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Meeting change with unity

AIA Australia and the future of risk insurance advice

AIA Australia is a great believer in the value that risk advisers provide in helping to protect the financial security of everyday Australians.

Advisers are adept at distilling the complex nature of life insurance into advice that their clients can understand and rely on; it's thanks to their knowledge and expertise that countless Australians can go about their lives each day with the reassurance that, should they be unfortunate enough to meet with serious injury or illness, their loved ones will be looked after.

The importance of this type of protection was recently emphasised by research undertaken by AIA Australia, which found that one in four Australians would feel the impact immediately of losing the salary of their primary income earner, and that nearly half (46%) would feel the impact within the month¹.

An appropriate level of life cover can not only guard against an individual's quality of life being substantially reduced if they were to suffer a significant life event, but removes the burden of this financial responsibility being met by government, welfare services and tax payers.

With challenge comes opportunity

It's no secret that our industry has undergone intense scrutiny in recent years.

Coming off the findings of the Royal Commission, the government has made significant regulatory and legislative changes, including the introduction of the FASEA education standards and a recommendation on the banning of risk commissions.

While these reforms have certainly presented some challenges for our industry, AIA Australia believes they should also be looked on as an opportunity to make Australia's insurance indus-

try stronger and better equipped to meet the expectations of customers.

It was with this ambition in mind that AIA Australia announced in April this year the establishment of the Future of Risk Insurance Advice (FoRIA) program, an industry-first initiative that aims to demonstrate the value of quality financial advice.

To help bring the industry together, AIA Australia engaged the expertise of Hon. Bernie Ripoll, the former Labor Party Finance Minister and architect of the Future of Financial Advice (FoFA) reforms.

In his role as chair of the roundtable series, Ripoll has been instrumental in getting the right kind of conversations started with the right people, and has been working on a policy paper that will assess the role risk advice plays in the industry.

Looking back

The first roundtable meeting in the FoRIA program, *Risk Insurance Advice: towards a sustainable future*, was held in Melbourne in May and brought together a number of industry leaders, including the Association of Financial Advisers (AFA) and Financial Planning Association of Australia (FPA). The meeting looked back on the regulatory reforms introduced over the past couple of years, and forward to those that will need to be addressed in the years coming.

Held in Canberra in July, the second roundtable – *Guided by Evidence: Articulating the value of risk insurance advice* – focused on the role of risk insurance advice and the improvements that will need to be made ahead of the proposed industry review in 2021.

Those at the table included not only the leaders of three of Australia's largest life insurers – AIA Australia, Zurich and TAL – but policymakers, regulators and the Financial Services

Lack of housing affordability is a national crisis that has dominated the news headlines in the past five years. But an often overlooked - but equally important - challenge facing most Australians is the crisis of insurance affordability.

According to research, four in 10 Australians would immediately feel the pinch of their primary income earner losing their salary. This is because income cover, like most types of insurance, is little understood and, according to latest research, out of reach.

Insurer AIA Australia has taken the unprecedented approach of calling on various insurance stakeholders, including associations, regulators and even some of their direct competitors, to find a bipartisan solution before the insurance gap becomes an insurmountable problem. Find out the steps they've taken in this article.

Michelle Baltazar
Michelle Baltazar
Director of Media & Publishing



The quote

AIA Australia understands the importance of taking a proactive role in seeking to shape the future of risk insurance in Australia.

Council (FSC). Senator Jane Hume, Assistant Minister for Superannuation, Financial Services and Financial Technology, was in attendance, as was ASIC's executive director of wealth management, Joanna Bird, who is overseeing the mandated review of the risk advice industry.

One of the concerns most consistently raised by those at the gathering was the impact that the proposed removal of commissions could have on advisers' ability to provide their clients with quality advice.

With results from a customer survey recently conducted by Zurich indicating that 78% of consumers wouldn't be willing to pay more than \$500 for risk advice, and that none would be willing to pay \$2,000², it is currently unclear how advisers might expect to be remunerated for their work if this ban is introduced.

And looking ahead

The third and final event in the roundtable series will be the AIA Australia Risk Advice Summit. To be held in late September, the event will feature consumer groups, policymakers and academics, plus a number of risk advice experts with first-hand experience adapting to regulatory changes implemented in overseas markets.

Like all of our industry partners, AIA Australia understands the importance of taking a proactive role in seeking to shape the future of risk insurance in Australia.

As an industry, we must continue to build awareness among policymakers, the media and wider society around the value of risk advice, using an evidence-based approach to develop a model that best meets the needs of our consumers.

At a time of significant legislative change and variance in opinion, one thing that can be agreed on is the value of working together to ensure the sustainability of our industry. **FS**

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1. AIA Life & Health Tracker, July 2019.
2. The Risk Advice Disconnect whitepaper. <https://www.zurich.com.au/advisers/news/risk-pulse/2019/risk-advice-disconnect-whitepaper.html>

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