FSC FINANCIAL SERVICES COUNCIL

MetLife

APATHY TO ACTION

Understanding consumer barriers to adequacy in life insurance in Australia

CEO COMMENTS

The Financial Services Council (FSC) is pleased to have partnered with MetLife Australia to undertake this research to better understand consumer attitudes and barriers to action when it comes to protecting themselves and their loved ones against the economic risks of untimely death, disability, illness or injury.

We have known that Australians chronically underinsure their lives for some time.

We have also known the quantum of this underinsurance and the financial impact it has on families and the government. However, we have not well understood why people underinsure their most important asset – their ability to earn an income.

This report provides new insights into what motivates people to take out life insurance and more importantly what motivates them to remain un-insured or underinsured.

It also tells us which are compelling and which are not.

Despite 19 in 20 working age Australians seeing protecting their financial future as a priority, less than half have tried to plan for events that require life insurance.

The Life Insurance industry needs to change the way we talk to Australians about life insurance if we are to close the underinsurance gap.

We need to convince Australians of the tangible value of life and income protection insurance.

This report, by providing some understanding of what motivates consumers and barriers to action, is a call to action for the industry to work together to ensure all Australian's are adequately protected against life's risks.

JOHN BROGDEN

MetLife

CEO COMMENTS

Despite being among the most developed countries in the world, Australia remains one of the most underinsured. A disparity that's hard to reconcile given the maturity of Australia.

Life insurance and the lack of adequate life insurance cover has received significant media coverage over the last couple of years, however, the life insurance industry still has a lot of work to do in educating and engaging consumers, and importantly, designing transparent products that are truly centred around their unique lifestyle and evolving needs.

As an industry, our purpose is to find a solution that protects Australians against life's risks: by helping people achieve and maintain financial security, we enable people to pursue more from life and make real progress.

We would like to see working Australians become more actively engaged with the concept of life insurance so that they are equipped to make an informed decision about the product that suits their needs – not just presently, but into the future too.

For this to happen we have to change the way we interact with the consumer. We need to reverse the perception that life insurance is not bought but sold and start designing life solutions customised to individual needs and life stages. There is a need to identify methods of engaging with consumers in a meaningful way and, most importantly, we have to deliver on our promise to provide financial protection for Australians. This is particularly important in light of recent social and political developments, where emphasis is being placed on actively encouraging individuals to take greater personal responsibility for their financial future.

The following report examines consumer attitudes to life insurance products; and uncovers why so many Australians understand the need for life insurance and the protection it can provide for them and their families, but fail to purchase any.

We need to work together as an industry to take responsibility to educate consumers and design products that meet the needs of modern society.

DAMIEN GREEN

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INTRODUCTION

Welcome to this report on customer sentiment and behaviour in relation to financial protection, prepared for MetLife Australia and the Financial Services Council (FSC).

Research has consistently shown that Australians are significantly underinsured against the social and economic impacts of premature death, illness, injury or disability that impacts their ability to earn an income – arguably the most important financial asset a person has. According to research undertaken by KPMG for the FSC, 35% of employed people in Australia have no disability insurance at all and 19% of families do not have any life insurance. On aggregate, the level of disability underinsurance is estimated to be $304 billion per annum while the level of underinsurance of the lives of employed people against premature death in Australian families is estimated to be $800 billion[1].

Underinsurance not only leaves Australians exposed to significant economic risk it also places significant pressure on the government and taxpayers. Underinsurance in relation to premature death is estimated to cost the government $29 million per annum in additional social security benefits and foregone tax revenue while social security benefits in respect of disability could be reduced by a minimum of $340 million in the first year of improved cover and growing to annual savings of $2.5 billion in the tenth year[2].

With underinsurance enduring and an effective life insurance industry necessary to help ensure a successful future for both Australians and the Australian economy, this is the perfect time for the industry to examine what is holding Australians back from seeking this form of financial protection and to seek ways of instilling a behavioural shift towards adequate protection.

MetLife Australia and the FSC therefore engaged GfK, one of the world's largest consumer research firms, to help the industry tackle the underinsurance challenge by conducting research into attitudes and current and likely behaviour in relation to financial protection.

1 ABS Statistics
2 http://www.ey.com/AU/en/Newsroom/News-releases/Australian-insurers-left-playing-catch-up-as-consumer-online-research-soars

This report has been prepared exclusively for the FSC by GfK Australia, based upon a two-phase research program:

- Two 'conflict' focus groups – moderated discussions with groups of consumers who are either proponents or opponents of life and/or income protection insurance. These groups incorporate a "dragons den" style pitch approach to explore attitudes towards insurance and life insurance.
- A 15 minute online survey of 1,106 adult Australians of working age (18 to 65 years) who have at least some say in the finances or spending in their household (96% of the total population aged 18 to 65 years).

For more information on the research approach please see the methodology section later in this report.

Please note: the information, views and opinions in this report are based on research carried out by GfK Australia. We invite you to contact MetLife or the FSC for discussion of the report and in the meantime, we hope you will find the information and analysis in this report to be of value.

THE VERDICT:
the life insurance industry needs to change the way insurance is talked about to interrupt the under-insurance status quo

This research confirms that the majority of Australians are under-insured in the life insurance space:

- Just under half (48%) of households are aware of having any life insurance products, and less than a tenth of those that do have cover meet the minimum recommended level of cover.

The challenge for the industry is not to convince Australians of the need to protect their living standards and income earning but to create motivation to act on this priority.

- **Protecting one's financial future is a priority for working-age Australians** - almost all (19 in 20) confirm that insuring their family has sufficient funds to live is a priority and 9 in 10 have thought about the financial impact of "life insurance events" (death, disability etc).
- **But, there is a clear disconnect between recognising potential income loss as a financial concern and acting to protect against such income loss** - less than half (47%) have tried to plan for "life insurance events".

Communications focussed on the risk of financial disaster, fear of leaving loved ones in the lurch and the peace of mind insurance offers: messages focussing on the emotional benefit of having insurance are unlikely to motivate category entry:

- **The non-insured underestimate the motivating power of wanting to protect loved ones.** This is the primary driver for actual life insurance consideration but those who've not considered insurance instead expect to be life events such as loss of job, having a child and buying a house to be life insurance consideration triggers.
- **Talking about the risk of losing income in the next 12 months has no impact on the likelihood of life insurance take-up,** regardless of whether it's a 25%, 50% or 75% risk. It is, however, motivating for the currently insured to assess the adequacy of their current coverage.

- **The non-insured have very rational reasons for diminishing the perceived value of insurance:**
  - *Hyperbolic discounting (my money is better off going towards today's expenses than tomorrow's possibility) - expense and availability of funds are quoted as primary barrier to category entry, mentioned by more than one in two and one in three non-insured consumers, respectively.*
  - *Lack of trust in the industry – more than half or respondents believe life insurers won't honour claims and take advantage of people.*
  - *Libertarian paternalism – 59% expect the government to provide for them if they could not work.*

As an industry, insurers need to change the way they talk about life insurance and do a better job of explaining what the product is.

- The category, as currently communicated, is poorly understood:
  - *Unclear definition: **"life insurance" is in the most part only associated with death cover,** with only 1 in 4 associating income protection with "life insurance".*
  - *No understanding of product benefits: **more than half of Australians say they have no idea what to say about buying life insurance** other than doing some research.*
  - *Lack of understanding of cost and coverage: **Two thirds of current policy holders don't know how much they're covered for,** and on average people believe life insurance policies will cost $1500 a year (average for a 35 year old non-smoking male is actually only $600).*

- It's clear that **not all Australians understand what both life and income protection are for:**
  - *At least a fifth of those not insured believe they don't need income protection or life insurance.*
  - *1 in 4 state that as a minimum no-one needs income protection or life insurance and a further one in three state only a main income earner needs protection.*

- **Insurers need to convince Australian consumers of tangible product value** and provide material rewards for taking out products:
  - *Australians are willing to pay less for income protection or life insurance than they pay for car insurance.*
  - *The more visible assets that we own and experience everyday (house, car) are less willingly sacrificed than the things that not only matter every day, but can't be replaced: your health and life.*

- *The top three* ***most motivating messages about taking up life or income protection insurance anchor on providing a financial reward for product ownership*** *(tax incentives for ownership, tax penalties for non-ownership, no everyday income loss for ownership through superannuation).*

Finally, and perhaps most importantly, in order to overcome the inertia amongst those Australians that don't have life insurance (and know it's important) the industry needs to provide structural triggers for people to take out insurance:

- Government tax incentives, such as those seen in the private health industry, make it costly not to have life insurance (taking the fuel out of expense being stated as a major barrier).

- Insurers need to link consideration of life insurance with structured life events such as change of job (and consideration of superannuation provider / employee benefits).

Maintaining the status quo in the life insurance category is unlikely to overcome the issue of underinsurance in Australia, so changing the way the category is talked about and presented to consumers is an important step to instilling change in consumer sentiment and behaviour.

A NEW INDUSTRY FOCUS:

providing motivation to act and making consumer needs the crux

The research conducted for this report confirms that the life insurance industry still has a task in front of it in terms of tackling Australia's underinsurance challenge. The majority of adult Australians remain vulnerable to financial adversity because of insufficient insurance and for more than one in two have a complete lack of insurance to protect their ability to source an income in the event of illness, injury, disability or death of working family members.

It is clear from this research that a continuance of the traditional industry focus on peace of mind, security and fear of burdening family is unlikely to motivate the remaining half of the population to take up life insurance. For these consumers, acknowledgement of the importance of protecting financial assets and ensuring sufficient funds to survive has yet to translate into action. The challenge for the industry therefore is not to make protecting one's living standards and income earning capacity a priority but to create motivation to act on this priority.

Meeting this challenge requires two major actions: changing the focus of communications to create a need to act now to protect the future (create engagement), and, reposition the category, products and sales mechanism to create clarity and meet the needs of consumers. This will likely undo the old adage that insurance is sold and not bought. Opportunities to meet each of these challenges are discussed below but can be summarised as follows:

CHALLENGE	SOLUTION	WHO SHOULD TAKE CHARGE?
Generate motivation to act now	Provide behavioural trigger through tangible rewards for action (e.g. tax incentives)	The government
Reposition the category to meet consumer needs	Effectively communicate what the category and relevant products are in clear language Innovate products to provide tailored solutions more appropriately matched to lifestage needs Provide better access to information by better understanding and utilising distribution channels	The industry as a whole Life Insurers

Provide motivation to act NOW

Consumers know that they should be protecting their ability to earn and income and agree that it is their responsibility to care for their family's financial wellbeing, and yet roughly half of Australians are still putting off the need to act. Therefore, the life insurance industry needs to provoke a sense of urgency to act to protect financial futures, to disrupt the status quo of giving priority to current expenses and avoidance of the difficult topic of illness, disability and death.

In understanding how to trigger this need to act now it's interesting to consider take up of comprehensive car insurance, home and contents insurance and travel insurance. For car and home insurance, the urgency to act lies in a tangible, everyday reminder of what needs to be protected (the car or home). The trigger is in your face, per se, and this motivates action. For travel insurance on the other hand the trigger (booking a holiday) and what you're insuring against (misadventure) are quite separate. People are willing to pay a relatively high premium for a short period of insurance and the fact that what you're insuring has a tangible cost surely plays a role in motivation here as well as having a clear trigger for action (booking a holiday).

For life insurance, we've seen that what people expect to be triggers for consideration are often actually the events you would try to insure against (loss of job, sudden illness or injury, financial strain). The things that you're trying to protect – life and income earning capacity – are somewhat intangible concept and it seems this contributes to unwillingness or delay in insuring them.

So, how can the industry motivate currently inert consumers to act and take up life insurance? There are two main alternatives: create a trigger through **communications**, or create a **structural trigger.**

In understanding how to create **persuasive communications** we can turn to behavioural economics, which identifies a number of potentially effective strategies:

> *Anchoring* (the bias of relying on information provided to make a decision). Many current communications in the market aim to utilise this effect by using risk statics to 'scare' people into action, but this is clearly not resonating with the non-insured. The "it won't happen to me" attitude, a natural outcome of the simulation heuristic - a cognitive bias that cause us to de-value information that can't easily be imagined and therefore underestimate the plausibility of an event such as an accident – makes it easy to discount messages of risk. Results from this study confirm that this strategy is ineffective in changing the behaviour of disengaged consumers (but would be an effective mechanism to increase insurance coverage amongst existing customers).

Using anchoring to provide reassurance about the industry's trustworthiness is likely to be effective. Survey results demonstrated that citing statistics on claim payout rates helps alleviate concerns that insurers always find 'loop holes' (and thus policies are not worth taking out). However, as industry scepticism is not the primary barrier to purchase it is also worthwhile examining other tools to motivate behaviour.

Principle of herding and social norms (we are simply more likely to do what others do). This technique only tends to be effective when the desired behaviour (purchasing life insurance) is the social norm, and with reported penetration at less than half the population, this technique is unlikely to be an effective strategy at this stage. Furthermore, non-insured consumers tend to reject messages that focus on what you should do as they don't like to feel guilty about not doing it.

Loss aversion bias (people work harder to try and minimise loss than they will for potential gain). Focussing on messages of reassurance, as many current communications do, is a tactic to help consumers feel that potential loss has been minimised. But as we've seen this is really only effective as a post-rationalisation for purchase and is difficult for non-engaged consumers to relate to (non-insured consumers underestimate the trigger potential of feeling the need to protect).

There are two different approaches to **utilising structural triggers to prompt action:**

We can *rely on existing structural changes in people's lives* and create a rationale for thinking about life insurance needs at this point of change. A good example here is change of job. People often reconsider their superannuation needs upon change of job and try to negotiate employee benefits as well. Can we take advantage of this and encourage the need to consider your life insurance status when you change jobs (as part of employee benefits negotiations)?

A second and potentially more powerful structural trigger would be for the *government to provide tangible benefits to take up insurance*. "Carrot" and "stick" tax incentives, just as we've seen being effective in the private health insurance category, were chosen by consumers as the most motivating messages for life insurance. This is likely because this creates an alternative loss aversion bias making it costly not to have insurance rather than perceiving it to be costly to have it. Whilst the private health industry involves the "stick" approach (tax penalties if you don't have it), the affect heuristic – the cognitive bias that means people tend to avoid decisions that have a negative context – suggest that a "carrot" approach (tax incentives if you do act) is likely to be more effective.

Reposition the category to meet consumer needs

This research has demonstrated that current consumer understanding of the life insurance category is limited, even if products are owned or financial advice has been received. The industry has a way to go in terms of educating the consumer and survey results suggest that this requires a repositioning of the category in terms of its description, product design and purchase channels.

A better category description: stop talking about disaster

The first step in repositioning life insurance is to re-label the category so that consumers don't only think just about term life (death) cover. **Life insurance needs a label that helps consumers understand that there are a range of solutions to insure against events that impact ability to provide for the cost of living; one that focuses on the positive rather than the negative.** As discussed earlier, the affect heuristic means that positive framing of information is important in breaking down natural barriers to thinking about the topic. Talking about living insurances or lifestyle insurances are examples of positive labelling.

One of the largest barriers to category entry is lack of belief in the value of life insurance products (both life and income protection). Consumers currently experience cognitive dissonance when it comes to life insurance: they recognise the need but the (perceived) cost and (perceived) small likelihood of ever needing to make a claim contradict this necessity. When people experience cognitive dissonance they suffer discomfort. In this case, consumers tend to therefore change their beliefs about insurance necessity to meet their beliefs about expense. As an industry **insurers need to demystify the cost of insurance and clearly explain the benefits received for the cost** so that consumers no longer have rationale to debate the need of insurance.

Consumers first: it's about needs rather than products

When it comes to understanding the differences between life insurance products and how premiums are calculated (cost versus benefits), consumers are just as likely to have found this difficult as easy. If we consider how some other insurance categories are bought it is easy to compare one policy to another (thanks in large to the role of comparison websites) and consumers feel empowered to make decisions about what to buy. In order to provide this simplicity in life insurance requires a change in how products are structured, and how they're sold.

The life insurance industry suffers from the fact that its products are ‘sold not bought’.

In order to successfully increase penetration, **life insurers need to put customers at the centre of everything they do and develop innovative insurance “packages” that suit their needs.** Consumers report they’d like an insurance product that encompasses a number of different existing products in one (why should they need to separate lump sum disability cover and income protection?) and that can be used flexibly as their needs change with lifestage.

Our survey results revealed that triggers for life insurance differ by lifestage, so adapting product design to those different triggers is likely to make decision making easier and also make consumers feel like the product is relevant (and thus engaging and desirable). **Breaking products up into relevant benefit bundles that can be easily interchanged is an important step here, and necessary if the industry is to counter the tendency to only compare on price that is encouraged by comparison websites.** It is crucial that consumers can easily understand what they get for what they pay.

The onus here is on insurers to update their offers, and some insurers are already leading the charge here. Those that move first may achieve the first-mover advantage.

The ultimate objective for life insurers should be that its products and services are ‘bought not sold’.

Better utilising distribution channels

A final step in repositioning the category to improve understanding and motivate product purchase is to ensure that consumers can easily access information and purchase in ways they want to purchase.

Digital research is now the most commonly utilised information source for life insurance and is predicted to double in the next few years[4], so insurers need to insure that they have effective digital platforms for information seeking and sales. **Digital consumers have high expectations of service: fast, easy, tailored to me, and easily comparable to other offers online** (thanks to the rise of comparison websites). Learning from the way banking and health insurance industries have progressed digitally would be a useful starting point.

The life insurance industry has been held back by redundant regulation which has hampered digitisation.

But the industry can also ensure that existing distribution channels work more effectively to communicate the value of the type of cover and products available, thus increasing propensity to make informed purchases. Three channels of focus should be superannuation,

[6] http://www.ey.com/AU/en/Newsroom/News-releases/Australian-insurers-left-playing-catch-up-as-consumer-online-research-soars

financial advisers and employee benefits schemes (notably small at present but has plenty of opportunity to grow).

Superannuation providers are one of the main sources of information for life insurance and we know this is where the majority of consumers hold their insurance. Insurers should engage with their superannuation fund partners to talk more to members about insurance and encourage knowledge and awareness. **All superannuation members should be encouraged to check what life insurance coverage they currently have in superannuation, and then provide simple steps to evaluate if this is enough.** Knowing that having insurance through superannuation means you have no out of pocket costs for insurance today was one of the top performing motivators in our research, so activating life insurance enquiries through superannuation is important to improve understanding and adequacy of cover.

The role of financial advisers in improving consumer understanding of life insurance also warrants further consideration. Our research revealed that **whilst having a financial adviser increases the likelihood of having cover, and having adequate cover, advice does not leave consumers with better understanding** of the product value or price.

Finally, the area of **employee benefits also offers a (new) opportunity to more effectively sell in life insurance.** As mentioned earlier, change of job and discussion of employee benefits is a good time to encourage consideration of life insurance and also provides an avenue for consumers to gain access to insurance without being out of pocket (payment via an employment package).

Maintaining the status quo is unlikely to overcome the level of underinsurance in Australia, so changing the way the category is talked about and presented to consumers is an important step to instilling change in consumer sentiment and behaviour.

CONSUMERS KNOW THEY NEED LIFE INSURANCE...

but that's not enough to motivate purchase

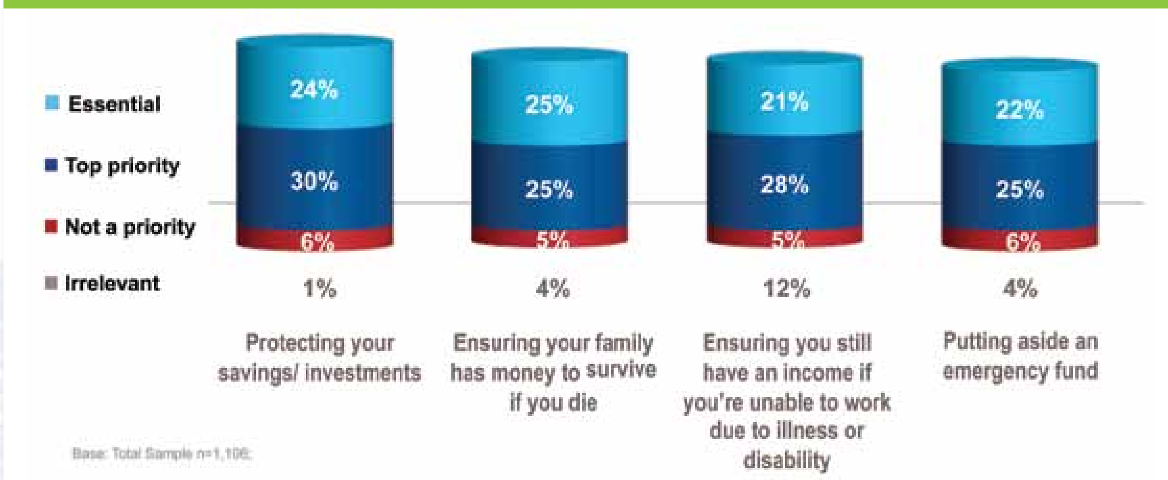
Protecting one's financial future is a priority for working-age Australians, with the majority affirming that protecting assets and ensuring sufficient funds are top financial priorities. However, a belief in the importance of financial protection does not necessarily follow through to action to ensure this protection - through insurance or otherwise; inertia, rather than lack of awareness, underpins Australia's' life insurance underinsurance.

Financial priorities focus on having enough funds to live comfortably

Five years have passed since the global financial crisis, and although Australia is generally considered to have emerged much better off than most other developed countries, **economic worries still live large amongst Australian consumers.** Consumer confidence dropped for the third month in a row in February 2014, with consumers especially downbeat about the economic future and job market as the manufacturing industry declines and the mining boom slows[7].

This economic doubt, in combination with the high cost of living in Australia[8], has brought concerns about having sufficient funds to live to the fore. According to the latest global trends survey by GfK[9] **having enough money to live comfortably and pay the bills is the topmost concern of half of Australians**, and as a result consumers have become more cautious about their spend: two in three are more inclined to shop more carefully for daily necessities and postpone purchases until the product was on sale/special offer. A 2013 MetLife study[10] also established that having enough money to pay the bills during income loss and just generally being able to make ends meet are both primary concerns for half (49%) of Australians.

Priorities for Financial Future



7 Westpac/Melbourne Institute index of consumer sentiment, February 2014
8 Deutsche Bank "Mapping the World's Prices", http://cbs.db.com/new/pdf/Random_Walk_Mapping_Prices_2013.pdf
9 GfK Roper Report Worldwide 2013
10 MetLife 2013 Employee Benefits Trends Australia, conducted by GfK Australia

This study's results reinforce the priority given by Australians to protecting financial survival. One in two study respondents listed ensuring sufficient funds in the event of the main income-earner death, illness or disability as a top priority for their financial future, and one in four considered these essential. Importantly, **very few (1 in 20) Australians rate ensuring their family has sufficient funds to live as not being a priority.** These priorities do not differ by age but do differ by lifestage (family status): the few that rate financial protection as irrelevant generally to do so because they have no dependents to take care of (young singles or pre-retirees).

This **acceptance of the need for financial protection is also reflected in people's likely behaviour if money did become tight**: people are much happier to sacrifice incidental spending on personal pursuits (e.g. travel, entertainment) and saving activities (e.g. additional superannuation, debt reduction) than insurance (including life and income protection insurance). Interestingly, working-age Australians are least likely to give up car and home insurances under financial strain, with health and life or income protection insurance placed in clear near-equal second in terms of spending priority. Seemingly, **the more visible assets that we own and experience everyday (house, car) are a more immediate concern than the things that *not only matter every day,* but can't be replaced: your health and life!**

Spending priorities: what australians are willing to sacrifice if money became tight:

There is a disconnect between recognising potential income loss as a financial concern and acting to protect against such income loss

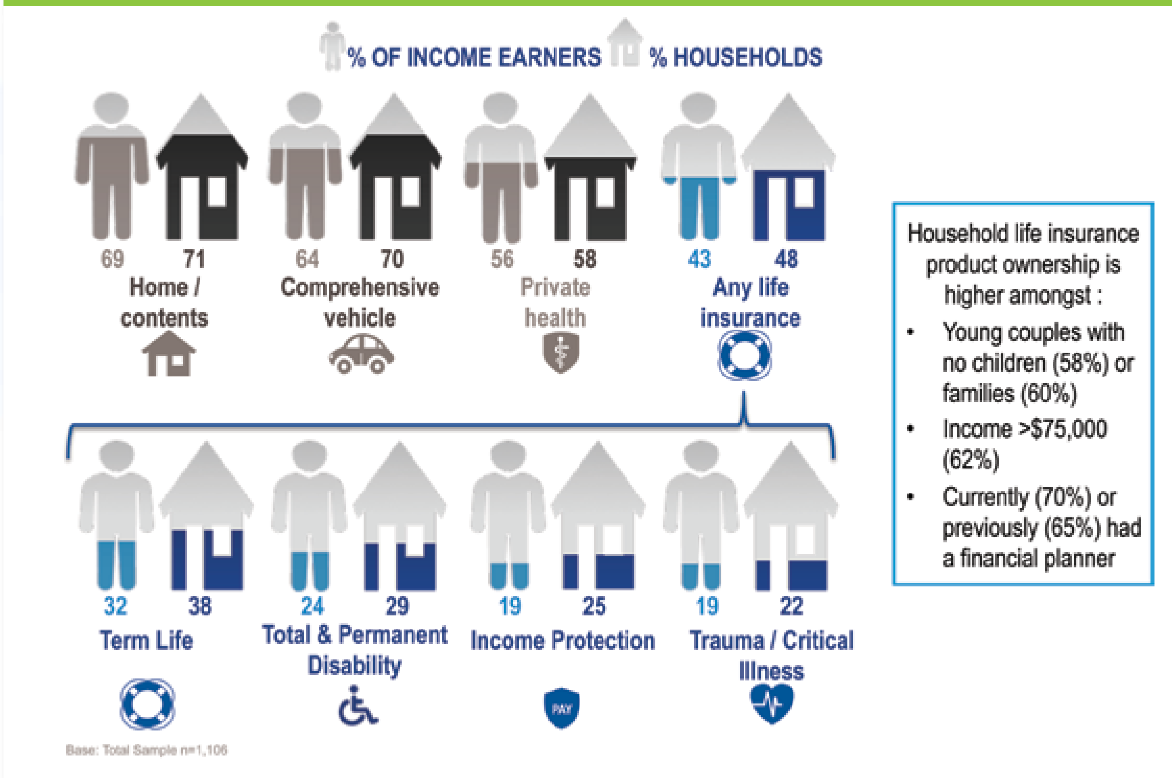
All working-age Australians (90%) say they have thought about the financial impact of loss of income for the main income earner due to "life insurance events": illness or injury, disability or death – and this is slightly more than the number who've thought about the income earner losing their job. However, less than half (47%) of those who have thought about income loss have taken any action to try and plan for such an event. This is despite three in four (71%) agreeing that it's their responsibility to ensure their family can keep living if they can't work or die. **Financial concern about "life insurance events" does not immediately trigger action to protect against such events.**

Ever thought about the financial impact if... household's main income earner?

Life insurance ownership also does not reflect the importance placed on protection: although the majority of survey respondents rate income and asset protection as important **less than one in two actually own (or are aware of owning) a life insurance product.** In fact, none of the four life insurance product types: term life, total and permanent disability (TPD), income protection or trauma/critical illness cover, are owned by more than a third of consumers. Ownership is higher amongst those with dependents and amongst households with income above the Australian full-time worker average of $75,000[11]. This reinforces that the current primary life insurance customer is of higher affluence than average and has a family.

11 ABS, November 2013

Reported insurance ownership



TO MOTIVATE BEHAVIOURAL CHANGE INSURERS NEED TO CREATE TANGIBLE TRIGGERS:

events or rewards not fear and peace of mind

Modification of behaviour in the life insurance category to encourage greater ownership and ensure policies are reflective of needs, requires a shift in the way the industry is currently positioned. Communication tactics focussed on risk of events and the need to protect against them will work only on those already engaged in the category. For those not yet in the market, the industry needs to communicate, and convince of, tangible benefits to motivate action.

Use important life stages to make people think about protecting life

Sentimental triggers such as feeling the need to protect loved ones and thinking about the future are the primary drivers of thinking about purchasing life insurance, as are having a child and the death of a friend or relative. In contrast, triggers for considering how to ensure income in the event of being unable to work due to illness or injury anchor more on specifically related events: loss of job or income and sudden illness or injury; it's as if **Australians consider income protection once the need has already arisen…** by which time it's too late.

Triggers for thinking about life insurance

Interestingly, what actually triggers consideration of the need for life insurance products and what non-considers expect to be triggers are different. Primarily, feeling the need to protect loved ones is significantly underestimated as a trigger by those not yet engaged in insurance, particularly those who do not yet have dependents to care for. In order to encourage market entry it may therefore be more effective to **focus on action at significant life events rather than because of the feelings these events evoke.** It is clearly difficult for people to imagine the intensity of feeling in needing to protect, which is why current category communications anchored on reassurance may not be resonating.

There are also life stage differences in actual and expected triggers for product consideration. For younger singles and couples, triggers include financial strain and job loss (the actual events needing coverage) and loss of job and having a child are the top expected triggers for these life stages. For young families having a child ranks second as a driver behind feeling the need to protect that child (the emotional outcome of the event is stronger than the event itself). Older families still feel this need to protect but are also starting to think about the future and pre-retirees are sensitive to feeling older and more at risk. What these differences demonstrate is that a **'life stage' approach to marketing products is likely to be effective in meeting the different consumer needs in the market.**

Triggers for thinking about life insurance by life stage

	Young single	Pre-family	Young Family	Older family	Pre-retirees
ACTUAL TRIGGERS – 3 MAIN THINGS THAT HAVE PROMPTED PEOPLE TO CONSIDER PROTECTION					
#1	Thinking about future	Protect loved ones	Protect loved ones	Protect loved ones	Feel older/more at risk
#2	Protect loved ones	Loss of job/income	Having a child	Thinking about future	Protect loved ones
#3	Financial strain	Mortgage / house	Taking responsibility	Feel older/more at risk	Sudden illness / injury
EXPECTED TRIGGERS – 3 MAIN THINGS MOST LIKELY TO PROMPT CONSIDERATION OF PROTECTION (IF NOT YET DONE)					
#1	Having a child	Loss of job/income	Feel older/more at risk	Thinking about future	Feel older/more at risk
#2	Loss of job/income	Having a child	Protect loved ones	Financial strain	Financial strain
#3	Mortgage / house	Think about future	Sudden illness / injury	Taking responsibility	Sudden illness / injury

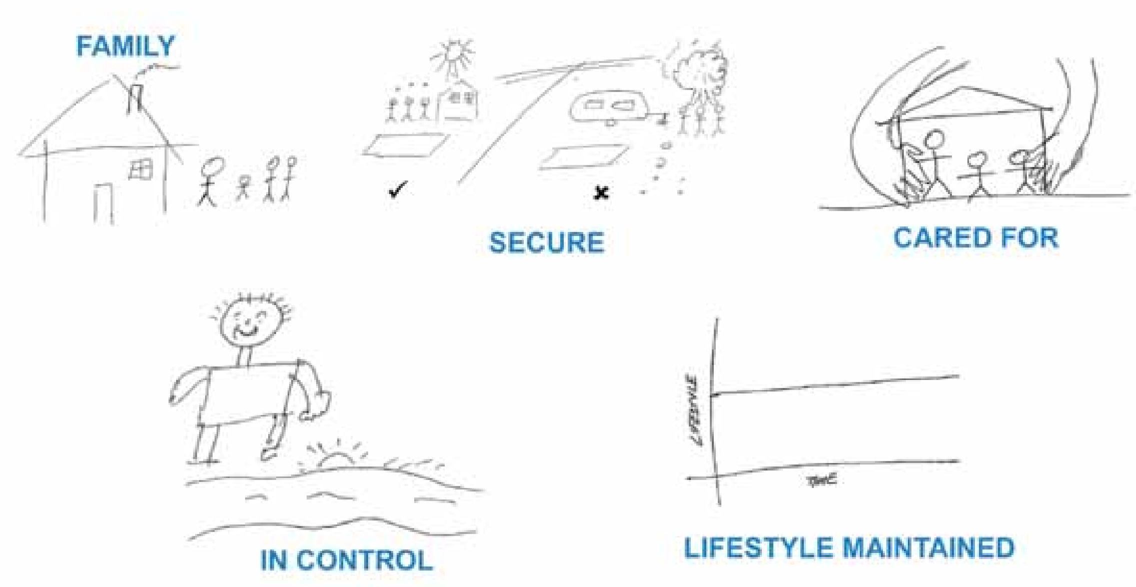
Base: Actual triggers n=712, young single n=60, Pre-family n=129, Young family n=193, Older family n=153, Pre-retirees n=170, Expected triggers n=385, Young single n= 54, Pre-family n=75, Young family n=63, Older family n=65, Pre-retirees n=106

The psychology of engagement demonstrates a need to focus on tangible benefits

In order to understand category motivators and barriers we conducted two conflict group discussions. A conflict group is a qualitative focus group discussion that pitches opposing consumers (product advocates and rejecters) against each other in a "Dragon-Den" style exercise in order to explore the psychology of category engagement.

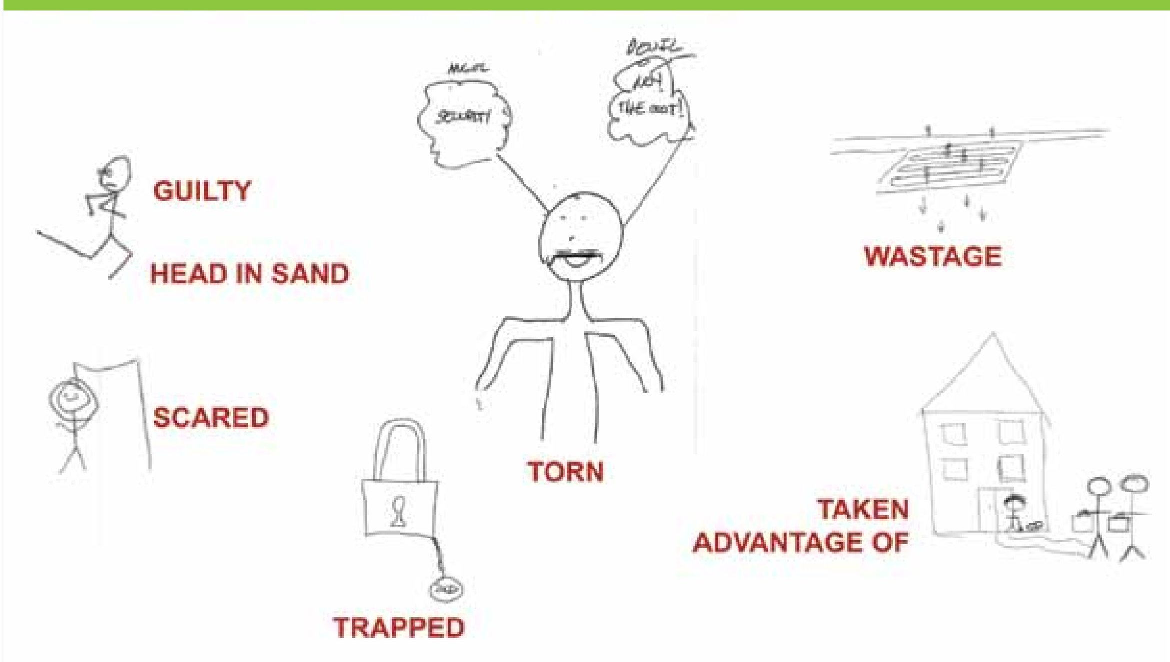
Psychodrawings, consumer illustrations of how the category makes them feel, concisely demonstrate the differences in perceptions between those engaged with the category and not. In consumers' words, **engagement with the category is characterised by a sense of a positive and secure future that you control.** Using behavioural economics, which is a model of thinking that acknowledges the inherent biases and distortions that characterise human judgement and decision-making, we can identify that life insurance advocates demonstrate a clear adherence to be principle of 'commitment bias'. Financial security for their family is fundamental and they are unfalteringly committed to this: *"I wouldn't even think about not having it"*.

Psychodrawings – those engaged with life insurance



On the other hand, **disengagement is characterised by a sense of conflict** based upon recognition of the important role of life insurance and guilt around not having it versus a number of seemingly valid **reasons why it is not good value:** lack of trust in the industry which acts as a negative evaluation anchor (there's always loop holes), hyperbolic discounting (my money is better off going towards today's expenses than tomorrow's possibility), and fear of the awful situations that generate the need (generating avoidance or thought suppression). Giving weight to the negative side of the conflict is a (misguided) belief that should things turn bad the government and/or your family will provide for you (libertarian paternalism) or that you'll simply cut back your expenses and make do. Important to this last point is that the very basis of behavioural economics – the need to take mental shortcuts – means that humans are particularly bad at thinking through the implications of loss of lifestyle because they over-simplify the monetary expenses they need and think of them in isolation (e.g. I'll sell the house... but won't consider the need to then pay for rent), thus underestimating their needs.

Psychodrawings – those engaged with life insurance



These findings indicate that key to category engagement is development of the belief that life insurance enables a good life. Currently, those who are inactive in the category tend to focus on the lack of tangible outcome (it feels like it goes into a black hole) rather than this positive intangible benefits. And seemingly, communication efforts that focus on reassurance are unlikely to help disengaged consumers acknowledge this intangible benefit. For these consumers loss aversion has kicked in and because the topic of death, disability and illness is difficult to think about, the perceived reward seems to be less than the mental investment required to act. The implication of this is that **in order to engage people with the life insurance category we need to be able to generate a belief in tangible benefits in product ownership.**

Talking about risk strengthens engagement but does not counter disengagement

Adding to the argument that tangible benefit communication is required to convert non-insured Australians is the finding that drawing attention to the risk of a negative life event only resonates with current policy owners. We asked consumers what they would do if there was a 25%, 50% or 75% chance that in 12 months' time they would have to stop working for at least six months because they were sick or injured. For those that already have income protection insurance, an increased chance of having to stop work led to a change in behaviour: at a 25% risk only one in four said they'd look to increase their cover, increasing to two in five if the risk was 50% and one in two if the risk was 75%. **For those who don't have income protection insurance there was no difference in behaviour at different levels of risk.** At all levels of risk only one in four of those who do not have income protection insurance said they'd look into getting cover, just as many said they'd start saving and just under half said they'd do absolutely nothing.

This result is unsurprising. Consumers who are more inclined to minimise risk already have insurance and **talking about risk likelihood is a powerful motivator for product owners to evaluate their current cover** and could be an effective tool in addressing inadequate coverage. The remaining portion of the population, however, suffers from "it won't happen to me". This belief is demonstrated by a previous research study finding that despite seven in ten Australians knowing someone who has suffered trauma, nine in ten think they're unlikely to ever have an accident that would make them unable to work and four in five think they're unlikely to suffer a serious illness[12].

Show me the money: a financial incentive is most likely to motivate purchase

In order to understand how to overcome category disengagement we tested what sort of messaging would be most effective in

12 ING Research Optimistic Australians report (December 2008)

prompting behaviour change. Regardless of whether in reference to income protection or life insurance (defined as a fixed sum if you die or are totally and permanently disabled and can no longer work), we found that **the top three motivating messages all anchored on financial savings.** The most motivating message was the government providing a tax incentive to have insurance (the carrot approach). The second and third most motivating messages were a minimum level of insurance required to avoid extra taxation (the "stick approach") the fact that purchase through superannuation means no present-day out of pocket costs. The order of these switched for life insurance and income protection, with the "stick approach" more effective for income protection and vice versa. The fact that cost-oriented communications are most effective relates nicely to cost being the largest stated barrier to category entry.

Most persuasive messages

LIFE INSURANCE	Overall preference		INCOME PROTECTION	Overall preference
#1	22	The government provides a tax incentive if you have it	#1	22
#2	16	By purchasing it through your Super you're covered without having to take away from your day to day income	#3	15
#3	14	A minimum level of insurance is mandatory to avoid extra taxation	#2	15
#4	12	Approximately 95% / 90% of all life insurance / income protection claims are paid by insurers	#4	11
#5	11	It ensures your family doesn't have to worry about income / a regular income if you're sick or injured and unable to work, giving you the freedom to maintain your lifestyle, no matter what happens.	#5	10
#6	9	1/3 of women + ¼ of men will suffer cancer... The majority of Australians wouldn't have enough money to live if they died from / had to stop working to fight cancer.	#6	7
#7	8	Government cutbacks on welfare will mean assistance for disability will no longer be available	#9	6
#8	8	Insurance is available to ensure you and your family will have enough money if the worst happens/you will always have an income available; you just need to choose it.	#8	6
n/a		Your employer has no obligation to provide for you if you can't work... It's up to you to get insurance to protect your income	#7	7

Base: In target market and do not already have term life, TPD or trauma / critical illness insurance n=623, In target market and do o not already have income protection insurance n=691

Cost savings aside, reassurance of claims likelihood is the next most motivating message for category entry. Again this matches nicely with scepticism about insurer ‘loopholes’ being a barrier to entry.

Notably, and in theme with identified drivers of category engagement, **messages anchored on either risk or responsibility to act resonate least with consumers, regardless of lifestage.** This again reinforces that in order to change the behaviour of those not in the category a shift away from the current tendency for the category to focus on the emotional drivers of loss and the need to protect is required. Evidently this type of messaging has worked to get category penetration to where it is but is unlikely to convert many more customers.

CASE STUDY:

Failing to act soon enough for retirement

Planning for retirement in Australia, or lack thereof, is a model example of the difficulties that come into play when trying to get people to plan for a far off, seemingly intangible reward (superannuation is not owned as "real money" until we retire). The motivation to plan is weakened as the far off goal of a comfortable retirement competes with current spending priorities and a sense that retirement is already being looked after by the compulsory superannuation scheme.

While Australia's superannuation system is the world's fourth biggest pool of money ($1.6 trillion) it is well publicised that Australians need to do more to grow their superannuation or face serious longevity risk (outliving one's retirement funds). It is projected that a 30-year-old male will need $1.58 million when he retires and a female $1.76 million[13]. Experts warn that in order for Australians to meet these retirement goals the government must act in the next decade to raise the retirement age to 68 years and the mandated employer contribution to 15 per cent (the current planned incremental increase is to 12% by July 2019)[13]. But as Treasurer Joe Hockey has recently announced, unless the retirement age is extended to 70 years and taxes are increased, the government is simply unlikely to have adequate funds to provide for retirees[14].

So Australians face a conundrum: they know that having sufficient funds for retirement is a serious issue but finding the drive (and the funds) to plan for such a long-off event is a challenge. Presently, Australians generally only start to try and meet this challenge of retirement planning 10 to 20 years out from retirement.

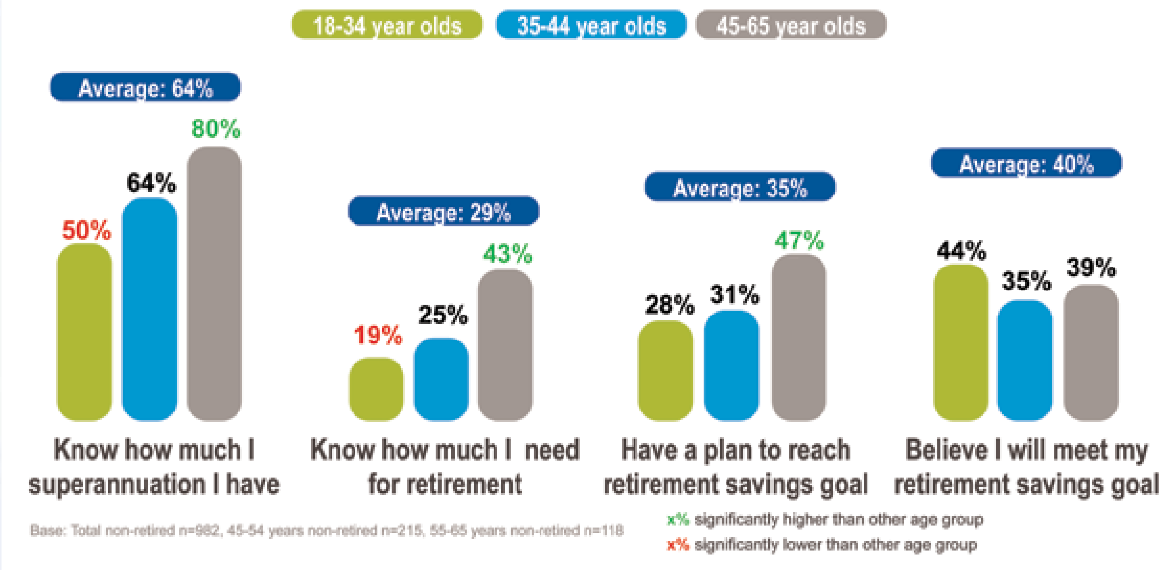
In this study respondents rated ensuring sufficient funds for retirement last as a financial priority behind protecting savings, ensuring your family has enough money if you die, ensuring you still have an income if you're unable to work due to illness or disability and putting aside funds for emergencies. Only amongst 55 to 65 years olds does the importance of retirement planning increase, ranking second as a priority behind protecting savings. Even in this age group adequate retirement funds is a top financial priority for only one in two (51%).

The lack of prioritisation of retirement planning is evident in the lack of actual retirement plans amongst working Australians. Only one in three (35%) have a retirement plan and knowledge of retirement needs is poor with less than a third (29%) knowing how much money they need for retirement and less than half knowing how long their retirement fund might last for once retired. Even amongst pre-retirees less than one in two have a retirement plan or know how much money they need to retire.

[13] http://www.deloitte.com/assets/Dcom-Australia/Local%20Assets/Documents/Industries/Financial%20services/Deloitte_Dynamics_of_Superannuation_2013_report.pdf

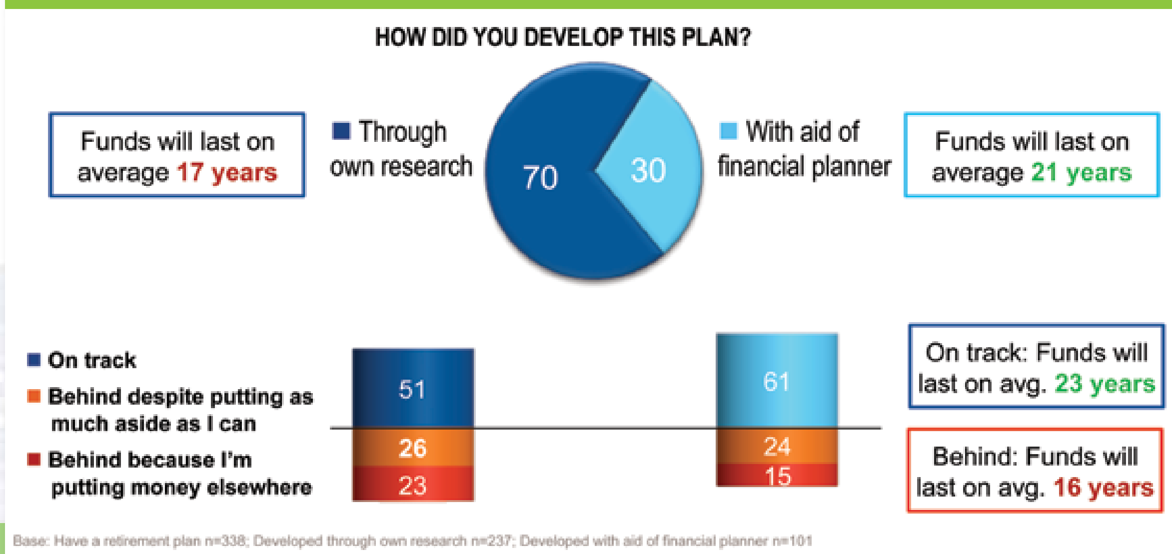
[14] http://www.theaustralian.com.au/national-affairs/hockey-calls-for-medicare-age-pension-debate/story-fn59niix-1226833550263

Planning for retirement



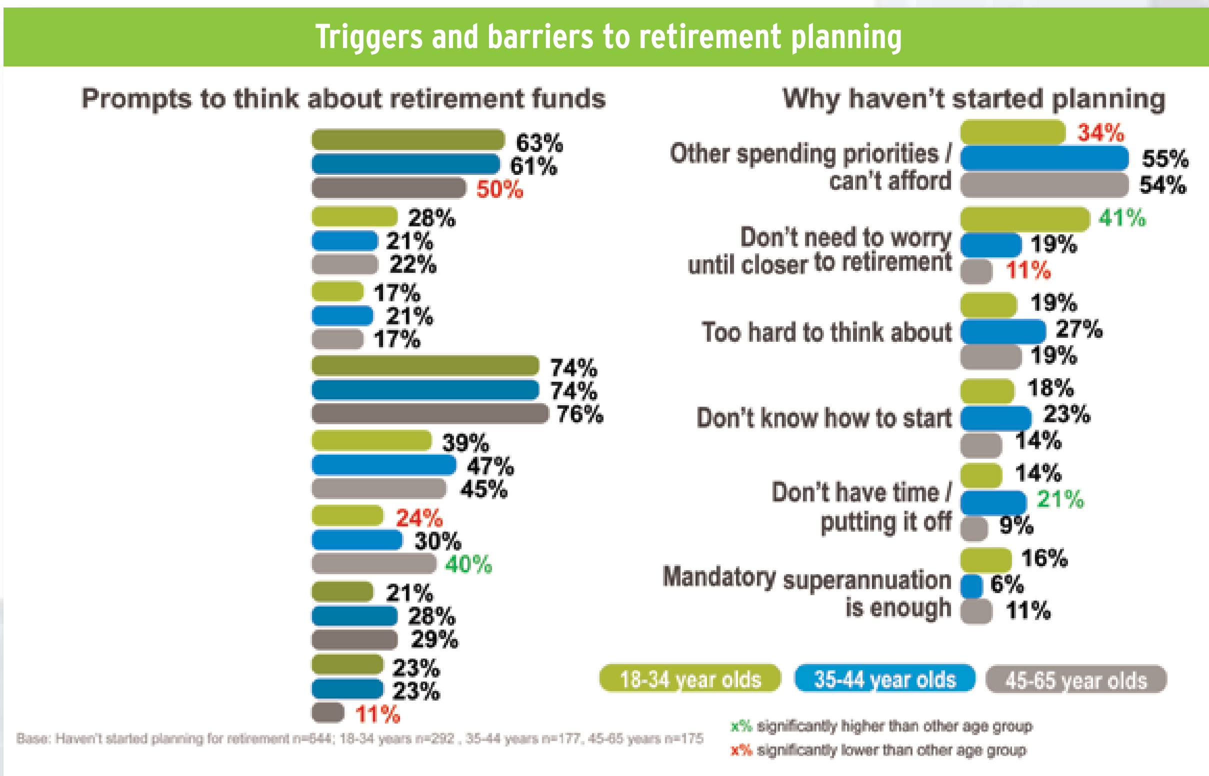
Unsurprisingly, less than half of working Australians believe they'll meet their savings goal for retirement. Of those that are aware of their likely retirement savings longevity the average projection is 17 plus years of funding, which is less than the average life expectancy upon retirement (20 to 25 years). In fact, only one in four believes that their retirement savings are sufficient to avoid longevity risk (will last more than 20 years). Females are generally less knowledgeable and confident about their retirement savings than men, providing confirmation that the lower superannuation balances for females seen in Australia are having an impact on females' feelings about retirement.

Progress against planning for retirement



Reassuringly, those that have a plan for retirement are less at risk of insufficient retirement funds, though only the third of planners who developed their plan with the assistance of a financial adviser (average fund longevity of 21 years versus 17 years for those that developed the plan themselves). Having a financial adviser also makes you more likely to be on track with your retirement plan. Though overall one in four are behind on their plan despite saving as much as possible, indicating just how hard it is to adequately plan for retirement. Around one in five planners are also off track on their plan because of putting priorities elsewhere, and this is true regardless of age.

So what is causing the majority of Australians to not plan for retirement if there's plenty of evidence of the need to do so? Survey responses reveal that for the two in three Australians who haven't planned for retirement, feeling the need to put money towards current expenses is the primary barrier. Though for younger Australians (under 35 years), the primary barrier is simply the feeling that retirement is too far off in the future to worry about. Underlying this delay in planning is the fact that one in five of those who haven't planned think the topic is too hard to think about and an equal number don't know where to start. Few (12%) state that they have not planned because they think mandatory superannuation is enough which demonstrates



that awareness of the need to act is there, but the motivation to actually act is not. The triggers that prompt people to start thinking about ensuring sufficient retirement funds tend to be a willingness to think about and take responsibility for the future – a personal readiness to start planning. Experiencing financial strain or income loss earlier in life (and thus knowing you don't want this later in life) or starting to feel older and more vulnerable as you age also act as a reminder that action is necessary to secure your financial comfort in retirement. As we have seen with life insurance, financial advisers act as a trigger for only around one in four Australians.

What can the life insurance industry learn from the retirement dilemma? The longevity risk that is evident in Australia illustrates that financial concern and knowledge of leaving oneself open to financial stress later in life is not motivation enough to prompt action. To put it simply, everyday life gets in the way and present expenses take priority over planning for the future as a number of psychological factors come into play: hyperbolic discounting (preference for rewards that are more immediate), loss aversion (don't want to take from current pocket) and thought suppression (it's too hard). In order to instil change we need to be able to instil *behavioural confidence* around retirement planning, breaking it into small achievable steps that provide *tangible benefits* (accomplishment of goals) and demonstrate that effort will be rewarded.

LIFE INSURANCE IS POORLY UNDERSTOOD:
make it more than just death!

As it stands, the life insurance category in Australia is associated in the most part only with coverage for death and the industry has a way to go in educating consumers about who should be insured, for what, for how much, and the actual cost to consumers.

Currently, "life insurance" conjures thoughts of death money

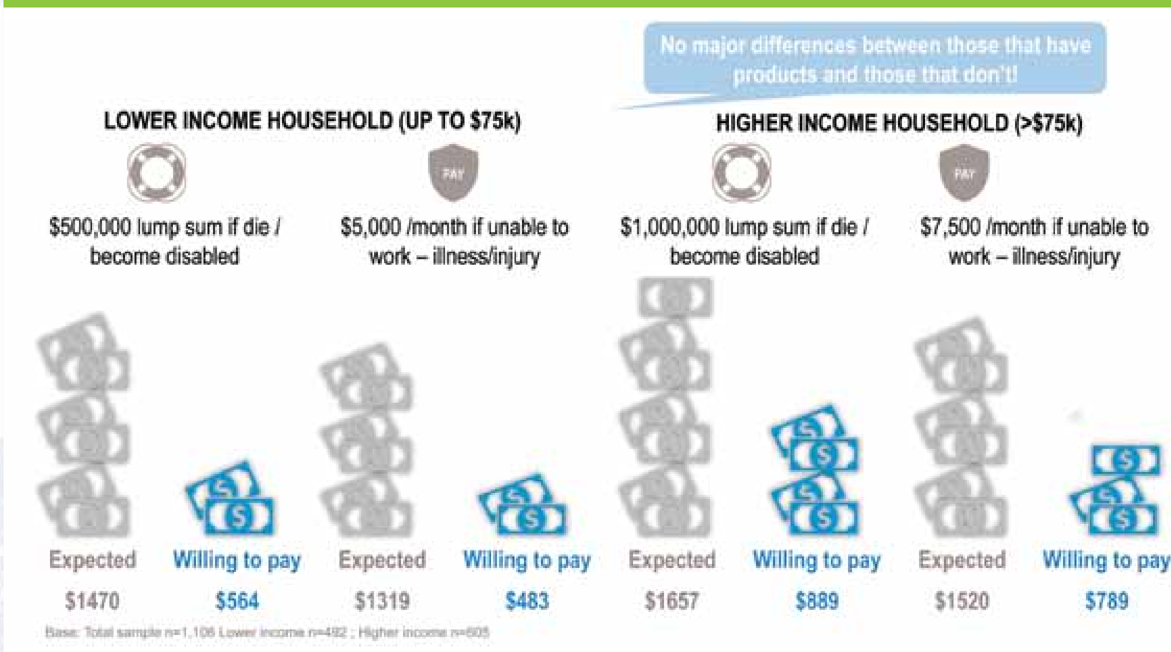
When asked what the term "life insurance" means to them, the most common association for working-age Australians is a lump sum upon death (75%) – even amongst those that own a life insurance product(s). In fact, despite being prompted with other forms of life insurance cover, a third of working-age Australians associate life insurance with death cover and nothing else. Cover in relation to being unable to work is unlikely to be associated with "life insurance": only one in three associate permanent disability cover with the term life insurance and only a quarter associate it with income protection. Insurance related to income is thought of quite separately to life insurance, and **talking about "life insurance" will lead most consumers to think about death cover rather than the range of protection solutions available.**

Most Australians don't understand what life insurance is coverage is or should be

It is clear from the survey results that even those that have life insurance have limited knowledge of adequate coverage: **two thirds of those who mentioned owning a product did not know what amount they are covered for** and those that could state their coverage reported amount substantially less than estimated needs. Recommended coverage for life insurance or disability coverage is approximately ten times annual household earnings as a minimum and fifteen times in order for current lifestyle to be maintained in full[15], but our sample reported an average coverage of only four times their annual household income. Only one in two (50%) believed their coverage is inadequate when in fact less than ten per cent actually have adequate coverage, indicating a gap in knowledge about adequate coverage. Interestingly, almost a third (30%) of current policy holders acknowledge that their coverage is inadequate but say there are unwilling or unable to afford higher coverage.

Australians also lack clear understanding of how much life insurance products cost. We asked consumers how much either life or TPD and income protection covers would cost per year (with insured amounts in line with their current income) and consumers suggested that both products would cost roughly the same. In fact, **regardless of insured amount, product type or current ownership status, consumers believe a life insurance premium would cost around $1,500 a year.** But they are only willing to pay a third (for below average income households) to a half (for above average income households) of this.

Life insurance cover cost expectations



[15] Rice Warner Underinsurance in Australian report, press release December 2, 2013

The actual average cost of life insurance for a 35 year old non-smoking male is $600 annually[16], in line with what Australians are willing to pay. Despite the substantially higher insured sums (on average), working-age **Australians are willing to pay less for income protection or life insurance than they pay for car insurance:** the average family's comprehensive car insurance premium in Australia is $1,183.[17]

And so Australians feel ill-equipped to make life insurance decisions

When asked about how they would decide which life insurance products to choose the top response from working-age Australians was that they have no idea and even one in ten current policy holders stated they had no idea how to identify a good product. Value and cost (in general terms) were the most likely evaluation criteria as is general research.

Beyond price and recommendation, consumers have little understanding of what product features might suit their needs, nor how to best to evaluate and compare. Professional advice is seen to play little role (mentioned by 6%, only slightly higher than mentions of asking family or friends for advice).

Unsurprisingly, consumers therefore feel ill-equipped to offer advice on where to go for financial products or insurance that ensure against illness, injury, disability or death. **One in three working-age Australians said they do not have enough knowledge to provide any advice on life insurance, and a further two in five simply suggest doing research.** Again, professional advice is not a common recommendation as an information source, mentioned by less than one fifth of respondents and by fewer than half of those who themselves have sought advice.

How consumers would decide which product is best

[16] MetLife Australia
[17] CANSTAR research, http://www.news.com.au/finance/money/car-insurance-premiums-rise-triple-the-rate-of-inflation-over-the-past-year/story-fnagkbpv-1226650822556

PURCHASE CHANNELS ARE CHANGING:

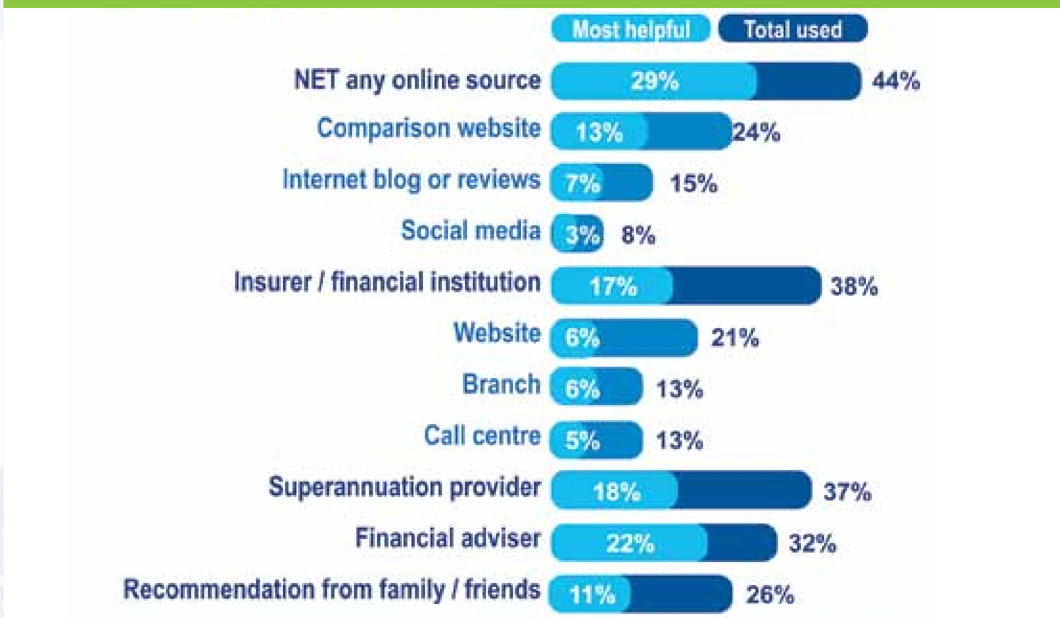
DIY is on the rise but disengaged ownership (default superannuation) is the norm

As the direct market sees double digit growth[18], openness to online financial transactions becomes commonplace[19] and insurance through superannuation continues to develop, traditional sales channels are changing and online is coming to the fore. This reinforces the need for simplicity of information.

Relying on advice is not the norm: DIY digital is the primary information channel

Ernst & Young's (EY) Global Insurance Customer survey[20] reports that in line with global trends, Australian consumers are taking a more proactive approach to purchasing insurance and are turning to independent online advice rather than relying solely on traditional validation through family and friends or financial advisers. Our survey responses demonstrate that online research certainly plays a primary role for information seeking in the life insurance category: **online information was the primary information channel for information seekers (used by 44%) and the most useful source overall.**

Information sources for life insurance



Base: Ever sought information financial products or insurance that could help you ensure you/your family has enough money in the event of your/your partner's illness, injury, disability or death: n=562

18 Rice Warner Direct Life Insurance Market Report June 2013
19 2012-2013 ACMA Communications Report, 80% of Australians conduct banking or pay bills online
20 http://www.ey.com/AU/en/Newsroom/News-releases/Australian-insurers-left-playing-catch-up-as-consumer-online-research-soars

According to EY the use of online resources for life insurance is set to more than double over the next few years. As Australians take on digital education about insurance needs and products, their expectations of digital simplicity are likely to clash with current perceptions of the industry's apparent complexity and need to catch up digital offer-wise with more digitally advanced industries (such as banking).

Interestingly, **superannuation providers are now just as common an information source as insurance organisations** (each used by just over one in three) and financial advice (used by 32%) ranks third behind these and online research. Digital resources and financial advisers perform relatively equally in terms of helpfulness whereas provider organisations are less helpful sources of information, potentially because they could be seen as less independent.

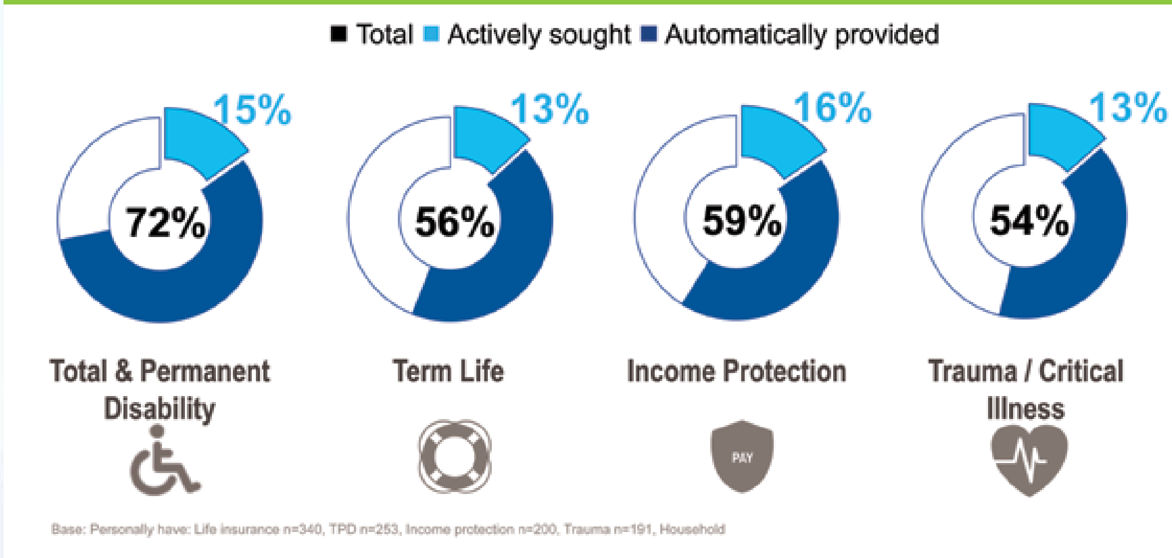
Life insurance is just as likely to be acquired by default (through superannuation) than through active purchase

Life insurance product acquisition is more likely to have occurred through superannuation funds (more than half of policies) than through financial advisers or directly through insurers (each roughly one fifth of policies). Superannuation has claimed this market share through default: **just under half of surveyed life insurance customers acquired their insurance by default through their superannuation,** and in fact only 20-25% of life insurance policies within superannuation have been actively sought.

This indicates that there is likely be to a relatively low level of engagement for half of the existing market – they haven't actually sought to own life insurance and have not actively looked into changing their policy to match their needs, which helps to explain the lack of awareness of product details and low levels of coverage (superannuation default levels are likely to be inadequate).

More active education from the industry focussed on getting consumers to check if they have life insurance coverage in their superannuation and providing tools to know whether this coverage is adequate would be well considered.

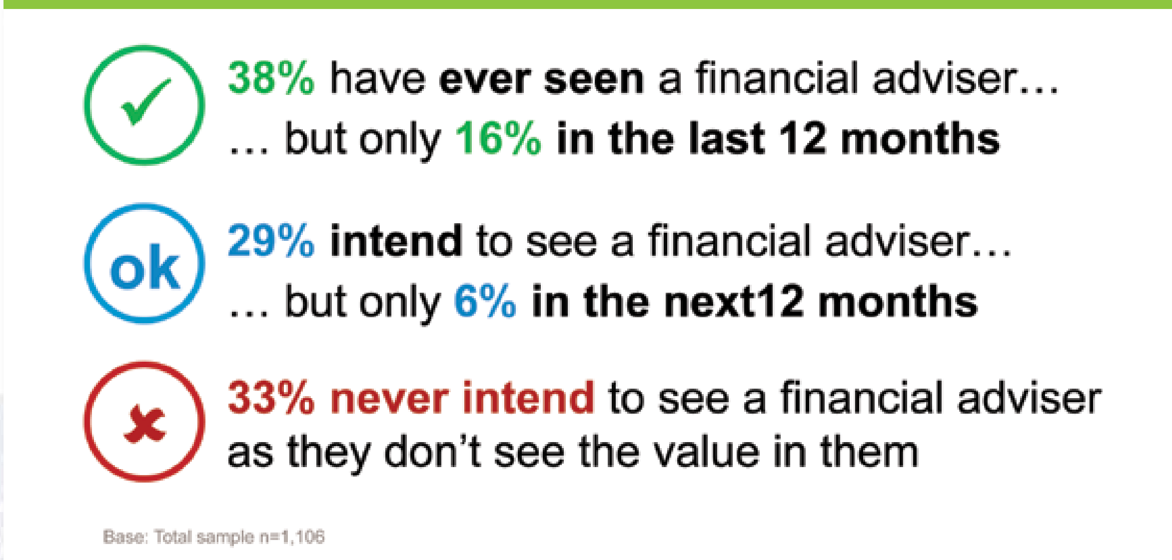
Life insurance ownership through superannuation



Financial advice is not aiding category engagement

Only about a third of working-age Australians have ever seen a financial adviser and less than one in five have seen one in the last twelve months. Equally, a third of working-age Australians are adamant that they'll never see a financial adviser as they don't see the value in them.

Experience with financial advice



Survey responses indicate that there is value in seeing a financial adviser when it comes to life insurance: those that have a financial adviser are more likely to rate income and life protection as essential, are significantly more likely to have a life insurance product (67% compared to 37% for those who haven't sought advice), and be insured for higher amounts on average. **However, having a financial adviser does not improve knowledge about insurance.** There is no difference between advised versus non-advised consumers in product range comprehension, knowledge of own policy, perceptions of pricing and perceptions of who should be covered. In fact regardless of advice exposure, less than half of working-age Australians believe it is necessary for all income earners to have life or income protection and around one in five believe that no-one requires cover.

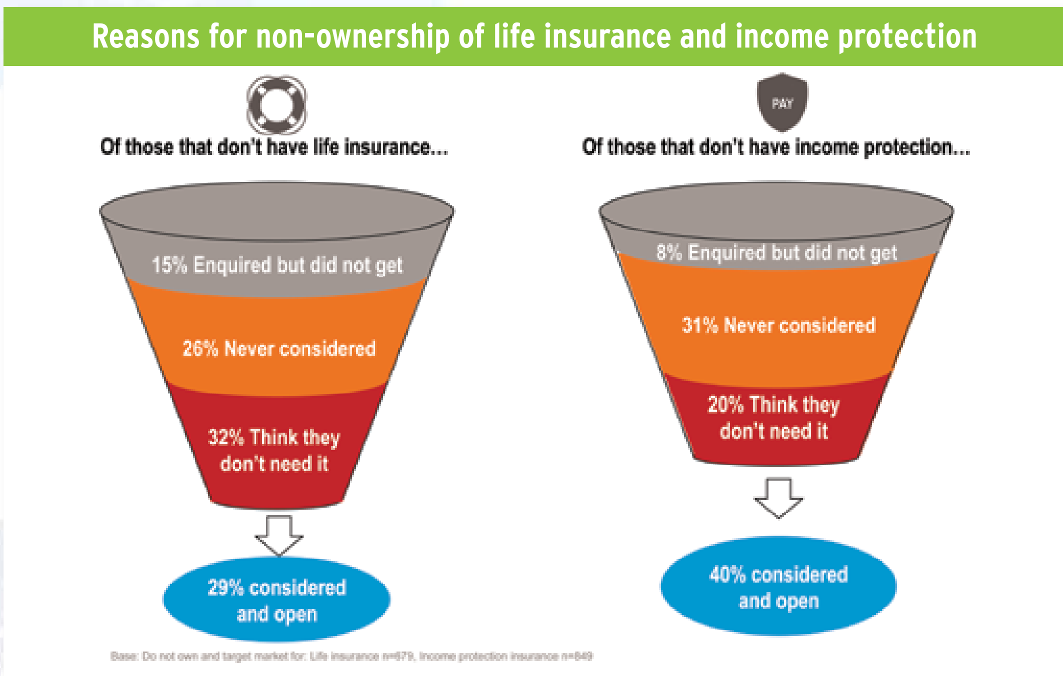
BREAKING DOWN THE BARRIERS:

obstacles and opportunities

There are three main barriers to increasing the penetration of life insurance in Australia. First, there is a need to prompt active enquiry – Australians recognise the importance of protection but many are failing to take the next step in seeking a solution. Conversion from consideration to purchase then requires better communication of ***tangible product value*** *(versus the assurance of protection) and reassurance of the industry's trustworthiness when it comes to following through on claims.*

The elephant in the room: protection need is known but product ownership to fulfil that need is ignored

The relatively low penetration of life insurance products in Australia does not appear to be a result of difficulties with the application process or information provision: of the one in two (51%) working-age Australians who have ever sought information on financial products or insurance that could help ensure they have enough money in the event of "life insurance" events, almost all (94%) have made an application and less than one tenth of those that apply do not end up with a product. **Evaluation of the life insurance application process reveals that the process itself is relatively easy** (in terms of steps required and how products work).



The biggest barrier to category entry for life and income protection insurance is a lack of consideration of **how** to provide for the event of death or being unable to work. Although nearly all of working Australians rate income or standard of living protection important, **at least one in four non-insured consumers simply have never considered the financial impact of "life insurance" events** that would lead to an inability to work and earn an income. Many other non-insured consumers believe that they do not need life insurance (1 in 3 for term life, TPD or critical illness and 1 in 5 for income protection insurance). **It's clear that not all Australians understand that both life and income protection are necessary for everyone** to ensure they can maintain their current standard of living: a quarter of survey respondents said no one needs life insurance cover and one in three stated only a household's main income earner.

Stated lack of need for life insurance is higher amongst younger Australians (perhaps understandable – death is, after all, likely to be a long way off), but also amongst pre-retirees (aged 45 to 65 years). This is of concern. The average life expectancy upon retirement age in Australia is now 20-25 years[21] and according to the United Nations[22], it is predicted that by 2036 more than one million Australians will be aged over 85 years. Although superannuation means Australians will have income on retirement, research suggests that the debt to superannuation ratio of pre-retiree households is as high as 91%[23], meaning retirees are still open to significant financial strain without adequate life protection. It is important, therefore, that the industry finds a way of communicating product relevance for the changing needs of this growing older demographic.

Doubted value is a purchase barrier... and government assistance plays a role in this

Expense and availability of funds are quoted as primary barriers to having life or income protection insurance (mentioned by more than one in two and one in three non-insured survey respondents, respectively). Expense perceptions are likely fuelled by the increasing cost of insurance in general in Australia as a result of the combination of declining interest rates, the higher cost of capital in the post-GFC financial market[24], and a low point in the insurance cycle resulting from a spate of natural disasters, for which the costs are expected to more than triple to $23 billion by 2050[25].

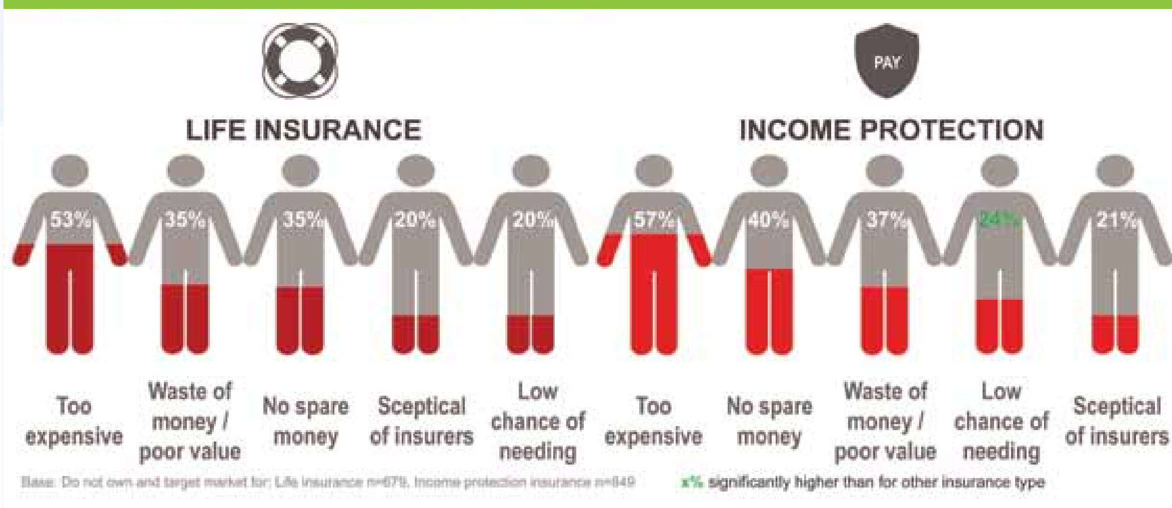
Perceived and actual expense of products should be an important consideration to the industry as market factors continue to put pressure on profit margins[26] and premiums are likely to increase accordingly. **As premiums rise the importance of palpable value propositions will heighten and value is already in doubt for many consumers.** Perceived value is the next largest barrier after expense (mentioned by 40% of non-insured

[21] The Intergenerational Report 2010, Commonwealth of Australia
[22] AIHW 2007: 5-6; ABS Population Projections, Australia, 2006 to 2101
[23] Household savings and retirement: Where has all my super gone? A report on superannuation and retirement funds, KELLYresearch, October 2012
[24] Future trends in insurance A global perspective on the life and non-life sectors, Ernst & Young 2013
[25] The 'Building our Nation's Resilience to Natural Disasters' White Paper
[26] APRA quarterly results Sep 2013

respondents for life insurance and 35%for life insurance). Further, more than one in ten (14%) current policy holders state that their product is a waste of money and less than one fifth (17%) agree that their product provides good value. This belief is likely grounded in part on the gap between what people believe life insurance costs and what they're willing to pay (a third to a half of expected costs), but is also affected by perceived low likelihood of ever needing to claim (mentioned by one in five) and hence poor return on investment.

Libertarian paternalism also appears to play a role in value perceptions. **More than half (59%) of working-age Australians expect the government to provide for them if they could not work.** This is despite just as many believing that the government will not be able to adequately provide benefits to those who can't work in the future. The existence of pensions and/or national insurance disability scheme (NDIS), even though they are generally recognised as insufficient to cover living costs (51% agree), means **many Australians believe they are already taken care of and this reduces the motivation to take responsibility for themselves.**

Top 3 stated barriers to taking up products



Trustworthiness of the life insurance industry is dubious

A 2010 LifeBroker report into underinsurance in the life insurance category in Australia revealed that two in three consumers (67%) believe that insurers will use loopholes to avoid payouts[27]. This research confirms that this belief subsists: more than half of survey respondents (58%) stated scepticism that life insurers will honour their policies if you needed to claim and this **mistrust in insurer commitment to claims is a stated rationale for avoiding purchase** for one in five disengaged consumers. Trust in the industry is also impacted by **strong scepticism that life insurers are selling products based on need, with two in three (65%) survey respondents believing life insurers tend to take advantage of people selling products they don't need.**

Negative sentiment about insurers is a tough topic to battle, particularly as social media presents unprecedented opportunities for consumers to share this sentiment. As one insurance industry executive highlighted, the insurance market is unfortunately particularly "ill-suited" to social media sentiment as *"when customers have a bad experience, it's very bad and hugely emotive. When they have a good experience, it's expected and normal"*[28].

The industry therefore needs to find other ways to alleviate concerns about the industry's commitment to customer claims. **A clear communication of the actual claim success rates would perhaps effectively "myth bust" and accomplish this.**

27 http://www.lifebroker.com.au/news/2010-06-30/australians-dont-trust-life-insurers#.Uw5hZfmSw1J
28 http://www.insurancebusinessonline.com.au/news/insurance-is-uniquely-illsuited-to-social-media-182200.aspx

METHODOLOGY

This report has been prepared exclusively for the FSC and MetLife by GfK Australia, one of the top global market research consultants.

Results were obtained from two phases of research:

- Two 'conflict' focus groups moderated discussions held in Sydney on January 23, 2014
  - Group 1 comprised financial decision makers aged 25 to 40 years old who are part of a couple with no children or who have children up to 5 years old, household income over $70,000. Four participants who held at least two life insurance products bought through advisers or actively through superannuation and value these, and four participants who owned none or don't think they're a financial priority.
  - Group 2 comprised financial decision makers with children aged 6 to 18 year old still at home, household income over $70,000. Four participants who held at least two life insurance products bought direct through insurers or actively through superannuation and value these, and four participants who owned none or only have as a default through superannuation and are not engaged with these.
- A 15 minute online survey of 1,106 adult Australians of working age (18 to 65 years) who have at least some say in the finances or spending in their household (96% of the total population aged 18 to 65 years). Interviews were conducted in February 2014 and respondents were sourced from an ISO registered online consumer panel. Data was weighted to the Australian population according to 2011 census data to appropriately represent the population base in terms of age, gender and location.

Summary statistics for key subgroups are available at the end of the report.

Result comparisons have been made at the 95% confidence and significant differences are highlighted in red (significantly lower) and green (significantly higher) text. Totals in this report do not always sum to 100% due to rounding.

SAMPLE PROFILE

Gender	%
Male	50
Female	50

Age	%
18-24 years old	15
25-34 years old	22
35-44 years old	22
45-54 years old	22
55-65 years old	20

Location	%
NSW/ACT	32
VIC/TAS	31
QLD	19
WA	10
SA/NT	8
Capital city	61
Regional	39

LIfestage	%
Young SINK (under 35 years)	13
Pre-family (DINKs under 45 years)	19
Young family (children under 12)	23
Older family (children at home 12+)	20
Pre-retirees (45-65, no kids at home)	24

Dependents	%
Net any children under 18 years	32
Children under 5 years	14
Children 5-12 years old	14
Teenaged children	12
Adult children	10
Elderly parent / disabled relatives	4
No dependents	59

Employment status	%
Full time job	39
Part time job / self employed	25
Home duties	8
Student	8
Unemployed	9
Retired / disability pension	11

Household income status	%
Sole income	69
Dual income	28
No income	3

Household income	%
<$50,000	26
$50,000-$75,000	19
$75,001-$100,000	16
$101,000-$150,000	19
>$150,000	7

Household assets	%
None	25
<$50,000	14
$50,000 - $150,000	14
$150,001 - $250,000	7
$250,0001 - $500,000	9
$500,001 - $1,000,000	8
>$1,000,000	4

Access to financial advice	%
Currently have a planner (seen in last 12 months)	16
Seen one in the past but not in the last 12 months	22
Never consulted one but plan to do so in the next 12 months	6
Never consulted one but plan to do so some time in the future	23
Unlikely to ever consult one as I don't see the value in them	33

Base: Total sample, n=1,106

LIFESTAGE PROFILES	Total	Young SINK	Pre-family	Young Family	Older Family	Pre-Retirees
Priorities for financial future (top priority)	%	%	%	%	%	%
Protecting your savings and investments	54	48	55	52	61	54
Ensuring your family has enough money to survive if you dies	50	**40**	45	**68**	57	**38**
Ensuring you still have an income if you're unable to work due to illness or disability	49	50	47	**59**	51	42
Putting aside a fund for emergencies	47	44	48	54	47	46
Maximising your savings for retirement	45	36	45	42	45	51
Overall financial priorities - willingness to sacrifice (lower = more of a priority)	%	%	%	%	%	%
Home and car insurance	3	5	**2**	3	3	3
Private health insurance	6	7	5	7	**5**	7
Income protection and/or life insurance	6	7	7	6	**4**	**9**
Wellness & exercise	6	9	7	6	7	6
Reducing debt	8	6	8	7	8	8
Savings	8	9	10	9	8	7
Additional superannuation contributions	10	9	10	10	**7**	**12**
Entertainment & Leisure	16	**13**	16	18	20	15
Personal treats	18	16	16	17	20	18
Travel	18	18	19	19	19	**15**
Thought about financial impact of...	%	%	%	%	%	%
Main income earner unable to work for a month or more because of illness or injury	82	**68**	82	**87**	82	84
Main income earner had to stop work permanently due to disability	74	**51**	**65**	**81**	77	**82**
Main income earner died	74	**50**	**66**	**81**	**81**	**79**
Main income earner lost their job	83	**74**	85	**90**	82	82
Proportion who thought about who have tried to plan for it...	%	%	%	%	%	%
Main income earner unable to work for a month or more because of illness or injury	49	43	47	52	47	49
Main income earner had to stop work permanently due to disability	47	43	47	52	47	49
Main income earner died	47	41	46	47	54	45
Main income earner lost their job	45	47	48	50	40	42
Household insurance ownership	%	%	%	%	%	%
Home or Contents	71	36	65	**78**	76	**82**
Car / motorbike comprehensive	70	42	68	75	74	**77**
Private health	58	**46**	63	61	61	57
Net any life insurance	48	**25**	53	**59**	53	43
Term life	38	**16**	41	**48**	41	33
TPD	29	**11**	35	**36**	33	25
Income protection	25	**12**	30	**35**	24	20
Trauma/Critical illness / accident	22	**8**	23	**30**	27	18
Funeral insurance	12	**4**	**6**	11	16	**18**
Associations with the term 'life insurance'	%	%	%	%	%	%
A lump sum payment upon death	75	**60**	69	77	77	**83**
A lump sum to cover costs of accidental death or specific illnesses e.g. heart attack, cancer	47	46	43	50	48	49
A lump sum upon becoming permanently disabled and being unable to ever work	32	25	36	33	33	31
Payments to cover your income if you can't work because of illness, injury	27	25	31	29	30	22

Base: Total sample, n=1106, Young SINK n=134, Pre-family n=204, Young Family n=256, Older family n=218, Pre-retirees n=276

LIFESTAGE PROFILES	Total	Young SINK	Pre-family	Young Family	Older Family	Pre-Retirees
Expected cost of life insurance	%	%	%	%	%	%
Lower income - $500,000 life cover	1470	1456	1686	1239	1767	1333
Lower income - $5,000/mth income protection	1319	1388	1670	1092	1266	1280
Higher income - $1,000,000 life cover	1657	1852	1531	1348	1876	1829
Higher income - $7,500/mth income protection	1520	1868	1580	1286	1523	1583
What willing to pay for life insurance	%	%	%	%	%	%
Lower income - $500,000 life cover	564	660	667	581	542	475
Lower income - $5,000/mth income protection	483	607	612	406	536	384
Higher income - $1,000,000 life cover	889	1385	806	667	967	867
Higher income - $7,500/mth income protection	789	1428	730	610	773	735
Information sources (if sought information)	%	%	%	%	%	%
NET any online source	44	58	48	46	41	38
Comparison website	24	36	27	24	21	21
Internet blog or reviews	15	36	19	18	9	10
Social media	8	11	12	8	9	3
Insurer / financial institution	38	50	32	38	41	33
Website	21	26	19	22	24	18
Branch	13	15	9	13	15	13
Call centre	13	15	10	16	16	9
Superannuation provider	37	25	33	**27**	43	**47**
Financial adviser	32	20	25	29	35	10
Recommendation from family or friends	26	26	35	26	30	**15**
Most useful (if sought information)	%	%	%	%	%	%
NET any online source	29	41	33	31	22	22
Comparison website	13	11	12	15	10	14
Internet blog or reviews	7	20	9	9	2	3
Social media	3	7	3	2	3	1
Insurer / financial institution	17	15	16	19	19	16
Website	6	3	8	5	7	5
Branch	6	7	6	7	5	7
Call centre	5	4	2	7	7	4
Superannuation provider	18	15	17	13	20	23
Financial adviser	22	13	20	19	25	29
Recommendation from family or friends	11	7	16	12	14	5
Top 3 stated barriers to life insurance	%	%	%	%	%	%
Too expensive	53	57	56	55	47	48
No spare funds	35	34	31	41	40	38
Poor value / waste of money	35	34	38	31	31	42
Sceptical of insurers	20	20	20	19	17	25
Chances of needing it are low	20	21	18	13	21	15
Wouldn't get anything back (loop holes)	17	18	14	18	17	17
It's a difficult topic to think about	13	21	14	11	17	6
Partner has it instead	11	5	10	17	8	11
Willing to take the risk	11	8	13	10	7	14
Top 3 stated barriers to income protection	%	%	%	%	%	%
Too expensive	57	49	58	58	59	57
No spare funds	40	36	34	41	45	40
Poor value / waste of money	37	37	43	33	33	37
Chances of needing it are low	24	29	22	18	23	23
Sceptical of insurers	21	24	20	17	21	25
Wouldn't get anything back (loop holes)	19	19	16	20	17	23
Willing to take the risk	14	9	13	16	9	20
Don't know where to start	12	20	16	10	12	4
It's a difficult topic to think about	11	14	10	10	14	**7**

Base: Total sample, n=1106, Young SINK n=134, Pre-family n=204, Young Family n=256, Older family n=218, Pre-retirees n=276; Used information sources n=562, Young SINK n=40, Pre-family n=104, Young Family n=152, Older family n=119, Pre-retirees n=143; Don't

LIFESTAGE PROFILES	Total	Young SINK	Pre-family	Young Family	Older Family	Pre-Retirees
n=	712	78	127	191	151	158
ACTUAL Triggers for life insurance	%	%	%	%	%	%
Feeling the need to protect loved ones	14	13	12	**19**	15	12
Starting to think about financial future	10	14	9	9	11	9
Loss of job or income for you / partner	9	6	12	9	9	9
Taking responsibility for financial future	9	11	9	9	9	9
Sudden illness or injury	9	11	10	**5**	9	11
Having a child	8	6	8	**17**	**5**	**2**
Experiencing financial strain	8	12	9	**6**	8	10
Feeling older, more fragile or more at risk	8	**3**	**3**	**5**	11	**16**
Getting a mortgage / buying a home	7	6	11	8	5	4
Death of a friend or relative	6	7	5	5	6	6
n=	365	54	75	63	65	106
EXPECTED Triggers for life insurance	%	%	%	%	%	%
Starting to think about financial future	11	8	11	7	17	12
Experiencing financial strain	11	**5**	10	12	12	14
Loss of job or income for you / partner	10	11	13	11	9	8
Feeling older, more fragile or more at risk	10	**2**	8	14	8	**15**
Sudden illness or injury	10	8	9	12	7	13
Feeling the need to protect loved ones	9	7	5	13	11	9
Taking responsibility for financial future	8	9	6	5	11	9
Having a child	8	**18**	12	5	6	**3**
Getting a mortgage / buying a home	6	10	9	6	5	**1**
Death of a friend or relative	5	5	5	5	4	6
n=	453	74	90	108	75	97
Most persuasive messages - life insurance	%	%	%	%	%	%
Government provides a tax incentive if you have it	22	20	20	19	27	24
By purchasing it through your Super you're covered without having to take away from your day to day income	16	**9**	15	17	13	**24**
A minimum level of insurance is mandatory to avoid extra taxation	14	17	16	12	13	13
Approximately 95% of all life insurance claims are paid by insurers	12	16	12	15	14	**6**
It ensures your family doesn't have to worry about income if you die, giving you the freedom to maintain your lifestyle, no matter what happens.	11	11	13	10	12	9
1/3 of women + ⅌ of men will suffer cancer... The majority of Australians wouldn't have enough money to live if they died from cancer.	9	9	10	11	8	6
Government cutbacks on welfare will mean assistance for disability will no longer be available	8	10	9	8	**4**	10
Insurance is available to ensure you and your family will have enough money if the worst happens; you just need to choose it.	8	10	6	7	9	7
n=	545	86	112	143	113	86
Most persuasive messages - income protect	%	%	%	%	%	%
Government provides a tax incentive if you have it	22	19	23	23	23	20
A minimum level of insurance is mandatory to avoid extra taxation	15	19	15	13	14	17
By purchasing it through your Super you're covered without having to take away from your day to day income	15	**8**	12	16	16	21
Approximately 90% of all I income protection claims are paid by insurers	11	13	13	13	10	9
It ensures a regular income if you're sick or injured and unable to work, giving you the freedom to maintain your lifestyle, no matter what happens.	10	7	11	11	11	10
1/3 of women + ⅌ of men will suffer cancer... The majority of Australians wouldn't have enough money to live if they had to stop working to fight cancer.	7	10	6	7	8	6
Your employer has no obligation to provide for you if you can't work... It's up to you to get insurance to protect your income	7	9	9	4	6	5
Insurance is available to ensure you will always have an income available; you just need to choose it.	6	8	6	6	7	5
Government cutbacks on welfare will mean assistance for disability will no longer be available	6	7	5	7	5	6

APPENDIX

USING THIS RESEARCH

It is important that clients should be aware of the limitations of survey research.

Qualitative Research

Qualitative research deals with relatively small numbers of respondents and attempts to explore in-depth motivations, attitudes and feelings. This places a considerable interpretative burden on the researcher. For example, often what respondents do not say is as important as what they do. Similarly, body language and tone of voice can be important contributors to understanding respondents' deeper feelings.

Readers should therefore recognise:

- that despite the efforts made in recruitment, respondents may not always be totally representative of the target audience concerned
- that findings are interpretative in nature, based on the experience and expertise of the researchers concerned

Quantitative Research

Even though quantitative research typically deals with larger numbers of respondents, readers of survey results should be conscious of the limitations of all sample survey techniques. Sampling techniques, the level of refusals, and problems with non-contacts all impact on the statistical reliability that can be attached to results.

Similarly quantitative research is often limited in the number of variables it covers, with important variables beyond the scope of the survey.

Hence the results of sample surveys are usually best treated as a means of looking at the relative merits of different approaches as opposed to absolute measures of expected outcomes.

The Role of Researcher and Client

GfK Australia believes that the researchers' task is not only to present the findings of the research but also to utilise our experience and expertise to interpret these findings for readers and to make our recommendations (based on that interpretation and our knowledge of the market) as to what we believe to be the optimum actions to be taken in the circumstances: indeed this is what we believe clients' seek when they hire our services. Such interpretations and recommendations are presented in good faith, but we make no claim to be infallible.

Readers should, therefore, review the findings and recommendations in the light of their own experience and knowledge of the market and base their actions accordingly.

Quality Control and Data Retention

GfK Australia is a member of the Australian Market and Social Research Organisations (AMSRO) and complies in full with the Market Research Privacy Principles. In addition all researchers at GfK Australia are AMSRS members and are bound by the market research Code of Professional Behaviour.

GfK Australia is an ISO 20252 accredited company and undertakes all research activities in compliance with the ISO 20252 quality assurance standard.

Raw data relating to this project shall be kept as per the requirements outlined in the market research Code of Professional Behaviour.