

MEDIA Release

For immediate release

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Group Insurance Market Report 2010

Rice Warner has today released its 2010 Group Insurance Market Report. The report is based on research into the death and disability insurance provided under more than 173 group insurance arrangements in the Australian market. This is supplemented by a survey of superannuation funds giving insight into the extent of coverage provided to members and the types of advice provided to them regarding insurance.

The group risk insurance market in Australia is a \$2.6 billion market in terms of annual revenue. This segment represents 30% of the overall risk insurance market in terms of revenue and 50% in terms of the amount of cover provided. 99% of group insurance business is written by 10 insurers and 82% by 7 insurers.

Key Points

- The group insurance market has grown by 13% per annum¹ over the last 15 years and is expected to grow by 11.7% per annum (8.6% per annum in real terms) over the next 15 years.
- Over 80% of contributing members of employer superannuation funds have death cover provided automatically by their fund.
- 32% of contributing members of industry and public sector superannuation fund members and 23% of employer master trust members have income protection cover provided automatically by their fund.
- Only 5% to 10% of contributing superannuation fund members have arranged additional death or TPD cover in excess of automatic cover. Given that automatic cover is typically set at levels well below the perceived insurance needs of many members or employees, there remains significant scope risk insurance sales, both through superannuation funds and other channels.
- Investment in technology to drive service improvements has continued apace over the past year. Automated underwriting is now provided by five insurers compared with three last year. 42% of industry and public sector fund members and 32% of employer master trust members have access to online application and automated underwriting services. This is a significant increase on last year, when these services were available to only 12% of industry and public sector fund members and few employer master trust members.
- Group Insurance prices have continued to fall over the past twelve months.

Table 1. Change in Average Prices - 2009 to 2010

Type of Cover	Change in Price
Death	-5%
Death and TPD	-8%
Income Protection	-10%

¹ In nominal dollars

- Group Insurance prices remain amongst the cheapest in the market. Table 2 below shows a comparison of median prices across different risk insurance market segments:

Table 2. Average Price as % of Average Price for Adviser Sold Products

	Type of Cover		
	Death	Death and TPD	Income Protection
Industry and Public Sector Funds	45%	39%	39%
Employer Master Trusts	66%	45%	28%
Direct Life Products	103%	#	110%

Packaged death and TPD product are not common in the direct market and have therefore been ignored

Comments

Commenting on the report, Richard Weatherhead said “The Group Insurance market in Australia is one of the most competitive across the financial services industry. With nine insurers each having a market share of more than 5% and investing significantly in improved processes and insurance services and the huge purchasing power of large superannuation funds, super fund members have been real winners through reduced prices and improved levels of cover”.

The report also contains an analysis of the types of insurance related financial advice provided to superannuation fund members and the fees charged. A copy of the table of contents of the 2010 Group Insurance Market Report is appended.

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