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The quest for a Member Focused Insurance Policy

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- View (confirmed) of member experience
- Wanted to make a real change
- Real benefits for members
- Some insurer lessons



Transition

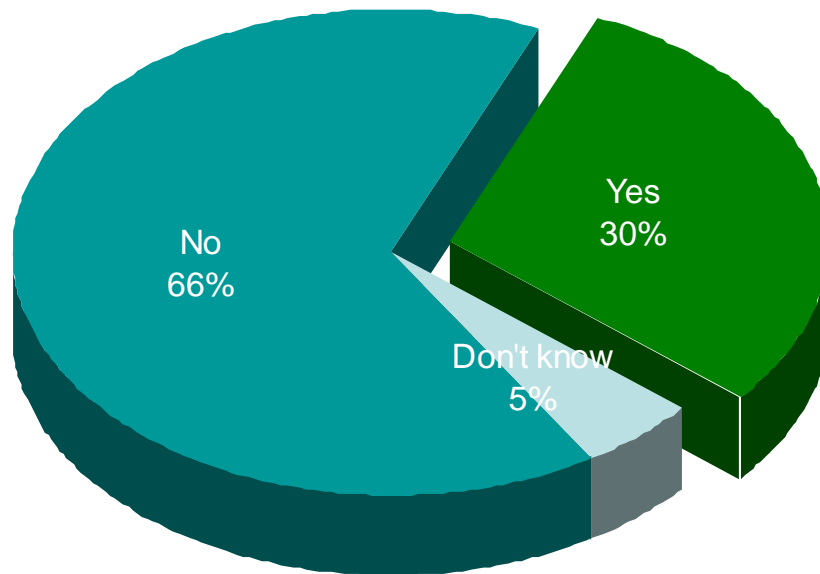
	TODAY	TOMORROW
Relationship	Trustee & administrator & insurer	Trustee & administrator/insurer
Pricing	Fair	Fair (though extract efficiencies)
Design	Rudimentary	Appropriate defaults Flexibility Options
Service	Poor	Very good



AustralianSuper

- Multi ... everything
- Fair knowledge of membership
- Research
- Exploit scale

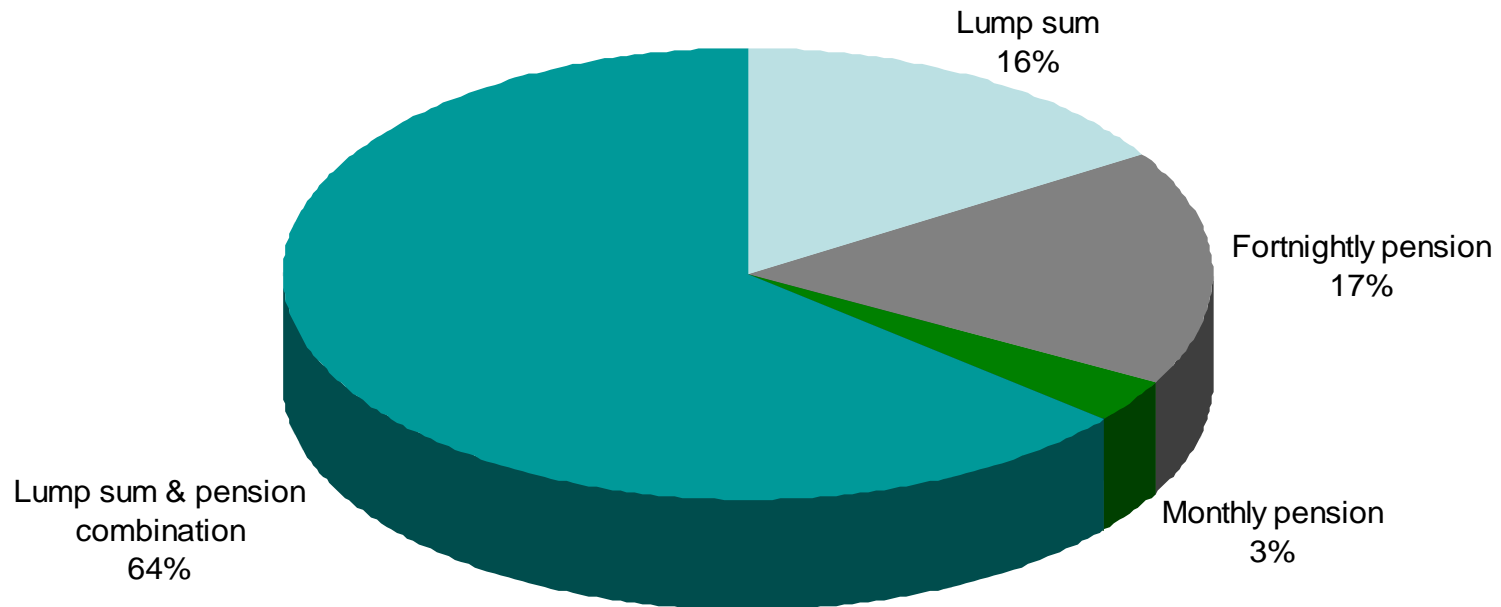
Insurance - Outside Super



Insurance Cover – Outside Super	%
Death	72
Total & Permanent Disability (TPD)	41
Income Protection/Salary Continuance	41
Other	6
Don't know	2

Source: AIST/IFF Research Project - Sweeney Research

How Should TPD be Paid?



Source: AIST/IFF Research Project - Sweeney Research

Other Lessons Learned

- > 50% of members never review their insurance
- Young singles and mature singles are:
 - Materially over insured for death cover
 - Materially underinsured for TPD & IP
- Members with dependents are typically under insured for death/TPD/IP
- Tolerance for higher costs
- Gap – rehab/retrain & home/workplace modification
- Most do not know what cover is appropriate



2007/2008 - Member Experience

Death, TPD and IP – Average Claim Assessment Delay Times

Finalised Claims by Product	No. of Claims Sampled	Industry Average
Death	4,399	14 Days
TPD	4,004	170 Days
Income Protection	2,501	41 Days

Note – From date of the claim documentation being lodged with the Insurer

Source: IFS Insurance Broking

2007/2008 - Member Experience

Underwriting Assessment Drop-out Rates

Client	Product Type	% of U/W not Proceeded	% of Cases Accepted	% of Cases Declined
Fund A	GL	10%	86%	4%
Fund A	SCI	13%	68%	19%
Fund B	GL	17%	77%	6%
Fund C	GL	24%	81%	8%
Fund C	SCI	26%	61%	17%
Fund D	GL	14%	75%	3%
Fund D	SCI	11%	80%	8%
Average	GL/SCI	16%	75%	9%

Source: IFS Insurance Broking



Real Benefits for Members

- Price
- Service
 - material improvement in assessment/payment cycle
 - material improvement in underwriting processing cycle
 - simplicity of access
 - tools and support



Real Benefits for Members (cont'd)

Design – align cover to needs

- Improved defaults (including low death cover for young)
- Reduced waiting periods
- Life-events
- Fixed cover option
- Improved definitions
- TPD only
- AALs ...
- Balance cover/premiums with retirement saving objectives

Working with Insurers

- Clear and early plan → insurer buy-in
- “External” pricing → reasonableness testing of pricing (and credibility)
- Reminded insurers of inconsistent economic views
- Economy changing during tender
- Corporate fund experience ≠ industry fund experience, especially on IP
- Very competitive tender - last 3 very close
- Post-tender behaviour an issue



Summary

- Preparatory work of benefit to insurer and Fund
- Scale assisted process and materially improved outcome
- Material benefits for members
- Competitive tender process – confident of robust outcome