

13 August 2009

## **LIFE INSURANCE SALES CONTINUE STRONG GROWTH TREND**

Premiums payable for all categories of life insurance increased 6.7% from \$1.478 billion (as at 30 June 2008) to \$1.577 billion at 30 June 2009.

Premiums for risk insurance products, the most popular categories, increased 9.8% (in the year to 30 June 2009) from \$1.272 billion to \$1.397 billion, according to statistics released by the Investment Savings and Insurance Association, Chief Executive, Vance Arkinstall.

“This is a continuation of the strong growth in life insurance that we have been experiencing over the past 18 months”, said Vance Arkinstall.

“It is not uncommon for life insurance to experience strong growth during periods of economic turmoil as people concentrate on ensuring that they have insurance in place to protect against untimely death, incapacity to work for an extended period, and more recently, against the risk of being diagnosed as having a serious or terminal medical problem”, said Vance Arkinstall.

Term insurance, providing payment of the sum insured on death of the insured (often linked with repayment of a mortgage) is the largest product within the risk insurance market with inforce premiums of \$732m at 30.6.09, having increased 6.6% in the past 12 months.

Income protection insurance is the second largest category with annual premiums increasing 9.3% from \$211 million to \$223 million at 30.6.09. Income protection insurance has consistently been one of the fastest growing products for many years as New Zealanders have recognised the importance of insuring against the inability to work as a result of injury or illness.

Trauma insurance (sometimes known as living insurance) is a relatively new addition to the industry’s range of risk products. Premiums for trauma insurance have grown 16% in the 12 months to 30 June 2009, from \$156 million to \$181 million.

The attraction of trauma insurance is that it provides a payment on diagnosis of a serious or terminal illness as set out within the policy. The ability to receive an advance payment which allows the life insured to put their affairs in order and to cover the costs of quality care makes trauma insurance a very appealing option.

Payments by life insurers in respect of death claims for the 12 months to 30 June 2009 also increased to \$478 million (an increase of 12.5%). Payments from maturing policies (totalling \$192 million) were 8.1% lower reflecting the fact that life insurance with an investment component has been in decline for over a decade. Other benefits paid by life insurers in the year to 30 June 2009 equalled \$230 million, an increase of 13.9% from \$202 million the previous year.

“Even with the current strong growth of life insurance New Zealand by global standards suffers from an underinsurance problem (OECD statistics show NZ as having one of the lowest levels of penetration of life insurance within the OECD community)”, Vance Arkinstall said.

“Many New Zealanders either do not have life insurance or do not have adequate insurance to cover the risks they and their family or business face. The effect of underinsurance is that in the event of death or long term incapacity to work the surviving family or business struggle financially, often becoming dependent on social welfare (Government benefits) or on the remaining family and friends for assistance. Neither of these can be expected to provide the peace of mind and security a solid life insurance plan would achieve.

Attachment:

ISI Market Share Statistics for Risk Insurance Products

For further information contact:

Vance Arkinstall, Chief Executive