

2023 ALUCA Turks Life Insurance Scholarship 2nd Runner-Up Paper

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Q9. ENHANCING THE VALUE OF GROUP INSURANCE:

ASIC Report 760 "Insurance in superannuation: industry progress on delivering better outcomes for members" released in March 2023 examined progress by superannuation trustees to improve their arrangements for life insurance in superannuation. The report found that trustees have made changes so members should get better value for money from insurance through their fund but that there was room for improvement and trustees need to continue to identify ways to enhance value. It also found that some trustees have improved the way they explain their insurance offerings, although again that there was room for more improvement.

Group insurance in superannuation remains a fundamental and critical way that Australians access life insurance. ASIC Commissioner Danielle Press in the context of ASIC Report 760 has described insurance in superannuation as providing "a built-in safety net for millions of Australians" and that ASIC wants "fund members to have confidence that they are receiving value for the insurance they hold through their super and that they will be able to claim on it when they need to... Trustees are well placed to identify and prevent harms such as members paying for insurance they cannot claim on when they need to... They decide how insurance in superannuation is designed and delivered to their members. However, while the trustees in our review have shown some progress with their insurance arrangements, progress is not necessarily consistent across the industry."

How can group insurance and superannuation funds work together to further improve the insurance value and journey for customers? Your response should address the issues raised in ASIC Report 760.

REP760: What can we learn from the Silver Screen? – an Opinion Article by Stuart Wing

In March 2023 when REP760 “Insurance in Superannuation: Industry progress on delivering better outcomes for members¹” was released, ASIC had already featured some aspect of Insurance within Superannuation in at least 13 public communications since 2019². A self-described progress report, it conducted a review of what changes the industry had made over that time, calling on excerpts from its previous reports over the years. REP760 was effectively like a compilation episode or clip show that would be found at the end of a season of a 90’s sitcom, where all the popular memories and scenes from previous episodes are drawn together to form a recap of the story thus far. This production technique shows that stepping back and taking stock of the journey to date shouldn’t be overlooked, as there are many unseen learnings which will reveal themselves upon a second viewing.

It is also a foreshadowing device.



Stephen Jones MP ✓
@StephenJonesMP

...

The Albanese Government will always put consumers first.

Today, I am putting the superannuation sector and insurance companies on notice.

They need to do better.



12:21 PM · Jul 18, 2023 · 4,137 Views

Pictured: The things that came ³

¹ <https://asic.gov.au/regulatory-resources/find-a-document/reports/rep-760-insurance-in-superannuation-industry-progress-on-delivering-better-outcomes-for-members/>

² REP 760 Insurance in superannuation: Industry progress on delivering better outcomes for members, pg42

³ <https://twitter.com/StephenJonesMP/status/1681127098277330949>

The outcome of the report was that progress has been made, but there's room for improvement. Specifically, ASIC called out three focus areas for Funds⁴:

- providing members with better value insurance through data collection and analysis,
- supporting members during the claims journey, and
- improving communication with members, and their understanding of Insurance

Which, like the recap episode, isn't anything new - these been the ongoing challenges that Superannuation Funds have faced for many years. So why haven't we been able to get it to work to date, and what is so different now?

For this article, I pose that we take a step back and observe the techniques of a global institution that is underpinned by creating products with the audience in mind, is in the business of creating journeys and is dependent on engaging with their audience... Hollywood. I will be looking at three movie/television tropes that have seen repeated use over many decades and will discuss ways we could apply these lessons to work together to further improve the insurance value and journey for customers.

But before taking this giant (and somewhat absurd) leap, it's important to set the context for why now is the time that Super Funds and Insurers alike should be placing value for money and the member journey at the front of their collective minds.

Far from stylized and glossy worlds of 90's TV, the modern consumer faces a great number of real and gritty challenges that don't see a neat resolution in 30 minutes. Inflation, cost of living, housing affordability, unemployment are only a few of the headlines which would spring up in a daily newsfeed – all of which have a substantial immediate impact, as well as having downstream consequences affecting whether they will be able to enjoy a dignified retirement.

Then, we also have the Customer Experience Revolution, where thanks to the likes of Amazon and Apple, consumers are more attuned to and have a greater expectation for high quality, ⁵immersive experiences, in everything from ordering a coffee to having major surgery. No-one is safe from the consequences of ignoring CX – social media now allows everyone to express themselves to the rest of the internet wielding world, with devastating consequences to brand, consumer confidence and operations.

One of key roles of ASIC is to “*promote confident and informed participation by investors and consumers in the financial system*”⁶. When you consider the current context above, and that there are millions of Australians that have Insurance through Superannuation, it should be no surprise that member value and member journeys are emphasised in Report 760 - arguably, it has never been more relevant, and both Funds and Insurers should consider themselves equally accountable.

But in the spirit of any good “Odd Couple” pairing (think Starsky & Hutch, Dharma & Greg, Perfect Strangers...Turner and Hooch?), our starting place is two entities that are intrinsically bound to one another, despite having obvious differences in personality, behaviours and execution. What could go wrong?

⁴ REP 760 Insurance in superannuation: Industry progress on delivering better outcomes for members, pg 5-9

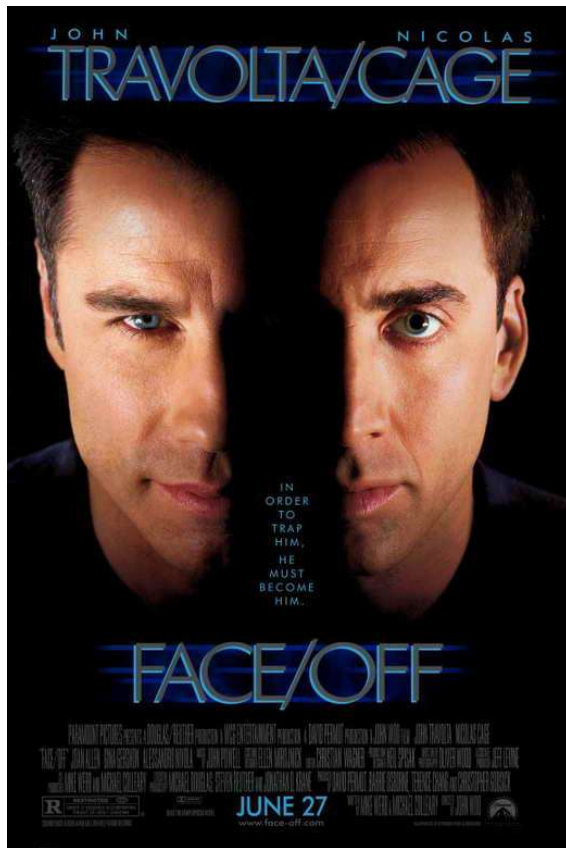
⁵ <http://www.cxrevolution.com/>

⁶ <https://asic.gov.au/about-asic/what-we-do/our-role>

The Body Swap

"If you can learn a simple trick, Scout, you'll get along a lot better with all kinds of folks. You never really understand a person until you consider things from his point of view, until you climb inside of his skin and walk around in it." – Atticus Finch

Most often triggered by some sort of supernatural or magical event, two opposing characters will switch bodies, giving the literal experience of *"walking a mile in another person's shoes"*. After the initial shock and needing to acclimate with their new body, hilarity and (new) self awareness ensues. After having a better appreciation for the strengths, experiences and challenges of the host body, they are eventually returned to their original bodies, and are usually better for it.



Pictured: ...usually... (Property of Touchstone pictures)

So what if those same outcomes of empathy, communication, self awareness and appreciation of others wasn't some mystical or accidental occurrence, but rather by organisational design?

Due to the nature of business, Funds and Insurers will naturally fall into a Customer/Provider dynamic, despite the best of intentions. Like the Mother/Daughter relationship from Freaky Friday, there can be difficulties in communicating effectively due to generational differences, pre-conceived notions about one another and misunderstanding each others drivers/motivations, particularly in the claims space.

In REP760⁷, ASIC advised Super Funds to review their claims handling process, highlighting that action should be taken to address friction within the claims process and inadequate insurer oversight. To uplift the capability to identify points of friction within their end-to-end process, claims professionals from Funds and Insurers would undoubtedly benefit from having a better understanding of their respective counterparts. Similarly, a team that can communicate effectively with one another would be better enabled to conduct oversight activities, consider solutions aside from disputes or litigation pathways, and it will be easier to reach pragmatic outcomes for members.

To give claims professionals the corporate equivalent of the “body swap” experience, a Fund-Insurer partnership could integrate the use tools such as inter-organizational secondments, temporary embedding or job shadowing as part of their insurance arrangement. Some of the benefits⁸ for the individuals, teams and respective organizations would include:

- Skill and Knowledge Transfer
- Promoting Innovation
- Seeing the Bigger Picture
- Networking Opportunities
- Staff Retention and Motivation

The core message from the Body-Swap trope is that it encourages viewers to look beyond their assumptions and biases and to connect with others on a deeper level. To that end, Funds and Insurers which actively promote a culture of connectivity and cohesion across their teams will be well placed for delivering greater value for members during the claims process.

⁷ REP 760 Insurance in superannuation: Industry progress on delivering better outcomes for members, pg 7-8

⁸ <https://er.educause.edu/articles/2019/12/the-benefits-of-a-job-exchange-program>

The “Set-Aside-Your-Differences”

“When we put aside our differences, we see we’re kind of the same” – Tugg Speedman

A favourite for directors and audiences alike, the buddy cop subgenre is built upon the partnering up of two cops with wildly different personalities and thrust them together on a high-stakes case – forcing them to overcome their own values (and ego’s) and form a partnership. After the obligatory high intensity reckless display of impulsive destruction and disregard for human life, its usually up to a cranky superior officer to tear strips off them, provide a voice of reason, and get them to work together to solve the case - a dose of colourful reprimand and threats of dismissal notwithstanding.



Pictured: Yelling is not optional (Property of Columbia Pictures)

In a relationship between two financial institutions, the sharing of data is not just a regulatory requirement, it also helps to improve efficiency, reduce risk, and enable better decision-making. A by-product that comes from conducting analysis from different approaches, is that it can create multiple interpretations and conclusions, often driven by the underlying intent of their organisation. For example, the analysis of member data and claims experience for the purposes of pricing will likely be an oppositional experience, as the underlying intent of both Fund and Insurer are diametrically (and unavoidably) opposed – one party wants to keep costs down, and the other party wants to make profit for its shareholders.

With enough repetition of this type of interaction it can create an environment where the expected status quo between the relevant Pricing and Product Teams will be oppositional in nature, resulting in some degree of disengagement and disenfranchisement whenever data analytics are involved. In the context of “two partners which just can’t get along”, Funds and Insurers are already collecting and analysing data for their own means, but are they in the best possible environment to make use of the combined expertise and tools at their disposal?

Enter the Captain....or in this case, ASIC.

Whilst not needing to be the voice of reason per say, sometimes we just need someone to come in and tell us to park our politics and agendas at the door to get the job done. REP760 ⁹calls for Funds to improve their collection and analysis of Claims and Membership data and use the findings to drive

⁹ REP 760 Insurance in superannuation: Industry progress on delivering better outcomes for members, pg 6-7

product design and ensuring members see value from the insurance. This requires Funds to review what resources they have available to them to produce best possible data analysis to enhance member value and by proxy this includes the resources that they have through their insurer.

If Funds and Insurers could create an isolated and sterile environment where co-analysis of data could be conducted free of any performance and pricing impact, the result would be findings that are purely for the purpose of better understanding membership and experience. This could then be fed back to the business to enhance product design and member value, where the basis for the recommendations is comprehensive, unbiased and includes input from a wide range of stakeholders.

Sandbox learning environments can provide a safe space for actuaries to experiment with new ideas and techniques without the fear of negative consequences in real business settings. This can allow actuaries to gain new skills, knowledge, and experience that they can apply to their work at their company. Additionally, the sandbox environment can facilitate collaboration between actuaries and other professionals such as underwriters and claims assessors, across both companies. This can lead to a more holistic understanding of the end-to-end process, better decision-making, and improved outcomes.

An example of where Sandboxing has been utilized is a recent partnership between insurer Suncorp and University of NSW¹⁰. *“The Sandbox Project is a platform to connect industry, academics, and students, empowering them to co-create solutions to real-life problems.... Students were asked to complete a group assignment using a real industry problem developed in collaboration with Suncorp. It provided the 141 enrolled students with unique opportunities to learn, engage with industry, and contribute to the solutions to real-world actuarial analytic challenges.”*

Conducting recurring exercises such as this comes with great investment from the partnership, but the provision of opportunities for their respective analytics teams to work together in a non-oppositional environment would be a way to enhance relations and product design.

¹⁰ <https://www.actuaries.digital/2022/05/06/unsw-data-analytics-sandbox-empowers-young-actuaries-to-help-solve-industry-problems/>

The Reboot

“I guess you guys aren’t ready for that yet, but your kid’s are going to love it” – Marty Mcfly

A movie reboot is when a film studio decides to remake or restart an existing movie franchise, usually with updated visuals, modern storytelling, new actors and a fresh take on the original story. When executed well, a reboot can introduce a new generation of viewers to a popular franchise or revitalize a franchise that may have lost its popularity over the years. A reboot can even span across different genres and mediums - the classic works of Shakespeare and Jane Austen have even been reinvigorated through film and television with success, in movies such as *10 Things I Hate About You* (*The Taming of the Shrew*) and *Clueless* (*Emma*).

Conversely, we are currently seeing an emergence unsuccessful reboots, that appear to be little more than just a rebranding exercise, where the same core story is being repeated over and over again. Simply changing the actors, leveraging nostalgia and updating the language and technology isn’t enough to make it relatable or successful in the eyes of the modern consumer.



Pictured: Proceed with caution (Property of Columbia Pictures/Village Roadshow Pictures)

In a 2018 paper titled “The Future of Life Insurance” written by Ian Ilias for the Actuaries Institute¹¹, he highlighted that:

- Life insurance will only remain relevant if it takes some significant steps towards a future model that centres around the consumer
- Life insurance’s value proposition must be more understandable, easier to access, modernised and fairer

¹¹ <https://www.actuaries.asn.au/public-policy-and-media/thought-leadership/the-dialogue/the-future-of-life-insurance>

Fast forward to 2023, in REP760¹², ASIC has highlighted that Funds must be focused on enhancing the way that they communicate with their members, having highlighted in particular:

- Unclear explanations of key terms and conditions, and
- Proactively and prominently communicate with their members about key terms and conditions in the insurance policy in a way that helps members make informed decisions about their insurance cover.

What this tells me is that at least over the last 5 years, not much has changed. We are due for an industry reimaginging.

There are some of the common traits that we see in successful franchise reboots:

1. There is a clear and compelling reason for the reboot
2. They have respect for the original source material
3. There is a team with vision, with willingness to try something different

A Super Fund and an Insurer would be well positioned to make a joint effort to reboot the message of insurance to a new generation of insurance consumers. With the introduction of PYS and PMIF legislation, along with the impact of the Early Release of Superannuation during the COVID-19 pandemic, the rise of underinsurance should give any Group Insurance partnership a very clear and compelling reason to revitalize engagement with existing consumers and deliver relevant messaging for emerging customers.

There is no shortage of literature available which explains why Life Insurance is important – virtually every Life Insurer and Super Fund in Australia tries to make this clear to the public. The source material is very much the same, however are policies, terms and conditions that were designed for previous generations able to be applied to the modern consumer? More than just a fresh look or modernisation of language, there needs to be greater considerations about their priorities, drivers and values, and then reshaping of the message and design if needed.

The team responsible for execution needs to call upon the strengths and individuality of Funds and Insurers working together. The partnership leverages on the reach and access to the public held by the Fund, and the insurer's capacity and resources to deliver innovation to increase market appeal and facilitate user friendliness. Whilst ASIC and the Government have set their expectations for "Do Better", having a vision on how to tie this all together may be something the industry as a whole will need to consider further.

¹² REP 760 Insurance in superannuation: Industry progress on delivering better outcomes for members, pg 7-8

Final Thoughts

"The future is not set. There is no fate, but what we make for ourselves" – Sarah Connor

ASIC has not indicated that there planned follow up activities intended for REP760 – their expectation is that Funds read the report, consider their existing insurance arrangements and take the necessary steps to uplift the offering. On face value, that should be about as easy as comparing and contrasting an ASIC report to Hollywood film techniques. But when motivated, clearly anything is possible.