

A woman with curly hair, wearing a plaid shirt and colorful socks, sits on the roof of a vehicle with a tent attached, holding a mug and looking up in a forest setting.

Eternal Sunshine of the Consumer Mind

Exploring post-pandemic consumer insights and the opportunities for life insurance and advice

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Important information

This information is dated June 2023, is derived from sources believed to be accurate as at this date, which may be subject to change. It should not be considered to be a comprehensive statement on any matter and should not be relied on as such. Further, this information includes findings from a social norms study (n~1,000) developed by Zurich and Decision Design.

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01

Unpack the post-pandemic views of consumers and their attitudes towards finances and the health of themselves and others.

02

Through table discussion, explore 4 key areas of the consumer findings, including community expectations when things go wrong and the contingency plans they have in place.

03

Examine the role of government support in an era following generational financial assistance.

04

Understand the critical role of advice in aligning consumer expectation with an evolving landscape of group insurance, cancer, injuries, mental health, and employment.

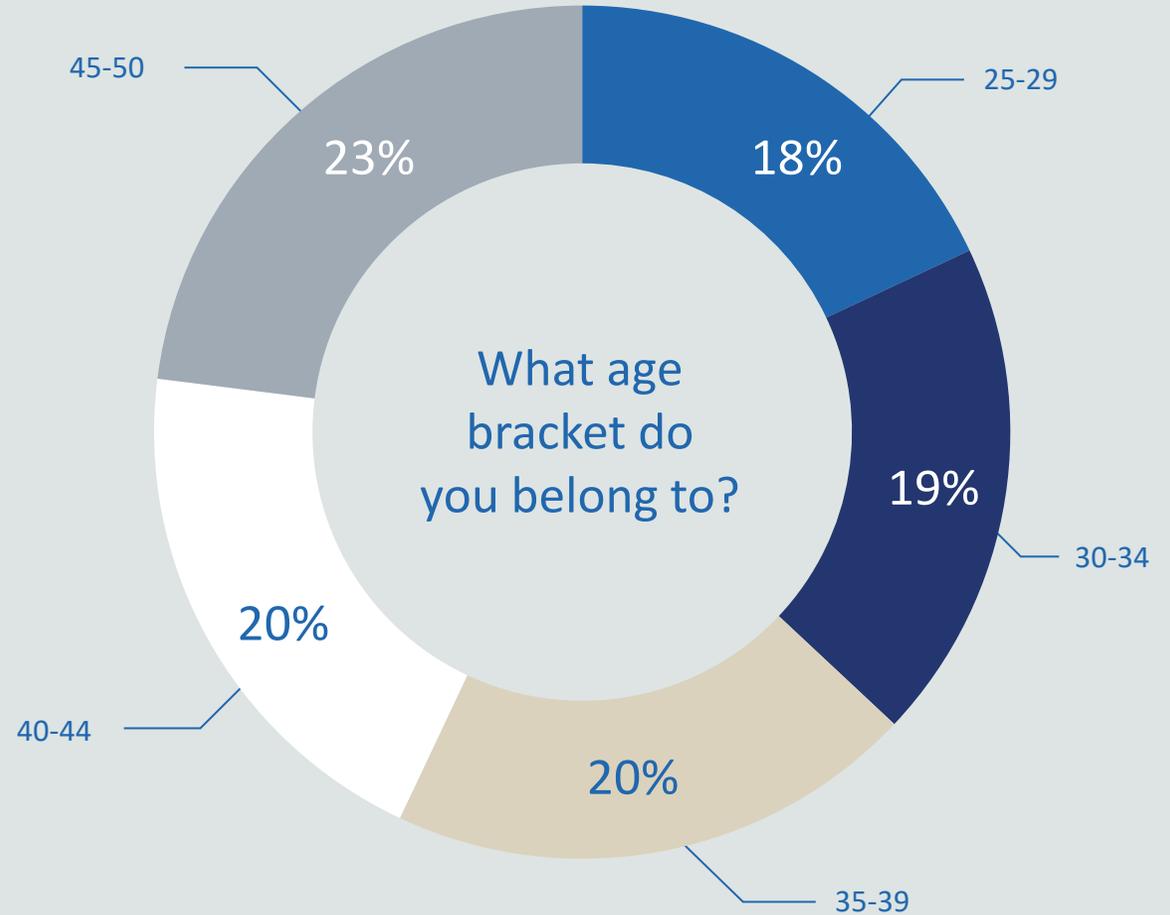
Demographic

Snapshot of the consumers

1 in 3 Have an annual household income \$125,000+

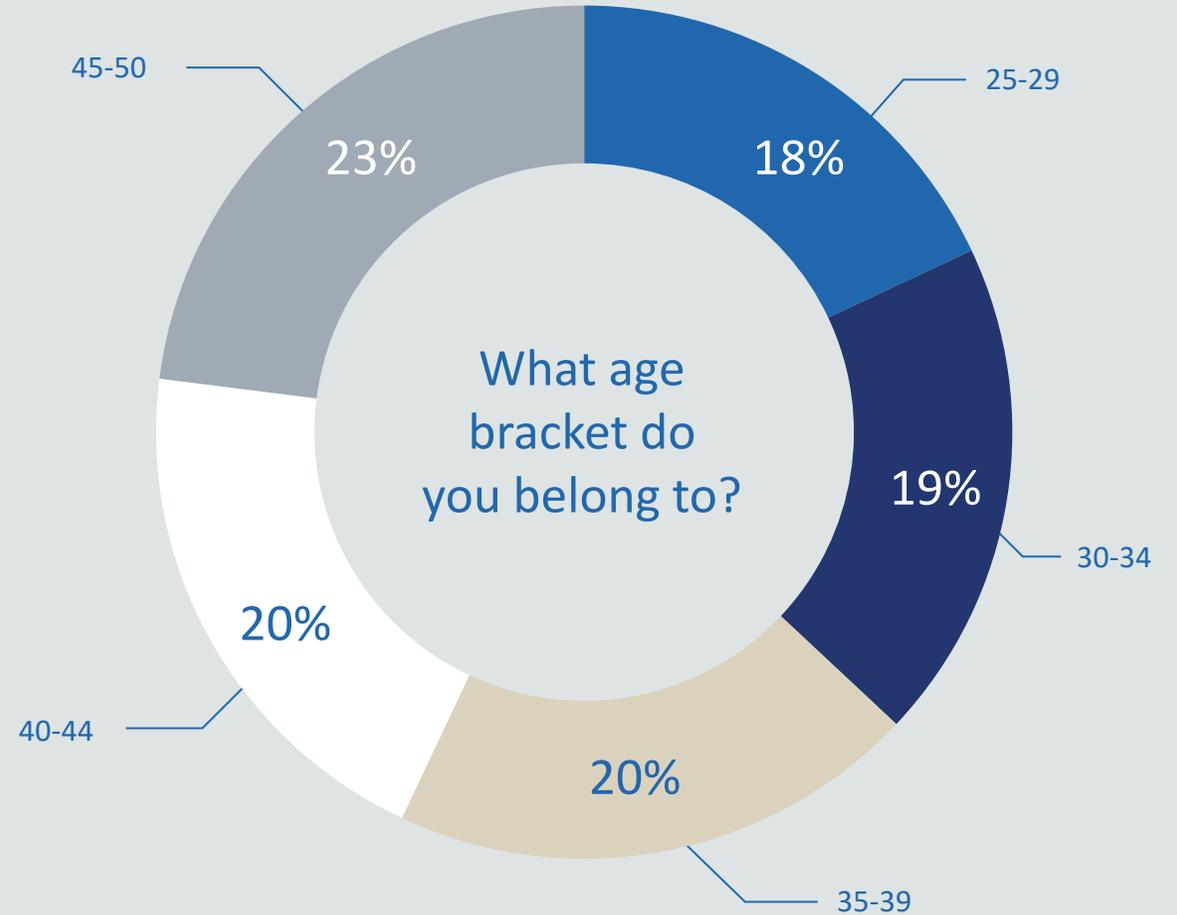
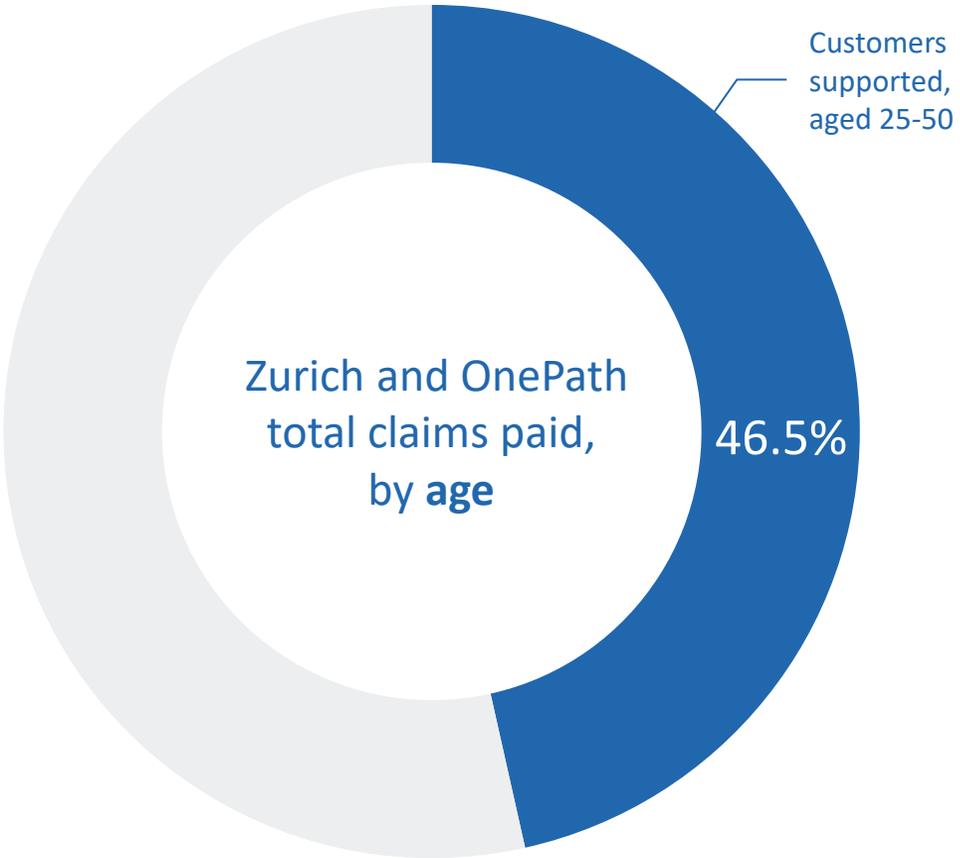
1 in 2 Are households with dependent children

4 in 5 Would be concerned about the burden they'd put on those they are close to if they lost their ability to earn an income and didn't have the right protection in place



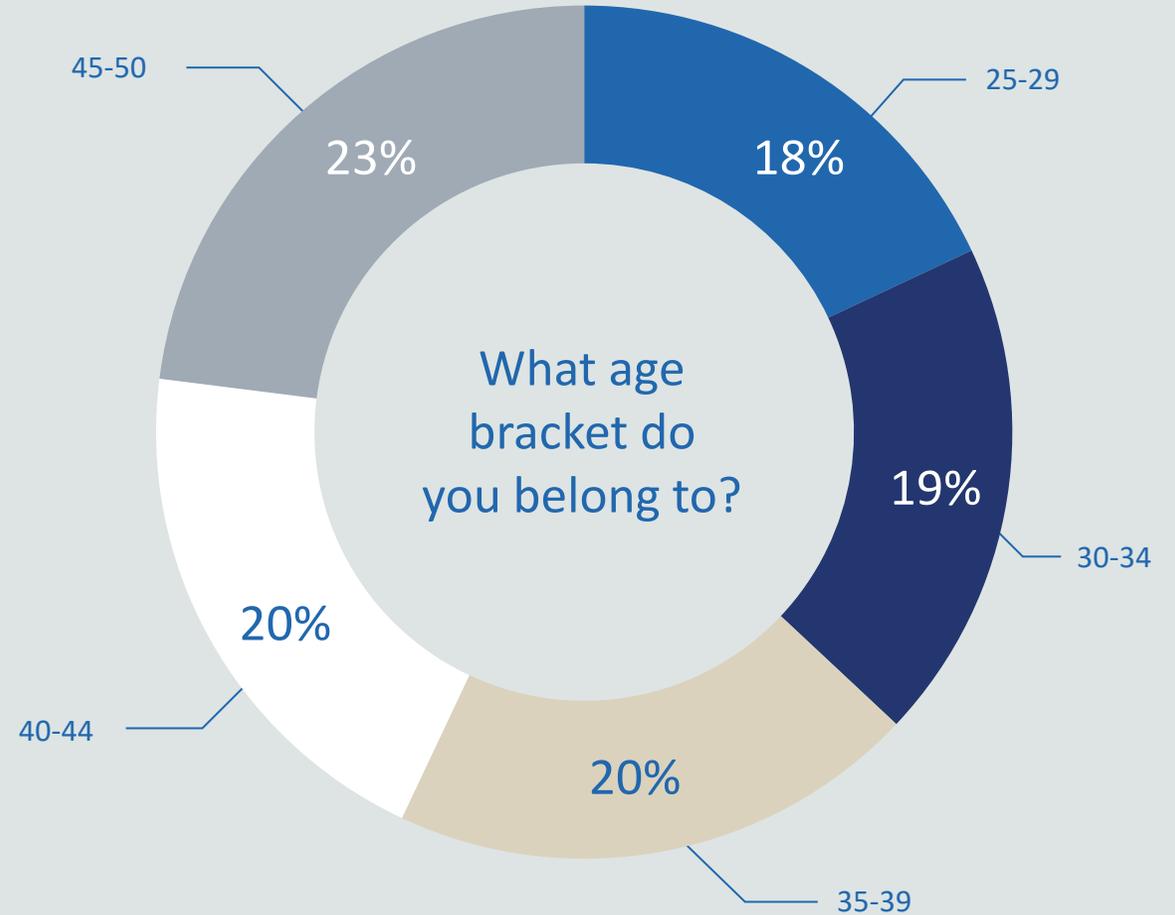
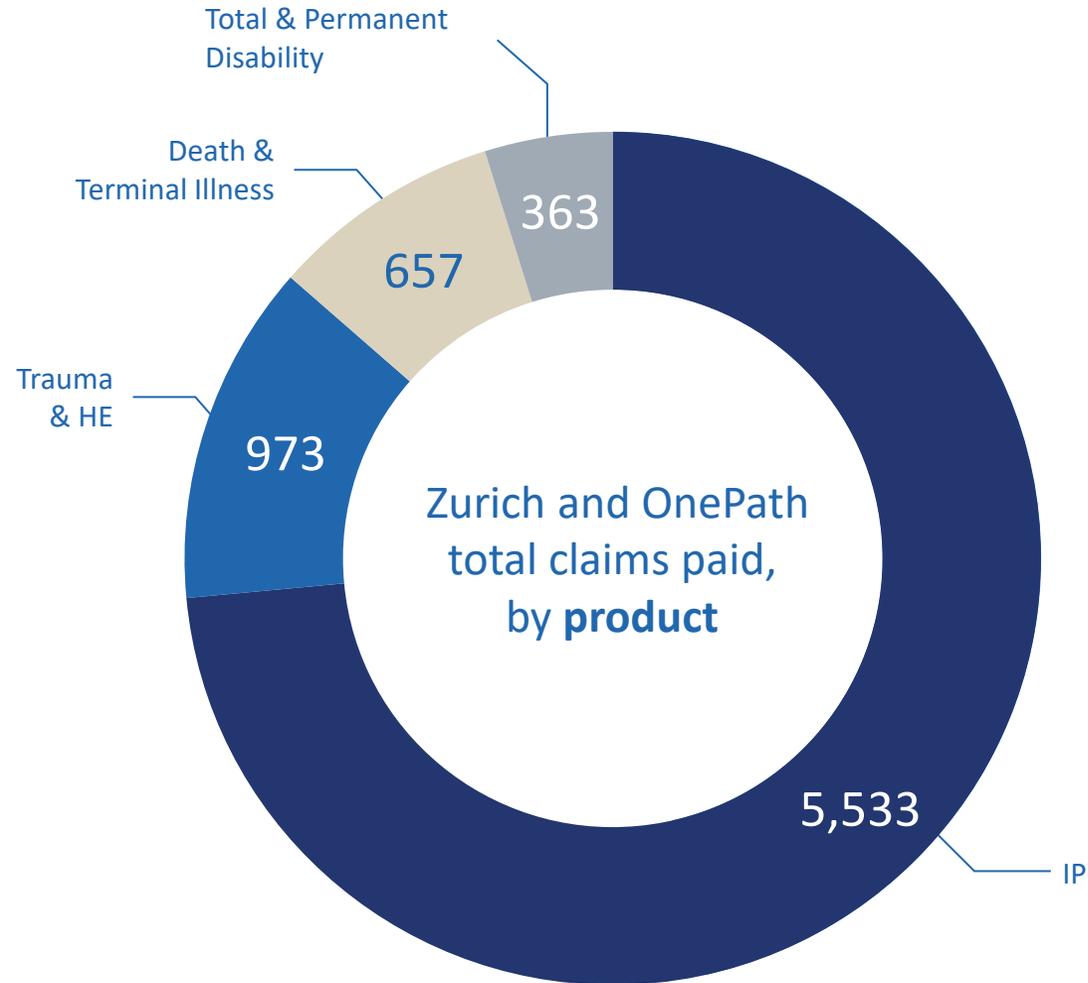
Demographic

Claims paid, by age



Demographic

Claims paid, by product (all ages)

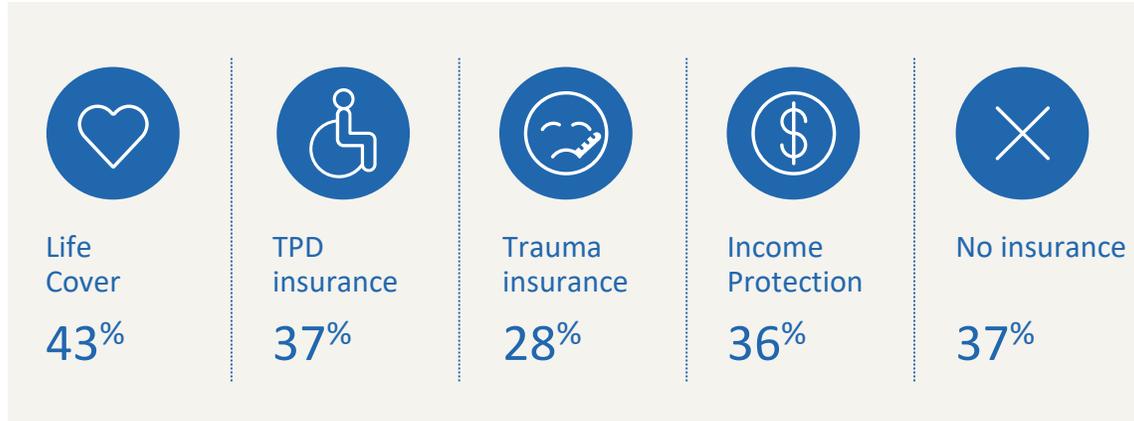


HE = Health Events; IP = Income Protection
Zurich and OnePath retail claims paid in 2022 (total retail customers supported was 7,526)

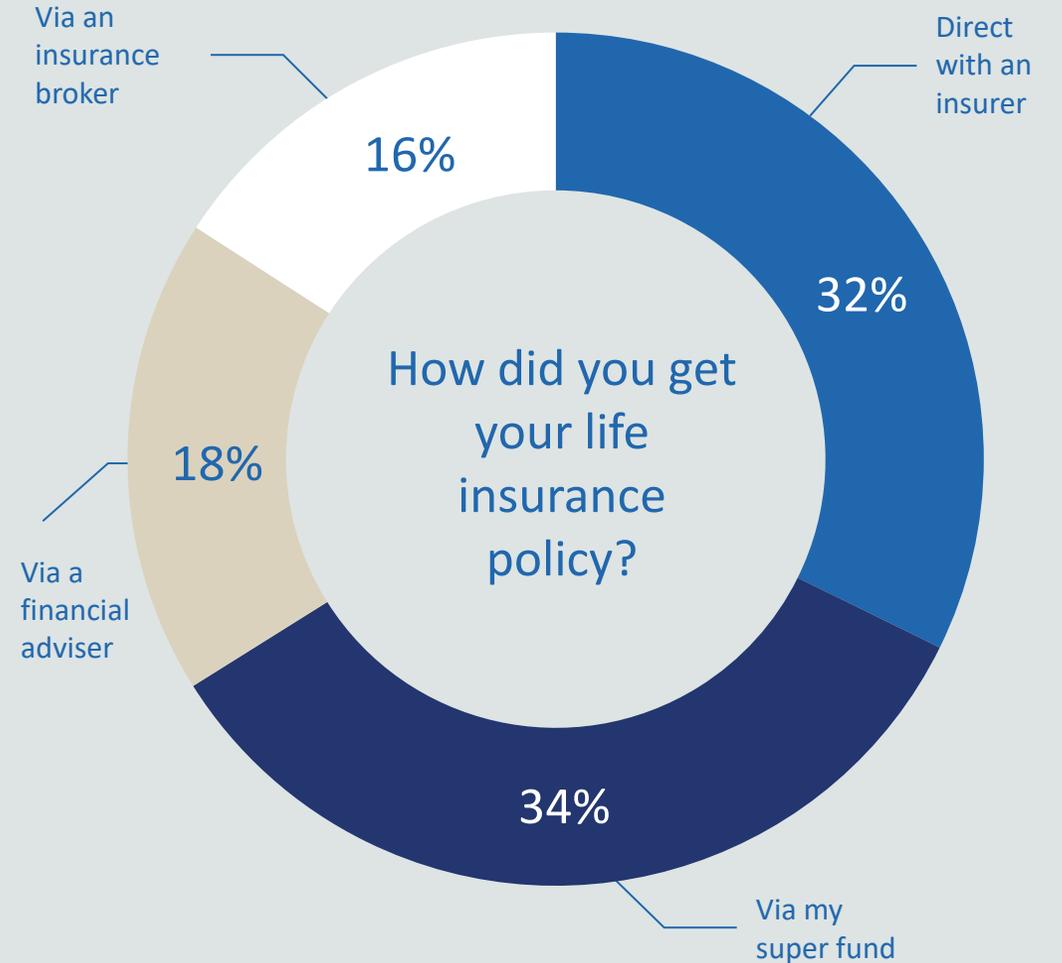
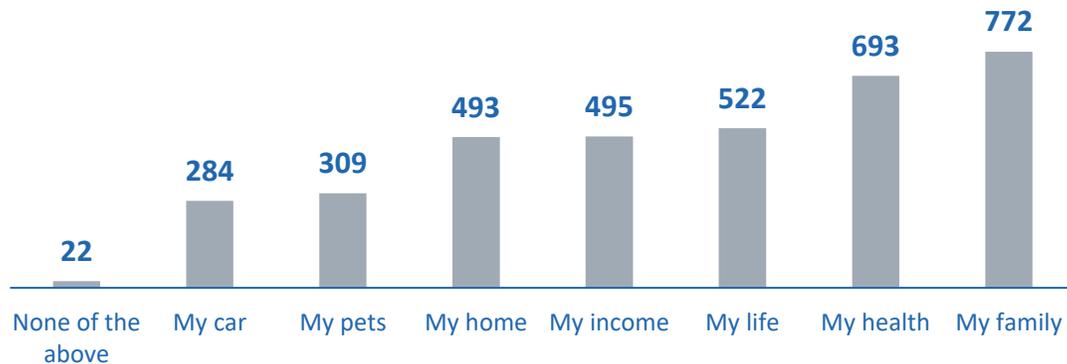
Demographic

Snapshot of the consumers - insurance

Do you, or your household, have the following?



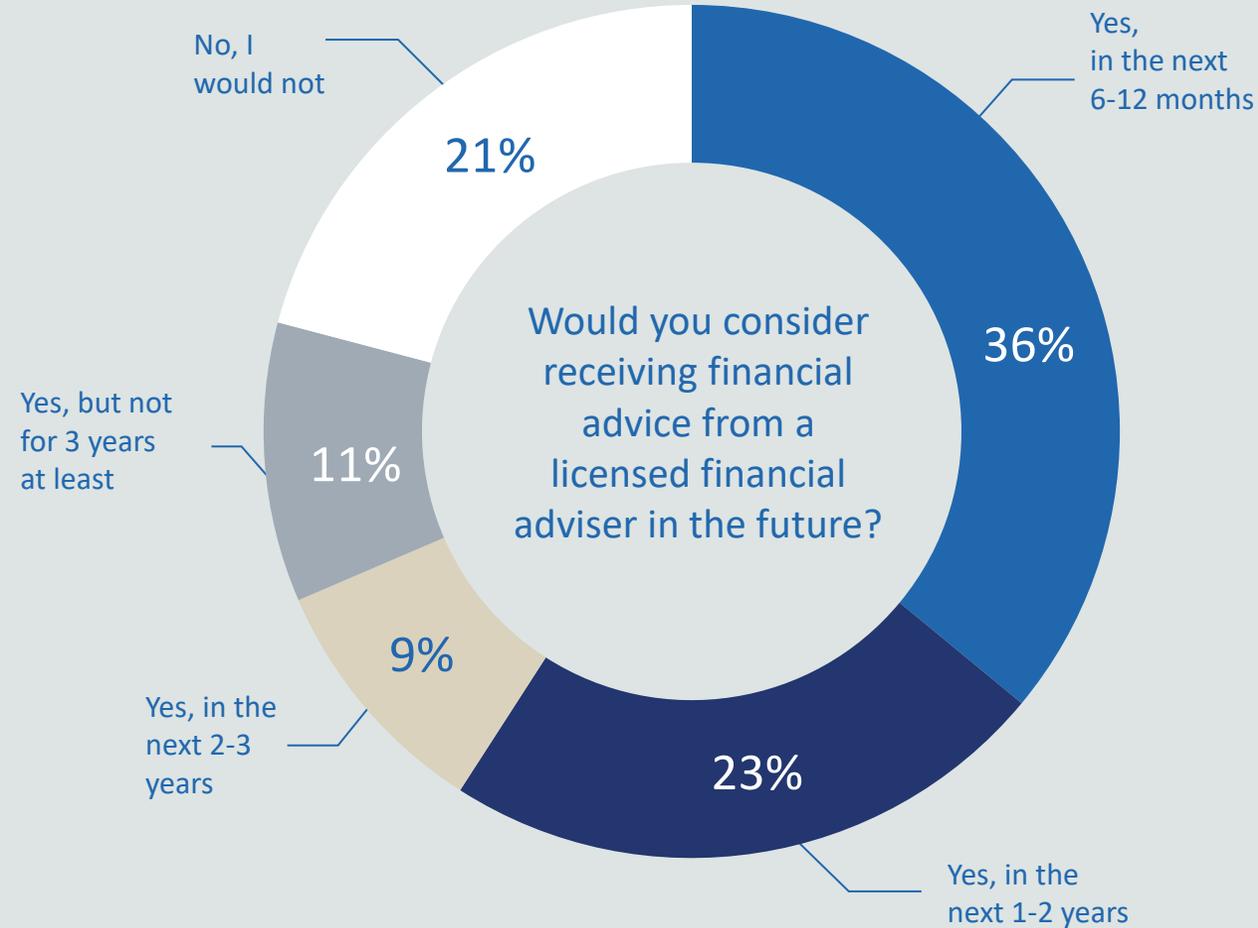
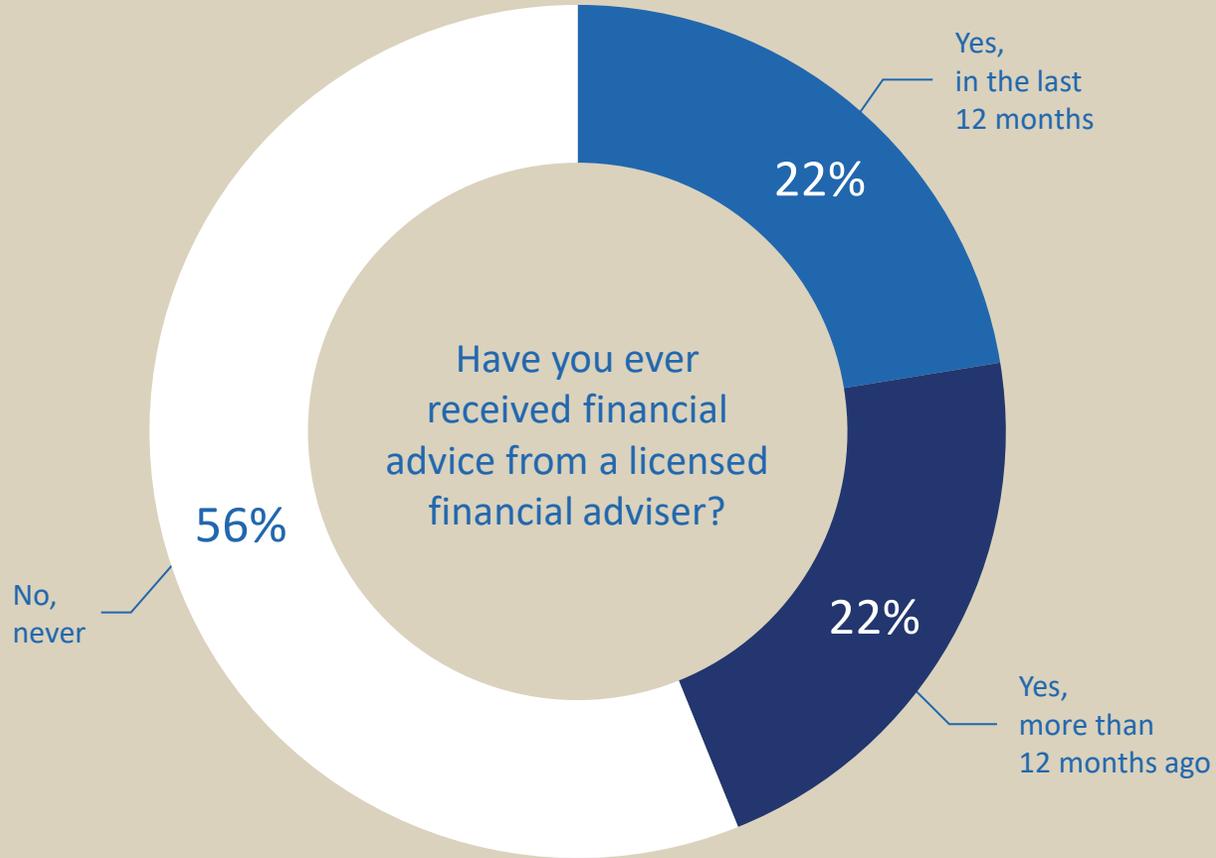
Which do you think are the most important to protect?



*Just 10% of respondents disclosed coverage with Zurich; 8% with OnePath

Demographic

Snapshot of the consumers – advice



Learnings from the pandemic



1 in 2

Spent more time scrolling through social media



1 in 2

Are now more concerned with their health



1 in 2

Are focusing more on saving money



1 in 3

Know a friend or colleague who suffered an illness (other than COVID) or injury preventing them from working



1 in 5

Reviewed their life insurance needs themselves

4 key areas of risk – discussion (1)

Insights into wealth protection, community views and advice opportunities

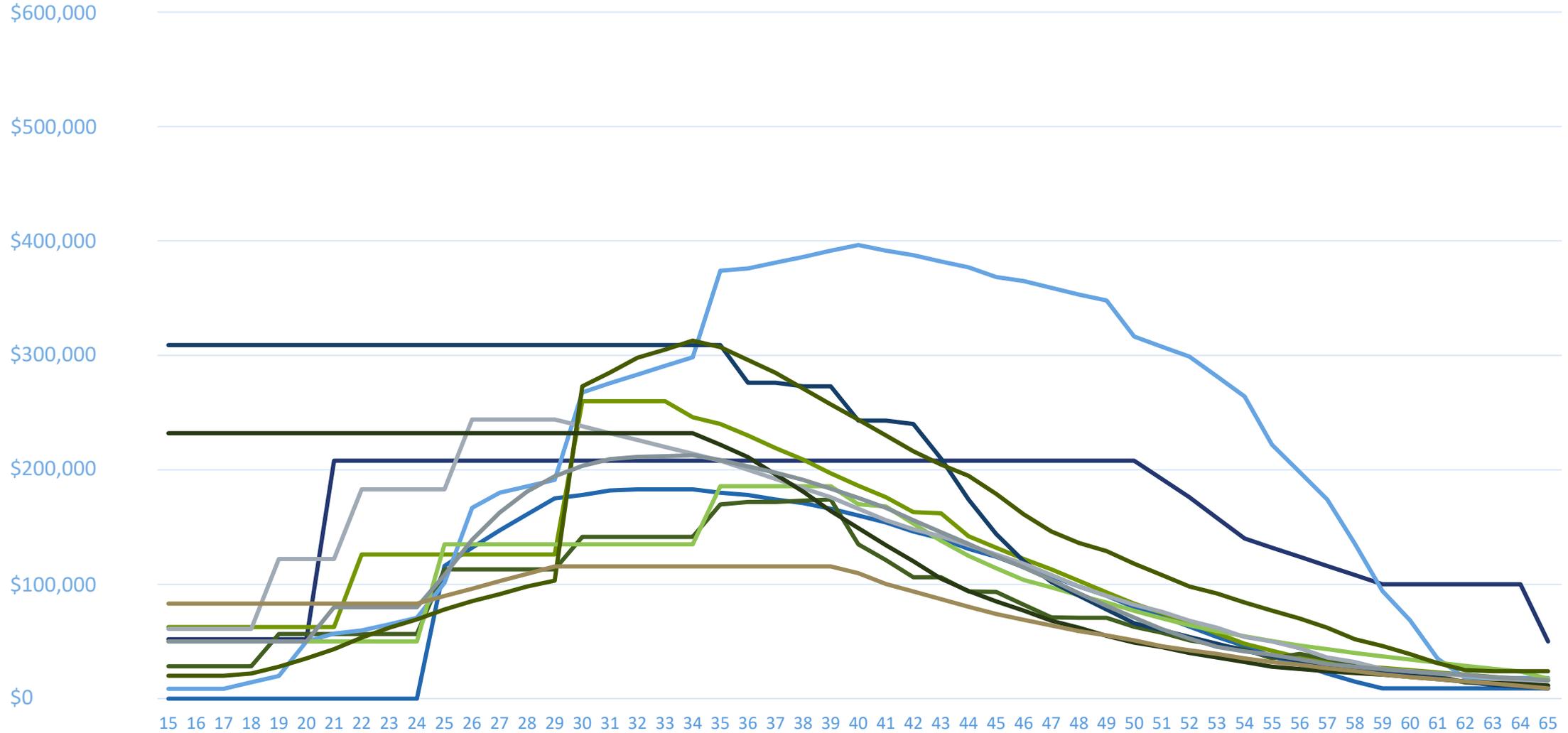


2 in 5

Feel the level of life insurance in super is enough, or more than enough, for their needs

Wealth protection needs

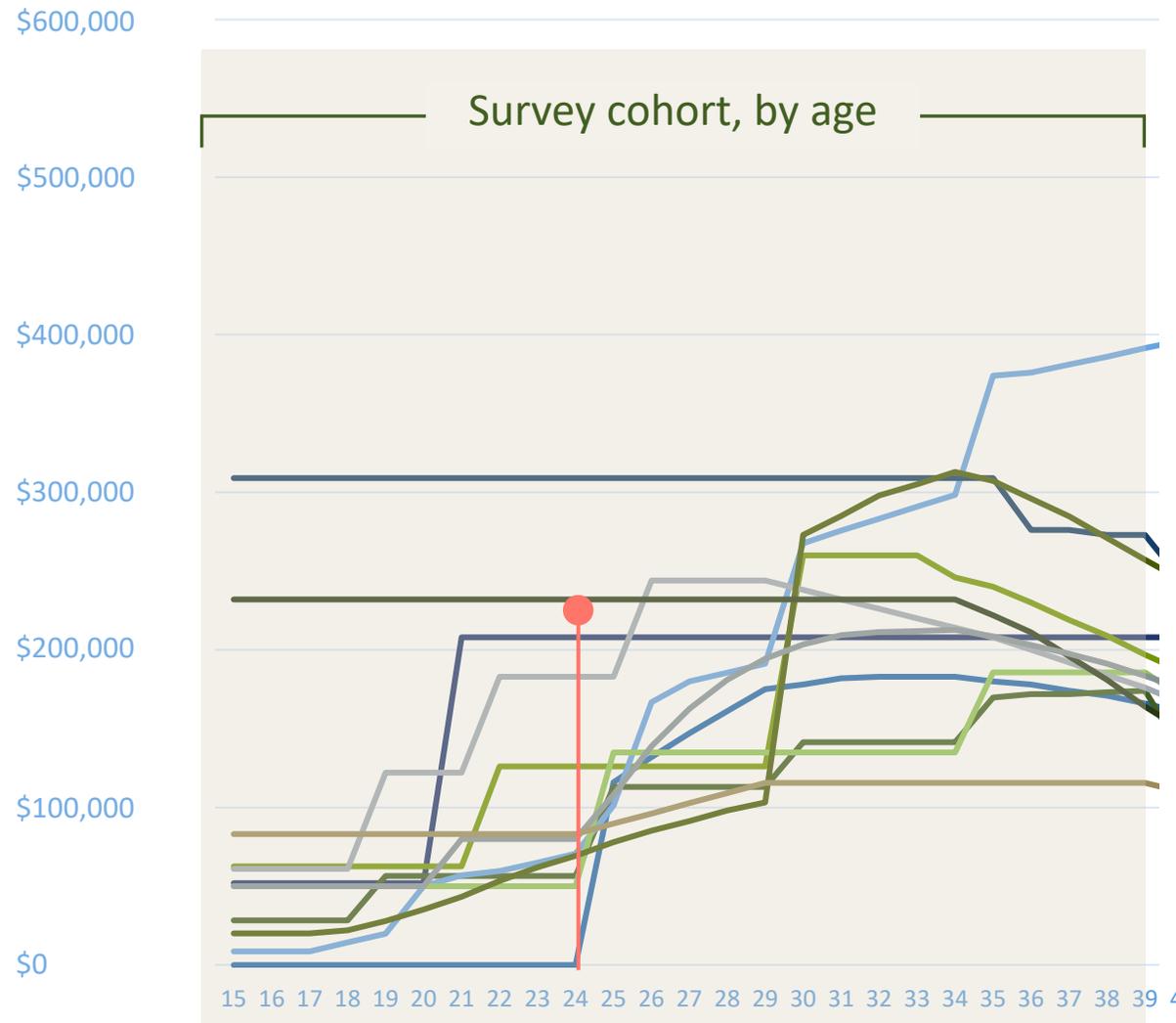
Death cover values, by age over time



12 randomly selected industry funds. Some death cover continues beyond age 65

Wealth protection needs

Death cover values, by age over time



Default cover



Average death cover
sum insured¹

\$227,300

12 randomly selected industry funds. Some death cover continues beyond age 65

¹Based on a 35-year-old, using default life insurance (excluding any temporary increase for new members)

Wealth protection needs

Average mortgage debt² **\$585,000**

Continuing average after tax earnings (\$72,983 p.a. for 10 yrs)³ **\$694,000**

Funeral funding⁴ **\$15,000**

Life sum insured required **\$1,294,000**

²Australian Bureau of Statistics (ABS), Average loan size for owner-occupier dwellings as at April 2023

³ABS, Average weekly ordinary time earnings of \$1,807.70 (\$94,000 p.a. or net \$72,983 p.a.) for full time adults (seasonally adjusted) as at November 2022, 3% interest, 2.5% CPI, nil RCV

⁴ASIC, MoneySmart.gov.au, funeral cost for "more elaborate funeral" as at April 2023

Default cover



Average death cover sum insured¹

\$227,300



-\$1,066,700

(>82% shortfall)

Shortfall can be worsened if recipient is non-tax dependant

¹Based on a 35-year-old, using default life insurance (excluding any temporary increase for new members)

Terminal illness

Is this relevant for your clients?

“Life expectancy is less than 24 months and if his disease progresses it will be even shorter.”

Male, 49
Melanoma
Sum insured \$162,886

“Prognosis is poor with a survival expectation of less than 2 years.”

Male, 52
Prostate cancer
Sum insured \$914,613

Dr crossed out 12 months & placed 24 months stating her “condition is not expected to improve or remit and the available information supports her life expectancy is likely less than 24 months.”

Female, 49
Frontotemporal dementia, behavioural variant
Sum insured \$992,248

“Patient is terminal, with cancer treatable with palliative intent but not curable” (Dr answered ‘no’ to result in death in 12 months, ‘yes’ to 24 months).

Male, 73
Prostate cancer
Sum insured \$274,470



Among 50 group super funds, 26 have terminal illness durations of 12 months or less¹

4 key areas of risk – discussion (2)

Insights into wealth protection, community views and advice opportunities



2 in 5

Feel the level of life insurance in super is enough, or more than enough, for their needs

1 in 2

Can survive one month or less without their income

Contingency plan

What will consumers do?

 **1 in 5** can survive just one week or less

 **1 in 2** advised they have access to \$10,000 or less in savings/liquid assets (almost 1 in 3 advised \$5,000 or less)

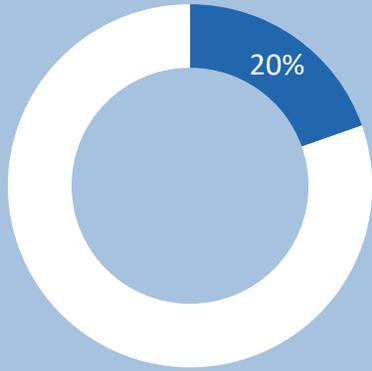
 **1 in 3** will sell assets.

 **1 in 4** will move to a new house to reduce outgoings (lower repayments, lower rent)

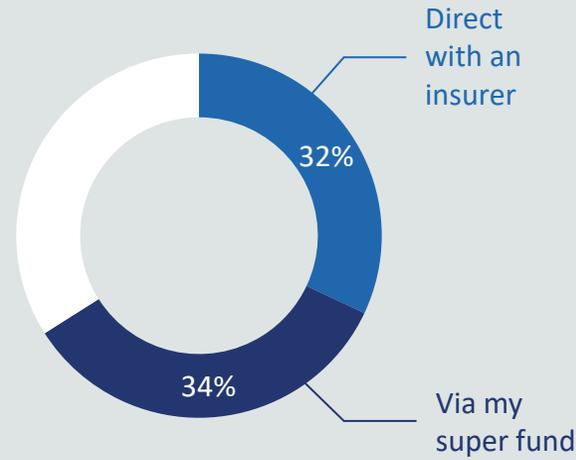
 **1 in 5** will access existing insurance →



1 in 5 will access **existing insurance**



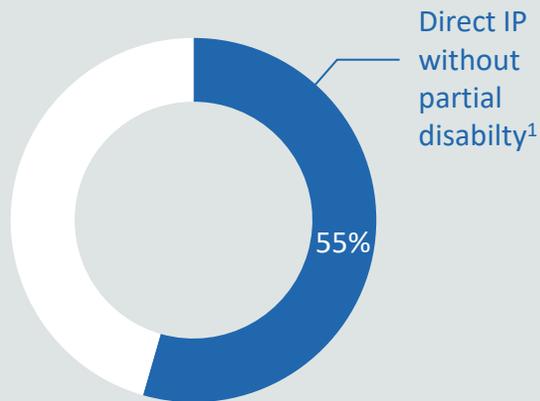
2 in 3 have cover via **super** or **direct with an insurer**



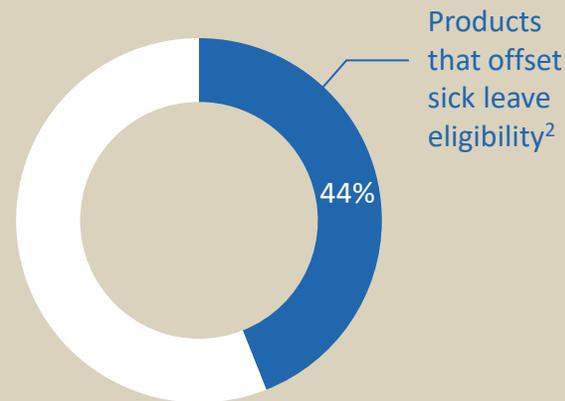
Is access important if **not gainfully employed?**



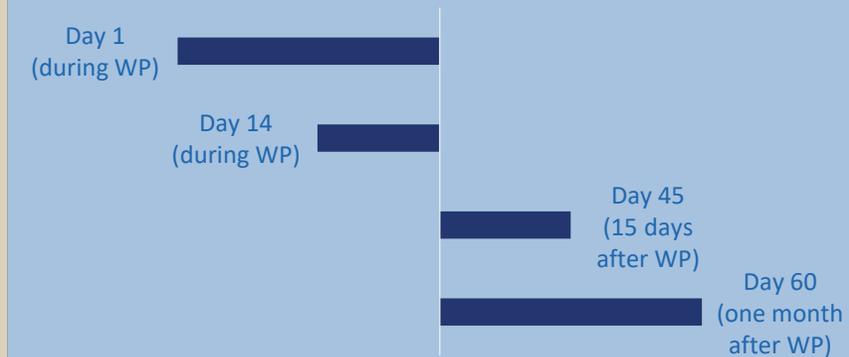
Does the consumer want access to benefits if **partially disabled?**



Is it important that **sick leave** entitlements be preserved?



How **quickly** do consumers want their IP benefit **to be paid?**



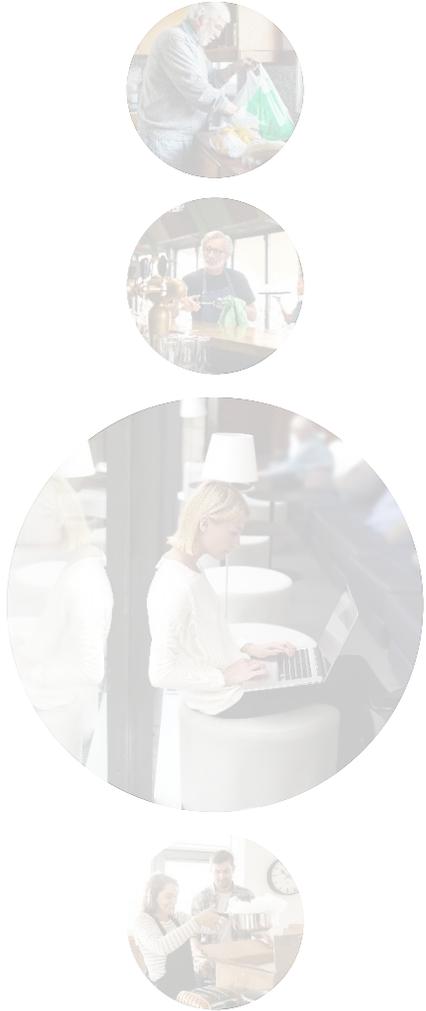
Illustrates use of a 30-day waiting period. Zurich and OnePath pay total disability benefits 15-days after WP, and can pay some claims in advance (excludes 1- or 2- year waiting periods).

¹20 randomly selected direct IP policies (both open and closed products), with 9 offering partial disability benefits, 11 without, as at October 2022.

²50 randomly selected group super funds and their treatment of offsetting sick leave paid and entitled from IP, as at October 2022.

4 key areas of risk – discussion (3)

Insights into wealth protection, community views and advice opportunities



2 in 5

Feel the level of life insurance in super is enough, or more than enough, for their needs

1 in 2

Can survive one month or less without their income

1 in 3

Have a back-up plan of applying for government support if they were unable to earn an income



Pandemic Leave Disaster Payment of up to \$750pw

if you can't earn an income because you or someone you're caring for has to self-isolate or quarantine due to COVID-19



Stimulus Payments up to \$1,500

if you were receiving one of several government support payments, including Age or disability support pension



JobKeeper Payment of up to \$1,500pf

to eligible employees of certain businesses impacted by a 'sizeable' reduction in turnover due to the effects of the pandemic lockdowns and stay-at-home orders



Coronavirus Supplement of up to \$550pf

if you were receiving one of several government support payments, including JobSeeker, Youth Allowance or Parenting Payment



Temporary access to super of up to \$20,000

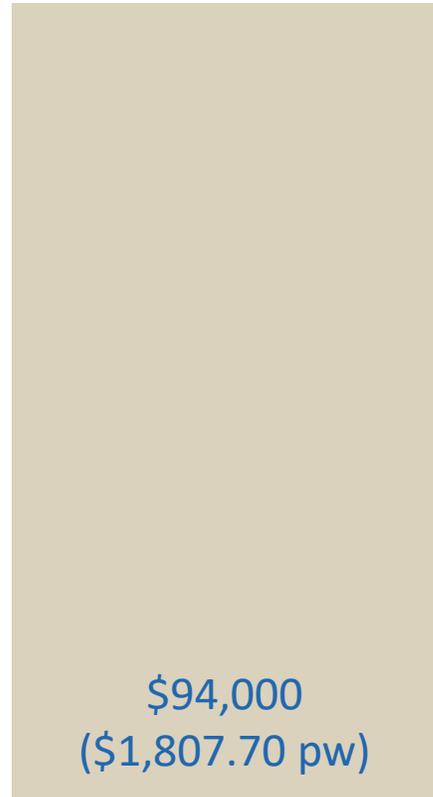
available via two separate \$10,000 tranches (by 30 June 2020 and by 31 December 2020)

Is government support enough?

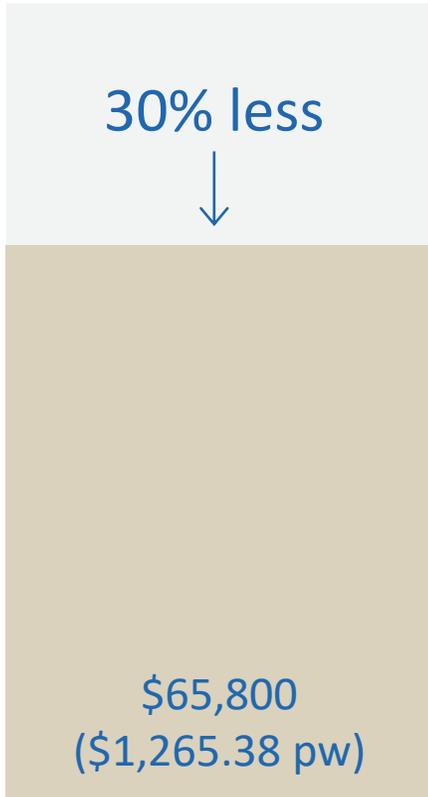
Income examples, per annum

Insurance support

Average weekly ordinary time earnings¹

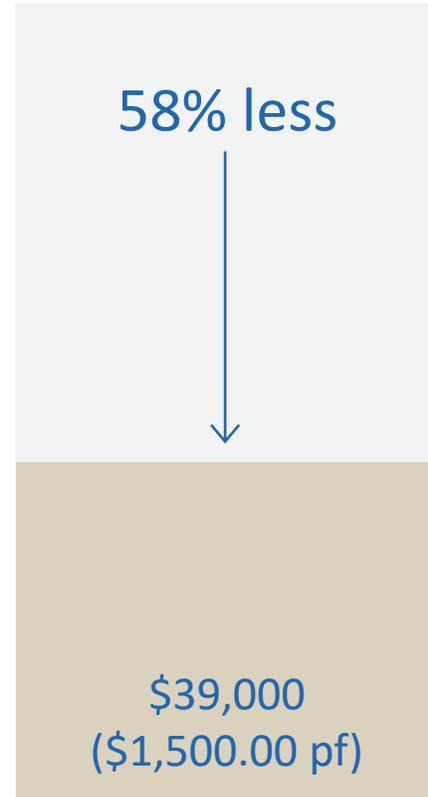


Post-APRA IP (via 70% income replacement ratio)

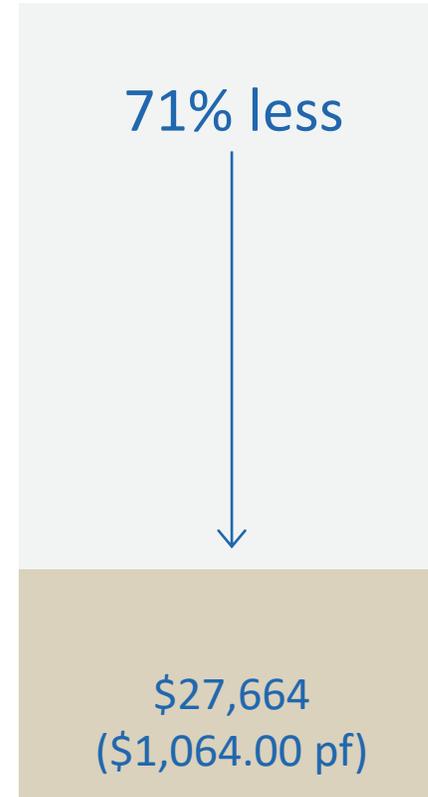


Government support

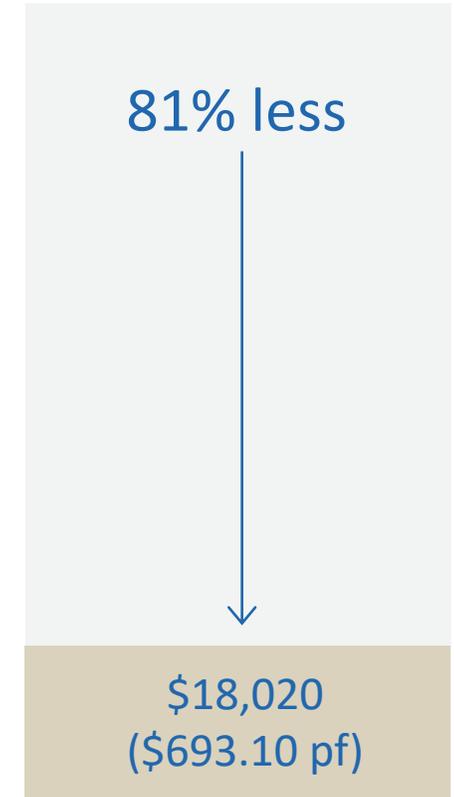
JobKeeper²



Disability Support Pension³



JobSeeker³



¹ABS, Average weekly ordinary time earnings of \$1,807.70 for full time adults (seasonally adjusted) as at February 2023

²Example having received a full year's worth of accumulated \$1,500 per fortnight JobKeeper payment

³Services Australia, Amounts are based on a single recipient, no dependent children, rates effective 20 March 2023

Demand for government support

Ratio of working age Australians to retirees

1975



7.5

people of working age

1 person over 65



2007



5

people of working age

1 person over 65



2047



2.4

people of working age

1 person over 65



4 key areas of risk – discussion (4)

Insights into wealth protection, community views and advice opportunities



2 in 5

Feel the level of life insurance in super is enough, or more than enough, for their needs

1 in 2

Can survive one month or less without their income

1 in 3

Have a back-up plan of applying for government support if they were unable to earn an income

1 in 3

Who can no longer earn an income plan to move back in with their parents

Multi-generational families

Rise of households containing three generations

2016 → 2021
275,000 → 335,000

Three-generational living arrangements in Australia have **increased by over 20%** in recent years¹

Doubled during GFC

Economic shock can increase the number of **multi-generational households** with the Global Financial Crisis seeing a doubling of the rate of this kind of household²



¹Australian Bureau of Statistics (ABS), ABC News

²UNSW's City Futures Research Centre

Who would you turn to for financial support?



1 in 3

Their parents



1 in 7

Their siblings



1 in 8

Their friends



1 in 9

A loan provider



1 in 11

Their children

Advice and consumer education

Cancer



162,000

An estimated 162,000 new cancer cases occurred in 2022, an average of **443 new diagnoses each and every day**

5 most common cancers, and the extent of spread of the cancer when first diagnosed:

- > **20,041 Prostate** cancer (46% diagnosed at Stage 2)
- > **14,215 Breast** cancer (43% diagnosed at Stage 1)
- > **13,993 Colorectal** cancer (24% diagnosed at Stage 2)
- > **11,199 Melanoma** (78% diagnosed at Stage 1)
- > **10,134 Lung** cancer (42% diagnosed at Stage 4)

Breast screening declined during COVID-19

75,000

tests were conducted in April 2018

Reducing to



1,100

In April 2020

Advice and consumer education

Hospitalisations



Most injuries requiring hospitalisation are the result of **falls**, contact with **objects** or **transport accidents**



Over half of hospitalised fall injuries **occurred in the home**

1 in 9

hospitalisations are related to **cancer**

2 in 5

are **concerned about the loss of income** that would result from a serious illness requiring hospitalisation



500,000+

hospitalisations occur annually due to injuries an average of more than **1,300 each and every day**

Advice and consumer education

Returning to work – an ethical dilemma?



Post-APRA measures have seen IP products move back into line with the principle of indemnity.

Do you agree?

“

Governments, employers, workers, unions, insurers, legal practitioners, advocacy groups and healthcare professions all have a role in promoting the health benefits of good work.”

Employment and mental health

Realising the health benefits of work



A systematic review found that **'good' work** was a **significant protective factor** for **improving general mental health** and reducing the risk of depression.



There are two dimensions to **job quality** which impact on both health and life expectancy – the **conditions of employment** (i.e., full-time, part-time and casual work) and the **nature of the working environment**.



Transitions to **poor quality jobs** were associated with a **greater decline in mental health than transitions to unemployment** or remaining unemployed.

Role for advice

Education – what consumers most commonly agree

Which are the most important for a financial adviser to provide?



Role for advice

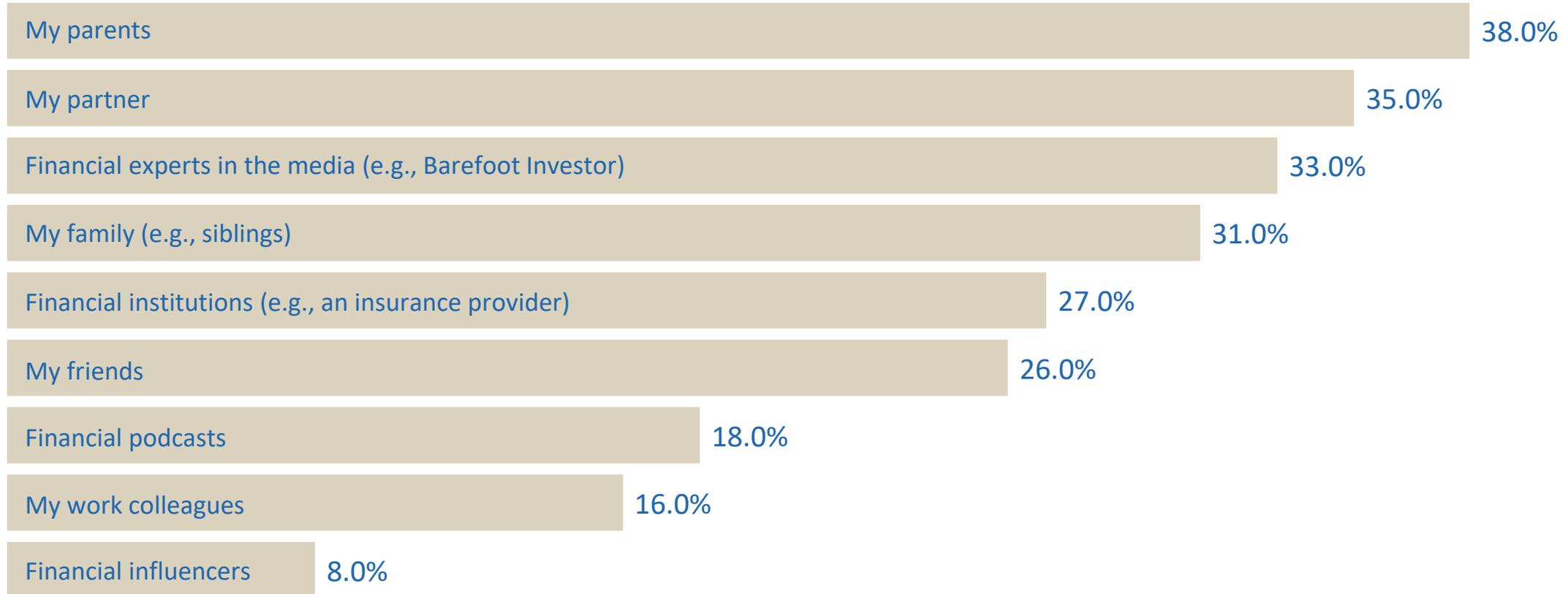
Education – what consumers most commonly agree

What would encourage you to consider life insurance?



Who consumers trust

When it comes to getting tips on finance



Role for advice

Education – difference between advised and non-advised

Advised Australians are more knowledgeable about a number of factors relating to life insurance, including:



Current individual level of cover and its appropriateness



Knowledge of coverage, including cost of cover



The tax treatment of life insurance both in and out of super



Events that lead to payouts





“

With awareness
comes responsibility
and choice.”

Amanda Lindhout

“

When we switched to Zurich on the advice of a financial advisor several years ago, we really **did not know anything about insurance** policies and looking back are **grateful for the excellent advice** we were given.

In December 2019 I was looking forward to Christmas and being on leave in January, I was still working and had no idea anything was wrong – no red flag symptoms at all, and for the record a non-smoker, non-drinker, healthy diet and no family history etc.

One afternoon I began to feel really sick - that night I developed high fevers and right-sided pain. Stage 4 incurable colon cancer is what was found.

Facing a terminal illness has so many consequences especially for one's family – fortunately, my 3 boys are no longer little, but they and my husband still will have a lot to deal with when I die and part of that is where the Zurich team comes in, as financial hardship will not be one of them.

I can now assure others that life insurance and income protection are not a waste of money. I cannot tell you how much it helps to know that my husband, who will be dropping down to a single salary, will now still be able to afford all the expenses (including his Zurich premiums).

As the Zurich team, you can be proud of the work you do – it is making a difference for us as your clients.”

Extract of a letter from an advised, Zurich policy holder and life insured



Thank you