



Asteron Life Insurance Index 2022

Issue 2



Introduction

Welcome to the second issue of the 2022 Asteron Life Insurance Index.

Although life and disability covers are an effective way of managing life's uncertainties, research by the Reserve Bank* has shown relatively low coverage for New Zealanders when compared to other OECD countries. Further research by the Financial Services Council found that while many understand they may be underinsured, many are still reluctant to effectively plan for possible scenarios in which an individual's financial future is at risk**.

By gaining insights into how people initially started their life and disability insurance journey, advisers can develop valuable understanding into their potential customers' mindsets and needs. Advisers can then begin to pinpoint what messages might resonate with new customers and what channels might be more effective to reach those thinking about life insurance.

In this report we look at what concerns have triggered usage, whether gender and life stage groups feel differently towards life insurance, where customers go for information initially and how they end up deciding on coverage levels.

We hope that the insights uncovered are useful in helping advisers to develop ways of communicating that deliver meaningful messages for their customers, as well as opportunities for advisers to grow their business.

*<https://www.rbnz.govt.nz/hub/publications/bulletin/2020/rbb2020-83-01>

** <https://blog.fsc.org.nz/research-2020-gambling-on-life>

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The findings

The second issue of the 2022 Asteron Life Insurance Index concentrates on the start of the life insurance journey, and focuses on:

- The concerns that trigger taking out life insurance
- Gender and life-stage differences in attitudes toward insurance
- Finding information about life insurance
- Building trust and confidence
- Deciding on coverage levels

These topics will be explored in detail in this report.

Key Findings Summary

This year's research results uncovered many opportunities for advisers to grow their business and this report explores these findings:

- Many people are concerned about safeguarding their family and financial future – life insurance provides highly relevant protection and advisers can use this when talking to customers to demonstrate value and understanding of their needs
- Taking out a mortgage is the single biggest trigger to buy life insurance. Advisers could look to partner with mortgage brokers, real estate agencies and other relevant professionals to promote their services and encourage referrals.
- Advisers are an important source of information for those researching life insurance, giving them an opportunity to educate and provide relevant content to prospective life insurance buyers.
- Advisers can play an important role in helping people decide how much cover is needed and helping them feel completely covered, as well as educating people on the risks of under-insurance.

Please note not all sets of data will equal 100% due to the fact that some questions were multiple response.

THE CONCERNS THAT TRIGGER TAKING OUT LIFE INSURANCE

There are a range of lifestyle concerns that people say worry them, with accidents and managing living expenses being top of mind for many. Specifically, 34% say they worry about having an accident that leads to physical disability and 27% worry about being unable to keep up with ongoing living expenses if they were unable to work.

Mortgages in particular cause concern, with 27% saying they worry specifically about being unable to make mortgage repayments if they were unable to work (see Figure 1.1). Life insurance provides protection against many of these concerns and therefore is highly relevant to most people.

Figure 1.1: Top 10 lifestyle concerns (very concerned)

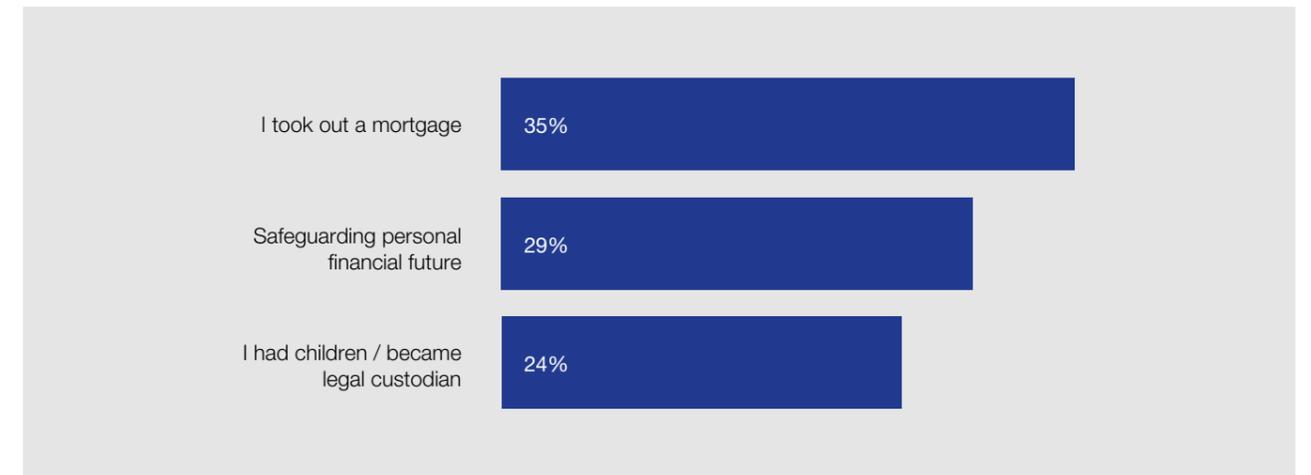


Looking specifically at what prompts people to take out life insurance, mortgages again feature as the most common trigger. 35% of people say that they first took out life insurance when they got a mortgage, while 29% said that generally safeguarding their financial future prompted them to get life insurance. This suggests an opportunity for

advisers to partner with mortgage brokers or other providers to attract recent mortgagees.

Unsurprisingly, family commitments play a role with 24% saying they took out life insurance when they had children or became legal custodians (see Figure 1.2).

Figure 1.2: Top 3 triggers to get life insurance



What this means for advisers

- Many people are concerned about safeguarding their family and financial future – life insurance provides highly relevant protection and advisers can use this when talking to customers to demonstrate value and understanding of their needs
- Taking out a mortgage is the single biggest trigger to buy life insurance. Advisers could look to partner with mortgage brokers, real estate agencies and other relevant professionals to promote their services and encourage referrals.

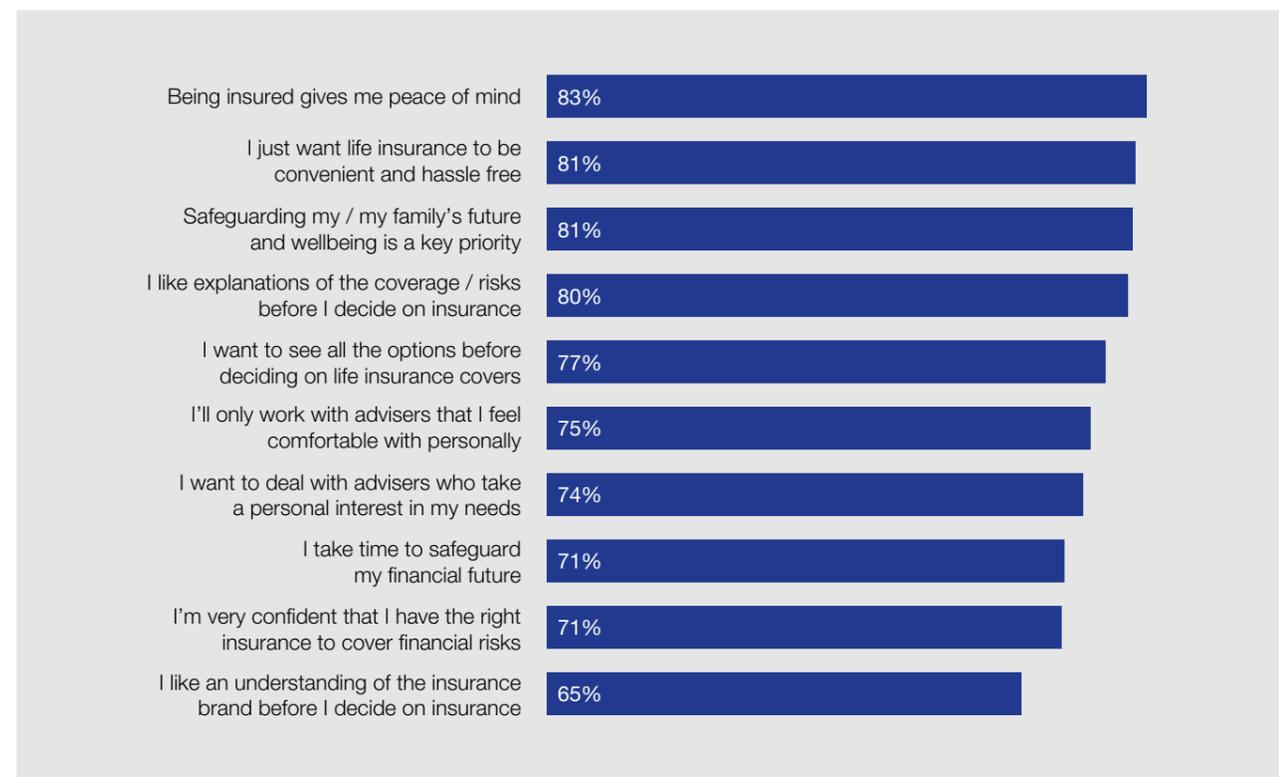
There may be some complacency on behalf of the customer as they think that ACC will cover everything, so they see this as their insurance, but consumers need to be educated to understand that this doesn't cover illness, so they would still benefit from cover.

GENDER AND LIFE-STAGE DIFFERENCES IN ATTITUDES TOWARD INSURANCE

People hold a wide range of attitudes towards insurance. Most commonly, 83% agree that insurance gives them peace of mind, while many want their insurance to be easy, with 81% agreeing that they want their insurance to be

convenient and hassle free. The importance of family is also evident, with 81% saying that safeguarding their family's future is a priority (see Figure 2.1).

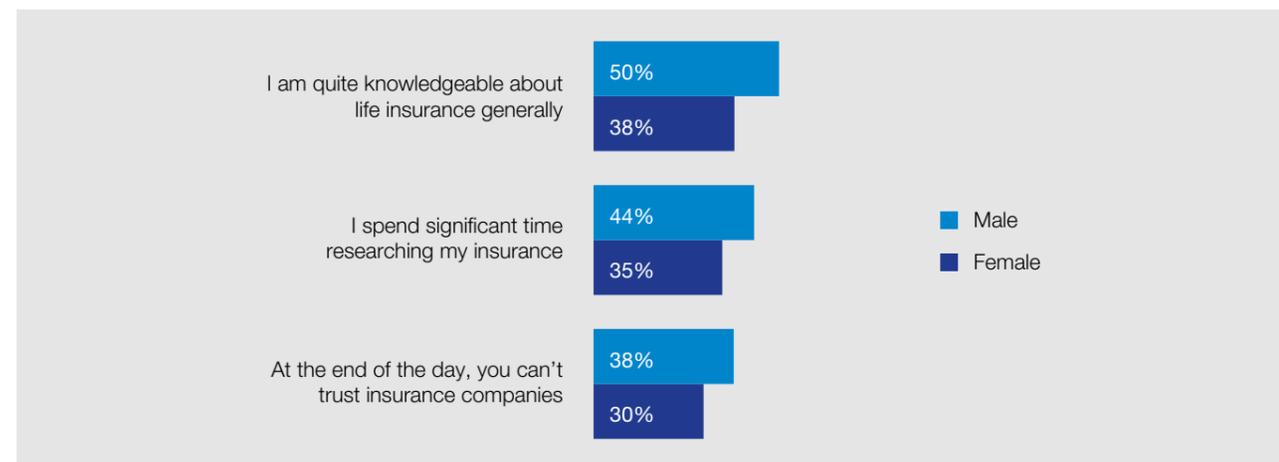
Figure 2.1: Top 10 common insurance attitudes



However, some clear gender differences can be seen. Males tend to be confident, but also more cynical and involved in their insurance. 50% of males say that they are

knowledgeable about insurance, compared to only 38% of females, and 38% of males say they don't trust insurance companies, compared to 30% of females (see Figure 2.2).

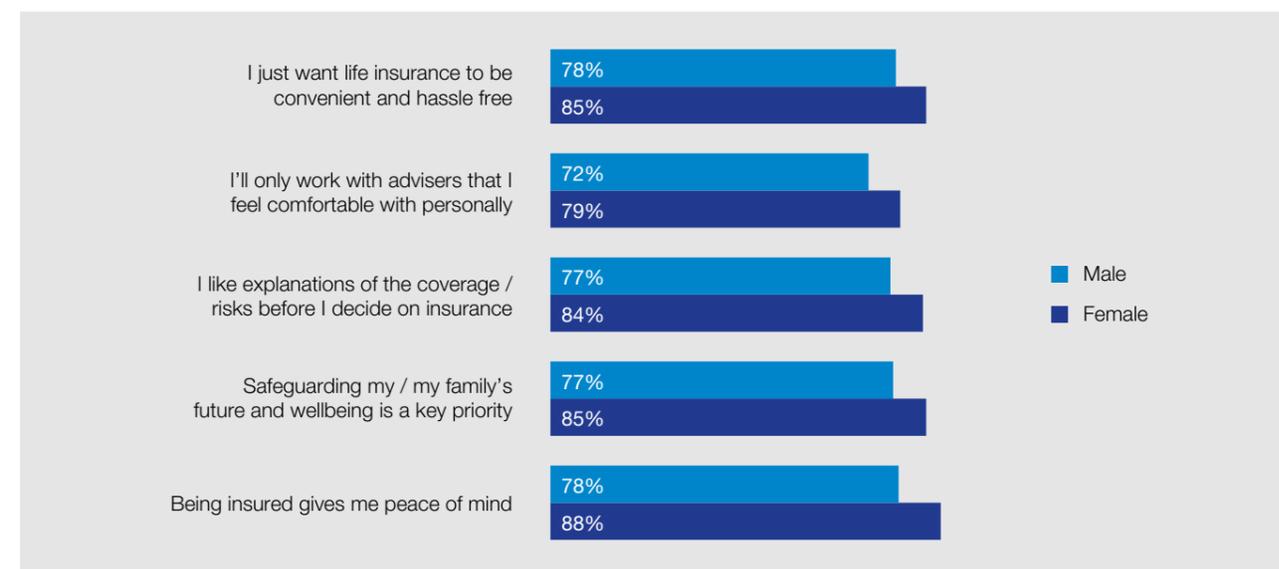
Figure 2.2: Insurance attitudes more common amongst males



Meanwhile, females are more likely to seek reassurance with 84% saying they like explanations of risks and cover, compared to only 77% of males (see Figure 2.3). They

also look for personal connection with advisers, with 79% saying they look for advisers who they feel comfortable with personally, compared to 72% of males.

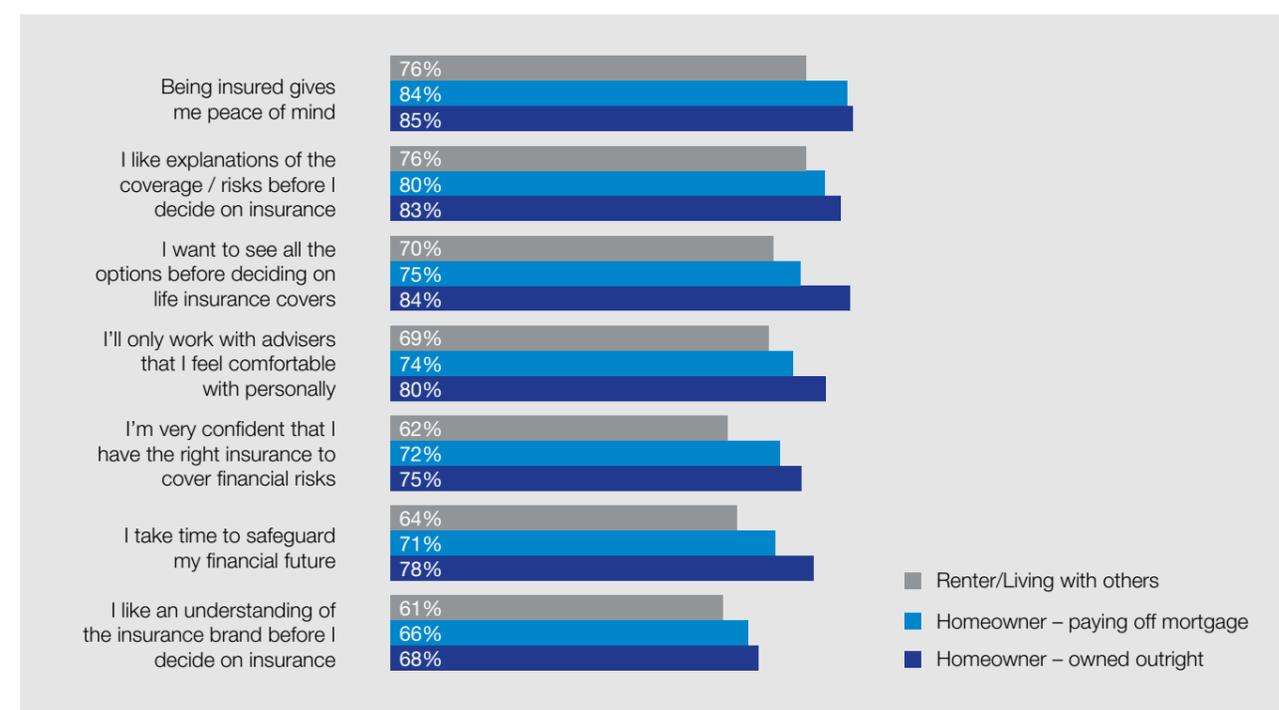
Figure 2.3: Insurance attitudes more common amongst females



We know that taking out a mortgage is a significant trigger for taking out insurance, and this is reflected in differences in attitudes. Homeowners tend to be more involved in the insurance process. 83% of outright homeowners and 80% of mortgaged homeowners say they like explanations, while

84% of outright homeowners and 75% of mortgagees say they want to see all the options. They are also more likely to say that insurance gives them peace of mind, and more likely to feel confident in their insurance (see Figure 2.4).

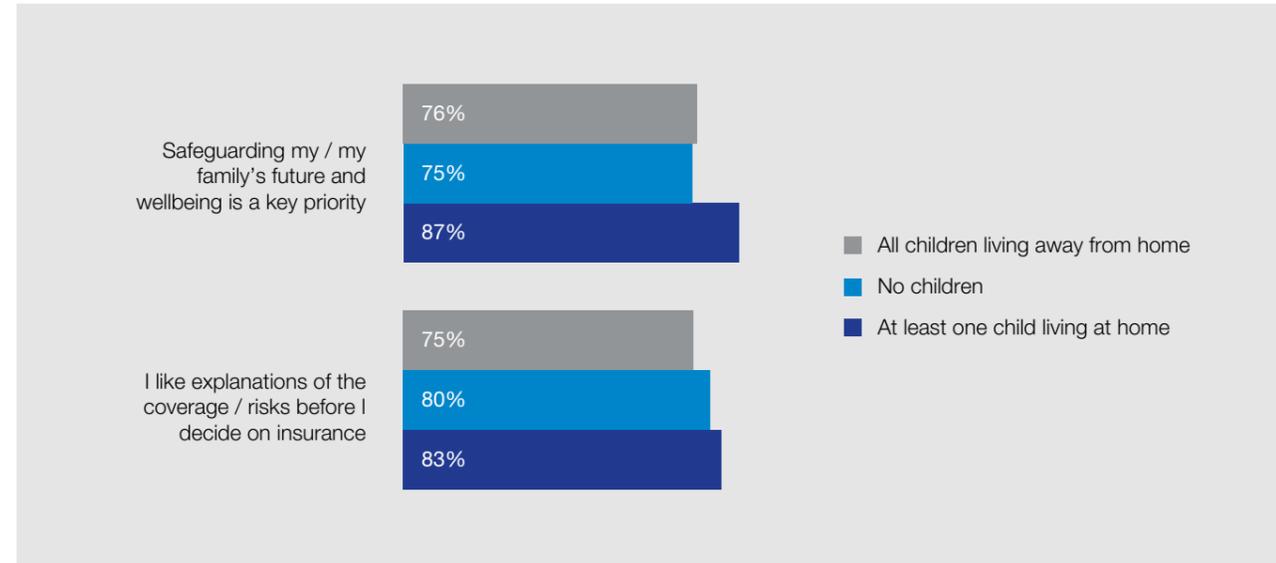
Figure 2.4: Differences in attitudes by homeowner status



Having dependent children also makes a significant difference to attitudes towards insurance. 87% of those with children living at home say that safeguarding their family's future is a priority, compared to 76% of people without

dependent children and 75% of people without any children. They also look for clarity, with 83% agreeing that they like explanations of cover before they decide, compared to 75% of those without dependent children (see Figure 2.5).

Figure 2.5: Differences in attitudes by parental status



What this means for advisers

- Depending on who the decision maker is - advisers should think about how best to engage as there are differences due to gender.
- Having an understanding of customers living arrangements and parental status also can provide direction on what motivates them to buy life insurance.

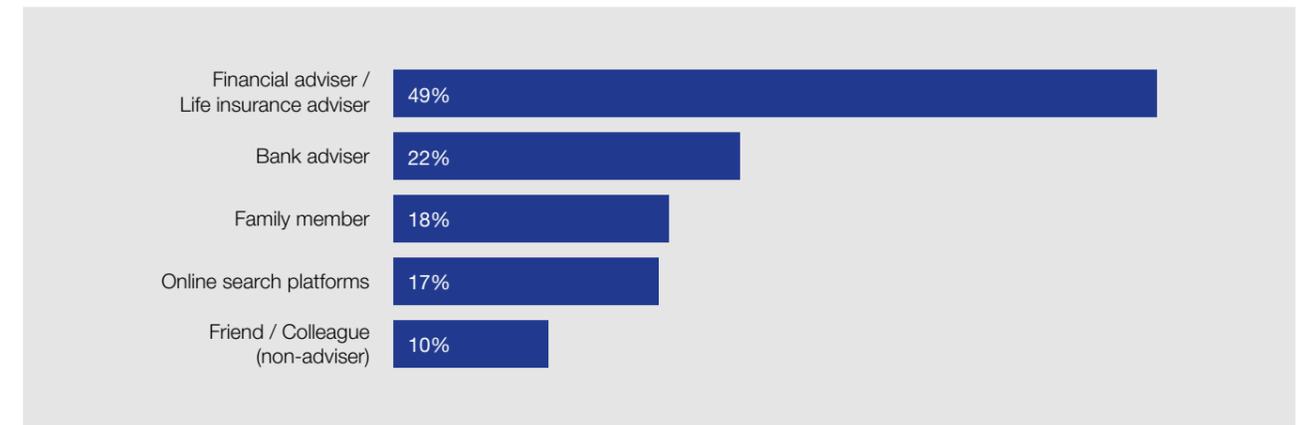
FINDING INFORMATION ABOUT LIFE INSURANCE

Given low levels of awareness and familiarity with different life and disability covers seen in the first Asteron Life Insurance Index 2022 issue, it is valuable to understand where customers would go for information about this category of insurance.

The data shows that advisers play a key role in providing information when people first take out life insurance. 49% said that they got information from their financial or life insurance

adviser, compared to 22% from a bank adviser, 18% from a family member or 17% online (see Figure 3.1). For many, advisers are the first port of call when they are thinking about life insurance, which means that advisers have a significant opportunity and responsibility to provide appropriate education and content to enable customers to become more informed about life insurance.

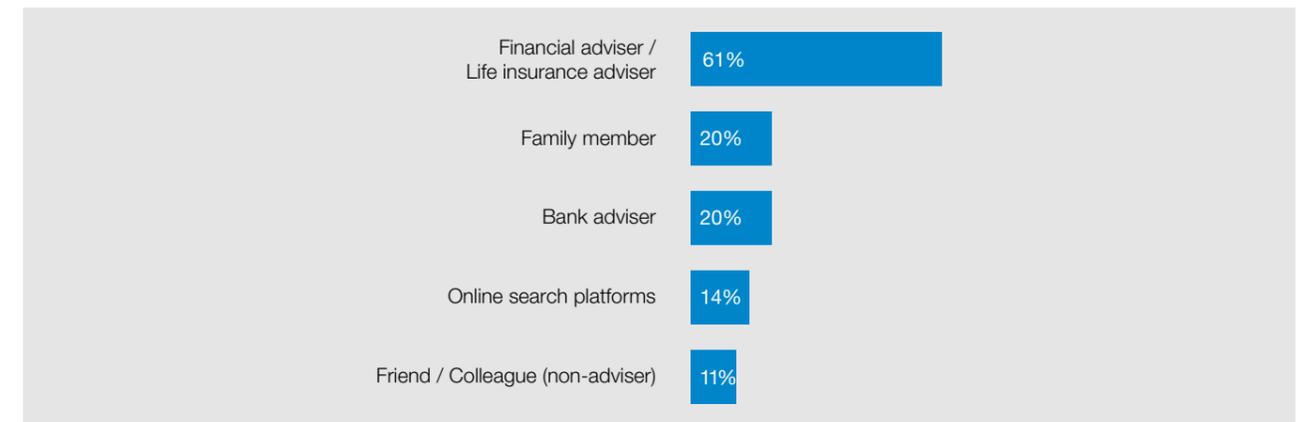
Figure 3.1: Initial sources of information



Advised customers tend to see advisers as their main initial information source, with 61% saying that they first turned to advisers when thinking about life insurance (see Figure 3.2). Non-advised customers, on the other hand, are more likely to turn to digital sources, with 23% saying they used

online search platforms. This may suggest an opportunity for advisers to advertise or provide relevant online content to attract more non-advised customers by being present when they look online for insurance information.

Figure 3.2: Initial sources of information – advised customers



What this means for advisers

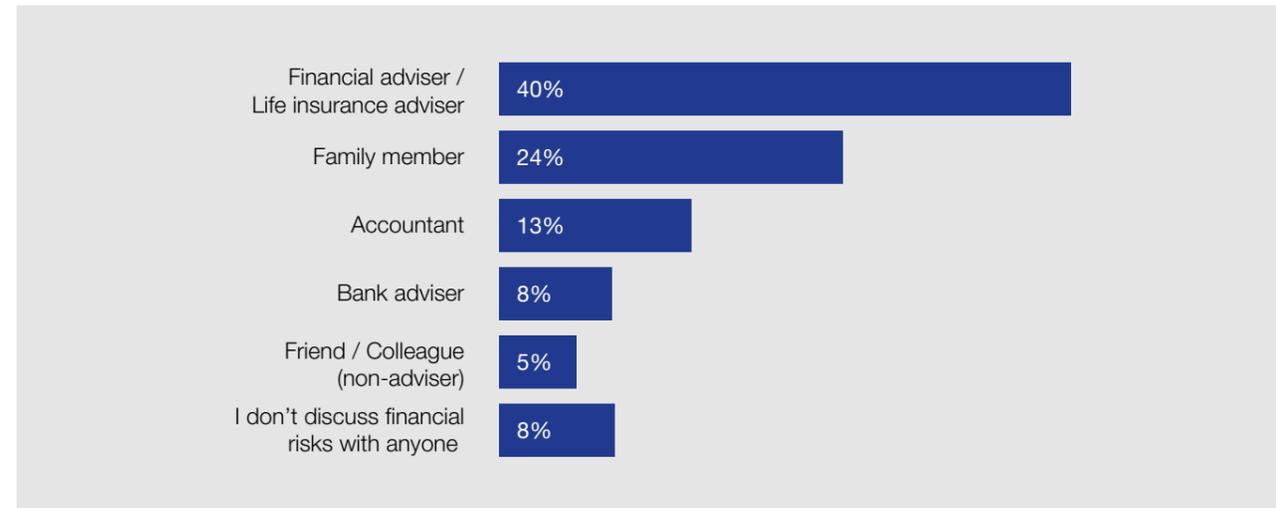
- Advisers are an important source of information for those researching life insurance, giving them an opportunity to educate and provide relevant content to prospective life insurance buyers.

BUILDING TRUST AND CONFIDENCE

Many service businesses rely on trust, and trust is particularly important for life insurance given that it deals with protecting individuals' or families' lifestyles. 40% of people say that

financial and life insurance advisers are the most trusted sources of advice when they are thinking about financial risks that may affect their lifestyle (see Figure 4.1).

Figure 4.1: Most trusted sources of advice for financial risks



What makes advisers trusted? Overall, past experience and demonstration of expertise play a strong role. Reasons that people give for trusting any type of adviser include if they've provided useful guidance in the past, providing expert guidance that wouldn't be otherwise available and feeling comfortable talking with them about finances. For those who nominate advisers as their most trusted source, 53% say that

they trust their adviser because they provide expertise, 49% say their expertise saves time and effort and 46% value being provided with relevant information to aid their decision-making (see Figure 4.2). Demonstrating expertise, listening to client needs and providing relevant information can help reinforce trust in life insurance advisers.

Figure 4.2: Reasons to trust financial adviser / life insurance adviser



While the vast majority of people appear comfortable discussing financial risks with trusted advisers, 8% say that they don't discuss financial risks with anyone. Reasons for this include a belief that they could cope on their own, not trusting others with sensitive information and not knowing

who to talk to (see Figure 4.3). Financial advisers could make those who are reluctant to discuss financial risks feel more comfortable by demonstrating commitment to confidentiality and communicating the benefit of getting advice from a trusted adviser.

Figure 4.3: Reasons for not discussing financial risks with anyone

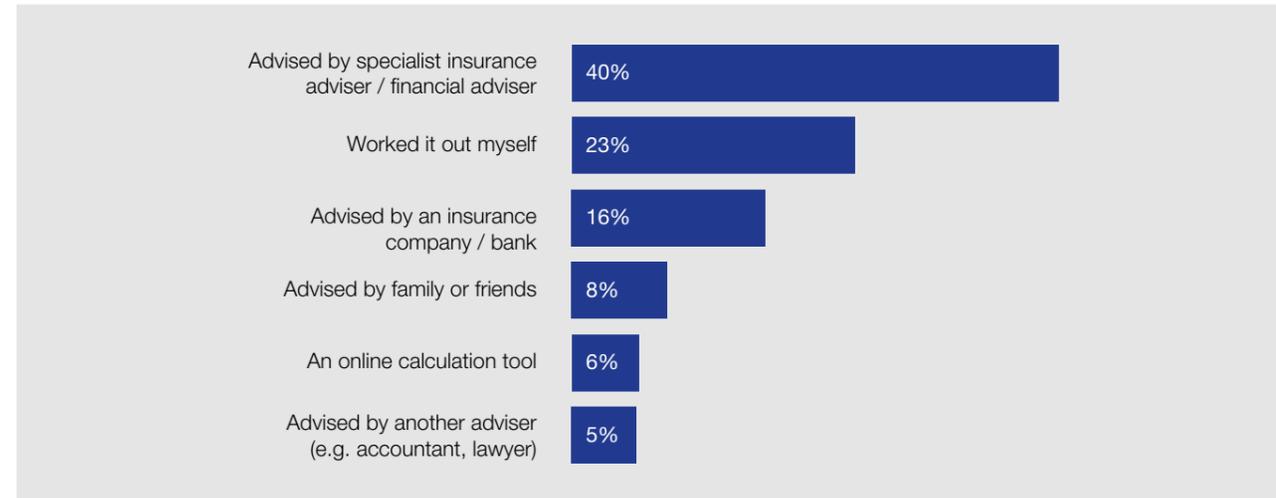


DECIDING ON COVERAGE LEVELS

Once people have decided to take out life insurance, they then need to make important decisions on the level of insurance they will take out to ensure they are adequately covered. While 40% decide this based on expert advice,

almost 1 in 4 are working this out by themselves (see Figure 5.1). Does the level of advice received reflect how well covered they are?

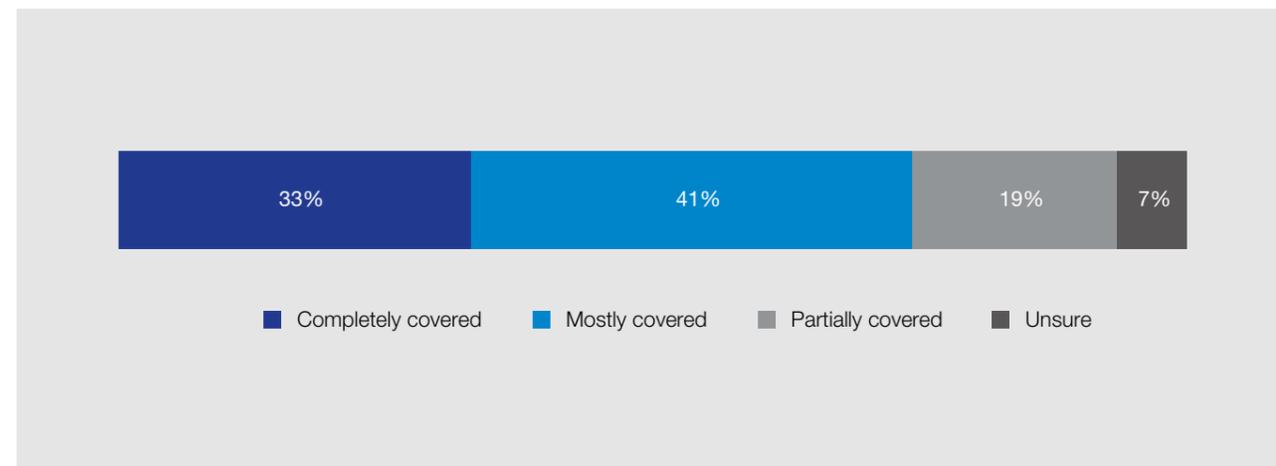
Figure 5.1: Ways to decide on coverage levels



Overall, a majority feel that their life and disability cover would leave them completely or mostly covered in terms of their financial liabilities. However, around 1 in 4 say that they are

only partially covered or are unsure (see Figure 5.2). So, what role can advice play in helping people feel completely covered?

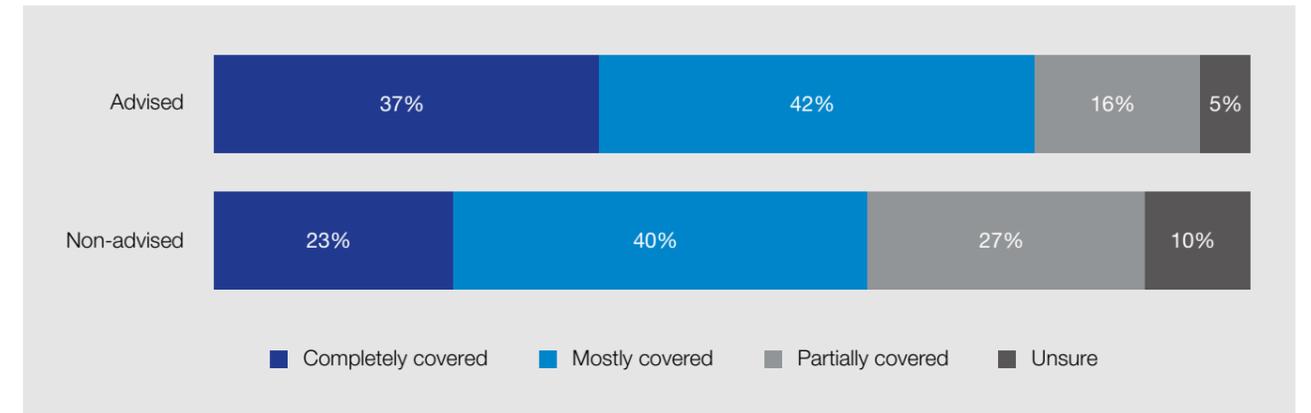
Figure 5.2: Perceived coverage levels in terms of financial liabilities



Overall, advice appears to have an important role to play, with advised customers being significantly more likely to say that they are completely or mostly covered. Specifically, 37% of

advised customers feel completely covered compared to only 23% of non-advised customers (see Figure 5.3).

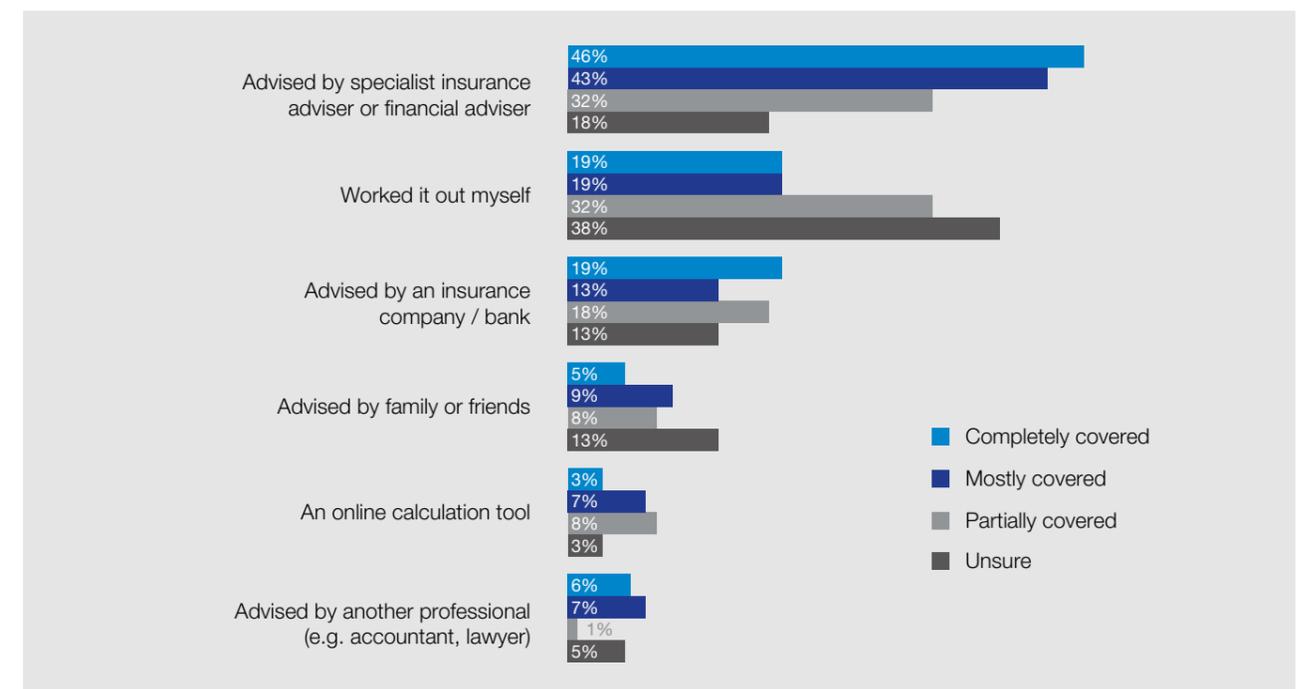
Figure 5.3: Perceived coverage levels in terms of financial liabilities by adviser use



There is strong correlation between getting expert advice and feeling completely covered. 46% of those who decided their coverage levels with the advice of a specialist adviser feel completely covered, compared to only 19% of those who worked it out for themselves. Conversely, 38% of those

who worked it out themselves are unsure how well they are covered, and a further 32% think they are only partially covered. This demonstrates the value of advice in giving customers confidence that they have the right cover for their needs (see Figure 5.4).

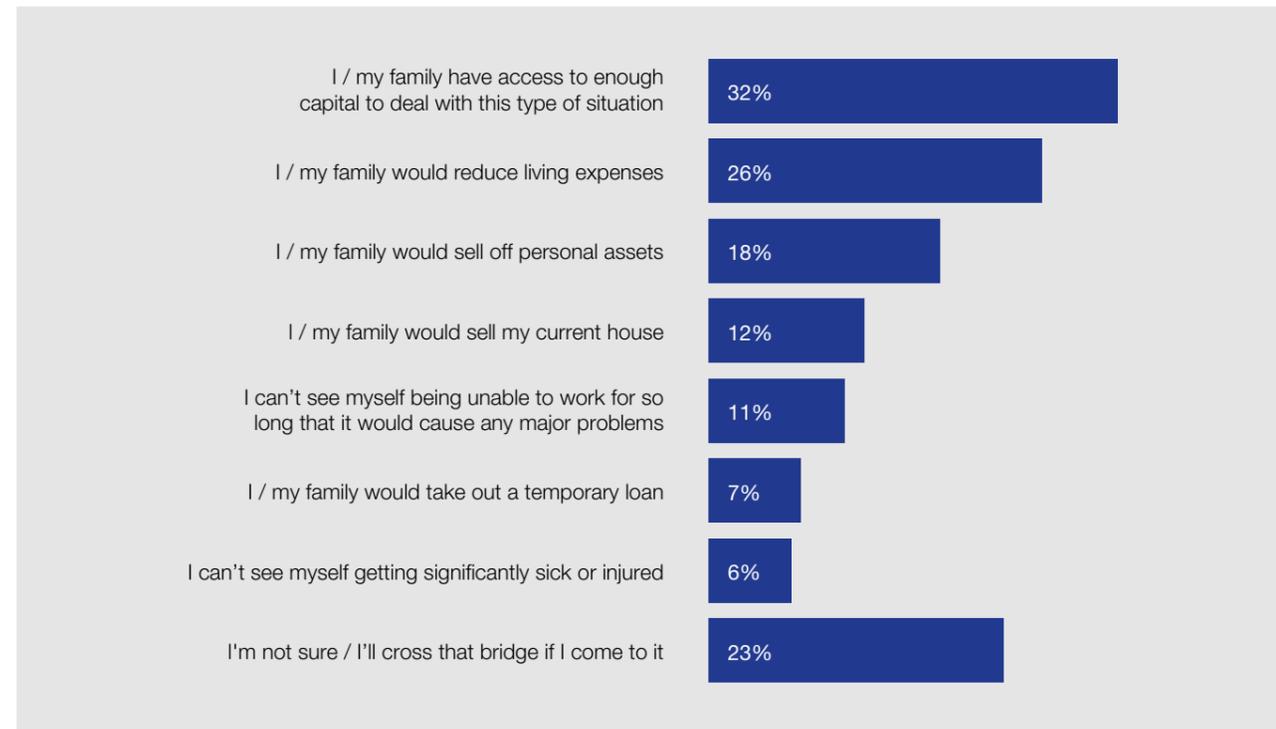
Figure 5.4: Perceived coverage levels according to advice source



The fact that around 2 in 3 people with life insurance consider themselves to be either mostly or partially covered suggests a degree of conscious risk acceptance when it comes to life and disability cover. To understand the extent to which these people have thought through the consequences of this risk acceptance, we asked respondents what they would do if they experienced a major negative incident that prevented them working for which they weren't insured.

Many of those who aren't completely covered are effectively self-insured. 32% say that they would have access to enough capital to deal with the situation, and others say they would either reduce expenses or sell assets. However, a significant number have no clear plans, with 23% saying they aren't sure and 11% saying that they just can't see it happening to them (see Figure 5.5). This lack of planning and forethought suggests that there is a need to educate people on the risks of self-insurance and the potential for negative incidents to happen to anyone.

Figure 5.5: Plan if financial risks not completely covered by insurance



THE RESEARCH

This report is based on research involving 600 respondents from around New Zealand. The research was independently* conducted using an online quantitative survey. The survey was conducted during December 2021. The survey covered:

- Lifestyle concerns
- Initial prompts to seek insurance
- Sources of information
- Insurance purchase process
- Attitudes towards insurance / insurance advisers
- Demographics

Respondents were screened to ensure that they held some form of life or disability cover (including Income Protection, Total and Permanent Disability cover, Critical Illness, Trauma or Cancer insurance or standard Life Insurance). Data checks on gender, age and region ensured that representative samples were obtained.

What this means for advisers

- Advisers can play an important role in helping people decide how much cover is needed and helping them feel completely covered, as well as educating people on the risks of under-insurance and self-insurance.

* This research was conducted by BrandMatters. See www.brandmatters.com.au.

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