



Essentials

by AAI

supported by  Good Shepherd
Microfinance

Case Study

Suncorp Group & Good Shepherd Microfinance

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Suncorp Group

Leading development of shared value in Australia

www.sharedvalue.org.au

**SHARED
VALUE
PROJECT**

Company Description

Suncorp Group includes leading general insurance, banking, life insurance and superannuation brands in Australia and New Zealand – its portfolio of Personal Insurance brands includes AAMI, GIO, Apia and Suncorp Insurance. Suncorp is a leading responsible insurer that sees the shared value in offering sustainable products that meet the needs of people on low incomes.

Good Shepherd Microfinance is Australia's largest microfinance organisation. It offers a suite of people-centred, affordable financial programs for people on low incomes at different financial stages of their lives. Its mission is to enable clients to realise their own economic wellbeing, as they define it themselves, through appropriate financial services. As a result, people feel valued, accepted and included and in control of their own finances and lives.

The Opportunity

One in five (19.5%) Australian adults do not have general insurance cover for their contents, car or home. This lack of cover places low-income earners in a precarious financial position. Even minor mishaps affecting key assets, like cars and fridges, can result in significant financial hardship and disrupt the day to day lives of low-income earning Australians.

Launched in September 2015, Essentials by AAI is a market-first insurance product tailored to the needs of low-income earning Australians. The product was developed by the Suncorp Group and not-for-profit organisation Good Shepherd Microfinance (GSM).

The Strategy

Reconceiving products and markets

Suncorp turned product development on its head and partnered closely with GSM and an external advisory group consisting of financial counsellors, legal aid, the Financial Ombudsman Service, financial inclusion researchers and consumer representatives to design the product.

The design process followed humanistic design methods. This included a series of workshops with an

External Advisory Group and the testing of prototypes with the customer base in partnership with GSM.

The resulting product, Essentials by AAI, offers a unique way to help customers build insurance to cover their key household assets suited to their individual needs. This 'mix and match' approach provides cover for contents and cars, with premiums starting as low as \$4.00 per week. Key features include cover options for contents (\$10,000/\$20,000), and up to two cars valued at \$3,000 and \$5,000. Policyholders also have access to standard two excess-free claims, with a low \$100 or \$300 excess applying to subsequent claims.

Another key innovation was making the product easier to understand than a traditional insurance policy, through the use of an illustrated Product Disclosure Statement (PDS) and animation.

Co-creating the product directly with end-users and their representatives has helped to create a product that matches both the budgetary constraints and the unique needs of low- income earners. It has also allowed Suncorp and GSM to experiment with a different type of product design process. Learnings from this have been fed into their respective businesses and are now being used in more mainstream activities (both internally and externally).

The design process created seven guiding principles that are being used throughout the project:

1. Connect to the customer's values and needs - "I care about mobility more than the actual car".
2. Be transparent and easy to understand – "Say what you mean, no fine print."
3. Have flexible payments with no penalties – "Make it easy for me to set and forget."
4. Be accessible through trusted networks - "I don't like call centres & shiny buildings."
5. Cover the asset, not incremental damage – "I only need to cover the big stuff, nothing cosmetic."
6. Be flexible by default – "I need cover for my car, my phone and my child's laptop."
7. Must create financial resilience – "I want to get back on two feet."

Results – Value for Business and Society

Essentials by AAI is another example of Suncorp Creating Shared Value under its umbrella community strategy of 'Brighter Futures'. Essentials by AAI is providing targeted access to insurance for those most vulnerable to the financial impact of unforeseen events, improving their financial security and opening up an entire new market for Suncorp.

The innovation has been officially recognised and awarded. Essentials by AAI has received 'Insurance Innovation of the Year (2015)' and 'General Insurance Product (2015)' from the Australian Banking and Finance Awards, and 'Innovation of the Year (2015)' from Money Magazine. It has also been presented to the World Bank as an example of the development of micro insurance in an OECD country, following micro insurance and human design principles.

In an environment where the insurance industry is transitioning toward the use of individual risk based models due to the increased ability to use individualised data (away from traditional community rating systems), insurance as a mechanism to transfer risk is becoming increasingly inaccessible for some. Essentials by AAI is designed to provide a solution to this social issue and enable the ongoing transfer of risk for parts of our community that may not be able to do so otherwise. It is the first micro insurance product (that we are aware of) in the OECD.

Essentials by AAI enables more people to become insured, providing greater financial stability and the ability to move up the continuum of financial security. Customers reduce their dependency on welfare systems after a bad weather or other loss event, and will be able to transition into mainstream insurance products as their needs grow.

A final advantage of the approach is that Suncorp is now working closely with non traditional partners such as legal aid, financial counsellors, carers groups and local government to refer customers to Essentials by AAI. It has enabled different types of sectors to work together for a common goal, opening doors to future innovations.

Essentials by AAI has enabled GSM to expand its product offerings to customers to improve financial inclusion and help build their reputation with key stakeholders, such as Government, as the leading microfinance organisation in Australia and New Zealand. This enables new products and funding opportunities to expand their work and meet their stated purpose "To enable economic wellbeing for people with low incomes, especially women and girls".

Lessons Learned, Challenges and Outlook

The project required a unique approach:

- A need to reimagine existing business methodology: The project required teams from both organisations to essentially redesign an entire end-to-end product tailored to a new market segment, including product design, promotion and distribution.
- Communication was key: With 650 community organisations in GSM's client-facing network, the project relied on clear and consistent articulation of the product's core components and value proposition. This was overcome through and illustrated Product Disclosure Statement and animation introducing the product.
- Low-income earners needed a flexible payment option: The project negotiated more flexible payment options via the Federal Government-run Centrepay, including fortnightly direct debits and payments.