

# Did you know?



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## Australians' attitudes towards life insurance

CommInsure's recent Life Risk Survey 2012<sup>1</sup> showed that Australians would prefer to increase savings or pay bills rather than take out insurance, placing many in financial peril if they were out of work for more than three months.

The survey found that Australians would be most likely to allocate a \$1,500<sup>2</sup> windfall towards savings (38.8 per cent) or bills (37.1 per cent), with just 2.1 per cent using it to take out life insurance and only 1.2 per cent indicating they would top up their existing cover.

Whilst the majority of Australians have some life cover (60.3 per cent), two thirds of these (41.3 per cent) are covered through their super fund only. Few (8.3 per cent) have life cover solely outside of super. One third (33.3 per cent) say that this cover would not even pay off their mortgage, and a further 18.2 per cent were unsure if it would. Almost half took out life cover through their super fund with no advice, and only one in five has ever topped up this insurance. Males were more likely to hold life insurance than females (67.5 vs. 54.2 per cent), as were those aged between 30 and 50 and those with dependent children.

Close to half of respondents (48.6 per cent) have TPD insurance, of which most (35.2 per cent) have cover through their super fund only. Just 6.2 per cent have TPD cover solely outside their super fund. Twelve per cent were unsure about whether they had TPD insurance or not. Of those holding TPD insurance inside super, only one in five (19.6 per cent) have ever topped up this cover, with this again more likely among males and those with dependants.

Only one in ten respondents (10.7 per cent) has trauma insurance; however, at least one quarter (25.2 per cent) are not sure if they have this type of cover. As for life insurance, trauma cover was more likely to be held by males, higher income earners, the 30-50 age group and people with dependants.

Most Australians (54.3 per cent) do not hold any income protection cover and a further 11.3 per cent are unsure either way. Of those with cover (34.4 per cent), over half hold this through super only and less than a fifth have ever topped this up. At least 10.3 per cent have cover solely outside of super. As for life, TPD and trauma insurance, income protection was more likely to be held by men, those with more income, the middle aged and those with dependants.

## Misconception that risks are covered

The most prevalent triggers for purchasing insurance are taking out a mortgage (28.4 per cent), having a child (24.2 per cent), and getting professional advice (20.7 per cent). These were closely followed by preparing a financial plan (18 per cent), getting married (17.2 per cent) and changing employer/super fund (15.1 per cent). Other triggers for taking out life, TPD, trauma or income protection include: family protection in case of accidents, getting old, personal motivation, migration, investment protection and financial help for family members.

However, faced with the inability to earn an income for over three months, 39.4 per cent of Australians would have to mortgage or re-mortgage their home, 32.4 per cent would have to downsize their home, and 28.3 per cent would be forced to move in with family or friends.

<sup>1</sup> CommInsure commissioned CoreData to conduct this survey in August 2012. 1,078 Australians – aged 18 and over – were polled.

<sup>2</sup> \$1,500 equates to the average annual life insurance premium for a male aged 40, \$1m of life, non-smoker, stepped premium.



Furthermore, 74 per cent would cancel pay TV subscriptions, 51 per cent would have to cut kids' extra-curricular activities, 31.9 per cent would move kids from private to public schooling, and there would be no holidays for 88.2 per cent. Most Australians would have to tap into their personal savings (85.4 per cent), 29.6 per cent would sell personal assets, and 20.9 per cent would seek to take out a loan.

In this scenario, Australians would be most likely turn to their spouse or partner (64.2 per cent) or the government (62.9 per cent) for financial support. However, two-thirds (66.7 per cent), say they could only maintain their current standard of living on the average weekly Centrelink disability support pension of \$350 for less than a year.

### **Common tasks putting Aussies most at risk**

Everyday accidents are putting Aussies in hospital, and out of work. More than half (55.5 per cent) have been or know someone to have been hospitalised due to a car accident; 47.7 per cent due to sports accidents; and 41.5 per cent following an accident at work. Thirty per cent have been or know someone to have been hospitalised due to do-it-yourself jobs around the home and 32.3 per cent for other home activities. Serious pushbike accidents are also prevalent (30.4 per cent) and 21.3 per cent of respondents have or know someone who has suffered a physical assault in public or at home.

Most people also severely underestimate the cost burden of treating and managing traumatic injuries. Nearly 50 per cent put the cost of treating and managing spinal injury at below \$350,000 over a 5-year period. However, spinal injury is estimated to cost over \$650,000 during this time frame, with costs for a quadriplegic for the first 6 years including equipment and modifications at \$123,593, healthcare at \$297,453, and attendant costs at \$343,526<sup>3</sup>.

### **Comments from Tim Browne, Commlnsure's General Manager – Retail Advice:**

“Many people seem to be taking a set and forget approach when it comes to insurance - holding cover in their super, typically not topping it up, and not seeking advice. This creates a false sense of security that the insurance is taken care of, but a worst case scenario can leave many families ill-prepared and facing significant lifestyle adjustments.

“This survey highlights that Australians are seriously underinsured and when under serious financial pressure, they prioritise today's lifestyle needs ahead of insurance. Australians need advice on how to balance today's priorities with tomorrow's needs, as many options and alternatives exist that can help them make ends meet.”

#### **Important information**

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<sup>3</sup> Access Economics, The cost of traumatic SCI and BI in Australia, June 2009.