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Life Insurance Industry Nears \$1bn p.a. in Claims and Maturity Payments

Latest statistics released by the Investment Savings and Insurance Association (ISI) show the life insurance industry is on track to pay New Zealanders \$1 billion in claims and maturities in 2010.

Over the last year total claims and maturity payments have increased from \$895m (year ended 31 March 2009) to \$964m (year ended 31 March 2010). At the current rate of increase, the industry should reach the \$1 billion milestone by the end of the year.

“As an industry we can feel proud of the contribution we make to society,” says ISI chief executive Vance Arkininstall.

“The financial support we give to New Zealanders and their families can make a huge difference, especially at a time of terrible sadness and uncertainty. We are enabling people to continue their lives with more financial certainty, while helping to inject significant funds into the local economy at the same time.”

The latest rise in claims and maturity payments comes at a time when life insurance sales have slowed across most categories.

After recording double digit growth in annual in-force premiums over the last few years, the life insurance industry reported lower annual growth of 6.7% (\$105m) for the year ended 31 March 2010, driven largely by flat growth of only 0.9% (\$15.7m) over the last quarter.

While the decade-long move away from traditional insurance products continued with in-force premiums down 6.3% for the year, the newer forms of insurance continued to record strong premium growth, despite the flat March quarter:

- guaranteed acceptance in-force premiums increased 14.2%;
- trauma in-force premiums rose 13.4%;
- term life in-force premiums (which account for almost half the life insurance market) were up 9.7%;
- lump sum disablement in-force premiums increased 9.6%; and,
- replacement income in-force premiums rose 8.1%.

Mr Arkininstall says the latest (flat) quarterly result was to be expected given the start of each year is historically a slow period for life insurance sales. “In the first few months people are typically recovering from the financial strains of the Christmas period, and are either settling back into work or busy with the end of the financial year.”

“It is quite understandable therefore that insurance is low on the post-Christmas priority list,” says Mr Arkininstall. However, he warns this is an attitude that needs to change with research showing that many New Zealanders remain under-insured.

“We do have a problem with people being inadequately protected in this country. While it’s comforting that we are paying out close to \$1 billion in claims and maturities annually, the simple fact is we would be paying out a lot more if people would only take the time to protect themselves, their families and their businesses properly.”

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