



Australians and life insurance: misinformed, misinsured?

Are our priorities right?



83%

of Australian car owners insure their car

**BUT
ONLY**

31%

insure their income



Source: lifewise.org.au



20% of mortgage defaults are due to 'illness or accident in household'

Source: Mortgage default in Australia: nature, causes and social and economic impacts, Australian Housing and Urban Research Institute, March 2010

What is more valuable?



YOUR CAR

Cost -\$45,000

Value in 5 years time?

Cost to insure

\$100 per month

(Illustrative only, based on popular four door sedan, major insurer, suburban Sydney, 35 year old male driver, 2014.)



YOUR INCOME

Annual value now?

Value over 5 years time?

Value until you retire?

Cost to insure

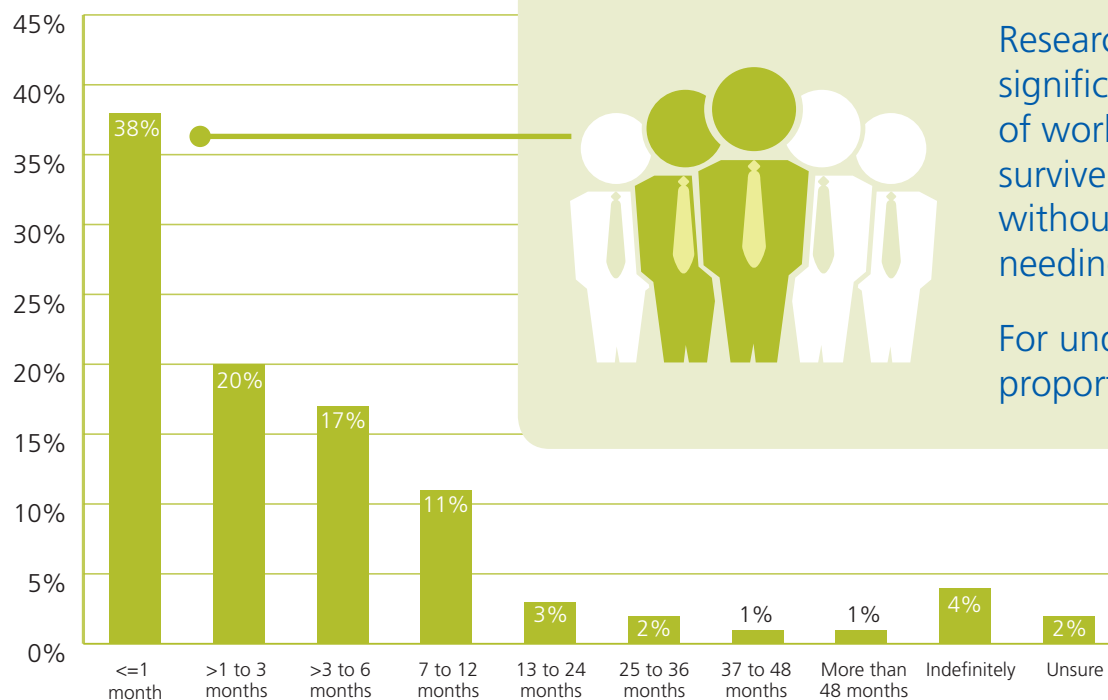
2% of income (before tax)

(Approximate only, individual cost varies by many factors including age, occupation and benefits chosen.)

VS

How much do you rely on your income?

Assuming you were unable to work because of illness or injury, how long do you think you could survive on a zero income before needing to sell your assets?




Research showed that a significant proportion (38%) of working Australians could survive less than one month without their income before needing to sell assets.

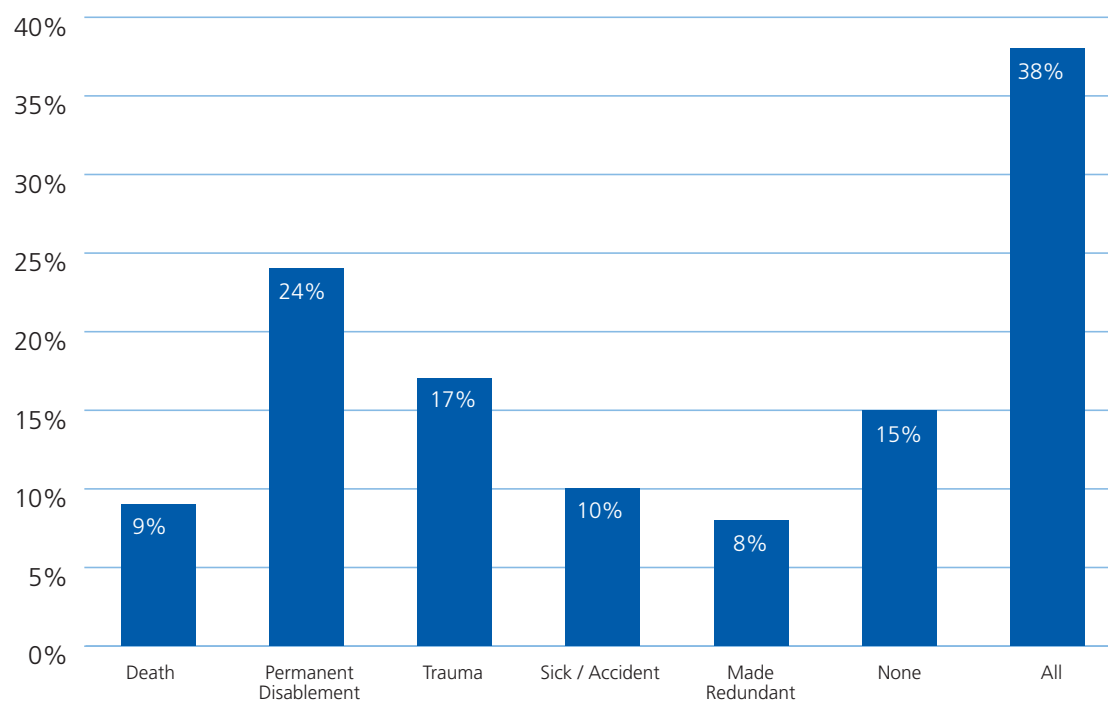
For under 35s, this proportion was around half.



Exercise

How would you survive in a month's time if your income stopped now?

What risks are you most worried about?



Risk	Population ranking	Your ranking
All	1st	
Permanent disablement	2nd	
Trauma (cancer, heart attack)	3rd	
None	4th	
Temporary disablement due to sickness or accident	5th	
Death	6th	
Redundancy	7th	
Other	8th	

Notable finding

There seems to be a misalignment between perceived ability to survive without an income and which risks are of most concern to people.

What are the odds?



Stroke

Stroke is a **leading cause of long term disability** in adults.⁷ Close to 20% of all strokes occur to people **under age 55**.⁷ Each year about **12,000 people** who have had a stroke suffer **another stroke**.⁸



Smoking

One in nine cancer cases, and **one in five** cancer deaths, are caused by cigarette smoking.³



Cancer

1 in 2 Australian men and **1 in 3 Australian women** will be diagnosed with cancer **by the age of 85**.¹²



Prostate cancer

Around **19,400 Australian men** are diagnosed with new cases of prostate cancer every year, and around **3000 men die** from it.¹⁰



Injury or poisoning

Over 39,000 people will be hospitalised due to injury or poisoning this year.⁹



Disability

You have more than **60%** chance of being disabled for one month during your working life.⁵
- and a 1 in 3 chance of being disabled for more than three months



Depression

One in four women and **one in six** men suffer from depression at some time in their life.²



Heart attack

Each year, **around 55,000** Australians suffer a heart attack. This equates to **one heart attack every 10 minutes**.¹



Coronary heart disease

was the **leading cause of death** for both males and females in 2009.⁴



Breast cancer

One in eight Australian women will develop breast cancer.¹¹



Bowel cancer

Around **13,000** new bowel cancer cases are diagnosed in Australia every year. The disease claims **almost 4000 lives** annually.⁶

¹ 'Data and Statistics', Heart Foundation, 2012
² The Victorian Government's Better Health Channel website, 'Depression – an overview', 2007
³ Cancer FAQ', National Cancer Council 2007
⁴ (AIHW 2012. Australia's health 2012. Australia's health no. 13. Cat. no. AUS 156. Canberra: AIHW. page 86)
⁵ Interim Report of the Disability Committee, Institute of Actuaries of Australia 2000
⁶ 'National Bowel Cancer Screening Program monitoring report 2008', Australian Institute of Health and Welfare 2008
⁷ National Stroke Foundation website, 'What is a Stroke?: Facts, figures and statistics', 2009
⁸ 'Australia's Health 2008', Australian Institute of Health and Welfare 2008
⁹ 'Australia's Health 2010', Australian Institute of Health and Welfare 2008
¹⁰ 'Prostate cancer related statistics', Prostate Cancer Foundation of Australia 2007
¹¹ 'Breasthealth: what is breast cancer', Pink Ribbon Appeal 2008, National Breast and Ovarian Cancer Centre, National Breast Cancer Foundation 2008
¹² 'Facts & Figures - Cancer in Australia 2012' Cancer Council 2012
¹³ Based on analysis of Zurich Trauma claims paid
¹⁴ Zurich Claim Cause Analysis – Trauma 10-11

It can - and does - happen to anyone at any age: illness and injury

Extract from Zurich income protection claims register

Age	Gender	Years since policy started	Cause	Occupation	Duration (days)	Initial monthly benefit	Benefits paid to date
23	M	4	Fractured left ankle	Cement renderer	59	\$2,233	\$4,650
27	F	2	Hyperemesis gravidum	Accountant	150	\$3,125	\$17,496
28	M	1	Hodgkins lymphoma	Adviser	178	\$6,750	\$42,688
30	M	2	Burkitts lymphoma	Dentist	150	\$11,250	\$46,740
33	M	5	Fractured right femur	Self employed tiler	211	\$4,101	\$30,007
34	M	2	Depression	Real estate agent	34	\$15,562	\$33,098
34	F	3	Hyperemesis gravidarum	Clinical psychologist	61	\$5,654	\$11,553
36	F	1	Fractured left clavicle	Osteopath	106	\$4,774	\$17,473
37	M	4	Generalized anxiety disorder	Project engineer	272	\$9,842	\$89,948
38	F	2	Cardiac arrest	Chief financial offer	395	\$4,870	\$71,337
39	M	5	Carpel tunnel syndrome	Plasterer	89	\$4,482	\$13,740
40	M	4	Adjustment disorder	Piping engineer	223	\$6,669	\$54,237
41	M	2	Depression	General manager	273	\$2,926	\$44,927
43	M	1	Bilateral tennis elbow	Plumber/Roofer	303	\$5,188	\$54,527
45	M	2	Head fracture	IT consultant	242	\$9,769	\$41,985
45	M	4	Fracture right midfoot	Doctor - general practitioner	216	\$4,163	\$11,979
46	M	6	Prostate cancer	Glazier	241	\$4,462	\$37,131
47	M	14	L5 disc prolapse	Bobcat operator	108	\$3,690	\$13,864
49	F	6	Acute myeloid leukaemia	Head of technology	76	\$12,449	\$34,066
50	F	2	Motor vehicle accident	School teacher	272	\$4,120	\$38,874
51	M	5	Osteosarcoma	Operations manager	364	\$3,746	\$52,008
52	M	6	Anxiety and depression	Project manager and consultant	303	\$8,171	\$49,615
53	M	3	Myxoid liposarcoma	Manager engineering	119	\$10,640	\$87,297
54	F	15	Rectal adenocarcinoma	Florist	183	\$2,373	\$15,143
57	M	18	Liver cancer	Psychiatrist	60	\$11,766	\$24,892
59	M	16	Non-hodgkins lymphoma	Funeral director	231	\$5,099	\$40,959
61	M	25	Fractured left hip	Painter and decorator	285	\$1,686	\$19,234
64	F	4	Carpel tunnel syndrome	Plastic surgeon	18	\$23,185	\$4,287
65	M	18	Degenerative disc and joint disease	Bricklayer	201	\$2,895	\$16,557

Fact

Even minor, non life-threatening conditions can see you off work and unable to earn your income

It can - and does - happen to anyone at any age: serious health trauma

Extract from Zurich trauma claims register

Age	Gender	Years since policy started	Cause	Benefits
29	M	4	Benign brain tumour	\$156,280
32	M	5	Stroke	\$79,008
35	F	6	Lung/Respiratory cancer	\$303,876
39	M	3	Diabetesmellitus	\$551,250
40	M	5	Cardiomyopathy	\$1,215,506
41	F	4	Thyroid/Glandular cancer	\$1,050,000
43	M	3	Heart attack	\$385,875
43	F	6	Breast cancer	\$382,885
45	M	4	Prostate cancer	\$289,406
46	M	7	Myocardial infraction	\$1,267,875
47	F	15	Multiple sclerosis	\$271,833
48	M	14	Heart attack	\$382,885
49	F	4	Breat cancer	\$110,250
49	M	7	Coronary artery bypass surgery	\$167,513

Age	Gender	Years since policy started	Cause	Benefits
50	F	6	Leukaemia	\$255,256
51	F	11	Cervical cancer	\$155,134
52	M	7	Parkinson's disease	\$106,448
54	F	4	Motor neurone disease	\$231,525
56	M	16	Mesothelioma (asbestos cancer)	\$203,476
57	F	5	Stroke	\$364,652
58	M	2	Skin cancer (melanoma)	\$110,250
59	F	9	Ovarian cancer	\$157,596
60	M	9	Bowel cancer	\$298,306
61	M	16	Prostate cancer	\$204,064
62	M	12	Ischaemic heart disease	\$171,036
62	M	6	Coronary artery bypass surgery	\$328,643
63	M	2	Angioplasty	\$525,000

Video stories: Claimants talk about their experiences



Trauma insurance

Trevour Dymond was a very fit professional in his thirties, who suffered a stroke.



Trauma insurance

Breast cancer sufferer Evelyn Wilfling discusses her experiences.

Cancer - bad news - good news - bad news

Males have a
1 in 3
 chance of suffering
 cancer before age 75.
Females 1 in 4.

around
120,000
 new cases are diagnosed every year

in the last 25 years,
 number of cancer cases
 diagnosed has grown

200% The population has
 grown 30% over that
 same time period

GOOD NEWS

Cancer survival rates are increasing
 for most types of cancer,
 with 5 year relative survival rates
 for all cancers at

66%

CANCER is the leading cause of death for
 males of all ages - and females aged 25-64

this year will see nearly
20,000
 new cases of prostate cancer

AND

14,500
 cases of breast cancer
 diagnosed



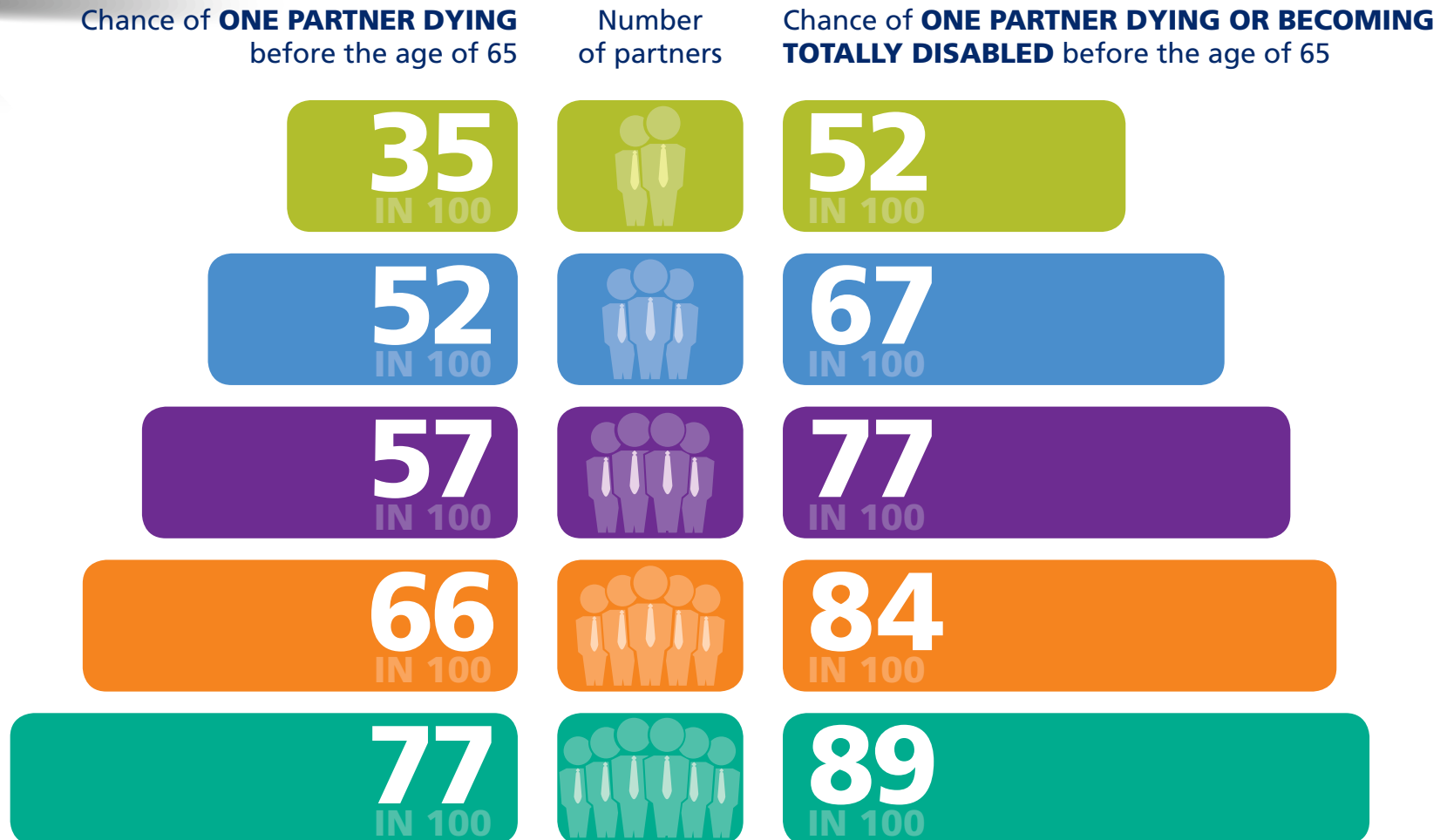
BUT The lifetime financial cost of
 cancer to an individual is on
 average more than

\$100,000

(some cancers can cost 2-3 times that)



The **risks** are magnified for small business owners



What are you really protected for?

Cover typically provided by life or health insurance products:

Events covered	Death by accident	Death by any cause	Terminal illness	Accident or illness resulting in:			Health trauma (cancer, heart attack, stroke)	Hospital expenses	Cost of ambulance transport	Health extras (dentist, optical)
				Total and permanent inability to do 'any' job	Total and permanent inability to do your 'own' job	Temporary inability to do your normal job				
Accidental death	✓	-	-	-	-	-	-	-	-	-
Death cover – super	✓	✓	✓	-	-	-	-	-	-	-
Death cover – non super	✓	✓	✓	-	-	-	-	-	-	-
TPD cover – super	-	-	-	✓	-	-	-	-	-	-
TPD cover – non super	-	-	-	✓ OR	✓	-	-	-	-	-
Income protection – super	-	-	-	-	-	✓	-	-	-	-
Income protection – non super	-	-	-	-	-	✓	✓ (allowable extra)	-	-	-
Trauma	-	-	-	-	-	-	✓	-	-	-
Private health insurance	-	-	-	-	-	-	-	✓	✓	✓
Ambulance cover	-	-	-	-	-	-	-	-	✓	-

Will government assistance really assist?

Workers' Compensation¹

Workers' compensation - e.g. WorkCover - will only cover you for accidents or injuries that occur during working hours or for an illness that is a direct result of your employment (if you are self employed you may not even have workers' compensation cover).

Even if your illness or injury is covered by workers' compensation, benefits are capped under the different state regulations, in terms of both the amount of weekly benefit and the length of time they are payable for. For many people, the benefits payable under workers' compensation will be well short of their normal weekly income.

Centrelink² (disability support pension)

As at June 2014, Centrelink disability support offered a maximum payment of \$766 per fortnight per single, and is subject to income and assets testing.

NDIS³

The NDIS is currently being trialled in a handful of regional locations, with full rollout in states to commence in 2016.

NDIS is not intended to replace lost income nor pay lump sums for injuries, it is designed to offer a broad range of support – including access to community services, and/or equipment such as wheelchairs - for people with severe and permanent physical and/intellectual disabilities.



For more information:

1. See relevant workers compensation authority in your state
2. Source: Centrelink website
3. Source: ndis.gov.au

No substitute: other insurances

There is a range of highly specialised insurances that provide very narrow cover in very limited circumstances and should not be considered a substitute for life insurance. These include:

Did you know?

In the NT it is possible to buy Crocodile insurance



Are you adequately protected?

Things to consider



Average Australian home loan (@ end 2013) -
\$319,200

Source: ABS 5609.0 Housing Finance, Australia

THIS IS
ALMOST



the median weekly wage of \$65,000*

Source: Source: ABS 6306.0 – Employee earnings and hours

The legal minimum level of life insurance (death and TPD) offered by a MySuper product in a default employer sponsored superannuation funds is as per table below (source: ATO website)

Age range	Minimum level of cover
0 to 19	NIL
20 to 34	\$50,000
35 to 39	\$35,000
40 to 44	\$20,000
45 to 49	\$14,000
50 to 55	\$7,000
56+	NIL

What cover does your fund offer?

Mind the gap: The facts about life cover through your super

Fact 1: Many employees get access to automatic or default life insurance through their superannuation fund. However the default benefits are generally driven by simple formulas based on your age and salary.

Fact 2: Default cover is not tailored to your circumstances

Fact 3: There is often a gap between the required cover needed and the default cover given

Income protection

You may find your fund either doesn't offer it automatically or if it does it has a three month waiting period.

This is little comfort to those people who said they would struggle to last 1 month without their income.

Furthermore, this type of cover is likely to offer a limited benefit period and very basic features.

Could you survive 3 months without your income?

Death & TPD cover

When it comes to death and TPD cover, research by Rice Warner¹ actuaries illustrates that life insurance cover within super is on average only 20% of what is needed.

Furthermore coverage within super is more limited, with benefits such as terminal illness and own occupation TPD not available through your super fund coverage.

GAP = 80%

¹Source: lifewise.org.au

Do life insurers pay claims?

Total life insurance claims paid 2012*

	\$ paid	Total claims
Term	\$1.81bn	18,197
TPD	\$630m	6,930
Trauma	\$539m	3,169
Income	\$1bn	34,056
Total	\$3.98bn	62,352

This means an average of

\$15.9
MILLION



was paid in claims **EVERYDAY**
to 171 Australians and their families

Other life insurance myths and objections

I can't afford it



If every cent of your income is precious then you can't really afford not to have it. Plus life insurance is probably cheaper than you think, with the equivalent of \$10 per week able to buy approximately \$750,000 in death cover for a 35 year old non smoking male (illustrative, based on sample quotes from a range of insurers).

If something happens to me, my debt is extinguished

Unless you are specifically paying for some type of credit insurance this is almost never the case. The lender will either demand your guarantor or family members keep up the payments or seize the assets (car, home, business).



I need a medical

As part of the application you will need to answer questions about your health, occupation and lifestyle, but in most cases an insurer can process your application without needing to ask for extra.

Occasionally, depending on your health or the type or amount of cover applied for, you may be asked for extra information. This may involve a more detailed questionnaire or - in some cases - tests such as blood tests, or a medical examination (by your own doctor).

The costs for any such tests - in the event they are required - are fully met by the insurer so you are not left out of pocket.



I feel awkward discussing my health issues in front of people

Many life insurers now offer telephone based underwriting services, where they can call you at a pre-arranged time and gather the required information over the phone.

Your next step?

- 1. Understand what you are – and aren't - covered for**
- 2. Get expert assistance to tailor cover to your own circumstances and needs**
- 3. Investigate; understand; protect what's precious**

Your financial adviser can help

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