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Sean McCormack
managing director and
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Integrity Life

For advisers, by advisers

Ensuring efficiency and sustainability for the future of life insurance

In May 2019, the prudential regulator penned a letter to Australia's life insurers and friendly societies which it followed up with another letter in December 2019. In both letters APRA lamented the significant losses being incurred on individual disability income insurance (IDII), some \$3 billion in the preceding five years alone.

As these losses took their toll, insurers were forced to increase premiums, further hindering the viability of IDII products in the Australian market.

Initially delayed by COVID-19, in September 2020 – and a further \$1.4 billion in losses later – APRA took action to alleviate what it described as “a significant prudential risk”. This includes bringing an end to agreed value IDII contracts, forcing insurers to manage their exposure to long benefit periods, and implementing a consequence management framework, including increased capital requirements for those providing IDII cover.

Intervention such as this by the regulator is unprecedented but required, according to Integrity Life chief executive and managing director Sean McCormack⁰¹.

Integrity Life believes efficiency and sustainability should be at the forefront of all product design.

This should also flow through to the way in which the products are rolled out to financial advisers and their clients, McCormack says.

“There is a lot of change across the industry, and advisers are already grappling with a huge amount of red tape and painful paperwork,” McCormack notes.

And a lot of the turmoil seen now can be tracked back to the introduction of the Life Insurance Framework, he says.

“The elephant in the room here is that the Life Insurance Framework reforms – which were needed – have pushed remuneration levels for advisers to a level where they are simply walking away from protecting everyday mums and dads.”

McCormack also questions whether the 60/20 remuneration basis for advisers is sustainable and whether those rates of remuneration need to increase.

“Advisers are just doing it so tough, especially risk advisers. We've seen a significant reduction in advisers as older advisers leave the industry, and then other advisers have formed the view that it's simply not profitable for them to continue,” McCormack says.

In the 12 months to April 14 alone, 5142 names dropped off the ASIC Financial Adviser

Register, with a net loss of 2386, according to Rainmaker Information analysis.

“So, the role that insurers need to play is making these changes as simple as possible for them and focusing on supporting them with greater efficiency so they can continue to focus on providing advice,” he says.

McCormack believes there's two ways in which the insurer is helping advisers. The first, he explains, is being as efficient as possible from as soon as the adviser recommends Integrity Life as the insurer for their client.

“That means quickly working through any underwriting issues that may crop up, we quickly obtain any medical evidence, and we get that policy completed, on the books and commission paid to the adviser as quickly as possible,” McCormack says.

This doesn't just apply to new business either, with McCormack saying there is a focus on being equally efficient when it comes to renewals; “What advisers expect is that an insurer that's backed by digital technology that can make those interactions as quick as possible.”

For example, Integrity's Life's Send App to Client feature which involves the adviser handing over the completion of personal statement to the client in their own time, in the comfort of their own home.

McCormack, who joined the insurer in March, admits to having initially been wary of the feature, concerned advisers would be reluctant to hand over control or worry about losing their client. However, after learning that Integrity Life does all the follow up on the adviser's behalf, McCormack realised the benefits.

“We're seeing 55% of our advisers use this feature 40% of the time, and our track record in following up and obtaining all of the necessary answers is 100%,” he says.

And when it comes to turnaround times in the retail business, 90% of pre-assessments done in 24 hours, 96% of new application decisions made in 24 hours, 100% of underwriting decisions made in two days.

Another area in which Integrity Life is working to make an adviser's job easier is in its product suite. Underpinning this approach is what the insurer refers to as “co-creation”, inviting financial advisers to be a part of the product design process.

For example, APRA's intervention highlighting the need for an overhaul of IDII products and so as Integrity Life looks to roll out a new offering, advisers are playing a key role in shaping its solutions.

“Our approach to IDII is true to how we approach almost everything we do – we speak to

advisers and clients. So, we have several options currently being tested in partnership with advisers to ensure we deliver something that is going to work for them,” McCormack explains.

Ultimately, one of these options currently being taken for a spin may end up being Integrity Life's next IDII offering. As the new product is still in development, Integrity Life can't divulge too much of what the new product will look like.

“What I do know is that it will look really different to what we have traditionally expected from an income insurance product,” McCormack says.

“The challenge will be in keeping it simple.”

Part of this, he says, will be streamlining total disability definitions. Insurers will move away from the three-tiered approach and back to a main duties-style definition, he predicts.

In hand with that, the insurer also anticipates products like total and permanent disability and trauma cover will become more important as part of a mix of products, as insurers and advisers seek ways of getting the same coverage that income insurance products once provided.

However, McCormack acknowledges that some may be curious about Integrity given it is a new name, but advisers and clients alike can rest easy knowing Integrity Life is backed by Japan's ninth-largest insurer, 120-year-old Daido Life.

“The other thing that's also not well known is that, while we have a new name, we've actually been insuring Australians for many years as QBE Life and, before that, CUNA Mutual,” he says.

Looking ahead in a personal manner, McCormack says he has big plans for Integrity Life, saying he was delighted to be offered the opportunity to lead the company.

“I fundamentally believe the Australian life market will be better for having new players enter to bring diversity and choice to a market that has seen incredible consolidation in recent years,” he says.

“What I want to be doing is running a business that is incredibly partner-centric and focused on adviser pain points and how, because we are legacy free, we can use the best of modern technology to serve our clients better and give them an experience that can't be matched.” **FS**



The quote

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