

FSC Life Insurance Conference 2014
John Brogden - Introductory Comments
8:45am : Sofitel Sydney Wentworth Hotel

Ladies and Gentlemen welcome to the 2014 Financial Services Council Life Insurance Conference.

Thank you for attending and thank you for the great turnout at the dinner last night.

Thank you also to our sponsors MetLife, BT Financial Group, AIA, RGA, Scor Global Life, Bravura Solutions, Williams Roberts Lawyers, BlueChip Communication and our media partners Money Management, Riskinfo and Insurance News.

Congratulations again to the winners of the Financial Services Council Life Insurance Awards:

- **Megan Beer**, AMP, the Industry Pioneer Award;
- **Tracey Crowe**, BT Financial Group, the Leadership Award;
- **Rajasree Variya**, ANZ Wealth, the Young Achiever Award;
- **Zurich Life and Investments**, the “Big Thinking” Award;
- **BT Financial Group** - BT Insights, the Social Media Innovation Award; and
- **Asteron Life** - *Smarter Years campaign* – the Consumer Innovation Award.

This is the fifth Financial Services Council Life Insurance Conference.

The growing numbers attending the conference are an indication of the value of coming together as an industry to share ideas and discuss the complex issues which affect our industry and the services we provide.

Sustainability

Ladies and Gentlemen, everyone in the room will be aware of the challenges facing the life insurance industry.

I will not dwell on these now.

The first two sessions this morning focus on new consumer culture and transitioning to sustainability and go to the heart of the changes taking place in the industry.

This morning I will outline some of the steps the FSC is taking to lead the industry’s response to these issues.

To obtain a broad understanding of what is taking place in the industry the FSC engaged Milliman to prepare a report on the sustainability of the life industry with a particular focus on practices in the retail and group markets.

The report categorised the issues faced by the industry into three groups:

1. Market - those which should be left to individual companies to address;
2. Industry - those which require an industry response, which do not involve competitive issues and would benefit from an FSC coordinated approach; and
3. Regulatory - areas where regulatory intervention may be required by government.

The FSC is firmly of the view that challenges driven by market factors should be left to the market to resolve.

There is no role for the FSC in these matters.

However, there is a role for the FSC in coordinating and leading responses to industry wide issues and in advocating for regulatory reforms.

The government has also engaged with the industry and regulators through an insurance roundtable chaired in March by the Assistant Treasurer Arthur Sinodinos.

The FSC will seek amendments to legislation to introduce a seven year limitation on group insurance disability claims.

This aligns with the time limit for maintaining medical records.

We believe this is eminently reasonable.

It will provide certainty for consumers in the long run and assist the industry to manage pricing.

The FSC will also advocate for a change to the Private Health Insurance Act to allow insurers to fund medical treatment for claimants to return to work where possible.

Research has consistently demonstrated that participation in work provides better health and general welfare outcomes for individuals.

This will also help insurers work with the medical profession to enable people to return to work.

Together these changes will deliver better outcomes for consumers and manage increasing claims costs for insurers.

They will also assist insurers to reduce spurious litigation, improve welfare of individuals by allowing them to remain engaged in the workforce and ultimately contribute to economic growth through higher labour force participation.

The FSC is also leading the response to non-regulatory issues that must be dealt with at an industry-wide level. This action includes:

- Improving the quality and consistency of data shared at an industry level, particularly in relation to group insurance;
- Considering the benefits of establishing an industry fraud bureau as seen in the general insurance industry and in other countries such as Canada and South Korea; and
- Establishing a medical impairment bureau.

Two sessions today are directly relevant to the work the FSC is undertaking to lead the industry.

We are pleased to welcome the following international speakers:

- Brenda Dietrich, Chief Technology Officer and Vice President of IBM USA, who will lead a discussion of opportunities provided by big data; and
- Maria Vandenhurk from Banyan Work Health Solutions, who will lead a discussion of the Canadian industry's experience with rehabilitation and return to work strategies.

NDIS and DSP

I am also very pleased we have the Hon Steven Ciobo MP, Parliamentary Secretary to the Treasurer giving us the view from government this morning.

In the context of the Commission of Audit, the Financial Systems Inquiry, the McLure Review of welfare and a likely very tough budget, there is a new focus on the appropriate role for government in the economy and the line between public and private provision of services.

The financial services industry plays a significant role in supporting the sustainability of the Federal Budget.

We believe this can be increased.

Life insurance needs to be seen in the context of its capacity to reduce government outlays.

Underinsurance has a significant impact on the Federal Budget as many of those with insufficient insurance ultimately draw on the Budget through various pensions.

The potential for life insurance to reduce welfare costs must be considered.

The FSC is examining the role the industry could play in reducing the future costs to government of the National Disability Insurance Scheme and the Disability Support Pension.

Just as superannuation is the private sector solution to the costs of an ageing population and private health insurance is a private sector solution to managing health care costs, so too life insurance can be the private sector solution to the increasing budget costs of welfare.

Modelling to estimate the potential benefit for the Budget of privatising some elements of the NDIS and DSP have been completed for the FSC by Deloitte and this research will be included in the FSC's Financial System Inquiry submission on Budget sustainability.

Conclusion

Before we start the official programme, there are a number of features of the conference I need to tell you about.

The Sofitel provides free wi-fi with unrestricted access to all delegates, event attendees and visitors throughout the Conference.

There is also an "app" available containing all the information on the Conference. If you haven't already done so, simply search FSC FOCUS in the app store to download.

Finally, please use the Life Insurance twitter account - @finservcouncil and #fscife to post your questions for the main Plenary sessions.

Now Ladies and Gentlemen, please welcome our facilitator for the day, ABC presenter Emma Alberici for the first plenary session.

[ENDS]