

MOMENTS OF TRUTH

KEY INSIGHTS INTO THE
NEW ZEALAND LIFE
INSURANCE INDUSTRY



Financial Services Council.
Growing and protecting the wealth of New Zealanders

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EXECUTIVE SUMMARY

Following the 'Risking Everything' report that was launched earlier in 2019, this second part of research into the life insurance sector focusses on awareness of life insurance in New Zealand, purchase behaviour and the claims experience.

The Risking Everything report showed that despite New Zealanders being aware of risk, many have not considered how they would cope day to day if they lost their income. This part of the research supports the Risking Everything findings. For example, despite over 80% of respondents being aware of life insurance, the number that hold a current policy is considerably less.

In addition, the research further supports the importance of the adviser relationship. Those that take advice from an adviser or broker have much more confidence that their insurance product is right for them, compared with, for example, online purchase.

Kiwi's find peace of mind through insurance and so it is important that the life insurance industry continues to improve and deliver great customer outcomes, innovate insurance products, and protect New Zealanders when they need it most.



Rob Flannagan
Chairman
Financial Services Council



Richard Klipin
Chief Executive Officer
Financial Services Council

ATTITUDES TO LIFE INSURANCE: KEY FINDINGS

01

PEACE OF MIND IS PARAMOUNT WHEN PURCHASING INSURANCE

When considering the purchase of life insurance, peace of mind is a key driver.

02

KIWIS ARE MAKING TRADE-OFFS WHEN CONSIDERING LIFE INSURANCE

There is an 'unintended' trade-off triangle when assessing insurance purchase. The balance between cost, the likelihood of an event happening, and the likelihood of a successful claim are assessed.

03

GETTING ADVICE DRIVES CONFIDENCE

Kiwis who seek face-to-face advice tend to be more confident that they have the right life insurance products compared with those who purchase online, who are less so.

04

THOSE WHO HAVE CLAIMED ARE MORE POSITIVE

Those who have gone through a claims process are more positive about insurance than those who haven't, indicating that perceptions of how insurance companies act is not necessarily the same as reality.

05

CLAIM TIME IS AN EMOTIONAL TIME

Claim time is also a time to focus on family, so the easier and quicker the claims process is, the more confident respondents who had claimed felt.

01 WHAT IS LIFE INSURANCE?

Insurance transfers the risk of financial losses (as a result of specified but unpredictable events) and is transferred from an individual to an insurer in return for an insurance premium. If a specified event occurs, such as loss of income, critical illness or death, an insured or nominated individual can claim compensation from the insurer, subject to the terms of their policy.

Insurers pool the individual premiums of policyholders, in relation to insured events, which allows the financial impact of an event that could be disastrous for an individual to be spread among a wider group.

Insurance benefits society in a number of ways, including:

- + It provides a means for individuals to reduce financial uncertainty in relation to insured events, e.g. where an accident occurs leading to an inability of an individual to work.
- + It allows individuals to manage their own financial risk by transferring risk of loss, resulting from an insured event, to an insurer. In return for buying an insurance policy for a smaller, agreed premium, the possibility of a larger loss is removed.
- + Without insurance, people may be less likely to engage in some activities of modern life because the potential financial costs they would be exposed to would be too great. For example, people might be less likely to buy their own home, since they would be responsible for the cost of a mortgage, even if there was no longer household income to pay it, due to an unforeseen event such as an injury or illness.

LIFE INSURANCE

The main types of life insurance available in New Zealand:



Life insurance

Provides a lump-sum payment in the event of death.



Income protection / mortgage repayment insurance

Provides a regular payment if you are unable to work due to illness/injury and ACC does not fully apply. This may also be known as mortgage or loan repayment insurance.



Critical illness insurance

Provides a lump-sum payment if you suffer one of a large number of critical illnesses eg cancer, heart attack or stroke or a major head injury. This may also be called serious illness, trauma or total and permanent disability insurance.

The above insurance types are referred to as “life insurance” or “life insurances” in the remainder of this paper.



02 AWARENESS OF LIFE INSURANCE IN NEW ZEALAND

Respondents were asked whether they had heard of life insurance, income protection or critical illness insurance. We provided definitions of these insurance products (as outlined on page 4) to help jog their memory. Life Insurance had the highest level of awareness, followed by income protection and critical illness cover.

Those surveyed were also asked whether they currently have these policies and, if not, have held them in the past. Those without these policies were asked if they had investigated purchasing them in the last two years. This again showed that life Insurance was the more prominent of the three.

It is notable that life insurance has been available in New Zealand since the mid-1800's, whereas, for example, income protection insurance has only been offered since the early 1990's. This may have some influence on the difference in awareness between the products.

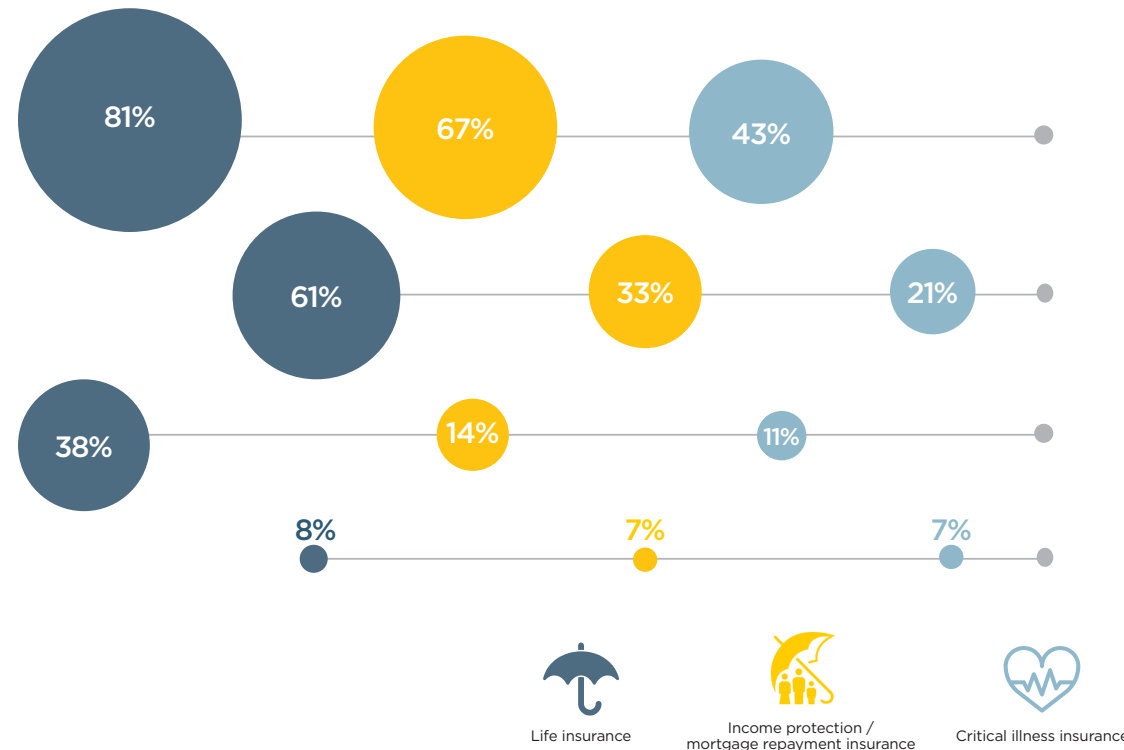
AWARENESS, USAGE AND CONSIDERATION OF RISK PRODUCTS

Prompted awareness

Have a current policy or had one in the past

Have a current policy

Looked into purchasing in the last two years*



No. of respondents = 2,061

*Although the consideration questions were asked only of those who did not have current policies, the results shown are based on the full sample of n=2,061.

03 THEME 1: TRUST AND VALUE

With a focus on conduct and culture in the life insurance and financial services sector and delivering good consumer outcomes, the qualitative research delved into trust and value, to better understand how they are linked, and other factors which influence consumers in assessing the value of insurance.

TRUST AND CONFIDENCE

Trust and confidence are a major part of any sector's success, and insurance is no different. The research indicated that there is an 'unintended' risk trade off when New Zealanders assess the value of life insurances. The decision-making process includes weighing up the likelihood of an event happening and the likelihood of a successful claim, versus the cost of premiums.

Respondents mentioned that trust could be increased by reducing jargon and writing policies in plain English.



"If I don't trust that they will deliver, then there is no value, so they have to be linked. Otherwise, why would you take it out?"

Auckland, claimants, male



"The gobbledegook boring contracts, if they had a plain English summary that would increase your trust, if it was not in technical language and said this is what we are paying for, this is what you will get."

Auckland, claimants, male

03 THEME 1: TRUST AND VALUE

PERCEPTION OF LIFE INSURANCE TYPES

The importance and value of these insurances changes across different ages and stages, with the perceived need for life insurances changing over a lifetime. For example, respondents saw less of a need for life insurance in earlier and later adult life.

Compared with critical illness and income protection insurance, life insurance was seen as a more black and white process and easier to make a claim. Income protection and critical illness were felt to provide certainty and an income to make life more comfortable, but they are perceived as more expensive with a harder and more subjective claims process.



“For me [life and critical illness insurance] was a ratio of numbers. The cost of it compared to how much we get paid out.”

Auckland, claimants, male

ADVICE DRIVES CONFIDENCE

Respondents were more confident in the advice given by brokers and banks compared with those who bought directly from insurers (e.g. via the internet). Those with a broker relationship said they were more supported and were less likely to say they needed additional information about insurance.



“I really like my broker because she turns up, she just tells me how it is black and white, no fluff. This will cover this, and it won’t cover that and I get that. It is simple for me and I love the way that she operates. So I really trust her. So she goes and gets me the price. [Because she endorses those companies do you trust them?] Yes, I do. I trust her.”

Auckland, claimants, female



“I have to trust that they are going to pay out what I am entitled to. What I have paid for as part of my premium for whatever it is.”

Auckland, claimants, male

03 THEME 1: TRUST AND VALUE

DISCLOSING INFORMATION WHEN BUYING INSURANCE

The requirement to provide all information to insurance companies when taking out a policy was understood. Two-thirds (67%) of respondents understand the need to tell insurers all relevant information when taking out policies. However, only 14% believe that insurance companies treat people fairly if they had not disclosed all relevant information at the time a policy was taken out.

DISCLOSING INFORMATION TO INSURANCE COMPANIES

I understand the need to disclose all relevant information when taking out insurance, to enable accurate risk assessment

Insurance companies treat people fairly if they don't disclose all relevant information when taking out insurance



● Agree ● Neither ● Disagree ● Not sure

No. of respondents = 2,061

03 THEME 1: TRUST AND VALUE

EXPERIENCING A CLAIM DRIVES POSITIVE EXPERIENCE

Respondents that have had a life insurance claims experience were broadly more positive about the industry than those who have not. However, more generally, perceptions of those who have not purchased or claimed on a life insurance product created a less positive view of the industry.

Insurance companies are considerate and compassionate



I think that insurance companies are on my side



Insurance advisers have my interests at heart



Insurance companies do a lot of good in the community



I had a good result when I made a claim previously*



* Result reversed

● Agree ● Neutral ● Disagree ● Don't know

The reality of a claimant's experience versus the perceptions of those who had not experienced claiming drives differing views of the industry. Anecdotal word of mouth and media reporting was identified as a driver of a more negative view of the industry in non-claimants, whereas those with experience of a claim held a more positive view. Respondents also mentioned that trust could be increased by reducing jargon and writing policies in plain English.

The very nature of these insurances means that claiming is usually at a time of distress or sadness. Respondents felt emotional at claim time and it was cited as an important element of trust that those responding to customer claims are empathetic, supportive and efficient.

03 THEME 1: TRUST AND VALUE

Respondents who have had a life insurance claims experience were broadly more positive about the industry than those who have not. However, more generally, perceptions of those who have not purchased or claimed on a life insurance product created a less positive view of the industry.

This peace of mind and provision for their families and lifestyle made life insurance a worthwhile investment.



“It is security for anybody left behind. That is where you get your peace of mind from.”

Auckland, claimants, male

“If I have a critical illness, then my income whatever it might be is going to stop. So who would pay for that? So I am not relying on friends and family and don’t have to go to MSD for handouts. So it is more about me not wanting to be a liability, but also giving me choice and freedom.”

Auckland, claimants, male



“Also with peace of mind you feel more in control.

You are able to carry on.”

Auckland, claimants, female



“How can you put a price on peace of mind though?”

Auckland, claimants, female



“I see it as a must because if you have a mortgage to pay and you die, I don’t want to leave my wife to pay it off or lose the house. So I see it as important even though it is expensive. Worst case scenario.”

Auckland, claimants, male



“With a family it is imperative. It is a non-negotiable for us.”

Auckland, claimants, female

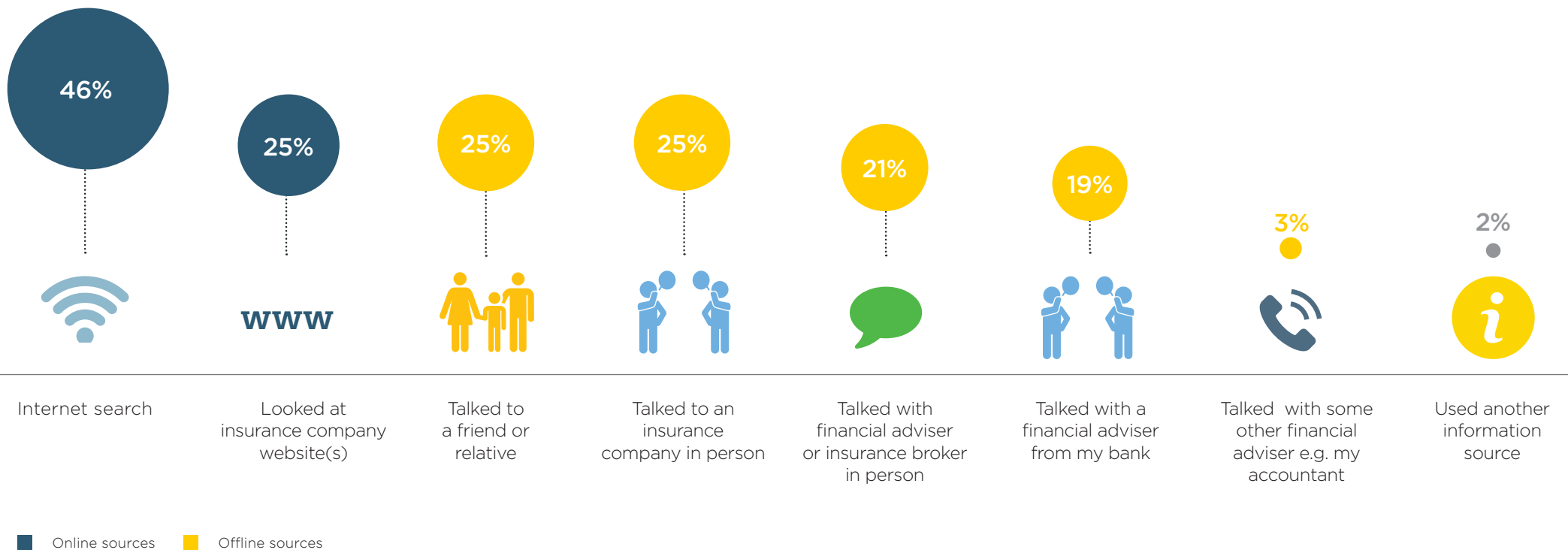
04 THEME 2A: WHERE NEW ZEALANDERS FIND OUT ABOUT INSURANCE

There are several different ways in which New Zealanders find out about insurance. Searching on the internet is common for all age groups. This type of search peaks at the age of 35 to 44 years old (65%). People in this age group are significantly more likely than people in other age groups to do their investigations both online and offline (in person).

Comparing quotes on online sites is again fairly common except for the youngest and oldest age groups, while looking on insurance company websites peaks for the oldest age group.

In general, talking to friends and relatives declines with age from 39% for the 18 to 24 age group to 2% of those aged 65 plus. Talking to an insurance company in person peaks in the 65+ age group (44%).

INFORMATION SOURCES USED WHEN LOOKING INTO PURCHASING RISK POLICIES IN THE LAST TWO YEARS

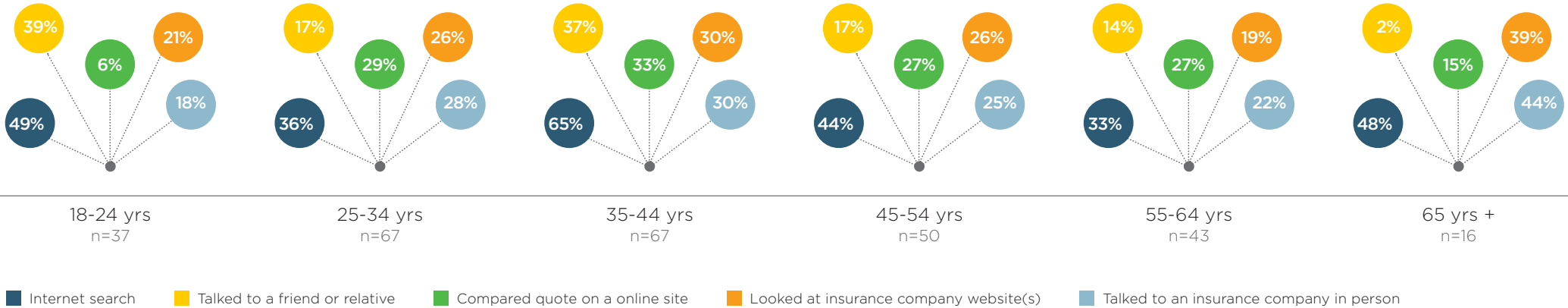


Reduced Base: n=328 - looked into buying at least one risk policy in the last two years.

Note that the following results are indicative only, as sample sizes for each age group who had looked into purchasing risk products were relatively small.

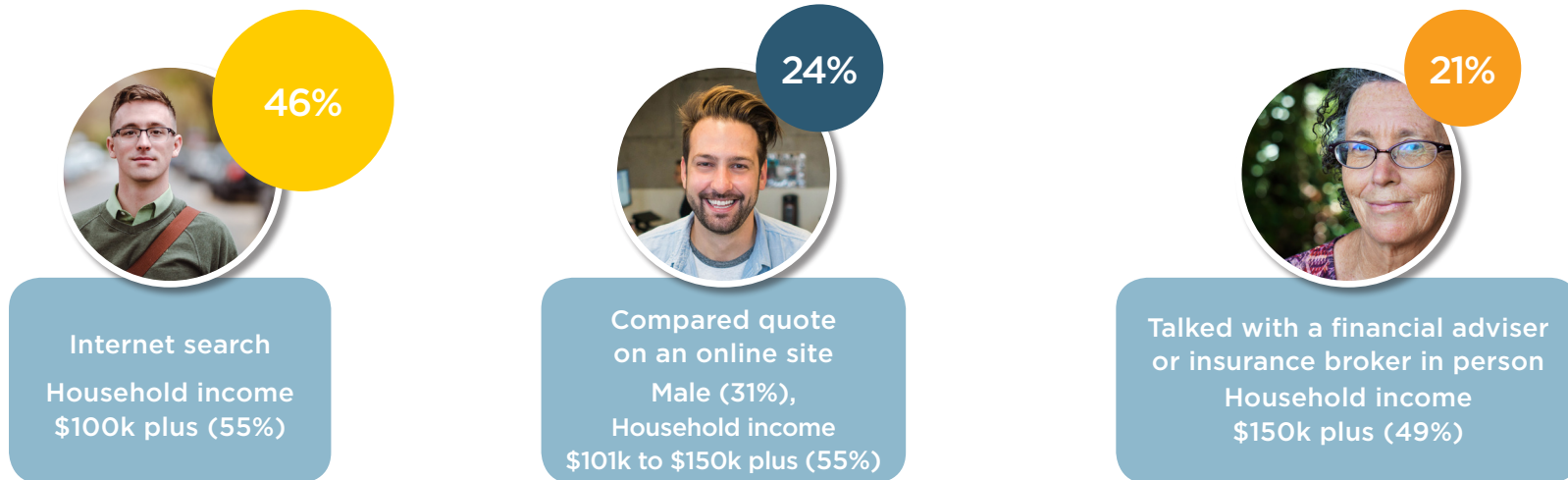
04 THEME 2A: WHERE NEW ZEALANDERS FIND OUT ABOUT INSURANCE

MAIN INFORMATION SOURCES USED WHEN LOOKING INTO PURCHASING RISK PRODUCTS BY AGE



Note relatively small sample sizes. Results are indicative only.

SPOTLIGHT ON DEMOGRAPHICS: GROUPS RELATIVELY MORE LIKELY TO USE EACH MAIN INFORMATION SOURCE



05 THEME 2B: HOW NEW ZEALANDERS PURCHASE INSURANCE

Respondents in the focus groups indicated that a key driver for buying life insurance was to protect their partner and family by covering their home loan. In terms of critical illness, ACC's cover is a consideration and income protection is seen as important to those who have an insecure job.



"I saw it more as the chances of having an accident was far higher and you are covered by ACC. So the critical illness thing was far more unlikely to happen. I felt the premiums I am not paying over the years is going to pay for it."

Auckland, claimants, male

Those who currently had one or more of the three types of life insurance were asked when they first purchased their current policies. Life insurance policies were more likely to be long-standing with 42% of these policies purchased eleven or more years ago, compared with 30% of critical illness insurance policies and 22% of income protection policies.



"Being a pilot you have to have a medical so if I lost my medical, I couldn't do my job anymore. So you need it if you are in that type of profession."

Auckland, claimants, male



"For me it was not the life on its own but the critical and medical because I saw how useful it was for my sister when she became critically ill and how much it really helped her. So that made me think that is was worth it. [You didn't have it before that?] No. Those things don't come on your radar until you start getting older and take longer to heal."

Auckland, claimants, female

05 THEME 2B: HOW NEW ZEALANDERS PURCHASE INSURANCE

By contrast, income protection and critical illness policies were more likely to be relatively recent purchases; 50% of income protection policies and 40% of critical illness policies were purchased in the last five years compared with 32% of life insurance policies.



“Life insurance is imperative because if _____ and I had a car crash and we were both killed the kids will be okay. Whereas critical illness is not going to take us both out at the same time.

[Do you have it?]

Yes, we do. But we only got it four years ago, whereas we have had our life insurance for a long time.

[What made you get it?]

Because we have a little bit more money now, so it is a luxury. It wasn't an essential when we got all of our insurances to look after our family.

But, as life has gone on, and we can afford it now I want it.

[Why do you want it?]

I think as you get older you see friends and family getting sick and having trauma in their life and it makes you realistic about what can happen.”

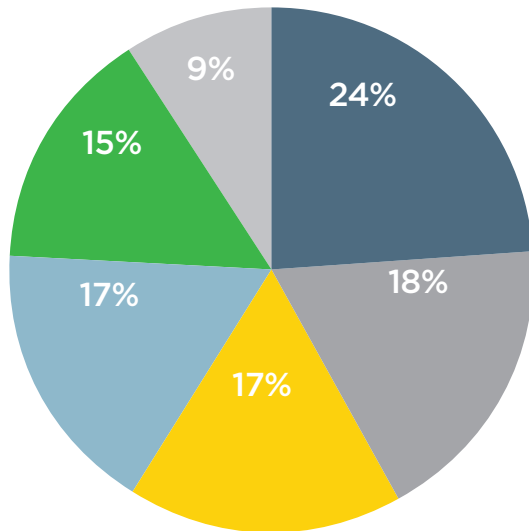
Auckland, claimants, female



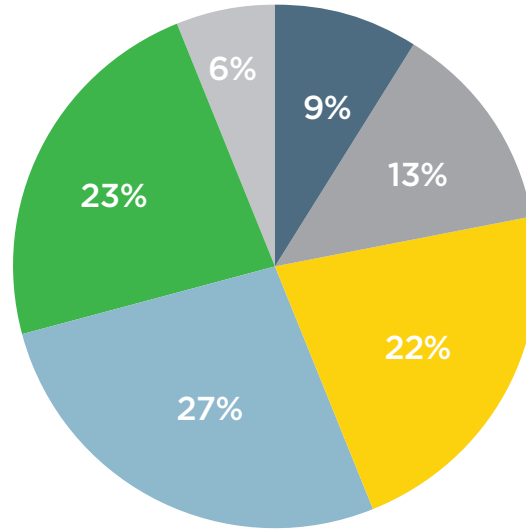
05 THEME 2B: HOW NEW ZEALANDERS PURCHASE INSURANCE

WHEN DID YOU FIRST PURCHASE YOUR CURRENT LIFE INSURANCE?

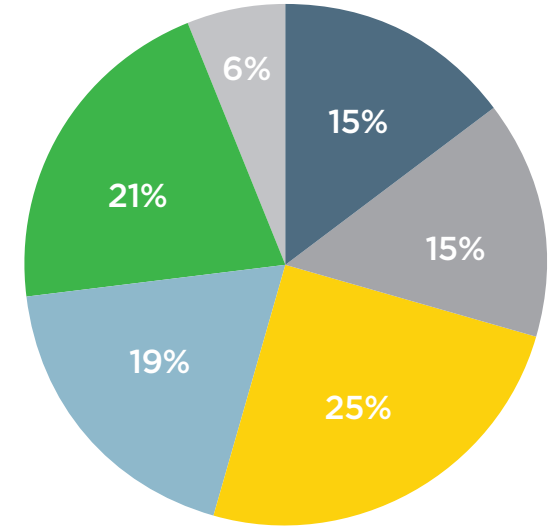
LIFE INSURANCE



INCOME PROTECTION/MORTGAGE REPAYMENT INSURANCE



CRITICAL ILLNESS INSURANCE



- 20 or more years ago
- 3-5 years ago
- 11-19 years ago
- In the past two years
- 6-10 years ago
- Not sure

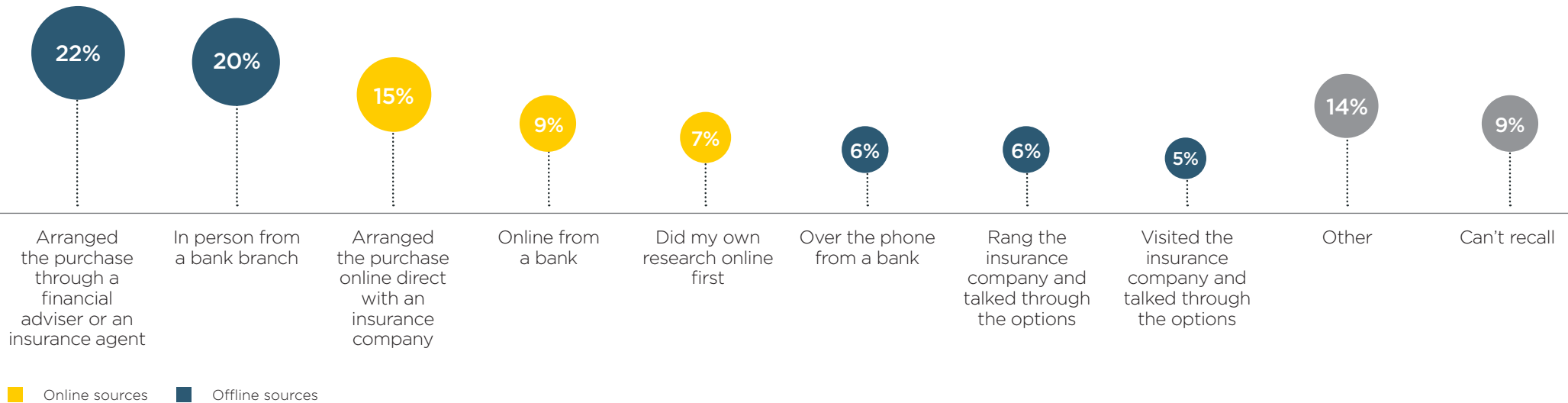
05 THEME 2B: HOW NEW ZEALANDERS PURCHASE INSURANCE

HOW PERSONAL RISK POLICIES WERE PURCHASED IN THE LAST FIVE YEARS:

The two leading ways to purchase the policy were offline:

- + 22% of respondents had arranged that purchase through a financial adviser or an insurance agent; and
- + 20% of respondents had arranged that purchase in person at a bank branch.

In relation to online purchases, 15% percent of respondents had purchased online directly from an insurance company and 9% of respondents had purchased online from a bank.



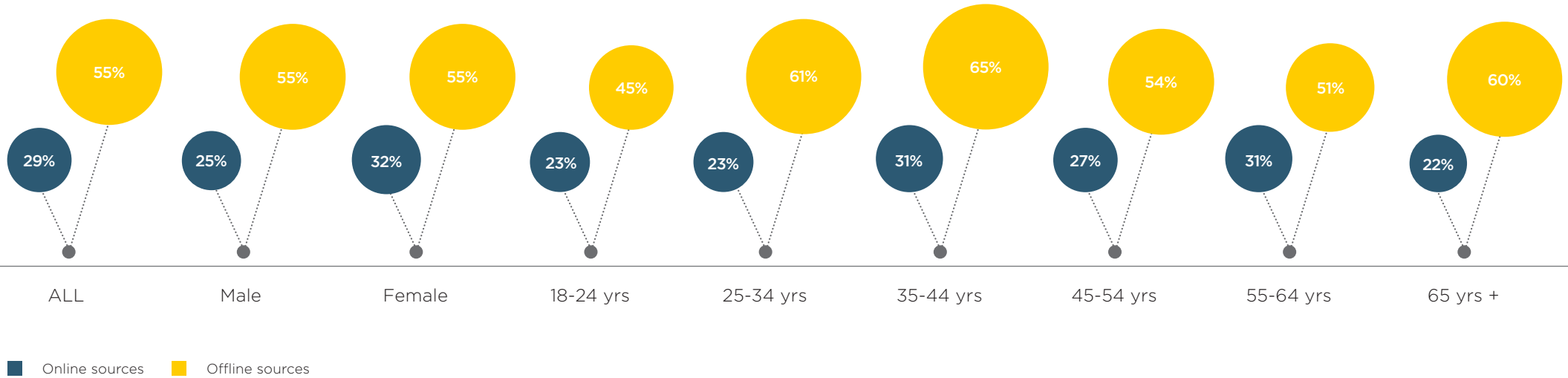
Of those who responded, 27% of people reported purchasing via an online method, compared with 55% who purchased offline. Females are slightly more likely to buy online.

Offline purchases are less likely for those in the 18-24 years group and dip slightly in the 45-64 year groups.

Note that the following results are indicative for those aged 18 to 24 and 55 to 64 due to small sample sizes of those who had purchased risk products in the last five years. Results for those aged 65 or more are not shown on the chart as the sample size was too small (7 people).

05 THEME 2B: HOW NEW ZEALANDERS PURCHASE INSURANCE

PURCHASING: ONLINE VS OFFLINE BY SEX AND AGE



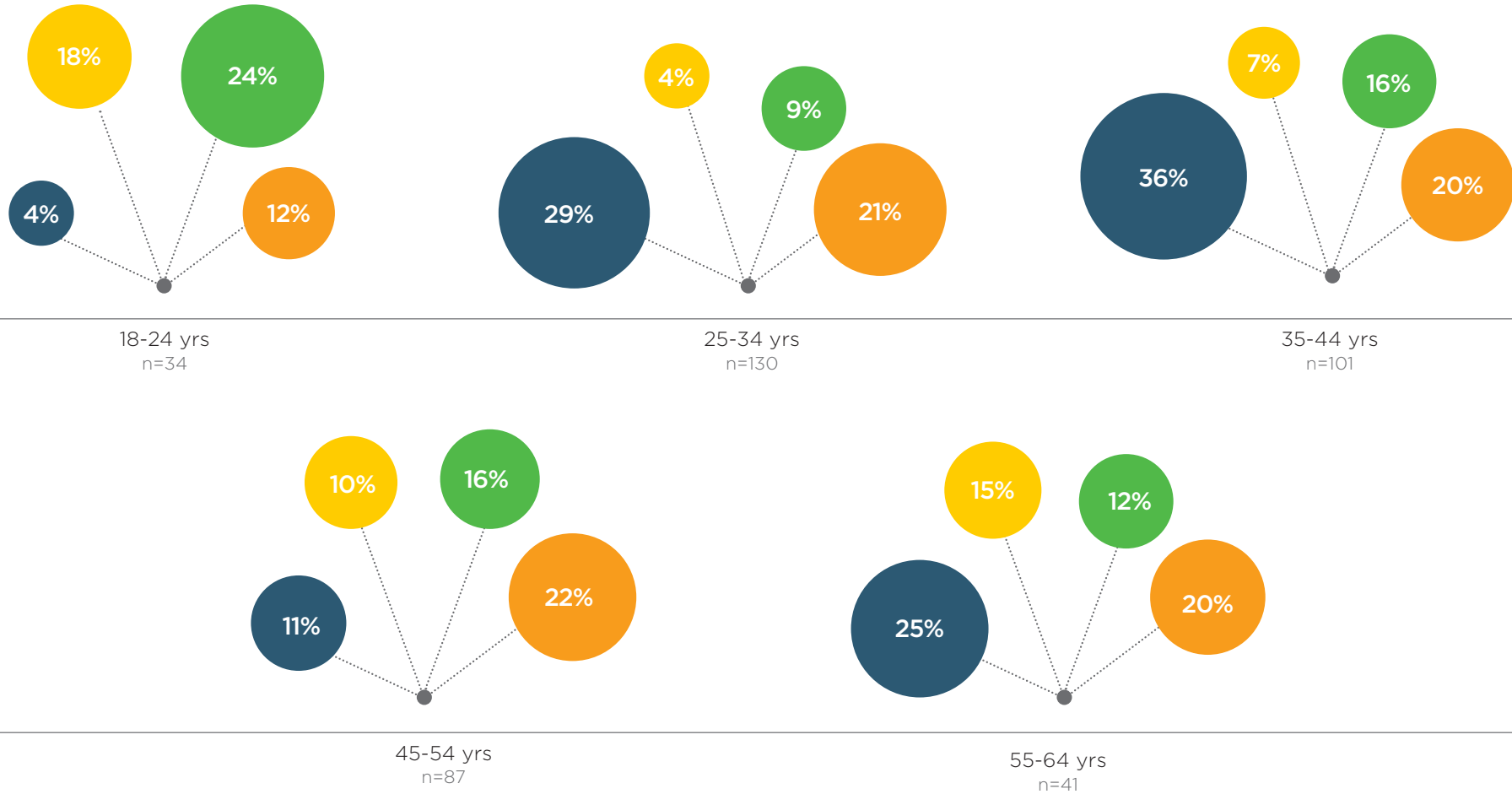
n=338

Arranging the purchase through an insurance adviser or broker was most common for those aged 25 to 34 and 35 to 44 (29% and 36% respectively). In person purchases at a bank branch were evenly distributed by age, except for the youngest age group where the incidence was lower.

Arranging the purchase online was indicatively higher for the youngest age group, but online purchases from a bank increased steadily with age from the 25 to 34 age group to those aged 55 to 64.

05 THEME 2B: HOW NEW ZEALANDERS PURCHASE INSURANCE

MAIN PURCHASING METHODS USED BY AGE



- Arranged the purchase through a financial adviser or an insurance agent
- In person from a bank branch
- Arranged the purchase online directly with an insurance company
- Online from a bank

Note: relatively small sample sizes for the 18-24 and 55-64 age groups.

05 THEME 2B: HOW NEW ZEALANDERS PURCHASE INSURANCE

MAIN PURCHASING METHODS USED BY AGE

We also found the following in relation to responses to the purchase process:

- 1 Respondents who purchased insurance through their bank (usually instigated when discussing home loans) or through a broker felt that the process to purchase insurance was very easy.
- 2 Respondents using a broker trusted their broker's expertise as they were chosen after recommendation through word-of-mouth and often quite a stringent selection process. They were perceived as doing the hard work of identifying the best policy and managing individual issues and queries.



"[You seem really confident?]
Probably the broker herself and the way that she seems to know what she is talking about. She is really confident and can answer all the questions that we have asked her. I suppose I just get a good feeling from her."

Auckland, claimants, female

- 3 In comparison, those who purchased directly from an insurance company found the process harder as they needed to research the different options available to them and weigh up the one best suited to their needs.

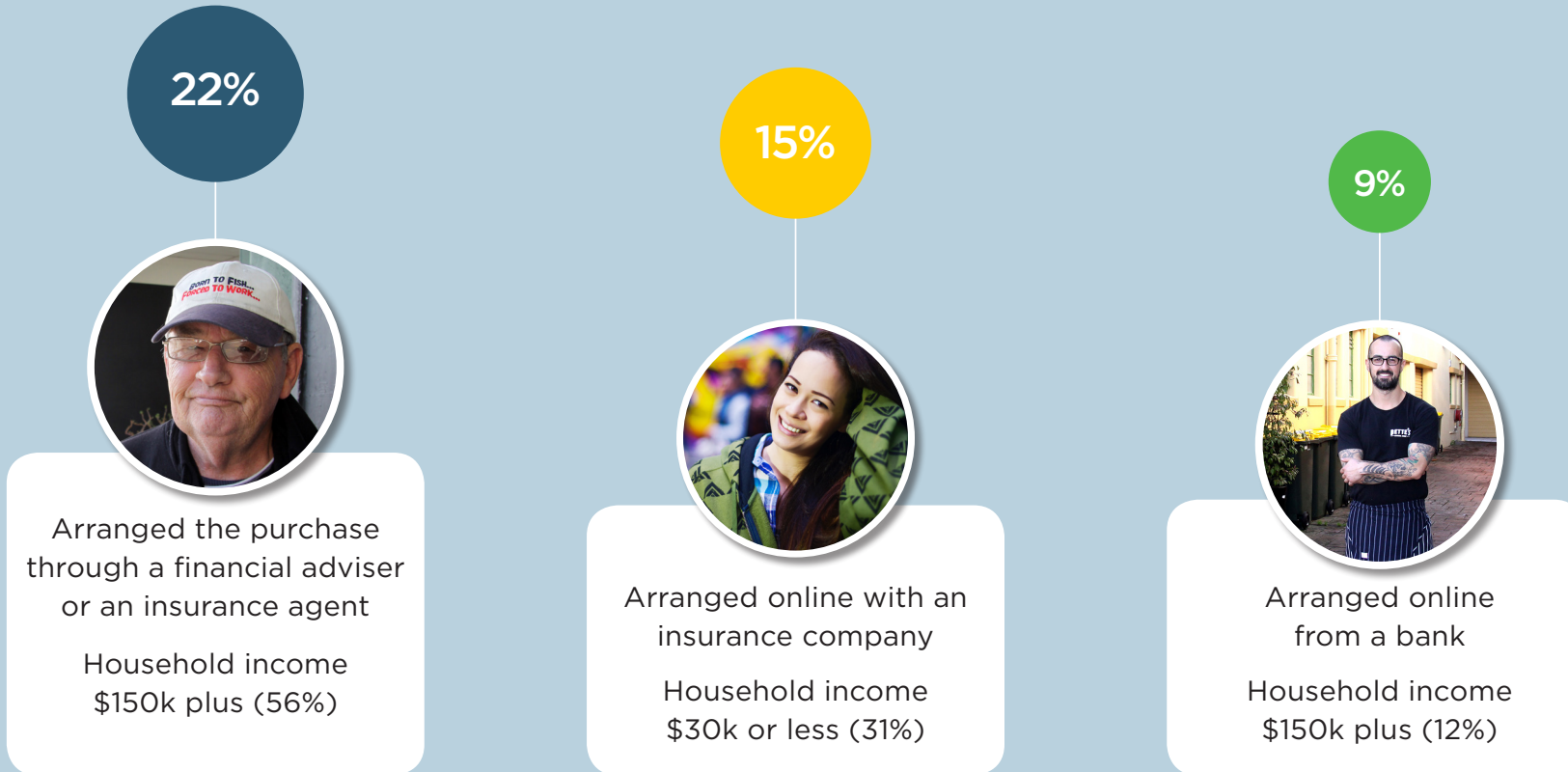
"I think with insurance you always hope that you have got the right one, but you are never actually going to know until you make a claim. And with life and critical illness you really wouldn't want to get to a point where you needed to make a claim and there are problems. Some hidden something that you hadn't understood or read."

Auckland, claimants, female



05 THEME 2B: HOW NEW ZEALANDERS PURCHASE INSURANCE

SPOTLIGHT ON DEMOGRAPHICS: PURCHASING TYPE BY INCOME



06 THEME 3A: ATTITUDES AT DIFFERENT AGES – CONSIDERING PURCHASE

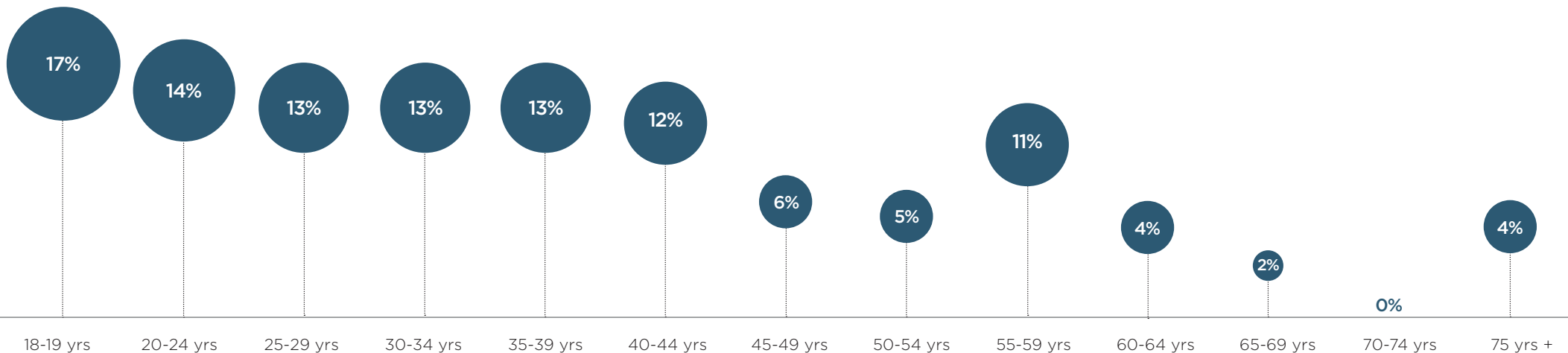
The research revealed interesting trends in terms of attitudes to considering purchasing life insurance products by different age groups.

LIFE INSURANCE

Life insurance has its highest level of consideration for the youngest age group (17% for those aged 18 to 19 years) and, in general, falls away from this point so that only 5% of those aged 50 to 54 are considering getting life insurance. This phenomenon reflects the high level of usage in lower to middle age groups (they have it already) and presumably also the fact that the cost of premiums increases with age and reliance on insurance decreases when mortgages are paid or children leave home.



LOOKED INTO PURCHASING POLICIES IN THE LAST TWO YEARS BY AGE GROUP (WITH 5-YEAR INCREMENTS)



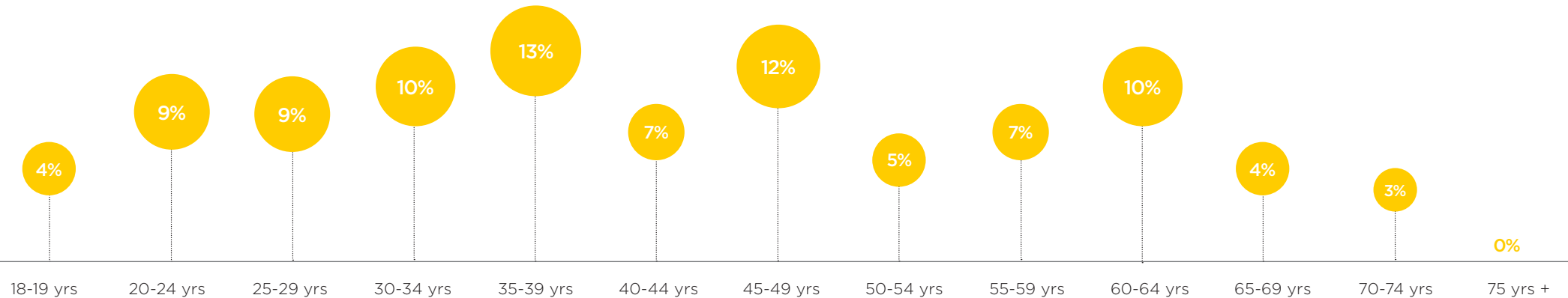
06 THEME 3A: ATTITUDES AT DIFFERENT AGES – CONSIDERING PURCHASE

INCOME PROTECTION

Income protection/mortgage repayment insurance consideration increases with age to reach a level of 13% for the 35 to 39 age group, then falls away, then from the age of 40 to 60 there are peaks and troughs for the various age groups, finally falling away sharply at age 65 (no doubt reflecting people retiring at this time).



LOOKED INTO PURCHASING POLICIES IN THE LAST TWO YEARS BY AGE GROUP (WITH 5-YEAR INCREMENTS)



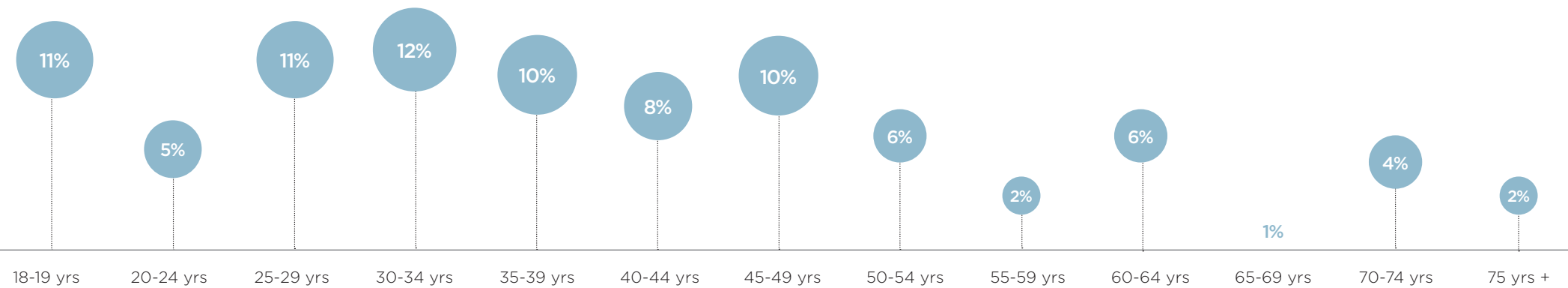
06 THEME 3A: ATTITUDES AT DIFFERENT AGES - CONSIDERING PURCHASE

CRITICAL ILLNESS

Critical illness insurance has a similar pattern to income protection/mortgage repayment insurance peaking for the 30 to 34 age group and starting to drop off earlier eg from the age of 55.



LOOKED INTO PURCHASING POLICIES IN THE LAST TWO YEARS BY AGE GROUP (WITH 5-YEAR INCREMENTS)



07 THEME 3B: ATTITUDES AT DIFFERENT AGES – PURCHASED INSURANCE

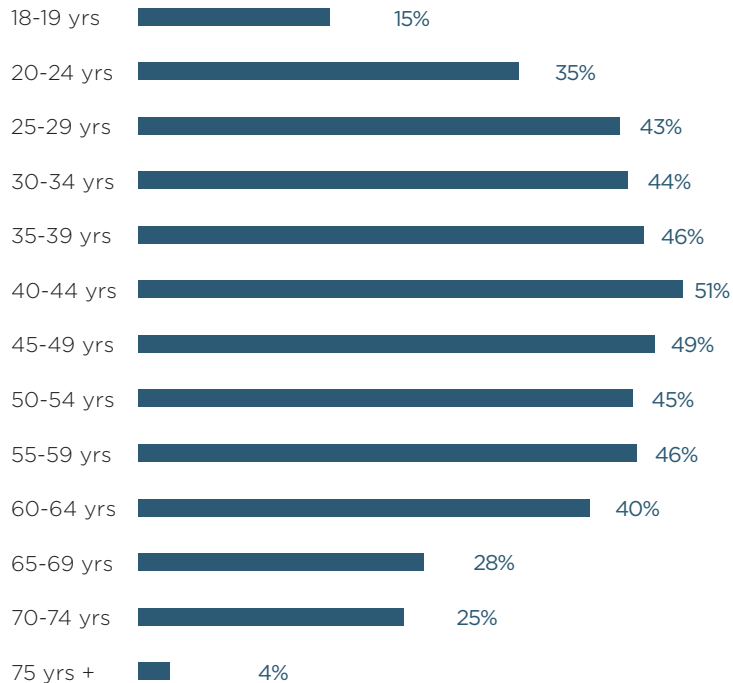
A significant driver to purchasing life insurances is age and life stage. Insurance is considered important by respondents at certain life stages, with importance low at younger ages, then peaking, before declining as people age.



LIFE INSURANCE

The life insurance distribution shows that usage is relatively low for both younger and older people, peaking in the 40 to 44 age group. Its distribution across all age groups from 25 to 60 years of age is very similar – all these age groups have at least 40% of respondents with this insurance. From the age of 60 onwards, usage falls off sharply.

Respondents in the 40-44 year-old 'mid-life' group cited the need to take out life insurance to protect their family and dependents. In earlier adult life, respondents gave a lower importance to pay for protection as they have a lack of assets and, in common with later adult life respondents, they had no dependent family or children to protect.



“To protect your family. If something happens there is money. So, if your children are small somebody can look after them. Even if they go to family it is a huge cost to bring up children. I have it but I have reduced it.”

Auckland, claimants, female

“I put [insurance is important] for middle aged people, it is not important for young people but as you get a little bit older and you buy a house and that sort of stuff then it becomes important.”

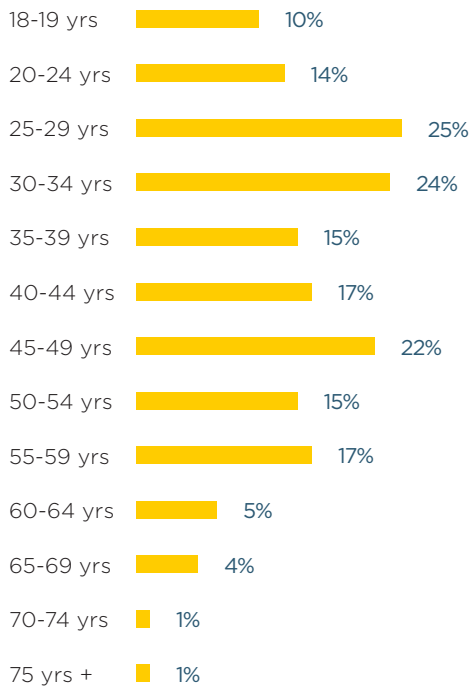
Auckland, claimants, female



07 THEME 3B: ATTITUDES AT DIFFERENT AGES - PURCHASED INSURANCE

INCOME PROTECTION

Income protection/mortgage repayment insurance has a more skewed distribution, peaking for the 25 to 29 age group and then declining to 12% for those aged 40 to 44 before picking up again from 45 to 59. It then has a pronounced decrease from age 60 onward, due to people no longer having a regular income, retiring and paying off their mortgages.



“What came to mind was not needed at my stage now. I have sufficient equity to cover anything my family want to do.”

Auckland, claimants, female



“I see it as a must because if you have a mortgage to pay and you die, I don't want to leave my wife to pay it off or lose the house. So I see it as important even though it is expensive. Worst case scenario.”

Auckland, claimants, male



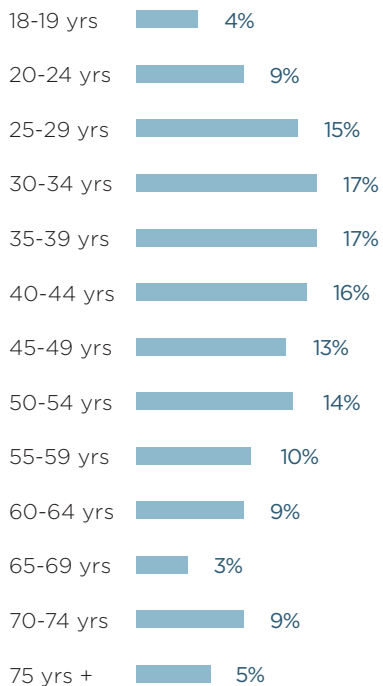
“To protect your family. If something happens there is money. So if your children are small somebody can look after them. Even if they go to family it is a huge cost to bring up children. I have it but I have reduced it.”

Auckland, claimants, female

07 THEME 3B: ATTITUDES AT DIFFERENT AGES - PURCHASED INSURANCE

CRITICAL ILLNESS

Critical illness insurance has a smoother pattern - its usage rises slowly to the age of 35 to 39 (17%), then gently falls off from this point onward.



“Critical cover being if there is an incident... So, I don’t care about the life, there is just me, for critical cover if something goes wrong it is just me, so I put safety blanket, security and it gives you chances. So, if my sister had had that for example, she would have got \$200,000 paid out and she wouldn’t have had to fundraise and do all this other stuff. So, I think it is really important and I think that it is quite good value for money.”

Auckland, claimants, male

“I think it is a good thing, it depends on what is happening in your life at a certain time.
[So you think it is more for your kids age?]
Yes, I do. Losing my husband has opened my eyes up to a lot of this stuff and now that I have had to deal with it, I would really like my children to take more notice of it for their children’s sake.”

Auckland, claimants, female

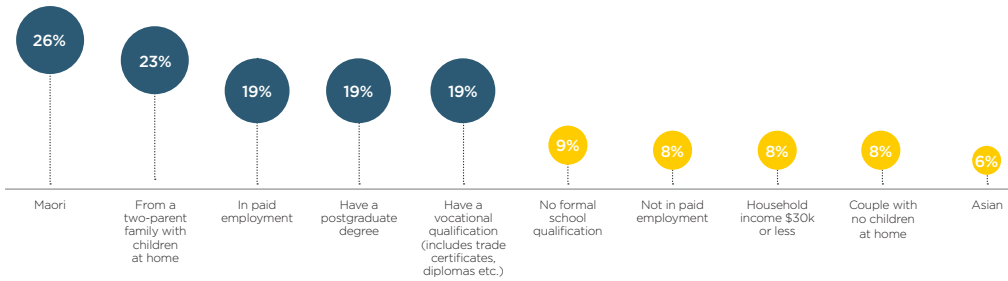


Sample sizes: All the above age groups have samples of 140 or more, except for those aged 18-19 yrs (n=77)

SPOTLIGHT ON DEMOGRAPHICS: LIFE INSURANCE PRODUCTS CONSIDERATION AND USAGE

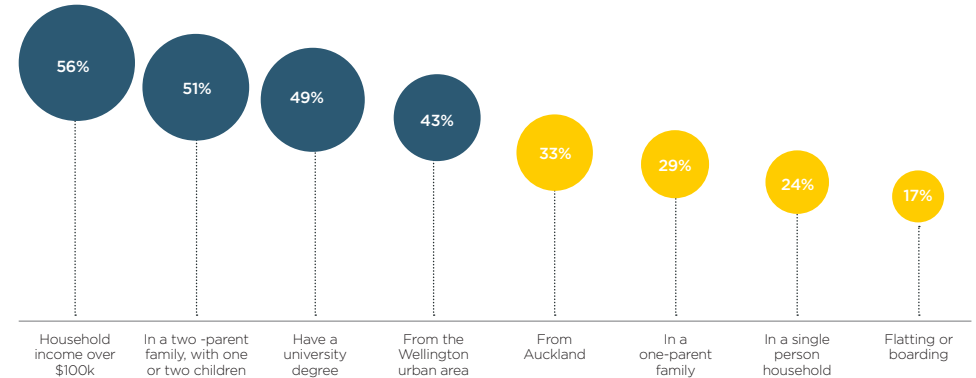
CONSIDERATION IN THE LAST TWO YEARS

TOTAL RESULT - 14% WHO DON'T HAVE LIFE INSURANCE AND HAVE LOOKED INTO PURCHASING THIS INSURANCE



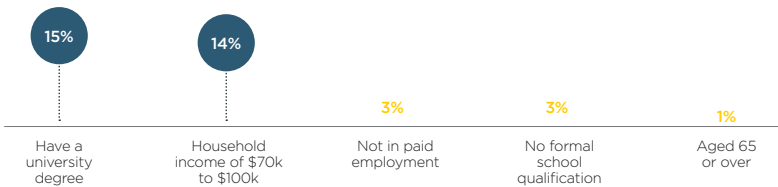
USAGE - LIFE INSURANCE

TOTAL RESULT - 38% HAVE LIFE INSURANCE



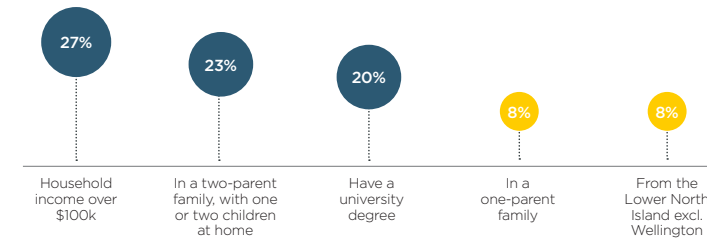
CONSIDERATION IN THE LAST TWO YEARS

TOTAL RESULT - 8% WHO DON'T HAVE INCOME PROTECTION INSURANCE AND HAVE LOOKED INTO PURCHASING THIS INSURANCE



USAGE - INCOME PROTECTION INSURANCE

TOTAL RESULT - 14% HAVE INCOME PROTECTION INSURANCE



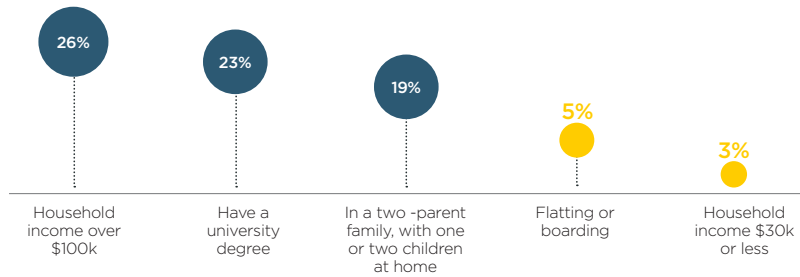
■ More likely to have considered this insurance ■ Less likely to have considered this insurance

08

SPOTLIGHT ON DEMOGRAPHICS: LIFE INSURANCE PRODUCTS CONSIDERATION AND USAGE

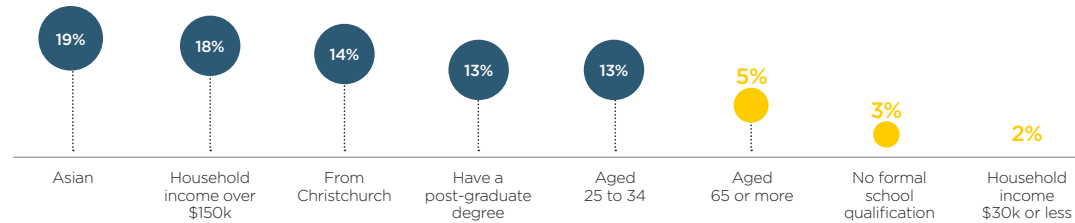
USAGE - CRITICAL ILLNESS INSURANCE

TOTAL RESULT - 11% HAVE CRITICAL ILLNESS INSURANCE



USAGE

TOTAL RESULT - 8% WHO DON'T HAVE CRITICAL ILLNESS INSURANCE AND HAVE LOOKED INTO PURCHASING THIS INSURANCE



■ More likely to have considered this insurance ■ Less likely to have considered this insurance

09 THEME 4: THE CLAIMS EXPERIENCE

The life insurance industry pays out around \$3.3m* a day in claims supporting New Zealanders when they most need it.

As noted in the first theme of this report, there is a link between trust and value: those who have claimed are more positive than others who haven't.



“[My claim] was through my son’s work, he had a small policy and I was his beneficiary, so it was done through his lawyer. I didn’t have to do anything. [It came through the lawyer?] Yes.”

Auckland, claimants, female

CLAIMANTS VS NON-CLAIMANTS

Anecdotal word of mouth and media reporting were identified as drivers of a more negative view of the industry in non-claimants, whereas those with experience of a claim held a much more positive view.

“Apart from all the paperwork you have to file and the copies of things for both insurance companies I found them easy.”

Auckland, claimants, female



When asked about how they view insurers paying out claims or their own claims experience, the research highlighted that respondents fall into broad categories.

* Average per day in 2017, see *Towards Prosperity* Research available at www.fsc.org.nz

09 THEME 4: THE CLAIMS EXPERIENCE

At one end of the scale were the 'very negative respondents', around 21% of the full survey sample. 97% of this group perceived that 'Insurers do not like to pay out on claims'.

This is compared to a larger group of 33% 'relatively positive' at the other end of the sample respondents, of whom just under 60% agreed that they had previously had a good claims experience and were treated fairly when they made a claim.



"[That correspondence was it sensitive to the situation you were going through?]
Yes, it looked like a bit of a template, but they used the right words. My mum sat next to me, to be fair I think mum did post the forms back last week or maybe at the weekend. It is a bit of a process.
[Could you do it online?]
I did say to mum I will scan them and email them off, but mum was like I just want to get them posted today."
Auckland, claimants, male

CLAIMS EXPERIENCE BY LIFE INSURANCE TYPE

The claim process appeared to be smoother and faster for life policies than for critical illness or income protection insurance. The process was seen as straight forward and for those in the focus groups, settlement was never questioned, which was seen as due to the black and white nature of life policies.

"With my mum's it was through her will, so the lawyer sorted most of that out. It was really smooth. They couldn't really dispute the fact that she was dead. So they paid out pretty quickly. I think it was less than six months."

Auckland, claimants, female



10 THEME 4: SPOTLIGHT ON THE CLAIMS PROCESS



VERY EASY



SEMI EASY



EASY BUT HARDER

Managed by lawyer
OR
Emailed insurer
Sent forms via email
Funeral home sent bill directly to the insurer

Phoned insurer
Sent form via email
Filed and sent back
Phoned to confirm settlement

Phoned insurer
Sent form via email
Form posted back, signed by JP



11 THEME 4: CRITICAL ILLNESS AND INCOME PROTECTION

For both critical illness and income protection insurance some had had negative experiences. Some respondents felt vulnerable at some point of the claim process. However, those with a broker relationship felt more supported.



“Mine was my husband’s income protection and it was really easy. We rang the broker and she just did it all, which was great.”

Auckland, claimants, female

Respondents in the focus groups felt that the claim experience for critical illness policies was more mixed and some had had a claim rejected.

On a positive note, many respondents found that the person dealing with their claim had a caring manner over the phone, although respondents had mixed engagement with insurance staff. Respondents cited areas for improvement such as ensuring that all documentation was at hand and faster decision making.

“[How could that have been improved?] Reading what you have said instead of requesting extra stuff I had already sent them. And getting back in a timely manner. You have obviously got a lot on your plate. You should just say it once and let them get it sorted. It takes the stress off because the longer you leave it the more stressful it becomes and that is just not fair.”

Auckland, claimants, female

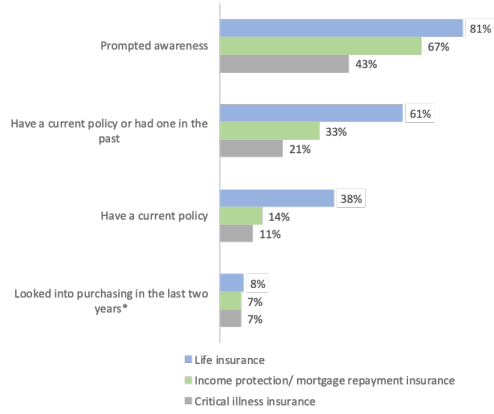


MOMENTS OF VULNERABILITY AND SUPPORT DURING THE CLAIMS PROCESS

Most could nominate times they felt vulnerable during the claims process. Vulnerability was evident with respondents who were conveying sensitive information. Most admitted that the process was made more difficult because it was an emotional time and they were dealing with serious illnesses.

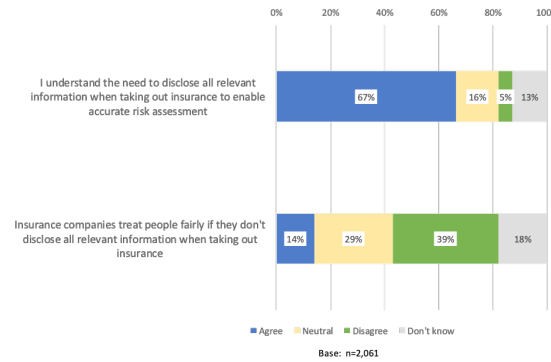
10 – APPENDIX DATA CHARTS

AWARENESS, USAGE AND CONSIDERATION OF RISK PRODUCTS

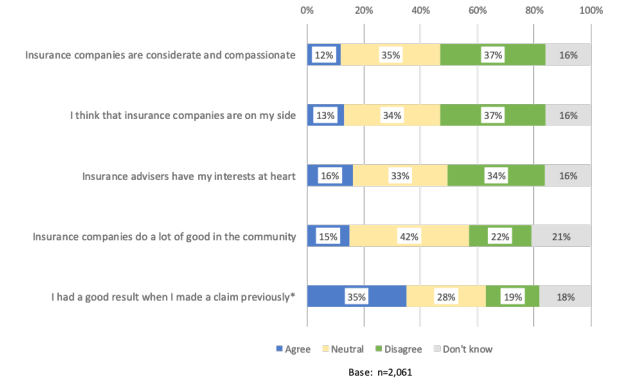


*Although the consideration questions were asked only of those who did not have current policies, the results shown are based on the full sample of n=2061

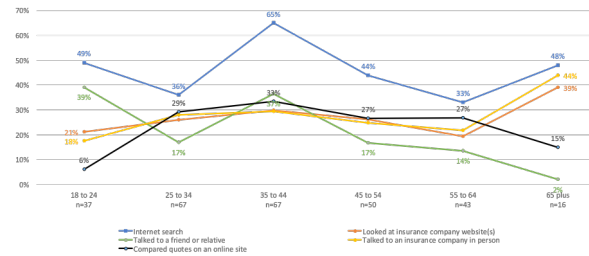
DISCLOSURE OF INFORMATION TO INSURANCE COMPANIES



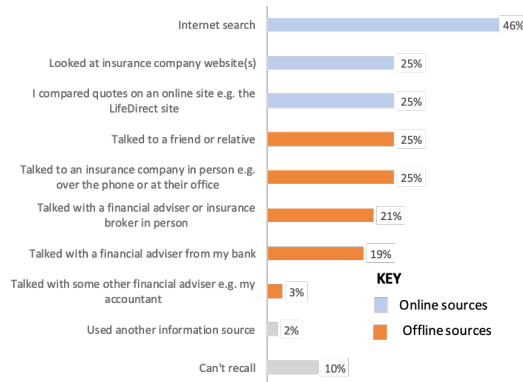
POSITIVE STATEMENTS ABOUT INSURANCE COMPANIES (WHERE DISAGREE IS A NEGATIVE RESULT)



MAIN INFORMATION SOURCES USED WHEN LOOKING INTO PURCHASING RISK PRODUCTS BY AGE



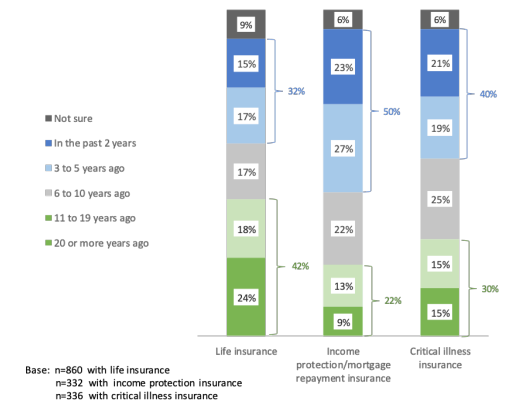
INFORMATION SOURCES USED WHEN LOOKING INTO PURCHASING RISK POLICIES IN THE LAST TWO YEARS



SPOTLIGHT ON DEMOGRAPHICS: GROUPS MORE LIKELY TO USE EACH MAIN INFORMATION SOURCE

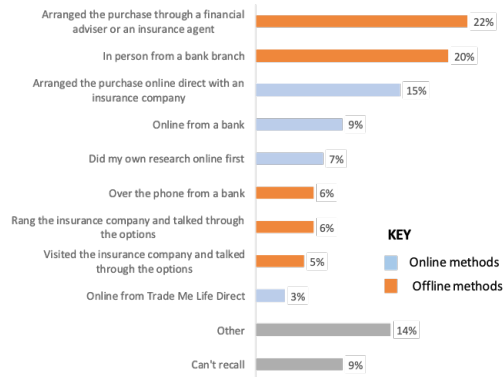
Information source	Total	More likely to use than the total
Internet search	46%	Household income \$100k plus (55%)
Compared quotes on an online site	24%	Male (31%) Household income \$101k to \$150k (38%)
Talked with a financial adviser or insurance broker in person	21%	Household income \$150k plus (49%)

WHEN DID YOU FIRST PURCHASE YOUR CURRENT LIFE INSURANCE?



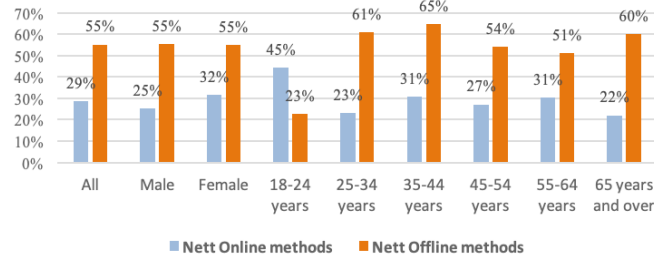
10 – APPENDIX DATA CHARTS

HOW RISK POLICIES WERE PURCHASED IN THE LAST FIVE YEARS



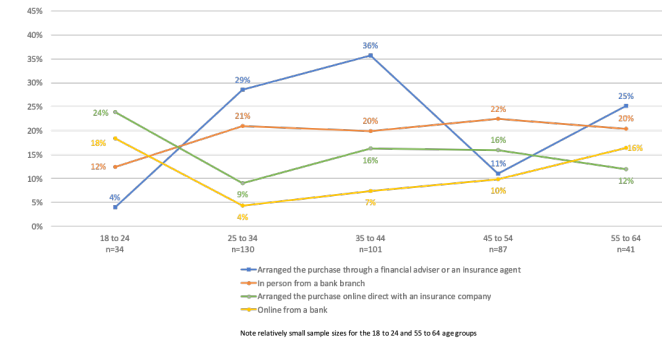
Reduced Base: n=338 – policies purchased in the last five years

PURCHASING: ONLINE VS OFFLINE VS SEX AND AGE



Base n=328

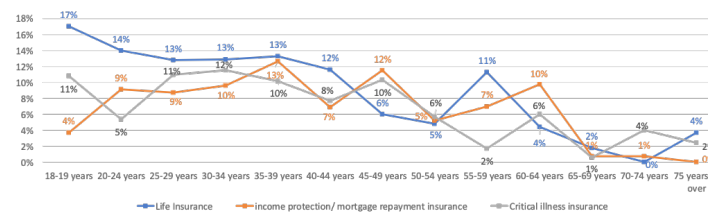
MAIN PURCHASING METHODS USED BY AGE



SPOTLIGHT ON DEMOGRAPHICS: PURCHASING TYPE BY INCOME

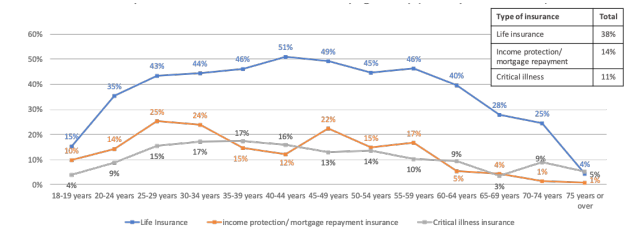
Information source	Total	More likely to use than the total
Arranged the purchase through a financial adviser or an insurance agent	22%	Household income \$150k plus (56%)
Arranged online with an insurance company	15%	Household income \$30k or less (31%)
Arranged online from a bank	9%	Household income \$150k plus (12%)

LOOKED INTO PURCHASING POLICIES IN THE LAST TWO YEARS BY AGE GROUP (WITH FIVE YEAR INCREMENTS)



Sample sizes: All the above age groups have samples of 140 or more except for those aged 18 to 19 (n=77)

CURRENTLY HAVE PERSONAL RISK INSURANCE POLICIES BY AGE GROUP (WITH 5-YEAR INCREMENTS)



Sample sizes: All the above age groups have samples of 140 or more except for those aged 18 to 19 (n=77)

10 – APPENDIX DATA CHARTS

TOTAL RESULT - 14% WHO DON'T HAVE LIFE INSURANCE AND HAVE LOOKED INTO PURCHASING THIS INSURANCE

More likely to have considered this insurance		Less likely	
Maori	26%	No formal school qualification	9%
From a two-parent family with children at home	23%	Not in paid employment	8%
In paid employment	19%	Household income \$30k or less	8%
Have a postgraduate degree	19%	Couple with no children at home	8%
Have a vocational qualification (includes trade certificates, diplomas etc.)	19%	Asian	6%

TOTAL RESULT - 8% WHO DON'T HAVE INCOME PROTECTION INSURANCE AND HAVE LOOKED INTO PURCHASING THIS INSURANCE

More likely to have considered this insurance		Less likely	
Have a university degree	15%	Not in paid employment	3%
Household income of \$70k to \$100k	14%	No formal school qualification	3%
		Aged 65 or over	1%

TOTAL RESULT - 38% HAVE LIFE INSURANCE

More likely to have this insurance		Less likely	
Household income over \$100k	56%	From Auckland	33%
In a two-parent family, with one or two children at home	51%	In a one-parent family	29%
Have a university degree	49%	In a single person household	24%
From the Wellington urban area	43%	Flatting or boarding	17%

TOTAL RESULT - 14% HAVE INCOME PROTECTION INSURANCE

More likely to have this insurance		Less likely	
Household income over \$100k	27%	In a one-parent family	8%
In a two-parent family, with one or two children at home	23%	From the Lower North Island excl. Wellington	8%
Have a university degree	20%		

TOTAL RESULT - 11% HAVE CRITICAL ILLNESS INSURANCE

More likely to have this insurance		Less likely	
Household income over \$100k	26%	Flatting or boarding	5%
Have a university degree	23%	Household income \$30k or less	3%
In a two-parent family, with one or two children at home	19%		

TOTAL RESULT - 8% WHO DON'T HAVE CRITICAL ILLNESS INSURANCE AND HAVE LOOKED INTO PURCHASING THIS INSURANCE

More likely to have this insurance		Less likely	
Asian	19%	Aged 65 or more	5%
Household income over \$150k	18%	No formal school qualification	3%
From Christchurch	14%	Household income \$30k or less	
Have a post-graduate degree	13%		
Aged 25 to 34	13%		

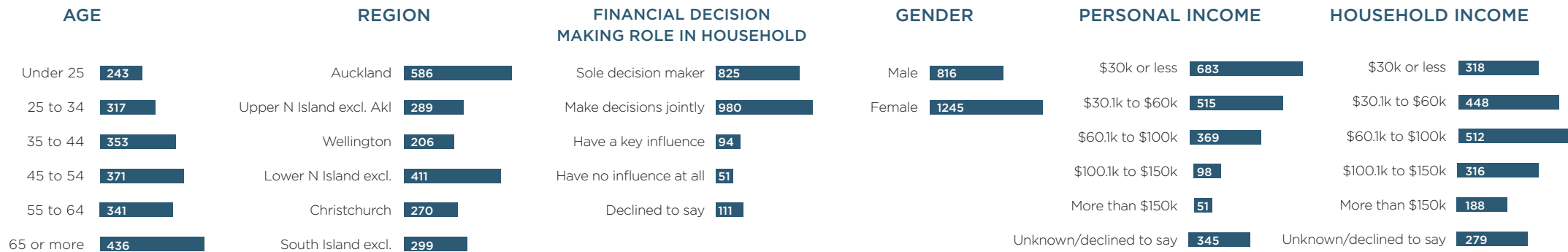
11 – ANNEX – SURVEY METHODOLOGY

The research was undertaken in two stages of quantitative and qualitative stages which were undertaken in December 2018 and May 2019. The quantitative research reached a sample of 2,061 people and the qualitative research consisted of two focus groups of respondents who had been through a life insurance, critical illness or income protection product claims process.

Target Audience	The adult population aged 18 plus excluding those working in mass media, banking, insurance, public relations or market research
Sample sources	The Horizon Poll and the Research Now online panels
Sample size	n=2,061
Predicted margin of error	Maximum ±2.2% at the 95% confidence level
Weighting of results	Results were weighted by age, gender, highest education level, personal income and employment status to the national population aged 18 plus based on the 2013 Census

SAMPLE PROFILE

n counts for sample in methodology section.



11 – ANNEX – SURVEY METHODOLOGY

QUALITATIVE RESEARCH DESIGN

The overall objective of the qualitative research was to gain an in-depth understanding of value and risk across insurance customers (personal life category) who have lodged a claim. The research comprised of two focus groups conducted on the 2nd of May 2019.

The groups were across the following audiences:

- 1x – have bought personal insurance – claimed on personal insurance in the past few years
Those who are negative on ‘value’ / neutral even if paid out on claim
Mix of ways that they sourced / purchased insurance
- 1x – have bought personal insurance – claimed on personal insurance in past few years
Those who are positive on ‘value’ / neutral
Mix of ways that they sourced / purchased insurance

Disclaimer: The images used in this document are not photographs of respondents and are representative only.

12 – ABOUT THE FINANCIAL SERVICES COUNCIL

The Financial Services Council is a non-profit member organisation and the voice of the Financial Services sector in New Zealand.

Our 50 members (as at 31 August 2019) comprise 95% of the life insurance market in New Zealand, and manage funds of more than \$47.5bn.

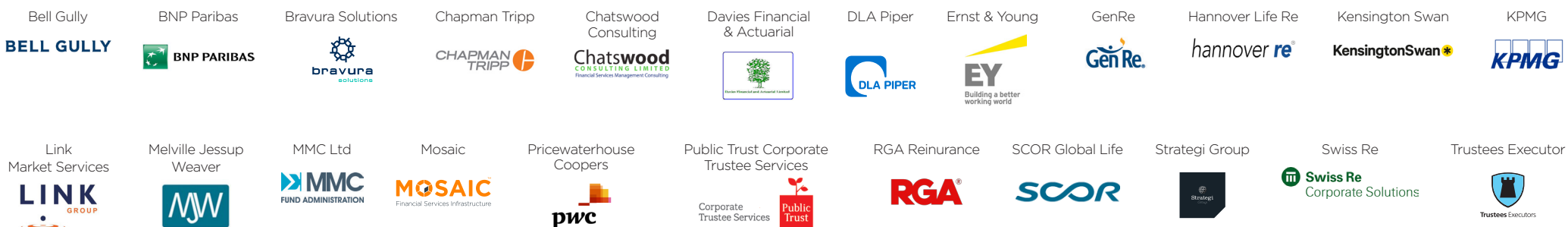
Members include the major insurers in life, disability and income insurance, fund managers, KiwiSaver, professional services and technology providers to the financial services sector.

fsc.org.nz

FULL MEMBERS



ASSOCIATE MEMBERS



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