



NOBLEOAK
with you for life

Life Insurance in Australia

Consumer Behaviour Transformation



Research Whitepaper
6 January 2017

NobleOak Life Limited
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The research referred to in this Whitepaper was conducted independently by PureProfile in December 2016 from a survey completed by over 1,000 Australians, as well as expert source material drawn from recently published papers and articles.

Synopsis

1. Life insurance is now bought and sold.

While many Australians still rely on financial advisers to “sell” them a Life insurance policy and ensure their family is adequately protected, more and more Australians recognise their own need for Life insurance and Income Protection cover. Australians are sourcing research and comparisons online to help them. This is consistent with a wider trend, with 61% of people now seeking to obtain advice about their financial needs using the Internet (*refer to Table. 1*).

2. Life insurance advice is now predominantly sourced from the Internet.

The Internet has become a predominant source of Life insurance advice by Australians, with advisers still playing a role for many. Of those who seek to obtain Life insurance advice, 32.2% prefer using the Internet, while 25.4% use a financial adviser and 20.4% rely on family members (*refer to Table. 2*).

3. Online comparison tools have become a key driver of needs

Many Australians rely on online comparison tools to research Life insurance products. 66.4% of respondents use websites as a way of comparing Life Insurance and Income Protection policies, compared with an adviser at 22.7% (*refer to Table. 6*). 34% of people seeking Life insurance advice use online comparison tools (*refer to Table. 2*).

4. Buying behaviour across financial services products varies considerably

The impact technology has had on how we use financial services products has varied significantly between products. 79% of respondents believe technology has changed their interaction with banks over the past 3 years, while Life Insurance and Income Protection remain laggards at 37.3% and 33.6% respectively (*refer to Table. 3*). It is inevitable the use of technology for purchasing Life insurance will increase just like other financial services products.

5. There is a stark difference between purchasing behaviour and future intention

While a vast majority of Australians search for Life insurance or Income Protection insurance products online, very few purchase directly online - at this stage. Their intention to do so in the future however shows an imminent change in consumer behaviour. While only 6.5% of respondents have purchased Life insurance products online (*refer to Table. 8*), 38.6% would purchase Life insurance online or through a mobile device if they needed it (*refer to Table. 9*).

6. Advice is undervalued with evolving digital resources

While many Australians still rely on financial advisers, they appear unwilling to spend a lot on this advice. More than 56% of respondents stated they were unwilling to pay anything for Life insurance advice (*refer to Table. 13*). This remains a fundamental problem for the industry. 72% of respondents would be confident in purchasing a Life insurance or Income Protection product online, without financial advice, if the right resources were available.

Based on these results, a major behavioural shift is taking place and further acceleration appears very likely.

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Introduction

The old world

Australia's first Life insurance policy was written in 1833. More than 180 years later, the old adage that "Life insurance is sold, not bought" continues to be the accepted wisdom by many. However, does that mantra still hold true?

The role of financial advisers or insurance agents in the sale of Life insurance policies is steeped in tradition. If you are a baby boomer, you will probably remember the agents from AMP or National Mutual knocking on your door to collect money for your policy.

Life insurance is still often distributed through financial advisers, however home visits are far less common. The way Life insurance and more recently, Income Protection insurance is sold, does not seem to have evolved a great deal since these days. Or has it?

The revolution has begun

Over the past 5 years, the community's awareness for the need for Life insurance has significantly increased as a result of a number of educational campaigns by regulators and professional bodies, as well as advertising by many direct Life insurers. These campaigns are taking effect and the tide is now finally turning, with "Life insurance" one of the most common searched terms on Google. It is also one of the most expensive terms in Australia to "bid on" when advertising on Google, due to high demand.

This awareness has also been fuelled by a large amount of press covering transformational changes in the Life insurance industry. ASIC recently announced an enquiry into the Life insurance industry in addition to the many reforms already taking place, including the redesign of the adviser commission structure and the recent launch of a Life Insurance Code of Practice in late 2016.

In December 2016, Treasury published a proposal paper outlining new powers to ASIC for product intervention, both at the manufacturer and distribution levels. This is further evidence that direct-to-consumer business is here to stay with some additional controls required.

All of this press and industry exposure appears to have further increased the appetite for customers to purchase Life insurance directly and to shop around for better deals.

In research commissioned by NobleOak in March 2016, we discovered that Life insurance is now both "bought" and "sold".

These research results have now been updated with additional questions asked **in a survey conducted in the second half of December 2016**. These results are included in this Whitepaper.

Life insurance is now both

"bought" and "sold".

This survey illustrates that the “bought” proportion of insurance sales, where Australians actively seek Life Insurance and purchase it directly, usually without financial advice, has increased in recent times and is set to further increase quickly in the near future.

Influences of behavioural change

The shift in behaviour with respect to Life insurance is no great surprise when we look at what factors influence buyer behaviour. Below is a diagram listing the four influencers of purchasing behaviour that have been commonly studied by marketers globally for many years.

Cultural, Social, Personal and Psychological factors are all changing quickly in Australia, as our economy digitalises, social media adoption increases exponentially, average wealth builds, and the population ages.

The massive amount of information that is freely available at our fingertips 24/7 often substitutes expert advice from advisers that needs to be booked in advance and paid for through commissions. Our purchase decisions are becoming faster and much lower cost in our digital economy.

Factors Influencing Buyer Behaviour



Principles of Marketing - Copyright 2005 Pearson Education

Unprecedented scale and pace of change

Life insurance is becoming more accessible, and people's needs in both determining how much coverage they need, and accessing the products and providers that suit those needs, are better met.

This trend is lagging, but consistent with other developed economies, such as the UK, where 38% of Life insurance policies are now purchased directly online¹, without financial advice.

It can be gathered from the research results that after 180 years of minimal change, consumer behaviour and the Life industry in general are now changing very quickly.

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are now changing very quickly

In a 14 December 2016 speech at a Financial Services Council (FSC) conference, Malcolm Turnbull reinforced his view that the "scale and pace of change" the financial services industry is now experiencing is unprecedented and that innovation will be crucial to success.

This certainly appears to be the case with Life insurance.

¹ *Accenture Survey of UK Life & Pension Customers* – (March 2014)

Evolving behaviour and digital technology

Community “advice” model

Across many industries, the introduction of technology has typically evolved over time, to assist with each stage of the decision making process.

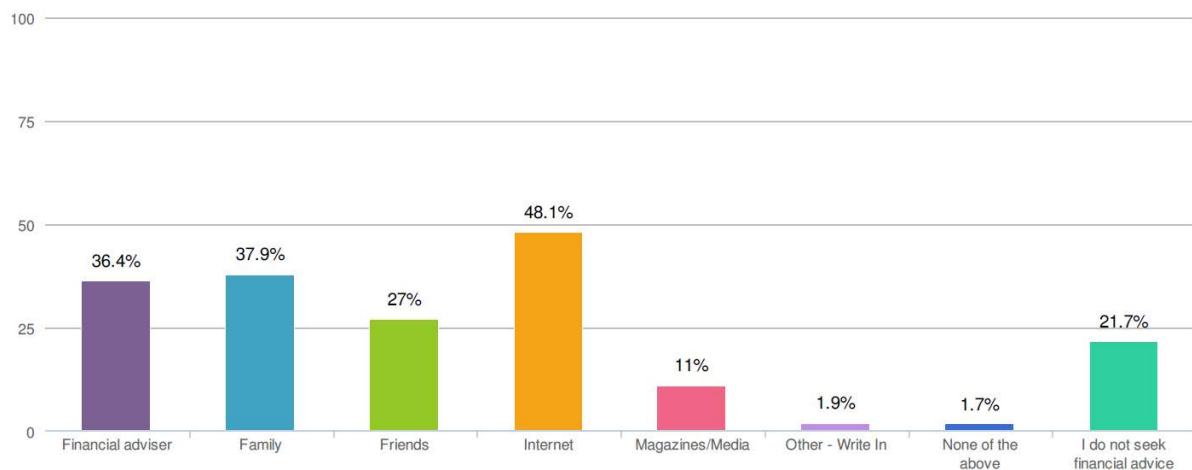
The PureProfile research responses outlined in this paper clearly illustrate that when researching a Life insurance product, most people access information online or by speaking to their families or friends to gain “advice” on these products.

i) Sourcing advice on financial needs

When questioned about where they prefer to “obtain advice” about their financial needs (refer Table.1 below), **48.1%** of respondents listed the Internet as their primary source, closely followed by family members at **37.9%**.

Table.1

Where do you obtain advice with respect to your financial needs?



Another way of looking at the dominance of the Internet as a primary source of advice is that **61%** of people seeking to obtain financial advice use the Internet to do so (Calculated as: 48.1% divided by (100%- 21.7% that do not seek financial advice)- Table.1).

61% of people seeking to obtain financial advice

use the Internet to do so.

Financial advice from a financial adviser is still an important source of advice, but no longer the main point of reference for Australians, with **36.4%** of respondents choosing to seek professional advice for their financial needs.

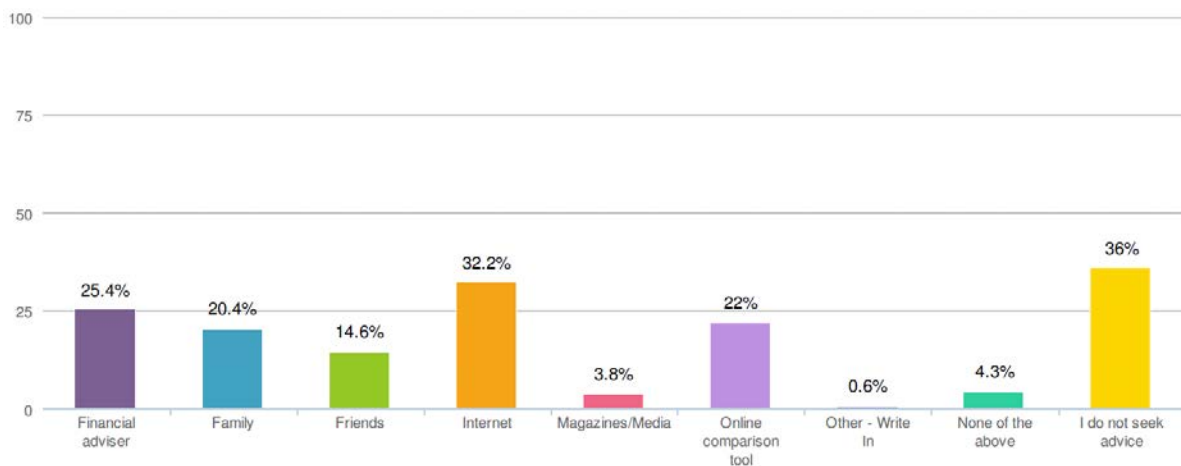
ii) Sourcing advice on Life Insurance needs

Given that Life insurance distribution has traditionally been the domain of financial advisers, the PureProfile survey results appear to contradict the old mantra that “Life insurance is sold, not bought”.

Looking at just Life insurance - **32.2%** prefer using the Internet, **25.4%** use a financial adviser, **20.4%** use family members and **14.6%** use friends (*Table.2*) when sourcing advice on their needs.

Table.2

Where do you obtain advice with respect to your Life insurance needs?



Another way of looking at this is that **50%** of people seeking to obtain financial advice for Life insurance use the Internet to do so (Calculated as: $32.2\% \div (100\% - 36\% \text{ that do not seek financial advice})$).

*50% of people seeking to obtain financial
advice for Life Insurance
use the Internet to do so.*

Online comparison tools have become an important resource for consumers looking to purchase Life insurance. The Table above also shows that **22%** of respondents use online comparison tools when obtaining advice with respect to Life insurance needs.

This amounts to **34%** (calculated as: 22% divided by (100% - 36% that do not seek financial advice)) of people seeking Life insurance advice.

*34% of people use online comparison tools
when obtaining advice with respect to Life
Insurance needs.*

Digitalisation at different speeds

The PureProfile survey sought to capture attitudes towards technology and its impact across different sectors of the financial services industry, to see if adoption varies by product.

Table.3

How much has technology changed your interactions with (in the last 3 years):

	A lot	A little	Not at all	Responses
Banks	480 47.7%	315 31.3%	211 21.0%	1,006
Investment Managers	117 11.6%	204 20.3%	685 68.1%	1,006
You Super fund	196 19.5%	361 35.9%	449 44.6%	1,006
Motor/Home/Contents Insurance provider	258 25.6%	376 37.4%	372 37.0%	1,006
Health Insurance provider	235 23.4%	351 34.9%	420 41.7%	1,006
Life Insurer (Including Death/Life cover, TPD, or Trauma cover)	117 11.6%	259 25.7%	630 62.6%	1,006
Income protection Insurer	126 12.5%	212 21.1%	668 66.4%	1,006
Travel Insurance provider	219 21.8%	277 27.5%	510 50.7%	1,006

It is evident from *Table. 3* above, that technology is having a significant impact across many financial services products and segments, particularly in banking, where **47.7%** reported that technology has had a lot of impact on their interaction in the last three years.

The impact technology has had on how we use financial services products has varied significantly between products. **79%** of respondents believe technology has changed their interaction with banks over the past 3 years, (47.7% a lot + 31.3% a little), while Life Insurance and Income Protection remain laggards at **37.3%** and **33.6%** respectively (refer *Table. 3. above*).

79% of respondents believe technology has changed their interaction with banks over the past 3 years, while Life Insurance and Income Protection remain laggards at **37.3%** and **33.6%**.

Meanwhile, general insurance products such as car and home insurance, and health insurance enjoy high adoption rates for technology.

The other survey results show that this is about to change.

Life and Income Protection insurance up until now seemed largely immune from the impacts of consumer-facing technology with **93.5%** (100% - 6.5%) of respondents saying they had not used technology to buy Life Insurance products and **95.9%** (100% - 4.1%) had not used technology to buy Income Protection products (*refer to Table. 8 below*).

The DIY (do it yourself) of decision making

When it comes to making a purchasing decision, the traditional process of starting with “needs awareness”, then “information search”, through to the “purchase decision” (outlined below), is still relevant today. However the consumer is now a lot more confident in working through this process themselves, sourcing help along the way if required, without professional assistance or advice.

Traditional Purchasing Decision Process



In banking, in a relatively short period of time of less than 10 years, we progressed from deposit books and paper records updated by a teller in a bank branch, to being able to view and transact in a cashless environment from multiple accounts, in real-time, 24/7. All this can be done through a home PC, tablet or mobile. The progression of technology has been relentless and empowering to many.

It is inevitable that this technology adoption will flow into all other financial services products, including Life insurance. A number of findings from the PureProfile survey support the start of a revolution in consumer behaviour.

It is inevitable that the technology adoption shown in banking will filter into all financial services products, including Life insurance.

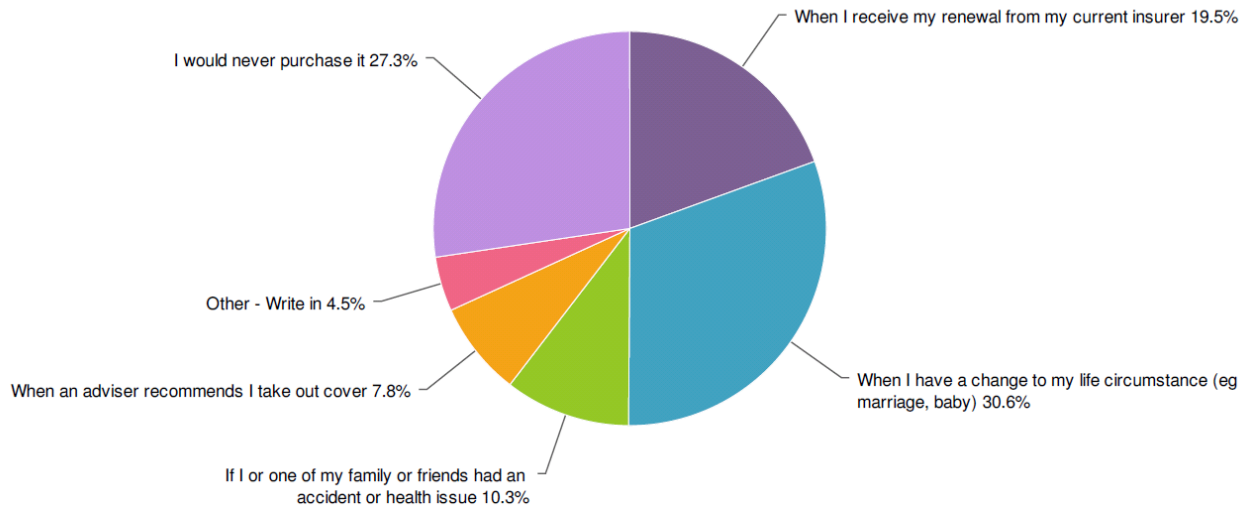
1. Needs Awareness

The most likely time for someone to look to purchase Life or Income protection Insurance is when they have had a change in their life circumstances. We often referred to these events as “trigger” events and they include such things as marriage, the birth of a baby, the purchase of a house or business, or the aging of parents.

Other life changing events occur when a family member or friend suffers an illness or accident, bringing the reality of financial implications into focus.

Table.4

When is the most likely time you would look to purchase Life or Income Protection insurance?:



These trigger events remain an important driver for the purchase decision with **42%** (30.6%/ (100%-27.3%)) of respondents who would purchase Life or Income Protection insurance selecting “when I have a change in my life circumstances” as the key time they would look to purchase it. (refer to Table. 4 above).

Not surprisingly a large number of respondents also use the time they obtain their insurance renewal as a time to look at other alternatives.

2. Information search

The PureProfile results show that a significant number of consumers rely on technology to research financial products online prior to making a purchasing decision, particularly banking products, motor/home/contents insurance and health insurance (Table. 5 below).

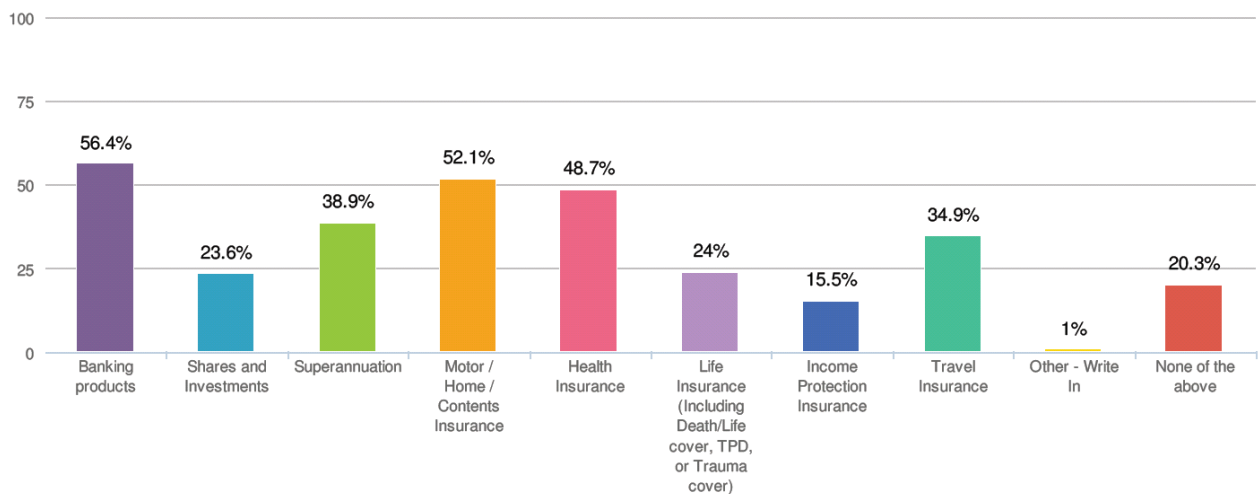
A recent in-depth Telstra research report titled “The Digital Investor”² concluded that the Internet is the media by far the most used for selecting finance and investment products. Other media includes newspapers, magazines, radio and television. Not surprisingly Gen X (35 to 50 year olds) and Gen Y (15 to 35 year olds) rely on the Internet to a much greater degree than older generations. **68%** and **73%** of these segments find the internet the most useful media.

² *The Digital Investor – Telstra – 2013.*

<https://www.telstra.com.au/content/dam/tcom/business-enterprise/industries/pdf/business-enterprise-whitepaper-digital-investor.pdf>

Table.5

Do you use technology (e.g. a website or app) to research these financial products?



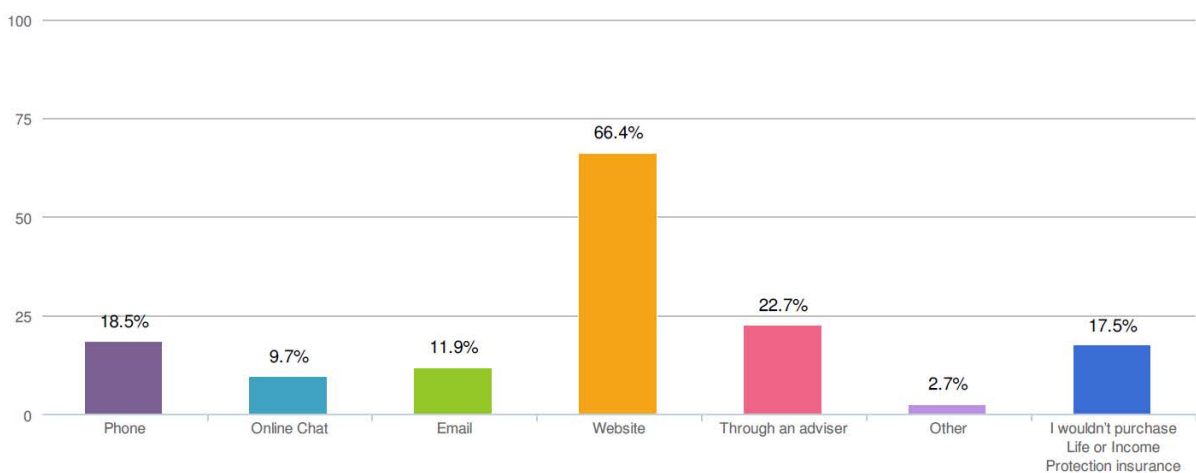
24% of respondents use technology to research Life Insurance and 15.5% use technology to research Income Protection insurance (Table.5 above). While this is lower than banking products (56.4%) and Motor/Home Contents insurance (52.1%), it is important to consider that only 55% of survey respondents have Life or Income Protection Insurance, so many respondents may be looking to buy their first ever Life insurance cover.

3. Evaluating Alternatives

When it comes to comparing different Life and Income Protection products available, it appears there is no match for the Internet.

Table.6

What source would you use to compare Life Insurance or Income Protection policies before purchasing?



66.4% of respondents use websites as a way of comparing Life Insurance and Income Protection policies, compared with the closest rival of through an adviser at 22.7% (refer Table. 6 above).

Insurer and distributor websites, online comparison tools and product blogs are quickly becoming dominant sources of information for people researching Life and Income Protection products. In the UK, Life insurance distribution has become dominated by the comparator sites, some of which have become brand names in their own right. Time will tell whether Australia goes down the same path.

Insurer and distributor websites and online comparison tools are quickly becoming dominant sources of information for people researching Life and Income Protection products.

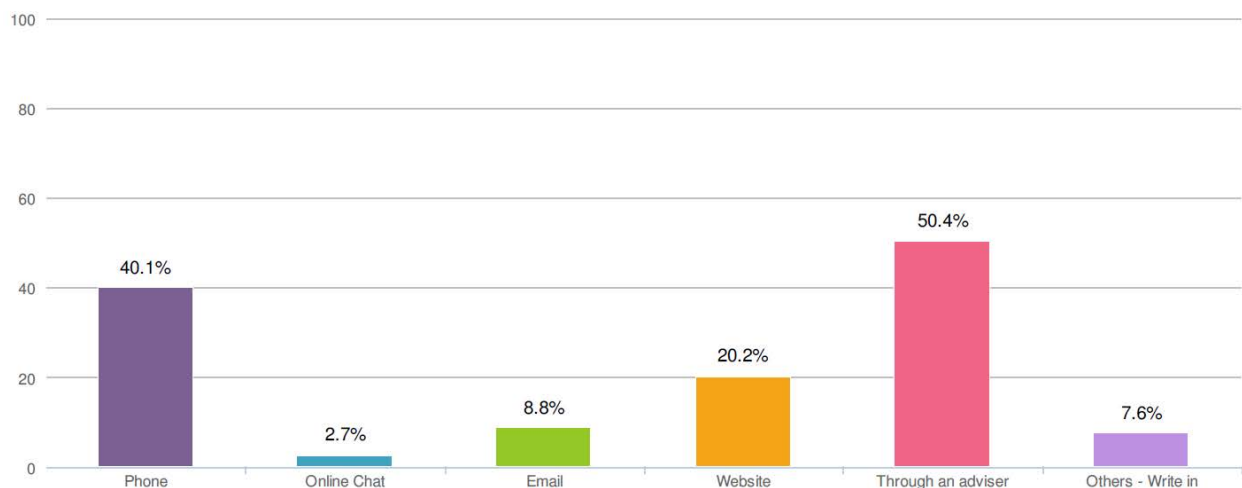
4. Purchase Decision

Once the consumer has researched a financial product, they are generally confident in purchasing this product through technology. 52.6% of respondents confirmed they were comfortable purchasing banking products online, closely followed by general insurance at 57.8% (refer Table.9 below).

While Life insurance is a laggard, the strong online engagement with general insurance products, and the respondents’ strong intention to purchase these products online in the future, shows the start of a behavioural transformation.

Table.7

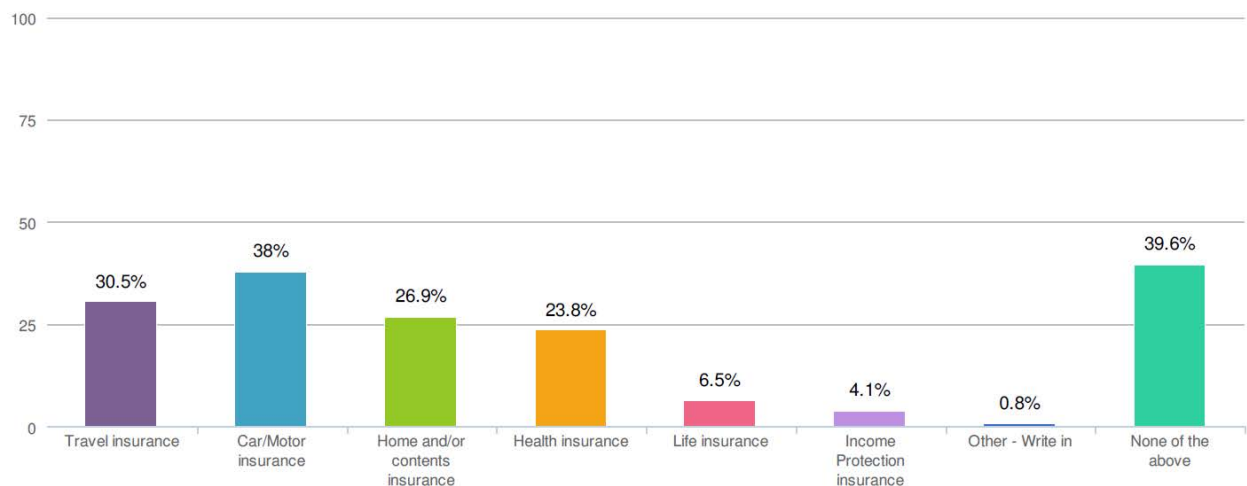
What is your preferred way of purchasing a Life Insurance or Income Protection product?



Car insurance is the most highly purchased insurance product online, at **38%**, followed by travel insurance at **30.5%** (refer Table.8 below). Consumers have embraced technology for these products. There are a broad range of 'end-to-end' technology solutions offered to help the consumer understand their requirements and purchase for car and travel insurance.

Table.8

Which insurance product have you purchased online or through a mobile device?



Life Insurance – The laggard is finally changing!

Despite consumers' adoption of technology when researching and purchasing most financial services products, the two noticeable laggards are Life insurance and Income Protection. Only **6.5%** of respondents have purchased Life insurance products online and **4.1%** have purchased Income Protection (refer to Table.8 above). This remains much lower than other financial services products.

Notwithstanding the low participation in technology so far with Life insurance, there is a growing expectation that future purchases are more likely to be by phone, websites and tablets.

38.6% of respondents would purchase Life insurance online or through a mobile device if they needed it and **31.9%** would purchase Income Protection insurance online or through a mobile device if they needed it (Table. 9).

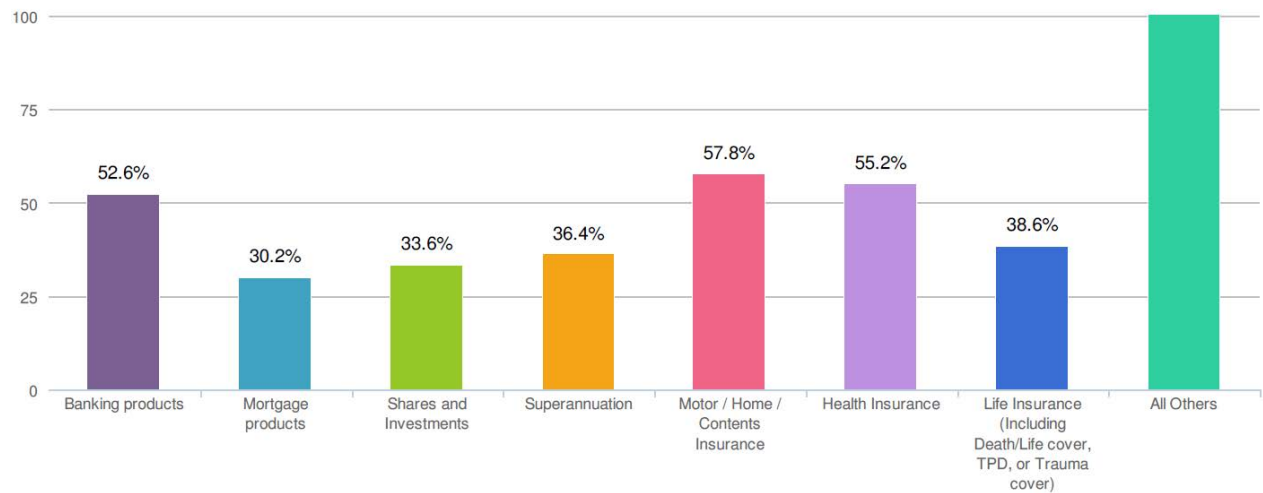
With the intention to buy so drastically different to current buying behaviour, a prominent shift in consumer behaviour is imminent.

*With the intention to buy so drastically different
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The results in *Table.9* further support this significant change.

Table.9

Which of these financial products would you purchase using technology if you needed them?



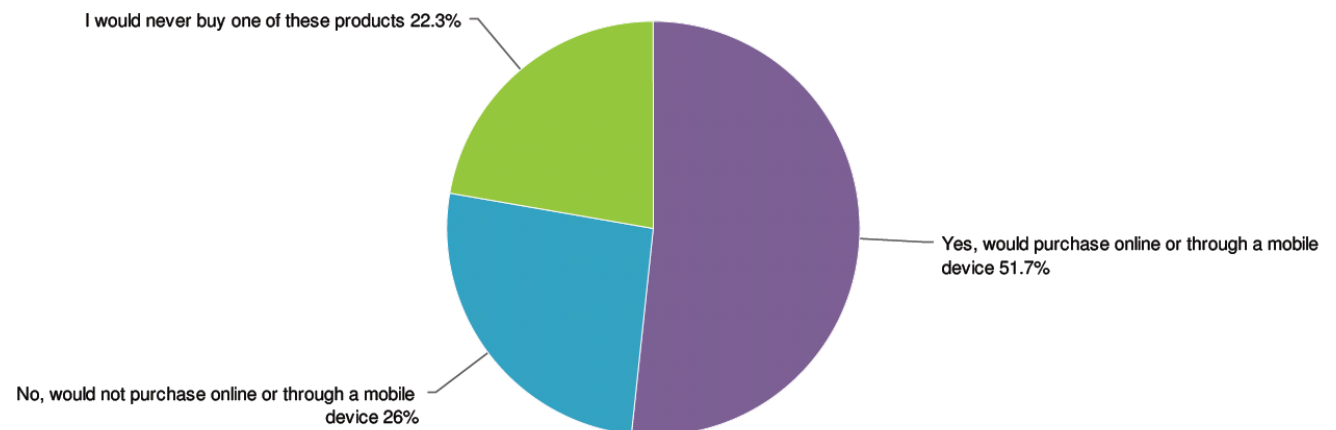
These figures are far more compelling when people who would never buy these products are excluded from the results.

66% ((51.7% divided by (100%-22.3%)) of respondents would purchase Life insurance or Income Protection online or through a mobile device if they needed it (*refer Table.10 below*)

66% of respondents would purchase Life insurance and Income Protection online or through a mobile device if they needed it.

Table.10

If you needed Life Insurance or Income Protection cover, would you purchase this online or through a mobile device?



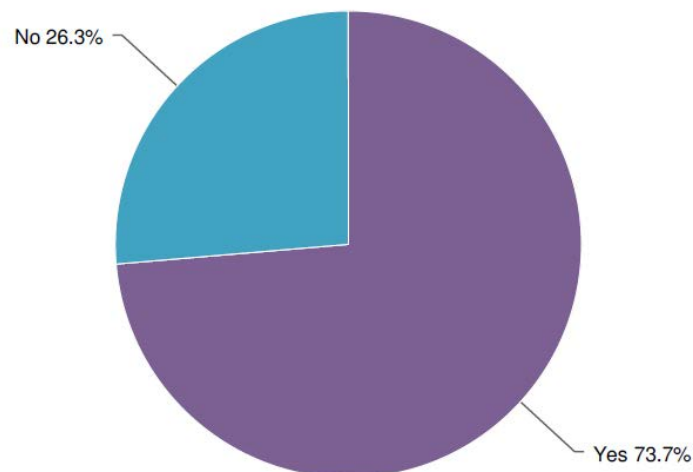
The need for online information and tools

The survey identified that many respondents are self-directed in making financial decisions at every stage of the purchasing cycle. However, better information and tools could be available to increase buying confidence.

Pleasingly, the findings (refer Table.11 below) show that **73.7%** of respondents felt there is sufficient information available online for them to understand the different types of Life insurance or Income Protection cover they need. There is likely to be a strong correlation between these respondents and those that are actually interested in Life insurance, so the survey indicates that a majority of people interested in Life insurance, can find significant information to understand what cover they need.

Table.11

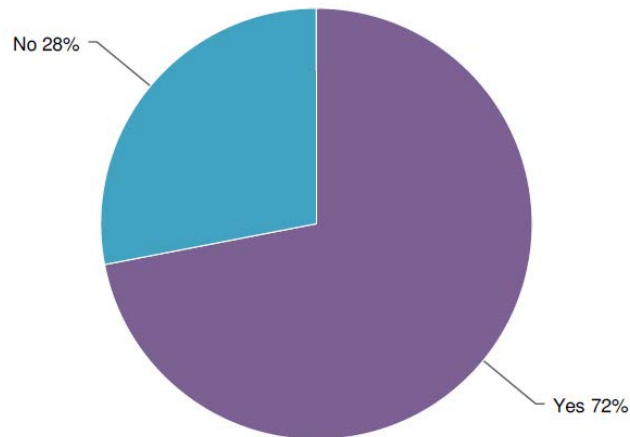
Do you believe there is enough information available online to help you understand the different types of Life insurance or Income Protection cover you need?



As better online information and tools become available, there should be a further increase in buying confidence which helps them to calculate their Life insurance needs.

Table.12

With the right resources, would you be confident in purchasing a Life insurance or Income Protection product online without a financial adviser?



An important finding is that **72%** of respondents would be confident in purchasing a Life insurance or Income Protection product online, without financial advice, if the right resources were available.

72% of respondents would be confident in purchasing a Life insurance or Income Protection product online, without financial advice, if the right resources were available.

While consumers now have a better understanding of the products available to them and a generic understanding of the triggers for needing Life insurance than in the past, there are other areas of the decision making process that do not yet appear to have been successfully addressed for the self-directed consumer.

This may result in them seeking help from family, advisers and friends, particularly in the areas of:

- understanding what type of cover they need; and
- understanding how much cover they need.

To assist this behavioural change, more comprehensive and self-directed sources of information are required to help them consider their Life insurance needs, including what type of insurance and what level of cover they require.

Unwillingness to pay for Life Insurance advice

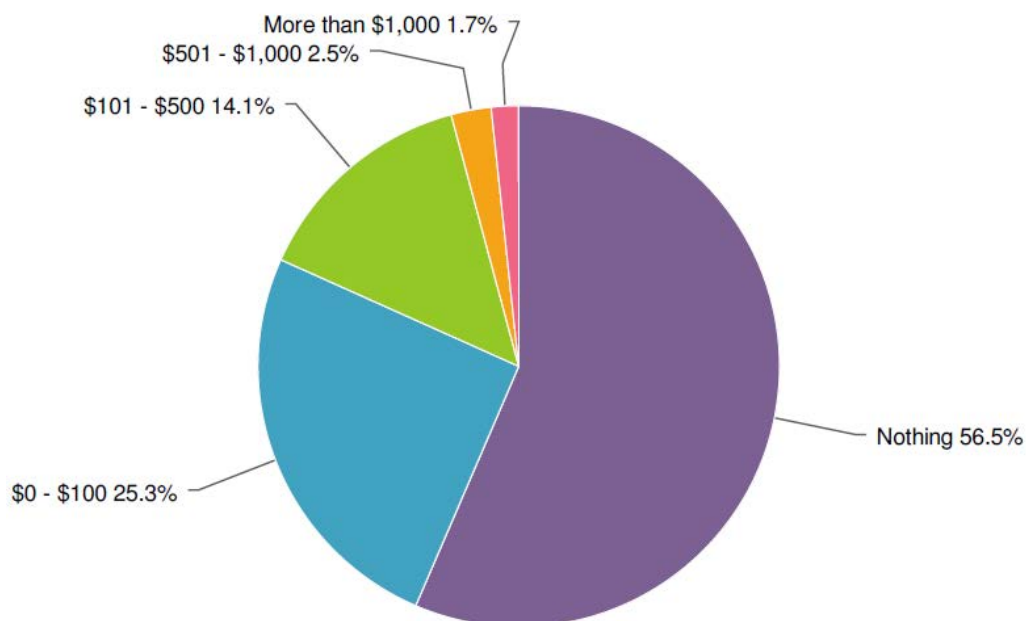
Table.13 (below) illustrates the limited appreciation of the value financial advisers provide to customers. **56.5%** of respondents stated they were unwilling to pay anything for Life insurance advice. The fact that only **55%** of respondents currently have Life or Income protection insurance should be taken into account.

These findings do infer a problem with perceived value Australians receive for financial advice in relation to Life insurance. This is very challenging for financial advisers who need to fund high upfront advice costs to provide the right advice under strict compliance rules to their clients.

56.5% of respondents stated that they were unwilling to pay anything for Life insurance advice.

Table.13

How much would you be willing to pay for financial advice with respect to Life insurance, from a Financial adviser?



Many people only take out Life cover, without considering the other types of cover that they may need to consider depending on their life-stage or their occupation. These other covers include:

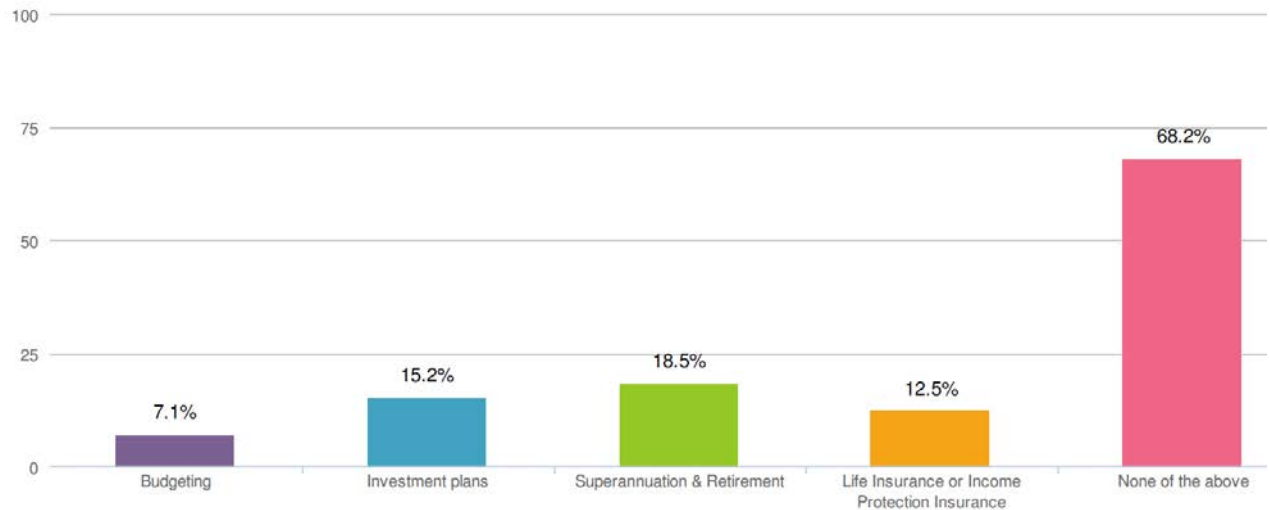
- Trauma (also includes Critical Illness and Living Cover)
- Total and Permanent Disability (TPD)
- Accidental Death
- Accidental Injury
- Income Protection
- Business Expenses

This has traditionally been where the financial adviser has provided the expertise, undertaking a needs analysis and providing a professional recommendation to the client.

However, it is clear from the survey results that this is changing.

Table.14

Do you currently use a financial adviser for any of the following?



The use of financial advisers is relatively low for Life and income Protection insurance (Table. 14 above) at just 12.5%, with a surprisingly high 68.2% of the surveyed adults not using a financial adviser for any of the listed areas.

Conclusion

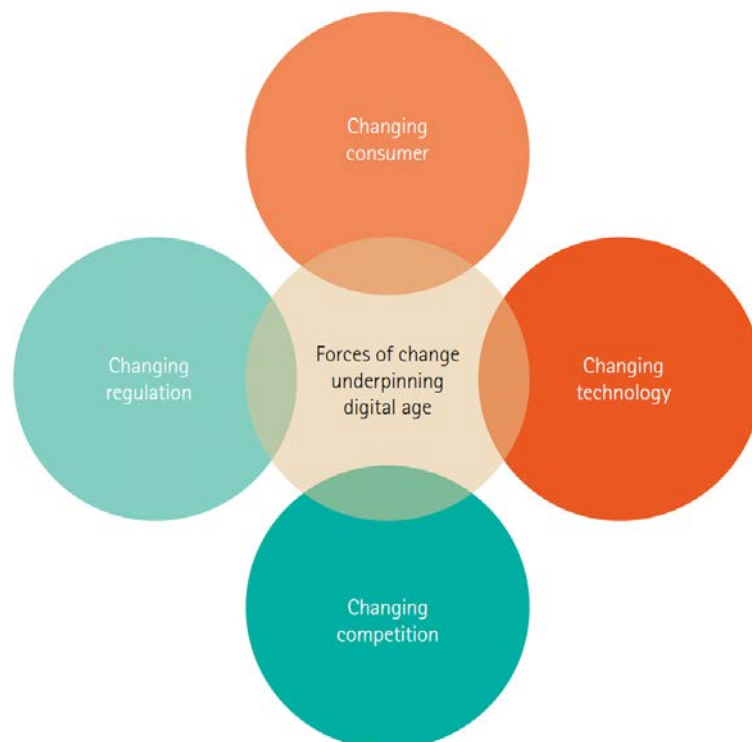
The PureProfile survey shows an imminent transformation in the way Australians will research and purchase Life and Income Protection insurance – as they become more self-directed and digital savvy.

"Buying behaviour is quickly evolving. While a majority of customers previously outsourced their financial affairs, we are moving to a new state where people are taking more control and insourcing these decisions. The growth in SMSFs (self managed superfunds) illustrates this trend. The PureProfile results clearly support this change."

NobleOak CEO, Anthony R Brown

An Industry Insights paper developed by Accenture outlined the four forces that are impacting the Life Insurance industry that underpin the digital age and ability for the customer to take control of the purchase decision.

Forces of change bettering the industry³



³ Accenture – Life Insurance, *The Digital Insurer: Change now to get ahead (2012)*

We are now seeing unprecedented changes all four of these forces:

- *the regulatory environment* - with multiple ASIC reviews into Life Insurance;
- *competition* - with the emergence of Direct Life insurers and comparison sites;
- *technology* - with the emergence of Fintechs and more digital products; and
- *consumer behaviour* - with a growing reliance on the internet, mobile phones and social media to support decision making.

During the next 3 years, our prediction is that the adage that "Life insurance is sold, not bought" will be replaced with: "Life insurance is bought and sold" and more Australians will end up with the insurance cover they need, purchased directly from insurers.

The adage that "Life insurance is sold, not bought",

will be replaced with

"Life insurance is bought and sold"

APPENDICES

Research methodology

The national research study referred to in this Whitepaper was conducted independently by PureProfile Pty Ltd in December 2016 from a survey completed by over 1,000 Australians between the ages of 30 and 60 years old. More than half of the respondents have a current Life or Income Protection policy in place with a mix of occupations and relationship statuses.



Expert source material drawn from recently published papers and articles has also been incorporated.

About NobleOak Life Limited

NobleOak Life Limited (NobleOak), is one of Australia's most established life insurers, and has been in the Australian market for over 138 years. NobleOak is an independent insurer providing Life, TPD, Trauma, Income Protection and Business Expenses insurance.

NobleOak keeps costs low by avoiding mass marketing and large upfront commission payments to third parties. They are able to pass savings back to their customers and clients through reduced premiums, supported by outstanding personal service.

NobleOak has a client satisfaction rating of 98.5% (April 2016 client survey) and is the winner of the "2016 Direct Life Insurance Overall Excellence Award" issued by Strategic Insight and the 2016 Canstar 5 Star Awards for "Life" and "Income Protection" cover.



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END OF REPORT

January 2017



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