

GAMBLING ON LIFE

THE PROBLEM OF
UNDERINSURANCE

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

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EXECUTIVE SUMMARY

In this, the third part of the Financial Services Council's research into the life insurance industry in New Zealand, we focused our research on underinsurance to understand why some New Zealanders are 'Gambling on Life'.

In the first part of the research, 'Risking Everything', we looked into how New Zealanders perceive risk and found that:

- + most were aware of risk but are, in many cases, not actively mitigating it,
- + many Kiwis aren't protecting 'me' and don't have savings for a rainy day, and
- + are still reliant on others if something goes wrong than those who haven't.

Next we released 'Moments of Truth' which delved into how New Zealanders decide to manage risk. It showed that:

- + peace of mind is paramount when protecting themselves with life insurance products,
- + there are unintended trade-offs made in the decision making process, and
- + the perception of those who have claimed are much more positive than those who haven't.

This final report in the series, 'Gambling on Life' takes a look at the life insurance gap both at home and overseas to understand the reasons behind underinsurance and the potential risks that we expose ourselves to every day.

This series of research has been designed to open up the debate about life insurance products, both across New Zealand and within our industry. We aim to get a better understanding of attitudes to risk, buying insurance products and why people choose to protect themselves or not.

Our members are committed to delivering for Kiwis and take their responsibilities very seriously. The industry will use this and other research to develop, improve and adapt to deliver to meet the needs of all New Zealanders.



Rob Flannagan
Chairman
Financial Services Council



Richard Klipin
Chief Executive Officer
Financial Services Council



GAMBLING ON LIFE: KEY FINDINGS

01

A FIRST WORLD PROBLEM - IT'S EMOTIONALLY HARD TO PLAN FOR DEATH

The global picture of underinsurance shows predominantly flat growth in life insurance, and New Zealand is no exception. Reasons are varied and range from the provision of good safety nets provided by the state to little action or apathy by individuals, despite a good understanding of risk.¹

02

GAMBLING ON STATISTICS - MISMATCH FROM REALITY

There is a mismatch between the reality of the risk of death, accidents and illness in New Zealand compared with the 'money smart' solution to assess, manage, pool and offset the risks, and protect against them.

03

THERE ARE GREEN SHOOTS - KIWIS ARE AWARE

The research shows that there is an understanding that New Zealand is underinsured, and also that the global and NZ Tech sector is making rapid progress through development of tools which provide information, allow access to insurance products and streamline processes.

04

THE WELLBEING REVOLUTION - CHANGING THE GAME

Health and wellbeing are some of the ways Kiwis are engaging, which allows the sector to engage with people in different ways.

05

RULE OF THUMB FOR THOSE WITH OR WITHOUT LIFE INSURANCE - CHECK AS A FIRST STEP

The international research estimated that life insurance needs, in Australia, for a two-parent one-child household requires 8x income for life insurance, and 4x total disability protection.

¹ Risking Everything, Insight into how New Zealanders Manage Risk, June 2019

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, eg 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 the 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 WHAT IS UNDERINSURANCE?

A life insurance policy protects the needs of an individual or their family in the event of loss of income through injury, illness or, in the worst case, death. Underinsurance (eg no or insufficient insurance cover) happens when:

- + An individual does not have insurance to cover, by way of examples, damage to property and/or financial commitments of their household, or
- + The amount of cover taken out by a policyholder is not enough to cover the replacement of an item insured or, in the case of life insurance, the financial commitments of the policyholder following illness or injury.

In our previous research, *Risking Everything*,² we found that there were a number of reasons for an individual being underinsured in the life insurance context, such as:

- + Individuals being more likely to insure physical items like cars, houses and contents above their income;
- + Not liking to think about the things that could impact their financial situation like injury or death;
- + Unsure about the benefits of insurance and how to manage financial risk;
- + Unsure where to get advice;
- + Unable to afford the premiums;
- + Being happy to self-insure; and
- + Reliance on Government to reduce financial risk through schemes like ACC.

It is also the case that individuals who have insurance may become underinsured due to not reviewing insurance needs, following a life-changing event such as having children or buying a new home. It is important that new or updated cover is considered to continue to meet family needs.

Generally, when defining levels of underinsurance, a proportion of those who are not insured may not need it for a variety of reasons (eg income protection for those no longer generating an income), and this should be factored in.

² *Risking Everything*, Insight into how New Zealanders Manage Risk, June 2019





02 WHAT IS UNDERINSURANCE?

Consequences of underinsurance

Underinsurance could have serious consequences in terms of an individual's ability to meet ongoing financial commitments following an unfortunate event which could impact their lifestyle and that of their dependants.

At a macro level, underinsurance can also result in the state incurring substantial costs in the form of, for example, social security benefits.

THINKING ABOUT FINANCIAL RISKS³

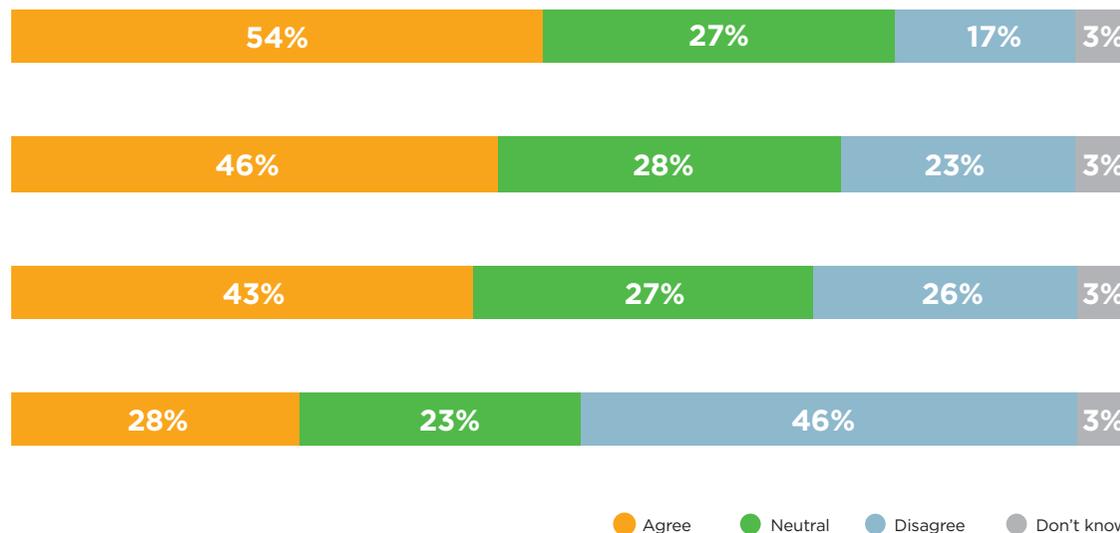
I dislike having to think about these financial impacts

I regularly think about these financial impacts and how well I would cope if the worst happened

I occasionally think about these things but then forget about them

I tend not to think about the things that could impact my financial situation

No. of respondents = 2,061



³ Risking Everything, Insight into how New Zealanders Manage Risk, June 2019

03 THE GLOBAL INSURANCE MARKET

The Organisation for Economic Development (OECD) 2018 report⁴ Global Insurance Market Trends and the International Association of Insurance Supervisors (IAIS) Global Insurance Market Report 2018⁵ both provide a useful barometer of the global insurance market (life and non-life/general). The reports highlight that:



Globally, gross insurance premiums continue to rise, with the largest increases occurring in countries with relatively low insurance penetration where the insurance industry is developing.



Specifically, annual global life insurance premiums only grew by 0.5% in real terms to USD 2,657 billion, with the reports suggesting this was primarily driven by a 14% increase in emerging markets, offset by a decrease of 2.7% in advanced economies.



There is a contradictory view between the two organisations as to the cause of the decrease in insurance premiums globally:

The IAIS report identifies that: *'the decrease in advanced markets can be attributed mainly to the prolonged state of low interest rates, which might have directed consumers away from traditional life insurance to other savings instruments.'*

The OECD report comments: *'It is also possible that low interest rates may be motivating consumers in some countries to purchase life insurance products as an alternative to bank savings.'*

Notes: Countries are labelled with their ISO code. ISO codes are available on the United Nation Statistics Division internet page, 'Countries and areas, codes and abbreviations' at the following address: <http://unstats.un.org/unsd/methods/m49/m49alpha.htm>. The red triangle shows the simple average of the growth rate of gross premiums in the life and non-life sectors in 2017 among the reporting countries. Data refers to all undertakings (i.e. domestic undertakings and branches and agencies of foreign undertakings operating in the reporting country) except in some cases such for Honduras and Nicaragua where data refer to domestic undertakings only. Direct gross premiums for Germany include EEA undertakings for the first time in 2017, affecting trends between 2016 and 2017. Data for New Zealand refers to the growth rates of net premiums written of all undertakings.

⁴ <https://www.oecd.org/daf/fin/insurance/Global-Insurance-Market-Trends-2018.pdf>

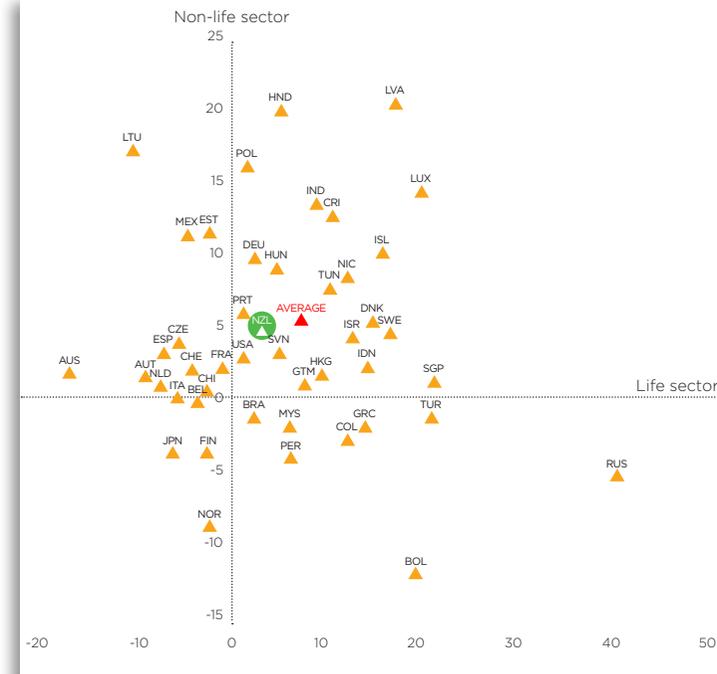
⁵ <https://www.iaisweb.org/file/82889/iais-global-insurance-market-report-2018v2>

NEW ZEALAND IN FOCUS



In comparison to the OECD average, New Zealand (NZL) shows a slightly above average growth rate of direct gross premiums in the non-life sector but below average growth in the life sector.

ANNUAL REAL GROWTH OF DIRECT GROSS, PREMIUMS IN THE LIFE AND NON-LIFE SECTORS IN SELECTED COUNTRIES, 2017





03 THE GLOBAL INSURANCE MARKET

Gross claims paid increased across the life and non-life/general sectors in most countries, the largest increases coming from payments of life insurance policies reaching the end of their terms.

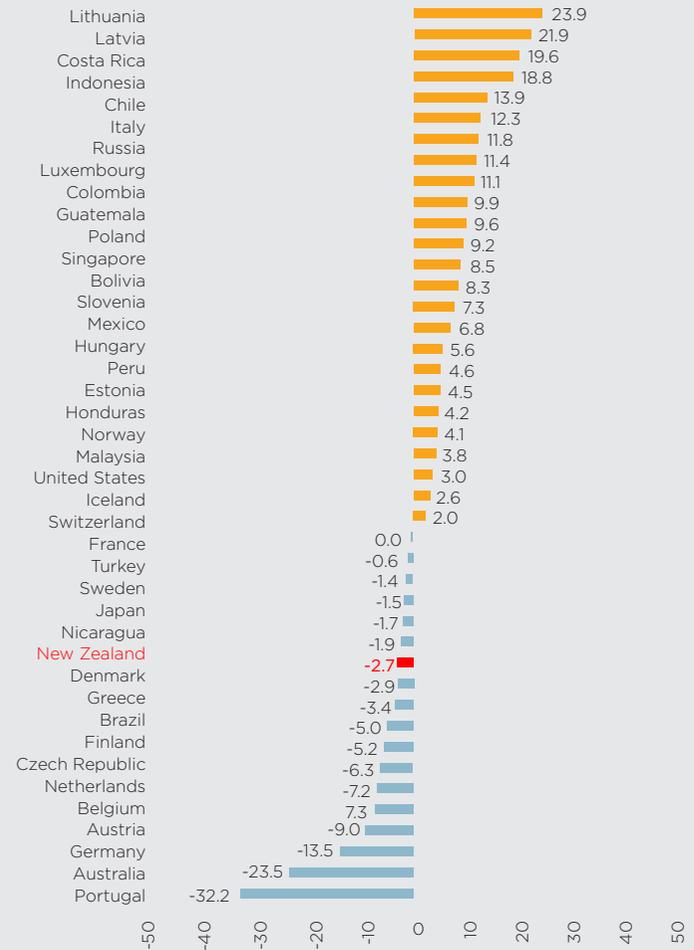
NEW ZEALAND IN FOCUS

In comparison to the OECD average, New Zealand is just below average and shows a small negative growth in gross claims payments in the life sector, compared to a small positive growth of 2.1% the previous year.⁶

More recent figures collected about the New Zealand Life Insurance industry show that since 2017, gross claims have risen from \$1.153bn (2017) to \$1.505bn (2019).⁷



ANNUAL REAL GROWTH RATES (%) OF GROSS CLAIMS PAYMENTS IN THE LIFE SECTOR IN SELECTED COUNTRIES, 2017



Notes: Growth rates of gross claims payments take into account variations in outstanding claims provisions (when this information is available) to reflect better the magnitude of the obligations that the industry had in 2017 as a result of insured events that occurred. When the breakdown of gross claims paid or changes in outstanding claims provisions for composite undertakings into their life and non-life businesses was not available, the breakdown in each subsector was assumed the same as for gross premiums written.

⁶ <https://www.oecd.org/daf/fin/insurance/Global-Insurance-Market-Trends-2017.pdf>

⁷ MJW life insurance statistics year end 30 June 2017, 2018, 2019



03 THE GLOBAL INSURANCE MARKET

Insurers achieved positive real investment rates of return. In most countries, life insurers invested more than half of their portfolio in bills and bonds directly. Bonds accounted for more than 50% of the investments of OECD life insurers.

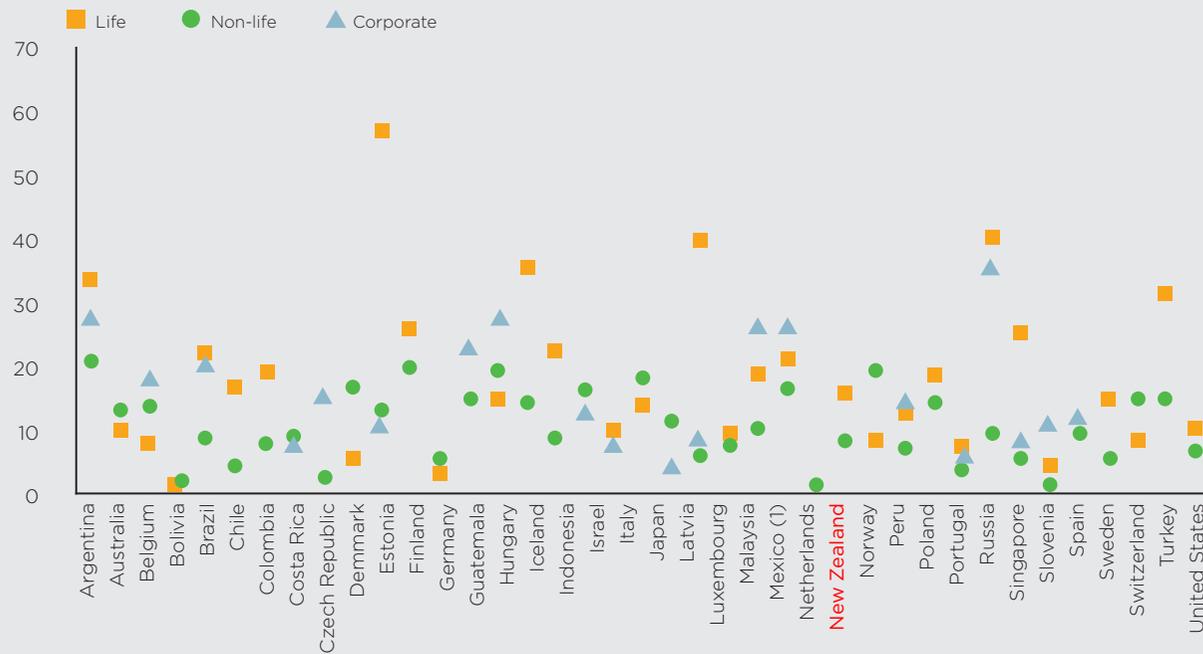
All types of insurers showed positive returns on equity. Return on equity is an indicator of profitability and income generating capacity of insurers.

NEW ZEALAND IN FOCUS

New Zealand shows a 15% growth in return on equity in the life sector.



RETURN ON EQUITY BY TYPE OF INSURER IN SELCTED COUNTRIES, 2017



Notes: Return on equity was calculated by dividing net income in 2017 by average shareholder equity in 2016 and 2017. (1) Data does not cover surety institutions.

Source: <https://www.oecd.org/daf/fin/insurance/Global-Insurance-Market-Trends-2017.pdf>



04 GLOBAL UNDERINSURANCE

Research commissioned by Zurich in association with Oxford University, UK,⁸ studied 18 jurisdictions to understand the 'Income Protection Gap', which they describe as:



The reduction on household income as a consequence of death or incapacitation of an adult wage earner on whom that household relies, taking all public and private sources of replacement income into account.

The research found a range of factors that contribute to the challenges posed by Income Protection Gaps:

-  In the developed world, demand for government support – the traditional source of relief – is rapidly outpacing supply. Disability levels are increasing to ever more challenging levels, due both to an ageing population and improved medical diagnosis. Yet public budgets, particularly after the global financial crisis, have failed to keep pace.
-  Similar to the findings of Risking Everything, recent research undertaken by the Financial Services Council in New Zealand,⁹ the Income Protection Gap global study found that feelings about the price of insurance are often cited as a main barrier to buying insurance.
-  However, there are behavioural factors too. No one likes thinking about the bad things that might occur in their lives, and that could prevent people making provision for such eventualities.
-  Research shows that many people in Europe underestimate the likelihood of something going wrong, and therefore fail to do enough to protect themselves and their families financially.

⁸ <https://www.zurich.com/-/media/project/zurich/dotcom/industry-knowledge/workforce-protection/docs/risk-nexus-income-protection-gaps-november-2015.pdf>

⁹ Risking Everything, Insight into how New Zealanders Manage Risk, June 2019



04 GLOBAL UNDERINSURANCE

The research commissioned by Zurich was further supported closer to home in a 2017 report by the Australian insights organisation, Rice Warner, titled Underinsurance in Australia 2017.¹⁰ The report highlighted that underinsurance remains an issue:



For those who have life cover, the median cover level is estimated to be approximately **\$143,500**, which is only twice the median household income.



The proportion of the working population with Total Permanent Disability (TPD) insurance is slightly less than life insurance at **81%**, as some superannuation funds may only offer default life insurance cover to some of their members. The average and median cover amounts however are only **\$237,000** (or three times median household income) and **\$99,500** (less than one and a half times median household income) respectively.



The situation around Income Protection (IP) cover is the worst with only a third of the working population currently insured. The average cover amount is however reasonable at **75%** of median household income. When measured on median level insured, this percentages decreases to around **36%**.



To illustrate the level of underinsurance in Australia, Rice Warner's Underinsurance in Australia 2017 report estimates the insurance needs for 30-year-old parents with children to be:

- + 8 times family income for life insurance on income replaced basis, and
- + 4 times family income for TPD insurance.

Whether due to macro-economic issues such as the Global Financial Crisis or behavioural factors such as not thinking about potentially serious events happening, the insurance industry across the world is facing a similar challenge. With the global life insurance market showing significant gaps in protection, there is a need to tackle underinsurance.

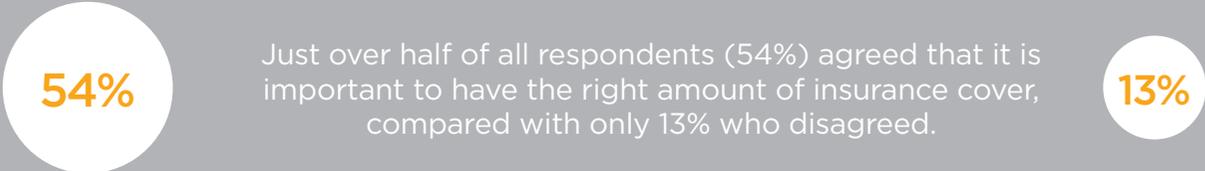
¹⁰ <https://www.ricewarner.com/life-insurance-adequacy/>



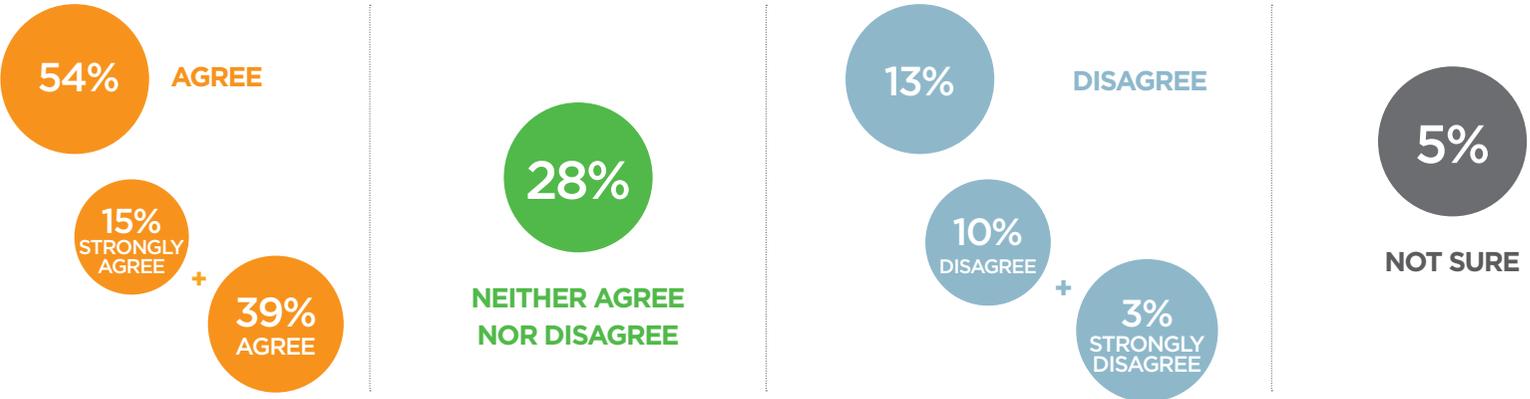
05 THE PICTURE IN NEW ZEALAND

The New Zealand life insurance market is not alone on the global stage as the underinsurance issue is not an isolated one. However, New Zealand is unique in terms of its people, its culture, its regulation. This section looks at underinsurance in New Zealand, and the perception of New Zealanders that took part in our research.

IMPORTANCE OF HAVING THE RIGHT INSURANCE COVER TO COVER THESE RISKS



HAVING THE RIGHT AMOUNT OF INSURANCE COVER IS IMPORTANT TO ME TO COVER THESE POTENTIAL IMPACTS*



Base: n = 2,061

* Potential impacts include illness, death, loss of job, cost of living increases, economic trends, natural disasters, global events and other risks.



05 THE PICTURE IN NEW ZEALAND

Perceived adequacy of cover

For policy holders, the perceived adequacy of cover is relatively positive, with similar assessments for all three policy types (life, income protection and critical illness insurance).

The highest rating was for critical illness insurance (79% very adequate and adequate) followed by income protection insurance (77% very adequate and adequate) while life insurance was in third place (76% very adequate and adequate). However, for all three types of insurance, just over two out of ten policy holders responded that they felt inadequately covered.

PERCEIVED ADEQUACY OF COVER OF INSURANCE POLICIES HELD*



Life insurance



Income protection / mortgage repayment insurance



Critical illness insurance



- Very inadequate - I/we are very underinsured
- Somewhat inadequate - I/we are very underinsured
- Adequate
- Very adequate - I/we are probably overinsured in this area

Base:
n= 724 with life insurance
n= 294 with income protection insurance
n=308 with critical illness insurance

* Results exclude 'don't know' responses



05 THE PICTURE IN NEW ZEALAND

Attitudes to potentially being underinsured

Just under a third (30%) of policyholders worry that the amount of cover they have is not enough while 44% believe they should have more insurance but can't afford to get it.

ATTITUDES TO POTENTIALLY BEING UNDERINSURED

I worry that the amount of insurance cover I have is not enough

I believe I should have more insurance, but I can't afford to get it



Base: n = 2,061

● Agree ● Neutral ● Disagree ● Don't know



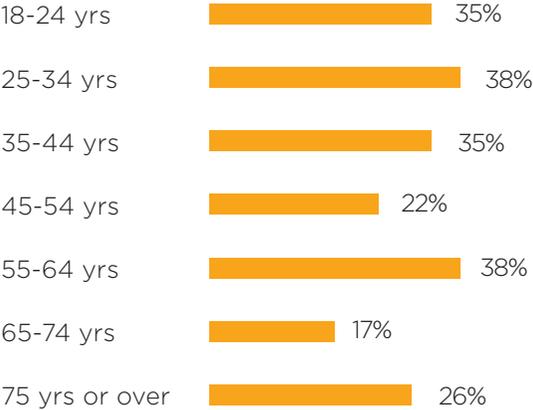
05 THE PICTURE IN NEW ZEALAND

Differences between age groups

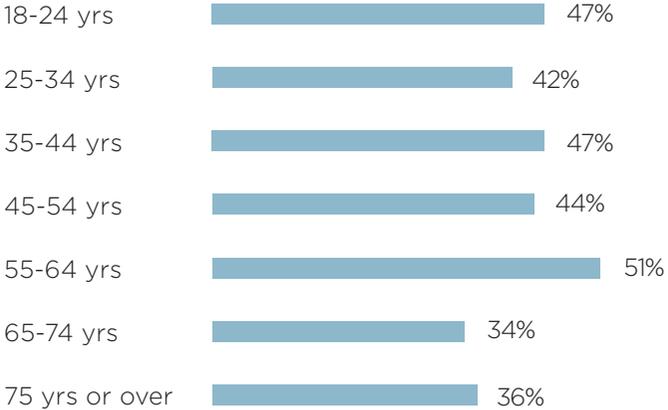
As respondents neared their mid-40s, they appeared to become more confident and satisfied about the amount of insurance cover they have, with a significant rise in concern as they headed to retirement age.

The need for insurance and perception of affordability appears to be relatively consistent post retirement age (65+), where it drops off.

I WORRY THAT THE AMOUNT OF INSURANCE COVER I HAVE IS NOT ENOUGH (STRONGLY AGREE / AGREE)



I BELIEVE I SHOULD HAVE MORE INSURANCE, BUT I CAN'T AFFORD TO GET IT (STRONGLY AGREE / AGREE)



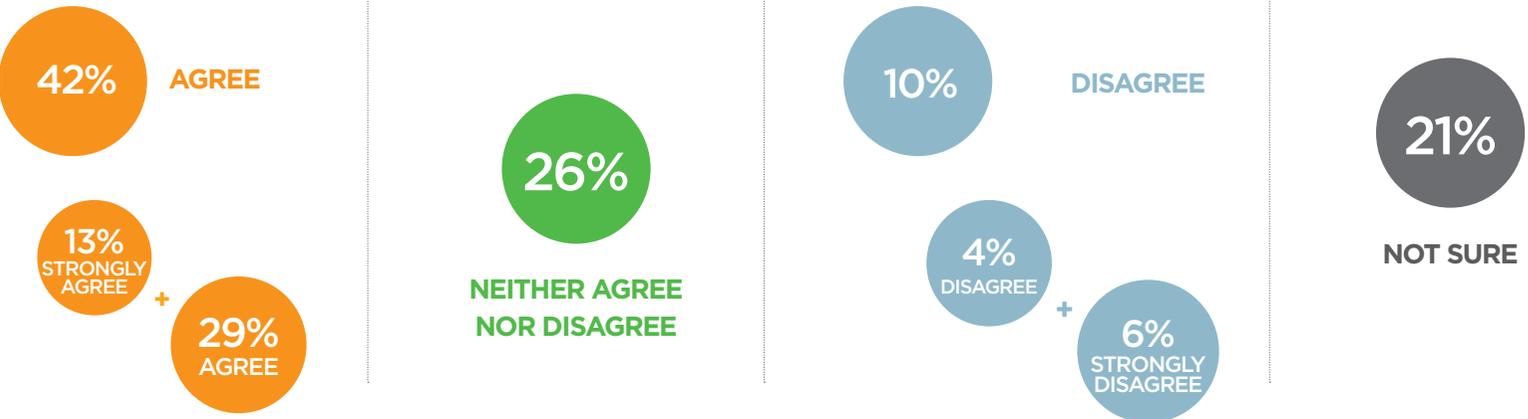


05 THE PICTURE IN NEW ZEALAND

Is underinsurance a major problem for New Zealand?

Those surveyed were four times more likely to agree that underinsurance is a major issue for New Zealand than disagree. Four out of ten (42%) agreed that underinsurance is a major issue for New Zealand while only 10% disagreed. A further 21% were not sure and over a quarter did not agree or disagree.

HOW MUCH DO YOU AGREE OR DISAGREE THAT UNDERINSURANCE IS A MAJOR ISSUE FOR NZ?





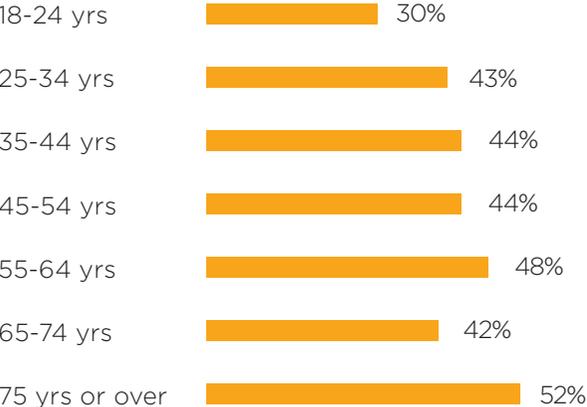
05 THE PICTURE IN NEW ZEALAND

Differences between age and households

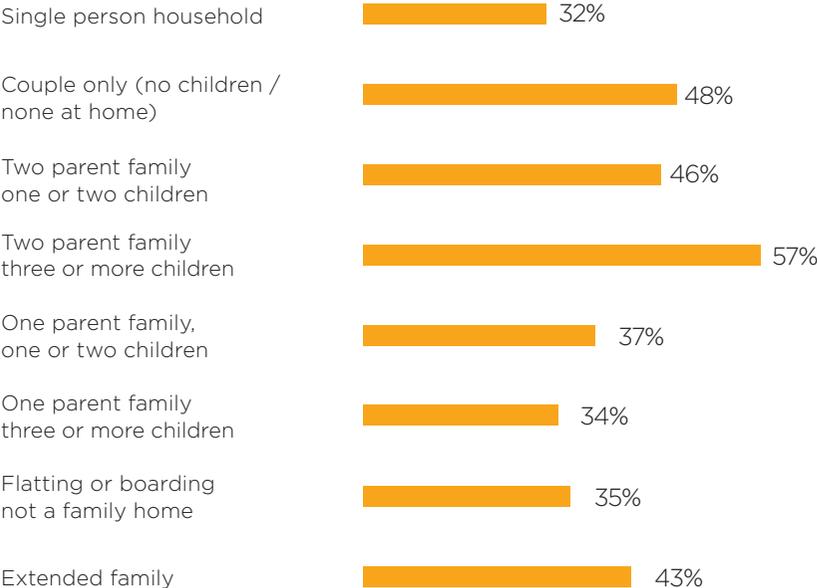
Underinsurance becomes more of a major issue for those as they pass 24 years old and then it broadly remains steady, except for a drop for individuals just entering retirement age (65-74).

The difference when the makeup of household is considered shows that those in a two-parent family with three or more children worry more about underinsurance in New Zealand (close to 60%).

HOW MUCH DO YOU AGREE THAT UNDERINSURANCE IS A MAJOR ISSUE FOR NEW ZEALAND BY AGE?

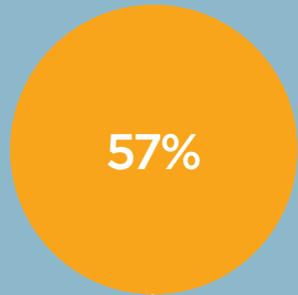


HOW MUCH DO YOU AGREE THAT UNDERINSURANCE IS A MAJOR ISSUE FOR NEW ZEALAND BY HOUSEHOLD TYPE?



05 THE PICTURE IN NEW ZEALAND

HOW MUCH DO YOU AGREE THAT UNDERINSURANCE IS A MAJOR ISSUE FOR NEW ZEALAND?



Two parent family with three or more children at home



Aged 75 or more



Household income over \$100k



Couple with no children at home



From the South Island excl. Christchurch



05 THE PICTURE IN NEW ZEALAND

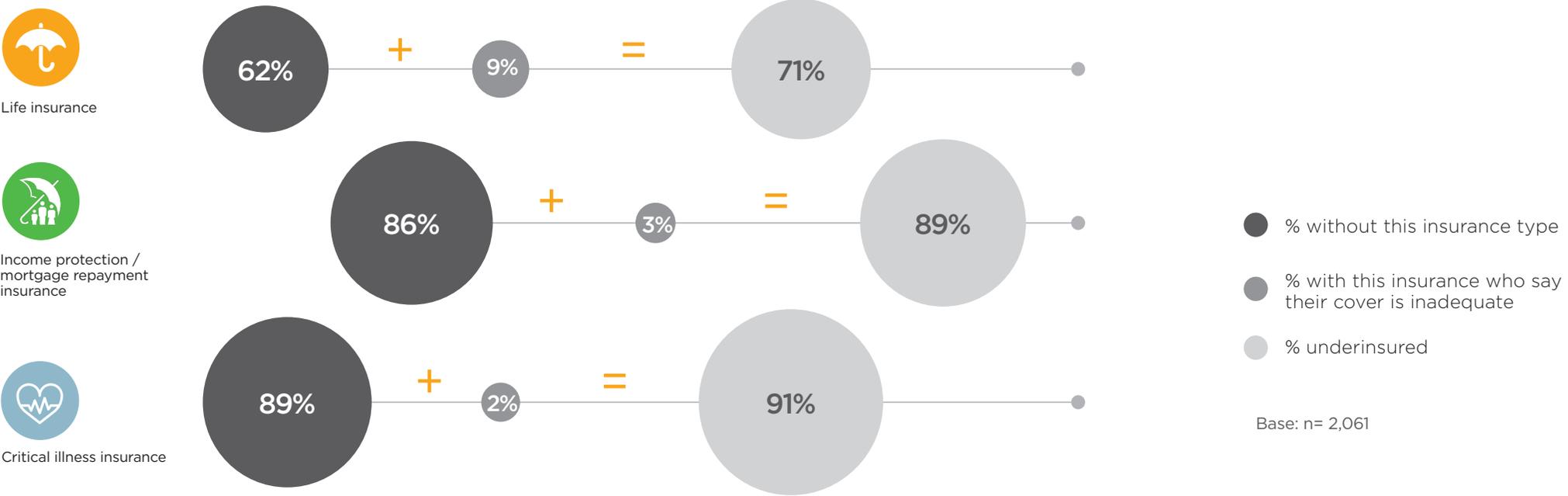
Estimated level of underinsurance by life insurance type

The level of underinsurance for each insurance type has been estimated by adding the proportion of the population who responded that they do not have these insurance types to the proportion who responded that they do have these insurances but say their coverage is inadequate.

Using this approach, critical illness has the highest level of estimated underinsurance within the population (91%) followed closely by income protection insurance (89%). There is a somewhat lower level of estimated underinsurance for life insurance (71%).

These results should be treated with caution as not all New Zealanders require insurance. They are an estimate based on the research undertaken to develop this report.

UNDERINSURANCE ESTIMATE (BASED ON THE FULL SAMPLE)





05 THE PICTURE IN NEW ZEALAND

TRACKING THE CHANGE OVER THE PAST DECADE

Comparing the results from this survey with the results from the 2011 survey of underinsurance conducted for ISI (the former name of the Financial Services Council), 'The People Insurance Gap - Exploring Underinsurance in New Zealand'¹⁰ indicates that the level of underinsurance has increased markedly for life insurance:



Life insurance

71% in 2018 compared to 59% in 2011 (+12 percentage points)



Income protection /
mortgage repayment
insurance

89% in 2018 compared to 86% in 2011 (+3 percentage points)



Critical illness insurance

91% in 2018 underinsured compared to 90% in 2011 (+1 percentage point)

The methodology and sample sizes of the 2011 and 2018 research were different and so this comparison only provides an indication.

¹⁰ <https://www.fsc.org.nz/site/fsc1/files/Insurance%20Gap%20Files%202013/InsuranceGap%20-%20Summary%20Report%20-12.7.12.doc>



05 THE PICTURE IN NEW ZEALAND

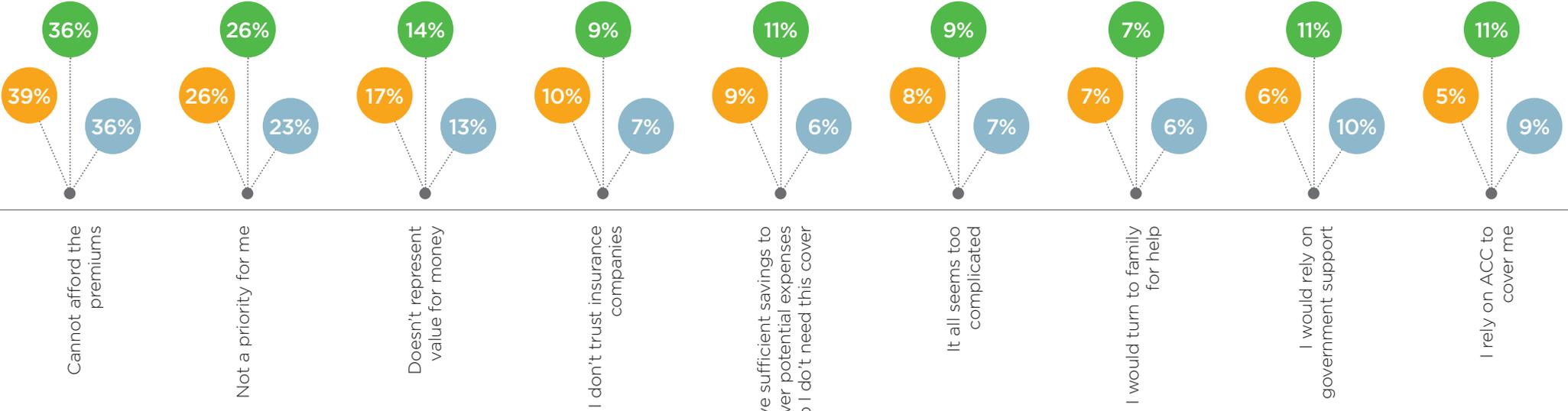
Main reasons for being underinsured

From a prompted list of reasons, those who did not have cover through the various life insurance types (life, income protection or critical illness cover), or had inadequate cover were asked why.

The top three reasons selected by the respondents were very similar for all three insurance types:

- not being able to afford the premiums
- not being a personal priority, or
- not representing value for money.

MAIN REASONS FOR BEING UNDERINSURED



*Base: Those who don't have this insurance or think their cover is inadequate:
 n = 860 re: life insurance
 n = 1,786 re: income protection insurance
 n = 336 re: critical illness insurance





05 THE PICTURE IN NEW ZEALAND

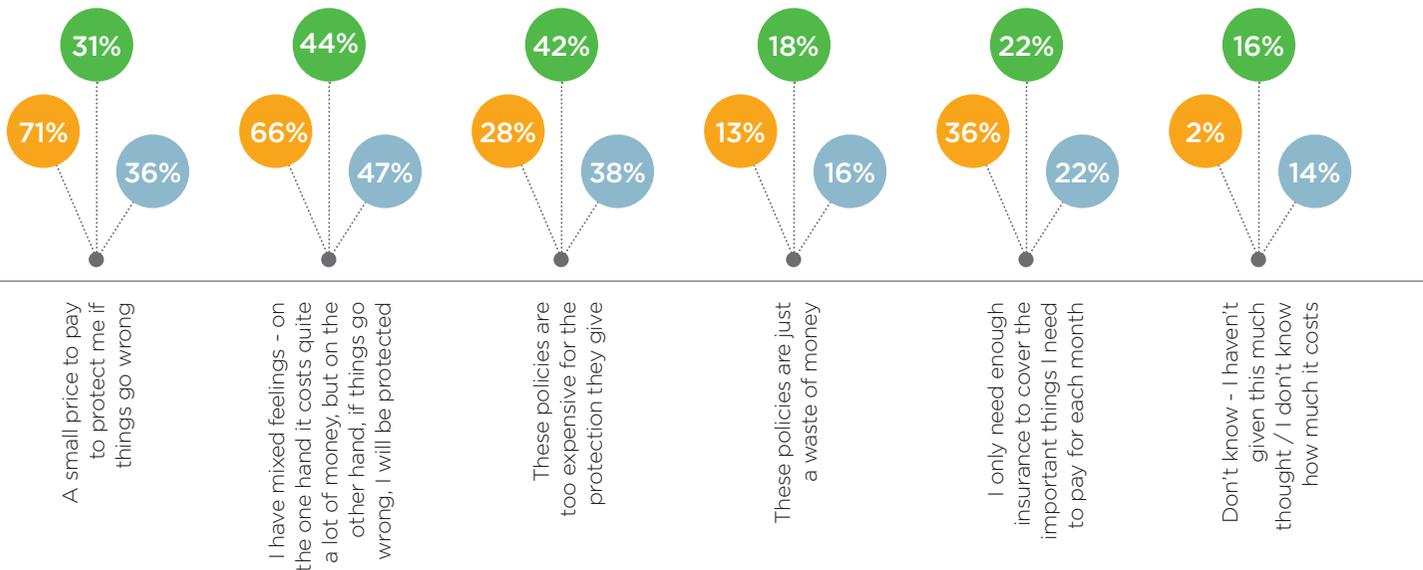
Peoples' attitudes to paying for personal risk insurance

As one of the key reasons for underinsurance, those surveyed were asked to indicate their attitudes to paying for the various types of risk insurance. In this 'grid question' they could select more than one response, so the totals add up to more than one hundred percent. This question was asked of all survey participants; however, results have been filtered to show just the attitudes of people who currently have these products.

Life insurance payments were relatively more likely to be considered a small price to pay (71%) or costing quite a lot but if things go wrong, I will be protected (66%). At the other end of the spectrum, life insurance is less likely to be perceived as too expensive for the protection it gives (28%) or a waste of money (13%).

Attitudes to paying for the other two insurance types were very similar, with people much less likely to say their payments represent a small price to pay if things go wrong (31% for income protection insurance and 36% for critical illness insurance). The most common response for these insurance types is costing quite a lot but if things go wrong, I will be protected (44% and 47% respectively).

ATTITUDES TO PAYING FOR RISK INSURANCE




Life insurance



Income protection / mortgage repayment insurance



Critical illness insurance

*Base: Those who don't have this insurance or think their cover is inadequate:
n = 860 re: life insurance
n = 1,786 re: income protection insurance
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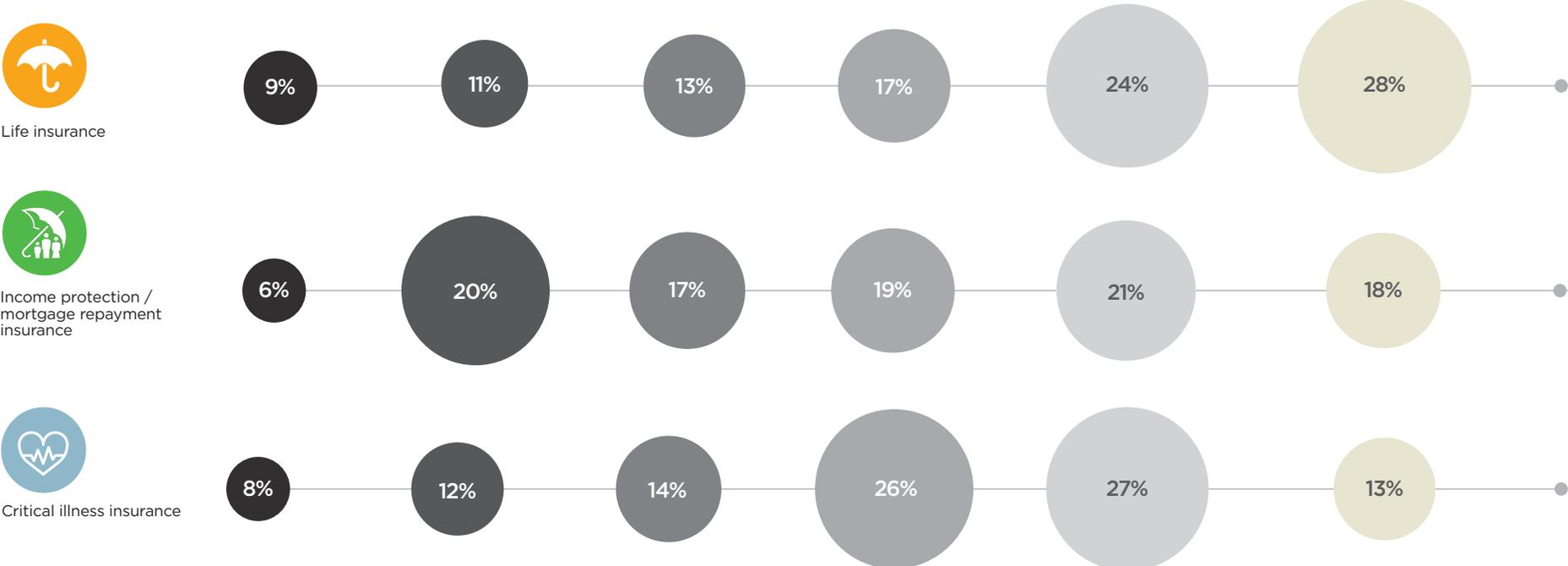
05 THE PICTURE IN NEW ZEALAND

Importance of having personal risk insurance types

Survey respondents were asked how important are these insurance types for people like you?

Life insurance is seen to be the most important insurance type. Just over half (52%) said that life insurance was essential or that people would really like to have this insurance, compared with 40% for critical illness and 39% for income protection insurance.

IMPORTANCE OF THIS INSURANCE TYPE FOR PEOPLE LIKE ME

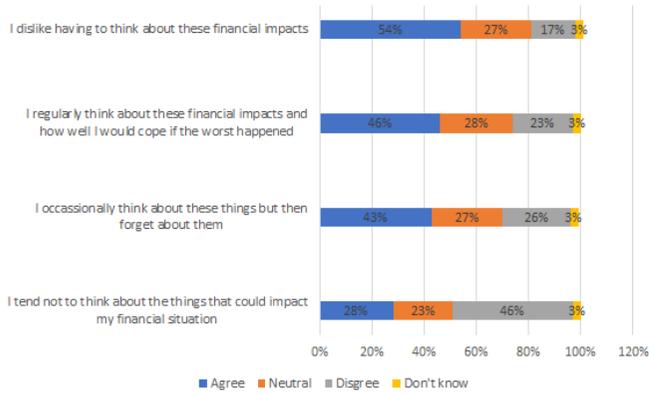


Base: n= 2,061

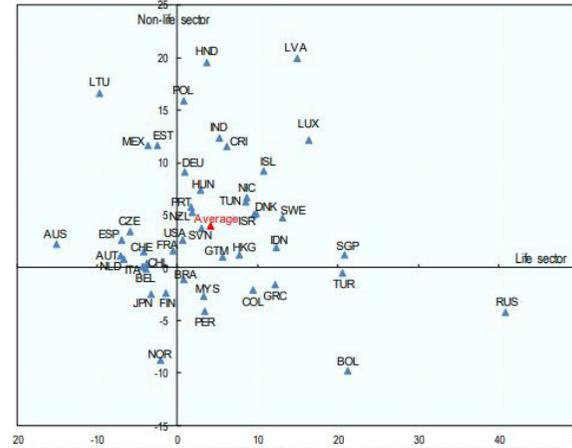
- I really don't know
- I doubt this would be useful
- They would really like this
- They would definitely not need this
- I'm not sure
- Essential for people like me

06 – DATA CHARTS

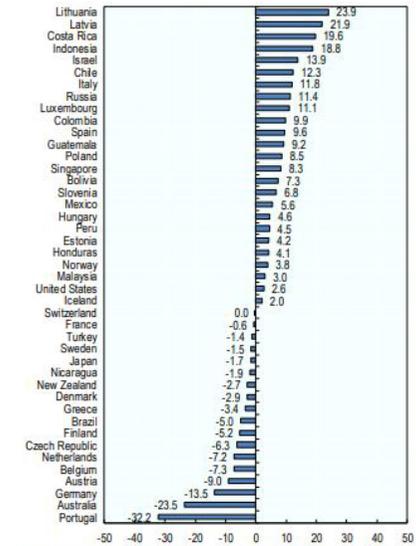
THINKING ABOUT FINANCIAL RISKS



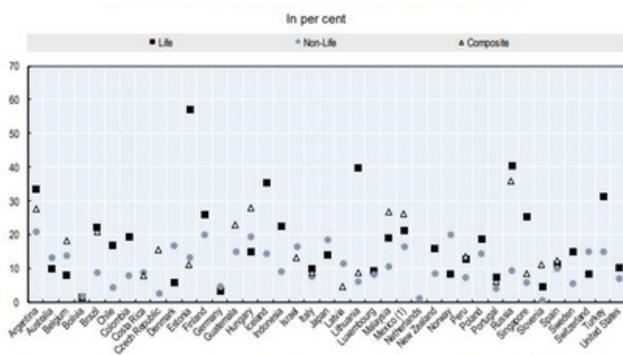
ANNUAL REAL GROWTH OF DIRECT GROSS, PREMIUMS IN THE LIFE AND NON-LIFE SECTORS IN SELECTED COUNTRIES, 2017



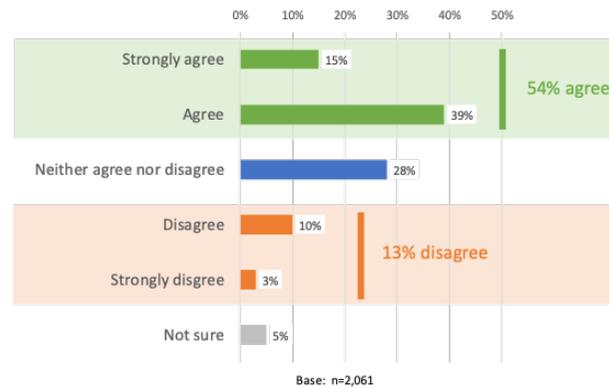
ANNUAL REAL GROWTH RATES (%) OF GROSS CLAIMS PAYMENTS IN THE LIFE SECTOR IN SELECTED COUNTRIES, 2017



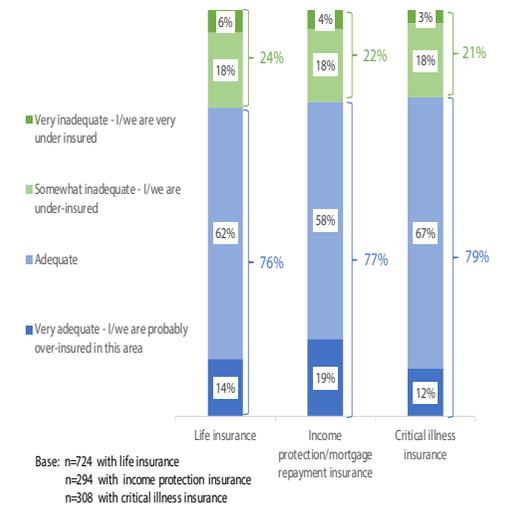
RETURN ON EQUITY BY TYPE OF INSURER IN SELECTED COUNTRIES, 2017



HAVING THE RIGHT AMOUNT OF INSURANCE COVER IS IMPORTANT TO ME

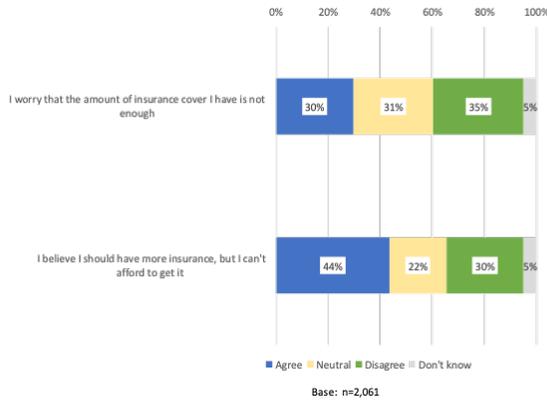


PERCEIVED ADEQUACY OF COVER OF INSURANCE POLICIES HELD

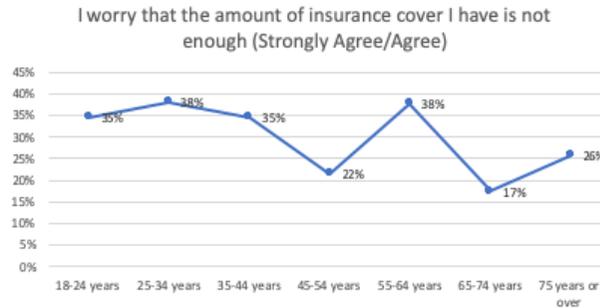


06 – DATA CHARTS

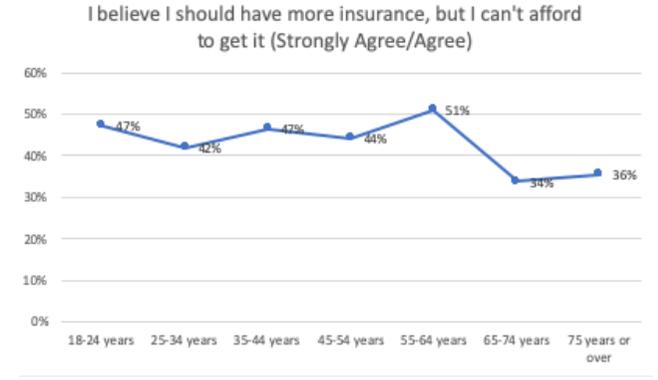
ATTITUDES TO POTENTIALLY BEING UNDERINSURED



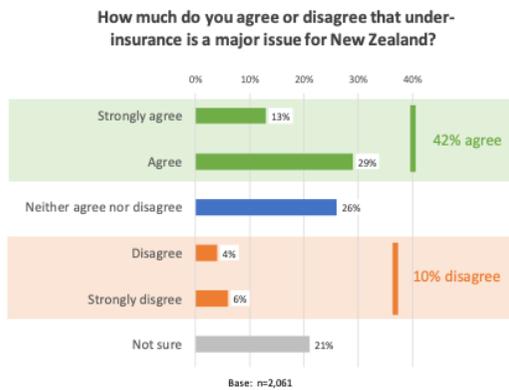
I WORRY THAT THE AMOUNT OF INSURANCE COVER I HAVE IS NOT ENOUGH



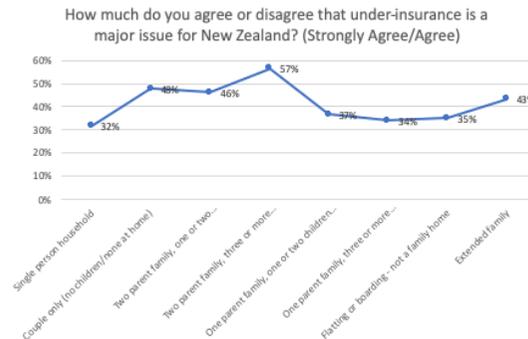
I BELIEVE I SHOULD HAVE MORE INSURANCE, BUT I CAN'T AFFORD TO GET IT



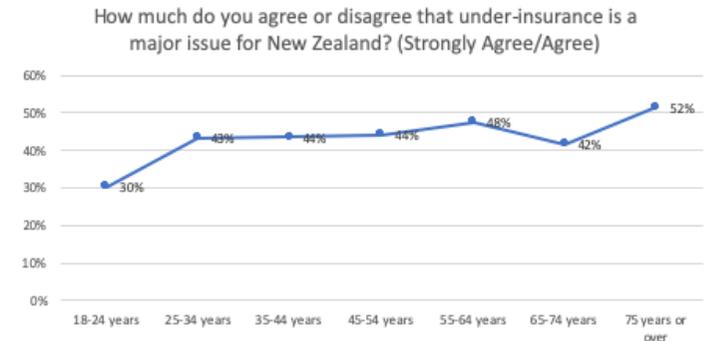
HOW MUCH DO YOU AGREE THAT UNDERINSURANCE IS A MAJOR ISSUE FOR NEW ZEALAND



HOW MUCH DO YOU AGREE THAT UNDERINSURANCE IS A MAJOR ISSUE FOR NEW ZEALAND BY DEMOGRAPHICS



HOW MUCH DO YOU AGREE THAT UNDERINSURANCE IS A MAJOR ISSUE FOR NEW ZEALAND BY AGE



06 – DATA CHARTS

UNDERINSURANCE ESTIMATE

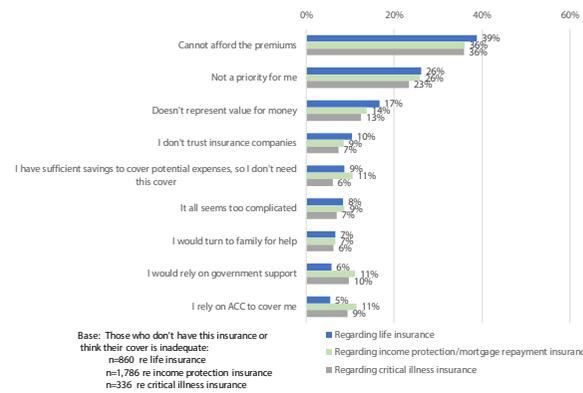
Under-insurance estimate (based on the full sample)

Insurance type	[A] % without this insurance type	[B] % of total sample with this insurance type who say their cover is inadequate	[A] + [B] % under-insured
Life insurance	62%	9%	71%
Income protection insurance/ mortgage repayment insurance	86%	3%	89%
Critical illness insurance	89%	2%	91%

Base: n=2,061

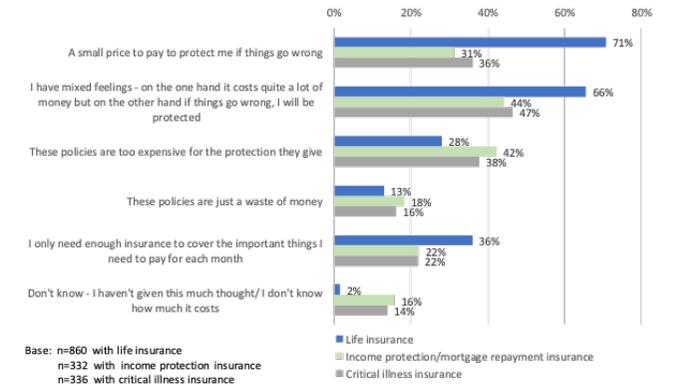
MAIN REASONS FOR BEING UNDERINSURED

Main reasons for being under-insured i.e. not having the various risk insurance types or having inadequate cover



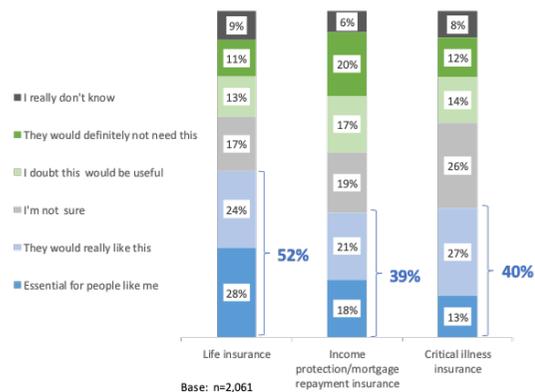
ATTITUDES TO PAYING FOR RISK INSURANCE

Attitudes to paying for risk insurance



IMPORTANCE OF THIS INSURANCE TYPE FOR PEOPLE LIKE ME

Importance of this insurance type for people like me



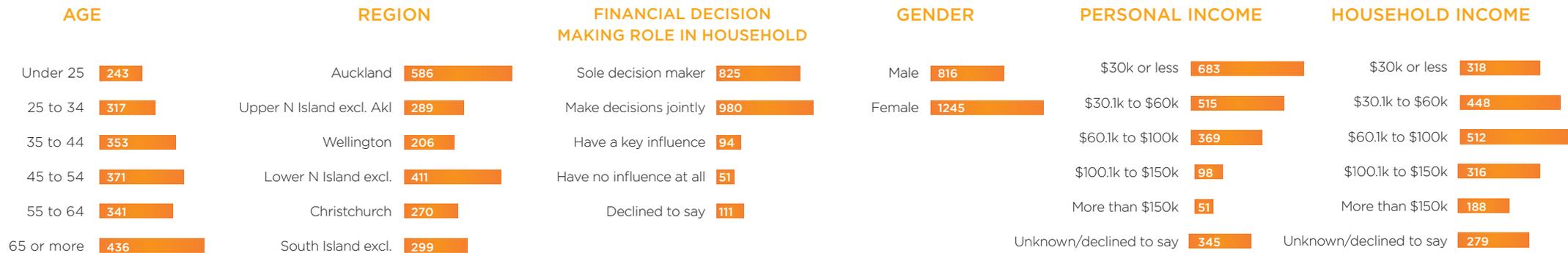
07 – SURVEY METHODOLOGY

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 $\pm 2.2\%$ 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.



Note: Some charts will add up to more than 100% due to rounding.

07 – 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.

08 – 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 64 members (as at 19 December 2019) 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.

fsc.org.nz

FULL MEMBERS

AIA Insurance 	AMP Financial Services 	Anglican Finance Care 	ANZ Bank 	ASB 	Asteron Life 	BNZ Investments and Insurance 	Cigna Life Insurance 	Civic Financial Services Ltd 	Consillium 	Craigs Investment Partners 	Fidelity Life 	FNZ 
Forsyth Barr 	Generate 	Mercer 	Milford Asset Management 	Momentum Life 	nib NZ 	NZ Post Superannuation Plan 	Partners Life 	Pinnacle Life 	Smartshares 	Southsure 	Te Rūnanga O Ngāi Tahu 	Westpac Bank 
3M NZ Ltd Superannuation Scheme	AON NZ	BECA Super Scheme	BOC NZ Retirement Plan	Dairy Industry Superannuation Scheme	EDS (NZ) Staff Superannuation Fund	MISS Scheme	MySuper Superannuation Scheme	NZAS Retirement Fund	NZ Fire Service Superannuation Scheme	Police Superannuation Scheme	RBNZ Staff Superannuation Scheme	

ASSOCIATE MEMBERS

Anthony Harper 	Bell Gully 	BNP Paribas 	Bravura Solutions 	Chapman Tripp 	Chatswood Consulting 	Davies Financial & Actuarial 	DLA Piper 	Ernst & Young 	GenRe 	Guardian Trust 	Hannover Life Re 	Kensington Swan 
KPMG 	Link Market Services 	Melville Jessup Weaver 	MinterEllison RuddWatts 	MMC Ltd 	Mosaic 	Pricewaterhouse Coopers 	Public Trust Corporate Trustee Services 	RGA Reinsurance 	SCOR Global Life 	Strategi Group 	Swiss Re 	Trustees Executors 

09 – LIFE INSURANCE RESEARCH



KEY FINDINGS

- + New Zealanders are aware of risks that might impact them
- + The risk of losing income is not considered by the majority of New Zealanders
- + New Zealanders don't have savings or insurance in place to cover short-term loss of income
- + New Zealanders are not actively managing financial risk
- + Government support, ACC and the public health system are relied upon



KEY FINDINGS

- + Peace of mind is paramount when purchasing insurance
- + Kiwis are making trade-offs when considering life insurance
- + Getting advice drives confidence
- + Those who have claimed are more positive
- + Claim time is an emotional time

All research documents are available at fsc.org.nz

The Financial Service Council of New Zealand's reports and publications are available on our website.

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