

## The Future of Life Insurance

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Australia's life insurance industry, which last year paid out \$9.3 billion in death and disability claims, will only continue to be relevant to consumers if it meets the needs of an increasingly diverse, informed and tech savvy demographic.

In a Dialogue paper\*, issued by the Actuaries Institute, author Ilan Leas said insurance companies must:

- ▶ make it easier for consumers to buy simplified 'light touch' policies that they understand
- ▶ make the claims process painless
- ▶ remove legal barriers to modernising policies

"Life insurance is an important financial thread that binds our social and economic fabric," Mr Leas said. "It supports individuals and families in difficult times."

The Dialogue paper, *The Future of Life Insurance*, which was launched at the Actuaries Institute's annual two-day Financial Services Forum in Sydney, May 21 and 22, represents the views of the author. Mr Leas is managing director at consultancy Retender.

Mr Leas said insurance provides consumers with peace of mind and financial protection in times of need. "As part of this delivery, community expectations are that life insurance provided by insurers is trusted, fair value, flexible, understood and sustainable."

However, Mr Leas said there is sometimes a disconnect between the products the industry sells and what consumers expect. For example, premiums may rise after the early diagnosis of an illness.

He said there's more data and greater analysis available now to help insurers distil insights that will deliver better products.

Mr Leas said industry, government and consumer groups should work together to enhance consumer outcomes, and sustain an efficient, safe and stable industry. The way forward includes:

- ▶ helping consumers understand policies by moving towards simple conditions, definitions and contracts, perhaps through standardisation
- ▶ simple disclosure requirements, better use of technology to help consumers and portability of insurance that would provide consumers with greater flexibility
- ▶ modern definitions and benefit structures
- ▶ a review of how the industry deals with personal data, including genetic testing, to drive innovation.

"It is easy to call for change but the cost of reform needs to be balanced against the consumer benefits," the author said. Although the industry has begun this journey, more can be done," Mr Leas said.

\*The Dialogue is a series of thought-leadership papers, written by actuaries, which aim to stimulate discussion on important issues. Opinions expressed are those of the authors and not necessarily those of their employers or the Actuaries Institute.



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