

SYNOPSIS

Building consumer trust in the life industry – alternative approaches to recent issues

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Key words: Customer, life industry issues, profitability, UK, product design, pricing, reinsurance, awareness, and technology

Purpose of your paper:

This paper explores a range of industry issues impacting the life industry and challenges actuaries to think differently about potential approaches to build consumer trust for a prosperous industry, including taking learnings from other markets.

Synopsis:

Australians' perceptions of the life insurance industry do not reflect the significant support the industry provides those facing disability or the loss of a loved one. How can we build consumer advocacy and trust so that Australians' feel confident that the industry will provide protection when they need it most.

Recent Issues

- Profitability across Group and Retail
- Significant reprices and shifts in product design
- Reputation and media
- Awareness and anti-selection
- Capacity and competition

The path to addressing issues, steps taken to date:

- Introduction of the FSC Code of Conduct
- FoFA and LIF to build trust with advisers by aligning to customer interests
- Changing the conversation to health and wellness

Further considerations:

- Product design: Simple vs complex. Essential vs comprehensive. Adviser requirements (e.g. best interests duty) vs customer needs
- Transparency: Consumer awareness and education. Plain English communications. Alignment across Group, Retail and Direct to meet customer expectations with consistent experience.
- Distribution: Working together with super funds and advisers for clear communication and awareness through member engagement.
- Pricing sustainability: Group profit share arrangements. Alignment of insurer and reinsurer interests (deviation contributed to Retail DI increases).
- Customer lifestages: flexibility to adjust cover and provider as needs change and reduce barriers to achieve best solutions for existing customers. Dealing with legacy products.

Leveraging Learnings from other arenas

- Lessons from the UK:
 - Differences between the UK and Australia to meet similar customer needs – guarantees, level premiums, role of reinsurers, etc.
 - Standardised definitions
 - Standardised underwriting applications and comparison underwriting outcomes
 - Software for efficiency

- Risk Distribution Review
- Lessons from General Insurance:
 - Customer engagement
 - Technology