

Life Risk 'Top-Tier' Adviser Programme 2023

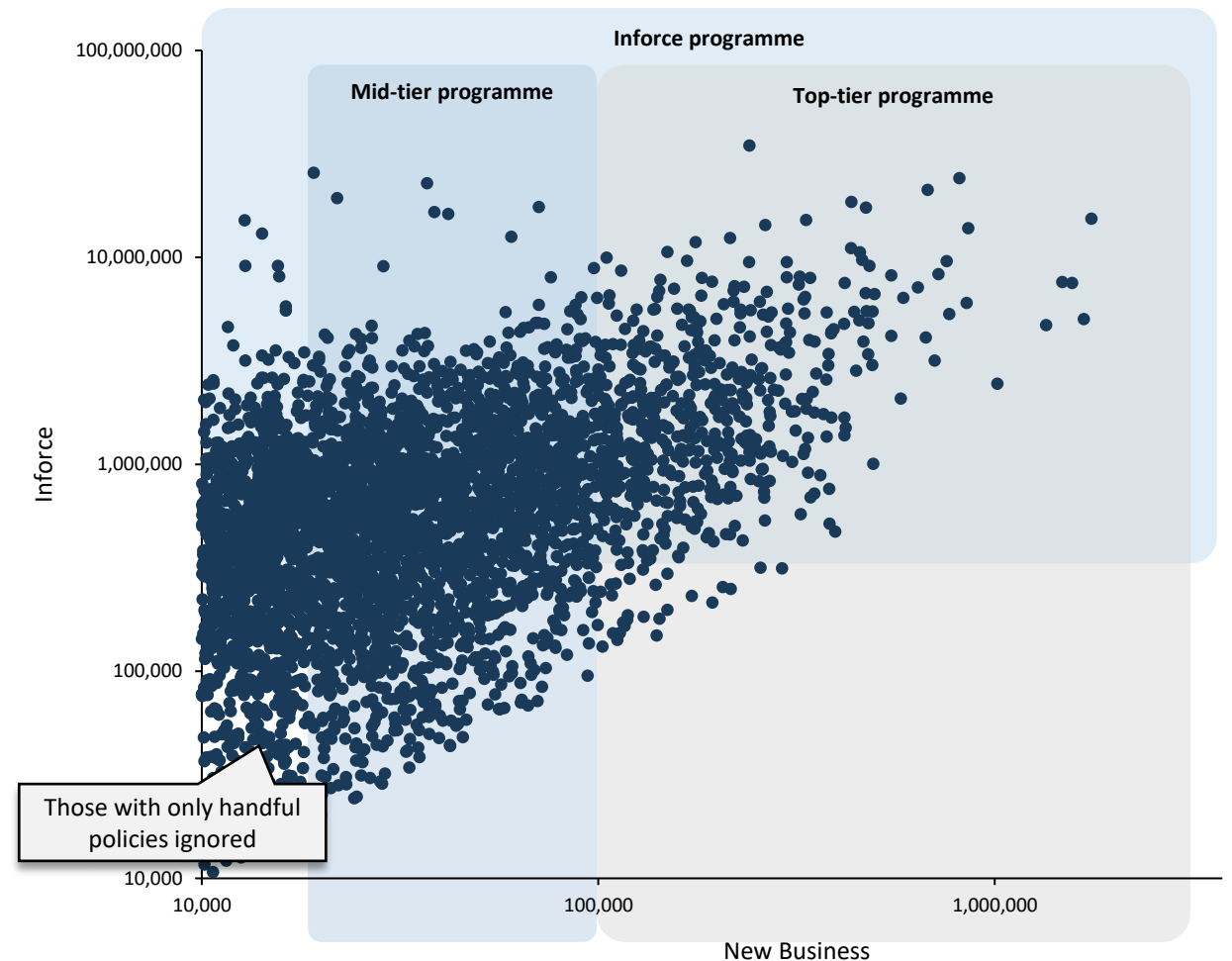
2023 Insights Partner Report

Overview of the NMG Top-Tier Adviser Programme

Programme Overview

- ▶ The Australian life risk adviser market is a sub-set of the broader Australian financial adviser market, with only half of advisers writing any life risk advice. Further, productivity is highly skewed, <50% of all advisers writing ~90% of all life risk sales (with the top 10% accounting for almost half of all sales)
- ▶ NMG's programmes focus on those advisers who matter to insurers, with three separate programmes:
 - ▶ Top-Tier: focused on highest productive risk-writing adviser with detailed face-to-face interviews
 - ▶ Mid-Tier: advisers with reasonable productivity (rotating online insights)
 - ▶ In-force focused advisers: those with large in-force books (who may no longer be writing new risk sales)
- ▶ NMG's life risk adviser insights programmes provide an objective analysis of the factors that drive new life risk business placement and the relationship between advisers' perceptions of insurers 'business quality' and their consequent behaviours
- ▶ The NMG 2023 Top-Tier Life Risk Adviser Insights Programme :
 - ▶ Was in market from Nov 2023 through to Mar 2024
 - ▶ Interviewed ~ 150 advisers with new business >\$100K
 - ▶ Interviewed 7 executives in top risk-writing advice licensees

Adviser Level Annual New Business & Inforce (Dec 2023)

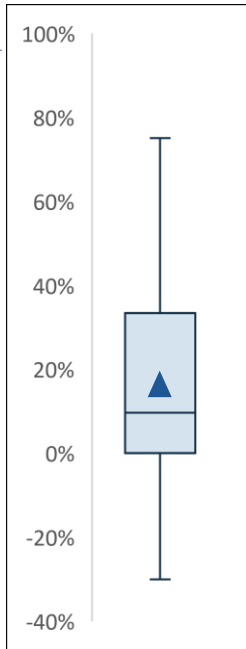


Top-Tier Advisers' Growth Expectations

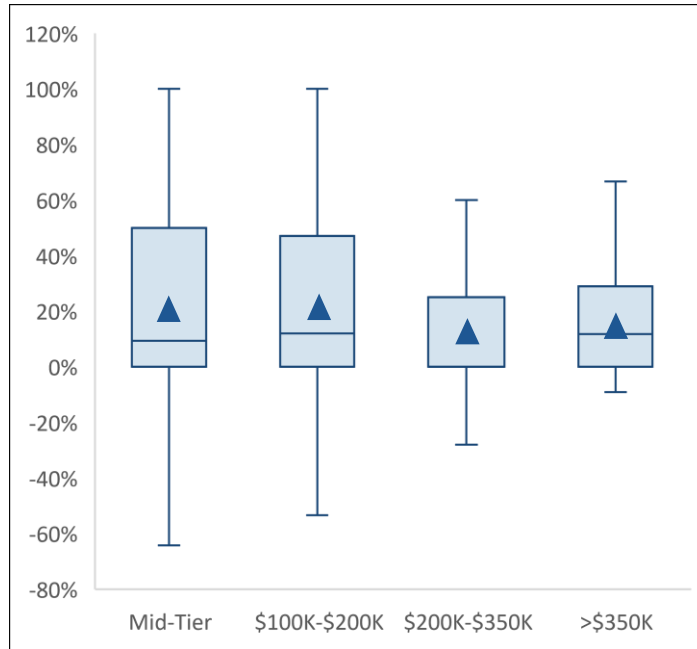


Advisers in the Top-Tier have an overall positive outlook for their new business growth in the coming year, which is reflective of a recovering market where advisers are coming back to writing risk

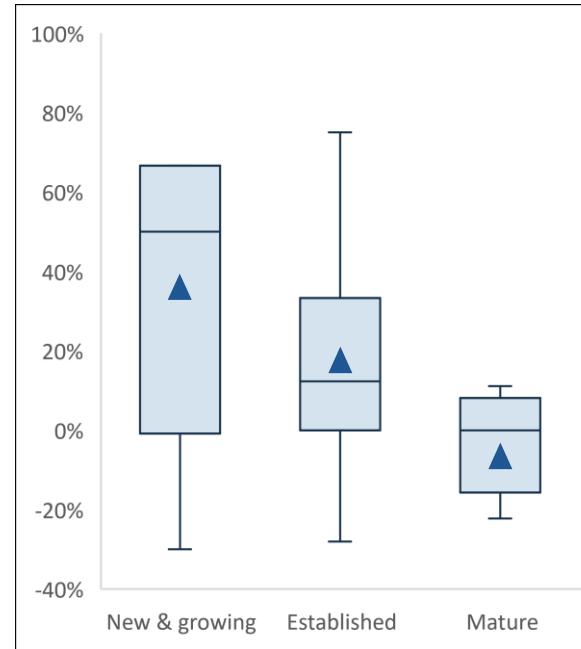
Growth Expectations



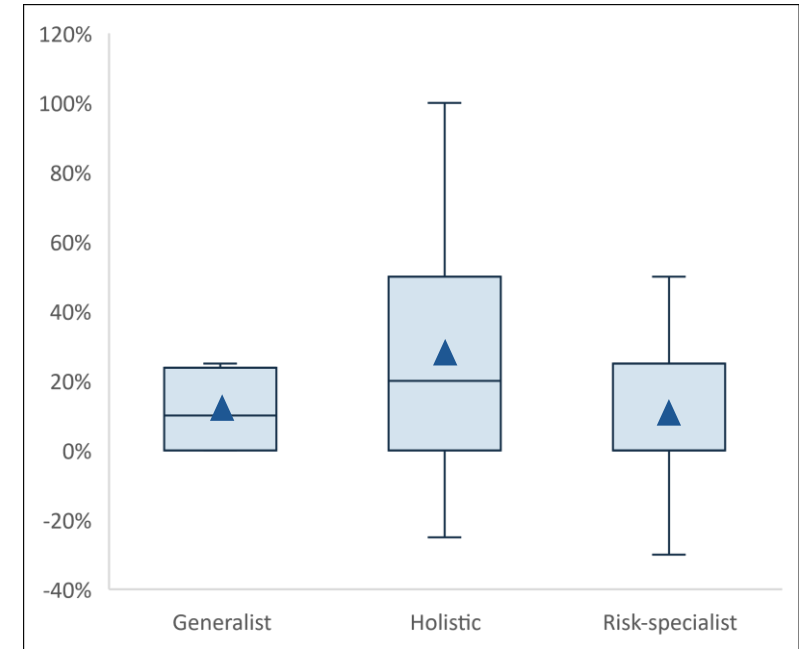
Growth Expectations by Productivity Level



Growth Expectations by Business Stage



Growth Expectations by Adviser Segment



▲ **Top-Tier Mean Growth Expectation** 16%

20% 20% 11% 19%

35% 17% -7%

11% 27% 9%

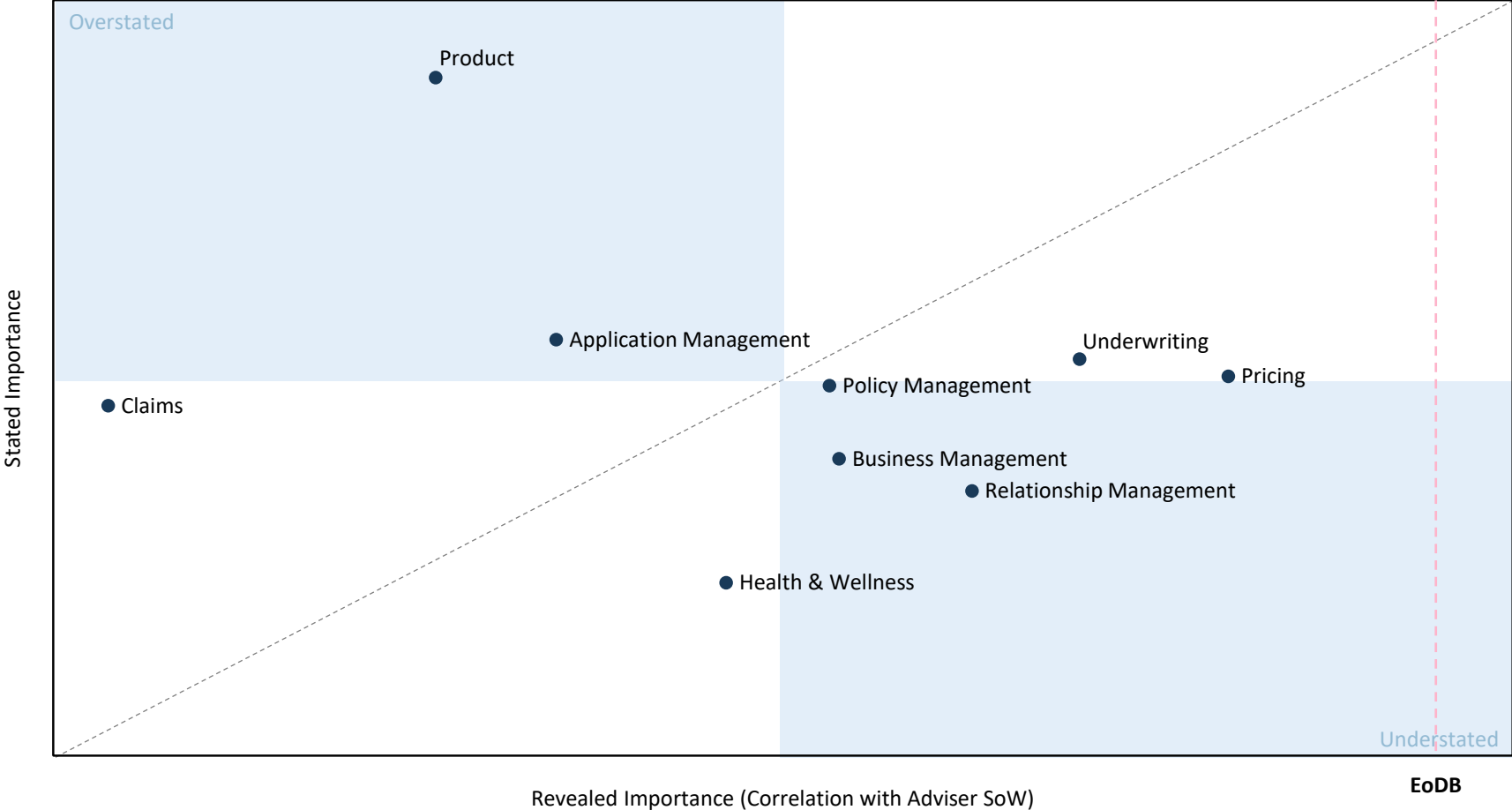
Note: The whiskers of the box and whisker plots represent the minimum and maximum values of the dataset, excluding outliers. A value is considered an outlier if it is 1.5 times the interquartile range larger than the third quartile or 1.5 times the interquartile range smaller than the first quartile. The interquartile range is the distance between the third quartile and first quartile.

Drivers of Share-of-Wallet



Although advisers say that Product is the most important factor, Ease of Doing Business is revealed as the greatest driver of share-of-wallet

Top Tier Adviser Stated versus Revealed Importance of Performance Factors (2023)



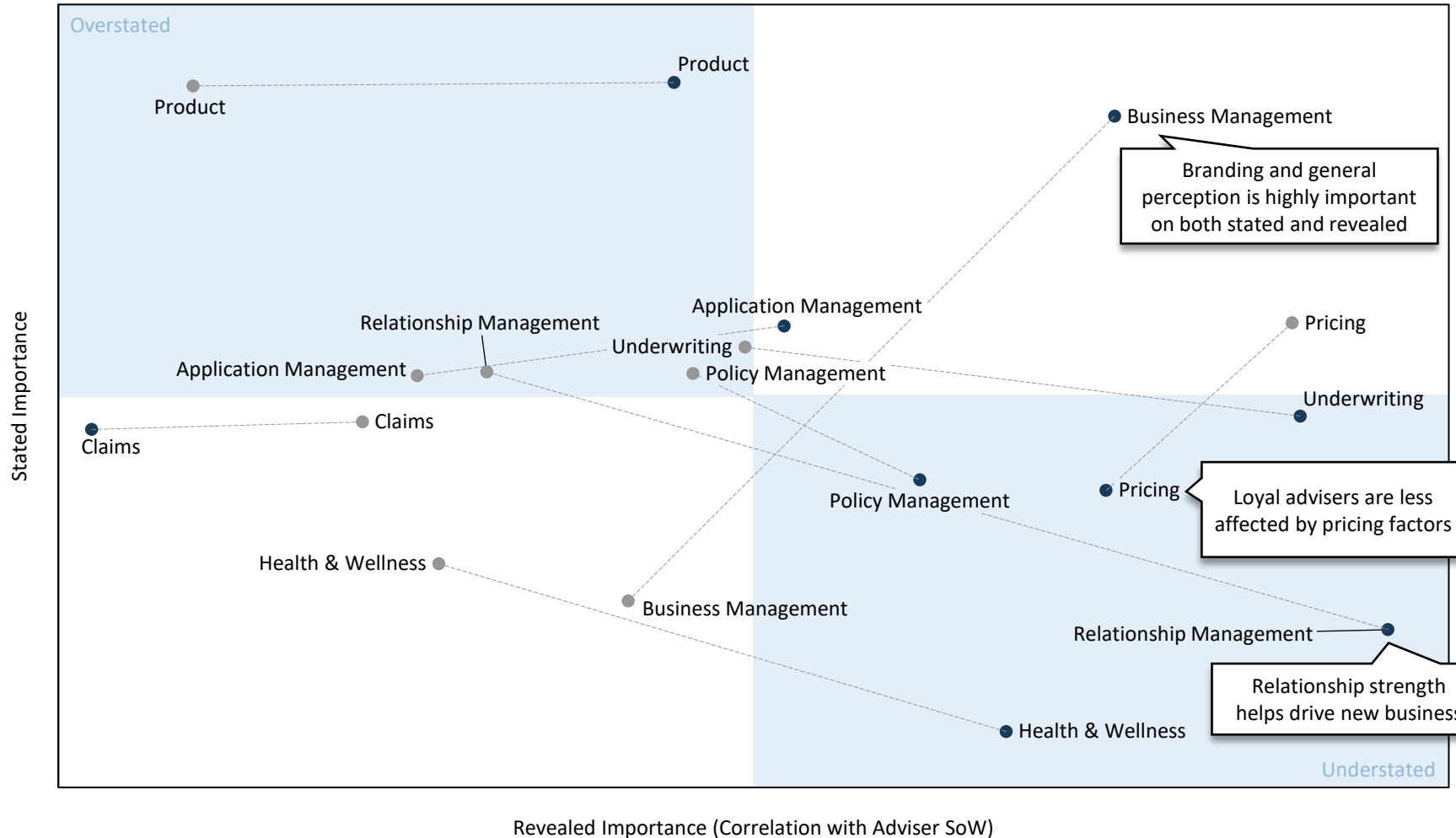
- ▶ EoDB, which stands for Ease of Doing Business, is highly valuable to advisers
- ▶ Top-Tier advisers continue to say that products are the most important factor for them, as they prioritise client needs and suitability
- ▶ They have been heavily influenced by insurers’ recent pricing behaviours (more so than recent years). As insurers move away from first-year discounting, we expect pricing to become less important to advisers

Note: ¹Stated importance refers to the ranking order of factors as selected by advisers, ²Revealed importance is the **correlation** between adviser ratings on each performance factor against the SoW at the respective insurer
 Note: Only advisers who use each insurer are included in scores

Drivers of Share-of-Wallet – Advisers with Significant Insurer

Advisers with a significant insurer allocate over half of their new business to a single insurer. They are influenced differently by factors to those who hold a more dispersed share of wallet

Top Tier Adviser Stated versus Revealed Importance of Performance Factors By Adviser with Significant Insurer* (2023)



- Advisers allocating over 50% SoW to one insurer [62]
- Advisers without clear lead insurer [88]

- ▶ New Business allocation for Top-Tier advisers with a significant insurer is guided by positive relationships (with BDMs & underwriters), as well as strong branding and underwriting. Non-pricing led factors are as valuable to them as Pricing
- ▶ However, Pricing is shown to mainly drive share-of-wallet for Top-Tier advisers who do not have a preferred insurer

Note: ¹Stated importance refers to the ranking order of factors as selected by advisers, ²Revealed importance is the **correlation** between adviser ratings on each performance factor against the SoW at the respective insurer

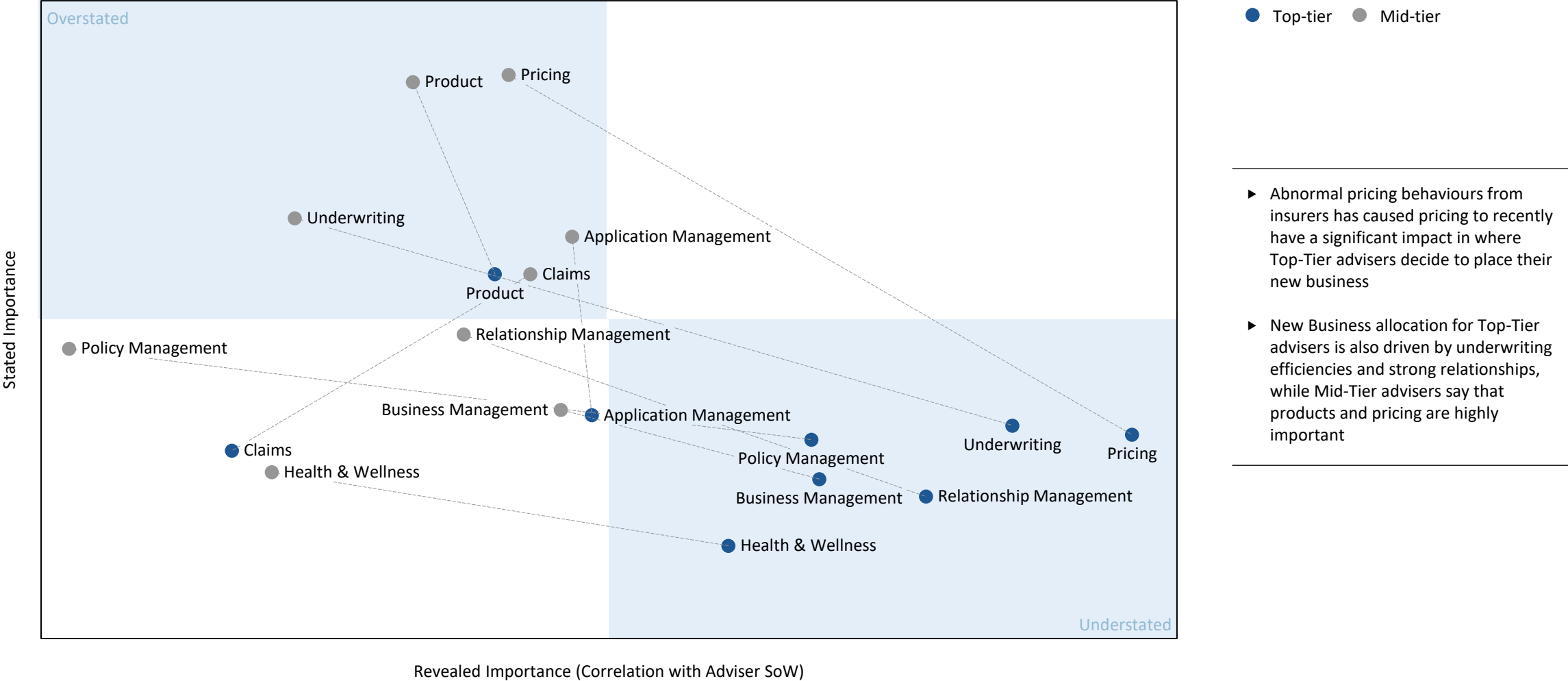
Note: Only advisers who use each insurer are included in scores; An adviser with significant insurer is defined if there is more than 50% SoW with an insurer

Drivers of Share-of-Wallet: Top-Tier vs Mid-Tier



Relationship Management and Underwriting are more influential in driving new business allocation for Top-Tier advisers than for Mid-Tier advisers

Adviser Stated versus Revealed Importance of Performance Factors (Top-tier vs Mid-tier, 2023)



- ▶ Abnormal pricing behaviours from insurers has caused pricing to recently have a significant impact in where Top-Tier advisers decide to place their new business
- ▶ New Business allocation for Top-Tier advisers is also driven by underwriting efficiencies and strong relationships, while Mid-Tier advisers say that products and pricing are highly important

Note: ¹Stated importance refers to the ranking order of factors as selected by advisers, ²Revealed importance is the **correlation** between adviser ratings on each performance factor against the SoW at the respective insurer
 Note: Only advisers who use each insurer are included in scores

Insurer improvements required

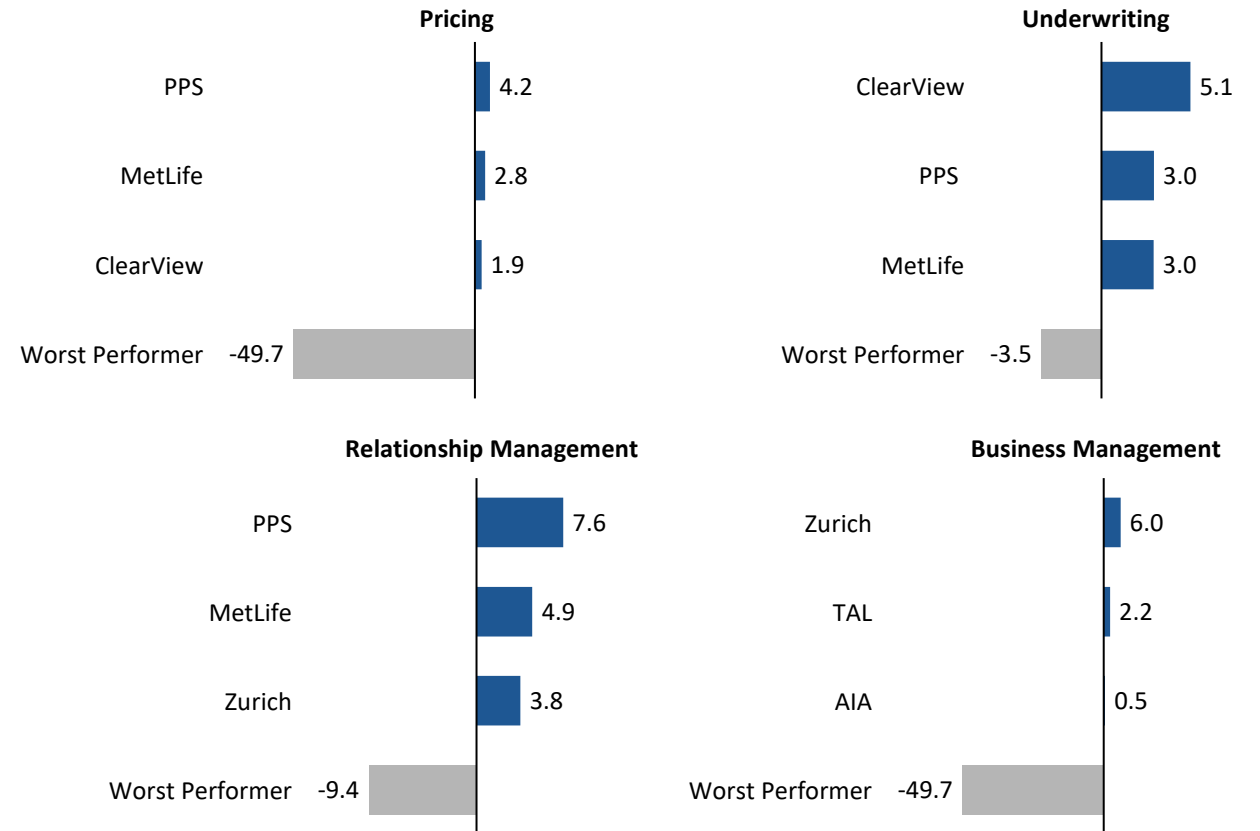


While Health & Wellness requires the most improvement across the board, advisers think that PPS, MetLife and Clearview lead in the factors that mainly drive share-of-wallet

Factors with Overall Lowest Ratings (BCI¹)



Difference in Scores between the Top Insurers and the Worst Performer to the Market Average for the Top-4 Highest-Rated Derived Factors (BCI)

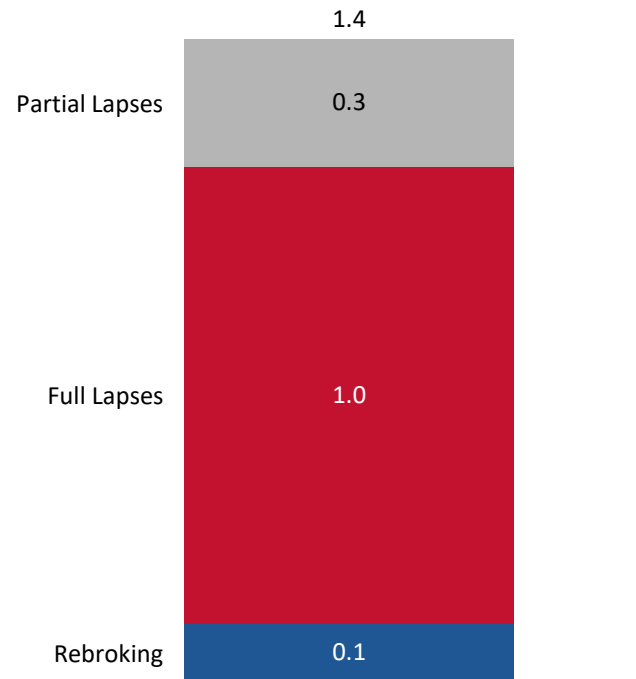


Note: ¹BCI stands for Business Capability Index. It is calculated by taking the average score each insurer receives across 9 different factors, including Business Management, Relationship Management, Product and operational areas. It is a scale out of 100.

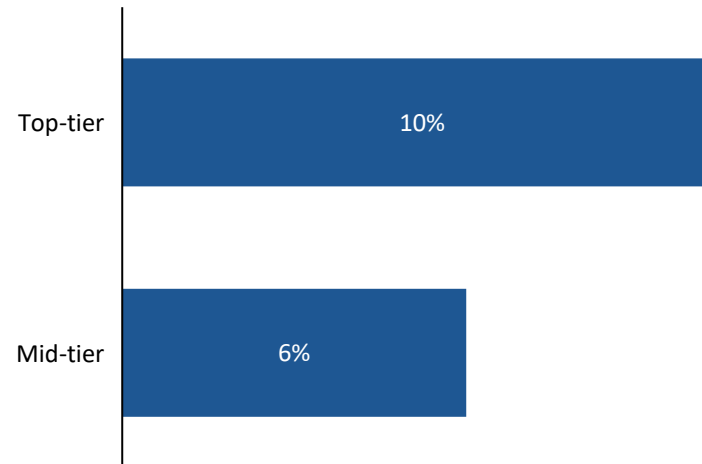
Rebroking

Rebroking accounts for roughly 10% of total lapses within the IFA market, with Top-Tier advisers more likely to rebroke than Mid-Tier advisers

Lapses Composition (\$b, 2023 Q1 – Q4)



Rebroking by Tier (% of clients)



- ▶ Rebroking occurs when advisers switch their clients to a different insurer, as they find policies which offer the same cover but are better-priced
- ▶ Top-Tier advisers are more likely to rebroke their clients than Mid-Tier advisers are, as they more actively consider how to manage their clients' premiums

Thank you

