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2nd Runner-Up Paper
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Has the Community lost sight of the good our Industry does?
In the debate that has surrounded the industry of late the findings in ASIC’s Report 498 “Life insurance claims: An industry review” seem to have been widely ignored.
The report noted that:

“During the 2015–16 financial years, $8.2 billion dollars in net policy payments were made by life insurers… Our review did not find evidence of cross-industry misconduct across the life insurance sector in relation to life insurance claims payments. 90% of claims are paid in the first instance”.

APRA released life insurance claims data in May 2018 which again showed that more than 90 per cent of claims that go to decision are paid in the first instance.
The industry pays out enormous amounts in claims every year and achieves considerable success day to day in its mission to re-build lives, but this presently gets almost no public recognition.

• How can the industry improve on current perceptions and make the public aware of the good it does?
• What further steps should it be taking to engage with community expectations to re-build trust and correct negative perceptions?
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Abstract

Over the last several years, as a result of increased attention from the community, media and regulators, the Life Insurance industry has been losing the trust of the wider community due to negative public perceptions. The industry needs to collaboratively engage with the community to provide education, simplify products and share the positive outcomes that have been achieved and work toward building sustainable relationships and business philosophies which service the needs and expectations of the community.
Introduction

The Life Industry is experiencing almost unprecedented challenges. Premiums across the industry are increasing while at the same time margins are shrinking [1]. Here in Australia, negative perceptions about the Trust is one of the most valuable commodities a business can have; without the trust of its consumers businesses cannot hope to thrive in their chosen sector in this competitive age. Over the last five years the Australian public has become more aware of the importance of Life Insurance (LI), unfortunately whilst 78% of people acknowledge its value only 42% believe that their insurer will be there for them in their time of need. ASIC\(^2\) reported that in 2016, of 126,300 reported claims, 92.1% of those determined in the year were admitted, totaling almost $8 billion in payments, with less than 8% being declined. Similar financial results were reported in May 2018. Despite the data, proving that LI plays a vital role in Australian society, there is a significant disconnect between community perceptions and the results being achieved by LI companies. Recent media coverage, particularly over the past three years, has exacerbated the negative perceptions of LI but, realistically, the negative narrative has been present in the community for a long time. To their detriment LI companies have long been associated with “big banks” and are subsequently seen as profit-focused business with little community engagement. Lack of awareness and education around LI and its benefits, limited community interaction and slow technological development, in this digital age, have all contributed to the way that LI is viewed in the community. It is imperative that, as an industry, LI companies collaborate to engage and proactively work with the wider community to develop constructive programs aimed at improving education, re-building relationships, simplifying products and creating a positive environment where the business and the community achieve mutually beneficial outcomes.

Engagement through Community Education

Research conducted by Metlife\(^3\), using a sample representative of the general population, has shown that whilst 74% were aware of life insurance within super, only 54% believed they held insurance and the majority were unaware of automatic acceptance and how to modify their cover. Price-Waterhouse Coopers\(^1\) identified that as a population Australians are underinsured and suggested that this was due to low engagement, high complexity of products and a lack of trust. It is concerning that an industry, whose purpose is to provide assistance to individuals suffering from injury and/or illness, has failed to retain the confidence and faith of those it is supposed to support. LI companies need to engage with their consumers and the wider community so that it can develop constructive relationships to fulfil their primary goal – helping people. One of the best ways to develop these relationships is through education and there is a large market for this, with less than 21% of people regularly seeing a Financial Advisor\(^6\) and few being aware of the scope of insurance benefits, such as trauma, critical illness or income protection, outside of generic “life insurance”\(^5\). Community engagement and education is a complex proposition as there is no one-size-fits-all solution; LI companies manage varied and complex portfolios, inside and outside of super, offer multiple policies and insure people across all age groups and industries.

The simplest way to start the education and engagement process would be for insurers to collaborate with the superannuation funds they represent and offer seminars and sessions to the members they insure. Such seminars would provide members with basic information about: their insurance cover and when they are able to make claims; automatic acceptance and eligibility criteria; the other cover they have access to and why this may be of benefit them; life events options to increase cover; how to determine how much insurance they may need; and where to seek further information and advice. As well as providing basic information, which unlike general insurance is not widely understood, these sessions would humanise insurance companies; detracting from the “big-bank”, “profit-driven”, “uncaring” narrative.
If LI companies were to pool their individual resources they would have a much more significant scope for influence and could provide far more detailed and extensive programmes to increase awareness and provide education. The benefits of such education could be innumerable to the community and insurers alike. However, given that there are large variations between policies and definitions within those policies, to provide simple and streamlined information a greater piece of work would need to be done to create consistency between policies and how these are applied. Such an endeavour is not impossible, the Life Code of Practice is an example of how collaboration can achieve positive results, but would require that all insurers participate in the project.

Obviously a one-off interaction cannot counteract years of mistrust, but it serves to create a positive dialogue which, along with other initiatives, will turn the tide. If individuals have positive interactions prior to lodging a claim, they are likely to have greater confidence throughout the claims process. The role of maintaining that confidence then falls to claims staff, supported by business principles and procedures, to ensure that throughout the claims process customers are treated with respect, provided with transparency and kept informed of their claims progress. Use of face-to-face conferencing with claimants and their medical practitioners; implementation of tele-claim forms, removing the need for completion of onerous paperwork; and provision of access to claims platforms, providing interactive claims information, will all increase claims transparency and improve trust.

**Simplification and Innovation**

Technology is playing an ever increasing role in people’s day-to-day lives and, due to internet and smart-devices, we have instant access to vast amounts of information. Consumers are increasingly using the internet to research products, such as insurance, before making purchases. If you type “life insurance” into a web browser the first page of results is various websites selling or comparing insurance products and it is one of the most expensive terms to bid on when advertising on Google. However, despite the ready availability of insurance sales, it is not a simple proposition to compare LI products due to variation between policy and product offerings, definitions and benefits between insurers. With such variation and non-standardisation, it is easy to see why people are confused by their insurance and disillusioned with insurers; the simple process of purchasing insurance becomes overly complicated. The competitive nature of the industry, “legacy” products and adjustments made to accommodate pricing requirements all influence the final policy that is offered (in group, retail and direct settings). Those in the industry understand why a definition, for example of “Total and Permanent Disablement” (TPD) or trauma, may differ between insurers, but this is less easy for a typical member of the community to understand. The lack of simplicity and the difference in assessments, often for similar products, between insurers creates community suspicion.

The ability to make meaningful comparisons between products is essential for the future; for consumers, insurers and regulators. Simplifying products, creating consistent industry wide definitions and minimising red-tape in the claims process are all changes which would increase community trust in the LI industry. Simplicity is associated with transparency; a product or policy that is easy to understand and not overly complicated will be perceived as being more honest in its offering when compared with a product filled with complex terminology which are open to interpretation. Complex and overly verbose policies have the appearance of being written to deliberately create conditions subject to legal or technical interpretation to the detriment of the customer and benefit of the insurer. A product or policy written in plain, simple terms is not only easier for a consumer to understand, it is also easier for the insurer, and claims assessors, to administer and communicate. Simple products and/or policies written in plain-English also provide assurances to consumers that they will receive the services that they have been sold; such confidence increases trust in their insurer.
There are arguments for and against having standardised policies. On the one hand standardised policies and definitions increase community confidence that they will receive a fair and transparent assessment, no matter who the insurer is. On the other, there is increasing evidence that certain demographics are interested in tailored products, products which provide health related offerings and ancillary benefits or technological applications. One of the leading health-related offerings is AIA’s “Vitality” program; this provides insured members with the ability to engage in protective health-positive behaviours and rewards them for doing so. As well as providing a service to facilitate health-positive behaviours, the program shows the community that, as a company, AIA is interested in promoting the health and well-being of Australians; it engages with the community, rewards them on a personal level and builds a positive rapport which engenders trust. Technological offerings, such as applications with claims and underwriting capabilities may appeal to certain demographics, such as Millennials, providing instant access to claims platforms and information.

Within-insurance benefits, aimed at improving the health and wellbeing of the community are the way of the future. Such offerings need to be made in consultation with the targeted community demographic, to ensure that their needs are being satisfied, and in concurrence with the development of business models which clearly set out the intent, purpose and philosophy of the company. With a clear business philosophy, transparent and simple policy offerings, which could theoretically include both standardised and tailored products, and a commitment to community engagement and education, the insurer of the future has the potential to not only re-build and sustain community trust, but change the industry for the better.

**Promotion and Engagement through Social Media**

Community engagement is essential to achieve successful and sustainable change. Insurers cannot control what news media chooses to report, as has been demonstrated by the lack of news coverage on the ASIC results, but they can utilise other resources to influence community perceptions and create a positive social narrative. Community engagement through the use of social media platforms, such as Facebook which had 15,000,000 active Australian users in January 2018; Instagram, which had 9,000,000 active Australian users in January 2018; and LinkedIn, which had 4,200,000 active Australian users in January 2018 would increase public exposure exponentially. With 1 in 6 Australians regularly using social media, across all age demographics, there is a variety of ways that insurers could utilise these platforms to promote the positive outcomes achieved by insurers and facilitate improvements in public perception and build trust.

Individual insurers could use paid social media advertising to share “good news” stories; share information about their community based programs, such as involvement in charities, staff volunteering days etc.; share their guiding claims philosophy; provide education or, if applicable; share their health-promoting programs to the community. The majority of L1 companies are active in the community; CBA sponsors the “Clown Doctors”, CommInsure, TAL, MetLife, AIA and others have charitable foundations and provide employees with paid volunteer days. Despite insurers demonstrating high levels of corporate social responsibility, few in the wider community would be aware of these activities. Increasing the general community’s knowledge of the benefit that insurers provide to the public, beyond claims assessments, would demonstrate that L1 companies have the health and wellbeing of the Australian community at the core of everything they do.

Collaboration between insurers, or the development of a public relations body within the industry, would increase the capacity to engage and share information with the wider community. Such an industry body could work towards developing ways to positively engage with news media, social media and directly with the community to educate and inform about life insurance. Improving public perception, and increasing community trust, requires open and transparent communication; that means sharing both the positive and negative information and demonstrating that the industry can learn from past mistakes.
Wider publication of industry reforms, such as the Life Code of Practice, and keeping the community informed as to how these reforms are progressing, would demonstrate that collectively insurers are willing to openly communicate and share information with the community. Willingness to be open and transparent would show the community that insurers are not behaving in a secretive manner and that they have grown from past events and are willing to work with the community to meet their needs and expectations. Openness to change, free sharing of information and taking accountability for any past mistakes will show the Australian public that insurers have listened to them and that they are making appropriate adjustments to satisfy community needs.

**Conclusion**

Life Insurance exists to provide financial support for individuals who are unable to work due to sickness or injury; it reduces the financial burden on affected families and community services; it facilitates and funds rehabilitation services and provides a significant contribution to the economy, through claims payments (‘income’) and employment. In recent years the Australian community has lost its faith in insurers and has lost confidence that insurers will be there when they are needed. Life insurance is going through a period of substantial change, due to reforms, changing technology and changes in public demand, and this presents both challenges and opportunity. Insurers have the opportunity to reconceptualise their business, develop a philosophy and business practice which meets the needs of the community, which is ever changing in an increasingly technological age. As an industry, to retain the trust of the Australian public, insurers need to collaborate to provide straightforward, uncomplicated policies which are transparent in their offerings; they need to educate the community about the benefits of life insurance, for individuals and communities as a whole, and demonstrate that they are actively involved in the community and have a social conscience.
References

The 2019 ALUCA TurksLegal Scholarship will be launched and applications available in July 2019.

Further information, please refer to either the TurksLegal and ALUCA websites.