



Insurance Inside Super Report 2019

MetLife's annual report into
Australians' awareness,
attitudes and engagement
with insurance inside super.



A word from our CEO



The last year has been a tumultuous one for the financial services industry, weathering Parliamentary Inquiries and the Royal Commission, which has brought necessary attention to default insurance, or insurance inside super.

With the spotlight on the category, growing debate among policy-makers, and reforms that will impact members cover, you might expect public awareness of insurance inside super to have increased, but in fact its remained flat.

Our second annual Insurance Inside Super Research shows fewer working Australians are aware they have access to Death, Total Permanent Disablement (TPD) and Income Protection (IP) cover through their super fund, and even fewer know what cover they have. In reality they're likely to have cover, but are just not aware of what cover they have.

We know insurance inside super is built-in protection that serves an incredibly important purpose and has been a safety net for many Australians when the unexpected occurs. We want Australians to know it exists, why it exists and to be confident to make choices about their cover.

Super funds play a significant role in the relationship members have with their insurance inside super. Many members first find out about their cover via their fund, and have a lot of trust in their fund to help them navigate the cover they need. We need to do more to ensure members are informed about insurance inside super as opposed to "discovering" they have this type of insurance.

MetLife works closely with super fund partners, to help members understand that insurance inside super exists and the cover they have. But more needs to be done to ensure Australians are aware of the benefits, are actively thinking about

the cover they need and modifying their policies to ensure they have the right cover.

However, we cannot achieve this broad awareness without a commitment across the industry to collaborate and to make insurance inside super simple. Our research suggests that there are benefits for both members and their super funds when Australians are more engaged with insurance inside super.

A handwritten signature in blue ink, appearing to read 'Richard Nunn'. The signature is stylized and includes a horizontal line extending to the right.

Richard Nunn
CEO, MetLife Australia

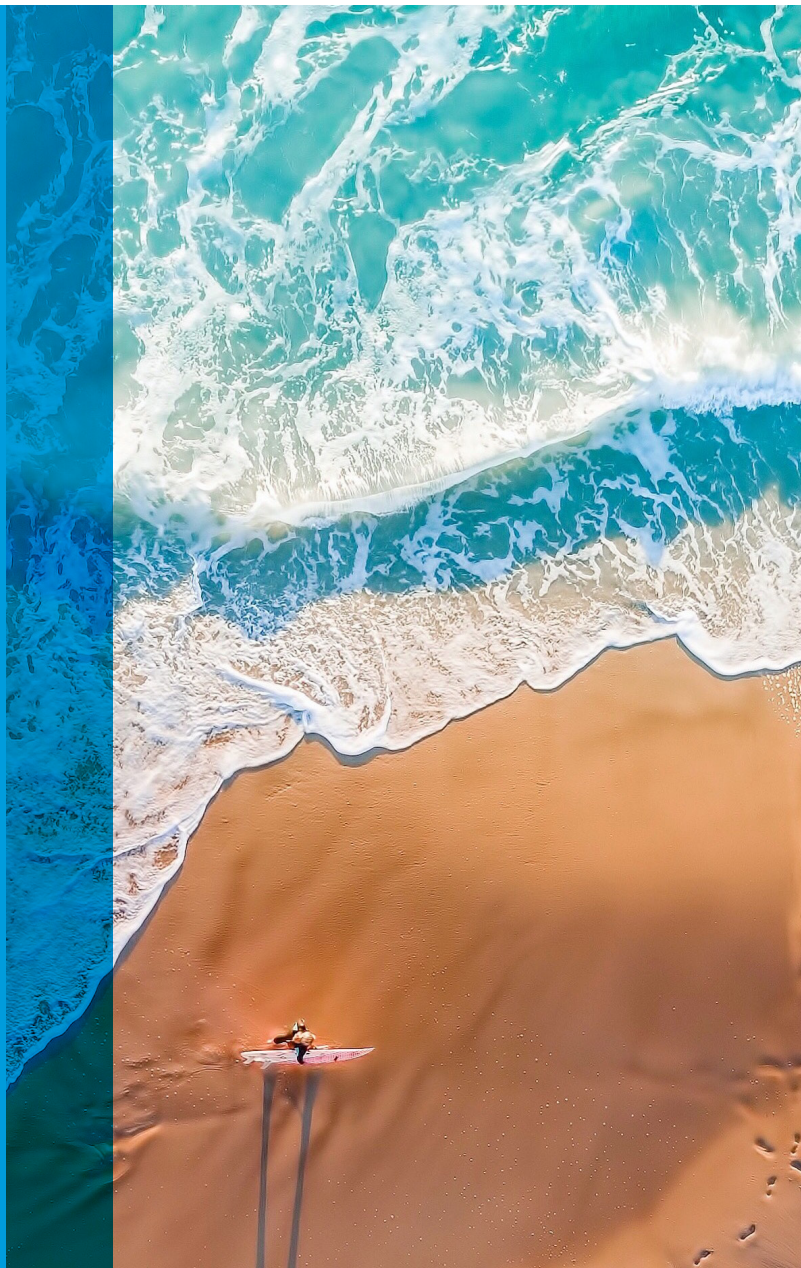
About MetLife in Australia

MetLife is a leading provider of life insurance, partnering with employers and super funds to help more Australians create a lifestyle they love – and providing help when they need it most.

With over 150 years of history and a strong global presence, we have the scale and experience to be a valued and trusted partner in business. Globally, MetLife protects customers in more than 40 countries worldwide, and leads the market in corporate insurance solutions in the US, Asia, Latin America, Europe and the Middle East.

MetLife is the third largest group insurer in Australia, protecting more than 2.6 million people. We support our claimants to get back on their feet financially, having disbursed nearly \$420 million in claims in 2018, and we provide an exceptional claims experience with access to ancillary support services to promote holistic health and wellbeing.

[metlife.com.au](https://www.metlife.com.au)



Who will benefit from reading this report?

- Senior leaders and professionals within the super industry
- Insurance industry professionals
- Regulators and government bodies
- Consumer advocate organisations focusing on personal finance
- Media

Research methodology

In 2019 we focused the research on the link between a member's engagement with insurance and their relationship with their super fund.

MetLife's Insurance Inside Super Research is the largest of its kind in Australia.

A representative survey of 1,506 working Australians, aged between 18 and 64, was conducted across all super funds in market. To be included in the sample respondents had to:

- Be aware that insurance inside super exists
- Have at least one type of insurance inside super i.e. Death, TPD or IP
- Manage their insurance themselves or jointly with someone else

The results of the research were analysed across three segments to help us understand the impact of greater engagement and better understanding of insurance inside super:



Are aware they have cover, however not aware they can modify it

N = 588 (or 39%)

[Not Aware Can Modify]



Aware they have cover, and that they can modify, but haven't

N = 589 (or 39%)

[Aware & Not Modified]



Aware they have cover and have modified it

N = 329 (or 22%)

[Aware & Modified]

In addition, a representative sample of 630 people were asked about their awareness of insurance inside super.



Key findings

Super fund members lack awareness that insurance inside super exists, let alone that they are paying a premium.

Overall 73% of Australians are aware they have access to life insurance inside super, however only 1 in 2 claim to know what cover they have.

Rice Warner research¹ suggests there are more than 13.5 million separate insurance policies held through super funds, so its likely many have cover without even knowing it.

Of those who were aware insurance inside super exists and that they had cover:

Nearly 40% were not aware they could modify the level of their insurance cover

More than 1 in 4 (28%) said they were not aware they are charged a premium for insurance inside super and for those that were aware, only 34% knew the premium amount being charged

More than half (57%) don't know how to calculate how much cover they need

27% first became aware of having insurance via their super fund, while 14% were alerted when they discovered premiums coming out of their account. This discovery can lead to members cancelling cover if they don't understand its value and benefits





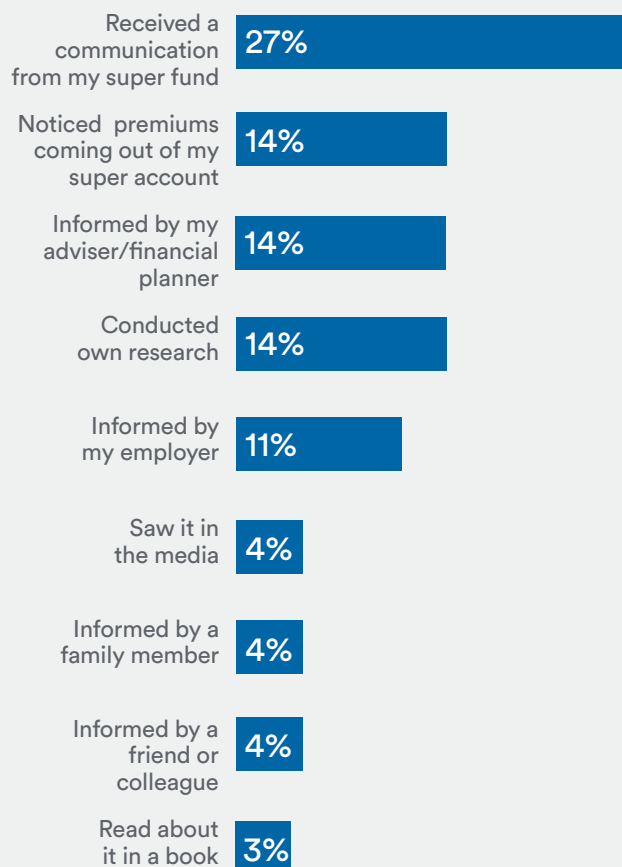
To avoid rude shocks, more needs to be done to inform members about insurance inside super and the benefits of this type of cover.

Receiving communications from their super fund is the main driver of initial awareness of insurance across all three sample groups, and members trust their super fund to help them navigate insurance inside super:

72% of respondents trust their super fund to help them make informed decisions about life insurance

70% trust their super fund to help them understand how much life insurance they need

How did you first become aware of having insurance inside super?

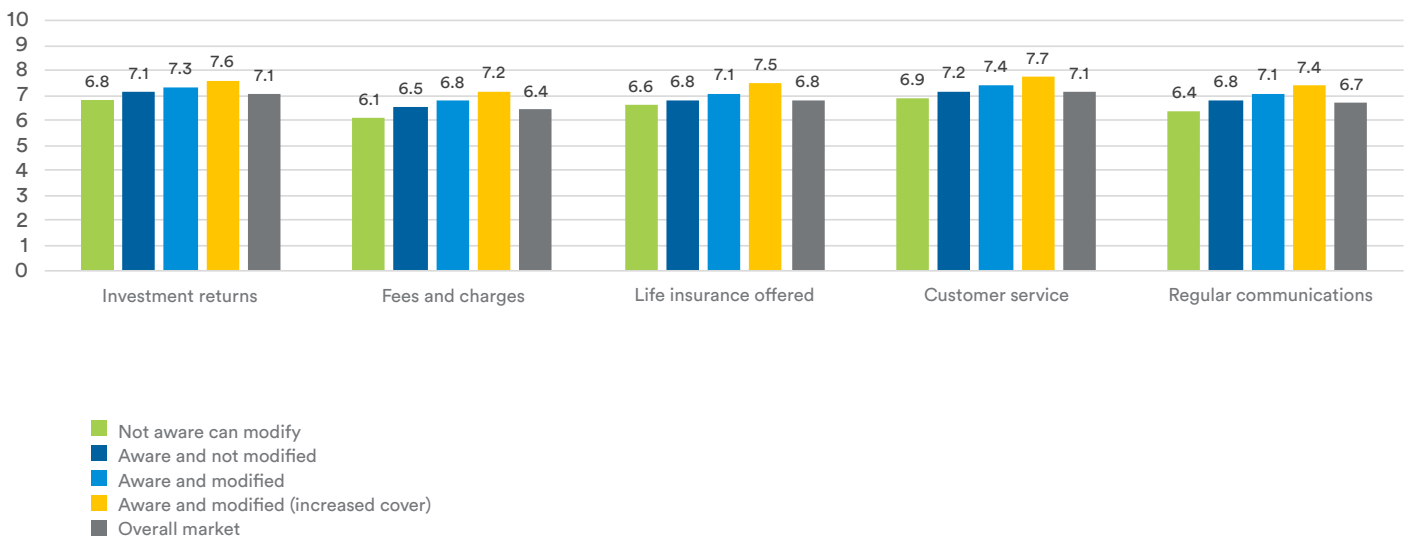


The research suggests there are significant benefits for both members and their super funds when members are engaged with their insurance inside super.

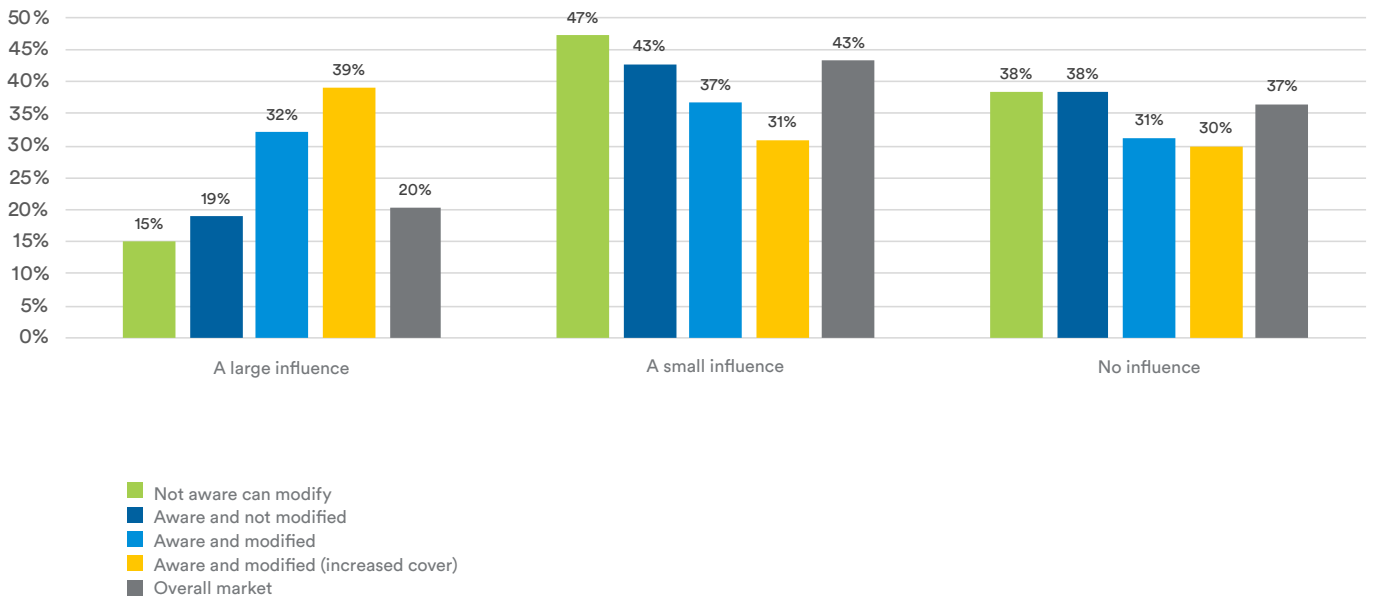
Those members who have modified (and in particular, increased) their insurance are more likely to:

- Engage with and check their super more often
- Have a greater awareness of how much super and insurance cover they have
- Feel they are better prepared from an insurance perspective should they suffer from injury or illness
- Have greater loyalty to their super fund
- Rate their super fund higher on several attributes including investment returns, fees and charges, customer service, and communications
- Recommend their super fund
- Speak with their children (those aged between 18-29 years) or parents about super and insurance

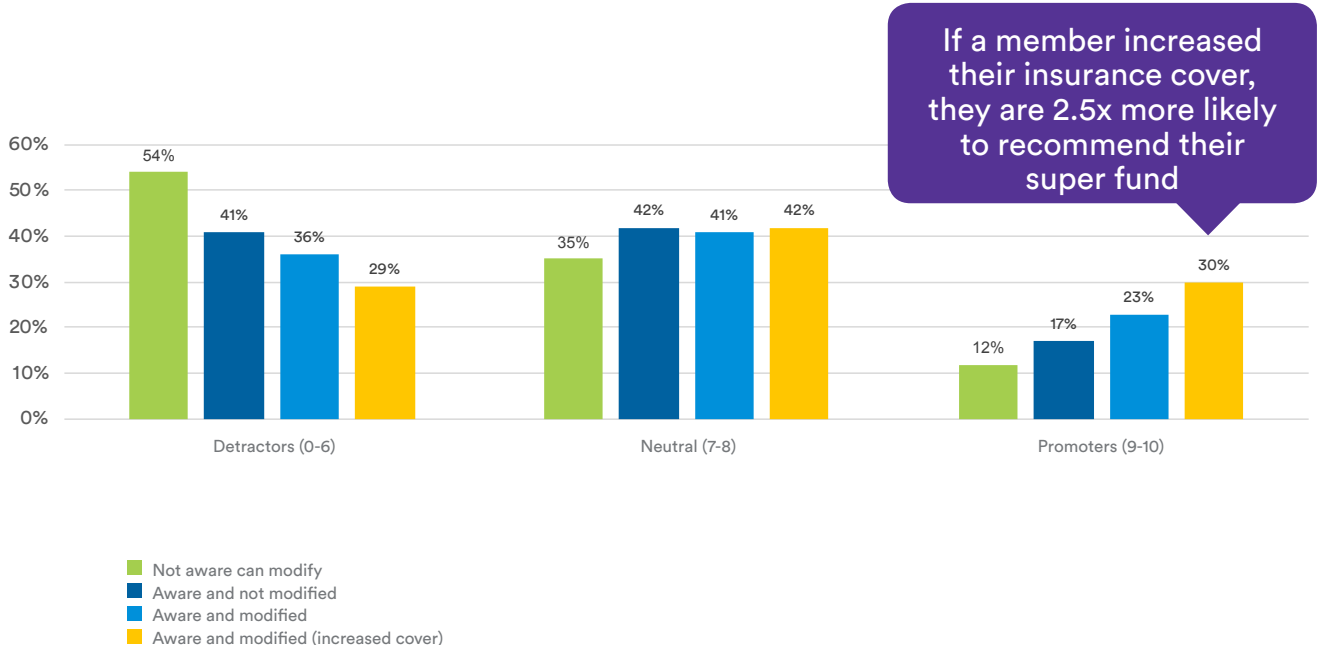
**Overall, how would you rate your main super fund on each of these?
[0 = Poor, 10 = Excellent]**



How much influence does your insurance inside super have on your decision to stay with your super fund?



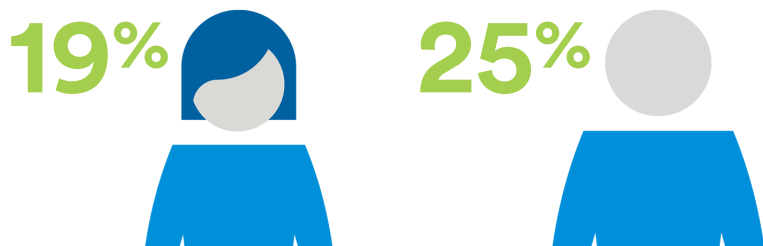
Based on your experiences with insurance inside your super, what is the likelihood to recommend your super fund to a friend or colleague? [0 = not at all likely to recommend, 10 = extremely likely to recommend]



Women and insurance inside super

The research reinforced that there is still a long way to go to support women to improve their engagement with insurance inside super and their super.

It found that only 19% of women are aware they have insurance inside super *and* have modified their cover, compared with 25% of men.



The research also found that women are:

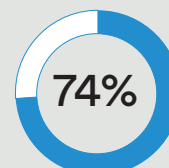
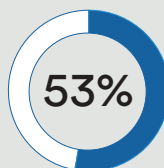
- Less likely to be aware they can modify their cover (57% of women are unaware compared to 63% of men)
- Much less likely than men to know the insurance amount they are covered for
- Less likely to be aware they are being charged a premium for their insurance inside super (66% of women are aware they are charged premium compared to 76% of men)
- More likely to have modified and increased their cover if they are either married, separated or divorced
- More likely to have modified their cover if they are parents
- More likely to join their employer's default fund (71% of women compared to 62% of men). Only 9% said they were likely to do their own research before joining a super fund compared to 13% of men
- Less confident about calculating the insurance cover they need. 79% of women who were not aware they can modify insurance inside super said they don't know how to calculate the amount of life insurance cover they should have compared to 62% of men
- Less likely to have engaged with their super, including checking their balance, compared to men

Of those who were aware insurance inside super exists *and* that they had cover:

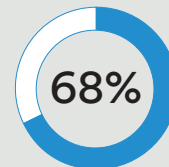
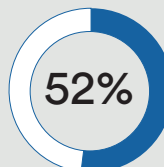
Female

Male

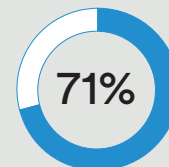
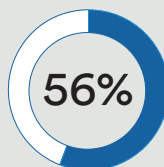
Awareness of the amount of cover they have – Death



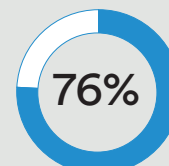
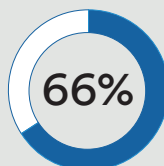
Awareness of the amount of cover they have – TPD



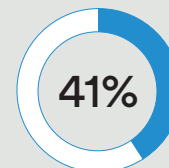
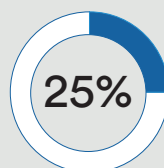
Awareness of the amount of cover they have – IP



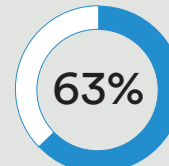
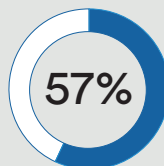
Awareness they are charged a premium for their insurance inside super



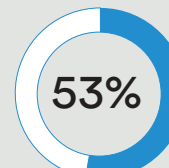
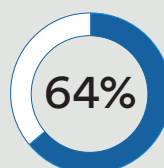
Awareness of the premium amount charged for their insurance inside super



Awareness of ability to modify insurance inside super

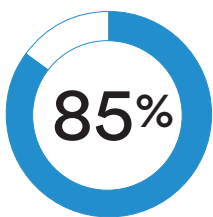


Don't know how to calculate the amount of insurance inside super cover they should have

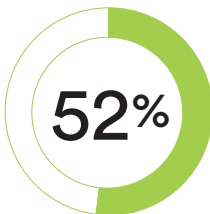


How to communicate with members about insurance inside super

Effective communications between super funds and their members is vital to driving awareness and behaviour change when it comes to insurance inside super.



want communication at least every year



want communication at least every six months

Communications have the power to inform and inspire, if you get the message and delivery right. With the introduction of the Federal Government's new Protecting Your Super Package, and more changes expected, members are already receiving a lot of information about changes to their super. It's important to cut through the noise and based on our research findings we have developed four tips for doing just that.

Members want more frequent communication about their insurance inside super.

Interestingly, younger members prefer more regular contact. 91% of 18-29 year-olds prefer to be contacted every year (71% every six months), compared to 79% of the 50-64 age group (39% every six months).

#1 Communicate with a focus on key moments

While we want all Australians checking their cover more often, we know key life stages, or 'moments' are a prompt for people to check their protection.

Over half of members who increased their cover were related to a life event. Buying a house (22%) was the most common reason, followed by a recommendation from a financial adviser (20%) and receiving a communication from their super fund (19%).

There is an opportunity for super funds to communicate with their members about key points in their life and to highlight when they should be thinking about the protection they have.



Moments that prompt members to increase their cover



#2 Tailor communications to member preferences

The general consensus is that email is the preferred method for super funds to be communicating with their members about insurance inside super, with 61% ranking it number one, followed by 18% for regular post.



However, relatively speaking, those respondents in the 40-49 and 60-64 age groups ranked traditional post more highly while those in the 18-29 age group ranked phone calls and text messages greater. This suggests the communications approach of super funds should take into consideration the preferences of each member.

Messaging needs to be carefully curated and personalised, beginning with a short and sharp greeting to get the members attention.



#3 Use simple language

It's important that super funds make the message simple. In recent MetLife focus groups, many participants (particularly those aged under 30 years) were confused by terminology such as 'premiums', 'pre-tax' or 'default'. Failure to deliver simple messages reduces the impact of those communications.

The research highlights the need to continue proactively educating members in simple, easy to understand language, about:

- Why insurance inside super exists
- Why insurance inside super was introduced
- The fact that they have insurance inside super and can control what they are covered for, and their level of cover
- The advantages of being protected with insurance inside super
- How they can calculate how much cover they need and who to ask for advice

#4 Bust the myths

Confusion, misinformation and a lack of awareness is leading Australians to make assumptions about insurance inside super. It's important to dispel the myths and ensure members understand the benefits of insurance inside super.

MYTH: Insurers don't pay at claim time

An alarmingly high number of people (60%) have concerns about whether their insurer would actually pay a claim. This is almost 10% higher for people aged 18-39 and concerns are driven by distrust, poor reputation and negative publicity.

BUST: Industry average acceptance rates for claims is high

These concerns highlight the challenges faced by the industry as we work to rebuild public trust. In reality the industry average acceptance rate for claims against Death cover is 98%, for IP it's 96% and for TPD it's 88%. TPD claims tend to have a slightly lower average acceptance rate because they are more complex to assess.

MYTH: Insurance cover is hidden within super

Because of the variety of ways members can become aware of insurance inside super it is often assumed insurance companies are trying to hide this type of cover.

BUST: Insurance companies want members to be aware they have insurance

Insurance companies want members to be aware that they have insurance and to modify their cover to suit their individual needs. Our research shows there are far more benefits when members are aware of and modifying their cover.

MYTH: People don't want insurance inside super

Members don't value insurance inside super and will cancel when made aware.

BUST: Members who are aware of their insurance are more engaged

Our research suggests when members are aware and informed they are happier, more engaged with their super, more likely to modify their insurance, including increasing it, and have more appropriate levels of cover than those not aware.

MYTH: It's difficult to change cover

Insurance companies make it hard for you to change your cover.

BUST: Members found the process to be easy and fast

More than 4 in 5 people who increased their cover found the experience easy (84%) and fast (86%).

**Please contact your
Relationship Manager to find
out more about the research
and how MetLife can assist
with improving member
engagement with insurance
inside super.**

**For all other enquiries, email
auseservices@metlife.com**

Thank you.

This paper has been prepared by MetLife Insurance Limited, ABN 75 004 274 882 AFSL 238 096 (MetLife) and should not be published or reproduced without the prior written permission of MetLife. Whilst care has been taken in preparing this material, MetLife does not warrant or represent that the information, opinions or conclusions contained in this document ("information") are accurate. The information provided is general information only current as at the time of production. It has been prepared without taking into account your personal objectives, financial situation or needs and you should consider whether it is appropriate for you. It is not intended to be a substitute for professional advice and should not be relied upon as such. MetLife recommends that you obtain independent and specific advice from appropriate professionals before implementing a financial strategy, including reading any relevant Product Disclosure Statements, Financial Services Guides and/or terms and conditions.

metlife.com.au



MetLife Insurance Limited | Level 9, 2 Park Street, Sydney | NSW 2000

ABN 75 004 274 882 AFSL NO. 238 096

© 2019 METLIFE INSURANCE LTD.