



CASE STUDY - AIA Vitality

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AIA Australia is a leading life insurance specialist with over 47 years of experience. AIA offers a range of products that protect the financial health and wellbeing of more than 2.5 million Australians. Their vision is to champion Australia to be one of the best protected nations in the world. They strive to help customers live healthier, longer and better lives, encouraging positive lifestyle change through the AIA Vitality program.

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

Social Issue Health and wellbeing

Business Opportunity Greater engagement with customers by incentivising them to improve their physical health and mental wellbeing, enabling behaviour change, reducing the number of policies lapsed and improving the claims experience.

Social Value Creation

- Improving and incentivising behaviour that supports health and wellbeing
- Healthier population and lower healthcare burden
- Reduced impact of absenteeism and presenteeism on the economy
- Improved health literacy
- Affordability of cover

Business Value Creation

- Improved customer retention (40% lower lapse rate for insurance policies with AIA Vitality attached)
- Lower incidents of claims
- Improved return to work rates reducing claims payments
- Direct engagement with customers to help improve their health outcomes



The Opportunity

While we think we are a healthy, progressive nation, the way we live has a huge impact on our overall health and wellbeing. This is linked to the four controllable lifestyle behaviours: physical inactivity, unhealthy diet, smoking and excessive alcohol that lead to four non-communicable diseases (NCDs): respiratory disease, diabetes, cancer and cardiovascular, which are responsible for 71% of deaths worldwide, and 90% of deaths in Australia. Not only do Australians spend on average 11 years in ill-health, the prevalence of mental illness has also been rising with one in five Australians aged 16 – 85 years experiencing a mental disorder in the preceding 12 months. Studies show that mental health has links to NCDs, with conditions often occurring in conjunction with physical NCDs. These 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 claims made because of chronic diseases that affect a person's ability to work, causing financial strain and impacting their quality of life and their families. Across the industry, income protection claims have doubled in the last 10 years. Furthermore, Australian employees take 8.8 unscheduled days off per year on average. This costs employers approximately \$578 per employee per absent day, with the annual cost of absenteeism to the Australian economy an estimated \$44 billion per year. Mental illness is the leading cause of work absence and long-term work incapacity, most commonly due to anxiety and depression. At AIA Australia, mental health claims were 14 per cent of our total claims in 2018. This figure has increased by approximately \$25-30 million each year since 2015, reflecting the broader trend of mental health becoming a more prominent issue in society.

Life insurers traditionally have limited engagement with policy holders until a time of hardship and the need to make a claim. AIA Australia is committed to making a difference in people's lives, and believes life insurance is not just to protect people when things go wrong. As a purpose-led organisation, AIA is doing this by moving from a traditional payer model to be an active life partner with their customers.

AIA has an important role to play in encouraging, motivating and inspiring people to become more proactive in the management of their health and mental wellbeing. As one of the largest life insurers in Australia, AIA is in a unique position to create economic and social benefits for shareholders, customers, partners and society by enabling behaviour change, dynamic pricing and risk savings.

The Strategy

AIA Australia seeks to create a new kind of insurance through an integrated life, health and wellbeing proposition to help people be well, get well, and protect their futures. This unique proposition is central to how they deliver value to their customers, society and their business.

In March 2014, AIA launched Vitality, the world's leading health and wellness program reaching over 11 million members worldwide (as of January 2020). Delivered to customers through independent financial advisers and key partners to people purchasing life and health insurance, AIA Vitality is a science-backed wellness program that uses the latest research in behavioural economics and incentivisation to stimulate people to take the first steps towards healthy living and 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. Evidence of the efficacy of the program include improved clinical outcomes, reduced healthcare costs, lower hospital admissions, increased productivity at work and improved mortality rates.

The AIA Vitality program is at the heart of the shared value business model that embeds health promotion methodology in insurance systems. It is a preventative tool that helps AIA customers learn about their health, improve it and stay motivated with 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. This reinforces the effectiveness of the program and 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.

To help in building an understanding of the importance of health and wellbeing in the workplace, AIA Vitality runs an annual survey of Australia's Healthiest Workplaces, which is a free benchmarking tool giving employers deep insights and a comprehensive overview of the health and wellbeing of their workplace and employees. Australia's Healthiest Workplace surveys a broad range of organisations and their workforces, providing insights into the physical and mental health of employees, productivity and culture within the workplace. Companies can use their findings to improve the health of employees, leading to greater productivity and therefore business productivity. They can extend their corporate health strategies to the community, which ultimately will result in a reduction of morbidity and mortality in Australia.

AIA Vitality represents a great opportunity to shift the conversation around life and health insurance - instead of death, illnesses and disabilities, it allows them to talk about how they can help customers and society at large live healthier, longer and better lives. AIA has re-platformed their website (aia.com.au) by integrating life insurance, health insurance, AIA Vitality and their wellbeing content into a single platform to capture, nurture and convert awareness and interest into customer connections. Notably is our OneLife blog by AIA Vitality, where their online community researches the latest data and trends to bring inspirational content to customers through the lens of AIA Vitality pillars of Eat Well, Move Well, Think Well and Plan Well.

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AIA Australia wants to create a culture of wellbeing and by encouraging people to take charge of their health management, the incidence of claims can be reduced; in turn reducing the direct costs to insurers. This further translates to a healthier, more productive population and therefore lower healthcare burden to the government.

Results

Social outcomes:

- By incentivising Australia to act healthier, the impact of absenteeism and presenteeism can be reduced
- Potential Annual Economic impact of \$3bn
- Over 50% of members with BMI within the healthy range
- Improved health literacy – AIA members completed over 310,000 health and wellbeing assessments, with 49% for mental wellbeing (2019)
- Improved physical activity and sedentary behaviour – AIA members achieved over 79 billion steps and worked out over 920,000 times with our partner gyms (2019)

Business outcomes:

- Positive impact on employee retention rates and increase in business sustainability
- Enabling risk savings and dynamic pricing, 40% lower lapse rate for insurance policies with AIA Vitality attached
- Creating shared value between insurers, AIA customers and wider society
- Over 2/3 of policies sold had AIA Vitality attached

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 knock on 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 is about making life insurance tangible and engaging on a daily basis.

The number of non-communicable diseases and mental illness impacting the health of Australians continue to rise. Both are inextricably linked, and it is crucial that the promotion and prevention efforts for health and wellbeing happen in tandem in order to encourage people to live healthier, longer and better lives.

In line with their focus on continually innovating and enhancing the AIA Vitality program, going forward AIA will be looking at developing new ways to measure the mental wellbeing of their members and minimise the impact of mental illness and ill-health. They are also working to evolve their health and wellbeing ecosystem with established providers, to provide support across key moments in the customer journey to Predict, Prevent, Diagnose, Treat and Recover.

