



Insurance and Superannuation Funds Auxiliary Finance and Insurance Services

These industries provide individuals and businesses with insurance advice, brokering, coverage and claims services, as well as the management of superannuation funds and stock and mortgage brokering.

Industry Developments and Workforce Issues

Economic Climate. The mortgage and finance brokering sector is largely comprised of micro-businesses and accounts for over half of all mortgages written, predominantly driven by banks using brokers to distribute product.¹ The softening of the residential market (lowest home lending recorded since 2012)² has significantly deteriorated the lending environment, seeing brokers moving from their home loan stronghold into the small business lending space. Although the WA property market remains a challenging environment signs of recovery are starting to emerge. It is anticipated house prices will improve in 2020, partly stimulated by the latest interest rate cuts, the Federal Government's proposed first home loan guarantee scheme to enable buyers to purchase their first home with a 5% deposit,³ the McGowan Government's changes to the Keystart lending eligibility⁴ and the Australian Prudential Regulation Authority's (APRA) plans to reduce the 7% floor on serviceability calculations for residential mortgages, allowing banks to assess loans at 2.5 per cent above current rates⁵ (with ANZ being the first bank to loosen lending criteria in line with this).⁶ Other initiatives which should have a flow on effect and stimulate the subdued property market include: the Infrastructure WA Bill 2019 and the development of a 20-year plan to prioritise major projects and residential developments⁷; and the recent launch of Our Priorities: Sharing Prosperity⁸ and the program's emphasis on building Metronet and increasing the number of homes built in the Perth and Peel region within one kilometre of public transport.⁹ National property tax policies and the decision not to change current negative gearing and capital gains tax should also assist recovery.¹⁰ All of this has the potential to improve the conditions for mortgage and finance brokers who have been impacted by decreased valuations and reduced activity around refinancing and restructuring of loans.

Mandatory Qualifications. Highly regulated, the finance industry has been subject to numerous legislative and regulatory disruptions over the past few years. In recent months, the Financial Adviser Standards and Ethics Authority (FASEA) released final policies detailing new requirements for financial advisers. These reforms align to the Corporations Amendment (Professional Standards of Financial Advisers) Act 2017 and are set to raise the professional, educational and ethical standards for existing and new financial advisers. FASEA's policies specify code of conduct, compulsory attainment of base tertiary qualifications and approved educational pathways.¹¹ These reforms will impact a wide range of

¹ The Australia, [Australia's big banks are losing their power](#), 17 April 2019.

² Business News, [Mortgage lending hits record low in WA](#), 16 April 2019.

³ REIWA, [Morrison Government election victory a win for housing market](#), 20 May 2019.

⁴ Government of Western Australia, Media Statement, [Keystart gets \\$421 million boost to assist housing sector](#), 6 December 2018.

⁵ REIWA, [Changes to APRA's mortgage servicing regulations a big win for home buyers](#), 21 May 2019.

⁶ The Australian, [ANZ the first bank to loosen lending criteria](#), 15 July 2019.

⁷ REIWA, [Infrastructure WA Bill 2019 to boost state economy](#), 14 June 2019.

⁸ Government of Western Australia, Our Priorities: Sharing Prosperity, [Whole-of-government targets to deliver better outcomes for all Western Australians](#).

⁹ REIWA, [West Australians to benefit from Our Priorities: Sharing Prosperity program for generations](#), 21 February 2019.

¹⁰ REIWA, [Morrison Government election victory a win for housing market](#), 20 May 2019.

¹¹ The Financial Adviser Standards and Ethics Authority Limited, [Education Standard commenced 1 January 2019](#), viewed on 8 July 2019.



industry occupations which require the provision of financial and product advice,¹² particularly the mortgage and finance broking sector which provides advice and guidance to clients on financial products.

Regulatory Reforms. The Banking Royal Commission further examined the banking, superannuation and financial services industry. Released in 2019, final report recommendations focus on governance, compliance, leadership, culture, service delivery and remuneration, all of which will increase regulatory oversight and have substantial implications for industry.¹³ Edits to existing regulatory guidelines (such as *RG146 Licensing: Training of financial product advisers* and *RG246 Conflicted and other banned remuneration*) are yet to be determined by the Australian Securities and Investments Commission (ASIC) and are expected to shape significant change across the sector. The Royal Commission's final report has recommended that general and life insurers be subject to the same regulatory regime as the broader financial services industry. Aligned to this, the Federal Government is pushing to introduce an opt-in life insurance regime for super fund members under 25 and those with low super balances. It has introduced the Protecting Your Superannuation Act to safeguard superannuation savings from excessive fees, unnecessary insurance and the costs of inadvertently holding multiple superannuation accounts.¹⁴ This is seeing life insurance companies, unions and industry superannuation funds lobbying against this move.¹⁵ The Commission's report also recommends a ban on the *hawking* and unsolicited telephone sales of insurance and/or superannuation products, changes to fees and commissions, and greater collaborative statutory oversight and action by APRA and ASIC on organisations breaching their obligations and practices. Already this is seeing ASIC rescinding licenses due to significant breaches in code of conduct. Further regulatory change will disrupt the industry following the 2018 Productivity Commission's report on efficiency and competition in the superannuation industry and the current Royal Commission into aged care quality and safety.¹⁶ Pressure already exists for the recently announced new review of the \$2.8 trillion superannuation to include super, pension and aged care into the review.¹⁷ The impact of these reports, reforms and pending regulatory guidelines is yet unknown but it is expected these will result in a tighter organisational and regulatory framework and have a significant impact on the banking and financial services industry in the future. A recent announcement points to a changing environment with CEOs of insurance companies and superannuation funds (joining their banking counterparts) in a move which will require them to appear before the Federal Parliament's Standing Committee on Economics at least once a year.¹⁸

Technology and Digitisation. A recent global Deloitte report forecasts advancements in technology, digital capability and cloud-based solutions to drive transformation in the insurance industry. These will accelerate automation of processes, deliver capabilities for more effective and efficient data-processing power and insight, and assist in product development to launch a new generation of flexible policies responsive to emerging consumer demands and the changing economy.¹⁹ This will address legacy technology issues²⁰ and improve the way information is collected, processed and utilised, provide purpose built solutions and tools and enhance customer engagement, service provision and innovation.²¹ Such adoption and integration of robotics process automation is impacting areas such as underwriting, brokering and lending,²² allowing staff to instead focus on non-routine tasks. Job roles will continue to be affected by machine learning and cloud computing as organisations increasingly automate their operations.

¹² Wealthdigital, [2030: Advice, investment and superannuation in a brave new world](#), March 2019.

¹³ Australian Government, The Treasury, [Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry](#), 2019.

¹⁴ Australian Government, The Treasury, [New measures to protect your superannuation: commencing 1 July 2019](#), 28 June 2019.

¹⁵ The Australian, [Insurers fight moves that will save on unnecessary super fees](#), 24 July 2019.

¹⁶ Australian Government, Productivity Commission, [Superannuation: Assessing Efficiency and Competitiveness](#), Productivity Commission Inquiry Report, 21 December 2018.

¹⁷ The Sunday Morning Herald, ['Really no limit': Push to include super, pension, aged care in review of retirement income](#), 26 July 2019.

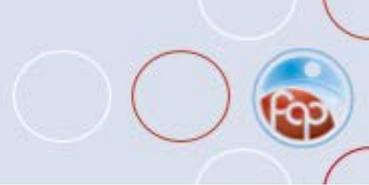
¹⁸ The Australian Financial Review, [Super, insurance chiefs to face MPs](#), 26 July 2019.

¹⁹ Deloitte, [2019 Insurance Industry Outlook, Growing economy bolsters insurers, but longer-term trends may require transformation](#).

²⁰ Association for Data-driven Marketing and Advertising, [Whitepaper: Personalising the customer journey. How new technologies are redefining CX](#), 13 June 2018.

²¹ PricewaterhouseCoopers, [Insurance facts and figures Australia, 2017](#).

²² Financial Review, [Mortgage brokers face multiple challenges as bull market ends](#), 15 April 2018.



Public Perception. Class actions,²³ heightened scrutiny and evidence of unethical behaviour, poor practice and systems continue to erode public perception of the industry. While the Corporations Amendment (Life Insurance Remuneration Arrangements) Act 2017 and Life Insurance Code of Practice (binding for participating Financial Services Council members)²⁴ aim to improve the standards of service and practice in the life insurance industry a recent survey by CoreData shows that the level of trust in superannuation, banking and financial advice in general fell sharply in the wake of the Hayne Royal Commission.²⁵ While KPMG has forecast that Australia's superannuation industry will double to \$5.4 trillion by 2029, companies will need to transform their practices, become more accountable and transparent, and demonstrate best interests of fund members if they are to regain public trust. APRA has stated that it will implement nine of the 10 Banking Royal Commission recommendations by 2020,²⁶ while a capability review of APRA has made 19 recommendations, namely to give the regulator responsibility for the returns of superannuation fund members.²⁷ This alone will see further legislative changes and have significant resource implications for organisations needing to comply with stricter regulations, increasing merger considerations by smaller funds.²⁸ Hays is seeing a massive spike in demand for risk and compliance professionals in response to regulatory reforms seeing organisations becoming more accountable and transparent.²⁹ According to the General Insurance Code Governance Committee by Q1 2019, the number of reported breaches by insurance companies is almost three times the number for the whole of 2017-18, attributing the surge to the Royal Commission which so far could cost insurance companies in excess of \$10 million.³⁰

Cyber Security. Increasing development and adoption of technology and automation, as well as digital and cloud-based services are directing industry focus on information security, data protection and privacy. Mitigating threats of financial losses, disruption and reputational damage due to malicious breaches of information systems continues to be a core focus and challenge for financial systems.³¹ APRA's new information security prudential standard has come into effect on 1 July 2019 and affects APRA-regulated entities. It focuses on information security management, developed to ensure banks, insurance companies and superannuation funds develop and maintain information security capabilities.³² Insurance and superannuation companies need to ensure they are equipped to safeguard data amidst increasing data access via Internet of Things (IoT) and meet new and emerging privacy rules, and be able to respond effectively to the expansion of regulatory oversight and compliance expectations involving cyber risk management.³³ As outlined in the recent Draft Industry Skills Forecast and Proposed Schedule of Work Draft (Financial Services), the increased use of big data analytics means maintaining privacy of confidential customer data will present risk factors for the sector.³⁴ The cyber security cross sector project will inform skill requirements around financial risk management, data protection and privacy.

²³ The Australian, *AMP hit with new class action*, 27 June 2019.

²⁴ Financial Services Council, [Policy – Code of Practice](#).

²⁵ The Australian, *Hayne hammers super brands*, 23 April 2019.

²⁶ The Australian, *APRA holds back on Hayne rebuild*, 12 February 2019.

²⁷ The Australian Financial Review, *Murray bucks APRA push*, 23 July 2019.

²⁸ The Australian, *Making haste to merge*, 5 July 2019.

²⁹ Hays, [Banking: Risk & Compliance Hotspots of skills in demand](#).

³⁰ The Australian Financial Review, *Insurers turn themselves in for code breaks*, 8 April 2019.

³¹ The Reserve Bank of Australia, [Cyber Risk](#), October 2018.

³² The Australian Financial Review, *Listen to actuaries' advice, APRA warns*, 4 June 2019.

³³ Deloitte, [2019 Insurance Industry Outlook, Growing economy bolsters insurers, but longer-term trends may require transformation](#).

³⁴ PwC Skills for Australia, [Industry Skills Forecast and Proposed Schedule of Work Draft for consultation, Financial Services](#), April 2019.

Industry Workforce Priorities

Compliance and Change Management. Recent regulatory changes and reforms are seeing organisations reviewing compliance. This remains a critical area for businesses and one that presents high risk if those responsible are not fully up to date with regulatory and policy changes. Highly skilled compliance workers with industry experience are of critical importance to the industry. Given the level of disruption anticipated, industry will require strong change management and leadership as policies and processes are reviewed, updated and rolled out. Ongoing changes due to technology, increased regulation, diversification of services and delivery, emerging business models and growing customer expectations are likely to see a move towards rationalisation, efficiency gains and cost cutting to offset reduced profit margins.

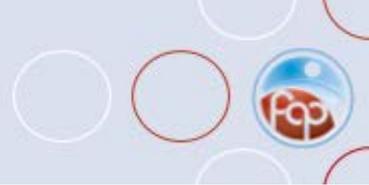
Barriers to Entry. The industry is not one that is seen as particularly attractive to young workers and career changers, partially due to lack of awareness of roles, career pathways and strong earning potential. Mortgage and finance brokers are characterised by an ageing workforce that is difficult to enter for younger workers who do not have the financial stability and resources to cope with long lead times in terms of income. Eroding public perception due to recent industry scrutiny, reports, reforms and pending change in a highly regulated industry also acts as a deterrent as it requires current knowledge of ever changing lender policies and products. While both the insurance and superannuation industries offer entry points that do not require vocational qualifications (dominated by customised internal training) flow-on disruption is anticipated due to the changes to minimum education standards for financial advisors. If implemented, tighter educational standards and loss of product sales commission would make the industry more difficult to enter and less attractive to new entrants. Uptake of vocational qualifications and traineeships in particular remains extremely low.

Technical Skills. Advancements in and implementation of emerging technology, software and automation processes is driving demand for technical experts and change managers who can oversee implementation of new tech solutions. According to the latest Hays skills outlook, account executives and managers with specific software and product knowledge are sought by brokers to ensure continued growth and retention of business portfolio. Project and change managers as well as IT infrastructure support professionals are also in high demand due to the number of mergers and acquisitions across general and life insurance. Given the continuing scrutiny, not surprisingly skill sets across financial services are highly valued. Digital and technology skills are also in demand due to the extensive technological disruption in the InsurTech market such as intelligent systems and automation of complex property assessment, fraud detection and claims verification processes. Similarly, as innovation is filtering across the insurance sector, it is increasing demand for tech-savvy candidates with specialist digital and technology skills.³⁵ The WA superannuation industry is in need of investment professionals with global portfolio experience. Another growing niche area is cyber insurance as companies seek to protect themselves from the costs associated with cyber-security breaches and related issues.³⁶

Business Development Skills. As companies look to balance technology with person-to-person connection, people need to be able to adapt to a fast-changing work environment, be proactive in finding solutions, resilient to ambiguity and uncertainty. Professionals working in the insurance and superannuation service industry require strong customer service, communication, relationship management and stakeholder engagement skills. They are dependent on strong skills in relationship building, client needs analysis and emotional intelligence with a core focus on business-to-business relationship management and client relationship building and maintenance. These are particularly relevant in the broking sector where microbusinesses are seeking to develop lead generations skills and strategies. The establishment of InsurTech which supports tech-driven insurance start-ups also indicates a need for these skills in the insurance space. Critical to business success is the ability to understand and be responsive to changing client needs. The ability to identify, develop and communicate value is important as individuals increasingly make use of free online tools to source information. Strong business acumen and business development skills enable people to recognise and

³⁵ Hays, [Hotspots of skills in demand: Insurance](#).

³⁶ Association for Data-driven Marketing and Advertising, [Whitepaper: Personalising the customer journey. How new technologies are redefining CX](#), 13 June 2018.



adapt to emerging business needs, including trend analytics, leadership, diagnosis of needs and strategic planning.

Enterprise Skills. There is a growing demand for a combination of technical, multi-disciplinary and enterprise skills. Increasingly organisations are requiring skills elasticity to navigate a changing landscape. Client retention, lead generation and customer value are requiring a growing hybrid set of skills around advanced communication and reasoning, emotional intelligence and networking capability. Increasingly, they need the skills to build and sustain client relationships, respond to growing expectations and requirements and improve client value. Roles are becoming more complex relying on technical capability and resilience to the changing pace and ways of working. Increasingly people working in the sector are needing the ability to engage, have a problem solving mindset and rely on their emotional intelligence to ascertain changing client needs and deliver appropriate solutions to meet those needs.

Training. To date, soft skills, interest and willingness to undertake on the job training have been the determining factors for entry into the sector. Increasing reliance on higher skills and capabilities, industry scrutiny, regulatory reform and greater focus on risk and compliance will see a focus on skill-set acquisition and may see a shift towards qualifications. Although the shape of future training is yet to unfold, industry will need a workforce capable of supporting change through continuous learning as technology, specific skills needs, knowledge acquisition and processes shift.