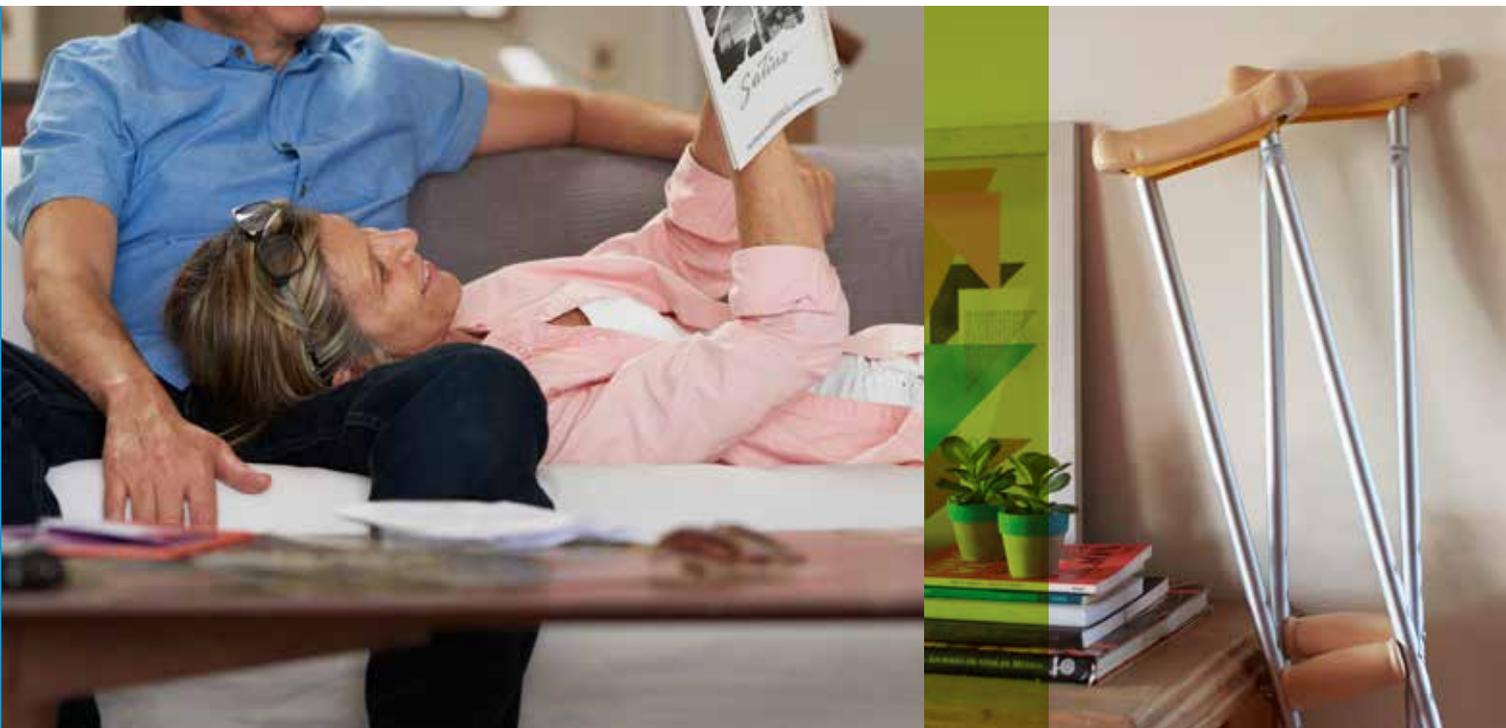


Insurance Inside Super

A detailed report into members' awareness, attitudes and engagement with Insurance Inside Super.



A word from our CEO



I am very pleased to present the inaugural MetLife Insurance Inside Super Report. This is our first in-depth report into awareness and engagement with Insurance Inside Super in Australia.

Without insurance inside super, many working Australians and their families would likely have no form of lifestyle protection. Group insurance is not only integral to providing affordable and accessible cover to individuals, but also in reducing Australia's significant social security costs.

The superannuation industry in Australia has worked hard to raise awareness of super and the default insurance provided within. Encouragingly, more working Australians aged 18 to 64 years are consolidating their super accounts and are increasingly aware of insurance within super. However, many myths still prevail and there is a general lack of knowledge of the benefits that insurance inside super can provide. Many people are also unaware of the actions they can take to ensure their cover meets their individual needs.

MetLife's mission is to ensure every working Australian is not only aware of their insurance inside super, but

is empowered to act and make sure their cover provides the right level of protection throughout their lives.

This report highlights several key areas where we as an industry can help to improve consumer knowledge and engagement with insurance inside super, communicating simple, actionable steps at key points in time and promoting the benefits of this invaluable protection.

At MetLife we're committed to working with our partners to better educate and inform members about their insurance inside super benefits and options, ultimately ensuring more working Australians and their families are adequately protected.

A handwritten signature in blue ink, appearing to read 'D. Stewart'.

**Deanne Stewart,
CEO, MetLife Australia**

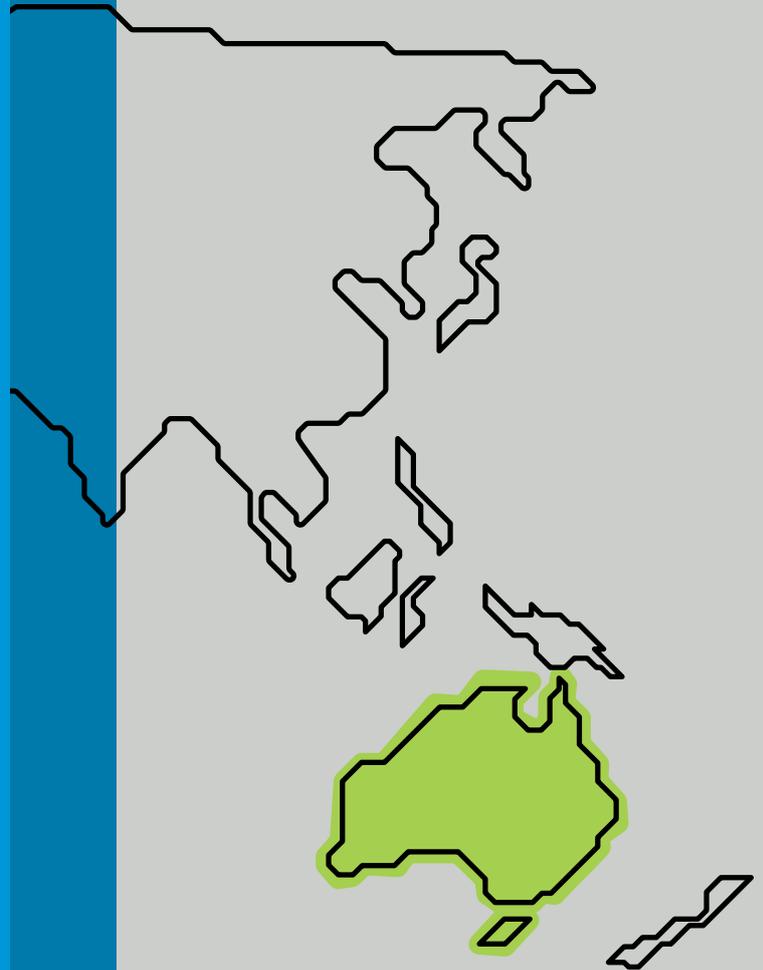
About MetLife in Australia

MetLife is a leading provider of life insurance, partnering with employers and super funds to help more Australians create a lifestyle they love – and providing help when they need it most.

Our 150-year history and global presence gives us the scale and experience to be a valued and trusted partner in business. We protect customers in more than 40 countries worldwide, and lead the market in corporate insurance solutions in the US, Asia, Latin America, Europe and the Middle East.

MetLife is the third largest group insurer in Australia, protecting more than 2.6 million people. We support our claimants to get back on their feet financially, having disbursed approximately \$485 million in claims in 2017, and we provide an exceptional claims experience with access to ancillary support services to promote holistic health and wellbeing.

metlife.com.au



Who will benefit from reading this report?

- Senior leaders and professionals within the superannuation industry
- Insurance industry professionals
- Regulators and government bodies
- Consumer advocate organisations focusing on personal finance
- Media

Key findings

- Overall 74% of Australians are aware of life insurance inside super.
- A concerted effort from the super industry to encourage Australians to consolidate their super to avoid paying multiple fees is paying off and the majority of working Australians now hold only one super account.
- However, there is more work to be done on the engagement front, with many working Australians inadequately protected. Worryingly, only 58% of parents with children under 18 think they have life insurance.
- 71% of workers claim they only look at their insurance when they review their super and on average respondents do not believe they need to start thinking seriously about their super until age 47.
- Attitudes to super and insurance vary based on a range of factors, including professional advice, life stage, and 'trigger events' such as starting a family.
- Without insurance inside super, the epidemic of underinsurance would likely be much greater. 60% of people say they probably wouldn't have insurance cover if it wasn't automatically included within their super.
- There are still large segments of the population who do not know they have insurance within their super, know little about the cost or benefits it can bring, and are unaware if the insurance they hold is adequate for their needs.
- Awareness of and engagement with all types of insurance inside super is lower among women than men.
- There is a clear opportunity to improve communication to members about insurance inside super. Simply put, the benefits of insurance inside super are not understood.





Working Australians' attitudes to personal finance and super

As attitudes to personal finance and super are closely linked with attitudes to insurance, MetLife conducted a deep dive into all three areas.

Positively, MetLife found that two thirds of working Australians have a high level of interest in managing their finances and just over three in 10 have consulted a financial planner.

In addition, extensive campaigning by super funds to encourage members to consolidate their super accounts, together with technology to speed up and simplify the process, seems to be paying off - today around three quarters of working Australians report that they hold only one super account.

This shows a continued trend of consolidation, when compared with data from the Australian Tax Office which showed that as at 30 June 2016, 60% of Australians held one super account.¹

Members are also highly engaged with their super balances. Eight out of 10 members know their super balance 'exactly' or 'roughly' and

three out of 10 check their super balance once a month or more.

However, as life expectancies increase, and the government tightens its belt on aged pension concessions, many Australians feel financially underprepared for retirement. Only a quarter expect to be fully self-funded with no need for government assistance in their later years.

Many members are ignoring the insurance component of their super when they likely need it the most, between the ages of 30 and 50.

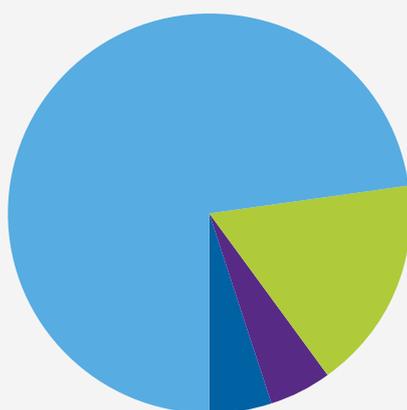
During these years, most people are focused on meeting near-term commitments and building wealth – paying off a mortgage, meeting household expenses and paying for children's schooling. Much lower priority is given to protecting assets and future income.

Financial engagement and advice

66% of working Australians have a high level of interest in managing their finances.

31% consult a financial adviser at least occasionally.

Super accounts



73% think they only have one super account.

17% think they have two accounts.

5% think they have three or more super accounts.

5% don't know how many super accounts they hold.

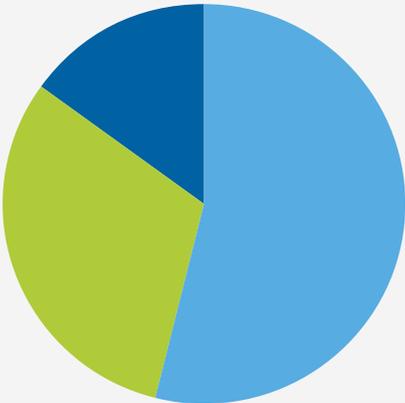
44% of those with multiple accounts say they never got around to consolidating.

33% keep multiple accounts to spread investment risk.

Super balances

81% claim to know 'exactly' or 'roughly' what their super balance is.

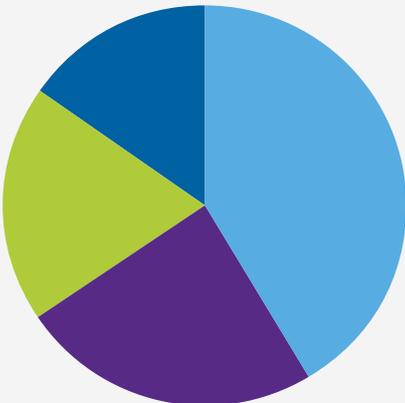
Retirement planning



- 54% have not calculated how much they will need for retirement.
- 31% have calculated roughly.
- 15% know exactly what they will need.

On average, respondents believe they do not need to start thinking seriously about super until age 47.

Retirement expectations



- 41% expect to be partly self-funded.
- 24% expect to be fully self-funded.
- 20% expect to be on a full aged pension.
- 15% don't know what to expect.

Awareness of and engagement with insurance inside super



Awareness

At least 40% of working Australians (around 5 million people) aged 18-64 claim they do not have any life insurance, either inside or outside of super.

However, with 13.5 million individual insurance policies inside super,² it is clear that many likely do have it without realising.

For those who are aware they hold insurance through their super fund, many know little detail about their cover. Overall understanding of the type and level of coverage varies and member awareness of

the name of the insurer, waiting periods, and exact premiums appears to be very low.

Further, of those who do have insurance inside super, five in 10 are unaware that they have an option to increase their level of cover, leaving them with just the default level nominated by their super fund.

² Source: www.ricewarner.com/insurance-through-superannuation



Engagement

In Australia, underinsurance is a persistent problem because unless they have been advised by a financial adviser, very few people have ‘done the numbers’ to assess how much cover they really need.

Calculating the right level of cover is a struggle for many. In fact, two thirds of Australians don't know how to calculate the life cover they need and over half of those with insurance inside super suspect they probably don't have enough.

While insurance through super can be a much cheaper option than insurance outside of super, over two thirds of members have never changed their default insurance cover.

Trust in insurance companies appears to be an issue, with six in 10 people concerned about insurers paying out in the event of a claim, when in reality over 90% of claims are paid in the first instance.³

For many, ‘adequate’ insurance is perceived to be enough to meet outstanding debts, such as a mortgage, as well as to provide for dependents for a few years to get back on their feet. However, there is a greater focus on the

breadwinner and little thought is given to the consequences of the main carer or secondary income earner passing away or suffering major injury or illness.

Many respondents felt uncomfortable even discussing the subject, with half avoiding talking to their partner or family about life insurance.

³ APRA November 2017 Information Paper - Update on steps to implement a public reporting regime for life insurance claims information



Awareness and engagement

54% of working Australians claim to have some type of insurance inside super.

Of those who are aware they have insurance inside super: **73%** claim to have reviewed it.

65% say it forms part of an overall review of their finances.

Awareness of insurance inside super is highest for Death cover: **74%** are aware they can get Death cover inside super.

67% are aware they can get Total & Permanent Disablement (TPD).

66% are aware they can get Income Protection insurance.

66% of Australian workers do not know how much insurance they need.

39% think they only need enough to pay off their debts.

69% have never changed their default cover.

52% of those who have never changed their cover aren't aware they can.

22% say they will probably never review their default cover.

41% plan to review their cover in the next year.

Of those who believe they have some form of insurance inside super:

42%

believe they have Death cover.

37%

believe they have TPD.

26%

believe they have Income Protection.

55%

suspect they do not have enough life insurance.

One in three do not know their cover amount, with knowledge lowest for TPD.



For those who know the amount of cover they have, average cover amounts are:

\$323,000

for Death cover.

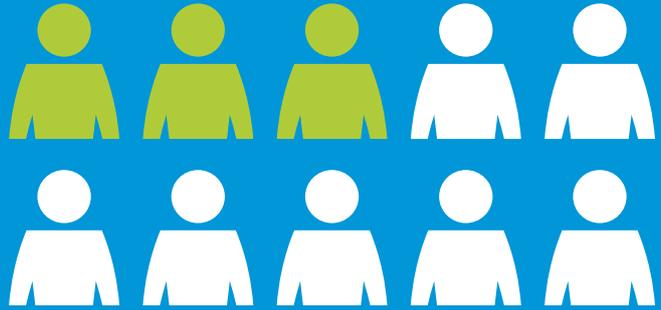
\$256,000

for TPD.

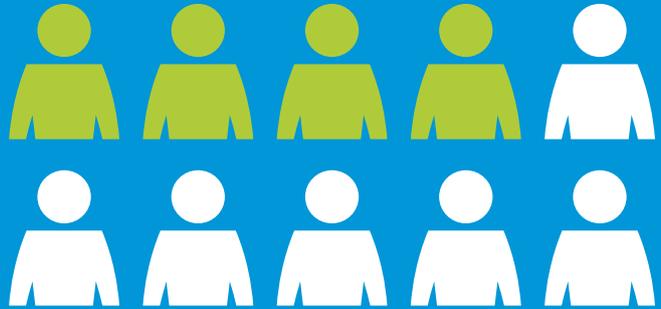
60%

of salary for Income Protection.

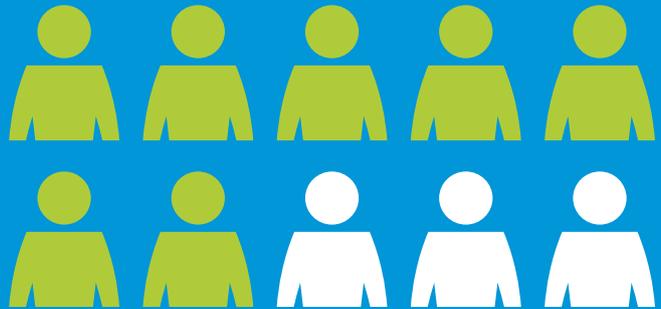
Only three in 10 are aware what premiums they are charged.



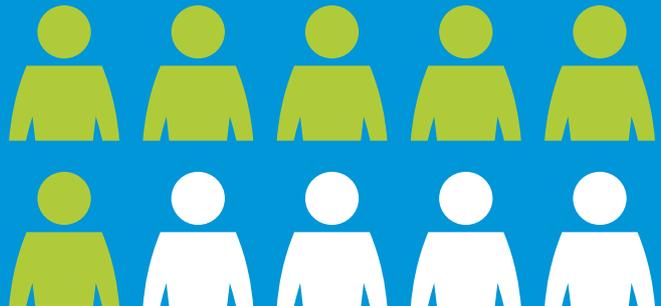
Among those with Income Protection, four in 10 don't know what their waiting period is.



Seven in 10 do not know who underwrites their insurance.



Six in 10 are concerned about insurers paying out in the event of a claim.



Comments from working Australians about their insurance in super

“I didn’t know you could modify your insurance until today. I thought I’d need to buy an additional policy that wasn’t through my super fund.”

“If my husband passed away I’d be OK for a couple of years. If the reverse happened? I don’t know what he’d do as he’d have to keep working. He would have more of a struggle.”

“How to decide what is adequate? I just think about how much equity we have and then some to help them get through the first few years and get back on their feet.”

“I would have known how much I paid when I signed up, but four to five years on, I have no idea what I pay for it. It’s like a direct debit – you leave it and then forget it.”

The gender divide

Men and women generally have quite different attitudes to personal finance, super, and insurance, with men overall feeling more confident in their financial decisions.

MetLife's research found that the gender gap is alive and well, with women lagging men when it comes to engagement with their finances and retirement planning. This divide is also evident when looking at understanding of and engagement with their insurance inside super.



Male

Female

Feel confident about their financial situation	79%	70%
Check their super balance monthly	40%	22%
Have calculated how much they will need for retirement	55%	35%
Do not know how to calculate how much life insurance cover they need	62%	71%
Haven't changed their default cover and are unaware they can modify their policy	49%	55%
Are not aware they are charged a premium for their insurance inside super	32%	37%
Do not know the premium amount charged	49%	64%

Fewer women claim to have insurance inside super cover compared to men.

	Male	Female
Death Cover	46%	37%
TPD	42%	32%
Income Protection	29%	23%
Any type of insurance inside super	60%	47%

Women aged 35 to 49 are the least likely to be aware of their amount of cover, whether it is Death, TPD or Income Protection.

The key findings for parents



Encouragingly, parents with children under 18 are more likely than the average working Australian to consult a financial planner and three quarters feel confident about their future finances.

42% of people with a child aged under 18 years use a financial planner.

74% of people with dependents under 18 years are confident about their future finances.

Parents with dependents are also slightly more aware of their insurance inside super options than the general working population.

However, while the research shows that this group has the highest financial liabilities such as a mortgage, personal loans, and children's school fees, worryingly less than half have Death cover and even less have TPD and Income Protection inside their super.

For those who do increase their insurance, there is still a focus on the breadwinner rather than the secondary income earner or main carer. This means the loss of income from the secondary income earner passing away or suffering a major injury is often not considered and little thought is given to the ongoing cost of looking after children.

75% of parents are aware of Death cover inside super, 69% are aware of TPD cover and 69% are aware of Income Protection.

Only 46% of parents of children under 18 years report to have death cover inside their super, 39% have TPD and 31% say they have Income Protection.

Health insurance is prioritised over life insurance because it provides tangible benefits which cover the day-to-day health costs of having a family.

Trigger events for modifying default cover

Default insurance is critical. Well over half of Australia's working population would likely not have any insurance cover if they did not have default insurance within their superannuation.

Yet for many working Australians the default level of cover would not be enough to pay off all their debts and financially support loved ones should the worst happen.

While MetLife's research shows that engagement with insurance inside super still has much room for improvement, there are key life events when life insurance becomes more important.

When it comes to modifying insurance inside super, a recommendation by a financial adviser was the top reason people acted, followed by communication from their super fund, then major life events, such as buying a house or increasing a mortgage, starting a new job, and starting a family.

Respondents also cited the negative experiences of underinsured family and friends or a personal health crisis as trigger events for increasing their default cover.

Top reasons for modifying insurance inside super

29% recommended by a financial adviser.

20% recommended by a super fund.

18% bought a house or increased mortgage.

18% started a new job.

17% had children.

16% got married.

Suggested actions to increase engagement with insurance inside super

1 Simplify communications 2 The right message at the right time

What is clear from these findings is that many super fund members find insurance inside super confusing, therefore delaying obtaining the right cover or putting it off altogether.

For members who do not regularly check the details of their super policy, there is little exposure to information on insurance inside super.

In addition to the work already underway by a number of super funds, there is an opportunity to take a more proactive approach to member communications and education.

Providing an opportunity to review, increase or opt-out of insurance during the sign-up stage, along with information on the implications of each decision, has the potential to dramatically increase engagement with insurance inside super.

Using simple, jargon-free language and offering easy steps for members to take may also help to debunk many of the myths about the complexity of insurance inside super.

MetLife's findings show awareness of and engagement with insurance inside super is highest among older Australians, men, and higher income households. Those least likely to be aware of their options are female, those with lower income, and blue-collar workers.

Super funds already hold a significant amount of data on their customers. Using this data to better inform and tailor communications to audiences that are most in need of information provides the potential to increase the take-up of insurance inside super.

As many people who change their default level of cover do so at key 'trigger' times, such as changing jobs or getting married, the timing of member communications is also important.

At these key times, super funds can proactively engage with members whose circumstances have changed to discuss the benefits of reviewing their insurance inside super. For those consolidating super accounts there is also an opportunity to promote the transfer of cover service.

Trigger points for member communication:

- New member account
- Changing employer
- Name change
- Change of address
- Updating beneficiaries
- Ceasing contributions or reducing contributions
- Investment switching
- Super consolidation

3 Focus on the benefits

Communicating the unique benefits of insurance inside super is another significant opportunity for super funds.

MetLife tested awareness and appeal of benefits including:

- the **tax advantages** of premiums being paid from superannuation
- **bulk purchases** of policies by super funds which generally make cover inside super cheaper
- the fact that many super funds **automatically accept** people for insurance cover with no health check
- ease of **making a claim**
- higher **claims acceptance**.

The findings show that many of the benefits with the highest appeal had fairly low awareness levels. This presents an opportunity for super funds to educate their members on some of the key incentives for holding insurance inside super, such as tax advantages and cheaper cover.

Awareness is less than 50% for all benefits amongst working Australians 18 - 64 years

Awareness of benefits



Appeal of benefits



Case study:

The importance of increasing awareness of insurance inside super

Like many Australians, Neil was unaware that he was covered by insurance inside super, even when he became unable to work in his job as a delivery van driver due to illness and injury.

The 45-year-old was suffering a range of health problems and ceased full-time work as a delivery driver in 2014 due to issues with his knee.

While Neil took on some casual jobs to support himself, his ongoing pain eventually forced him to give up work altogether.

Neil initially forgot about the Income Protection insurance he held within his super and was surprised to discover after several months off work that he had it. After a review of his documentation the insurer, MetLife, was able to accept his claim and backdate payments from the end of the waiting period.

As Neil was highly motivated to return to work, MetLife arranged for a member of their rehabilitation team to contact him to provide support.

Neil had been advised by his doctor to lose weight to reduce his cholesterol and allow for knee reconstruction surgery. To motivate Neil on his weight loss journey, MetLife funded a month of dietary meals to encourage his healthy eating.

Amazingly, Neil lost 25kg and is on track to return to work before his benefit period ends.

Research methodology

Qualitative stage

12 face-to-face interviews

Interviews were among super fund members with a reasonable / good understanding of their insurance inside super and were conducted in the last quarter of 2017.

Quantitative stage

A quantitative survey of 1,554 Australians (aged 18-64 years) working full or part-time, conducted by **Little Triggers**, a strategic based market research company, in August 2017. Results are weighted to Australian Bureau of Statistics Labour Force data 2017 for age, gender and geography.



Please contact your Relationship Manager to find out more about the research and how MetLife can assist with improving engagement with insurance inside super.

Thank you.

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