

# [Australian mutual provident society scandal impact](https://assignbuster.com/australian-mutual-provident-society-scandal-impact/)

The AMP Life scandal, revealed in April 2018, eventually led to the full-blown crisis of the AMP Limited Corporation, which was a giant brand of the insurance industry investigated by Banking Royal Commission. The examination identified a number of system issues, however in this paper, my analysis will concentrate on the fee-for-no-service scandal: “ AMP’s processes for ceasing to charge premiums once notified of a member’s death” (Banking Royal Commission 2019).

The Australian Mutual Provident Society or AMP was founded in 1849 as a mutual society and non-profit insurance company. In 1998, it was reestablished as public company named AMP Limited. Now, AMP is a big property management corporation providing financial services such as insurance, superannuation, home loans, savings accounts and financial consultation to more than 4, 000, 000 customers, mostly in Australia and New Zealand. With the value of total assets is 115. 8 billion USD and 15% value comes from investing in insurance, AMP became one of the largest insurers in Australia (Forbes Magazines 2018).

In April 2018, AMP Life was accused of charging dead superannuation clients for life insurance contract, despite knowing these customers were not available to insure. After five months of investigation, Banking Royal Commission announced that 4, 645 AMP Life clients were affected by this problem, with $1, 300, 000 in premium repayments owing (Banking Royal Commission 2019). This scandal was the long period financial crisis for the Australia oldest life insurance company and the owner of the country’s biggest financial consulting corporation. Additionally, AMP’s symbolic brand reputation was flexible in the face of the proof of morality in business failures of the top leaders in this firm. In order to acquire comprehension about AMP scandal, the marketing system of life insurance will be examined from three elements: exchange logics, flows and organizing principles. I also recommend two solutions that the insurer can come back and prevent future crisis from occurring in the first place.

Firstly, according to Canberra Times (2018): ‘” Life had made criminal breaches of section 12d(b) of the ASIC Act and civil breaches of the Corporations Act and the ASIC Act for running incorrect and misleading advertising for trauma policies, in relation to cover for heart attacks”. After covering the public by advertisement about outdated medical definitions, AMP Life delayed informing Securities and Investments Commission about their customers who were dead within 10 days to not stop deducting additional charges from dead members’ history transaction. Essentially, AMP Life tried to confuse their clients who were lacked of knowledge about insurance product and policy in order to make profit. Following marketing system theory point of view, the company made a lot of mistakes aboutexchange logicfunction contains the legality as well as honesty in business.

The weakness of risk management and internal informationflowis the second factor that led AMP Life to this business scandal (Australia Financial Review 2018). According Banking Royal Commission report, some AMP officers formally recognized this problem in 2016 after receiving feedback from the dead client’s family. They had strong evidence to demonstrate the error, but their managers did no obvious action to handle it until 2018. It has totally decreased the reputation of AMP Life managers not only with the public but also the company’s employees. As the consequence, the Head Director of this wealth management firm has been dismissed in January 2019 and AMP has kept going on the reconstruction era of its top leaders.

Company reputation and brand loyalty are necessary to a successful business for long-term, specified in insurance industry. However, AMP Life made a serious mistake while misleading the corporate regulator and the public. As a part of the Marketing system, this firm had trouble withorganizing principlesector. AMP’s legal issues with Australia Securities and Investments Commission were centered on two specific issues: “ The first is its deliberate attempt to mislead ASIC on at least 20 separate occasions over the charging fees of dead clients. And the second relates to a supposedly independent report AMP offered up to the regulator that went through 25 different versions, with changes suggested by AMP” (Banking Royal Commission 2019). After this fee-for-no-service scandal, the company may avoid recommending illegal responsibility, but the social license to operate which was released by local community trust and partners of organization network will no longer exist.

The greatest danger for insurance brand’s reputation is not fulfill the commitment to all stakeholders. For this reason, in order to improve AMP Life situation and avoid being included in future crisis, multiplicity of strong actions must be taken. People analyzed a lot about this scandal before, and now they are waiting for new AMP leaders to take responsibility, be both truthful and sensitive. Instead of the previous responses is all about denying mistake and hiding everything, AMP Life must be transparent in how to support the investigation so that to improve the credit with Australia regulators as well as the public.

On the same hand, the insurance managers need to recognize the valuable complaints from both customers and employees. People who try to express displeasure with problem are very loyal, and that complaints give AMP a new point of view, also an opportunity to pay attention to system issues. As a piece of marketing system theory, the connection between R&D insurance business and market feedback is very powerful. Moreover, complaints should be observed as a principal signal of potential opportunity to improve the relationship with clients. In order to guarantee that happens, AMP should build a multi-channel access to manage the increasing in all types of complaint, ensuring that all feedback are acquired and distributed with smoothly to provide the suitable service.

In summary, the analysis of the AMP fee-for-no-service scandal from marketing system’s theory allow people to overview the background of insurance firm crisis and understand what problem in a giant corporation. It’s not the first time AMP has found itself involved in trouble, therefore they can learn the lesson from 2006 crisis to overcome this scandal.

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