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# Lessons From Down Under

## *The D2C Market in Australia and what the UK can learn.*

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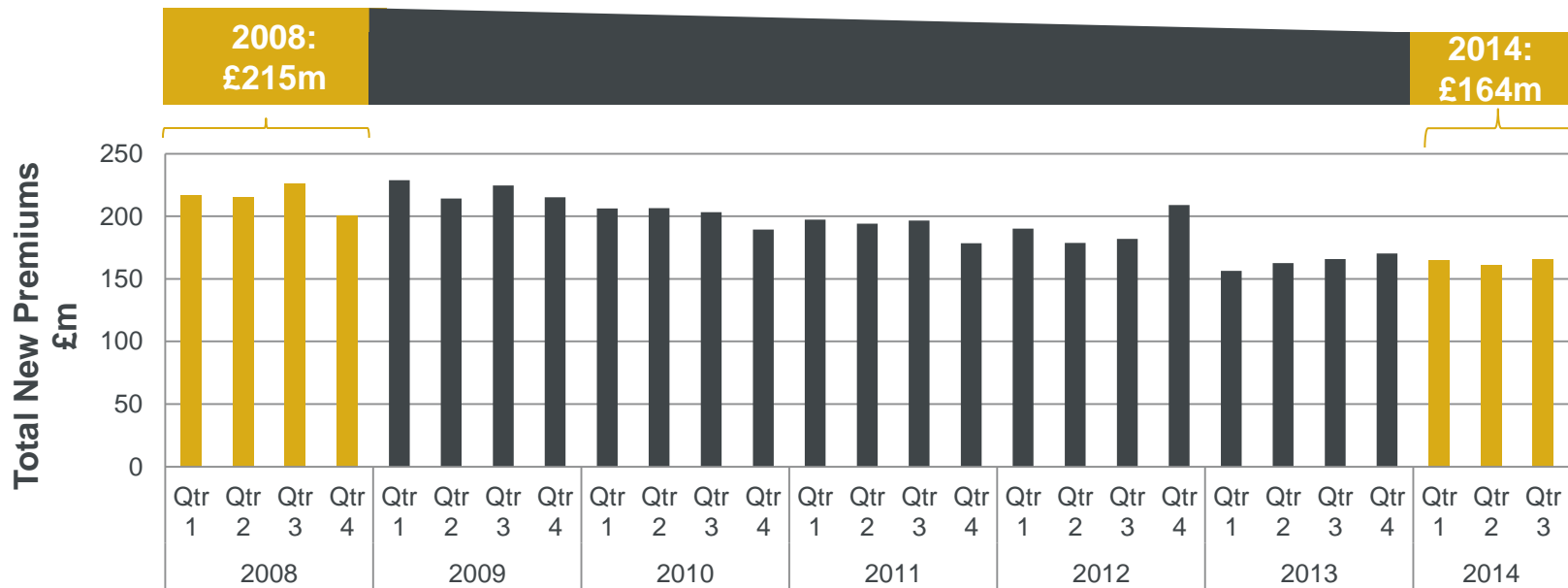
# Australia: The Lucky Country



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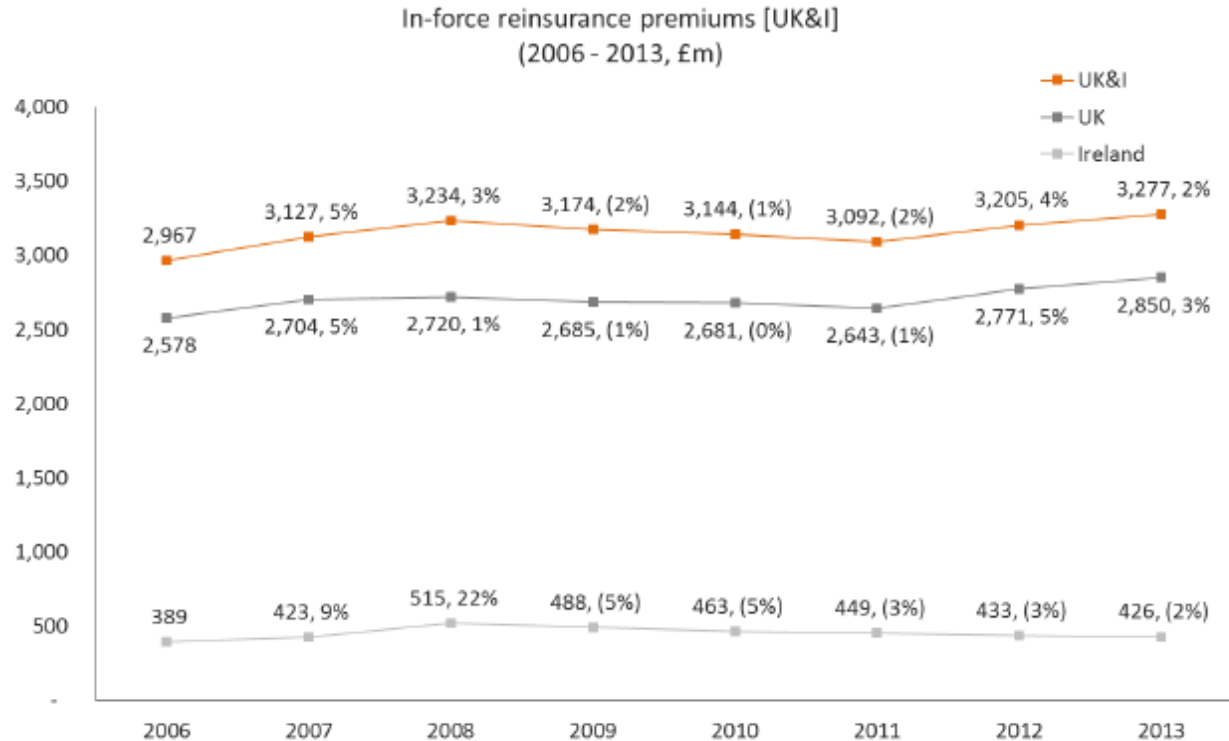
# Background: A market in decline

*Average quarterly sales down ~25%*



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# In-Force Reinsurance Premiums (UK&I)



# The Australian Market: Total Market Factsheet

In-force summary		30 Sep 2014	Growth vs 30 Jun 2014	Growth vs 30 Sep 2013
In-force premium		\$14,525m	+5%	+14%
Distribution channels	IFA	\$5,459m	+2%	+6%
	Bank	\$2,257m	+1%	+7%
	Direct <sup>1</sup>	\$848m	+3%	+13%
	Group	\$5,962m	+9%	+26%
Top 3 manufacturers	TAL	\$2,200m	+2%	+25%
	AIA	\$1,795m	+13%	+30%
	CommInsure	\$1,718m	+2%	+4%
Top 3 competitors	TAL	\$2,200m	+2%	+25%
	AMP	\$1,898m	+6%	+7%
	AIA	\$1,795m	+13%	+30%

New sales summary		Jul - Sep 2014		Oct 2013 - Sep 2014
New sales premium		\$303m, (9%) vs Jul-Sep 2013		\$1,246m, (3%) vs Oct 2012 - Sep 2013
Distribution channels	IFA	\$147m, (6%)	IFA	\$584m, (0%)
	Bank	\$103m, (18%)	Bank	\$460m, (8%)
	Direct <sup>1</sup>	\$53m, +1%	Direct <sup>1</sup>	\$201m, +3%
Top 3 manufacturers	OnePath	\$46m, (3%)	OnePath	\$179m, +0%
	BT/Westpac	\$43m, +5%	BT/Westpac	\$168m, +12%
	TAL	\$34m, (11%)	CommInsure	\$141m, (26%)
Top 3 competitors	ANZ	\$46m, (3%)	WBC	\$183m, +10%
	WBC	\$46m, +3%	ANZ	\$179m, +0%
	TAL	\$34m, (11%)	CBA	\$141m, (26%)

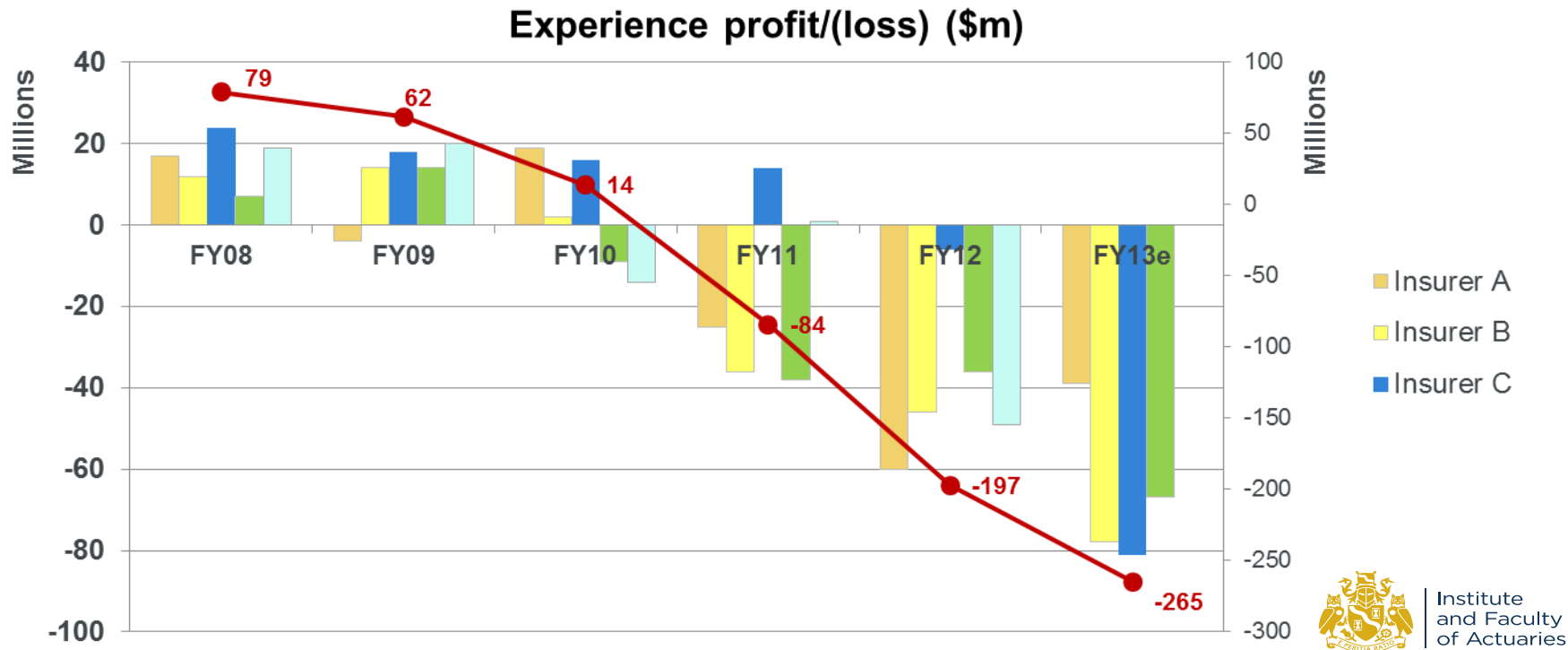
Note: <sup>1</sup>Direct channel in this report excludes Bank-direct and CCI which are included in the Bank channel



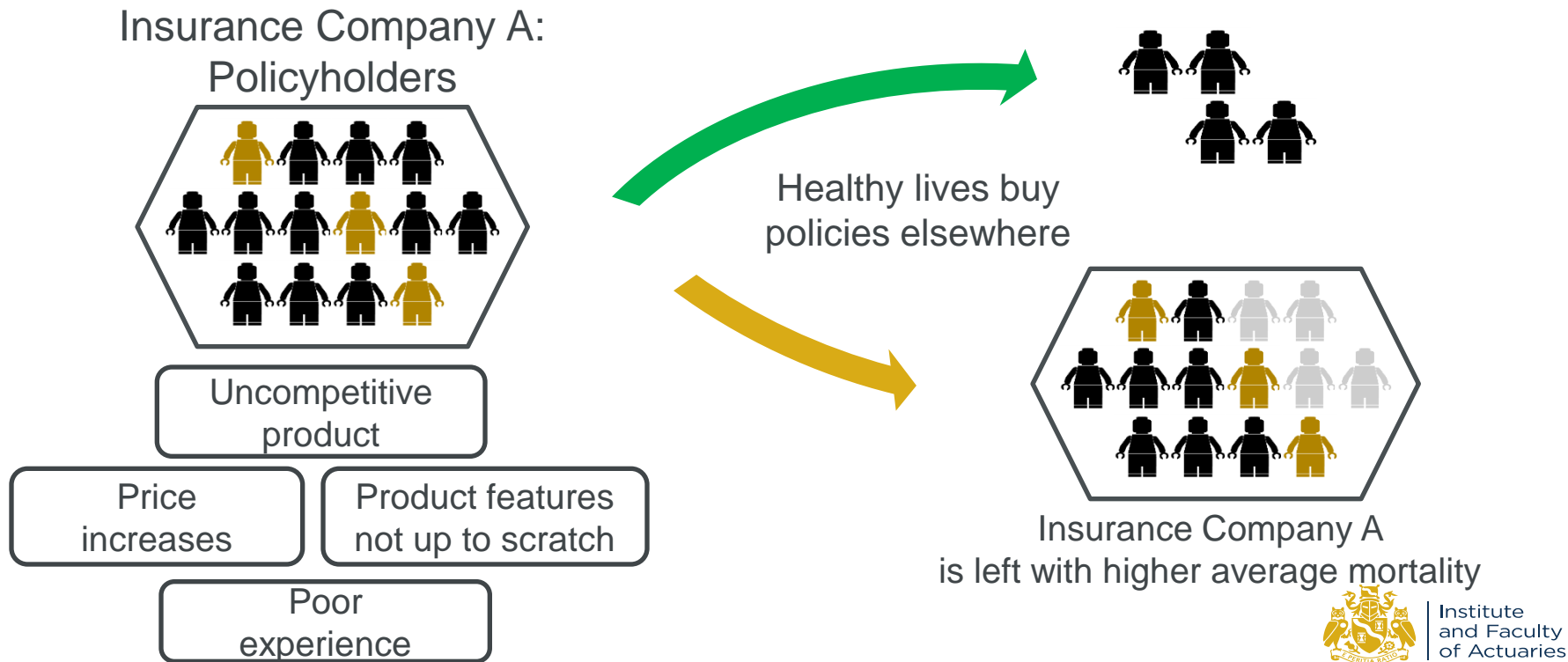
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# Insurer Results Deteriorate

*(and will continue to...)*



# Selective Lapses: *A brief introduction*



# Evidence: Complexity of Product

Typical UK definition of total disability:

- *The insured is unable to perform the material and substantial duties of his own occupation.*



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# Evidence: Complexity of Product

## Definition found in the Australian marketplace:

- The insured suffers an injury or sickness and as a result:
  - *suffers at least a 20% reduction in capacity to earn their pre-disability income and is actually not working and generating any income from personal exertion; or*
  - *is unable to perform one or more income producing duty from his or her own occupation and is not generating any income; and*
  - *is following the advice of a medical practitioner.*

OR

- *is unable to perform one or more duties from his or her own occupation, which is important or essential in producing income; and*
- *is not engaged in any occupation; and*
- *is following the advice of a medical practitioner.*

OR

- *is unable to perform all income producing duties of their occupation for more than 10 hours per week; and*
  - *is following the advice of a medical practitioner.*
- Any occupational earnings generated during the 10 hours worked will not be used to offset the monthly benefit.*

OR

- *suffers at least a 20% reduction in capacity to earn their pre-disability income, regardless as to whether they can or cannot perform any income producing duties, and is actually not generating any income from personal exertion; and*
- *is following the advice of a medical practitioner*



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# Evidence: Easier to claim?



## Total and permanently disabled (TPD) claims

To get a total and permanent disability (TPD) lump sum, you usually have to show you can't do your normal job or any other suitable work that fits your education, training or experience.

**You don't have to be unfit for all work - only work that you have the skills to do.**

For example, if you have a bad back and you have only done manual or processed work and you can't do that work, it doesn't matter if the doctors say you can do office work.

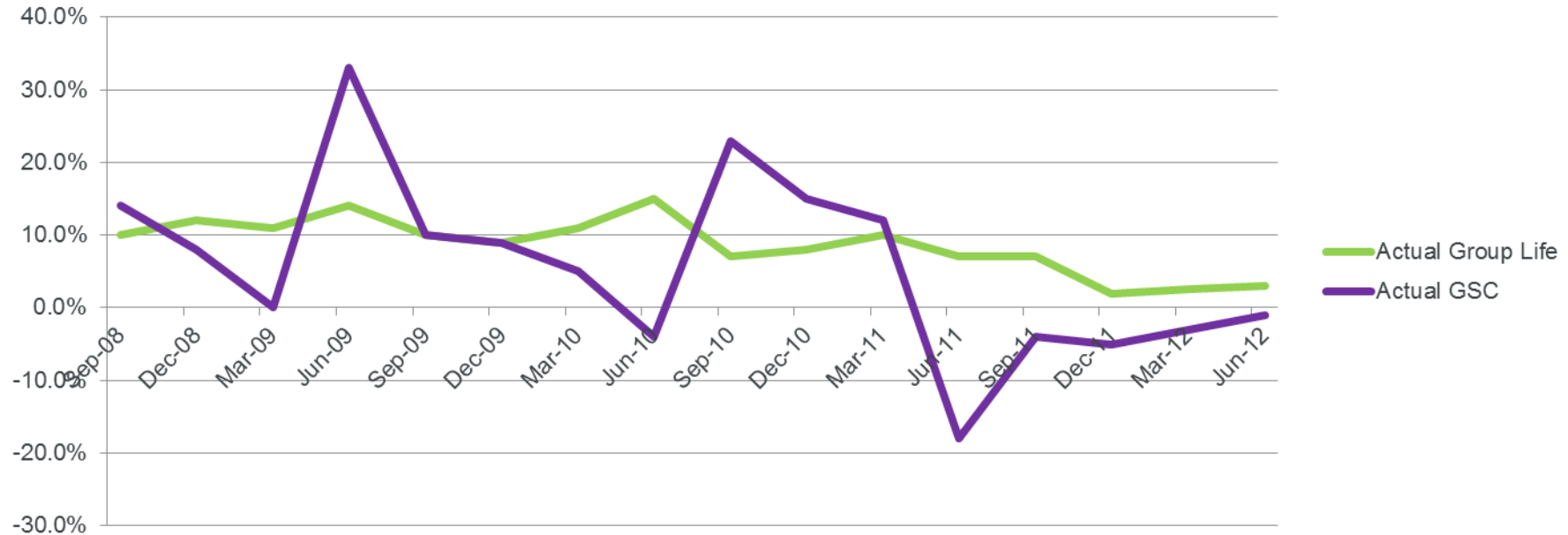
**YOU DON'T HAVE TO BE UNFIT FOR WORK!**



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# Group Insurance Results

## Net Industry Profitability 2008-2012



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# The Direct Market



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# The Direct Market

- ~10% of the overall insurance market
- In 2013 sales were \$558m and in-force annual premiums were \$1.459m
- In 2008 there were a little over 100 direct products on sale in the Australian market but today there are more than 200.
- On-line sales for these products has grown by 44% in recent years which is of course in line with trend that we see globally.

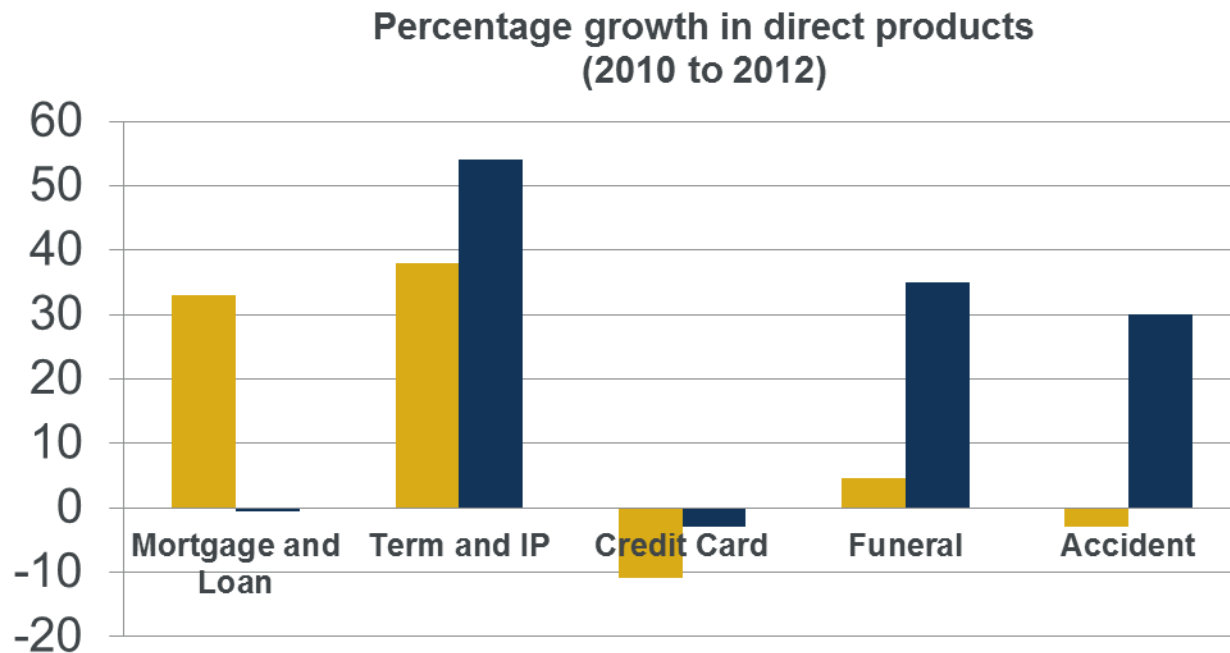


# The Direct Market

- Credit related insurance makes up around 35% of the market,
- Funeral insurance makes up around 20% of the market
- Term, Income Protection and Accident Insurance makes up the remaining 45%.
- Income protection sales up more than 20% on both in-force and new business.
- Funeral insurance growing at 7% and term insurance growing at 2%.



# Where does direct fit?



## Three broad markets

- New customers
- Credit Cards
- Loans

■ Sales  
■ Inforce



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Insurance for Women

Home > Blog > Christmas holidays: how to spend quality time together

## CHRISTMAS HOLIDAYS: HOW TO SPEND QUALITY TIME TOGETHER

posted on 22/12/2013



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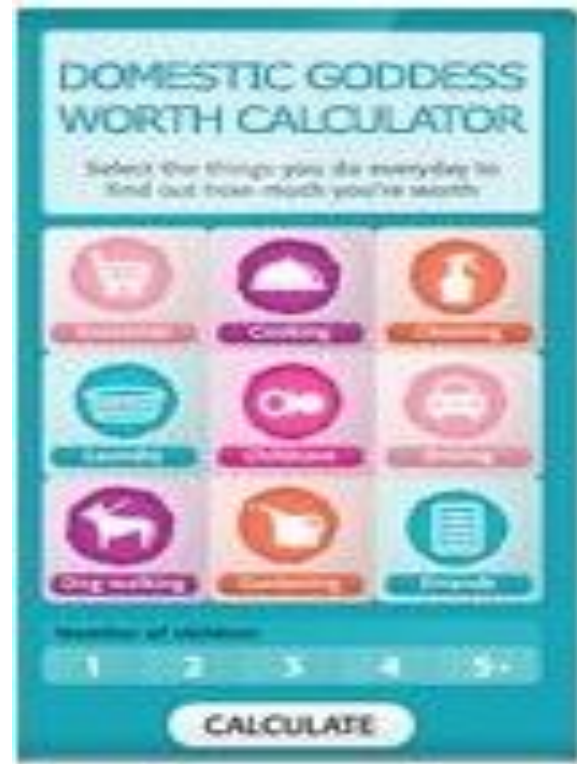


## Financial Ideas for Women

### Day-to-Day Living Expenses Cover

Keep your household running when you're temporarily out of action

From  
\$1.50\*  
a day



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# UK Market Driven by Price

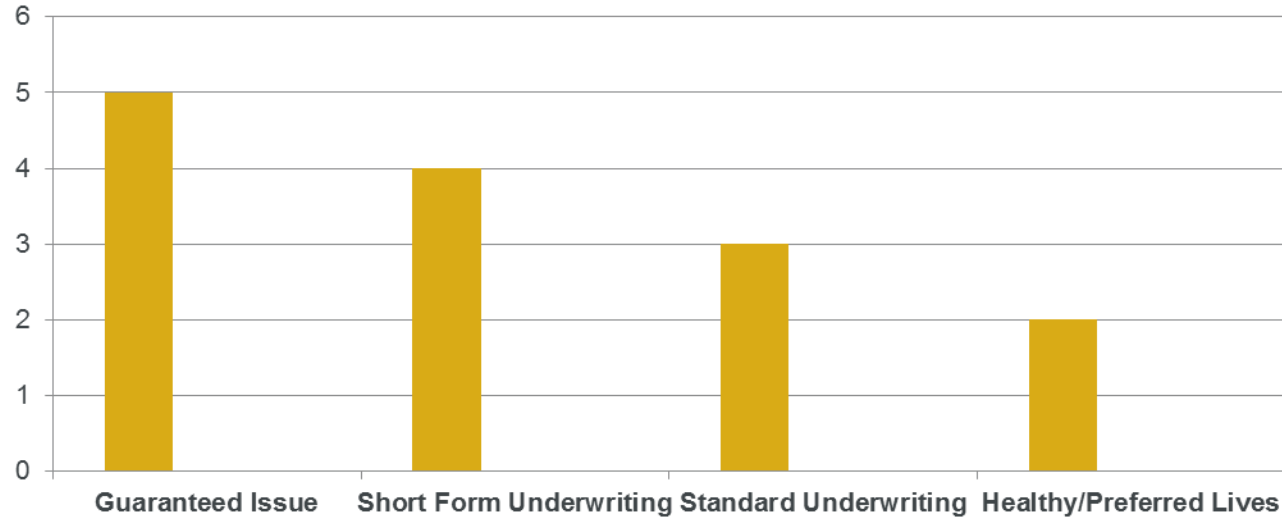


## D2C Insurance is:

- More expensive
- More features
- Usually less underwriting

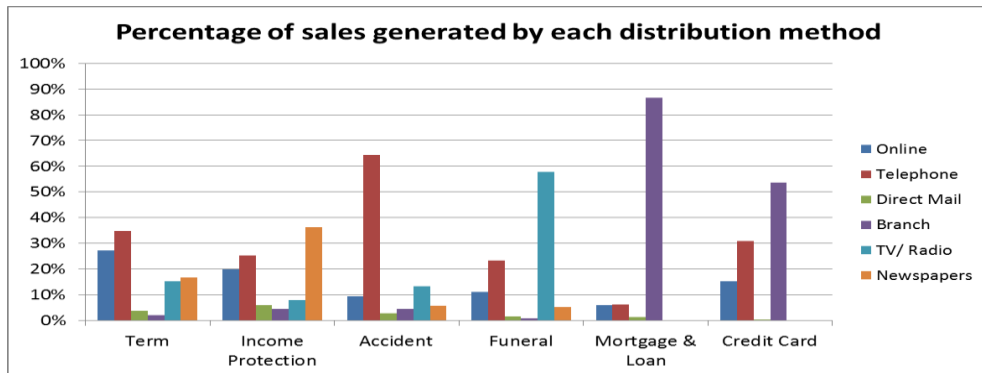
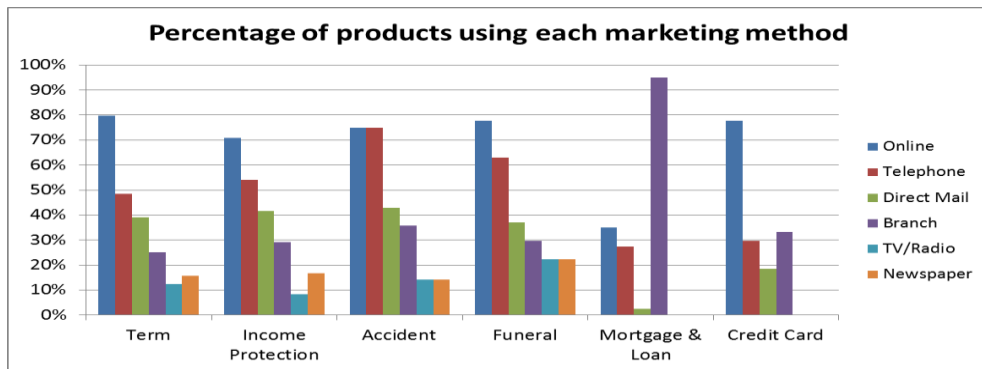


# The Pricing vs. Underwriting Spectrum



# Distribution based on how you target customers

## *Marketing effort versus sales*



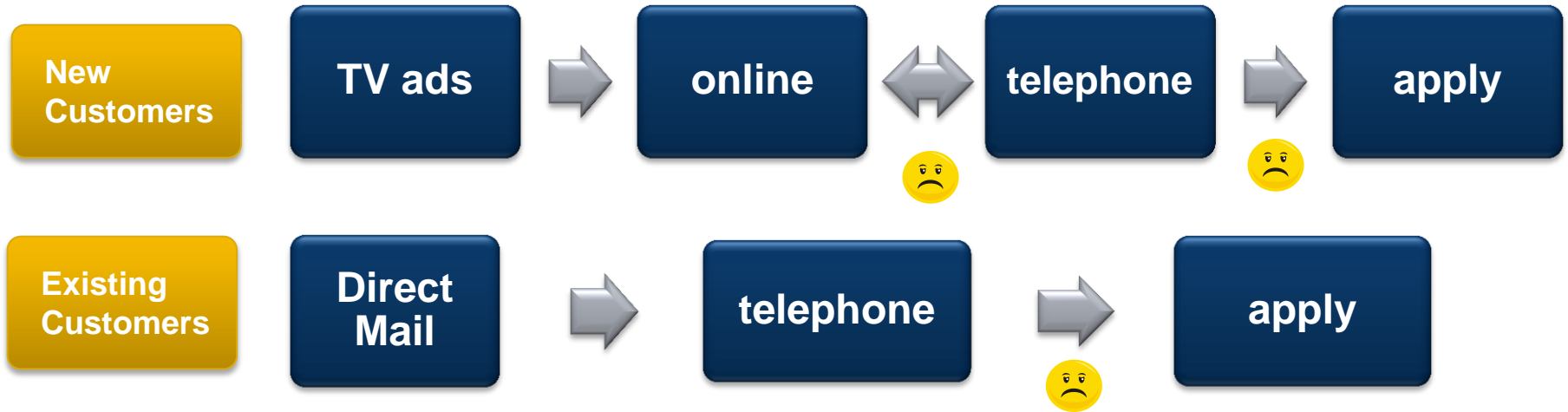
- There continues to be disconnect between how the product is marketed and how it is purchased
- Online is dominating marketing effort but the telephone is still the king of sales
- Mortgage and credit card products continue to be purchased through branches



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# Australian models *(simplified)*

## Existing vs new customers



### Pain points in process:

- identify the right customers
- make the right offer
- applying for the product
- manage the risk



# Aggregators



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# Process: *Data to select customer targets*

## Insurance (life and GI) data

- Level of previous u/w
- Time since u/w
- Cover taken
- Current age
- Claims
- Channel
- Occupation
- Preferred channel
- Home ownership
- Value
- Lifestyle factors

## Transaction/bank data

- Credit rating
- Marital status
- Home loan
- Personal loan
- Employment status
- Savings levels
- Children
- Moving homes
- Credit card/direct debit transactions
- Health fund
- Occupation

## External data

- Lifestyle
- Life event triggers:  
marriage,  
birth of child,  
new homes
- Likes

**facebook**



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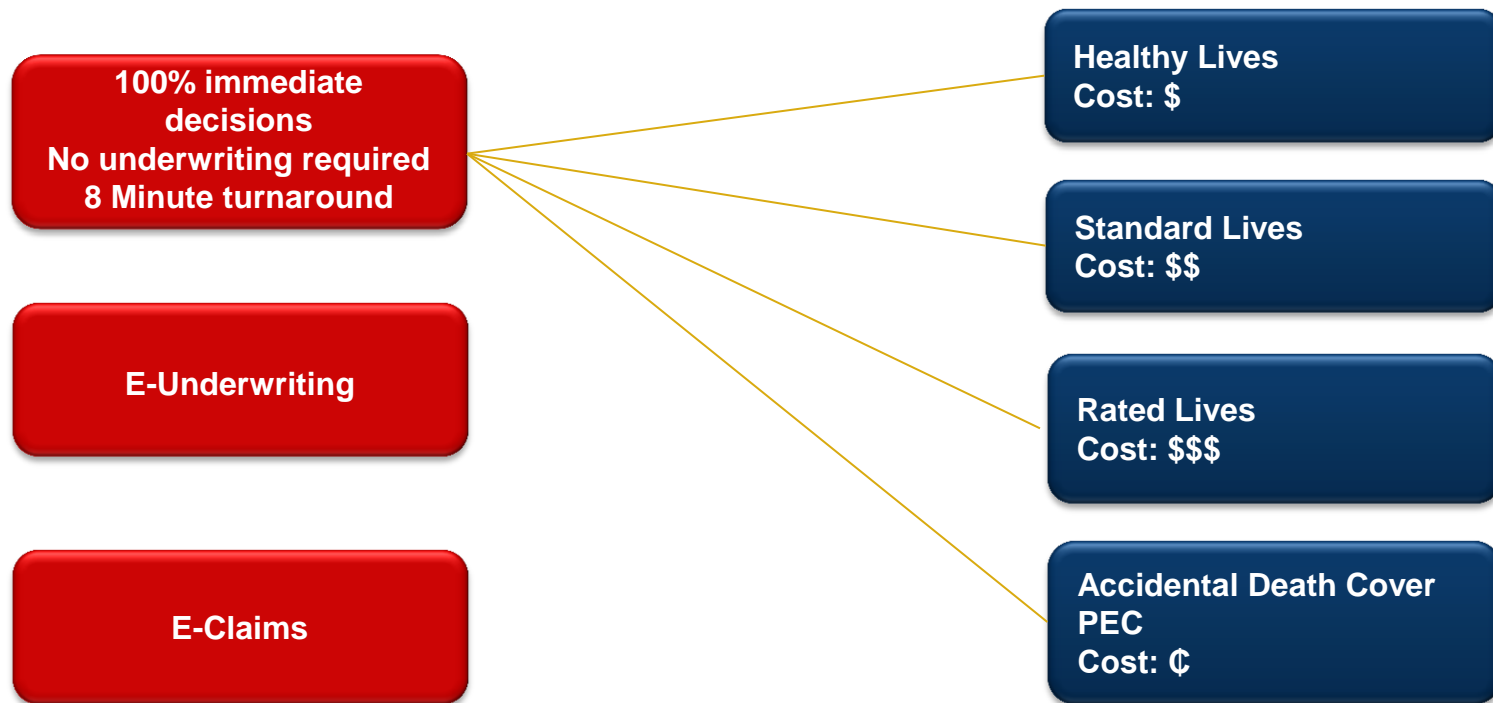
# Uses of models



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# Case Study

## *Affinity Business in New Zealand*





# The proposition: *How should YOU participate*

How can you better  
match products to  
needs

What does the  
consumer want?

Role of technology  
with changing  
consumer behaviour

Will a propensity to  
claim model assist in  
easing the  
underwriting process

How can you use  
your existing data  
and/or external  
data

Is your advice  
channel in conflict  
or an opportunity

Can a propensity to  
buy model allow you  
to better target  
customers with the  
right offer



# What lessons are there for the UK?

- A Picture
- A quote
- A word (3 actually)
- A number (2 actually)



# What lessons are there for the UK?



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# What lessons are there for the UK?

“Tis a lesson you should heed:  
Try, try, try again.  
If at first you don't succeed,  
Try, try, try again.

- The proverb can be traced back to the writings of Thomas H. Palmer in his 'Teacher's Manual' and 'The Children of the New Forest' by Fredrick Maryat (1803-1870)



# What lessons are there for the UK?

£400



# What lessons are there for the UK?

€250,000,000



**What lessons are there for the UK?**

# Composite Sales Processes



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# What lessons are there for the UK?

## Summary

- A Picture – funeral plans our key DM success story?
- A quote – you will fail before you succeed
- A word (3 actually) – flexible process is all important
- A number (2 actually) – its not cheap & Marketing is the key to engagement





Thank you for listening...

**Any  
Questions?**

