



Media release

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\$91,000 not enough to cover lost life - Australians encouraged to become Lifewise

- **New insurance claims figures highlight inadequacy of life insurance cover**
- **Insurance industry launches Lifewise – a national education campaign around personal insurance**

New life insurance claims figures released today by the Investment and Financial Services Association (IFSA) show Australian families received an average payout of just \$91,000 on the death of a partner in 2008. A fact that sheds light on the consequences of the life insurance protection gap.

The release of the claims data coincides with the launch of a major industry initiative aimed at tackling underinsurance. IFSA surveyed its life insurance members to understand claims payout levels across the industry. Based on information from over 90% of the market, the survey found over \$2.3 billion¹ in claims were paid in the 2008 calendar year on nearly 35,000 policies.

Commenting on the figures, IFSA's deputy CEO John O'Shaughnessy said

“The average size of claims paid shows Australians continue to be underinsured, adding further pressure to working families already strained due to the financial crisis and economic recession.

“More than 13,000 families received an average payout of \$91,000 on the death of a partner, usually the primary breadwinner. Given the average family with young children has debts totalling \$167,000², these levels of cover will not protect the majority of Australians from financial difficulty following this type of tragedy.”

Average payouts for total and permanent disablement during 2008 tell a similar story with nearly \$71,000 paid out on average to Australians who are disabled and unable to work again.

Mr O'Shaughnessy continued:

“When you consider the fact that with many disabilities you can never work or earn an income again, not to mention the care and home modification costs

¹ Figures represent claims paid during the period from 1 January 2008 to 31 December 2008 across 13 life insurance companies representing 90% of the life insurance industry by premium and lives insured.

² For Australian families with children under the age of five, the median amount of debt is \$167,000. ABS, Australian Social Trends, *Household Debt*, cat. no. 4102.0, 2009



and ongoing living expenses, these levels of coverage are simply not sufficient.

“The average payouts for trauma insurance are less concerning. It’s pleasing to see a higher average payout of around \$155,000 for trauma, which is paid on diagnosis of a critical illness, indicating more appropriate levels of cover for this category. However past research shows less than 10 per cent of Australians take up trauma insurance³.”

A gender breakdown of the findings shows that while women are less likely to have life insurance cover, those that do tend to have more adequate levels of cover. Almost 70% of all claims relate to men, however only 60% of the value of claims paid is to men.

The launch of Lifewise

These latest statistics support many earlier research studies which have consistently shown Australians to be significantly underinsured. International research from reinsurer Swiss Re in 2007 demonstrated that Australia is one of the most underinsured nations in the developed world - ranking 16th for life insurance density and penetration⁴.

Underinsurance is the target of the Lifewise campaign which is to be launched by IFSA and Australia’s life insurance industry at a special event in Sydney tomorrow (1st May 2009).

Lifewise is an industrywide campaign that aims to encourage Australians to take appropriate steps to protect themselves from the financial hardship that can result from accident, sickness or death. The campaign features a straight-talking website and ‘how much is enough’ insurance needs calculator so that Australians can educate themselves about the risks they face in life and how they can manage them.

Mr O’Shaughnessy said:

“Most Australians have some level of cover in their superannuation fund, however research shows that default levels for most people will not provide an adequate level of financial security should the unexpected happen.

“Through Lifewise we hope that Australians will become more actively engaged in their life insurance decisions and the tools available to people on the website will help them do just that.”

³ IFSA TNS Research Investigating the issue of underinsurance in Australia, 2005

⁴ Swiss Re Economic Research & Consulting , 2007



Close to 400 people will attend the launch event which will be hosted by Ross Greenwood and where The Hon. Chris Pearce MP, Shadow Minister for Financial Services, Superannuation and Corporate Law, will officially launch the campaign.

Lifewise supporters

Over fifty organisations and individuals have already signed up as supporters of the campaign, including six charitable organisations – MS Research Australia, Youth Insearch, Inspire Foundation, Schizophrenia Research Institute, Family Relationship Services Australia and the Leukaemia Foundation.

Explaining the community impact, Founding Director of Youth Insearch Ron Barr AM said many of the kids who go through his program would not be there if their parents had adequate levels of life insurance.

“We often see kids whose families have disintegrated under the financial pressure that can follow the death of a parent,” Mr Barr said.

Lifewise is expected to be a three to five year campaign with a range of activity planned for the coming financial year including further research, working closely with all Lifewise supporters and online consumer campaigns.

More information about the campaign including a list of supporters is available at the new Lifewise website: www.lifewise.org.au.

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