

FERTILE GROUND FOR AN ADVICE OUTBREAK

How COVID-19 has changed the financial
services landscape forever

Introduction **2**

COVID-19 has been one of life's curveballs. Simon Swanson, ClearView Managing Director conveys his thoughts on the pandemic and the opportunities it has brought to the life insurance and financial advice industry. In doing so he makes a timely argument for sensible reform in key policy areas.

Section 1: Understanding the opportunity **5**

The financial and health uncertainty generated by COVID-19 has boosted demand for financial advice. Drawing on recent research by ClearView, Gerard Kerr General Manager, Life Insurance highlights where the opportunities may lie and how financial advisers can benefit longer term.

Section 2: An advice proposition for uncertain times **9**

Throughout COVID-19, financial advisers have demonstrated their true value. Gerard Kerr explains how advisers have transitioned their business models to support clients through the pandemic. And often, the changes made have resulted in better client engagement.

Section 3: More than just financial diagnosis **13**

In many respects, financial advisers have become financial 'physicians'. Yet there's a difference. Whereas traditional physicians are concerned with health and well-being, advisers are focused on wealth and well-being, responding to a wide range of client concerns and fears. In turn, advisers' interpersonal and soft skills have been put to the test. Achieving optimal client outcomes requires both technical and interpersonal know-how.

Conclusion **17**

INTRODUCTION

By Simon Swanson
Managing Director



From lying on the beach to lock-down in a matter of weeks, I was reminded that death and disease do not discriminate between job title, bank balance or character

Like many Aussies, I spent the start of 2020 at the beach, making plans for the year ahead.

I was blissfully unaware of the chaos, disruption and destruction of life about to engulf the globe and impact every nation, community and person.

By February 2020, murmurings of a deadly virus were getting louder but the problem seemed far removed from my life in Sydney.

So much so that on 10 March 2020, the day before the World Health Organisation declared the COVID-19 outbreak a pandemic, I had dinner with friends at an Italian restaurant in the city.

A couple of days later I learned that another patron there that night had tested positive for COVID-19, requiring me to get tested and self-isolate for 14 days.

I spent the next fortnight reflecting on the frailty of life.

During that time, ClearView and many other businesses closed their physical offices and directed staff to work remotely.

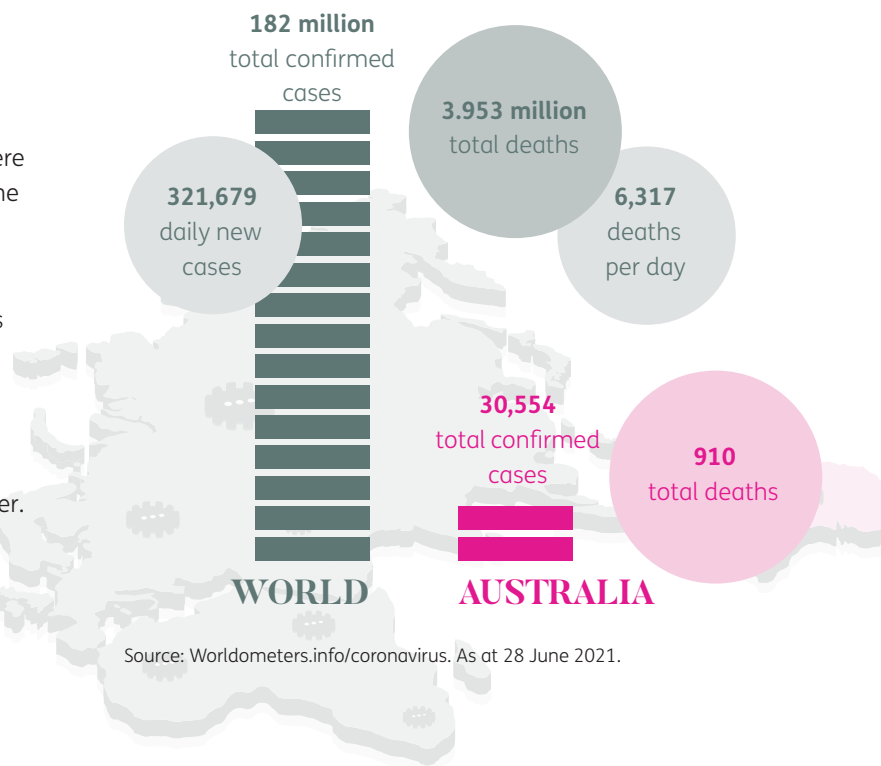
From lying on the beach to lock-down in a matter of weeks, I was reminded that death and disease do not discriminate between job title, bank balance or character.

You don't get a free pass for being a good person.

It can strike indiscriminately at any time.

At the time of writing, many parts of Australia are in lockdown, or facing restrictions, yet again. The global daily death rate has slowed but approximately 6,300 people are still dying from COVID-19 every day.

As at 28 June 2021, almost four million people had succumbed to the virus including over 900 Australians.



Source: [Worldometers.info/coronavirus](https://worldometers.info/coronavirus). As at 28 June 2021.

Working in the life insurance industry, I am constantly reminded of life's curveballs.

Accidents are still the number one cause of life insurance claims followed by cancer and musculoskeletal disorders.

Over the past decade, I have observed the rise of heart disease, respiratory disease and mental illness. Another concern is the increasing frequency of natural disasters and pandemics.

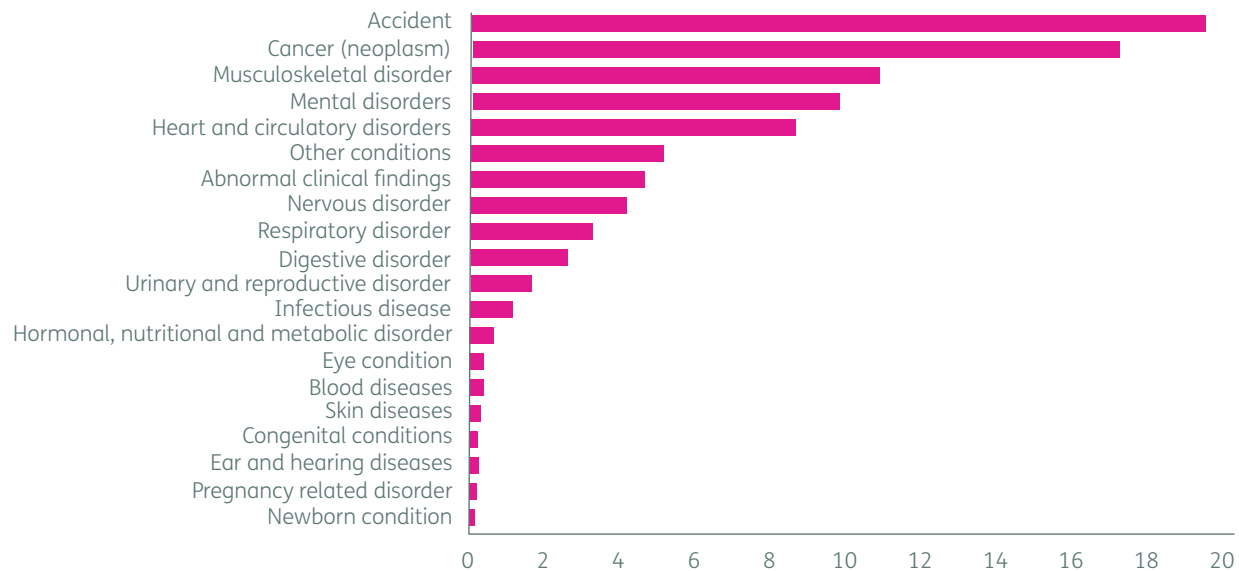
Since I started my career, there has been AIDS, Ebola, SARS, H1N1 (Swine Flu) and now COVID-19.

All this reinforces the importance of adequate life insurance including income protection, trauma and total and permanent disability, backed by professional advice.

As such, Australia's shrinking financial adviser community is a major concern, with significant implications for consumers, society and the broader financial services industry.

This has never been more apparent.

Number of life insurance claims by cause of claim



Source: FSC State of the Industry report, 2018

Over the past 12 to 18 months, advisers have stepped up to provide additional support to those suffering financial hardship due to natural disasters and COVID-19.

They have helped people understand their financial position and eligibility for government relief including JobSeeker, JobKeeper and early access to their superannuation. They have helped people manage their cashflow and provided emotional support and reassurance.

Advisers have also had conversations on how insurance cover can be adjusted to reduce the premium costs, whilst retaining the benefits of ongoing cover.

Long after the threat of COVID-19 has dissipated, I anticipate more people will continue to seek advice.

According to the ASX Australian Investor Study 2020, 27% of Australians engaged the services of an adviser, broker

or wealth manager in the past 12 months. Over 60% of Australians are open to receiving financial advice and 17% are more likely to seek advice after COVID-19.

To meet this demand, there must be a thriving advice profession.

This paper aims to understand the impact of COVID-19 on advice practices, potential opportunities and how advisers can position their businesses for growth.

It also highlights the specialist nature of life insurance advice, reinforcing the importance of risk advisers.

While most Australians don't have complex financial management needs, the majority need life insurance to protect themselves and their families against the risk of financial ruin due to accident, injury, illness and premature death.

Advocating for sensible public policy

Falling adviser numbers; mounting compliance obligations, leading to rising costs; and lack of certainty on adviser remuneration threaten the industry's vibrant future.

At ClearView, we are committed to engaging politicians, regulators and policymakers to advocate on behalf of advisers.

We support reforms designed to make personal advice more affordable and more accessible.

To that end, commissions play an important role.

Currently, the full or partial cost of life insurance advice is covered by product manufacturers in the form of commissions. Without this support, most people would not be able to get professional advice and adequate cover.

Even then, Rice Warner Actuaries¹ estimates that the average Australian household is significantly underinsured, forcing the Government to tip in over \$600 million per annum in additional social security and related payments.

We believe that it should be as easy as possible for more Australians to access high-quality advice and, importantly, choose how they pay for it.

We believe current life insurance commission rates are appropriate and should remain unchanged.

Our position is shared by our customers and advisers.

At ClearView, we regularly survey customers, advisers and licensees to better understand their needs, key issues and gauge current sentiments.

This paper includes insights from our recent Adviser Pulse Survey (conducted in November 2020) and COVID-19 Impacts Survey (conducted in March and April 2021).

It also contains insights from independent research houses.

On that note, I am extremely proud that in 2020, financial advisers rated ClearView No. 1 for support navigating COVID-19, according to the Investment Trends Planner Risk Report.

ClearView's COVID-19 response

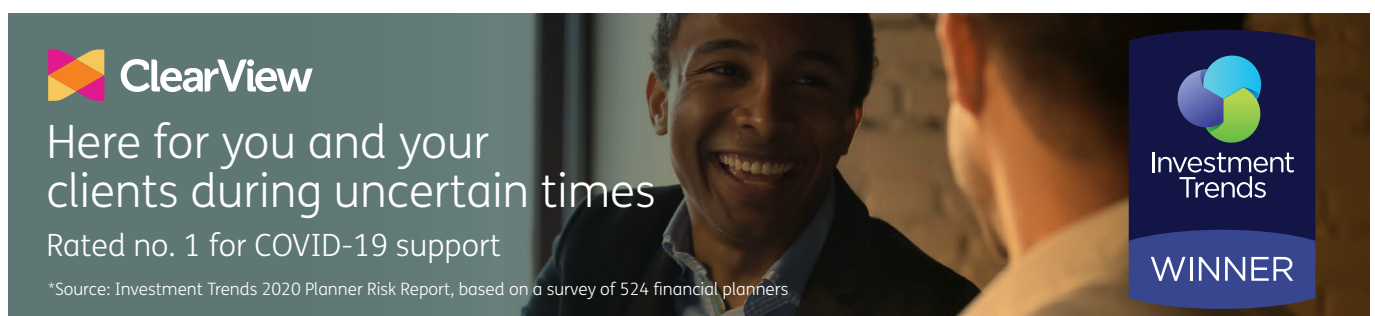
1. Allowing LifeSolutions policyholders to waive monthly premiums for up to three months, due to financial hardship caused by involuntary unemployment.
2. Enabling policyholders to put all or part of their cover on hold for up to 12 months, without having to go through the underwriting process again to reinstate cover.
3. Ensuring healthcare workers are not prevented from accessing life insurance (in accordance with the Financial Services Council's Frontline Healthcare Worker initiative).
4. Paying out \$8.8 million to over 900 superannuation members through the COVID-19 economic response early release of superannuation program to date since the program started in April 2020.
5. Diligently adhering to our policy of not applying specific exclusions for claims arising from a pandemic event.

In particular, our BDMs, Contact Centre and Claims team have all been working hard to answer calls, provide information and respond quickly to queries in order to provide speedy turnarounds and solutions to advisers and customers.

Looking ahead, we remain fully committed to supporting you and your business.

Simon Swanson
Managing Director

1. Rice Warner Underinsurance in Australia Report 2020



ClearView
Here for you and your clients during uncertain times
Rated no. 1 for COVID-19 support
*Source: Investment Trends 2020 Planner Risk Report, based on a survey of 524 financial planners

Investment Trends
WINNER



Section 1

UNDERSTANDING THE OPPORTUNITY

By Gerard Kerr
General Manager, Life Insurance

Health and safety concerns and heightened uncertainty are fuelling demand for personal advice but how big is the opportunity?

COVID-19 has increased everyone's awareness of the importance of health and safety.

For example, prior to early 2020, people were relatively laissez-faire about hygiene and personal space. Now people are more aware of the importance of washing their hands, they flinch if someone stands too close to them and menus are becoming rarer at restaurants.

More than 18 months on, the threat of COVID-19 remains, meaning improved health and safety practices are pretty much a permanent way of life. Furthermore, people are thinking about other things they can do to better manage their health and protect their loved ones, such as ensuring appropriate life insurances are in place.

Australians are also spending less and saving more with one third of households reporting a drop in income due to COVID-19, according to the Australian Institute of Family Studies.¹

COVID-19 may have started as a health crisis but it quickly morphed into a financial and social crisis. At its peak almost one million Australians had lost their jobs.

While Australia's buoyant job market continues to defy the odds, with job ads in May 2021 jumping 4.7% to hit a 12-year high of 196,612² and the ABS citing labour shortages in some industries³, 60% of Australians (12 million people) are still concerned about the longer term impact of COVID-19 on their financial wellbeing⁴, according to research conducted by the Consumer Policy Research Centre.

Ranked in order, their top three concerns are their ability to pay rent/mortgage, bills and insurance.

Cue financial adviser.

In this transitional COVID-19 environment, the value and importance of personal financial advice has never been more apparent.

Although the financial services industry has never been that good at identifying key events in a person's life and reaching out in a timely manner, that seems less relevant right now.

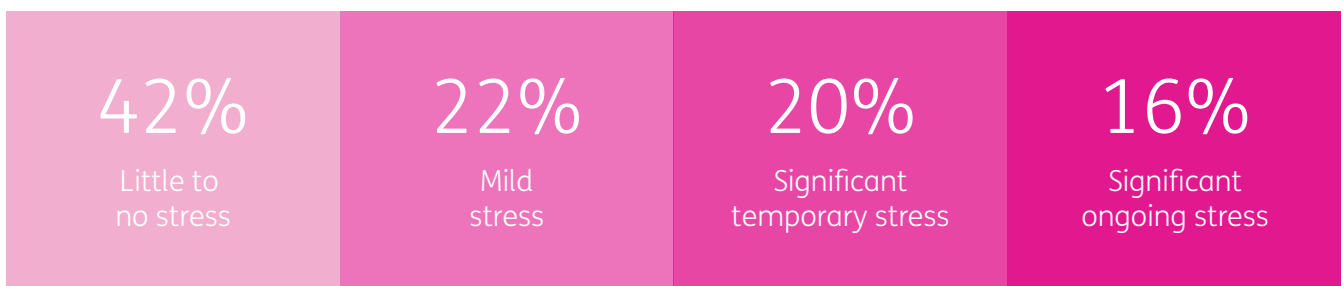
COVID-19 is the accounting equivalent of the end of the financial year.

COVID-19 has taken the guess work out of client acquisition and engagement.

According to the ClearView COVID-19 Impacts Survey, around 22% of advised clients are currently experiencing significant temporary stress and 16% are experiencing significant ongoing stress.

While Australia's buoyant job market continues to defy the odds, 60% of Australians (12 million people) are still concerned about the longer term impact of COVID-19 on their financial wellbeing

Average (%) of advised clients who have experienced financial stress in the last 12 months



Source: ClearView COVID-19 Impacts Survey 2021

In the past 12 months, discussions about COVID-19 relief measures and whether clients are on track to achieve their retirement goals have dominated client meetings, according to the ClearView COVID-19 Impacts Survey.

Other major topics include investment opportunities, property and housing issues, retirement planning and life insurance.

Long-term demand

As long as there is complexity and uncertainty in life, professional financial advice will continue to be important.

The traditional catalysts prompting people to seek advice remain: marriage, divorce, buying a property, the birth of a child, new job, gaining an inheritance, retirement, redundancy or the death of a loved one or close friend.

Pandemics just got added to the list.

Against the backdrop of COVID-19, advisers have a unique opportunity to actively engage clients and demonstrate the value of advice by talking about how they have helped people during this uncertain period.

According to the ASX Australian Investor Study 2020, 63% of Australians are open to receiving advice and 17% are more likely to seek advice after COVID-19.⁵

This is on top of the 27% of Australians who engaged the services of an adviser, broker or wealth manager in the past 12 months.

Section 1: Understanding the opportunity

According to the ClearView Adviser Pulse Survey, conducted in November 2020, over 57% of financial advisers proactively helped clients who were suffering financial hardship due to COVID-19 access government support.

Beyond the practical financial support, advisers also got out of their comfort zone, communicating with clients via Zoom and other digital channels, continuing the relationship even though they couldn't meet face-to-face.

But this level of client support is neither new nor different. Advisers have a long history of putting their clients first. We have seen this continue through COVID-19.

Over the longer term, this will result in more referrals and opportunities to grow their business.

Interestingly, 65% of advisers believe helping clients to understand and access government benefits, including COVID-19 relief measures, is a key part of their role.

While 65% may not sound high, it is notable considering the industry's tendency to stick to providing advice on life insurance, superannuation and investments.

It is further evidence of the industry's focus on client-centricity.

As such, advisers have cemented their position as a trusted adviser.

Even those relatively unaffected by COVID-19 have sought help from their adviser to understand their insurances, navigate volatile market conditions and ensure they remain on track towards their goals and objectives.

According to the 2020 ASX Australian Investor Study, in the period from January to May 2020, advised investors were particularly active in increasing their holdings, with most crediting their adviser for helping them effectively manage the financial impacts of the pandemic.

Overall, the report found that advised investors were more likely to increase their exposure to growth assets like shares, rather than reduce them.



Australians are open to receiving advice

63% **27%** **17%**

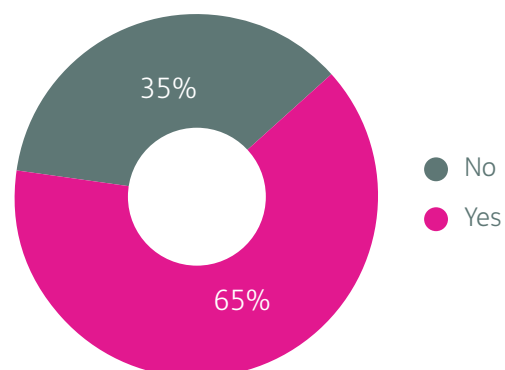
of Australians are open to receiving financial advice

of investors used an adviser, stockbroker or wealth manager in the last 12 months

are more likely to seek advice after COVID-19

Source: ASX Australian Investor Study 2020

Do you see helping clients understand and access government benefits, including COVID-19 relief measures, as a key part of your role?



Source: ClearView Adviser Pulse Survey 2020

Almost 70% of advised investors made changes to their portfolio in 2020, with 26% looking for opportunities to take advantage of depressed asset prices to invest their spare cash in the market.

Few advised investors made the mistake of selling in a declining market and, therefore, crystallising losses.

When asked to describe the value of the advice they received in managing the impact of COVID-19, 84% described their adviser as 'helpful' including 41% who described them as 'very helpful'. Disappointingly, 13% said they were yet to hear from their adviser.

The traditional catalysts that prompted people to seek advice remain: pandemics just got added to the list

Supply and demand phenomenon

The current advice opportunity is significant, as demand for financial advice is building at a time when adviser numbers are falling.

Around 54% of advisers believe that COVID-19 has increased public awareness of the importance of planning for the future and seeking professional financial advice.

Over 30% of advisers believe that COVID-19 has increased public awareness of their mortality and need for life insurance.

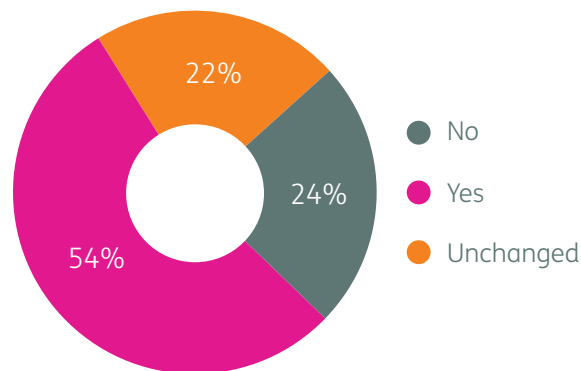
A quarter of advisers say clients are more open and receptive to reviewing their life insurance arrangements, due to COVID-19.

According to research by the Australian Institute of Family Studies, among those who had experienced a large drop in income due to COVID-19, 19% sought advice from family and friends and 12% asked for help from a welfare or community group.¹

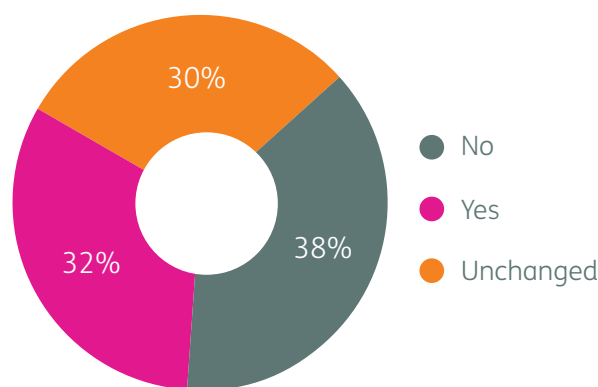
The Consumer Policy Research Centre report: COVID-19 and Consumers, found that mortgage brokers had been the most proactive in terms of offering credit advice to consumers.⁴

Unless the industry finds a way to meet the increased demand for financial advice by making it more affordable and replenishing adviser numbers, there is a risk that unqualified advice will proliferate.

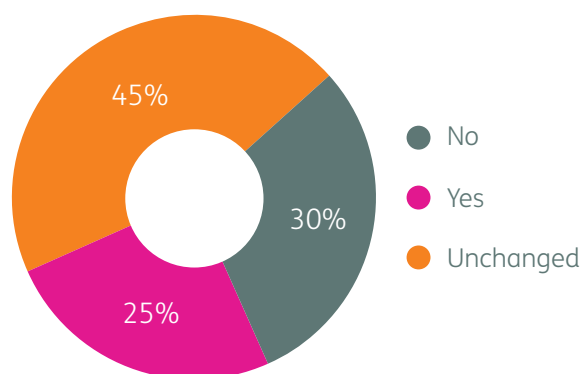
Has COVID-19 increased public awareness of the need for advice and their need to plan for the future?



Has COVID-19 increased public awareness of their mortality and need for life insurance?



Due to COVID-19, is it easier to talk to people about taking out/renewing cover?



Source: ClearView COVID-19 Impacts Survey 2021

1. www.aifs.gov.au/publications/financial-wellbeing
2. Australia Job Advertisements | 1999-2021 Data | 2022-2023 Forecast | Calendar (tradingeconomics.com)
3. Job vacancies are surging, and employers say it's hard to find suitable labour - ABC News
4. www.financialcapability.gov.au/files/consumers-and-covid-19.pdf
5. www2.asx.com.au/blog/australian-investor-study

Section 2

AN ADVICE PROPOSITION FOR UNCERTAIN TIMES

By Gerard Kerr

COVID-19 was the jolt many industries and professions perhaps needed to disrupt their routine and force a rethink of their value proposition and how it is delivered.

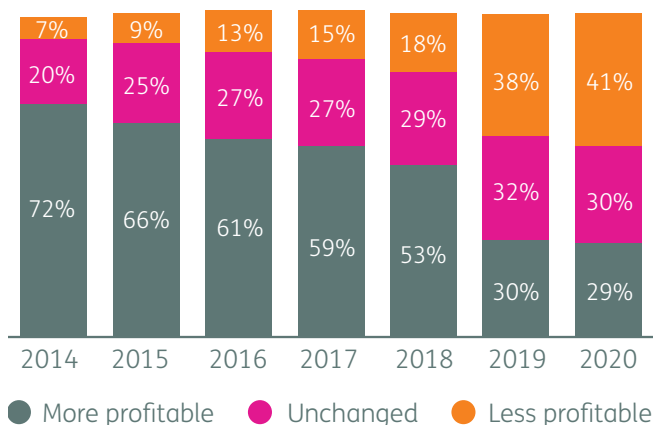
In this environment, the adage, 'never waste the opportunity offered by a good crisis' has never been so true.

Over the past 12-18 months, the financial services industry has made significant changes to better serve clients, resulting in a surge of goodwill. The challenge is to maintain this trajectory.

Since 2014, a growing number of advice businesses have reported a drop in profitability.

In the year to October 2020, over 40% of practices experienced a decline in profitability, up from 18% in 2018.

Profitability of planning practice



Source: Investment Trends Planner Risk Report, October 2020

The research, conducted before the onset of COVID-19, pointed to an ailing industry with a stagnant value proposition, despite the undeniable relevance and value of professional advice given Australia's complex tax, superannuation and social security system; rising levels of household debt; and ageing population.

Fast forward 18 months and some advisers are riding a wave of positive consumer sentiment and increased demand for financial advice.

What changed?

The COVID-19 experience has demonstrated what advisers can achieve when they are highly engaged and prepared to meet clients where they are at.

This could be the person who became involuntarily unemployed and is worried about the state of their financial health, or it could be the homeless person who is experiencing financial hardship, due to a natural disaster like the recent floods and bushfires.

On a brighter note, it could also be those who are cashed-up and ready to buy a new home or investment property.

Today's consumers need an advice proposition that is broad and flexible enough to meet their urgent needs as well as their longer-term financial needs.

The interesting thing about COVID-19 is that it has forced every business to rethink the scope of what they do, why they do it and how they do it. We have seen restaurants pivot their business model to focus on takeaway and create-at-home kits.

This client-centric, can-do approach was evident during recent storms and floods, with many advisers helping clients suffering financial hardship access benefits in order to keep valuable cover in place

Dressmakers and drycleaners pivoted to make custom face masks and a number of craft distilleries now produce hand sanitiser. Similarly, advisers also had to pivot.

During the early days of COVID-19, when fear and confusion reigned, people did not need retirement planning. They needed practical support to navigate the immediate chaos.

In response, advisers applied themselves in helping people access COVID-19 relief measures, apply for a rent reduction, seek mortgage relief and request short-term life insurance premium waivers.

According to the ClearView Adviser Pulse Survey, 56% of advisers helped their clients apply for COVID-19 government support.

Over 90% of advisers say they are constantly looking for ways to add value for clients.

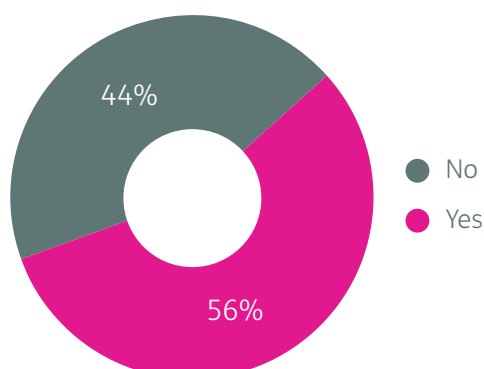
This client-centric, can-do approach was evident during recent storms and floods, with many advisers helping clients suffering financial hardship access benefits in order to keep valuable cover in place.

However, advisers can only provide pertinent, timely advice and support if they are highly engaged in their clients' lives.

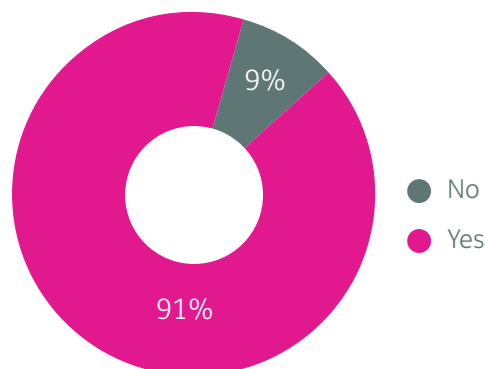
Clients also need to know that their adviser is willing and able to help them in a crisis, whether it's a health crisis like COVID-19 or financial hardship caused by involuntary unemployment or redundancy.

Sparked by COVID-19, 56% of advisers say they experienced higher client engagement in 2020 and 42% reported a surge in new client referrals.

Were you proactive at helping clients suffering hardship due to COVID-19 access the government's relief measures?



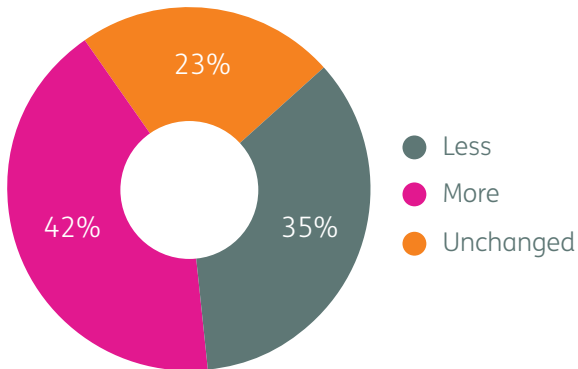
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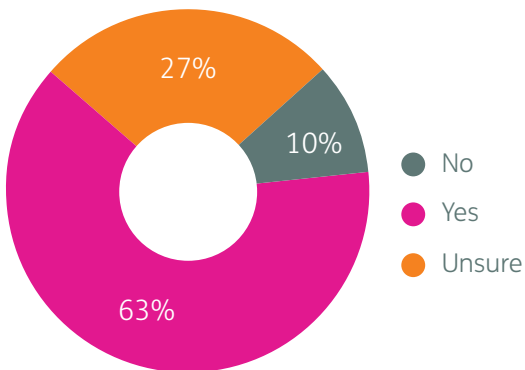
Source: ClearView Adviser Pulse Survey 2020

Section 2: An advice proposition for uncertain times

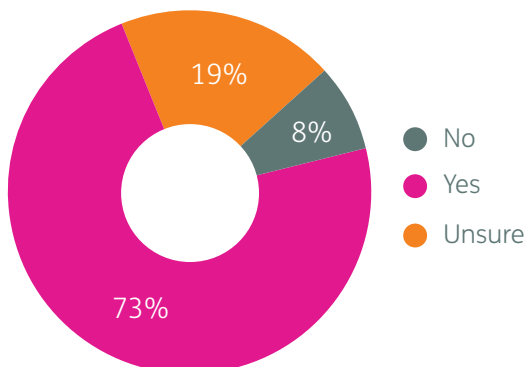
How many client referrals have you received in the last 12 months?



Would your clients think to immediately inform you if they lost their job?



Would your clients think to immediately inform you if they had an accident, injury or sickness?



Source: ClearView Adviser Pulse Survey 2020

According to the ClearView Adviser Pulse Survey, 73% of advisers believe that their clients would immediately inform them if they had an accident, injury or major illness.

Around 63% of advisers believe their clients would immediately inform them if they lost their job.

Technology adoption

The rapid and widespread adoption of video conferencing, prompted by COVID-19, has also contributed significantly to higher client engagement.

According to the 2020 Investment Trends Planner Risk Report, in the past year, planners adjusted the way they delivered life insurance advice, with 30% contacting clients more frequently and 22% accelerating their adoption of technology.

Almost 60% of advisers currently use video conferencing as standard practice in their businesses, with over 20% of advisers conducting more than half of client meetings via video conferencing, according to the ClearView Adviser Pulse Survey.

This does not mean the total disappearance of face-to-face meetings between the adviser and client – that will still continue, especially once society eventually learns to adapt to living with COVID-19.

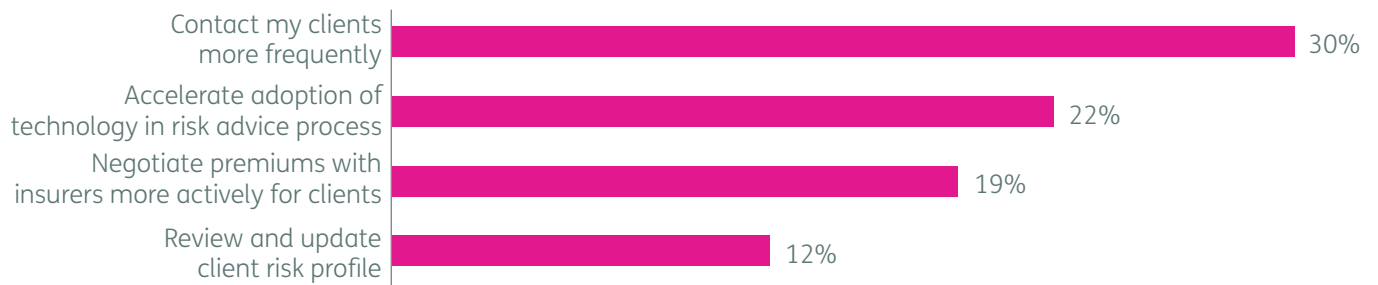
That said, adopting new methods of contact has cemented stronger relationships between advisers and clients, demonstrating the advice industry's ability to embrace new ways to support clients.

Looking ahead, the advice firm of the future will probably bear little resemblance to what we're used to.

The type of advice it offers will likely be so much broader than life insurance, superannuation and traditional investments. It will have the resources, infrastructure and, importantly, culture required to enable it to pivot quickly to help clients, whatever challenges they face.

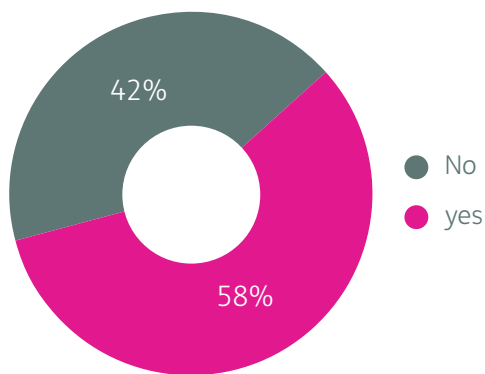
In terms of advice delivery, it should be able to effortlessly accommodate a client's preferences.

What have you done differently when providing risk advice in the face of COVID-19 outbreak?



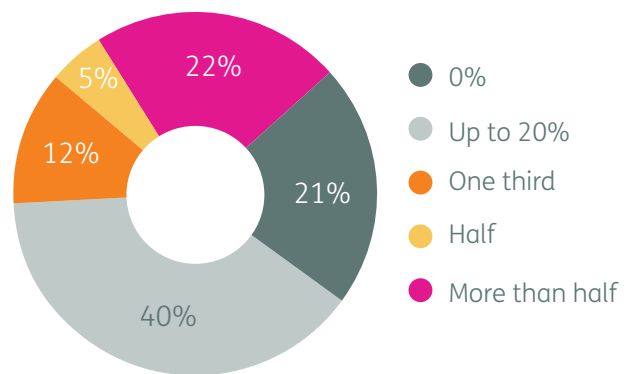
Source: Investment Trends Planner Risk Report 2020

Is the use of video conferencing technology (i.e Zoom, Skype, Microsoft Teams) standard practice in your business?



Source: ClearView Adviser Pulse Survey 2020

Approximately what percentage of client meetings are conducted via video conferencing?



Section 3

MORE THAN JUST FINANCIAL DIAGNOSIS

By Gerard Kerr

A lot has been written about the health and economic impact of COVID-19 but the pandemic has also had a profound psychosocial impact.

The mental health of many Australians has been hard hit. Prolonged periods of isolation, uncertainty and stress across multiple domains have taken a heavy toll.

Almost 11.5 million health related services were subsidised by the Medicare Benefits Schedule (**MBS**) between 16 March 2020 and 24 January 2021.



The volume of mental health-related prescriptions dispensed by the Pharmaceutical Benefits Scheme (**PBS**) spiked in March 2020 when the first restrictions were introduced, followed by a dip in April, and a gradual uptrend to mid-December.

In the four weeks to 24 January 2021, Beyond Blue received over 85,000 calls, up 10% on the previous corresponding period.



Source: Australian Institute of Health and Welfare (2021) Mental health impact of COVID-19

Due to the fear of contracting COVID-19, people have been unwilling to attend medical appointments for their pre-existing health conditions or seek other required medical assistance. It can only be imagined that this has further exacerbated those pre-existing conditions.

According to the Australian Institute of Health and Welfare, the use of telehealth MBS mental health services peaked in late April 2020 when half of MBS mental health services were provided remotely.

That said, the take-up rate of tele-doc or online GP services in Australia is still relatively low.

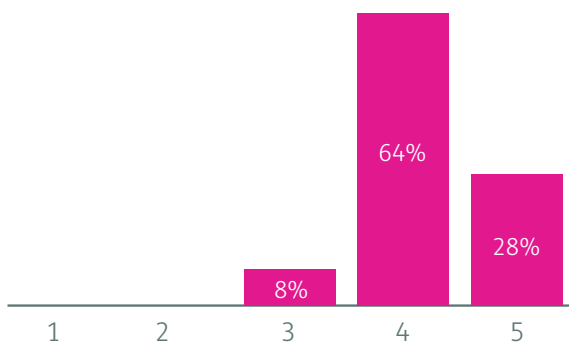
While the pandemic has accelerated the adoption of digital healthcare especially in remote areas, during the early days and months of COVID-19, accountants and advisers provided more than just financial diagnosis.

They listened to people talk at length about their fears and concerns, fielding calls around the clock from anxious, depressed and emotional clients.

The stress and anguish caused by COVID-19 has highlighted the value of interpersonal and soft skills, such as active listening, empathy and problem-solving, to better support clients during difficult times.

COVID-19 has highlighted the value of interpersonal and soft skills, such as active listening, empathy and problem-solving, to better support clients during difficult times

On a scale of 1-5, how would you rate your active listening skills?



Source: ClearView Adviser Pulse Survey 2020

The importance of these skills has been put to the side in recent years while the industry focuses on increasing tertiary qualifications and technical training. Although critical for rebuilding trust in the sector and strengthening consumer protections, this has detracted from the other essential and valuable skills that advisers bring to the table.

COVID-19 has emphasised the importance of soft skills in the advice profession.



Section 3: More than just financial diagnosis

Let's talk about all the things that can go wrong

Raising difficult issues with sensitivity is part of an adviser's role. The most qualified, technically astute advisers may not go very far without an abundance of soft skills in their armoury.

Whether they're talking about life insurance, estate planning or superannuation and retirement, advisers regularly need to discuss unpleasant scenarios like death, illness, incapacitation, unemployment or the possibility of running out of money.

In the past year, these conversations have extended to include scenarios like closing the family business, pulling the kids out of private school and selling assets to make ends meet.

Fortunately, advisers are comfortable with uncomfortable discussions.

Risk specialists, for example, are skilled at asking hard questions, probing gently to get genuine responses and extracting pertinent, personal information to determine the right type and level of cover for a client.

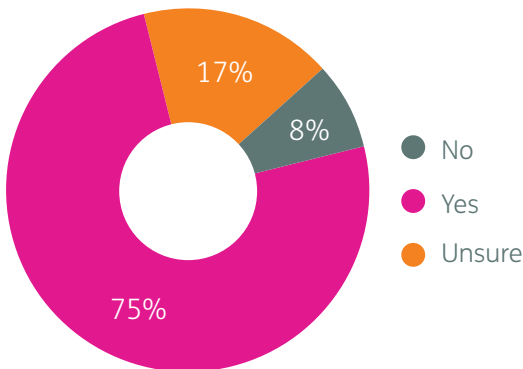
On an ongoing basis, they need to understand their clients' physical and mental well-being, and be alert for signs that may suggest a claim should be submitted.

According to the ClearView Adviser Pulse Survey, around three quarters of advisers believe that it is part of their job to understand their clients' physical health.

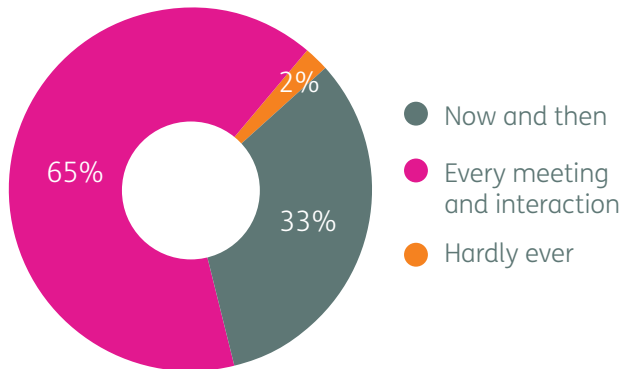
Around 65% inquire about their clients' physical health every meeting.

However, when it comes to understanding their clients' mental health, there is still some work to be done.

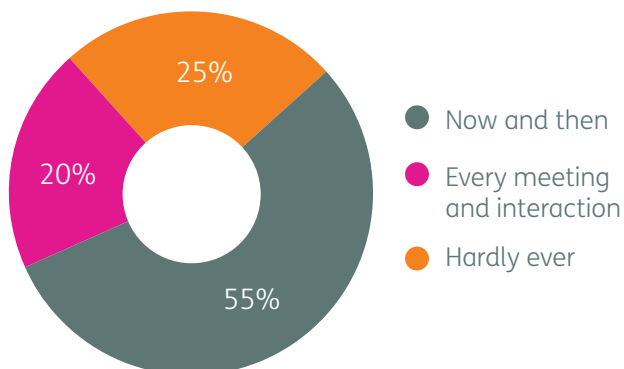
Should advisers be expected to understand their clients' physical health?



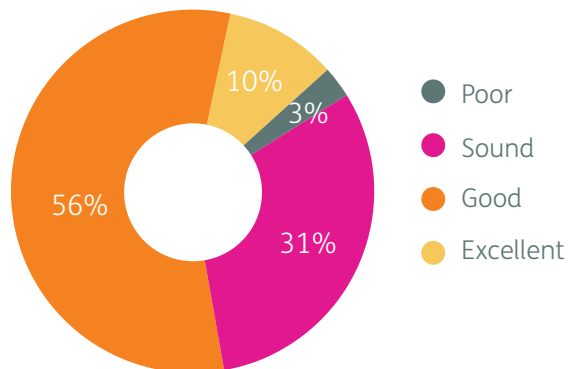
How often do you consciously ask clients about their physical health?



How often do you consciously ask clients about their mental health?



How would you describe your understanding of your clients' current health?



Source: ClearView Adviser Pulse Survey 2020

Standing in the gap

Life insurance advice and claims management remain a key part of the advice proposition.

Over three quarters of advisers see risk advice as a core part of their job and 93% see claims management as an important value-add for clients, according to the ClearView Adviser Pulse survey 2020.

However, only 63% say risk advice will remain a core part of their offering in the future.

This reflects the significant challenges currently facing advisers including the rising compliance burden and cost to provide life insurance advice, falling remuneration under the Life Insurance Framework (LIF) and climbing insurance premiums.¹

Since 2012, the number of risk specialists have been falling year after year to the point that it represents just 16% of advisers today.

The falling number of those advising on life insurance is a major concern. Fewer advisers means fewer people receiving professional advice.

According to Investment Trends, since the implementation of LIF, advisers have adjusted their business model by servicing fewer clients (29%), focusing on higher premium clients (25%), charging higher fees (24%) and moving towards a fee for service model (21%).¹

Collectively, the impact of these trends has contributed to the broader issue of underinsurance. Longer-term, this could have disastrous repercussions for Australian families, society and the government.

Yet amidst this landscape, COVID-19 has provided a sobering wake-up call, bringing the value of life insurance into sharper focus.

At the start of the pandemic, everyone was expecting and preparing for the worse. Life insurers including ClearView increased their claims assumptions to adjust for a spike in death, suicide and other mental health-related claims.

But this has not fully eventuated, as the fallout from COVID-19 has been relatively mild in Australia compared to other nations.

Nonetheless, COVID-19 has catapulted the topic of life insurance into the general domain and elevated its importance.

It has highlighted our human vulnerability to unknown diseases. People’s awareness of the importance of health and safety has never been higher, aligning to the purpose of life insurance.

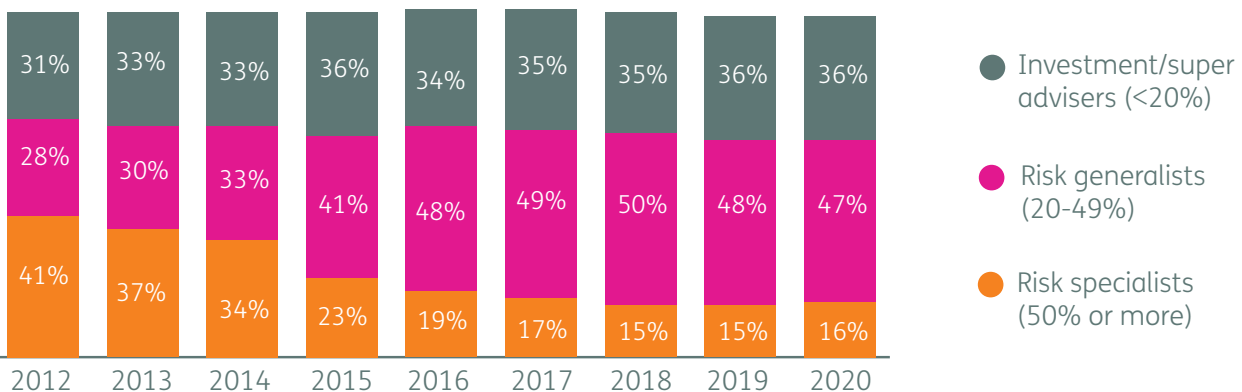
The role of a financial adviser is therefore crucial – in order to provide appropriate advice and achieve optimal client outcomes, advisers need both technical and soft skills.

Pandemic or not, for the majority of people, life insurance is not something they want to talk in-depth about.

It is confronting, requiring them to think about all the things that can, and all too often do, go wrong in life. It forces them to make a conscious decision to either ignore the facts or act to protect themselves and their families.

For these types of conversations, it is important that people feel as safe and comfortable as possible, even if that means talking to them in their own home. The widespread adoption of video conferencing technology in the past 12-18 months has provided greater flexibility in how advisers communicate with clients.

Proportion of practice revenue from providing risk advice (including fee for service) Among planners advising on risk



Source: Investment Trends Planner Risk Report 2020

1. Investment Trends Planner Risk Report 2020

CONCLUSION

By Simon Swanson

At the time of writing, COVID-19 remains a major threat with parts of the world still in lockdown.

Global attention is now focused on successfully rolling out the vaccine.

It is critical that everyone has access to the vaccine and is vaccinated in a timely manner so as to increase the likelihood of protecting as many lives and eradicating the virus as much as possible.

However, long after the threat of infection has passed, the long-term physical impact of COVID-19 is still unknown.

For the majority, symptoms pass quickly but for some there are longer term effects such as ongoing respiratory issues, fatigue and headaches.

This condition has been labelled 'Long COVID'.

There will likely be a lot more discussion about Long COVID in the months and years ahead, leading to a heightened focus on health and safety for some time.

As such, people will continue thinking deeply about the frailty of life and how they can better protect themselves and their families.

Globally, more and more people are waking up to the value and importance of adequate life insurance.

In the United States, broadcaster CNBC reported that Google searches for the term 'life insurance' increased 50% between March 2020 and May 2020, compared to the same period in 2019.

Furthermore, research conducted by Swiss Re in the United Kingdom, United States and Europe from March to June 2020 found 30% of consumers are more likely to consider buying life insurance due to COVID-19.¹

Unfortunately, this openness to purchase is yet to translate to life insurance sales.

In fact, new business sales in Australia and other parts of the world fell sharply in 2020. One outlier was the United States where life insurance applications increased by 4% in 2020.

Global snapshot: Life insurance new business (NB) 2020

Australia:
NB fell 21%
in 2020.



Germany:
Stagnant individual
term NB premiums.



United Kingdom:
Individual NB
premiums
decreased by 7.7%.



Italy:
Traditional life
NB premiums
declined by 11.6%.



United States: Applications for life insurance policies increased by 4% in 2020, the highest year-on-year annual growth rate since 2001.



Source: NMG and Why hasn't COVID-19 led to an increase in life insurance protection? | Swiss Re

1. www.swissre.com/institute/research/topics-and-risk-dialogues/health-and-longevity/covid-19-life-insurance.html

But the data doesn't tell the full story. In Australia, falling new business rates are less about affordability due to financial hardship caused by COVID-19 and more about structural and regulatory change.

The pandemic coincides with a period of significant disruption in life insurance, including:

- Institutional exits from the advice industry;
- Tougher rules around how products can be distributed;
- A reduction in commission rates, leading to fewer advisers providing life insurance advice; and
- Product design changes, under APRA's Individual Disability Income Insurance measures.

Looking ahead, we expect the number of Australians seeking professional advice to increase, as the vaccine roll out progresses, people feel more secure in their jobs, and face-to-face meetings become standard again.

As discussed in Section 3, human interaction is still critical when it comes to personal financial advice.

Australia's booming property market is another tailwind for the advice industry, given the act of buying a property or upgrading the family home is a common catalyst for people seeking advice, taking out life insurance or reviewing existing arrangements.

There will likely be a lot more discussion about *Long COVID* in the months and years ahead, leading to a heightened focus on health and safety for some time.

Some things change, some stay the same

Throughout this pandemic, I have heard people make comments like: "People will never travel as frequently for work anymore. No-one will shake hands anymore. Paper menus are a thing of the past."

There is no doubt that COVID-19 has permanently changed some aspects of life.

However, there are many practices and behaviours that will resume once the threat has disappeared.

Businesses need to get good at predicting what will change and what will stay the same.

It is safe to say that the widespread use of video conferencing is here to stay.

Advisers will increasingly look to leverage other technology solutions to drive practice efficiencies.

As more industries move into the digital space, consumer expectations across all industries for digital engagement will increase.

Similarly, the life insurance industry is investing in technology to streamline and digitise processes.

At ClearView, we have embarked on a multi-year transformation program to deliver a new policy administration system, underwriting rules engine and adviser/client portal.

As more consumers seek professional advice on life insurance, superannuation and wealth management, our technology platform seeks to ensure we remain easy to do business with.

Five years from now, when the financial services industry looks back

on this time, the success or failure of firms will be linked to how well they handled the next 12 months.


Some practices will flourish while others will shrink back.

The challenge for every business is how to gear up for the next 5 to 10 years.


It is important to face the next 12 to 18 months with different mindsets and different assumptions. The next 12 to 18 months will not be business as usual with a few tweaks. The changes coming down the line are more radical than that.

Advisers who are on top of FASEA's education and training standards, and have the time and headspace to focus on seeing clients and building their business, are likely to be in a strong position to capture growth opportunities.

Survey methodology



The ClearView Adviser Pulse Survey was conducted via Qualtrics in November 2020. Over 200 financial advisers nationally completed the survey.



The ClearView COVID-19 Impacts Survey was conducted via Qualtrics in March-April 2021. Over 170 financial advisers nationally completed the survey.