

# TAL and Australian Life Insurance Market

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**TAL**

# The life insurance market in Australia

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A\$16.7b<sup>(1)</sup> in-force premium, distributed through diverse channels and distribution models

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The market covers life, permanent disability, critical illness and income protection benefits

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Unlike many global markets, Australian life insurance is a protection market. Compulsory superannuation (pension) is the main form of non-bank savings, not life insurance.

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Penetration of life insurance is very high (90%+) due to group insurance within Australia's compulsory superannuation system

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However, life insurance gap remains an issue, underpinned by low consumer engagement (61% of basic life insurance needs covered, 16% of income protection needs covered)

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Projected market growth of approximately 5-6% p.a. over next 5 years

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The market is entering a period of major reform in the areas of consumer protection (Code of Practice) and regulated IFA practices (commissions and education standards)




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<sup>(1)</sup> As at 31 March 2017

## Channel View - Four core life insurance channels

Retail	Group	Direct	Bank
<ul style="list-style-type: none"><li>• Mostly through 15,000 Independent Financial Advisers (IFAs)</li><li>• IFAs provide advice to their clients about the life insurance products that best suit their needs</li></ul>	<ul style="list-style-type: none"><li>• Life insurance is provided to all members of a group</li><li>• Mostly provided automatically to members of a superannuation (pension) fund</li></ul>	<ul style="list-style-type: none"><li>• Two large direct life insurers including TAL</li><li>• Customers buy life insurance directly from the insurer over the phone and online</li></ul>	<ul style="list-style-type: none"><li>• Four major banks in Australia</li><li>• Banks offer life insurance to their customers, often alongside other products being sold in branches, and via direct marketing</li></ul>

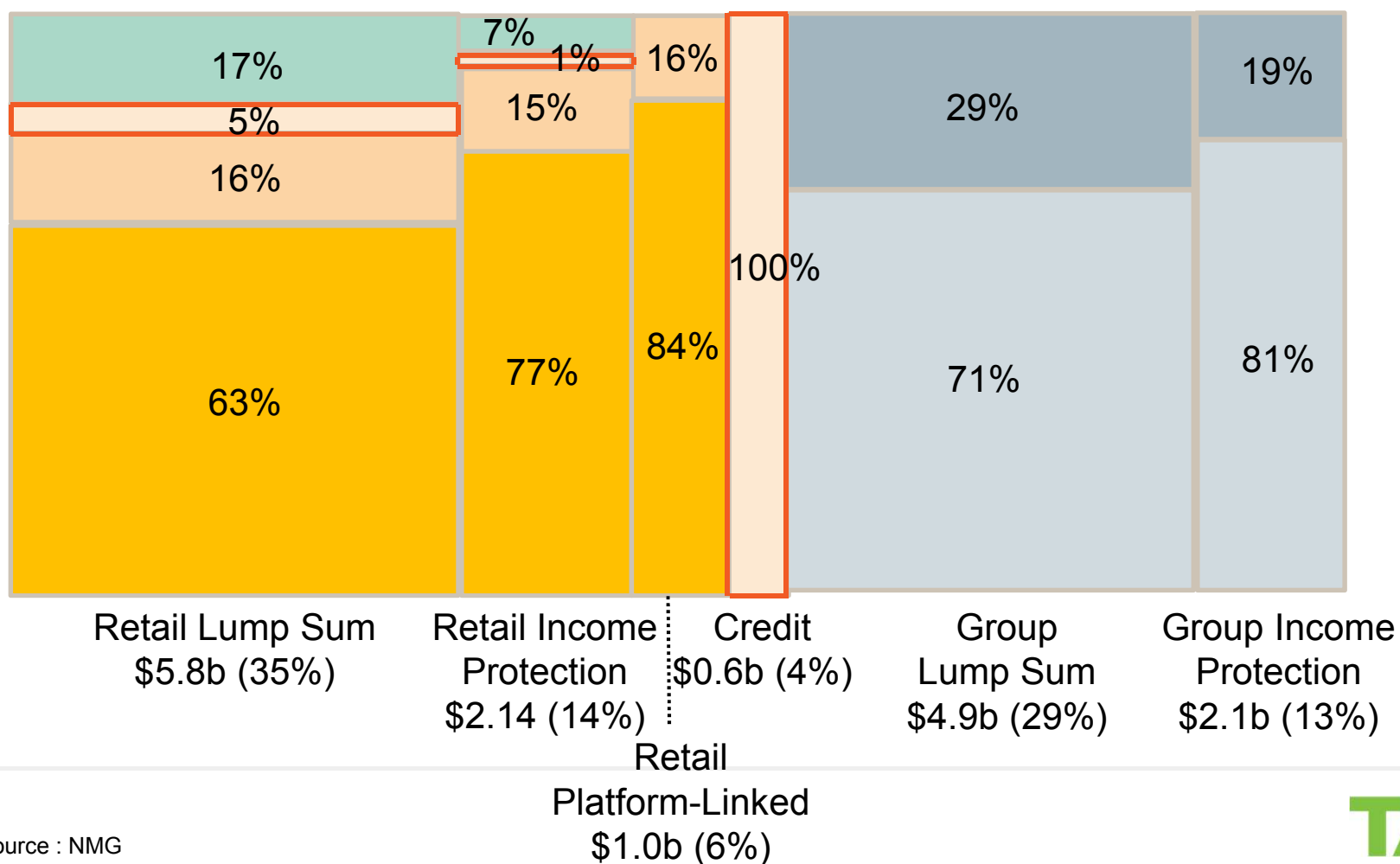
# Differentiated strategies among traditional players

	Similar to TAL	Integrated financial service providers	Other players
Competitors			
Market Strategy	<ul style="list-style-type: none"> <li>• High focus on contestable markets (IFA, Group, Alliances)</li> <li>• Focus on distribution partners and finding new distribution opportunities</li> <li>• AIA and MetLife competing aggressively in Group</li> <li>• Smaller sub-scale Direct offers</li> </ul>	<ul style="list-style-type: none"> <li>• Abandoning contestable markets – Group and IFA</li> <li>• Focus on selling directly to existing customer base</li> <li>• Unwinding bank and wealth business integration?</li> <li>• Banks are progressively exiting life insurance manufacturing.</li> </ul>	<ul style="list-style-type: none"> <li>• Typically single channel niche players – Direct, Advice or Group</li> <li>• Disruptive and opportunistic play for market share</li> <li>• Question of sustainability given sub scale and/or narrow operations.</li> </ul>

# Channel and Product View

Total inforce premium by segment and product type (31 March 2017)

Direct (\$1.1b)      Bank Advice (\$1.4b)      Group Master Trust (\$1.8b)  
 Bank Direct (\$0.9b)      IFA (\$6.3b)      Group Standalone (\$5.2b)



# Changing market and customer behaviours

## Structural reforms

1

### Life Insurance Framework

Capped commission structures,  
minimum education requirements for financial advisers

2

### Life Insurance Code of Practice and ISWG\*

To raise life insurer and trustee standards and build consumer trust

3

### Consumer and regulatory expectations

Higher expectations of life insurer behaviour

## Changing customer behaviours

4

### Distribution model convergence

Advice, bancassurance, superannuation funds, direct

5

### Rise of the self-directed customer

Customers in control

6

### Increasing use of digital












Integrated with other channels, phone and personal advice

\* ISWG : The Insurance in Superannuation Working Group

# Merger and Acquisition activity

Lower growth, structural changes and reform impacting the life insurance sector is driving a significant increase in merger and acquisition activity, which is continuing and the competitor landscape to look quite different in time.

## Recent M&A activity includes:

  	NAB sale of 80% MLC to Nippon. Renewed activity in Retail and Group
 	Sale of 100% Macquarie Life to Zurich, to complete in second half of 2016.
	Small Retail life insurer. Sony has option to acquire.
	Large Direct Life distributor marketing under Real Insurance. Sold minority stake of 44% to Canadian pension fund manager, valuing business at \$1.1bn.
 	Restructure of Wealth and Life Insurance businesses. ANZ sale process of OnePath underway.
	Restructure of Wealth and Life Insurance businesses.
	Restructure of Wealth and Life Insurance businesses (In media).



# TAL Strategy







**~4 million customers**

**5,000 adviser partners**

**8 core superannuation partners**

**6 core strategic alliance partners**

**1,600 employees**

**\$1.4bn paid out in claims**

**over 21,000 customers' claims paid**

**#1 market share, 16% of the market**

**\$2.7bn API**

**#1 new sales, \$147m in Individual sales**

(Data as at March 2017)

## A customer initiated and integrated approach

Affluent customers		Mid market customers		Mass market/low socio			
Retail		TAL Consumer and Comparison		Strategic Alliances		Direct	
<ul style="list-style-type: none"><li>› <b>Competitive customer proposition</b> supported by digital capabilities.</li><li>› Investing in the adviser community through <b>education innovations</b>.</li><li>› Partnering with advisers to help <b>grow</b> their businesses.</li><li>› Strong market share position.</li><li>› Opportunity for product extensions.</li></ul>		<ul style="list-style-type: none"><li>› TAL Consumer and Lifebroker businesses to meet customer needs for <b>choice and comparison</b>.</li><li>› Invested heavily in marketing automation, digital/call centre innovation <b>to better service self-directed customers</b>.</li></ul>		<ul style="list-style-type: none"><li>› <b>Tailored partner propositions</b> built off strong white-label capability.</li><li>› Optimising alliance relationships through investment in <b>digital integration</b>.</li><li>› Increasing use of <b>joint customer analytics</b>.</li></ul>		<ul style="list-style-type: none"><li>› Integrated online and telephone based capabilities <b>making it easy for customers</b>.</li><li>› <b>Improving value</b> through better lead triage, nurturing and data analytics.</li></ul>	
							

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# Life insurance specialist with a diversified business model

› A business model spanning **diverse distribution models, customer relationships and capabilities**

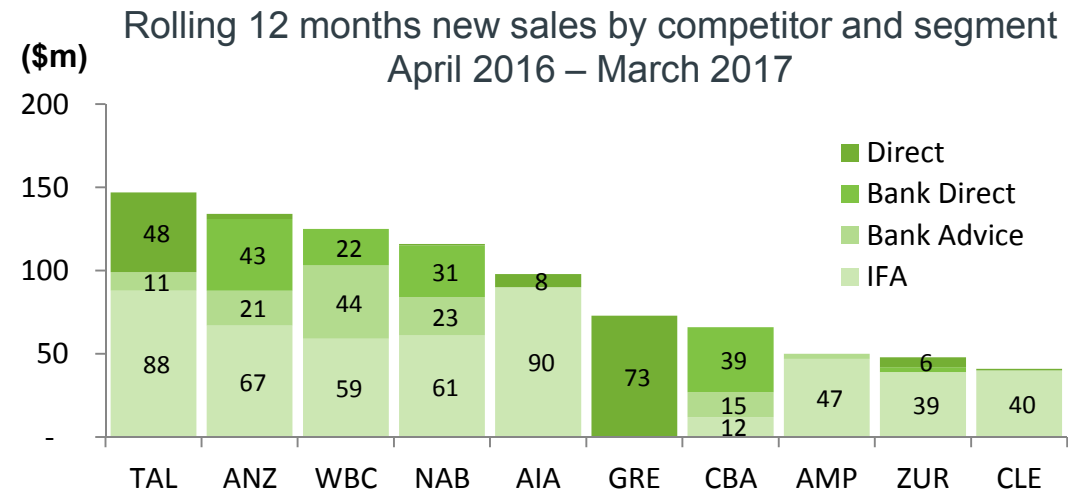
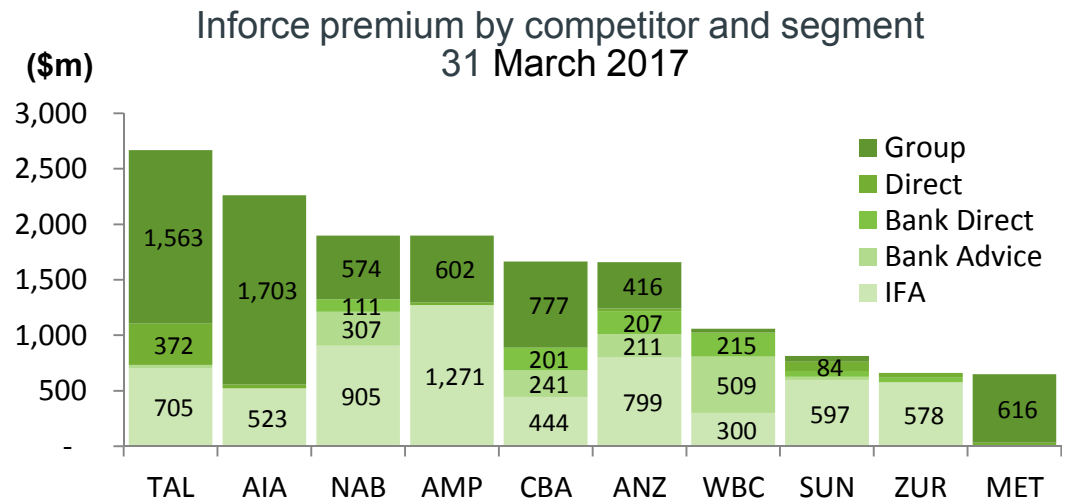
› For **inforce business**, TAL remains the **largest insurer**

- #2 in Group
- #1 in Direct
- #4 in Retail

› TAL continued 2016 year performance recording the **highest individual sales** in the market in 2017

- #2 in Direct
- #2 in Retail
- #5 in Bank Advice

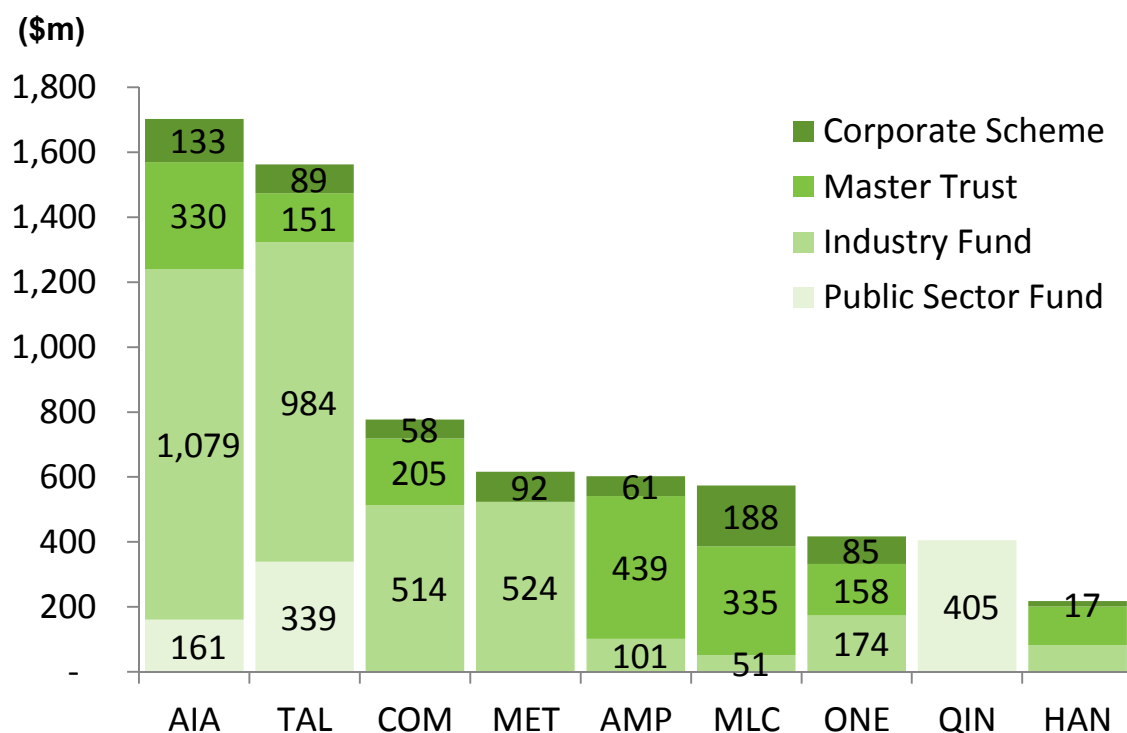
Source : NMG



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# Group Life Strategy

Inforce premium by insurer and segment  
(31 March 2017)

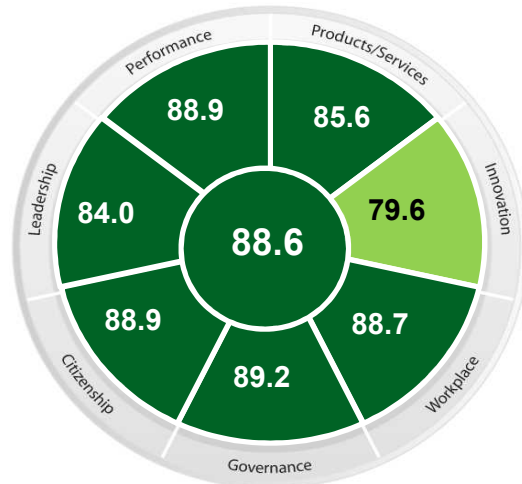


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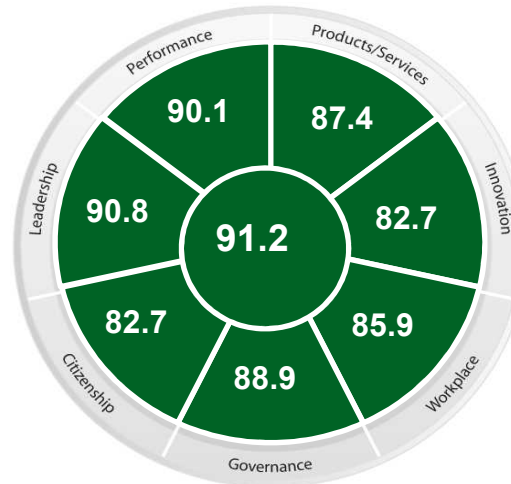
- Compulsory superannuation retirement savings system in Australia
- Life insurance is provided on a default basis as part of superannuation
- Most Australians access life insurance through the superannuation system
- TAL is a market leader and provides life insurance to 4 of the top 10 superannuation funds
- A long term sustainable foundation for TAL
- Opportunities to extend partnership with funds to other product lines

# Top tier partner reputation across all channels

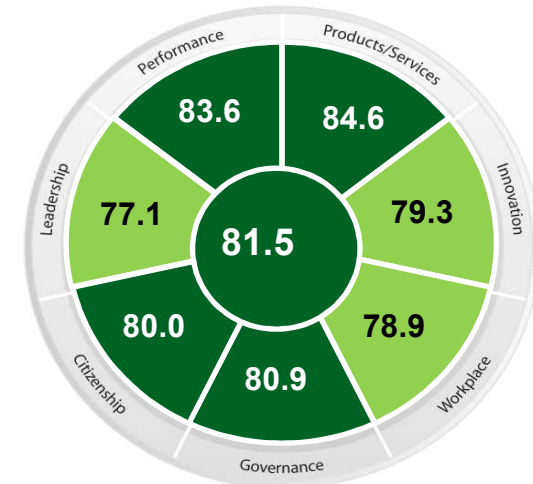
## Alliances



## Superfunds



## Advisers



- › Globally-regarded RepTrak® Pulse model.
- › Measures reputation on a scale of 0-100 covering esteem, admiration, trust and overall feeling about TAL.
- › 7 underlying drivers/dimensions of reputation.
- › Strong moves in Citizenship and Financial Performance in the last year.



Poor/  
Lowest Tier

Weak/  
Vulnerable

Average/  
Moderate

Strong/  
Robust

Excellent/  
Top Tier

# Qantas Assure – a disruptive digital proposition

## Deep customer insights

- › **Ethnographic** research revealed deep frustration with multi-channel journeys.
- › **Prototyping and piloting** developed “cover block” digital journey and identified need for call centre assistance.
- › **UX testing in our own lab** allowed us to co-create educational tools with consumers.

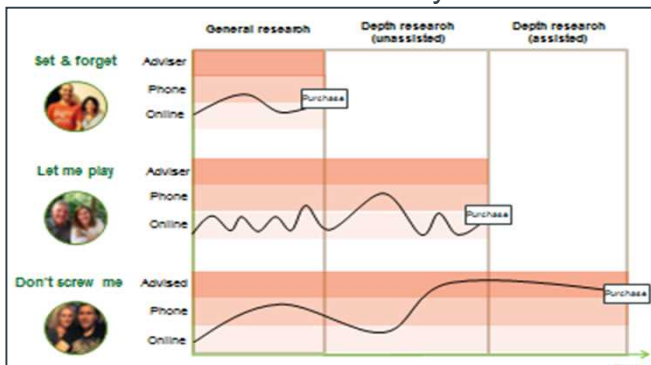
## Innovative customer experience

- › Digital customer journey aimed at (unmet) need for **control** allowing customers to **choose types of cover** in each product with real time premium adjustment.
- › **Highly educational** customer journey underpinned by **retail-type product**.
- › **Integration** into Sales Contact Centre.

## Fully integrated with Qantas

- › **Qantas branding** developed and managed by TAL to create seamless customer journey.
- › **Integrated** with QFF log-in giving real-time access to customer details.
- › **Customised product** to reinforce Qantas Assure well-being proposition with QFF Points as **Rewards**.

illustration: Research Journey

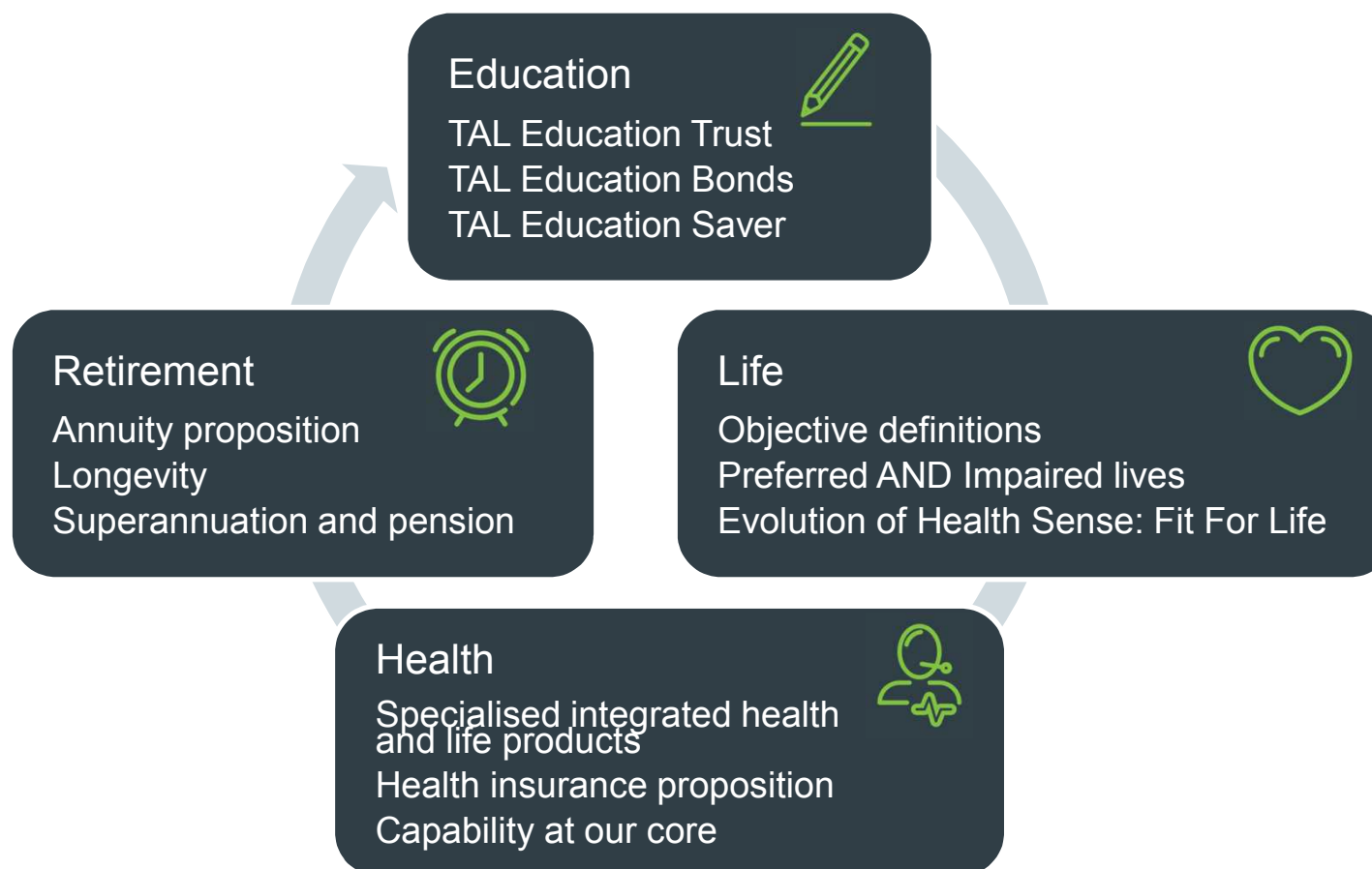


Screen shot : cover types selection platform

Screen shot : Qantas Assure platform

# Product and Proposition Strategy

A proposition built around four key customer life cycle events





# Performance and outlook

## Commentary

- Leading financial performance over the last 5 years
- Diversification of business model provides greater revenue and earnings stability
- Exceptionally strong performance in FY16
- Outlook for a balance between growth and value
- Capital efficiency and increasing cash earnings
- A strong contribution to the Dai-ichi Life Group

## Underlying Profit After Tax (UPAT) (\$M)

