

Welcome to the Life Insurance Discussion Forum!

LIWMPC

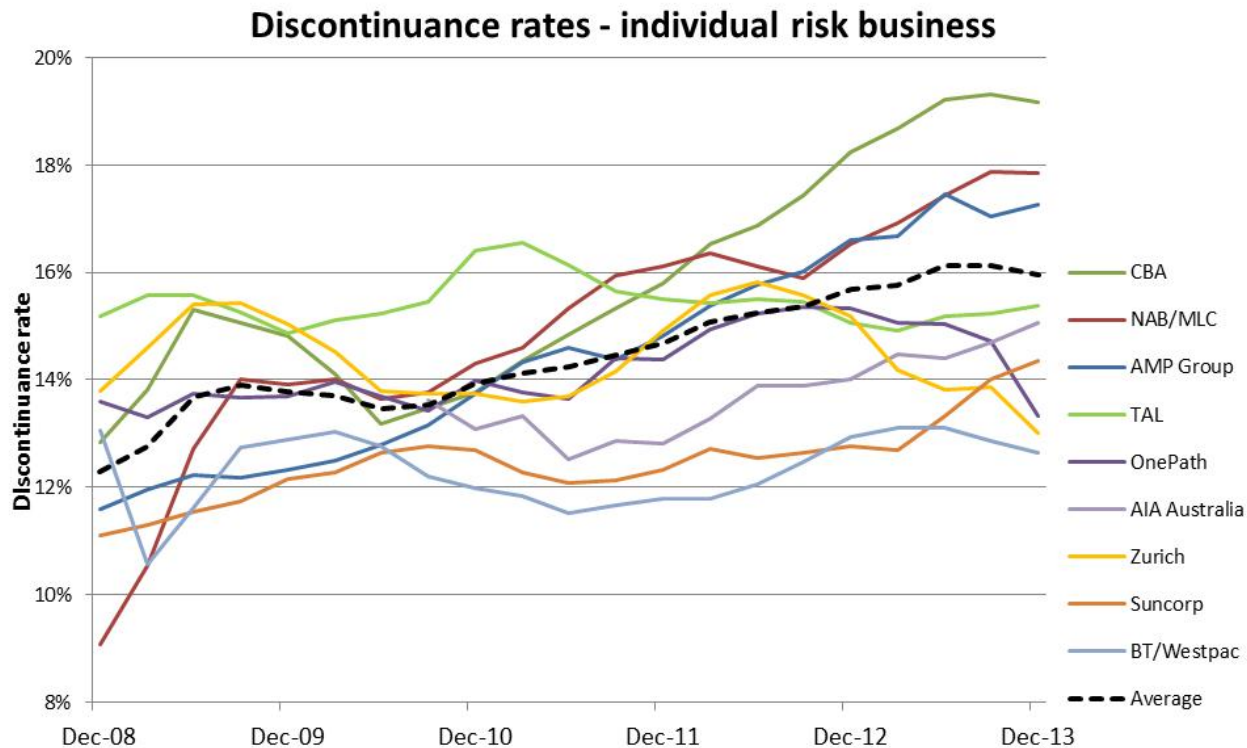
15 May 2014

Welcome

- This session is designed as an opportunity to meet some new people and discuss amongst our peers some of the key issues facing the Australian life insurance industry
- This is a relaxed environment, feel free to bring up any topics you like!

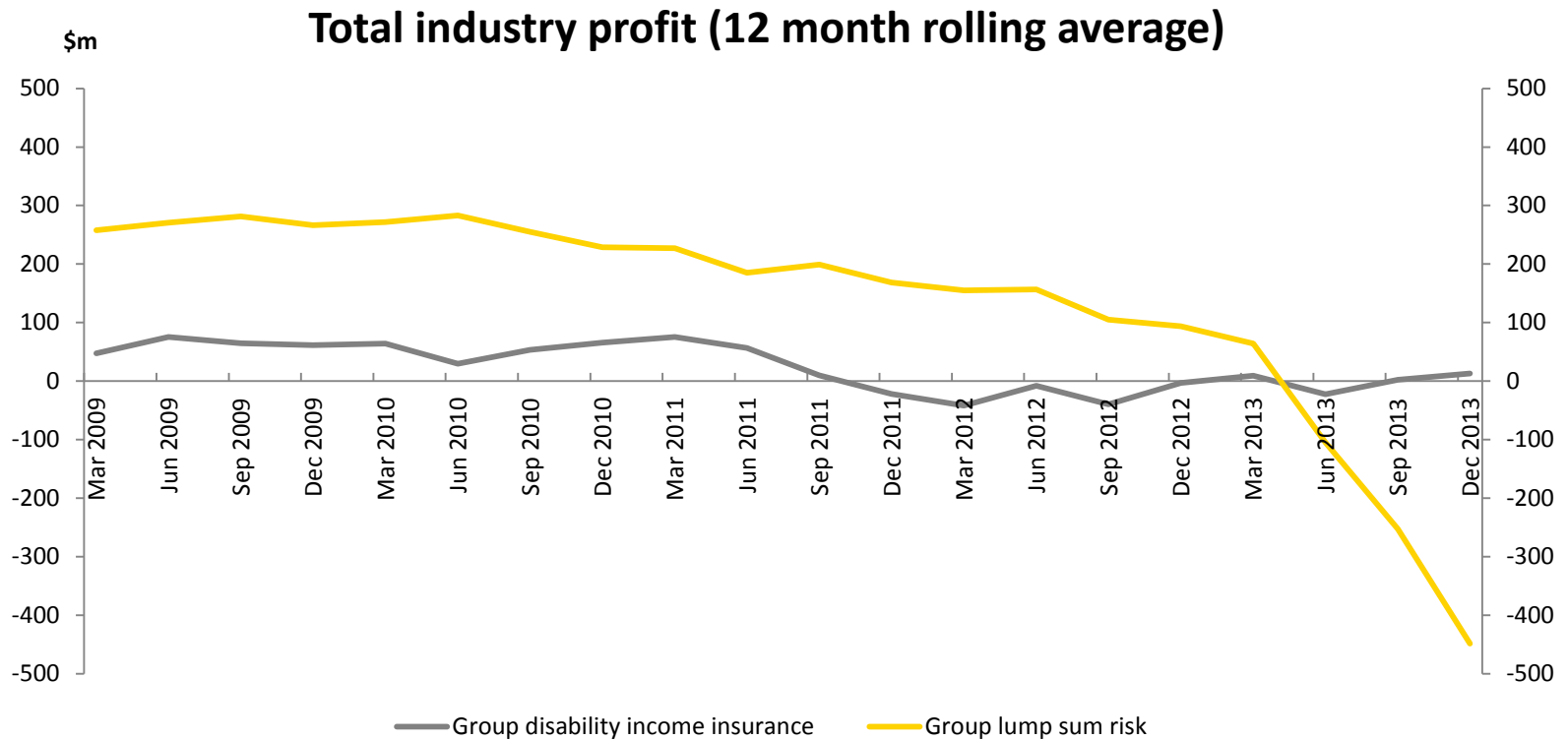
Challenging times in life insurance...

- The past two years have been a particularly challenging time in Australian life insurance, especially with regard to deterioration in lapse experience on retail business and claims on group life disability business.

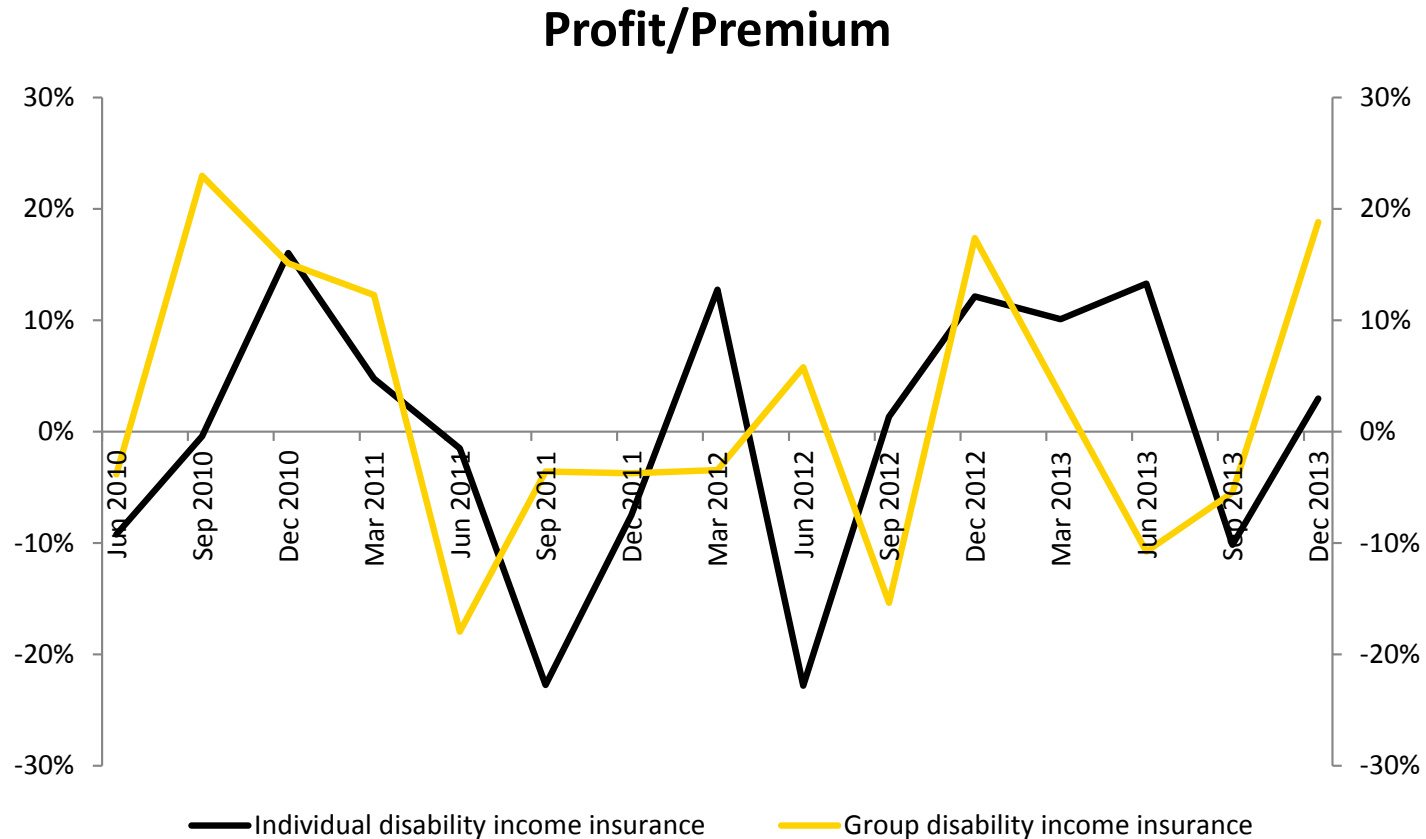


Source: Plan for Life Dec 2013

Challenging times in life insurance...



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Challenging times in life insurance...

- Poor lapse experience has been attributed to a number of driving factors, including affordability, product design and current economic uncertainty.
- Group life claims are being driven by increased customer awareness of benefit entitlements (driven in part by increased legal involvement) and relaxed product definitions and structures.
- A number of FSF presentations were held on these very topics
- Where does the group see the industry heading in response to these circumstances, and what is the role the profession can play?
- What is the future of the life insurance industry?

Financial Systems Inquiry

- Largest inquiry into the Australian Financial System since Wallis (1997)
- AI submission focused on our expertise and made 3 major recommendations:
 - Deal with demographic change with a comprehensive framework for policy formulation
 - Establish a Financial System Policy Commission (FSPC) with a longer-term focus
 - Create an open data regime to allow increased analysis of government data
- It is expected that the FSI will deliver its report to the federal Treasurer in November 2014.
- The outcome of the FSI is likely to have a significant influence on the financial services industry for some time.

Financial Systems Inquiry

- The Inquiry is expected to result in long term impacts to the financial services industry, as it seeks to plot out a course for the future of financial services in this country.
- AI submission is available, and is recommended reading
- What does the group consider to be the biggest opportunities for reform in the life insurance space?

Product design

- Product design is regularly referred to an underlying driver of deterioration in life insurance experience.
- The prevalence of YRT business in Australia, combined with an ageing population is often commented as a driver of deteriorating lapses.
- Relaxed product terms in the group risk space has been identified as a driver of recent poor experience.
- This is an issue that impacts all life insurers.
- What is your view on premium rate guarantees?
- Should we move more towards level premium business as is the case in other countries?