

18 August 2015

## **Media release**

### **More than \$1 billion claims paid each year for personal insurance**

New Zealanders have received more than \$1 billion a year in personal insurance claims for each of the last five years according to figures released today by the Financial Services Council (FSC).

FSC CEO Peter Neilson said the \$1.133 billion a year payout in the year ended 30 June 2015 included life and income protection insurance (see table on next page).

Mr Neilson said the personal insurance claims paid out by the insurance industry had been consistently over \$1 billion a year for each of the last five years since first surpassing the \$1 billion mark with a payout of \$1.009 billion in the year ending 30 June 2011.

The FSC's latest figures also show income protection insurance, including trauma (individual and group), replacement income (individual and group), lump sum disablement, credit, and life – death and disablement – group, is growing strongly. Annual premiums are up 44% from 659.1 million as at June 2010 to \$948.8 million as at June 2015. However, even with this increase, according to FSC research around three quarters of New Zealand house-holds' incomes are not insured against a serious illness.

Mr Neilson said FSC is currently completing a survey of New Zealanders that will give bench mark information on which insurances families hold and the current uptake of income protection insurance.

“Our earlier research showed many New Zealanders still think their chances of being off work with a long term illness is less than for accident. The reality is they are much more likely to be off work for six months or more after a serious illness than as the result of an accident.

“The ability to earn an income over a lifetime is usually a person's most valuable asset. For most of us it is worth more than the family home yet it is insured far less than homes, home contents or cars.”

The FSC plans to hold a conference later in the year to present the findings of this research. Interested parties including journalists, healthcare organisations, government departments and patient advocacy groups will be invited to attend and the conference will also be open to the general public.

Payouts for the various types of personal insurance over the year to 30 June 2015 were:

<b>Personal Insurance type</b>	<b>Benefit Payments</b> <i>(\$millions for year to 30.6.15)</i>	<b>Definition</b>
<b>Life</b>		
Term	\$430.1	Life insurance without a savings component. It includes mortgage repayment insurance but excludes consumer credit insurance (see Credit Insurance below).
Whole Life & Endowment	\$197.9	Traditional 'bundled' life insurance policies with combined savings and risk cover and benefits payable on death or, for endowment, on a specified date. Total benefits are reported here.
Unbundled	\$16.7	Policies in which the savings component is explicitly identified and the return on savings is reported to the policyholder periodically. Only risk benefits associated with unbundled policies are reported here.
Guaranteed Acceptance	\$15.2	A similar benefit type to Term but is reported separately. It refers to policies with minimal underwriting tests which usually have a return of premiums if death occurs in early years, possibly with full benefits payable on death by accident. Funeral plans are a common Guaranteed Acceptance product.
Accidental Death	\$1.1	Refers to either stand-alone or rider benefits where a separate premium can be identified.
<b>Income Protection</b>		
Trauma	\$140.9	Benefits provide for a one-off cash sum to be paid upon diagnosis of certain specified illnesses or medical events such as heart attack, cancer and stroke. These benefits may be rider benefits to the main policy or benefits that are sold on a stand-alone basis.
Trauma – Group	\$3.1	Group means schemes with multiple memberships that are sold as one policy.
Replacement Income	\$109.1	A regular income benefit paid on disablement, as opposed to a lump sum benefit.
Replacement Income – Group	\$18.6	Group means schemes with multiple memberships that are sold as one policy.
Medical	\$95.9	Insurance coverage for medical and surgical expenses associated with an income protection policy. This insurance can either reimburse the insured or pay the care provider directly.
Life – Death & Disablement – Group	\$66.2	Group means schemes with multiple memberships that are sold as one policy.
Annuities	\$14.8	The insurer makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity).
Lump Sum Disablement	\$14.3	Includes both Permanent and Temporary Total Disablement.
Credit Insurance	\$9.6	Includes covers from credit card balances, personal loans and similar insurances but excludes mortgage-related and similar covers which are reported in the Term category.
<b>Total</b>	<b>\$1,133.6</b>	

A more detailed breakdown of these statistics can be downloaded from [www.fsc.org.nz](http://www.fsc.org.nz).

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#### **About the Financial Services Council**

The Financial Services Council (FSC) was established in 2011 to represent the interests of the New Zealand financial services industry and the financial well-being of all New Zealanders. Its objectives are to:

- Develop and promote evidence-based policies and practices designed to assist New Zealanders to build and protect their net wealth
- Promote the financial services industry for the economic benefit of New Zealand
- Promote best practice in the financial services industry, including the publication of guidance for industry participants
- Promote the financial services industry as a medium for investment or protection

The FSC has 22 member companies and 16 associate members. Members manage more than \$80 billion in savings and provide financial services to more than 2.5 million New Zealand investors and policyholders.