

Advisers are key to addressing under-insurance

AUSTRALIANS ARE under-advised and under-insured, according to consumer research paper Risking Everything - and a key part of the solution lies in boosting support to advisers, says major insurer AIA Australia.

"Under-insurance is still a real issue," says Damien Mu, AIA Australia's chief distribution and marketing officer, "and we need to work with all our business partners and advisers to continue getting the message across."

"Significant focus and efforts by superannuation funds, advisers and life insurance companies has occurred to promote and afford insurance cover to millions of Australians but the issue is far from resolved when it comes to people having cover or adequate levels of cover."

Whatever the outcomes from FoFA, as a life insurance specialist, AIA Australia will work with all its partners to ensure that consumers receive the best possible outcome, he says.

Pointing to Risking Everything consumer research - sponsored by AIA Australia in conjunction with the Association of Financial Advisers - Mu says only 20 per cent have a financial adviser and a high correlation exists between receiving financial advice and then having adequate insurance.

This is because advisers "assist clients to identify risk and then take steps to manage and mitigate this risk", Mu says.

For those without an adviser, the average level of cover is just five times earnings, which is half of that recommended by Rice Warner Actuaries in its latest under-insurance report published last month.

In contrast, financially advised Australians see their adequacy to be at least nine times earnings.

One of the undisputed findings of the survey is that advisers add value, Mu says. People with a financial adviser are much more likely to have life insurance than those without [67.2 per cent versus 46 per cent].

And, those who receive advice on life insurance are more likely to be confident that their level of cover is sufficient [90.7 per cent] when compared to those who do not receive advice [71.7 per cent].

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Following from that, Mu says, "having sufficient life insurance cover is considered more important to the advised than the unadvised. More than half of advised respondents [55.5 per cent] think it is 'very' or 'extremely' important compared to only 38 per cent of unadvised respondents."

In the corporate sector, the results are even more startling. Most of those surveyed who use the services of their corporate super fund find them valuable [89.2 per cent] including over one-third [35.4 per cent] who find the services 'very valuable' and 9 per cent who find them 'extremely valuable'.

Mu says employers from small businesses are the most likely to find the services 'extremely valuable' for members [33.3 per cent]. They are also slightly more likely to describe their corporate super fund adviser relationship as 'extremely valuable' [39.4 per cent] than large and medium-sized businesses, possibly reflecting the fact that members of small firms would not otherwise have access to such services.

"I strongly believe that advice is important. It encourages confident financial-decision making and a better understanding of a person's needs," Mu says.

Mu continues. "If we are to continue to reduce the under-insurance issue, we must provide better education and make it as easy as possible for consumers to access the information they need whether that be through their fund, their adviser or any other avenue." ■



Damien Mu ... consumers under-covered

> KEY FACTS

- 1 life insurance cover provided within super - which under default cover is about a minimal level safety net - is only about 20 per cent of what is required.
- 2 62 per cent of people with life insurance exclusively through super accepted the default amount of life cover - 48 per cent have life insurance exclusively through their super.
- 3 48 per cent of those with income protection insurance exclusively in super accept the default amount of cover - 34 per cent have income insurance exclusively through their super.
- 4 the 2011 Rice Warner under-insurance report suggests only 22 per cent of Australians insure their ability to earn an income with income protection insurance
- 5 just 4 per cent of Australian families with dependent children have adequate levels of insurance cover according to the Rice Warner under-insurance report

Life risk is our speciality

