



## A message from our Managing Director **Andrew Gill**



Welcome to the February edition of *Splash*, Pacific Life Re Australia's quarterly newsletter. 2017 marked a huge year for us, with our Sydney team growing, exciting new partnerships being forged and UnderwriteMe successfully being introduced to the Australian market. Going into the new year, our team is more driven than ever to build on these successes and continue to challenge the status quo.

We are living in a time of unprecedented change in the life insurance industry. This clearly presents its challenges for both insurers and reinsurers, but it also presents us with opportunities. Opportunities to publically exhibit the valuable role that the life insurance industry plays in society and opportunities to redefine how we engage with our increasingly digital savvy customers. A focus on technology, tailored research and a wealth of data analytics are a core aspect of our approach in this ever-changing market.

We hope you enjoy this edition of *Splash* which takes a look at our views and approach to claims automation, the impact of changing trauma definitions and opportunities afforded to our sector by the growth of Blockchain.

## Let's talk claims automation Claims Director, **Mark Segreto**

As some life insurers begin to invest in and explore the possibilities of a technology led transformation of claims management, we decided to look at how this would evolve and whether it would be embraced across the industry.

In late 2017, Pacific Life Re commissioned leading market research firm, Lewers, to facilitate a survey of active intermediaries in the insurance industry. The purpose was to establish an advisers' view on Claims system functionality and what elements were most critical in supporting their business and clients. The report found the following to be most important to advisers; enabling streamlined self-service, automated acceptance and payments, as well as improving turn-around times, consistency in outcomes and customer experience.

At the 2017 ASFA Conference, Pacific Life Re

conducted its own survey on Claims Automation and Straight Through Assessments (STAs). The results verified how highly they are now valued across the insurance industry. Of the 131 respondents, 90% believe it is important to provide members with digital automation solutions and the majority view straight through processing potential as being the most valuable asset for their business. It was also reassuring to see that 85% of respondents would feel comfortable introducing STAs in their business.

Surveys of insurers, superannuation fund trustees and advisers identify that there is significant appetite for automation in claims management. The next couple of years will likely see a shift in the way claims teams will operate and there will be a premium placed on competitive insight and analytical skills will be in high demand.

One thing is certain; we can all look forward to

a very different future for claims management and our customers.

Pacific Life Re is currently completing its own Claims Rules Engine (CRE), using our UnderwriteMe technology. Our CRE will introduce straight through processing, provide greater transparency and consistency to the claims process and ultimately improve servicing times. To see a demonstration of our Claims Rules Engine, [follow this link](#) and please get in touch with one of our team members in the contact box below to discuss further.



## Latest news **Pacific Life Re Australia**

- Pacific Life Re has entered the retail reinsurance market by partnering with BT, one of Australia's largest insurers
- Our Head of Research, Brendon Gerding, took part in the AMP Foundation Big Zipper, soaring between two skyscrapers on a steep zip line to raise over \$5,000 for our charity partner, Cancer Council Australia
- We have entered into a second UnderwriteMe contract with a large insurer... more details to follow
- UnderwriteMe CEO, Martin Werth, will speak at the upcoming FSC Life Insurance Conference on Wednesday, 21st March during his next visit to Australia

### Would you like to get in touch?

If you would like to talk about how we can support your business, please contact [tyson.johnston@pacificlifere.com](mailto:tyson.johnston@pacificlifere.com) or [matthew.larkin@pacificlifere.com](mailto:matthew.larkin@pacificlifere.com). For media enquiries please contact Andrew Gill, Managing Director at [andrew.gill@pacificlifere.com](mailto:andrew.gill@pacificlifere.com)



## New kid on the block(chain) **Research Director, Stephen Edwards**



You may already know about Blockchain. Like how it's sort of like a ledger, but one that's decentralised, is distributed and can't be corrupted or tampered with thanks to some fancy maths. You may have also heard about how it can enable 'smart contracts'; transactions that execute automatically. These features have meant insurance is regularly touted as a Blockchain target.

Distributed ledgers could mitigate data issues and enable shared datasets that insurers could use to identify fraudulent claims more easily. Smart contracts could reduce the time

and costs of paying claims or in selling and managing policies. Consumer trust in insurance could be improved if retail clients only had to trust a machine, rather than a company, to pay their claims.

But even after nearly a decade of public Blockchain research and investment, we're yet to see any significant changes in the Australian life insurance market arising from it. Why is that?

The most obvious answer is that the technology is still in its infancy and requires heavy investment, development time, and above all trust that it will live up to expectations.

For life insurance, there's also the complexity of the products involved. The insurance of physical property is arguably easier to automate with Blockchains and connected devices - as with the possible exception of Death cover there is more expert judgement required to assess whether a life insurance

claim should be paid or not, but automation of claims rules for morbidity risks will help to simplify this process.

Regardless of the complications, there is definitely potential here. And there are some simple initial steps the industry could take to get the ball rolling. As an industry, we could be encouraging the government to develop distributed death registries and e-medical records that would facilitate quicker claim settlements. Or, work together to create shared industry-level experience and claim data to make pricing more accurate and fraud easier to identify. As individual companies, finding small projects to trial Blockchain systems on would build trust and expertise for larger investments.

Implementing even these items would be of benefit to insurers, policyholders, and regulators alike - but more importantly would be a foundation for future innovation in this space.

## Rethinking trauma insurance

### **Product Manager, Minico Xia**

IRESS recently reviewed its rating benchmarks, moving three individual evaluated provisions (Severe Rheumatoid Arthritis, Muscular Dystrophy and Encephalitis) into the 'Other Events' bucket. These changes make the evaluation simpler but is it a Trauma Insurance Rethink that is required?

The product is undoubtedly complicated, given all the medical jargon used in definitions. But it's also becoming unaffordable. To try to solve these issues, experts over the world are coming up with a variety of solutions.

### **Standardising medical definitions**

Australia recently set minimum standard definitions in the Code of Practice for Cancer, Heart Attack and Stroke, but this could be extended further into other conditions to reduce complexity, similar to a number of other countries such as the UK.

### **Severity-based Trauma (S-Trauma)**

S-Trauma is being sold in a number of countries including Australia. The product provides more comprehensive protection and reflects customer needs more closely as it meets actual costs rather than giving a "windfall" for the insured. In the UK market, customers are up to 3 times more likely to claim compared to traditional Trauma cover.

### **Could a Hybrid Sickness Plan be the solution?**

Whilst S-Trauma addresses a number of issues for Trauma products, it is still misunderstood by the general public who think that Trauma insurance should protect them through almost all stages of sicknesses.

Perhaps we can further align the product to customer needs through a Hybrid Sickness Plan? A Hybrid Sickness Plan could be a combination of health insurance hospital cover and life insurance disability cover, where actual costs such as hospital bills and rehab

expenses are covered, as well as a lump sum payment if the customer is permanently disabled and unable to work again.

Despite the potential regulatory and pricing challenges, a Hybrid Sickness Plan would likely be more affordable, more comprehensive, and less complex as every single medical condition would not need to be defined. Also, it should closely match customer needs and minimise the possibility of a "windfall" pay-out. The IRESS changes are a step in the right direction, but perhaps a Trauma Insurance Rethink is required.

