

## Developing the right products for life

Much of the product development from life insurers in the past few years had been focussed on improving competitive position rather than building new benefits that added genuine value to the customer, said Tim Tez, head of product management – individual life, AIA Australia

This focus on each other rather than the customer has resulted in more complex product designs, he said. “Life insurers offer flagship products with increasingly similar benefits, camouflaged by wordy definitions,” he said.

“Naturally when insurers fail to differentiate their products in a meaningful way, the focus of



Tim Tez

the trustee, adviser and customer reverts to the concept of ‘value for money.’

Value for money can be delivered in many ways, Tez said.

“For example, you can deliver similar benefits at a cheaper price or you can build value into your product and service,” he said. “In the past we have seen ‘value for money’ defined by insurers as the former but we are now seeing insurers differentiate themselves on their technology and service capability.”

It started with the product, according to Tez. Life insurance provided peace of mind for the customer but for the insurer, there was no point having the best product in the market if they are unable to deliver on their end promise, to pay all legitimate claims. Insurers were increasingly challenged on their claims

philosophy and whether they looked for ways to pay legitimate claims, rather than decline them. It ends with the service, Tez said.

The importance on improving the customer experience had to be the priority for insurers when designing products and introducing new technologies, Tez insisted.

“There must be greater consideration given to the customer and after-sales service,” he said. “An example of this is the introduction of grief counselling and other support services and goes to the heart of treating clients as customers rather than potential claimants.” ■

## MySuper heightens focus on overall costs

No matter what view you take of Jeremy Cooper’s MySuper proposal, it will likely focus the attention of super funds and managers on the costs associated with their investment strategies.

Recommended in Cooper’s review of the superannuation system, MySuper calls for each super fund to offer a low-cost default option to members, sparking a mix of responses across the industry. The Financial Services Council and the Australian Institute of Superannuation Trustees have both opposed the proposal, while consumer groups welcome it.

According to Justin Walsh, vice-president of State Street Global



Justin Walsh

Advisors (SSgA), the investment management business of State Street Corporation, super funds need to consider their costs, such as fees, taxes and other charges, regardless of the introduction of

MySuper.

“Funds should always look at the net return they are providing their members,” said Walsh. “MySuper may well help promote this practice by encouraging fund managers who want to stay competitive to examine the leakages eroding returns across their portfolios.”

These days, management fees were the primary “leakage” making headlines, though many others, including transaction costs and taxation, could be just as, if not more, significant.

Over the past few years, SSgA had developed a range of cost-efficient alternative beta strategies that systematically outperformed

standard indices. Managers could then tilt these strategies toward low volatility, value and small-cap approaches, adding additional value over the long term. Such strategies had been shown to outperform the MSCI World Index by an average of 2.7 per cent annually between 1995 and 2009.

In recent years, SSgA had also put a lot of work into its after-tax strategies for Australian investors, by focusing on propagation, that is, selling stocks that would incur lower capital gains, and proceeding cautiously with transactions.

“It’s important to be extremely careful with everything you do so as to maximise members’ returns,” explained Walsh. ■

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