

Media Release: Thursday 23 January 2020

Gambling on Life – New Zealand’s Underinsurance Problem

New research commissioned by the Financial Services Council (FSC) has revealed the high number of New Zealanders that are underinsured when it comes to their lives, their incomes or suffering a major illness.

The third and final part in the FSC’s research series on New Zealanders’ attitudes to financial risk; ‘*Gambling on Life*’ focuses on the life insurance gap to understand the reasons behind underinsurance and the potential risks that some kiwis expose themselves to.

“*Gambling on Life* found that while many New Zealanders are aware of the importance of types of life insurance, this isn’t reflected in adequate levels of cover for themselves”, said Richard Klipin, CEO of the Financial Services Council.

The study looked at the three main types of life insurance available in New Zealand; life insurance, income protection/mortgage repayment insurance and critical illness insurance.

“While 54% of those surveyed agree that it is important to have the right amount of insurance to cover risks including illness, death and job loss; estimates of underinsurance are much higher,” continued Klipin.

Critical illness showed the highest level of underinsurance with only an estimated 9% of Kiwi’s being sufficiently insured, followed by 11% who had adequate income protection/mortgage repayment insurance and 29% with adequate life insurance.

“It is important to remember that not all Kiwi’s need these types of insurance, for example retirees are less likely to need income protection if they no longer work and have paid down their mortgage.

“For others, the research highlights some of the reasons for underinsurance, which includes affordability, priority, trust, self-insurance and complexity.

“The story is similar internationally, with most countries showing significant insurance gaps and challenges that such as the demand on Government support outpacing supply, behavioural barriers to insurance and consumers underestimating the likelihood of things going wrong.”

However, for those that are insured, latest figures show that consumers are being paid out more claims, raising from \$1.15bn in 2017 to \$1.5bn in 2019, and there are 3.93 million insurance contracts in place (as of 30 September 2019).

“As insurers continue to undergo a sea change in culture and conduct, the industry is facing into the challenges highlighted by this series of research to improve customer outcomes and to educate and inform.

“Insurance has a key role to play in modern life and the sector continues to help Kiwis strike the right balance should the unthinkable happen.” concluded Klipin.

The FSC has come up with five top tips to check if you’re underinsured:

- Consider how you would cover costs if you were to lose your job, became seriously ill or, in the worst case to provide for your family in the case of death;a
- Review your insurance cover regularly – as life changes, so will your insurance needs;
- Review your debt and savings and try to keep some savings aside for a rainy day;
- Speak to your provider or an adviser and get a holistic view of your current and future financial needs;
- Take action now – don’t leave it until it is too late.

The full report, ‘*Gambling on Life – The problem of Underinsurance*’, can be [found here](#).

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Note to editors:

FSC ‘Gambling on Life’ Research - The Problem of Underinsurance

This is the third piece of independent research on New Zealanders attitudes to financial risk commissioned by the Financial Services Council.

The previous pieces of in the research series are available here: [‘Risking Everything’](#) and [‘Moments of Truth’](#).

Research methodology

This study was conducted, on behalf of FSC, by Horizon Research online among a nationally representative sample of New Zealanders aged 18 years and older. The sample was 2,061

respondents, distributed throughout New Zealand including both capital city and non-capital city areas. Following the completion of interviewing, the data was weighted by age, gender, personal income, education level, and employment status to match the New Zealand population aged 18 or more at the 2013 Census.

Spotlight - Industry Key Statistics – Life Insurance (September 2019)

- \$1.49 billion claims paid each year, that's around of \$4 million everyday
- \$2.68 billion in-force premiums, around 4 million life insurance contracts/benefits
- \$9.3 billion assets managed by the life insurance industry

About the Financial Services Council (FSC)

The Financial Services Council is a non-profit member organisation and the voice of the financial services sector in New Zealand. Our 64 members comprise 95% of the life insurance market in New Zealand and manage funds of more than \$83bn. Members include the major insurers in life, disability and income insurance, fund managers, KiwiSaver, professional services and technology providers to the financial services sector.

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