

# UNDER INSURANCE



According to the latest NewsPoll results, 56% of Australian workers say if they had to stop work due to sickness or injury, they would run out of money within one month.<sup>1</sup> And shockingly, 60% of families will run out of money within one year if a main breadwinner dies.<sup>2</sup> These statistics are absolutely frightening for the Australian public and the government.

A study by Rice Walker (2005) estimated that the amount of underinsurance for parents in Australia with dependant children is in the order of around \$1,300 billion. So, why is there such a gap in life insurance.

Due to recent market volatility, people's risk tolerance has lowered. Most people are generally thinking more about their financial future and looking to protect the wealth that they do have. While this is the case, there are still some common barriers to overcome why we generally don't purchase life insurance.

## **Why – What are the barriers**

### ***We don't understand life insurance, it's all too complicated.***

Many consumers find it hard to estimate their financial obligations, questioning how you could maintain yourself if you were off work for six months or longer can therefore be a hard question to answer.

### ***We believe we have enough cover in our superannuation.***

For a family with young children and average earnings of \$50,000 per year, insurance needs are estimated at \$500,000 to \$650,000. Yet, the average lump sum insured in superannuation funds is just \$70,000.<sup>3</sup>

### ***I don't need life insurance, I'm healthy.***

The best time to take out insurance is generally when you are in good health. As you get older, you may begin to suffer health issues which could make you ineligible for cover or incur higher premiums.

### ***Affordability.***

Our income is our biggest asset. And insuring our income often costs less than insuring our cars. Yet because of personal underinsurance, many Australians receive more money for their damaged car than for themselves after a major car accident.



*'If you were to have a heart attack and had no insurance, you could lose your home. If you had a heart attack and had insurance, you could lose your mortgage!'*

*Australians aged between 30 and 64 have a one in three chance of suffering a major medical illness (e.g. Cancer, Heart Disease)<sup>4</sup>.*

1 Finance Study 2008, Newspoll Market Research

2 IFSA – The Sum of Life June 2007

3 IFSA- Rice Walker Fast Facts: A Nation Exposed!

4 General Cologne Life re Australia 2002

