FINANCIAL ADMINISTRATIVE & PROFESSIONAL SERVICES TRAINING COUNCIL INCORPORATED

Insurance and Superannuation Funds 2020

Industry Developments and Workforce Issues

Industry Overview.[1,2] The national labour market outlook[3] estimates an employment growth of 4.6% for the Financial and Insurance Services sector over the five years to 2024. Within this broader sector, growth is expected in Insurance and Superannuation Funds (7.1%) and Auxiliary Finance and Insurance Services (10.5%)[4]. Most recent ABS figures for Western Australia[5] indicate that as at February 2020, each of these sectors employed 8,800 and 12,900 people respectively. Across these sectors employment was greatest in auxiliary finance and investment services (10,700) and health and general insurance (6,500), followed by 2,200 in auxiliary insurance services and 1,900 in superannuation funds.

According to the latest 2019 Hays Salary Guide, 47% of employers intended increasing permanent staff levels in the 2019/2020 financial year predominantly due to restructures and transformational projects. Widening skill gap continues to concern employers, 70% of whom believe these will impact effective operation of their business.[6] More specifically, the July to December 2019 Hays Jobs Report[7] indicates a demand for skilled insurance professionals, particularly in the general and life insurance industries due to continued disruption and change. Climate change experts are another growing area of demand in the sector, to guide boards and future insurance decisions as the number of high-risk regions increases across Australia. There has also been a rise in contract roles for project managers, change managers and IT infrastructure support professionals as a result of various mergers and acquisitions occurring across general and life insurance portfolios.

A more recent report reveals skill shortfalls exist in the first half of 2020 for insurance risk and compliance specialists, senior life insurance professionals and account executives and managers with insurance software and product knowledge.[8] A comparison of wages within the sector in Western Australia points to the highest salary growth in assessment (10.1%), claims (2%) and risk consulting (1.3%). Figures show drops in salary in brokerage (down 6.5%) and workers' compensation (down 0.1%).[9]

Broker Network. Western Australia does not have a huge insurance presence (no head office for general, life and health insurance sectors) but have lots of insurance brokers. Nationally, the broker network can be a one-person operation through to large numbers working for global corporates. Mostly they have qualifications in business and economics. Formal study is best achieved through completion

[1] Industry advice provided to the Financial, Administrative and Professional Services Training Council, 2020.
[2] These figures do not take into account any impact caused by COVID-19. It reflects data collected prior to the effects of the pandemic which is having a substantial negative impact on the current labour market.
[3] Australian Government, Department of Jobs and Small Business, Labour Market Information Portal, 2019 Industry Employment Projections Report – *five years to May 2024*.
[4] Australian Government, Department of Jobs and Small Business, Labour Market Information Portal, Employment Projections, *2019 Industry Projections – five years to May 2024*.
[5] Australian Bureau of Statistics, Labour Force Australia Detailed Quarterly, *Data Cube EQ06 Employed persons by industry group of main job (ANZSIC), Sex, State and Territory*, February 2020.
[6] Hays Australia, *Are your skills in demand? 47% of employers to increase headcount – here's where*, 11 July 2019.
[7] Hays Australia, *Hays Jobs Report – Insurance: Hotspots of skills in demand*, March 2020.
[8] Hays Australia, Press Release, *Most wanted: 2020's skill shortfalls revealed*, 20 January 2020.
[9] Seek, *Career Advice, Job and Salary Trends – Insurance and superannuation (Western Australia)*, Comparison of annual full time salary averages (February 2019 – Jan 20/February 2018 – January 2019).

of targeted, small sets of units delivered over short periods of time. Chunked learning gives them confidence to undertake further study to upskill. Young people are joining smaller brokerages particularly in regional and rural areas through people already working in the sector.

Industry Outlook.[10] IbisWorld projected industry revenue growth in Australia across a number of insurance sectors over the 5-year period 2014 and 2019. Fluctuating market conditions have meant an average growth in general insurance of 0.5%. While general insurance revenue is projected to rise over 2019-2024 due to anticipated economic growth over that period, strong industry competition is likely to lower profit margins and contribute to further mergers and acquisitions.[11] The last few years have seen instances of insurers offloading businesses to allow them to focus on core operations. Stiffer capital requirements may cause more insurance giants to downsize. Reportedly, RSA is likely to have plans to downsize this year.[12]

Health insurance was expected to grow by 3.9% to reach $25.3 billion by 2019, largely due to steadily rising premiums which accounts for over 95% of health industry revenue. Rising premiums and recovering investment returns were anticipated to continue driving revenue growth in this industry sector. Industry profitability was forecast to increase marginally due to slight improvements in underwriting performance. Enterprise and establishment numbers are projected to fall as the industry consolidates, while firms expand their online sales presence and streamline administration.[13] Increasing growth of telemedicine care is a major trend expected to impact the insurance industry due to risks associated with remote consultations and potential claims ranging from incorrect diagnoses to technological failures.[14] Virtual care is becoming more common, especially in areas where there are less health experts available.[15]

Recently, however, private health insurance business viability has come into question. Despite a 30% tax rebate that costs the government more than $6 billion a year, membership of funds continues to fall, with the proportion of Australians with hospital cover dropping from 47.4% in 2015 to 44.1% in September 2019. Payouts from funds are soaring as the price of medical treatments rise and younger people flee private health insurance, leaving the system heavy with older members making bigger claims. The Australian Prudential Regulation Authority (APRA) forecasts that if benefit costs and premiums continue to increase, of the current 37 health insurers, only three big for-profit funds will have the businesses that are sustainable and well-capitalised beyond 2022. Reportedly, APRA may force underperforming funds to merge if they do not control their costs or arrange their own merger. It anticipates that private health cover will continue to shrink, with most of the losses coming from people between 20 and 34.[16]

Impacted by intensifying competition from insurers, banks and insurtech start-ups, insurance brokerage has also grown its revenue slightly (0.9%), due to rising insurance premiums and consumer preference for purchasing insurance policies from brokers. Future growth is largely forecast to come from further outsourcing of insurance-related services and from Australia's ageing population. While increased insurance coverage is anticipated to support revenue growth, intensifying competition from alternative distribution channels and gradual changes to the commission structure on new policies will likely temper this growth. Insurers are increasingly investing in online sales platforms and new sales channels, such as bancassurance, to minimise expenses and reduce reliance on agents and brokers. Online comparison websites add further pressure on this sector.[17] Product liability exposure is a growing concern due to the rise of the online marketplace and new entrants using online aggregation and comparison tools.[18]

Life insurance has experienced significant revenue volatility over the past 5 years, with revenue declining over the period due to higher cancellation and lapse rates, and fluctuations in investment returns. Industry revenue is expected to decline at 10.7% through to 2019-20 to $46.5 billion due to

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[10] These figures do not take into account any impact caused by COVID-19. It reflects data collected prior to the effects of the pandemic which is having a substantial negative impact on the current labour market.
[11] IBISWorld, *General Insurance in Australia – Market Research Report*.
[12] Insurance Business Australia, *Experts predict insurance demerger trend will continue in 2020*, 2 January 2020.
[13] IBISWorld, *Health Insurance in Australia – Market Research Report*.
[14] Insurance Business Australia, *RPC delves into insurance trends to watch in 2020*, 10 January 2020.
[15] Insurance Business Australia, *Sedgwick looks at global industry trends for 2020*, 15 January 2020.
[16] The Guardian, *Only three private health funds will be viable in two years, Australian regulator warns*, 4 February 2020.
[17] IBISWorld, *Insurance Brokerage in Australia – Market Research Report*.
[18] Insurance Business Australia, *Sedgwick looks at global industry trends for 2020*, 15 January 2020.

poor performance of retail disability insurance policies. The life insurance industry is anticipated to recover over the next five years, with overall profitability forecast to increase slightly. The introduction of the Treasury Laws Amendment (Protecting Your Superannuation Package) Act is projected to affect industry performance. However, revenue performance remains unpredictable as investment revenue is largely tied to financial market performance. Distribution channels and superannuation changes are also set to affect industry.[19]

The Superannuation Guarantee scheme has supported significant growth in the superannuation funds industry, making it one of the largest pension systems in the world. Industry revenue is expected to grow at an annualised 0.8% to $187.0 billion over the five years through 2019-20. This includes an anticipated 9.6% rise in revenue in 2019-20. Caps on concessional and non-concessional contributions, and changes in the regulatory environment are likely to constrain the industry's growth over through to 2024. The performance of the global economy and both local and overseas share markets also influence the industry, and any slowdown is likely to affect superannuation funds due to the increasing globalisation of financial markets.[20]

Growth in contributions have boosted revenue for the Superannuation Funds Management Services industry over the past five years, with an expected overall industry revenue growth of 0.2%. However, recent regulatory reviews, growing number of investors switching to self-managed superfunds (SMSFs) and rising competition have put downward pressure on industry revenue. Revenue in this industry sector is forecast to grow strongly over the next five years due to anticipated strengthening investment conditions. The main threats facing the industry include a slowdown in funds under management growth, the government's increasing regulatory focus on fees and rising competition from superannuation funds that are bringing more of their funds management functions in-house. The increasing popularity of SMSFs is also projected to constrain industry revenue growth over the next five years, as industry operators tend to earn lower fees from providing SMSF platforms than from directly managing super funds.[21]

Technological and Data Analytics. Investment in the insurance technology space is continuing to grow (US$140 million in 2011 to US$4.9 billion by 2018).[22] Adoption of emerging technologies are optimising operations and improving business outcomes across the insurance lifecycle: reduce cost-to-serve, increase speed-to-market, provide consistency across omni-channel customer experiences, uplift the proposition value-add and enhance leverage of expertise for clients.[23] These are enabling delivery of tailored solutions in real time and highlight uninsured exposures. A recent InsurTech report by QBE points to greater process efficiency, increased affordability and accessibility of insurance due to innovations such as process automation, artificial intelligence, Internet of Things and blockchain.[24] Technology is allowing innovation in the design of products, risk assessment techniques and claims handling processes across clients, intermediaries and insurers. The digital influence on claims, underwriters and brokers is leading to less processing work for employees. Reportedly, some graduates are starting to challenge traditional ways of operating since entering the industry with new ways of thinking and an open mindset to adopting and using new technologies.[25]

Fundamental to assessing risk and pricing, the evolution of big data and supportive analytics capabilities are having a notable impact on the industry.[26] Digitising the business model and leveraging artificial intelligence in the claims process is reducing the processing times for insurance companies, enhancing fraud detection and improving client satisfaction. Within the last couple of years, a lot of insurance companies have expanded their data sources to include social media and satellite imagery data. Wearables are helping clients manage workers' compensation claims through pro-active management of key risks, while sensors and tracking devices are providing early notification of industrial risks to businesses. Speedy and accurate automatically extracted data for use throughout multiple business processes is a critical element driving advancements.[27] Industry is also focused on using data insights to improve customer experience and creating more meaningful client engagement. Investment in

[19] IBISWorld, *Life Insurance in Australia – Market Research Report*.
[20] IBISWorld, *Superannuation Funds in Australia – Market Research Report*.
[21] IBISWorld, *Superannuation Funds Management Services in Australia – Market Research Report*.
[22] Insurance Business Australia, *Which technology brings the most value to the insurance supply chain?* 23 January 2020.
[23] Insurance Business Australia, *Technological change is not a disruptor, but an enabler of growth*, 5 November 2019.
[24] Insurance Business Australia, *Which technology brings the most value to the insurance supply chain?* 23 January 2020.
[25] Hays, *Hays Insurance - Jobs Report – January to June 2020*.
[26] Insurance Business Australia, *We've not sought a blanket investment approach to insurtech*, 17 October 2019.
[27] Insurance Business Australia, *The next big move for data analytics within the insurance sector*, 31 March 2020.

analytics capabilities for evidence-based decision making to better manage risk and grow profitability will be a key focus moving forward.[28]

Technology Shaping Strata and Construction. A recent research by the University of NSW found that 75% to 85% of owners' corporations identified major defects in their buildings.[29] The insurance industry, strata industry and government are exploring how to mitigate this issue. Strata and landlord insurance companies are turning to artificial intelligence and the adoption of broader technologies for potential solutions in the insurance value chain.[30] The automation of many processes, digitisation of business and the Internet of Things are giving access to enormous levels of new data which enables industrial and construction insurers to offer their customers new services and improved risk management. Applications of networked devices in buildings and collections of sensory data are moving their business models from repair and replace to predict and prevent.[31] Adopting virtual reality technology has the capability to transform how the strata insurance industry operates. The insurer could create a three-dimensional image of the event, expediting the claim process.

Blockchain. Despite roadblocks in its widespread adoption, it is predicted that blockchain is set to provide more transparency around risk through all parts of the property and casualty insurance sector. In recent years, Marsh rolled out a proof of insurance blockchain program to commercial clients, while London-based bank Standard Chartered and insurer American International Group (AIG) completed a blockchain pilot that aimed to simplify complicated insurance policies and the adoption of Insurwave, a blockchain platform to support marine hull insurance by the marine industry.[32] This platform integrates and secures the streams of disparate data sources involved in insuring shipments around the word.[33]

Legacy Infrastructure. Despite technological advancements, challenges continue around technological legacy and a prevailing need to update older legacy infrastructure.[34] Insurance companies need to resolve how historic data can be digitised for more effective and efficient use and how existing manual processes can be automated in a timely, cost effective and accurate manner.[35]

Regulatory Changes and Compliance.

Insurance

The ongoing review of financial institutions continue to transform the Australian financial sector. The recommendations which followed the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry are driving sweeping changes to operating models in the financial services market. They are reshaping the financial advice, life insurance and superannuation sectors, and the distribution model for retail credit. The recommendations relating to the insurance sector will bring it in line with the more heavily regulated areas of financial services.

In the insurance sector, changes are set to overhaul: the sale and design of life insurance and general insurance products; the handling of claims under life insurance and general insurance policies; the administration of life insurance by superannuation trustees; and the regulatory regime for the insurance industry. Recommended changes aim to balance the rights and obligations of the insured and the insurer by reforming sales and distribution practices, including a ban on hawking; and changing the duty of disclosure and the content of insurance contracts.[36] Recommendations to cease cross-selling of products and services will significantly change insurance, superannuation, and banking distributions models. These will see product manufacturers and their distribution agents redesigning distribution arrangements and developing new distribution models. The Banking Executive Accountability Regime (BEAR) will now extended to both general and life insurance companies, making insurers more accountable to the Australian Financial Complaints Authority. The new regime is intended to increase the transparency and accountability of financial entities in these industries and improve risk culture and

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[28] Insurance Business Australia, *What are the key developments in the insurtech space?*
[29] Insurance Business Australia, *CHU CEO forecasts 2020 trends*, 2 January 2020.
[30] Insurance Business Australia, *HDI Global MD explains the opportunities that new technology can bring to insurance*, 15 February 2020.
[31] Insurance Business Australia, *CHU IT expert on how technology revolutionises the strata insurance industry*, 7 November 2019.
[32] Insurance Business Australia, *Which technology brings the most value to the insurance supply chain?* 23 January 2020.
[33] EY, Insurance, Blockchain Marine Insurance, *Insurwave: blockchain-enabled marine insurance*.
[34] Insurance Business Australia, *Sedgwick looks at global industry trends for 2020*, 15 January 2020.
[35] Insurance Business Australia, *The next big move for data analytics within the insurance sector*, 31 March 2020.
[36] EY, *How the royal commission impacts the financial services industry*, 20 August 2019.

governance.[37] Similarly, regulation will extend existing unfair contract terms regime to insurance products and the sector will see an introduction of mandatory industry codes of practice that will apply in the contract between the insured and the insurer.[38] As a result, all insurance contracts will need to be assessed to determine what needs be rewritten or removed completely. Underwriting policies and procedures, as well as sales processes, will also need to be amended to prevent certain terms and conditions from being included in insurance contracts.

The regulators, Australian Prudential Regulation Authority (APRA) and Australian Securities and Investments Commission (ASIC), have become more accountable, collaborative and responsive institutions to allow for increased adherence and enforcement. This has increased their scrutiny of corporate conduct and governance, placing the emphasis on insurers to be honest and fair. ASIC and APRAs focus on Board's oversight of financial services entities are putting pressure on management, legal and compliance teams to adopt improved risk frameworks to ensure there is appropriate Board oversight. Similarly, ASIC's reported[39] shortcomings in Board oversight of non-financial risks (operational risk, compliance risk and conduct risk) is pushing industry toward active stewardship to ensure they have meaningful oversight of their organisations and management.[40] ASIC is set to reassess renumeration structures, governance and compliance obligations in 2022 which will include the review of insurance and broker commissions for general and credit insurance products in 2022. Until then, industry is focusing on understanding the compliance it needs to adapt to and the new benchmarks being set.[41]

The sector is committed to rebuilding trust, particularly in light of increasing community, government, and regulatory expectations around key issues such as culture, leadership, conduct, and governance.[42] A lot of these changes will mean investment in training, systems and people to ensure companies are compliant for when the relevant legislative and regulatory changes come into effect from 2021 onwards.[43]

Superannuation

The Morrison government is introducing new pieces of legislation to fast-track its response to the Hayne Royal Commission and enhance consumer outcomes with more accountability, transparency and protections, with full roll out expected to take place by the end of 2020.[44] For superannuation, the overarching theme from the report is the primacy of the covenant of trustees to act in members' bests interests ahead of all other interests. The Banking Executive Accountability Regime (BEAR) will now extended to all RSE (Registered Superannuation Entities) licensees, making them more accountable to the Australian Financial Complaints Authority. An attachment to a new draft piece of legislation known as the Financial Accountability Regime (FAR) lists the executive roles or accountable persons it wants covered by the FAR, including heads of IT and human resources as well as end-to-end-product managers and those responsible for dispute resolution.[45] While the detail is contentious and yet to be finalised, the new regime requires a bottom-up review of operational and process components to map and foster a culture of accountability, including understanding any risk and compliance gaps to be addressed. Similarly, new governance requirements are changing the construct and decision making of Boards. The banning of hawking and changes to the model of add-on insurance means companies are rethinking how to sell superannuation.

Trustees and advisers need to ensure that advice being paid from a choice-superannuation account is limited to purely superannuation related matters and not retirement or how to maximise wealth generally. Given the recommendations' impacts to finance advice in general, advice will become costly

[37] Insurance News, *MPs set April date for insurance scrutiny*, 10 February 2020.
[38] Clyde & Co, *Insurers operating in Australia can expect another layer of consumer protection*, 3 January 2020.
[39] Australian Securities and Investments Commission, *Corporate Governance Taskforce: Director and officer oversight of non-financial risk report*, October 2019.
[40] Mondaq, Australia, Corporate/Commercial Law, *Australia: Boards of Australian Insurance Companies To Come Under Closer Scrutiny*, 19 December 2019.
[41] Insurance Business Australia, *Royal Commission fallout: general insurance brokers can't rest on their laurels*, 6 February 2019.
[42] Insurance Business Australia, *No-frills Hayne recommendation to transform the Australian financial sector*, 8 February 2019.
[43] Insurance Business Australia, *Learning lessons from a crisis: Suncorp looks back at the bushfires*, 2020.
[44] Financial Review, *Josh Frydenberg fast tracks Royal Commission Response*, 18 August 2019.
[45] Financial Review, *Super funds say new laws are overkill*, 6 February 2020.

and possibly less obtainable for the average superannuation member, with robo-advice filling some of the gap. As a priority, trustees must focus on the need to better educate members and potential members to improve their financial literacy.[46] Superannuation funds will need to fill the vacuum left by the exodus of financial advisers and provide quality affordable advice to the alarming number of Australians worried about retirement. Superannuation funds are going to need to play a role in stepping up and providing general advice, personal advice and information to consumers.[47]

More regulatory change is expected upon the release of recommendations coming off the broader review of the retirement income system, including super, pensions and taxation currently underway.

Cybersecurity. This year will see an increased focus on cyber resilience measures for better compliance and data protection. RPC's Annual Insurance Review released in January highlights focus areas for the insurance sector worldwide in 2020, including new challenges posed by increases in cybercrime and data breaches as technology advances.[48] While real-time payment services are opening new options for the claims industry, it introduces security and fraud concerns.[49]

Climate Volatility. Major and complex losses continue to be growing sources of concern for all lines of business. This year Australia experienced one of the costliest bush fire seasons on record.[50] Extreme weather events and worsening natural disasters (both in severity and frequency) are driving industry focus on issues related to the environment, sustainability and disaster recovery planning. Insurance companies continue to review comprehensive strategies for crisis management situations and event response to mitigate the impact on affected customers. Pre and post loss preparedness are becoming more critical. Technology such as artificial intelligence, web services and application programming interface technology are helping the industry rethink the claims process and the way insurers handle claims.[51,52]

Mergers and Acquisitions. Despite recorded employment figures across insurance and superannuation, discussions with industry point to increasing mergers and acquisitions in both industry sectors, such as those by Marsh[53], Aon[54] and Gallagher's (AJG)[55] and the current merger discussions between WA Super and First State Super.[56] This changing environment is likely to have a negative impact on employment numbers moving forward.

Growing Focus on Upskillng. COVID-19 has compressed the speed of change which will become more obvious once the pandemic subsides. Industry points to a need for ongoing upskilling of professionals working in these sectors moving forward. There will be a greater focus on formalised training and better accreditation. The governance, the operating environment and oversight of working in these sectors is shifting and they are no longer easy paths to a good income as was the case in the past.[57]

Industry Workforce Priorities

Improving Customer Experience. The growth and evolution of modern technology are creating opportunities to increasingly automate more complex tasks, fast tracking internal processes and streamlining operating costs and people time. These efficiency improvements are allowing the industry to focus on improving customer experience.

[46] EY, How the royal commission impacts the financial services industry, 20 August 2019.
[47] Financial Review, Super funds hold antidote to rising financial anxiety, 14 January 2020.
[48] Insurance Business Australia, RPC delves into insurance trends to watch in 2020, 10 January 2020.
[49] Insurance Business Australia, Sedgwick looks at global industry trends for 2020, 15 January 2020.
[50] Insurance Business Australia, Learning lessons from a crisis: Suncorp looks back at the bushfires
[51] Insurance Business Australia, CHU CEO forecasts 2020 trends, 2 January 2020.
[52] Insurance Business Australia, Sedgwick looks at global industry trends for 2020, 15 January 2020.
[53] Insurance Business Australia, Marsh and JLT combo far from a steamroller merger, 2 May 2020.
[54] Insurance Business Australia, Aon, Willis Towers Watson mega-merger unveiled, 9 March 2020.
[55] Yahoo Finance, Arthur J. Gallagher (AJG) Expands in Brisbane with Buyout, 9 June 2020.
[56] WA Super, WA Super in merger discussions with First State Super, 4 March 2020.
[57] Austral Risk Services.

Companies are investing in adopting emerging technologies and accelerating digital capabilities. Digital platforms are taking products and digitally creating the front end of the customer journey (quoting to buying) and providing real time cover to clients (conversation to digitised quotes).[58] DUAL Australia invested US$3.5 million to take the underwriting agency from a product-centric position to a more client-centric position. The new platform enables production of automatic quotes via a broker across multiple insurance needs such as cyber, management liability and corporate travel.[59] This will benefit the growing number of small businesses (entrepreneur or a start-up) which are time and cash poor, wanting fast turnaround purchases and breadth of coverage.[60] It will also continue to improve accessibility to services for claimants of injury or property damage.

The world of insurance is evolving to suit the new digital landscape and the new generation of consumers. Insurance companies are rethinking their target market and how to sell to them and service them differently. They are looking to tech-enabled consumer intelligence to understand consumer trends, demographical changes and behavioural changes occurring in the market.[61] Automation, machine learning, predictive analytics and artificial intelligence (AI) will capture customer journey and increase personalisation and customisation for hyper-personalised end-to-end customer experience.[62] Speech intelligence and voice data will continue to redefine customer service industries. Text and speech analysis to mine data from customer interactions will increase. These will enable companies to track customer interactions, capture insights and measure customer sentiment. The focus is on creating a dynamic and relevant experience for clients, finding innovative ways to engage with them to achieve customer satisfaction.[63]

Skills in Demand. A recent Hays[64] jobs report points to a strong demand for life insurance claims consultants as companies expand their teams in response to an increase in the number of physical and psychological claims. Many life insurance providers are expanding their risk and compliance teams in wake of the Banking Royal Commission and preparing for future remediation projects. Industry scrutiny and regulatory changes are also driving demand for account executives and account managers with strong advisory skills across the sector. With an increasing number of property, liability and motor claims, demand is also increasing for dispute resolution candidates. Property claims consultants with strong technical knowledge across property and general policies are also sought., particularly those able to assist with highly complex, high-profile claims. There is a huge demand for underwriters and brokers to move between the two roles.

Technology and Soft Skills. Digital-first technologies such as cloud-based platforms, self-service insurance claims tools and channels for real-time access to carrier information will continue to shape industry. However, alongside rapid technological change, soft, social and emotional skills also continue to grow in importance and are becoming prerequisites across all job functions. According to Hays, technical skills aren't all that employers expect of their candidates. They look for strong interpersonal and creative skills, the ability to make data-based decisions, adapt well to change and a continuous learning mindset.[65] Insurers are looking beyond their typical candidate profile to consider people with strong customer service skills and a willingness to learn.

Harmonising technology, people and relationships will improve the claims experience and simplify processes for consumers. The broker market has seen dramatic changes in the last 12 months which has resulted in the need for high calibre candidates who can provide sufficient advice to their clients.[66] A key focus has been the development of stronger partnerships with brokers and insurers to help deliver value for customers. They make sure the customer has the right insurance solutions for the right risks and are well protected.[67] The specialisation for brokers is their ability to understand customer demands and needs which, in turn, builds trust, and strengthens brand and reputation. Increasingly, brokers are delivering proactive services (advice and guidance) and undertaking more value-adding tasks such as

[58] Insurance Business Australia, *What are the key developments in the insurtech space?*
[59] Insurance Business Australia, *Technology is not the issue, we are*, 13 April 2019.
[60] Insurance Business Australia, *We've not sought a blanket investment approach to insurtech*, 17 October 2019.
[61] Insurance Business Australia, *A changing landscape of insurance*, 30 April 2019.
[62] Marketing Magazine, *Enabling CX is a growing concern for CIOs, but are CMOs getting in the way?* 20 November 2019.
[63] Insurance Business Australia, *Technological change is not a disruptor, but an enabler of growth*, 5 November 2019.
[64] Hays, *Hays Insurance - Jobs Report – January to June 2020*.
[65] Hays, *Hotspots of skills in demand – Marketing and Digital*.
[66] Hays, *Hays Insurance - Jobs Report – January to June 2020*.
[67] Insurance Business Australia, What role do brokers play in the modern insurance market?

analysis and business change options and risk profiling.[68] Similarly, the role of claims adjusters is evolving into partners and advocates for the consumer; offering claims expertise and assistance with a focus on empathy and compassion.[69,70]

A growing need exists for market insights analysts to help organisations understand data, drive more sophisticated customer profiling, impact measurement and decision making. Demand continues for people with an understanding of user experience for online channels and the ability to us these to ensure appropriate format for audience and purpose. Digital experts must be experts in search engine optimisation and data analytics and be able to map the customer journey and tailor customer-focused solutions accordingly.

Workforce Diversity. The insurance industry is increasing its focus on diversity and inclusion beyond gender and racial diversity. A more diverse range of customers, sector specific ranges of products and shortages of people with machine learning, artificial intelligence and data skills are creating opportunities for insurance companies to broaden their talent pool and include people from a variety of backgrounds and fields of education. Traditionally sought insurance knowledge and experience will see the introduction of different, complementary skill-sets through the employment of workers from industries such as marketing, retail, automotive and finance to bring diversity of thinking.[71,72] There is a shift in recruitment trend with major life insurers now considering candidates with a clinical background.[73]

The coronavirus pandemic and resulting enforced distancing measures, have increased the use of technology to stay engaged with an at-home workforce and clients/customers alike. This testing of abilities to lead virtual teams may shape greater acceptance of flexible working arrangements, particularly benefiting women coming into the sector.[74]

Learning and Development. In a 2017 report[75] Deloitte pointed to skills becoming obsolete at an accelerating rate and a career being a journey of learning. They reported that professionals in roles such as marketing, sales, manufacturing, law, accounting and finance needed to redevelop their skills every 12 to 18 months, stating that the half-life of learned skills continued to fall to only about 5 years. Since then, the concept of lifelong learning and development has been fast tracked. According to a recent employer survey[76] conducted by Hays, qualified candidates who upskill regularly (weekly through to quarterly) are 77% more likely to be shortlisted for an interview rather than those who do so annually. As technological advancements and digital transformation continue to drive change, industry professionals need to adapt well to change and continue to upskill at all levels, requiring a continuous learning mindset. They need to keep pace with rapidly evolving regulatory and compliance requirements, changing marketplace and product lines, as well as client expectations to lead and guide appropriate solutions to meet consumer needs.

To support this process, insurance companies are sharing technical knowledge and skills, making sure that the risks that are emerging from insurers are well understood by brokers, employers, risk management and human resource professionals.[77] In-house, self-learning modules offered by these companies reflect the skills the organisation wants its workforce to develop.[78] They are providing brokers with education and resources to help them be successful, offering a range of continuing professional development online courses including personal growth and clients engagement to help navigate client interactions.[79] The underwriting agencies are leveraging technology to offer tailored solutions to their brokers.[80]

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[68] Vero, *Helping brokers navigate in an era of change: Vero SME Insurance Index 2019*.
[69] Insurance Business Australia, *Sedgwick looks at global industry trends for 2020*, 15 January 2020.
[70] Insurance Business Australia, *Sedgwick CEO talks partnerships, technology and empathy*, 1 February 2020.
[71] Insurance Business Australia, *A changing landscape of insurance*, 30 April 2019.
[72] Insurance Business Australia, *CHU CEO forecasts 2020 trends*, 2 January 2020.
[73] Hays, *Hays Insurance - Jobs Report – January to June 2020*.
[74] Insurance Business Australia, *How does technology help working women?* 5 March 2019.
[75] Deloitte, Deloitte Insights, *2017 Global Human Capital Trends - Careers and Learning: Real time, all the time*, February 2017.
[76] Hays, *'Upskilling always' is the new normal. Here is 7 ways to do it.*
[77] Insurance Business Australia, *What role do brokers play in the modern insurance market?*
[78] Hays, *Hays Insurance - Jobs Report – January to June 2020*.
[79] Vero, *COVID-19 Partner Update*, 30 April 2020.
[80] Insurance Business Australia, *Technology is not the issue, we are*, 13 April 2019.

COVID-19 - Insurance

COVID-19 Member Impact Survey.[81] In May 2020, the Australian and New Zealand Institute of Insurance and Finance conducted a survey of its members on the impact of COVID-19. Findings reflect 894 responses from industry, including individual insurance and finance professionals. Survey findings indicate: 47% of respondents believe COVID-19 poses a high threat to the insurance industry; 34% believe it is a threat to their individual employer or job; 26% anticipate reduced hours or income in the future; and 22% are worried about losing their job or business. However, the impact on employment has been relatively low. At the time of the survey, 12% of insurance professionals had their hours or income reduced and 4% had lost their job. There is an expectation that reductions in customer demand and the need to work from home will continue to impact businesses over the coming months. Many are concerned about cashflow interruptions or shortages and the inability to provide services in the usual manner. Projections on recovery are yet uncertain but it is anticipated that how business is conducted in the future will be very different.

Issues/Impact. Discussion with industry and comments from survey participants indicate that the economic fallout from business restrictions and closures is having a significant impact on the industry. Most members cited a decrease in workflow and loss of revenue. Clients downsizing, business closure and client hardship has led to reductions in new business, falling claims or loss of income. Many insurance clients cannot pay premiums, are delaying premium payment or choosing not to renew their current policies. In an attempt to ensure clients proceeded with insurance, reducing turnover or lay-up cover (cover at a reduced premium for periods of time when not in use), business activity shifted focus to contract/cover amendments to protect clients while responding to their changed situations.

The job functions most affected has been client servicing as they have been unable to personally visit which has an impact on service delivery. Assessors were heavily impacted due to social distancing laws. Their inability to access customers and property created challenges to correctly assess claims and provide the best possible customer service. Certain areas of life and general insurance industry have experienced increases in workload, with clients seeking advice on employment matters. Many calls also related to policy cover, seeing a significant rise in the lodgement of claims by clients related to COVID-19.

Moving to remote working has been largely positive. Insurance companies and their staff have responded well to the restrictions imposed on them due to the pandemic. Reportedly, although the working from home model has had an effect on efficiency and social isolation, industry has been able to adapt very well with service delivery and working from home. The sophistication of systems and use of cloud-based technology has enabled continued access irrespective of worker location and ensured a relatively smooth transition to home-based service delivery.

In the future, a working from home model could reduce industry overheads. It could also benefit individual employees by significantly reducing commuting time and costs. One of the positives of COVID-19 has been that it has forced a detailed review of expenses by businesses. Critical to business survival is a firm understanding of the importance of cash and cashflow.

Training. Many insurance companies have offshored their call centre capability to India and the Philippines. The global effects of COVID and subsequent restrictions introduced within each country have meant majority of the offshore call centre staff were unable to attend work and did not have the infrastructure to work from home. This was exacerbated by an increased demand for information from COVID affected clients, especially business clients experiencing hardship. Insurance companies affected by this development responded with a quick recruitment drive. Nationally, an additional 1,200 people have been employed since the global COVID outbreak to provide phone assistance across sales and service contact centres and claims. Those with retail and customer service experience were then

[81] Australian and New Zealand Institute of Insurance and Finance, *COVID-19 Member Impact Survey,* May 2020.

upskilled around the basics of insurance and processes. Speed to market was critical (non-VET training).

Assessors and loss adjustors have had to reimagine how they do their work. Social distancing measures have meant they have not been able to access damaged property and have had to conduct claims through use of technology/video. Assessors of property tend to have construction/fabrication backgrounds. They have transitioned into insurance from those industries and have had to rely on their body of knowledge to continue with the insurance claims process remotely. They have had to adapt form a tactile role to be more tech-savvy.

ANZIIF deliver a range of industry-specific courses, including non-VET short courses which target specific knowledge or skill. People undertake training due to legislative or regulatory needs, in response to a breach escalated to ASIC or self-imposed to fill a gap. A large amount of training is being driven by the new requirements of the revised General Insurance Code of Practice. All code signatories are required to be compliant by 1 July 2021. This includes the insurers and claims investigators, distributors and service suppliers, including underwriting agencies and brokers with delegated authority. While some larger organisations are developing their own training products, majority are turning to ANZIIF for solutions. In partnership with the Insurance Council of Australia, ANZIIF has developed e-learning solutions to meet the training needs, focusing on the full code, service supplier obligations and investigative standards. With thousands of people registering, they anticipate 30,000 people will undertake the vulnerability training component across the entire supply chain by the end of the year to meet the Code's provisions by January 2021: Supporting customers experiencing vulnerability and Financial hardship. All remaining Code provisions are set to start on 1 July 2021.

Member feedback points to many looking to ANZIIF for training and technical due to the impacts of COVID-19. Early on this included technical support to set up working from home and technical issues arising from COVID such as rent default, loss of rent, refunds on motor policies because claims are reduced and trade credit. They look to ANZIIF to continue offering educational opportunities and training for the profession.

Traineeships. Industry has no appetite for traineeships. Many of the traditional tasks a trainee was able to undertake in the past are now automated. Advanced technology, AI and forecasting algorithms analyse data and now do a lot of the tasks. New entrants into the insurance industry tend to fall into it via people they know working in the sector or during peak period volume roles (contact centre or claims environment) to assist with incident response. Recruitment favours tertiary qualified applicants, often outside of insurance qualifications. Sales/services contact centres and claims look for people with strong interpersonal and communication skills and retail and customer service experience.

COVID-19 - *Superannuation*

Optimism for the Future. Despite the wide implications from the royal commission, the continued industry scrutiny and the current retirement income review, the superannuation industry has a bright future. However, a push for mergers and consolidations of businesses will see a reduction in the workforce as large funds merge with others. COVID-19 has postponed these conversations until the current influx in activity becomes more stable. Currently, 190 funds operate in the market, majority of which are based in the eastern states. As such, there are limited employment opportunities for many superannuation specialists in Western Australia, although some professionals in industry could possibly transition into health insurance. However, if the trend of working from home becomes widely accepted moving forward, working remote potentially opens opportunities for work from anywhere in Australia.

Another area which has been declining is the provision of financial advice. FASEA's educational standards and the continued regulatory impost following the royal commission are likely to result in many funds outsourcing this function, focusing primarily on interfund or general advice. However, during COVID due to the volume of enquiries, funds have been allowed to provide personal advice to own members around early release. Usually only licenced people have been able to do that. More personalised advice due to volume.

Issues/Impact. The greatest impact of COVID-19 on the superannuation industry and its workforce has been its need to respond to the needs of their clients, following the government's announcement of early release of super for people in financial hardship for financial years 2019/2020 and 2020/2021. In response, funds have had to very quickly change the way they normally operate and adjust their administration processes to accommodate an unprecedented numbers of calls from clients enquiring about and wanting to access the provision under the government stimulus package for 2019/2020, as well as those with investment performance questions, and volatility in the market.

According to APRA, $28.0 billion payments have been made nationally through the COVID-19 superannuation early release scheme from 176 funds to 19 July 2020. Over the period from the inception of the scheme on 20 April, payments that have been made to eligible members have taken an average of 3.3 business days to pay after receipt of the application from the Australian Tax Office (ATO) and 96 per cent have been made within five business days. The average payment made over the period since inception is $7,719.[82]

This has placed a huge demand on administration functions and infrastructure within funds themselves and their service providers. Many outsource administration and/or call centre functions to service providers (roughly half funds administer these themselves). As call centre contracts have not been outsourced offshore, administrators have recruited temporary short-term staff to assist with influx of calls, information, processing of applications and support. Similarly, where needed funds have reallocated staff to functions which needed support, such as shifting people from outbound to inbound calls.

The transition to working from home has been relatively seamless for the sector. Employees were equipped with the equipment and systems they needed to continue operating effectively and productively form home. Connectivity was set up and tested, additional layers of protection were rolled out to ensure data security, plus training and support was provided where needed. Funds are looking at a staggered approach to returning to work with some funds not looking at transitioning back until at least September.

Training. Funds employ people in customer service roles, operational administration, IT, marketing and communication. Other professional roles include experts in investment, insurance, law and finance. They come from diverse backgrounds, majority of whom are tertiary qualified. Traineeships and internships are generally not supported in the sector, although disability and inclusion programs as well as Indigenous traineeship programs do exist at a small scale. There is a preference for targeted training for specific roles rather than traineeships and qualifications.

The largest volume of learning has been in administrative and call centres. Companies do their own induction and training programs. These are specific to funds they are administering and the systems they use. Some funds have indicated a focus on leadership, contract management and project management as core skill development for staff.

Challenges. While provisions for those in hardship already existed within superannuation fund policies, the sheer volume of payments and the short timeframes for release have stretched funds' abilities to draw money which the government required them to access. Funds have had to draw on their reserves and in many cases have had to sell a lot of their assets. Some funds have been affected more than others, particularly those in areas such as arts, hospitality and retail.

APRA has postponed certain reporting requirements as industry shifts focus to administering early release of funds. Similarly, the government has postponed the implementation of the royal commission recommendations.

[82] Australian Prudential Regulation Authority, *COVID-19 Early Release Scheme – Issue 13*, 27 July 2020.