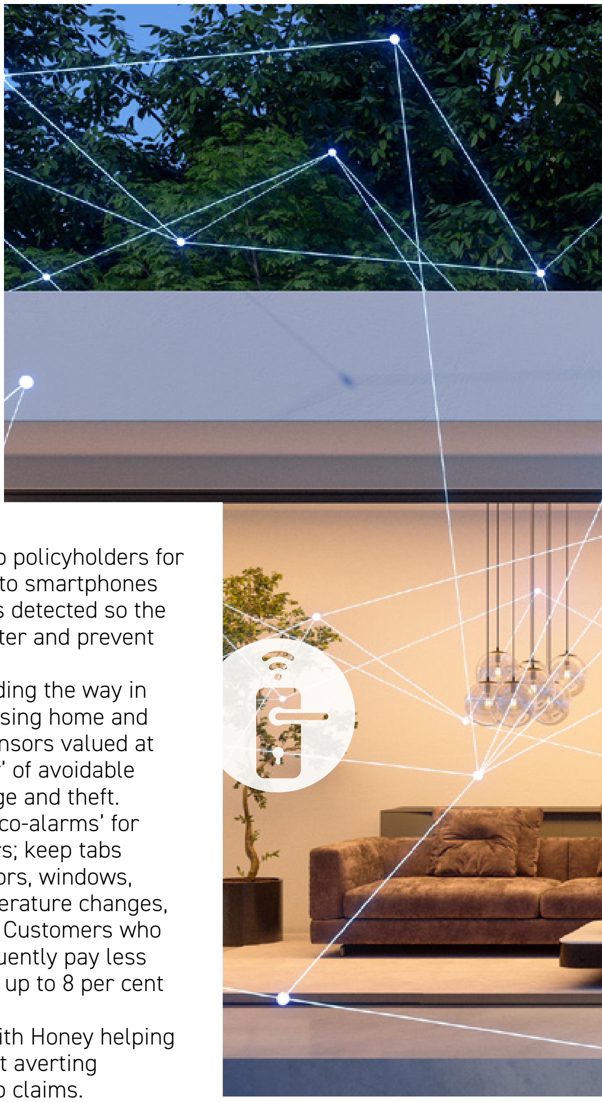
IN SHORT

› Beyond smoke detectors and alarm systems, some insurers are incentivising customers to use smart-home technology such as smart leak detectors to mitigate risk.

› Certain smart-home features can prevent claims, while enhancing customer engagement and helping insurers stand out in the market.

› Insurers that adopt smart-home devices into their claims processes need to navigate customer concerns around cybersecurity and data privacy.



Get **smart**

Smart-home technology can fast-track the claims process and even prevent claims by providing accurate information to claims teams. Though many insurers are still treading carefully in this space, others are leveraging the technology to benefit customers and themselves.

A flooded house was the last thing Melbourne homeowner Ash Grove expected to find when he returned from a three-week holiday last year. A pipe in his upstairs bathroom had burst, causing A$130,000 worth of damage and forcing him and his family to move into a rental property for eight months while the repairs were made.

Though his home and contents policy covered the relocation and repair costs, the situation was a huge inconvenience.

Now back home, he plans to install leak detectors in his kitchen, laundry and bathrooms. "If I'd known about these before, it would have saved us a lot of time and heartache," he says.

Protection from avoidable accidents

Grove's story will sound all too familiar to property claims teams. Allianz Home Insurance data reveals almost 30,000 claims for burst pipes in 2022-23. Meanwhile, water damage incidents accounted for nearly a quarter of all home insurance claims lodged through QBE in 2021, with the average cost coming in at A$5,000 and severe cases reaching more than half a million dollars.

Hoping to curb this trend, some insurers are incentivising customers to use smart leak-detector sensors — offering discounts on premiums, for example, or even giving the devices to policyholders for free. Such sensors can be connected to smartphones via apps, issuing alerts when a leak is detected so the user can remotely switch off their water and prevent the damage escalating.

In Australia, Honey Insurance is leading the way in smart-home protection. When purchasing home and contents cover, customers receive sensors valued at A$250, which alert them to the 'trinity' of avoidable household mishaps: fire, water damage and theft. They can identify water leaks; act as 'co-alarms' for smoke and carbon monoxide detectors; keep tabs on important entry points such as doors, windows, garages and safes; and monitor temperature changes, to avoid frozen pipes and other risks. Customers who keep these sensors activated subsequently pay less for premiums, receiving a discount of up to 8 per cent every year.

It's a mutually beneficial solution, with Honey helping customers to be more proactive about averting accidents that could otherwise lead to claims.

White-label insurtech Open likewise encourages the brands using its embedded insurance platform in Australia, New Zealand and the United Kingdom to incentivise smart-home technology. Alongside smoke alarms and water detectors, smart-home security features such as cameras, doorbells, locks and motion sensors can earn customers discounted premiums to reflect their reduced risk.

Tech-insurer partnerships

In Hong Kong, significant seasonal weather fluctuations contribute to a high incidence of water damage claims. In this environment, the Water + Climate sensor from home security start-up Kangaroo can be a valuable claim deterrent. In 2021, QBE Hong Kong partnered with the company for a limited-time promotion — offering free sensors to new home insurance customers. Kangaroo co-founder Dhruv Garg says it was fascinating to see people used the device to notify them on their phone if they had a leak from a burst pipe, but also to keep precious items and family members safe — "from checking humidity where handbags or wine bottles are stored, to knowing the temperature in a baby's room without waking them".

Another partnership emerged in May this year between Hong Kong Broadband Network and AXA Hong Kong and Macau. The two companies have launched a comprehensive home protection package, combining fibre broadband with a home network security solution, smart-home solutions and home insurance. The smart-home element of the 'All-in-one Home Kit' allows customers to easily add motion sensors, smart door cameras and other Internet of Things (IoT) devices in a convenient bundle, to manage and protect their virtual and physical properties.

Kenneth Lai, chief general insurance officer at AXA Hong Kong and Macau, says AXA has always been a strong advocate of customer centricity and innovation, and that this novel solution will "provide customers with comprehensive home protection that caters for their household needs".

A growing number of insurers are following suit, partnering with smart-home technology companies to prevent and manage claims while also enhancing their value proposition, says Jennifer Kent, vice president of research at Parks Associates — a global market research firm that specialises in the analysis of IoT residential products.

POPULAR SMART-HOME TOOLS

SMART LIGHTS AND BLINDS
can be programmed or accessed remotely to create the illusion of occupancy when homeowners are away

SMART LOCKS
keyless locks that enable users to lock and unlock doors remotely

HOME SECURITY
video doorbells, motion sensors and cameras deter intruders and provide visual evidence of crime

DOOR AND WINDOW SENSORS
send alerts when entry points are left open

SMART SOCKETS
can be accessed remotely, so users can check appliances are switched on or off

SMART DETECTORS
water, smoke, carbon monoxide and temperature sensors send live alerts to customers' phones, so they can act before a repair or claim is necessary

LEAKBOT: PLUGGING THE CLAIM DRAIN

A proof-of-concept pilot is underway for a smart water-leak alarm designed specifically for Australian and New Zealand conditions. Ondo InsurTech Plc, a United Kingdom leader in claims prevention technology for home insurers, is developing and testing a modified version of its LeakBot product in partnership with IAG's innovation arm, Firemark Ventures.

UK insurers, including Hiscox and Admiral, already supply the device to — and fix leaks for — some policyholders, free of charge. Homeowners simply attach the device to a water pipe near their stop tap (sometimes known as a stopcock or shut-off valve), then connect it to their home's wireless network. LeakBot's patented Thermi-Q technology uses temperature to monitor mains water usage across the entire home and detect leaks of any size. If a leak occurs, the homeowner is notified via a mobile app, which provides access to a team of LeakBot engineers to find and repair any damage.

Given that stop taps are located outside properties in Australia, the device under development is being built to withstand all weather conditions.

Research conducted by Ondo shows that in the UK, LeakBot lowers water damage claim costs by 70 per cent and reduces the frequency of claims by 39 per cent.

"We do feel like we're at the point where we're starting to see some of the major [insurance] providers step into the market in a more real way," she says.

Kent points to United States insurer State Farm's US$1.2 billion equity investment in home security leader ADT. When the deal was announced in 2022, State Farm's chief operating officer Paul Smith said it would enable the insurer to "provide smart-home technology that takes us from our 'repair and replace' model to a 'predict and prevent' mindset".

So far, data from Parks Associates shows that US consumers are favouring smart-home technology such as video doorbells and cameras, which not only deter theft and intrusion but also generate evidence that can be shared with insurers in the event of a claim. However, uptake of products that stand to have the greatest impact on claims — such as smart leak detectors — is still low.

"But now that we have these partnerships, we expect to see more data emerge around which homes have which types of devices and whether or not claims are being impacted in a positive way," says Kent.

Proof that the technology delivers value will likely give rise to more tech–insurer partnerships, she adds, as will insurers' efforts to maintain the affordability and accessibility of cover, particularly as extreme weather events drive premiums up. "I think anything that can help turn the tide on profitability, or that can keep insurance somewhat more affordable, will be something insurers strongly consider."

Navigating challenges

Though smart-home technology delivers many benefits, it does raise some concerns — especially in relation to cybersecurity and data privacy.

Kent says insurers must ensure that the data that claims teams collect from smart devices is properly protected and used responsibly to maintain customer trust.

"Insurers need to be very transparent about how they handle the data," she says. "They should also clarify its terms of use. For example, if a leak detector battery runs out without the customer knowing and a leak occurs, will the claim still be paid? Customers will want to know that the devices won't put them at a disadvantage; they want to trust that their insurer is going to treat them the right way knowing they have these devices in their home."

Despite challenges, there's certainly appetite for the technology, with a recent Parks Associates study finding that one-third of US internet households with homeowner's / renter's insurance would switch providers to acquire smart devices.

This represents a major opportunity for insurers, says Kent. "Customer satisfaction goes through the roof when smart-home products or associated discounts are offered. Customers who received a discount for smart-home devices from their insurance provider gave them an NPS [Net Promoter Score] of 31. Those who don't receive any sort of discount rated it a 10."

According to Kent, increased uptake of smart-home technology allows insurers to reduce risks, enhance customer engagement and differentiate themselves in the market. "It's a win-win strategy that benefits the insurance industry and homeowners seeking enhanced protection and peace of mind." //

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BETH WALLACE
Freelance writer

"The benefits offered by certain smart-home technologies are so obvious it seems ridiculous that they're not automatically installed in every home. Anyone who has experienced extensive water damage, for instance, would no doubt kick themselves for not having had the foresight to install a leak detector — a mistake they're unlikely to make twice. It will be interesting to see how insurers embrace smart-home technology, given the value it can deliver both to themselves and their customers in reducing the number and severity of claims."

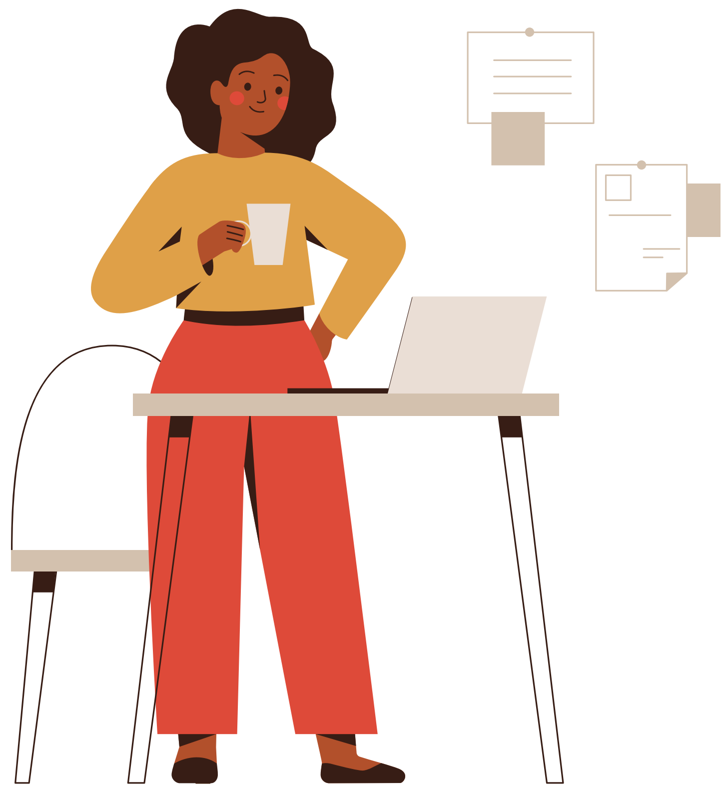
Young customers
by Christopher Niesche

IN SHORT

- Young people are still less likely to have life insurance, because the risks can seem distant and the benefits unclear.
- There is a push to bring young insurance advisers on board, so young people can get advice from their peers.
- Insurers are educating young people on the platforms they use, such as TikTok and Instagram, with some using influential celebrities to get the message across.

Insurance for life

How do we get young people to engage with, and take out, life insurance?



Getting young people interested in life insurance cover for events they don't expect to occur for decades has been a perennial challenge for the sector, with cohorts of life insurance policyholders skewing to an older demographic.

In Australia, new customers aged under 40 make up only 10 per cent of AIA's male customers and 17 per cent of its female customers. And, in New Zealand, just 8 per cent of under 35s have sought professional financial advice. The average age of a new customer at New Zealand's Fidelity Life is 37.

Bronwyn Kirwan, chief commercial officer at Fidelity Life, says that across the life insurance industry in New Zealand the insured population is declining because young people are under-represented and, increasingly, policies are lapsing due to greater financial pressures.

Research commissioned by Fidelity Life — titled *Advice for good: Rethinking New Zealand's relationship with financial advice* — delved into why younger people are less likely to take up life insurance. The statistics are telling: 37 per cent of 18–24-year-olds feel overwhelmed about their financial situation; 66 per cent of 18–34-year-olds lack confidence with making money and finance decisions; and 41 per cent of New Zealanders under 35 don't know where to get financial advice they can trust.

Educating a generation

Delivering educational content about life insurance to the younger demographic via social media — TikTok, Facebook, Instagram and LinkedIn — is key, says Kirwan.

She points to the work of Josh Cuttance, a young Dunedin-based financial planner producing clear and straightforward financial content aimed at a younger audience. Cuttance posts a large number of talking-head videos across social media. Each is less than a minute long and covers basics such as 'insurance — choosing a provider' and 'is insurance expensive?'.

"We really back the advice community in New Zealand to deliver a professional, holistic experience for customers," says Kirwan.

Allianz Life Insurance Malaysia Berhad also relies on bite-size, easy-to-comprehend content to engage younger customers.

"In general, we prioritise interactive and engaging content such as videos, social media, seminars and customised customer promotions," says CEO Charles Ong. "We focus on building a thriving online and offline community around our brand, not just short-term engagement."

> "We are very keen to see a vibrant advice industry. Also one that looks like the New Zealand population, with diversity in terms of gender, age, heritage and experiences."
>
> **Bronwyn Kirwan** / Fidelity Life

While young people in Malaysia are less interested in life insurance than in pursuing a better lifestyle, Ong says this is changing.

"We see younger segments without insurance — that is those aged 21 to 30 — having a higher interest in getting insurance," he says. "With evolving life stages and heightened awareness from the pandemic, we recognise the need to play a bigger role in imparting wider knowledge on sustainable protection and medical plans to this segment of Malaysians."

Apart from communicating on the right platforms for younger segments, Allianz Life Insurance Malaysia Berhad recognises that, like many insurance customers, young people often prefer to deal with companies online, on demand. The insurer offers health and wellness services via its self-serve customer portal MyAllianz, which also allows customers to access and manage their general, life and employee benefits policies from mobile or computer.

A focus on the flip side

If you can't get young people engaged with life insurance, can you capture them with a focus on avoiding risks through a healthy lifestyle? That's one approach AIA is using. It targets the

"In general, we prioritise interactive and engaging content such as videos, social media, seminars and customised customer promotions experiences."

Charles Ong / Allianz Life Insurance Malaysia Berhad

younger demographic to get them engaged in life insurance via its wellness offering, AIA Vitality.

AIA Vitality is a behavioural, science-backed wellbeing program that supports customers to make healthier choices. It provides rewards to incentivise them to move more, eat well, complete regular health checks and look after their mental health.

The program appeals to a younger audience but more needs to be done, says AIA chief shared value and marketing officer Stephanie Phillips.

"It helps to start that conversation around what AIA is about. We're championing and encouraging everyone to live healthier and longer, better lives," she says.

Life insurance might be low on the list of priorities for young, healthy people, but AIA is trying to emphasise that they have financial responsibilities and should protect themselves with income protection, trauma insurance and total and permanent disability cover.

The insurer also uses sports stars such as Ash Barty, Stephanie Gilmore and Patrick Cripps as brand ambassadors on Facebook, Instagram and, more recently, TikTok.

"We want to build that approachable and trusted brand image and keep pace with those audiences to effectively reach and connect with them," says Phillips.

Young customers, young advisers

Kirwan sees advice as a key part of the solution in engaging young customers with the benefits of having life insurance.

"I think there's a real reticence from some young people to reach out for advice when they think that is going to show up in the form of a particular demographic, that may not necessarily look or feel like a demographic they want to open their heart to about something as deeply personal as things financial," she says.

Fidelity Life launched its 'Career connect' education and scholarship program to help more young people and those from more diverse backgrounds become financial advisers. It has doubled its commitment to the program this year.

Similarly, Allianz Life Insurance Malaysia Berhad is working to attract future leaders to the ranks of Allianz's insurance agents.

"The aim is to provide full-time, committed professional agents who can sell all insurance solutions, including life insurance and general insurance, thus catering to the broader needs of the younger segment," says Ong.

Kirwan says the industry in New Zealand is trying to shift the profile of advisers. "We are very keen to see a vibrant advice industry," she says. "Also one that looks like the New Zealand population, with diversity in terms of gender, age, heritage and experiences."

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CHRISTOPHER NIESCHE
Freelance journalist

"It's always a challenge to get young people to think about what their life will be like in 20, 30 or even 40 years' time. Life insurers in APAC are overcoming the problem with easily digested, educational content that they hope will get younger potential customers to think about their future financial responsibilities — and how to prepare for them."

Creating a common language

Photography: iStockphoto

IN SHORT

- Global association ACORD is driving data standardisation across the insurance industry through its Global Advisory Council (GAC), created in February 2024.
- Already, 20 of the top 25 global reinsurers have joined the council, along with regional organisations such as the Singapore Reinsurers' Association.
- The GAC aims to standardise data at all levels of the industry and across associations, driving efficiencies and enabling better compliance.

As our reliance on data increases, reinsurers are leading the way on standardisation to make that information more shareable and more useful across the insurance industry.

Several years ago, *The Economist* magazine famously described data as the "new oil". As data volumes increase and as data analysis has become increasingly important to the insurance industry, so has the issue of data standards. Rigorous standards for data enable accurate benchmarking and comparison, while driving more efficient collection and transfer of data between reinsurers, insurers and other stakeholders.

Data standardisation, then, might be described as creating a common language that aggregates data from diverse sources and makes it easier to interpret and use.

This has been a key driver for global standards body ACORD (Association for Cooperative Operations Research and Development) to launch an initiative to standardise data across reinsurance and insurance.

Announced in February this year, ACORD's Global Advisory Council (GAC) data standardisation project includes members from 20 of the top 25 global reinsurers, along with regional industry bodies such as the Singapore Reinsurers' Association.

Other regional bodies include the International Underwriting Association of London (IUA), the Association of Bermuda Insurers and Reinsurers and the Dubai International Financial Centre. The GAC is chaired by Dave Matcham, chief executive of the IUA.

Logical next step

The initiative comes after several milestones in global insurance industry digitalisation, such as the full alignment of the Core Data Record and other key aspects of Lloyd's Blueprint Two modernisation program with ACORD standards, as well as the Italian Market Data Exchange Platform project. This leverages the ACORD Solutions Group's ADEPT platform to connect the Italian (re)insurance community using ACORD Global Reinsurance and Large Commercial Standards.

Bill Pieroni, ACORD's New York-based chief executive, says the data project is part of the organisation's wider mission to "support interoperability" in the industry through standardisation.

"The goal is that any time a piece of data is exchanged across the insurance value chain and between stakeholders, it will be an ACORD standard and will be usable by our 36,000 members across 120 countries," he says.

APAC guidance

While ACORD is a global body, Pieroni says the industry "tends to be very local" and because of this, much of the role of the GAC will be to consult with regional associations and understand their issues, such as local compliance and resource allocation, and how that might drive data standardisation.

> "Data standardisation is about using data at the moment of value, when the customer calls with a claim or when someone is quoting or an agenda needs data."

Bill Pieroni / Association for Cooperative Operations Research and Development (ACORD)

"We are one of the few organisations where competitors can come together to collaborate and co-operate," says Pieroni. "We can bring these people into the same room and the truth is that they will all benefit from pervasive data standards.

"The output I'm really looking for is to identify those shared opportunities and priorities, but to make progress we need to allocate and align resources to make it happen."

Pieroni likens data standardisation to the industry using "the same power plug" around the world. Just as Apple and Samsung realised that using ecosystem-specific connectors for devices doesn't guarantee customer loyalty, reinsurance — among many other industries — is finding that restricting the flow of customer data is no sure-fire way to retain business.

"The industry has realised over the last few years that it doesn't help anyone in terms of their competitiveness," he says. "It does nothing to help keep a customer, because you've locked them in with a moat from which they can't escape."

Single source of truth

Asked to describe his vision of how data standardisation could improve the efficiency of the reinsurance industry, Pieroni says it would impact the whole "operational value chain".

"It is the ability to seamlessly apply, quote, find the cover and then share that data across underwriting, claims, finance, investment and the back and front office," he says. "There are multiple stakeholders, such as the big brokers, the independent agents and the reinsurers, so it can deliver an ecosystem level of efficiency.

"Data standardisation is about using data at the moment of value, when the customer calls with a claim or when someone is quoting or an agenda needs data."

Reinsurers that are implementing artificial intelligence (AI) would also gain more value from the data standardisation project, because AI "really benefits from tagged data".

"Tagging makes AI so much better in terms of its ability to derive insights," says Pieroni. "In theory, AI could use unstructured data, but that creates issues around transparency. It creates a black box, which is difficult to understand. Being able to build a software solution with a consistent set of data standards to allow it to be leveraged across stakeholders globally creates huge levels of impact for the software community."

The final, but equally compelling, benefit is in faster and easier compliance.

"Compliance is becoming more onerous, and standards can have a big impact on how data is collected, stored and reported," says Pieroni. "Standardisation can take a lot of the pain and cost out of compliance, so I think it will have a big impact there too." //

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LACHLAN COLQUHOUN

Freelance writer

"I am used to hearing that data is the new oil, but the idea of data standardisation driving a common language across an industry was a new insight. The analogy helped me better understand the benefits data standardisation could bring to the (re)insurance industry, with data talking and communicating seamlessly across organisations and geographies."

by *Abigail Murison*

IN SHORT

- Medium and large companies with complex needs may need tailored cover beyond an off-the-rack business insurance package.
- Brokers can design a more comprehensive combination of material damage and business interruption insurance to match unique risk profiles.
- Supply-chain disruption and rising inflation in some countries will require brokers to update asset valuations as often as quarterly for some large businesses if they are to avoid being under-insured.

Made to measure

While there are differences in the details, what's common across industrial special risk-style insurance is the diligence required from brokers — from quote to renewal to claim.

Illustrations: iStockphoto

> "An ISR policy is capable of providing more coverage and is drafted to make sure that the events you want to get covered are included in the specifications."
>
> **Robert Kelly** / Steadfast Group

What do you do if your company has outgrown standard business insurance or is too complex or unusual for an off-the-rack policy? The smart ones speak to a broker about a custom solution.

Known in Australia as industrial special risk (ISR) and in Malaysia as industrial all risk (IAR), these policies can be built to address a unique business risk profile.

"The sort of businesses that typically require ISR cover have a wide range of assets over varying geographies and need a tailored solution for those assets," says Robert Kelly, co-founder, managing director and CEO of Steadfast Group in Australia. "ISR can be tailored to suit the risk transfer that the client wants, whereas business insurance packages are usually locked down to a standard, broad range of coverages.

"An ISR policy is capable of providing more coverage and is drafted to make sure that the events you want to get covered are included in the specifications."

Kelly says the two standard parts of ISR / IAR cover — material risk and business interruption — go hand in hand. "A business interruption section of an ISR policy is only triggered if there's a claim under the material damage side of the policy," he says.

While this might sound straightforward, it can be anything but. As an example, Kelly points to the 2011 floods in Thailand. While some Australian businesses had ISR cover for their overseas suppliers, their policies did not cover flood damage to overseas premises and stock. As a result, they could not claim against either their material damage or business interruption ISR insurance sections.

Regional differences

In New Zealand, the primary cover offered is the material risk aspect, and it's commonly taken up by medium and large businesses.

"It's treated differently in New Zealand because we have material damage, rather than industrial special risks. Different terminology, different coverage. Each market has its own little quirks," says Chris Pirie, general manager, Commercial, at PIC Insurance Brokers Ltd. "New Zealand has always seemed to have some of the most comprehensive policies in the world, and in our material damage cover, you're covered for full accidental damage, unless it's explicitly excluded."

In Malaysia, Puriantoh Supu, head of Commercial Lines Underwriting, Generali Malaysia, says businesses taking up the equivalent IAR cover have a total sum insured exceeding RM50 million (A$15.7 million). "Manufacturing or heavy industry would opt for IAR cover due to the additional accidental and theft cover which is not provided in the standard fire tariff," he explains. "For normal commercial property risks, the standard fire tariff would suffice."

Puriantoh says that the other option in Malaysia is the large and specialised risk (LSR) scheme IAR, which is only available for industrial risks exceeding the combined sum insured (material damage and business interruption) of RM300 million (A$94.4 million).

"The scheme is managed by the LSR scheme manager appointed by Bank Negara Malaysia [Central Bank of Malaysia]," he says. "The main difference between the LSR scheme IAR and the tariff IAR is the open

WHAT'S COVERED?

Industrial special risk (ISR) / industrial all risk (IAR) insurance is typically more comprehensive than a standard business insurance package or Malaysia's fire tariff.

COVER INCLUDED:

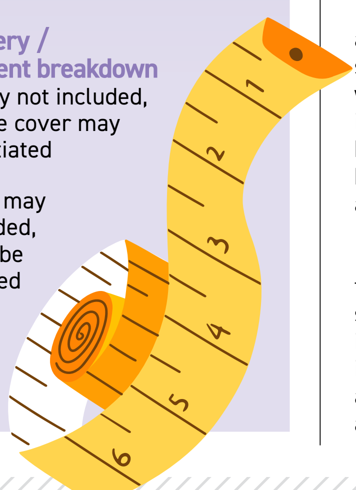
- Fire
- Theft
- Glass damage
- Accidental loss
- Malicious damage
- Post insurance event clean-up

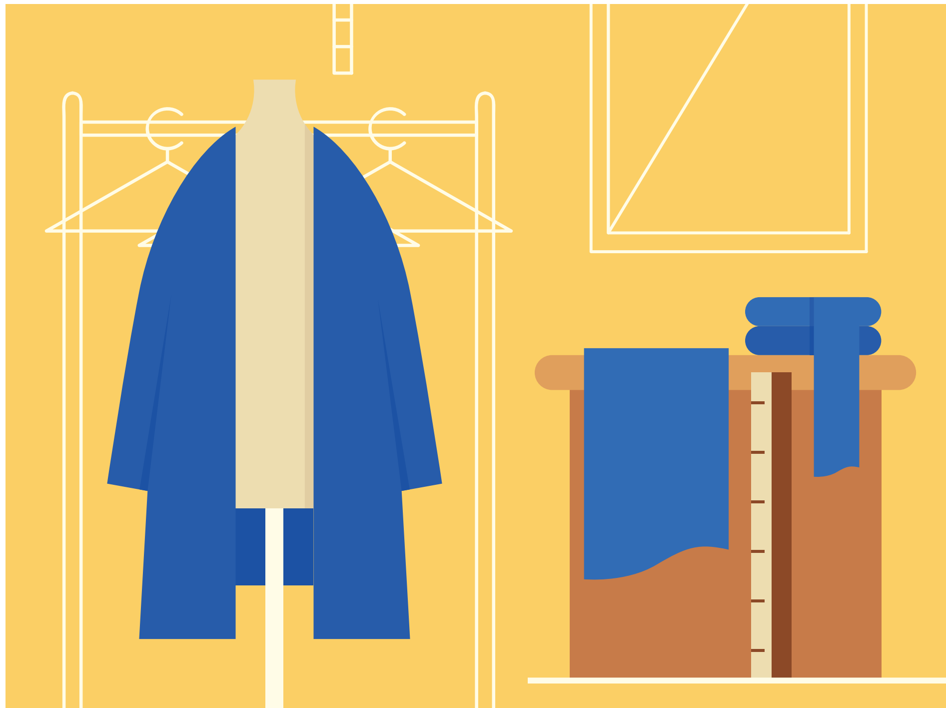
COVER NOT INCLUDED:

- Wear and tear
- Livestock
- Dangerous goods
- Goods in transit
- Cyber

NEGOTIATED COVER

- Machinery / equipment breakdown — usually not included, but some cover may be negotiated
- Flood — may be included, and can be negotiated





pricing of the LSR scheme. It also allows the option for a wider coverage compared with the standard tariff. Given the type of coverage available in the LSR scheme, large industrial-based companies would normally choose this IAR cover."

As brokers in Australia and New Zealand might have suspected, Puriantoh says there is a common misunderstanding of the phrase "all risk" in the IAR cover, with clients assuming that all types of perils are covered and any loss is within their IAR coverage.

"Just like any type of insurance cover, IAR has its own exclusions and conditions as defined in the full PDS. For example, the standard IAR tariff has fixed mandatory wordings to be applied and even the price is determined by an appointed committee known as the Special Rating Committee," he explains. "No amendment of wordings are allowed for risks within this category."

It's a different story with LSR. "The LSR IAR has room for tailored wording, subject to the approval of the scheme manager," says Puriantoh. "In general, the coverage is wider and may have the flexibility to include engineering sublimit cover, such as machinery breakdown, within the limit approved by the scheme manager."

Designing cover

Both material risk and business interruption elements require significant fact finding and due diligence from the broker in order to design a policy that responds appropriately to the customer's risks.

Pirie says a broker would need a good six to eight weeks to get all the facts and review and analyse the business information for the submission. "For material damage, people underestimate the value of what they have," he says.

In addition, Pirie says capacity for cover is "an issue" in New Zealand, with restricted reinsurance limits, so a broker may have to approach multiple insurers in addition to drawing up a good-quality submission.

"Nothing beats face to face," adds Pirie. "You want to be able to paint as good a picture as you can to prospective insurers, so you need to actually go and eyeball the client and their workplace. Look around, check their security, check their fire protection, check the construction of the buildings and show interest in what the client does and how they do it."

Says Puriantoh: "Understanding the risk and exposure is the key to asking the right questions and providing sound advice to the client. For example, a factory that produces goods is exposed to accidental damage

Illustrations: iStockphoto

within the premises and possible loss of goods from theft exposure. [In this case], IAR coverage is the most suitable cover, rather than the standard fire tariff."

For material risk, an in-depth analysis of the physical assets, their location and their exposure to weather events such as flood and bushfire is required. If a company has physical assets or supplier assets overseas, the cover must reflect that risk exposure from their geography.

If a client's revenue comes from buying widgets from Thailand, you have to evaluate their exposure to that widget factory and make sure you mirror the cover under the Australian ISR policy, Kelly explains. "That way, if the non-supply of a part or product would lead to loss of turnover and trigger a claim, you've got that coverage."

Pirie says that lots of insurers in New Zealand don't really want to cover anything outside the country, so brokers need to understand which insurers will be willing to offer that cover. While having that discussion, it's a good idea to also negotiate cover on unique elements.

If a client has a building with a plant room or a lift, for example, you should be looking at insurers that don't exclude those locations immediately and don't leave it as a sub-limit. "You can ask other insurers to include them but there may be a premium involved," says Pirie.

Kelly adds that a broker cannot build section two — business interruption cover — without a full analysis of the customer's revenue stream. "A good insurance broker would do two things: get the accounts at the company for two or three accounting periods and, secondly, ask what the customer's budget is over the next two years," he says. "Sometimes an indemnity period is required to cover future exposure, so you have to then look both retrospectively and going forward to give a concise analysis of what the business interruption policy should respond to if there's an insurance event."

Buyer beware

In countries such as Australia and New Zealand, brokers and their clients can't afford to ignore the impact of inflation on insurance cover. (Malaysia is currently less exposed, with headline inflation in 2024 estimated to stay at a moderate 2–3.5 per cent by the Central Bank of Malaysia.) All three countries are similarly affected by global supply-chain interruptions that delay parts, materials and replacements.

> "Understanding the risk and exposure is the key to asking the right questions and providing sound advice ..."
>
> **Puriantoh Supu** / Generali Malaysia

"If an insurance broker is not advising their client of the trends of these elements on replacement value, they're committing an error in the advice protocol they're giving to the client," says Kelly. The ways to rectify that and make sure you've got full value, he adds, is to have valuations done on machinery and buildings and to also establish the value of imported products when they arrive in Australia.

He says that brokers should be reviewing values at least annually, and perhaps even twice a year with bigger clients.

While Malaysian customers may not need property valuations more often than every three to five years, Puriantoh warns of another concern in that jurisdiction. "Customers need to know there is an under-insurance penalty in the event of a loss if the actual value at the time of the loss is typically more than the percentage allowed in the policy," he says.

Pirie says stockpiling due to supply issues is a common challenge for New Zealand clients. "They order extra container loads of product when they can get it and forget to tell their broker that the extra stock has been sitting in their warehouse for six months," he says.

"You need to keep in touch with your clients, especially if you think or know that they have a lot of imported stock. Perhaps do six-monthly reviews or quarterly reviews on larger clients."

Another consideration for landlord clients in New Zealand is indemnity periods for loss of rents. Pirie says that currently, anything less than 12 months is too short. "It can take a long time for the claim to be investigated and accepted, for repairs to be tendered and then done, and then there's the time to replace a tenant," he says. "We're usually suggesting 24 months [of indemnity] for property owners."

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ABIGAIL MURISON

Freelance writer

"With customers commonly buying so many types of general insurance online, it was fascinating to take a closer look at a product that really draws on broker expertise and service if it is to deliver for the client. The story also highlighted again how interconnected our world is, when a supply-chain breakdown in Europe or a storm in Asia can lead to substantial business losses in Australia or New Zealand."

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

*For the period 13 March to 9 July 2024

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by Megan Breen

4 ways to help customers cut costs and retain their cover

As cost-of-living pressures continue to bite, more and more customers are feeling the pinch. How can insurers help them retain their insurance cover while still finding some savings?

Our expert:
REBECCA STYLES
// Investigative team leader, Consumer NZ

FOR MANY HOUSEHOLDS, it can be tempting to opt out of paying insurance premiums when things are tight. However, customers need to understand the long-term impact of the decisions they make now.

The people most affected by the increased cost of living are also those who can least afford a substantial loss, so cancelling insurance is the last thing you want them to do. Rather than see them priced out of the market, consider these options from Rebecca Styles, investigative team leader at Consumer NZ.

01 // Increase policy excesses to bring down premiums

Contact your customers to make them aware they can reduce the cost of their premium by increasing the excess they will pay in the event of an incident. Make sure to outline the increased costs if the worst does happen, so there are no surprises.

"People see a higher excess as one of the most effective ways to save on insurance costs, by lowering the premium," says Styles.

"It could be more painful at claim time, but if it's the difference between keeping or cancelling a policy, it's easier to find the cost of the higher excess than paying to replace uninsured belongings."

02 // Discounted premiums for preventive measures

People may not be aware they can be proactive in reducing their premiums by using sensors and increasing security around their home. Consider offering a cheaper premium if an alarm or cameras are installed, and highlight that the initial outlay may quickly pay for itself.

"The installation of cameras or alarms might bring a saving that will subsidise the cost of installation," says Styles.

03 // Annual payments and one provider

Offering discounts for making an annual payment is one way to ease the costs for customers. Another could be to suggest that they reassess their insurance needs and consider moving all policies to one provider in return for a discount, suggests Styles.

"We encourage people to look for ways to discount their policies," she says. "We've seen offers of up to 20 per cent for a multi-policy discount, for example."

04 // Offering different types of cover

Rather than cancelling a policy, customers might be tempted to change to a cheaper, more basic product. Be explicit about what is and isn't covered to make sure customers fully understand the differences and can make an informed choice.

"It might be tempting for people to cancel car insurance, for example, but another option could be to move to a third-party insurance to cover damage to the other car, or take out a third-party fire and theft policy," says Styles.

Illustration: iStockphoto