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Page 1 of 4

# Long live, life insurance

Life insurance is undergoing a seismic shift with the new wave of products directed at individuals who are living longer, getting richer and always online.

**MICHAEL HOBBS reports.**







Allianz can generate a policy within one minute and then provide a detailed price structure so all that's left is for the person to provide a credit card number and the policy is theirs.

Online insurance is particularly attractive to women, according to research. Poole observed, "We think women are an underserved market. We see a higher percentage of them using the website than you would normally see through traditional distribution approaches."

But not everyone is convinced that direct selling will become mainstream. "Life insurance is still a grudge product, most consumers would rather not think about it or consider it ... I don't see it taking off, you need someone to take you through it," said Eckersall.

#### **Insurance through super**

Since the Better Super legislation was introduced last year, insurance firms such as MLC, CommInsure and Zurich, among others, have been battling it out to take advantage of the inherent tax benefits.

"We've launched income protection through super and introduced split premium structures to make it easier for customers to get part of their insurance cover on a step premium and part on a level premium," said David Evans of MLC.

"Step premiums go up each year and the level premium are calculated on the age at which they take out the policy whereas level premiums is more cost effective in the long term.

"By introducing this, customers can get the best of both worlds, making it more affordable."

CommInsure has also developed a superannuation product, Total Care Plan Super, which has no accumulation component and has the sole purpose of providing cheaper life insurance cover.

"If you take out life insurance through super, you get great tax concessions but if you take the exact same policy outside of superannuation you don't. That's a big anomaly," said Clive Levinthal, general

manager of life super and investments at CommInsure.

This adds impetus for retail life insurers to lift their game as super funds now use life insurance as a member retention tool. In the past two years, AustralianSuper, CBUS, TWUSUPER and LUCRF Super are just some of the dozens of super funds which have improved their life insurance cover at little or no cost.

#### **Insurance through advisers and platforms**

All this effort to improve products will do little to solve the country's underinsurance without the help of advisers. According to a new report, there are less advisers outsourcing the role to a third party and the pace is slow.

The latest *Investment Trends* research report surveyed 1600 planners in November last year and found that the number providing risk insurance services has increased to 84 per cent, up 3 per cent on the previous year.

The snag is that 61 per cent of those providing a risk insurance service were writing less than \$50,000 in annual premiums, barely enough to cover their suburban office rent.

But what these figures show is that there is tremendous opportunity for risk product providers, particularly in the current market when share portfolios are hurting.

"The challenge of increasing the contribution of risk advice to a practice's bottom line will be made a little easier as planners may be less focused on investment in 2008 than they were in 2007," said Mark Johnston, Investment Trends principal.

"With increasing market volatility and spiralling living costs, demand for all forms of insurance, particularly life and income protection should continue to increase."

As an indication of whether or not insurance product providers should be focussing their attention on technology enhancements, the report found many planners were moving towards using platforms to service their clients.

In fact it found that of the financial planners that were writing more than \$100,000 in annual premiums, 27 per cent would prefer to provide life insurance online through planning software in three years' time.

This is compared to only 21 per cent of risk insurers wishing to go directly to the risk provider in the coming years.

"Within online functionality, ease of use and electronic application facility are areas that planners wanted more improvement," said Johnston.

"This represents a fundamental change in how planners currently transact with life risk product providers and how they interact with platforms and planning software."

The report found advisers viewed transferring risk data into planning software as the most helpful improvement to them providing life risk services.

"For planners, writing large amounts of life risk they tended to prefer improvements in the underwriting process and online application process," said Johnston.

Richard Klipin, chief executive of the Association of Financial Advisers (AFA), agreed. "Insurance products on platforms is a big signal to the mainstream financial planning community, because having the products on the platforms makes it easier to use and access."

#### **New ground for the middle market**

While planners have long served the high net worth market, industry experts argue that those further down the rung – the middle market – is the growth area in insurance.

Zurich for example has built an entire strategy focused on this segment, which the company defines as typically younger families and middle-income earners with dependent children and a mortgage. Many of these families do not seek financial advice, even though they have a strong need for insurance.



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To address this, the group has launched an Ezicover suite of insurances, designed for younger families who may not need insurance to cover expensive medical bills, but desperately need it for protection against mounting credit card and mortgage debts.

In addition, Zurich has launched "Select Term" insurance, which breaks insurance in manageable chunks of five, 10 and 15 years.

Aimed squarely at the middle market, the new product aims to protect clients' mortgages, high education expenses and provide a safety net for business owners in the event of a premature death. But because the premiums can be paid in three different time periods, clients aren't stuck with the same product for their lifetime, again reflecting the growing demand for life cycle type insurance.

Damien Green, AIG Life head of insur-

ance, acknowledges the potential and calls for more advisers to expand their "middle market" base.

However, as Levinthal points out, cost precludes middle Australia from being serviced. "It's not affordable for advisers to insure those who might just need only \$1000 of insurance."

The problem is that while this market segment is being provided for by group insurance superannuation products, the cover is not enough.

"We need a simpler form of advice for life insurance sales. It shouldn't be as complicated and cumbersome as a very large life insurance sale," said Levinthal.

Fabris agreed. "Simple insurance could mean less options. It doesn't mean low frills but it has less bells and whistles. Low underwriting or no underwriting."

He continued, "It's different clients, different needs and the right solutions. The

changes we made in our last update were about the trauma, that was for the high end. For those who are cost conscious, we reduced the premium on income cover. So we try to facilitate for all clients."

In the end, it all hinges on technology. "Technology is the key. In the last two years, I can't believe how fast it's moved and it will only get faster," said Halbert.

But while competition intensifies among the product providers, the real catalyst would be the growth of the distribution network. "The battle to get the hearts and minds of advisers to provide life insurance services is not yet won," said Klipin.

In the meantime, life insurers will continue to forge on with new life cycle products with the end goal of better insurance cover for a wider customer base. As Halbert pointed out, "It's time for insurance to get the limelight." ■

