
A Tour on the Life Insurance Super Highway

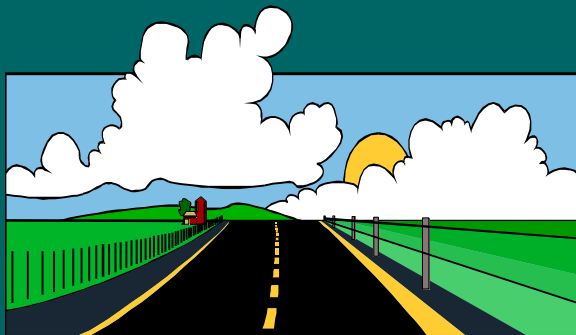
Patricia Berry

Swiss Re Life & Health Australia



A Tour on the Highway

- 1st stop - 60s and early 70s
- 2nd stop - late 70s and 80s
- 3rd stop - the 90s
- Emerging trends and the future



The 60s and the early 70s



- Large mutuals dominated
 - Demutualisation
- Whole of life & Endowment
 - Bonuses
 - Participating & Equity
 - still the dominant products in Asia
- Tied Agency
 - solely for one company
- Conservative

The 60s and the early 70s



Role of the Actuaries

- mystique
- top management
- prudence and equity
- lack of computers

The late 70s and the 80s

- Unbundled Products
 - high interest rates & breakdown of WOL/Endowment
 - Investment-Linked, Investment Account, Term Life & Disability Income
 - complex structures
- Multi-agents and financial planners



The late 70s and the 80s



- Stockmarket crash
- Over crediting
- Agency War
 - ADL (Agency Development Loan)

The late 70s and the 80s

Cost Control

- the late 80s after the excesses
- downsizing, cut down middle management
- focus on agency productivity



The late 70s and the 80s

Role of the actuaries

- product innovation
- managing volatile investment returns
- pressure on profitability



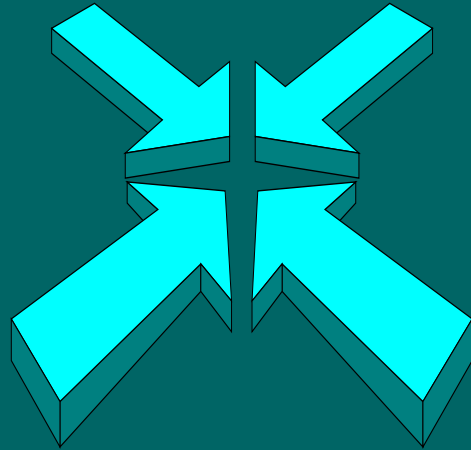
The 90s - Consumerism

- More sophisticated consumers
- press stories of poor returns and consumers being misled

Consequences

- more regulations
 - product disclosure
 - training of advisers, paper trail
- high compliance costs
- product structures simplified

The 90s - **Industry Convergence**



- Blurring of institution boundaries
 - banks, life offices, unit trusts, fund managers, general insurers
 - 'Life' to 'Financial Services'
- Globalisation
- Rise of Superannuation
 - compulsory Super
 - Everyone chasing the Super dollars
- Decline of regular premium products

The 90s - Mergers & Acquisitions

March 1989

52 companies

March 1999

27 companies



The 90s - Mergers & Acquisitions

Reasons

- Industry consolidation
- Economies of scale
- Additional customer base, distribution
- Broaden product range, fund management



The 90s - Mergers & Acquisitions

AMP

- Demutualisation and listing and its entry into banking – 1998
- Purchase of Henderson plc – 1998 (funds management capability)
- Acquired Citibank's NZ operations – 1998 (funds management capability)
- Takeover of GIO – 1998 (economies of scale, additional customer base)
- Takeover of NPI in the UK – 1998 (economies of scale, additional customer base)



The 90s - Mergers & Acquisitions

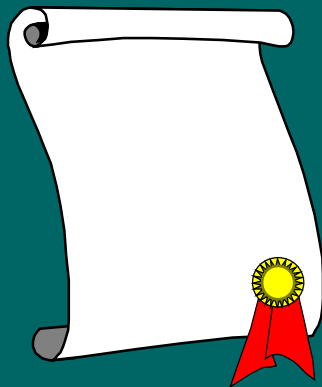
Colonial

- Purchase of State Bank of NSW , demutualisation and listing (broadened product range, additional customer base)
- Purchase of L&G, Prudential – 1998 (economies of scale)
- (Pru NZ purchased NZI) (economies of scale)



The 90s - **The New Life Act**

- Life Insurance Act 1995
- to cater for the new generation of products
- New Financial Reporting Regime



The 90s - **Role of the Actuaries**

- Companies greater focus on profit, shareholder value and capital management
- Be able to adapt
- Skills more specialised
- Team player, communication, market your value adding skills
- the BC/AC actuaries



Emerging Trends and the Future E-commerce



- Armchair research
- On-line insurance execution
- Electronic adviser

But...

- Many life products are not easy for direct sale

Emerging Trends and the Future

- Outsourcing

- Focus on core competencies and outsource the rest e.g. IT, insurance, admin
- the virtual office
 - retain core management only
 - critical for IT to integrate functions



Emerging Trends and the Future

- Customer Base Management

- Lifetime customer value but not just selling one policy
- Cross-selling
- Database mining



Summary of the Tour

- 60s & 70s the mutuels, conservatism
- 70s & 80s Product innovation, volatile market, cost rationalisation
- 90s Consumerism, Convergence, M & A's, Life Act 1995
- Y2K + E-commerce, Outsourcing, Customer Relationship ???



Appendix Active insurance groups – March 1989 (Australia)

- AAA (now AIA)
- ACC (now AC&L and part of National Mutual)
- Adriatic (purchased by Tower NZ)
- Australian Eagle (purchased by MLC)
- Aetna (purchased by Prudential)
- Armstrong Jones (purchased by Mercantile Mutual)
- Ansvar (purchased by Sun Alliance)
- AMEV (purchased by Sun Alliance)
- AMP
- ANZ
- BMA (purchased by FAI)
- Continental ##
- Capita (merged with MLC)
- Commonwealth
- Colonial



Active insurance groups – March 1989 (Australia)

- Combined (now moribund)
- Citicorp
- Cuna Mutual
- Equity Life (purchased by Challenger)
- FAI (sold to HIH, then to Tower)
- Federation ##
- Fidelity ##
- Friends Provident (purchased by Tower)
- GIO (purchased by AMP)
- Guardian (purchased by Zurich)
- Hallmark
- HCF
- Heritage ##
- Investors Life (purchased by Prudential)
- L&G (purchased by Colonial)



Active insurance groups – March 1989 (Australia)

- Liberty (purchased by Tyndall)
- Lumley
- Metropolitan (purchased by FAI)
- MLC
- Mercantile Mutual (ING)
- National Australia
- National Mutual (51% purchased by AXA)
- Norwich
- NRMA
- NZI (purchased by Zurich)
- Occidental (insolvency through fraud – business acquired by MML and FAI)
- Oceanic (purchased by Tyndall)
- Prudential (purchased by Colonial)
- Royal (merged with Sun Alliance)



Active insurance groups – March 1989 (Australia)

- Scottish Amicable (purchased by Colonial)
- SGIC (purchased by L&G)
- SIO (Victoria) (purchased by GIO)
- Suncorp
- Sun Alliance
- Tyndall (purchased by Royal & Sun Alliance)
- Westpac
- Zurich

