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What can the group insurance market expect in 2011?

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HOW MUCH?

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TOO EASY!

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NOT INTERESTED

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WHAT RISK?

Life Discussion Group

Where is Group Business heading in 2011?

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AIA Australia

16 February 2011

AIA.COM.AU

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Overview

- ✓ Historical View
- ✓ Product Developments - 2011
- ✓ Pricing Developments - 2011
- ✓ Service Initiatives
- ✓ Technology Radar
  - ✓ Underwriting
  - ✓ Claims
  - ✓ People

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Historical view

In the past, Group Insurance was viewed as:

- A commodity ‘off the shelf’ product
- A by product of superannuation
- Vanilla, one-size-fits-all products
- Inflexible, inefficient processes and systems
- Low levels of engagement from funds and members
- The poor cousin to retail

Have we evolved..?

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- ✓ GFC – Group insurance as differentiator?
- ✓ Tailored designs for fund demographic
- ✓ New benefit structures e.g. Life stages
- ✓ Revitalisation of group - Bells & Whistles
- ✓ More IP at default level incl. - longer term IP
- ✓ Simplified guaranteed issue - No underwriting
- ✓ Automatic uplift on joining
- ✓ Individual transfer terms
- ✓ Auto reinstatement for younger members

Where are we now?

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- ✓ Bedding down the new approach
- ✓ Some still in transition, most rounding out in 2011
- ✓ Default cover increases? Unlikely
- ✓ Cost benefits
- ✓ More engagement & more opt in
- ✓ Direct Marketing – segmented campaigns
- ✓ Longevity linked products - developing slowly

Product 2011

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Tipping Point

Cost

Risk

Member Needs

Investment

Premium Rates

Getting the balance right

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- ✓Very Competitive in 2010 - will continue in 2011
- ✓Value of incumbency cannot be overstated
- ✓Spotlight on the Insurers sustainability
- ✓ Trend toward longer term contacts
- ✓Pressure to increase market share
- ✓Upward pressure on future pricing dependent on:
  - ✓Continued investment in capability
  - ✓Reduced expenses
  - ✓Continuing low unemployment rates

Pricing Trends 2011

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Group insurance…

How can we change perceptions in 2011?

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- ✓ Seek yearly independent feedback from clients
- ✓ Don’t just rely on market surveys to gage satisfaction
- ✓ Appropriately resource client development staff
- ✓ Resource from varied professional backgrounds
- ✓ Set clear client development goals
- ✓ Understand client strategy
- ✓ Apply re-use across technology- seek client input

Service Proposition

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Some fast facts

Underinsurance – Still a major issue

Rice Warner Actuaries estimate that life insurance cover within super is on average only 20% of what is needed

Less than 10% of voluntary insurance take up within super – not enough

Claims service needs improvement

- Some Death claims can take over 4-6 months
- Some IP claims can take 6-7 months
- Some TPD claims can take 12 months +

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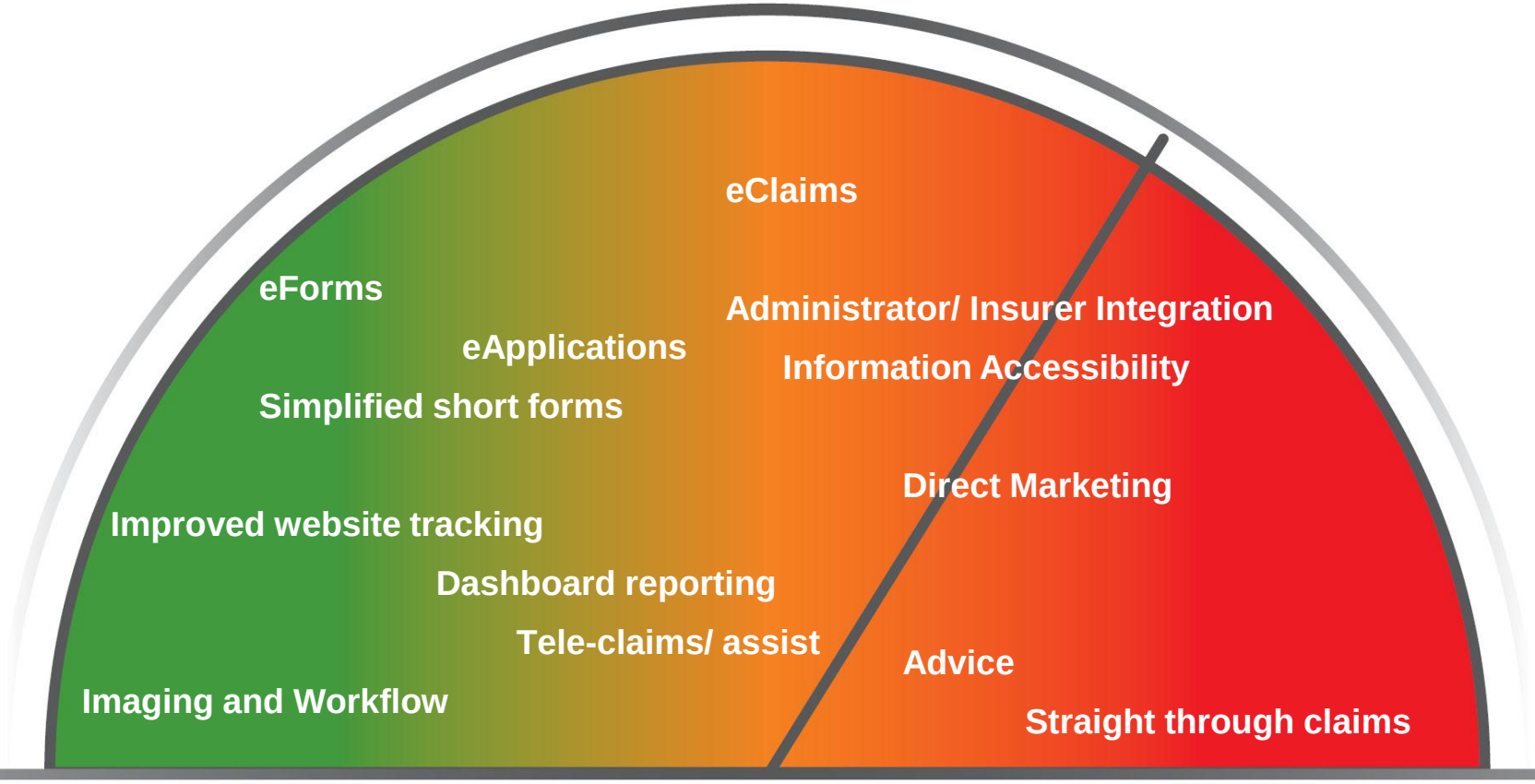
Many pieces to the puzzle…

Service & Technology -What's on the radar?



Underwriting – Easier and faster

Less than 10% of funds members apply for additional cover

But, what if we made it easier…

Electronic applications / STP
Intuitive Questions / Online Underwriting
Call centre – ‘soft marketing’
Single sign on
Electronic Signatures
Tele-underwriting
Mobile underwriting
No underwriting…

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Claims – ‘the moment of truth’

Claims are the most important priority for life insurers – we need to get it right

Improving the claims experience is the responsibility of the industry as a whole and significant investment and thought needs to be dedicated to this issue.

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Claims – ‘the moment of truth’

Implementation of eClaims is the key to efficiency in the Group market

Electronic lodgement
Electronic forms
Tele-claims/ Tele-assist
Website tracking

We cannot underestimate the importance of having a professional to speak to at the other end of the line

Electronic triage for claims
Fast track / High touch
Pay and Close
Straight through
Rehab/early intervention

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How do we make it work?

- ✓ Focus on members
- ✓ Focus on efficiency
- ✓ Long term contracts support long term investment in systems
- ✓ Build trust between Funds/Insurers – increase web-based activity
- ✓ Bring back the human contact
- ✓ Collaborative long-term investment and thinking
- ✓ Improve the day to day client management service

Build for the future

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Thank you.

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Life Discussion Group

Where is Group Business Heading in 2011

16 February 2011

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16 February 2011

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Agenda

- Group Life Industry
- Current Observations
- Sustainability
- Client Needs
- Service Differentiation

Group Life Industry

- What does the industry consist of?
  - Policy Owners: Employers, Trustees, Other groups
  - Beneficiaries: Employees, Super Fund Members, Dependants
  - Insurers & Reinsurers
  - Advisers, Brokers, Administrators
  - Regulator, Industry Bodies
- Aon's role in the industry

Current Observations

- Underinsurance still exists
  - Desire across industry to address
- Scale & consolidation
- Specialisation & tailoring by insurers
- Product terms
  - Competitive.
  - Meet most needs although improvements still possible
- Premium rates
  - Very competitive
  - Reduced differentials

NOT SUSTAINABLE?

Sustainability

- Current prices are only sustainable if:
  - Efficiencies are gained
  - Claim payments reduce
    - Terms and conditions reduced
    - Improvements in mortality/morbidity/accident
      - Lack of adequate data – more investigation needed
      - Greater focus on prevention (health & wellbeing)
      - Proactive rehabilitation
    - Change in decision making

Client Needs

- Employers consider insurance is an employee benefit
  - Want to cover everyone
    - Discriminatory if not (e.g. over 65)
    - Worldwide cover
  - Simple to administer
    - E.g. minimal administration
    - No disruption to business/ employees
  - Simple to understand
    - Some benefit designs confusing
    - Remove max benefit tapering
  - Valued by employees
    - Staff attraction & retention
    - Communication

Service Differentiation

- Technology used to improve:
  - Efficiency
  - Accuracy
  - Communication
  - Interaction

Service Differentiation

- Technology doesn't replace good service
  - Biggest issues occur at claims and underwriting
  - "personal" involvement needed for claims
  - Lack of computer access to some
  - Executives are time poor (& often decision maker)

Need to get the basics right