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LEADERS LECTURE: DAMIEN MU

If social media has identified and addressed the human need to be heard, to be connected and part of a community then what lessons are there for life and health insurers looking at product innovation? **Andrew Starke** reports.

In an energetic and well-received presentation as part of the *AB+F Randstad Leaders Lectures* series, Damien Mu, CEO of AIA Australia, told a Melbourne audience that insurance companies increasingly need a value proposition that's both relevant and engaging. Speaking under the banner 'Life, health and wealth - Shaking up life insurance in Australia', Mu began by defining the problem.

"The research, it's insane actually, it's the definition of insanity, where every year we get the same results around the lower engagement and every year a different company, whether it be AIA or let's say AMP or TAL, go out and they sponsor research to talk to customers and Australians about their sentiments to life insurance," he said. "And then every year we get really excited by these huge insights and epiphanies we have that, guess what, the awareness of the need for life insurance is low. Or people say it's costly and complex and there's a lack of trust. And we think these are brand new insights and for the next month we publish all this stuff in the trade press and talk to each other again about these insights that we found out and they're not new, they're not new at all. The problem is we just not doing anything about it and we're not really listening."

Mu said this apathy was most apparent when life insurance companies speak about being customer-centric and then make decisions which show that they don't understand the term at all.

"We're an industry that's been very busy talking about being customer-centric and then we get back to our offices, get into our four walls and forget about the customer. We start off wanting to design something very simple and we get the application down from 35 pages to 34. High five, we've done our job, we've heard the customer!" he said. "I'm obviously being very flippant to make a point, but it's not new so what are the things we need to start to address to really get there?"

Mu added that this isn't just an issue for

the insurance industry.

"The question is how can we collectively, whatever industry we're in, deal with customers by being relevant and engaging," he said. "That sounds very simple but it's bloody hard work. Applying behavioural economics, which has been sorely missing from all of the statistical data and analysis that we've relied on to shape the future, is vital because we have ignored the customer and ignored their behaviours for too long."

Owning the customer

Neither is Mu a big fan of "owning the customer".

"There is no more arrogant saying in Australian financial services than 'owning the customer'. How can you own the customer? Even if you have their home loan and their mortgage, do you think you own them?" he asked. "They can go somewhere else and get it, probably at a cheaper rate too. So the first mistake we make is when we think we can own the customer. That's not a customer value proposition. Hopefully we come up with a value proposition that enables us to have a trusted, relevant, long term relationship, so they decide to continue to stay with us, and that's the challenge."

In Mu's view, Facebook didn't at first know that they had stumbled upon meeting the most important human needs, with the initial message probably lost behind a slew of updates and cat videos.

"For us it's around life, wealth, relationships, health and money; and how we can bring that proposition together through the best life insurance products and services possible," he added.

Mu added that AIA Australia had performed well in 2015 and noted the success of some of its new product offerings, including AIA Vitality.

"We paid a billion dollars of claims last year, we were there for people and their families when they needed it the most, so we are making a difference in people's lives, but to



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engage them we really wanted to take it away to a conversation around: 'Now you've got your life insurance in place and your health insurance in place, how can we help you lead a happy and healthier life so you may not need to claim on it?' and we're finding an enormous amount of engagement," he explained.

AIA reported "an enormous amount of engagement" through its Vitality Program, with 30 per cent of customers on Vitality engaging daily as opposed to once a year.

"We have a 40 per cent improved retention rate for people who have Vitality versus non Vitality. Now in life insurance, that's significant," said Mu. "We're not a super fund, we're not a bank, but we actually can bring the proposition together to create shared value through life, health and wealth and make a difference in people's lives."

Engagement mechanism

Vitality is a science-backed health and wellness program and, for AIA, an engagement mechanism that's both relevant and boasts a track record.

"This program has five million people worldwide and AIA decided to partner with Discovery, who founded this program in South Africa in the '90s, because they had something that we just couldn't replicate, which was the data of over five million people," he said. "They also had the magic formula for moving into a mature market, like the South African market. They got into that industry and what they did was focus on behavioural economics to change the paradigm and they built their program around knowing your health, improving your health and enjoying the rewards."

For Mu this goes to the heart of the biggest issue facing the Australian government.

"The current government debate is around tax systems and other issues like the superannuation system or the banking system, when the real question is how the Australian government is going to fund the growing issues around health costs in Australia with an ageing demographic," he said. "This doesn't get debated publically, but this is one of the major causes of why we have to continue to look at where can we get sources of revenue, because we are very lucky, we've got Medicare and systems that take care of us and social security, but it has to be funded from somewhere."

However, by promoting small changes to diet and the benefits of healthy lifestyle choices Vitality is pushing long-term benefits in much the same way as the superannuation industry is urging members to make very small incremental changes - to save an extra couple

of dollars here or take advantage of compound interest - that in 40 years' time is going to make a huge difference. **AB F**



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Paul Zauch, Randstad





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