



# AIA Vitality

## Case Study

AIA Australia

By James Cameron, Corporate Communications Manager

Leading development of shared value in Australia

[www.sharedvalue.org.au](http://www.sharedvalue.org.au)

**SHARED  
VALUE  
PROJECT**

## Company Description

AIA Australia is an independent life insurance specialist with over 40 years of experience building successful partnerships. As a leading life insurer, AIA Australia offers a range of products that protect the financial health and welfare of more than three million Australians.

AIA Australia works closely with major financial institutions, superannuation funds and corporate partners. In addition, AIA Australia offers retail insurance products through financial advisers and a valued network of affinity partners.

AIA Australia is part of the AIA Group, a market leader in life insurance across the Asia Pacific region with almost 100 years' experience.

## The Opportunity

Two in three Australians are currently overweight or obese and chronic disease is the leading cause of death and disability in the country. These preventive health challenges affect all sectors in Australia, including the life insurance industry.

AIA Australia sees the impact of this first hand, with increasing numbers of life insurance claims made because of chronic diseases that affect a person's ability to work, causing financial strain and impacting on their quality of life and that of their families. Finding a way to halt this trend is critical for Australians to live better, longer and happier lives and to ensure a more sustainable future for our national health system.

The reach of AIA Australia's operations, and the role it plays in helping to protect over three million people, gives the company a unique position to create economic and social benefits for shareholders, customers, partners and society.

Traditionally, life insurers have limited engagement with policy holders until a time of hardship and the need to make a claim. From the time of purchase until the point of making a claim, the main form of interaction with the life insurer is the renewal notice that comes in the post. With little engagement, many people lapse on their policies because they don't see the tangible value or reminder of being protected.

Lack of engagement with life insurance and the rising prevalence of chronic disease therefore presents a unique opportunity for life insurers: How can a more tangible product be created that improves engagement with life insurance, the health of policy holders, and ultimately reduces the level and frequency of claims?

## The Strategy

### *AIA Vitality*

In March 2014, AIA Australia launched Vitality, the world's leading health and wellness program, with more than 3.4 million members worldwide. Sold through independent financial advisers and key partners to people purchasing life insurance, the program uses the latest research in behavioural economics, incentivisation and wellness to stimulate people to take the first steps towards healthy living, and to make these lifestyle changes permanent. It is based on extensive research, which shows that consumers who make irrational health choices will generally take positive steps to improve their health if they are given a clear incentive to do so.

AIA Vitality members begin the program by completing health and fitness assessments and earn points for undertaking healthy activities, such as running and going to the gym. In addition, members are rewarded with points for displaying healthy behaviour, including discounts on shopping, entertainment and travel purchases and discounts on their insurance premiums.

Evidence for the efficacy of the program – in terms of improved clinical outcomes, reduced healthcare costs, lower hospital admissions, increased productivity at work and improved mortality rates – has been profiled in leading academic journals such as the *American Journal of Health Promotion and the Harvard Business School*<sup>1</sup>. While the program is just over two years old in Australia, it is expected to deliver similar results in terms of public health outcomes.

In the spirit of shared value, it is not just the policy holder / member that benefits from the Vitality program. By having a healthier pool of members that are less likely to claim in future and recover faster, AIA Australia can pass more savings back to them through higher discounted premiums and better rewards. Current data shows that policy holders that are heavily engaged on the program are up to 40 per cent less likely to lapse on their policy than those not on AIA Vitality.

According to research compiled by AIA Australia and not-for-profit foundation Super Friend in 2013, if an employee is off work for 20 days, they have a 70 per cent chance of ever returning to work. If they are off for 45 days, this goes down to 50 per cent, and after 70 days their chance of ever returning to work is only 35 per cent. On a national scale, over 88 million days are lost to the Australian economy due to absenteeism, at a cost of \$27.5 billion per annum in sick leave costs and lost productivity<sup>2</sup>.

At the same time, the average duration for an income protection claim is 20 weeks (140 days). Reducing this average by just one week would save the insurance industry a total of \$84 million a year.

By encouraging people to be healthier, both the incidence and duration of claims can be reduced, in turn reducing the direct costs to insurers and the broader costs to society. It is a win-win-win situation.

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<sup>1</sup> Porter, Michael E., Kramer, Mark R., and Aldo Sesia. "Discovery Limited." Harvard Business School Case 715-423, December 2014. (Revised May 2015.)

<sup>2</sup> Medibank & PwC Workplace Wellness in Australia 2010

## Results – Value for Business and Society

Overview the outcomes of implementing the shared value strategy.

Social outcomes:

- Healthier Vitality members
- Rewarded behaviour for proactive members
- Improved mortality rates
- Shared data to improve wellness

Business outcomes:

- Improved clinical outcomes
- Lower hospital admissions
- Increased productivity in the workplace
- Reduced claim periods
- Reduced premiums

## Lessons Learned, Challenges and Outlook

For AIA Australia, the AIA Vitality program shows how shared value is working in the life insurance industry.

AIA Vitality seeks to intervene in claims before they hit the door of the life insurer for preventable chronic diseases, while providing a program to improve the health of members and the wider public. It's about making life insurance tangible and engaging on a daily basis.

This program is just the beginning of AIA Australia's shared value journey.