

**10TH ANNIVERSARY OF THE AILA YOUNG PROFESSIONALS
LUMINARIES DINNER**

AUGUST 14, 2019

Delivered by Rob Whelan, CEO, Insurance Council of Australia

- Thank you for that kind and overly generous introduction.
- Good evening colleagues.
- It is my great pleasure, and indeed honour, to address you this evening on the 10th anniversary of the AILA young professionals' luminaries dinner.
- This evening promises to be a celebration of the achievements and great contributions aila has made to the insurance industry over the past decade – and what a different world it is decade on - and what does the next 10 years portend for the industry?
- Just under 10 years ago I joined the insurance council as its CEO and within a very short time realised what a challenge the role was going to be.
- No sooner had I put my feet under the desk, as they say, that we were hit with the Brisbane floods and Cyclone Yasi – two of the largest natural disasters the country has suffered in a generation – so welcome to the job.
- I have to admit as I was in the midst of all the political and media maelstrom I did have moments of reflection as I struggled to get a good night's sleep – what have I done and is it worth all the stress and abuse that I and my colleagues were being subjected to.
- Well I can honestly say that while the first few months did set a pattern for the next several years I can look back and see why it was worth the commitment.

- The industry has matured, become more responsive, more connected to its customers and the community and more willing to change and evolve.
- I hope that in some small way I and my very capable and dedicated team have contributed to that metamorphosis.
- So tonight I'd like to beg your indulgence to allow me to reflect on things past and on what might be things to come.
- It is often asked of me how I found myself in this role – what was the career journey that brought me here.
- Well it's a curious thing really. My career spans close to four decades, as best as I can remember some 20+ different roles in six different industries ranging from advertising, telecommunications, consumer packages goods, health care and financial services (life, general and banking).
- So you could say I'm up for anything that takes my fancy.
- In all that time I have worked for some inspirational and highly talented individuals who taught me how to achieve my best and develop my skills. I also worked with some who showed me how not to manage people – and in your career you will no doubt experience the same – there are lessons to be learnt from both.
- I did learn early on in my career that I enjoyed the company of, and was stimulated by, people more talented, creative and intelligent than me, and when I had responsibilities to build teams and manage large numbers of people I always looked for those qualifications.
- Having said that – great talent and creativity often comes with some volatility and brings with it unique management challenges.
- It forces you to continuously up your game – avoiding the temptation to revert to a command and control style of management.
- But I digress – let me go back to how I ended up at the ICA.

- Perhaps the most instructive career role I had that immediately preceded my appointment to the ICA was with AAMI.
- I joined the company initially to consult on some M&A work that they were undertaking - I had done similar work for other organisations so was happy to assist.
- I knew I had to get a good understanding of their business model and applicable transferable competencies to be able to judge the compatibility of any acquisition target.
- In the process of doing that I was given free range across the operating divisions of the company and their strategies under the guidance of their CEO – Robert Belleville.
- I quickly began to realise this was quite a unique company with a culture and operating style that set it apart from many other organisations.
- Its relentless top-to-bottom focus on the consumer was impressive.
- Many companies in all sorts of industries I've worked in claim to have a customer-centric model – few actually do.
- AAMI not only talked the talk – they walked the walk.
- A highly talented management team, had under the guidance of Robert, built over the years an approach to serving the customer with a simple but poignant credo:
 - We are here to: relieve stress and create peace of mind.
- This was understood throughout the company from top to bottom and all staff were encouraged to continuously find better ways to deliver the customer proposition.
- The culture inspired and encouraged ideas, commitment and innovation.
- New techniques and operating methods were tested in different markets, and if successful were rolled out nationally.

- Staff were expected, and encouraged, to bring new ideas to the table which were often operationalised.
- Robert would often say (and it's a favourite quote of mine):
 - "Watch success, it leaves clues"
- One of the many innovative programs AAMI had which I was particularly taken with was their customer charter.
- This document, which was reviewed every year, was provided to all customers on taking out a policy.
- It consisted of some 12 service promises to the customer.
- The company committed to honour these promises and if broken would incur a financial penalty payable to the customer.
- In understanding the strategy behind this I discovered that the vast majority of breaches, and hence penalties, were identified and reported by staff.
- In other words they so valued their customer, and the company mission, that they – not the customer – reported when they fell short of their promise.
- My initial thoughts were – well this must cost a fortune especially when the customer didn't even notice the breach – why do it – cynical I know.
- But on more thoughtful reflection I realised this was brilliant brand marketing.
- The customer gets a letter from AAMI owning up to a broken promise – they, the customer had probably forgotten about – with a cheque enclosed.
- Now how do you think that customer thought about the company they had chosen to insure with and how many of their friends do you think they told?
- A company that they could trust that lived up to its promises.

- And isn't that what insurance is all about?
- Sheer marketing genius.
- There were many more instances of creative and innovative ideas that I could go into but suffice to say I had stumbled on the type of company that shared my love for creativity and innovation and had made it work.
- So when I was offered to manage their corporate affairs division I was delighted – it took my fancy you might say.
- The company had stellar financial results year after year and was a star performer of the Promiina group.
- I learned a lot in that organisation and especially from Robert Belleville, who continues to be both a friend and mentor to me. It also was excellent preparation for the role I'm in today.
- Which brings me to my last reflection – and that's on the things to come.
- While it's true to say this has been a tumultuous past decade with the shape of not only our industry being radically transformed but indeed the whole world order we live in.
- In history there are often certain singular events that will have an ongoing and transformative effect.
- For our industry I would put the Royal Commission into Misconduct in Banking and Financial Services in that category.
- The title says it all – misconduct.
- When the Royal Commission was first mooted I felt reasonably confident that general insurance would be either immune or at worst a side show.
- However as good risk managers, we prepared for the worst while hoping for the best.

- I believed we would at worst sustain only collateral damage – after all we had our highly regarded code.
- Regrettably I was only partly right
- It is now a matter of record how the industry was portrayed in the commission hearings and while one could argue that the picture painted was not entirely a fair one – it did fit a pattern of a loss of purpose and focus on customer wellbeing.
- I believe this is the most salient lesson to be garnered from the experience, as excruciating as it was.
- How do companies resolve the nexus between customer outcome and commercial gain while continuing the pursuit of ever better results demanded by the market?
- Legislators and regulators have instigated their solutions and they will stretch the industry to its limits
 - Product and distribution obligations
 - Claims as a financial service
 - Unfair contract terms
 - Anti-hawking provisions
 - Sanctions and enforceability in codes
- All of these changes will have consequences – both intended and unintended.
- In protecting the interests of the few we must be cognisant of the impacts on the many.
- Any one of these initiatives in isolation would be a challenge to implement – the combined or aggregate effect however of all these changes simultaneously is a whole different prospect.
- One thing is certain – the industry will be transformed over the next decade as these fundamental changes bring a seismic shift in how the industry operates.

- So how should we navigate these changes and ensure the outcomes are as intended for all parties?
- I would suggest we embrace the principles and values that drove so much success and customer satisfaction in the AAMI business model.
- Placing the customer at the centre of decision making is surely the approach that will resolve the false dichotomy of customer versus profit and redeem the industry in the eyes of its detractors and most importantly its customers.
- It's been done before and it works!
- 'Watch success it leaves clues'
- The industry has at its disposal a tool that can assist with the transformation – the General Insurance Code of Practice.
- The ICA and its member companies have toiled long and hard over the past two years to craft a revised Code of Practice that will go some way to defining the path forward.
- Forged from perhaps the most extensive and inclusive consultation process for a review – the revised Code seeks to address the challenges of a society and a market that is in a state of flux.
- The Code looks to respond to an environment where some of our customers may be suffering various forms of vulnerability – domestic abuse; mental illness; financial stress.
- It also looks to address the key criticism by the Royal Commission – specifically compliance and enforcement through the role and powers of the Code Governance Committee and ultimately the Corporations Act.
- The overarching intention of the Code has always been to provide a living document that goes beyond the law, continuously improving the

industry's response to the ever-changing needs of customers and the community.

- A difficult path in the emerging environment.
- Our goal is for the revised code to be finalised and ready for implementation by early 2020 – which incidentally will be the ICA's 40th anniversary and my 10th year in the role.
- So that seems a fitting way to end my little journey past, present and future with you tonight.
- Turning to your future in the industry – it comes at a time when the industry will be going through some of its most fundamental changes. The next few years will be a time of much uncertainty.
- This will create new and different challenges as the industry looks to your expertise to help guide it through.
- It's an exciting time and I'm sure you will be up for the challenge.
- Thank you for your attention and may I wish all of you a challenging and diverse career journey – they are the best kind.