

What price for peace of mind?

With the cost of life insurance dropping, why is Australia one of the most underinsured nations in the developed world?

In the past 15 years, the cost of life insurance has shrunk substantially. Life insurance premiums that cost \$1,000 in 1993 cost around \$548 in 2008, while a basket of goods that cost \$1,000 in 1993 would have cost \$1505.25 in 2008. Insurance premiums have fallen by around 45 per cent in that time, but the same basket of goods now costs 50 per cent more¹.

For less than \$1 a day in premium, a 35-year-old non-smoker male can buy \$500,000 of life cover¹. With many people already having a small amount of cover in super, increasing this to adequate levels can cost even less.

A survey of claims in 2008 revealed that the industry paid out over \$2.3 billion in claims on nearly 35,000 policies. In total, 13,000 Australian families received an average payout of just \$91,000 on the death of a partner in 2008. With the average Australian household debt for a family with children under the age of five being \$167,000, the average claims payout highlights the underinsurance problem².

The low level of cover means that if Australians need to claim, they may find the

benefit they receive to be insufficient to their needs.

Around 83 per cent of working, adult Australians say they have car insurance, yet less than 31 per cent have income protection insurance, according to the Investment and Financial Services Association (IFSA). Why would their most valuable assets, their life and ability to earn an income, not be afforded the same priority?

The average Australian has many other expenses competing for their dollars, so when limited financial resources are at play, insurance is one of the purchases that is often overlooked.

One of the key problems is that instead of being regarded as a sensible means of risk protection, insurance is often seen as a grudge purchase, or even a non-essential item.

Consider the following³:

- More than 60 per cent of Australians will be disabled for more than one month during their working life.
- More than 15 per cent will be disabled for more than three months during their working life.



- One in six men, and one in four women, is expected to suffer a disability from the age of 35 to 65 that causes a loss of six months from work.

So consider the consequences of not being able to work for six months, or a year, or more as a result of illness or injury. Or, worse still, the death of the family's breadwinner. While nothing can compensate for the emotional loss that such a catastrophe causes, it is possible to protect your family or business finances by putting in place appropriate personal risk insurance.

So, if you want the peace of mind that comes with knowing that, whatever happens in the future, you and your dependents are financially secure, review your personal risk insurance cover today.

¹ CommInsure

² IFSA, Information Pack: Key Industry Facts, 9 August 2009

³ Institute of Actuaries Table IAD1989-93 and ALT90-92