Value of Life Insurance Report

MetLife Australia
July 2021

Contents

1. Foreward from CEO Richard Nunn

Many of us in the industry are able to easily articulate the purpose of life insurance – being a financial safety net when a tragic or unforeseen event impacts someone's life. There is, however, a lack of visibility on how life insurance transforms lives and this blurs the value message for society.

For more than 150 years, MetLife has been helping people build a more confident future. Like many iconic brands, we started from humble beginnings but with one main noble purpose in mind, that is to help the community. This ethos continues to guide us today locally and globally across the 40 different countries we operate within.

Life insurance supports individuals and their families, the Government and taxpayers, the economy, and more broadly, society. The true value of life insurance needs to be considered in this broader context, with greater emphasis placed on considering the contribution to the economy and society.

This report, therefore, seeks to articulate the value of life insurance through a number of lenses:

- Individuals – the impact life insurance has on individuals and their families, both financially and non-financially.
- Economy – how the industry supports the economy.
- Society – the benefits to the broader community and the Government through limiting the impact on taxpayers.

To this end, I am pleased to share with you our global and local research that articulates the value of life insurance to our customers, as well as other stakeholders inside and outside the life insurance ecosystem. We look forward to furthering our conversations with you as together we can help build a more confident future for all Australians.

Regards
Richard Nunn
Chief Executive Officer, MetLife Australia

2. Executive summary

MetLife's experience in providing life insurance solutions for more than 150 years in over 40 countries, provides a unique insight into the value of life insurance globally. Drawing on MetLife's own research and case studies, and incorporating global research from other sources, this report examines the value of life insurance.

Life insurance has far-reaching value for a diverse range of groups, beyond the benefit paid to or for the individual. There are three distinct groups which receive value:

- **Individuals** — life insurance has a positive impact on the lives of individuals and their families, who hold life insurance products financially and otherwise. The non-financial benefits should not be overlooked when considering value. Additional wellbeing support, rehabilitation programs and educational tools can guide customers on their recovery path and even help them proactively manage their health. This is also often a pathway back to health, work and financial security.
- **Economy** — the life insurance industry is a key driver of economic growth globally, providing stable, long-term investment and injecting significant funds into the economy.
- **Society** — there is benefit for the Government and therefore taxpayers from the reduced financial burden for programs that support the uninsured, including social security and other support services. In addition, many life insurance companies also make tangible contributions to the communities they serve, with this now being a basic expectation of most consumers.

Other key insights covered in this report:

- The COVID-19 pandemic has presented an opportunity for life insurance companies to live their purpose and the industry responded quickly and positively to support customers.
- Myths around life insurance persist and these myths need to be corrected with accurate information that educates and empowers consumers to make informed decisions. This includes the misperception that insurers avoid paying claims.
- Financial advisers, employers and superannuation funds play a critical role in increasing the awareness among consumers about the value of life insurance and empowering them to make decisions appropriate for their financial needs.
- Industry collaboration is vital to reshape the life insurance industry in a way that continues to deliver value for consumers, organisations and shareholders, driven by relevant research and insights.

> **"Every time we pay a claim, someone is able to cover the cost of recovering from a major illness or a family is able to grieve for a loved one without worrying about paying bills, or a person can take the time they need to recover from a mental illness before returning to work."**
>
> **Richard Nunn**
> **MetLife Australia CEO**

3. Value of life insurance

3.1 How life insurance benefits individuals

3.1.1 Effective financial support

No one is immune from life-changing events that affect their earning capacity and the financial wellbeing of their family members. These events include premature death, debilitating illness, or major injury. As a result, many families may face the financial hardship that follows. Life insurance helps to improve the standard of living and quality of life for policyholders and their dependents by reducing the financial consequences of such events.

Life insurance provides more effective financial support than an emergency savings strategy, which is generally insufficient for households where the main wage earner suffers premature death or incapacity early in their life.

Consider a 40-year-old non-smoker who wishes to provide $500,000 of financial security for their dependents if they die.

Without insurance they would need to save over $15,000 a year ($1,250 a month) for 20 years (assuming a 5% annual return) to reach $500,000 by year 20 and only the actual amount saved would be available before year 20.

Alternatively, this same person can obtain $500,000 worth of life insurance cover for between $40 and $80 a month (for a policy purchased directly from an insurer).[1,2]

As illustrated by the above example, life insurance is generally more financially efficient than a savings strategy. This is because it pools the risk of individuals as a collective group which generally makes premiums less costly for the individual policy holder.

Life insurance also provides more adequate financial support than social security benefits. While Australia's social security system can provide some relief to families who have lost their main income earner or for individuals who are no longer able to work to their full capacity, in many cases, it generally cannot maintain their standard of living. On the other hand, life insurance provides households with meaningful payments to mitigate the impact of these life-changing events.

Government disability payments versus Income Protection (IP) payments

LESS THAN **$500** PER WEEK

Disability payments provided by the Government tend to be less than $500 a week (for someone over 21) or less than $26,000 a year.[3]

COMPARED WITH

ON AVERAGE **$1,000** PER WEEK

MetLife Australia pays out on average $1,000 a week on IP claims, providing significantly more than disability payments.

From a financial support perspective, it is evident that life insurance may provide greater value to the individual policy holder and their dependents, relative to alternatives such as savings and social security.

3.1.2 Peace of mind

Financial wellness, that is the state of being in strong financial health, allows individuals to successfully manage day-to-day finances, protect against unplanned expenses and financial shocks, and plan and save for future milestones. This contributes to financial security and reduces overall stress.

Numerous studies have shown Australians are increasingly anxious about their finances or facing financial stress. This financial stress and anxiety has negative flow on effects. MetLife's research shows that worrying about financial security can inhibit individual productivity and creativity. Further, 74% of people surveyed wanted access to financial planning workshops or tools to better manage their financial situation.

This research reveals that personal finances are a top concern for people and helping them better manage short-term and long-term financial situations will contribute to relieving stress.

Life insurance provides a financial safety net and with this added financial security, peace of mind. This outcome is an invaluable but tangible benefit of holding life insurance.

3.1.3 Return to health support and rehabilitation tools

Many life insurers have return to health and rehabilitation tools to ensure customers have the right support to facilitate their recovery. These tools range from help in navigating available support services to physical and psychological conditioning programs enabling focus on building strength, stamina and mental health to return to health and eventually back to work.

In MetLife's experience, these tools have proven to be effective. For example, from 2018 to 2020, 35% of IP claims were referred to an external occupational rehabilitation provider and the outcomes of the program were:

- 35% of customers returned to work;
- 55% of customer achieved an upgrade in work certification from their General Practitioner; and
- 70% of customers achieved an improvement in functional/health status as measured against the WHO Disability Assessment Schedule 2.0.

Due to legislative limitations, however, rehabilitation services provided by life insurers are currently restricted to non-medical vocationally focused services to help customers return to health. These services include workplace assessment, graduated return to work plans or employment services such as coaching for new employment, job seeking and interview skills.

While life insurers provide value to customers through return to health and rehabilitation programs, these restrictions limit the impact such programs can have. The industry is working with the Government to explore ways to broaden the scope of services funded through life insurance. This is an area in which legislative change could have a significant and positive impact on individuals and society at large.

The case for early intervention for customers

In 2018, a Parliamentary Joint Committee on Corporations and Financial Services inquiry "Options for greater involvement by private sector life insurers in worker rehabilitation" rejected a Financial Services Council (FSC) proposal for life insurer involvement in early rehabilitation. Hence, current legislation does not permit life insurers to pay for certain treatments that could potentially help customers return to work sooner. There could however be a real and tangible benefit to allowing life insurers to provide the additional medical help people need to recover sooner and therefore, be more likely to return to work.

Arguments for life insurer intervention earlier in rehabilitation remain relevant. It has been shown that the longer an individual spends away from work, the greater the likelihood of them never returning to work. According to the Australasian Faculty of Occupational and Environmental Medicine, if a person is off work for 70 days, their probability of returning to work reduces to 35%.[6]

The flow on effect of greater life insurer involvement would be beneficial not only to the individual, but to the community and Government:[7]

- **For claimants** — faster access to treatment will drive higher return to work rates and lead to better long-term outcomes for customers.
- **For community** — helping people return to work reduces cost of claims, helps keep premiums affordable and better enables individuals to contribute directly to the economic growth of their communities.
- **For Government** — higher return to work rates will reduce the cost of the Disability Support Pension and the National Insurance Disability Scheme.

Where early intervention by life insurers would be especially beneficial is in the case of mental health treatment, where severity and recovery times can be significantly reduced.

3.1.4 Retirement saving schemes and life insurance

Australia is one of the few countries to provide default opt-out group insurance within its superannuation system, making it world-leading in providing a built-in cost-effective and flexible safety net.

In other countries, such as Canada, default group insurance is offered in their pension schemes but under a different benefit structure, and with no option to opt-out.[8] Further, in these countries the insurance premium is in addition to the contribution to the retirement fund, which means it has an additional cost to the customer. The Netherlands' pension scheme has an option to include a life insurance policy, but it is not a default scheme. These international examples have their limitations.

Australia's default insurance inside superannuation system has significantly contributed to providing many individuals with life insurance cover and therefore a financial safety net. Therefore, even though many people are not fully engaged with their life insurance needs, they have the potential to receive the benefit of cover.

Rice Warner research suggests there are more than 13.5 million separate insurance policies held through superannuation funds[9] or 70% of life insurance policies.[10] For MetLife Australia specifically, 86% of life insurance policies are held with superannuation fund clients.

MetLife's *Insurance Inside Super 2019* found that while 73% of people are aware they have access to insurance inside super, only half are aware of the type and level of cover they have. This indicates that many Australians have insurance cover without realising it. MetLife is working with its super fund partners to help increase the level of awareness of members' insurance in super and therefore improve the value they perceive to receive through life insurance.

MetLife customer case study

A 29-year-old male customer was injured when he dived into a river to rescue a friend who was drowning. He hit a sandbank below the water, shattering his chest and neck, leaving him with quadriplegia, and a diagnosis that he was unlikely to walk again. He spent over three months recuperating in a hospital followed by two months of rehabilitation. Wheelchair-bound, and no longer able to perform his duties as a mechanic, the customer could not earn an income.

As he faced the task of rebuilding his life after the accident, he was concerned about his financial situation. At the time of the accident, he wasn't aware of his insurance cover in his superannuation – it was his mother who encouraged him to look into it.

The customer found he had Total and Permanent Disability cover and with his insurance payment, he was able to afford the equipment and rehabilitation he needed to manage his injuries.

3.2 How life insurance benefits the economy

Research commissioned by MetLife in 2020 concluded that the life insurance industry in the United States was a driver of economic growth and important to the overall health and financial wellbeing of United States households.[11] The research found the life insurance industry is a critical contributor to long-term economic growth by supporting both consumer spending and capital markets.

The key benefits of life insurance on the United States economy can also be seen in other countries, including Australia, with the same economic principles at work.

Three key benefits to the economy from life insurance:[12]

1. Channels household savings into productive investment, promoting economic growth.
2. Stabilises the financial system.
3. Creates patient capital ideal for long-term investment.

3.2.1 Economic growth

Various cross-country studies over the last two decades, and referenced in the research, reveal that the economies of countries with developed financial systems (banking, insurance, and capital markets) advanced faster than countries with less developed financial systems.

Professor Harold Skipper, from Georgia State University's Department of Risk Management and Insurance, argues that life insurers:

- Promote financial stability and growth, and encourage loss mitigation.
- Enable risk to be managed more efficiently.
- Complement social insurance.
- Facilitate trade and commerce.
- Mobilise savings.
- Foster more efficient capital allocation.

The United Nations Conference on Trade and Development (UNCTAD) formally acknowledged at its first session in 1964 that "a sound national insurance and reinsurance market is an essential characteristic of economic growth".[13] While declared decades ago, it remains relevant today.

A 2008 analysis conducted by a World Bank economist examined a sample of 56 countries, including Australia, between 1976 to 2004 to find robust evidence of a positive and significant causal relationship between life insurer market activity (measured as premiums as a percentage of GDP) and the rate of economic growth.[14]

The analysis found a historical relationship between life insurer market size and GDP growth, with an on average one percentage point increase in the ratio of life insurer premiums to GDP associated with a 0.15 percentage point increase in the rate of real GDP growth.

It also found life insurers, banks and capital markets are complementary in promoting economic growth. This is because each type of financial institution serves as a unique funding channel and together improve the effective allocation of capital to companies and the public sector.

Insurers contribute to the effective capital allocation because of the due diligence they perform when making their investment decisions. Effective project screening and monitoring improve the overall quality of the investments and nurture private entrepreneurship, accelerating economic growth.

Looking specifically at the Australian market, other research has also found a direct causal relationship between economic growth and insurance market activity[15], further support for the key role played by the life insurance industry in the Australian economy.

3.2.2 Stabilises the financial system

Life insurers provide funding to illiquid asset classes, such as property, road and rail infrastructure. This long-term investing approach contributes to the stabilisation of capital markets.

Insurance companies tend to be the leading investors in corporate bonds and are also large investors in commercial real estate mortgages and major infrastructure projects. For example, United States life insurance companies' investment in commercial mortgages grew 7.5% in 2016 and 8.4% in 2017 to a total of US$422 billion in 2017.[16]

The stability of life insurers' asset/liability structure is particularly marked during a financial crisis. In contrast, banks' liabilities are inherently less dependable and stable because bank depositors can withdraw their money at any time. This risk can result in a financial panic or a 'run on the banks'. As life insurers do not tend to rely on wholesale funding, but on the reserves of their policy holders, they are insulated from a run on funds.[17]

For an industry with $128billion in assets under management[18] and a capital coverage ratio of 1.80[19], and therefore substantial amounts of reserves, the same can be said for stabilising the impact of the investment of capital reserves by life insurers on the Australian financial system.

"

Life insurers can manage through financial crisis volatility and look to the long term, and this difference provides an important source of stability for both individual consumers and financial markets.

"

Dr Therese Vaughan

Dean of Drake University's College of Business and Public Administration and former head of the (US) National Association of Insurance Commissioners

"

Insurance companies, especially life insurance companies, are financial institutions with longer-term liabilities than commercial and investment banks…they are a stabilizing element of the financial system.[20]

"

OECD, 2009

3.2.3 Creates 'patient capital'

According to a 2019 report prepared by the United States Chamber of Commerce in association with Ernst & Young, insurance companies "have a unique business model that creates a distinct set of investment criteria".[21]

> **United States insurance investments in education projects through municipal bond purchases could build about 1,000 elementary schools every year. Likewise, their annual investments in municipal bonds used for transportation projects could build a road from Washington, D.C. to Los Angeles every year.**

Chamber of Commerce, 2019

Specifically, United States insurance companies aim to invest in longer-duration, lower-risk assets. The long duration of their investments is used to pay off claims that are expected far into the future.

This results in insurance companies holding longer-term positions relative to other investors. Insurers hold positions in illiquid investments and capture a "liquidity premium" – ensuring investment in longer-term, positive-return projects.

As the Organisation for Economic Co-operation and Development (OECD) has observed, traditionally, banks have been key players in the financial system, transforming savings into long-term capital to finance private sector investment.[22] Reduction in intermediaries and the growth of capital markets has led to institutional investors such as pension funds, insurance companies, mutual funds, and, most recently, sovereign wealth funds, also becoming providers of long-term capital.

This focus on long-term investments by life insurers makes the industry a stable funding source for the credit markets. Private companies and public sector borrowers rely on these funding channels to finance new construction and manufacturing and/or other asset purchases, and to help grow the economy overall.

Life insurers also help fill critical funding gaps when public funds are not available. Infrastructure investments are one example of this. A report from Standard & Poor estimates that US$57 trillion in global infrastructure investments would be needed through to 2030 and available public funds could fall short by as much as US$500 billion a year.

The report concluded that since Government was not likely to close the gap alone, insurance companies and pension funds would be critical to closing the funding gap for infrastructure investments.[23] In the Australian context, the FSC also supports this view, recommending initiatives to facilitate financial services industry investments in nation building infrastructure[24] to add further value to the Australian economy.

3.2.4 The private placement market

In private placement debt issuances, securities are sold to a relatively small number of institutional investors, including life insurers and pension funds.

The private placement debt market is a critical funding source for borrowers seeking long tenor debt, such as builders and owners of major infrastructure projects. As a result, the optimal financing tenor for infrastructure assets tends to be much longer than general corporate financing requirements.

Shorter maturing debt (e.g. bank loans) equates to taking greater refinancing risk (i.e. risk arising from the unknown future cost of debt) and more exposure to future debt market appetite and economic conditions through time. The increased refinancing risk will ultimately be reflected in a higher cost of equity and a lower value for the project.

CFOs of Australian infrastructure issuers argue that the long tenor of debt available and the need for diversification of funding sources away from Australian banks are the main reasons to issue debt in the United States private placement market.[25]

In 2018, life insurers held over $1 trillion of private placement issuances, 33% of their overall bond holdings. Without private placements these investments could not be funded at all or as efficiently, thus driving up the average cost of capital and causing reduced investment.[26]

Though the private placement debt market is more established in the United States, a similar principle can be applied to the Australian market. There is greater opportunity for institutional investment, including that of life insurers, in infrastructure bonds that contribute to the growth and development of the Australian economy.

3.3 How life insurance benefits society

A major study conducted for MetLife in the United States and published in July 2020 concluded that insurance supplements social insurance and welfare programs, lifting many families out of poverty and reducing pressure on Government outlays.[27] The following sections detail how life insurance positively impacts society.

3.3.1 Benefits to taxpayers

The 2020-21 Federal Budget highlighted that social security and welfare was the largest budget item (33.9% of total Australian Government outlays).

Government measures in response to COVID-19 and a significant increase in the number of people receiving income support payments mean that expenditure on social security and welfare in 2020-21 was 21.8% ($40.7 billion) higher than forecasted in the 2019-20 Budget. In the 2021-22 Federal Budget, the Government indicated the support helped a faster economic recovery than predicted but there would continue to be significant investment in social security and welfare.

Rice Warner calculates that underinsurance costs the Government $57 million for life insurance, and $1.26 billion for TPD. People without life cover or who are underinsured are more likely to draw on welfare payments, increasing costs to taxpayers.[28]

At present, there are approximately 750,000 people receiving disability benefits in Australia with the Government paying out $16.5 billion annually.[29] In addition to the cost to taxpayers, this represents a loss in tax revenues for the Government.

Life insurance provides an alternative, self-funded source of support for people and therefore can have a direct impact by reducing welfare costs.

Further, one of the knock-on effects of rehabilitation services provided by life insurers, as detailed in section '3.1.3 Return to health support and rehabilitation tools', is the reduced burden on Government to provide social security and other Government funded support services.

3.3.2 Supporting the communities life insurers serve

MetLife, and other financial services organisations in Australia and internationally, regularly commit funds and resources to positively impact the communities they serve. These activities range from staff volunteering to financial donations. In many cases, this extends to socially conscious investment choices, reduction in negative environmental impacts and education to influence staff and partners.

In the United States, consulting firm McKinsey estimates the insurance industry donates between US$560 million and US$600 million annually with a focus on education, health and social services, and community.[30] This figure has remained steady since 2015, demonstrating the ongoing focus of the insurance industry on supporting communities.

MetLife Foundation partners with non-profit organisations and social enterprises to create financial health solutions and build stronger communities. Since its inception in 1976, MetLife Foundation has positively impacted more than 13.4 million low- and moderate-income individuals in 42 countries and has donated US$860 million globally.

MetLife has a longstanding commitment to environmental stewardship, and in 2016 was the first United States insurer to achieve carbon neutrality. Investments that achieve both a positive financial return and promote social and/or environmental benefits, such as affordable housing and renewable energy projects, are a key focus for the business. MetLife's global 2030 environmental goals include targets for investing in climate change initiatives, green investments and renewable energy, to ensure customers' funds are being used to make a positive impact.

In Australia, MetLife participates in local programs that support positive outcomes including a long-term partnership with Habitat for Humanity, a Reconciliation Action Plan, and ongoing work with the Banking and Finance Oath to raise the ethical standards of the industry. This commitment to corporate social responsibility is further entrenched through a partnership with the Royal Botanic Gardens to provide immersive cultural training with the Australian land as well as contribute to our global environmental goals with proactive tree planting and greening program initiatives.

Studies by the World Health Organisation show that targeted investing in health and social services contributes to improving human welfare.[31] To that end, life insurer investments in health, education and social services translate to investments in stimulating the wider economy, as well as supporting local communities.

3.3.3 Role of life insurers in a pandemic

The role life insurers can play in helping customers maintain their mental health has never been in sharper focus than during the current COVID-19 pandemic, as the industry has adapted to consumer needs.

A global MetLife survey of 3,003 people in six countries in April, May and June 2020 tested their attitudes to and opinions on a range of personal finance issues, including life insurance. The results revealed the emergence of mental health challenges as the pandemic continued, with many feeling uncertain, frustrated, and scared.[32] The report found mental health around the world was negatively affected by the unprecedented job losses caused by the pandemic.

Similarly, data from Roy Morgan showed 40.5% of Australians reported suffering from a mental health condition during the nation-wide lockdown in the June quarter of 2020, an increase of around 800,000 from the March quarter.[33] Anxiety was the most common mental health condition, experienced by 26.3% of Australians, followed by stress (25.5%) and depression (18.2%), which rose by 2.3% from earlier in the year.

The life insurance industry responded rapidly to the pandemic when thousands were 'stood down' or lost their jobs. The FSC issued a statement[34] that the industry would support to customers during the COVID-19 crisis prioritising claims and offering relief for financial hardship.

Australia's life insurance sector, supported the FSC life insurance industry initiatives. This includes the COVID-19 Total and Permanent Disability Claims Initiative[35] and Commitment to Frontline Healthcare workers.[36]

In addition, MetLife Australia offered group superannuation and corporate clients additional support during the pandemic, including, but are not limited to:

- Income Protection
  - Customers continue to be eligible for benefits if they are stood down from their employment, as long as they meet the usual claim requirements, without offsetting for JobKeeper payments.
  - Customers stood down under the Fair Work Act considered to be on leave without pay. If customers were stood down under JobKeeper directions, benefit payments started at the end of the relevant waiting period (outside policy requirements).
  - Minimum work hour requirements were based on the period prior to stand down.
  - Premium waivers for customers experiencing financial hardship and policy pauses for employers providing insurance as a benefit to employees.
- Total and Permanent Disablement
  - TPD claims would have been assessed using the applicable disability definition based on their working arrangements as at 11 March 2020.
  - For customers whose salaries have been temporarily reduced due to the economic impacts of COVID-19, their TPD benefit (in instances where the design of their TPD benefit is linked to their salary) would have been calculated using their salary as of 11 March 2020.[37]

During these challenging times, life insurance industry COVID-19 measures provide customers with a measure of financial security and contribute to mental wellness. It is important that distributors of life insurance help their members, customers and employees understand the value of life insurance particularly in a period of uncertainty. MetLife continues to support vulnerable customers and those experiencing financial hardship, and regularly reviews measures to make sure they remain aligned to the Australian Securities and Investments Commission's (ASIC) expectations of life insurers.

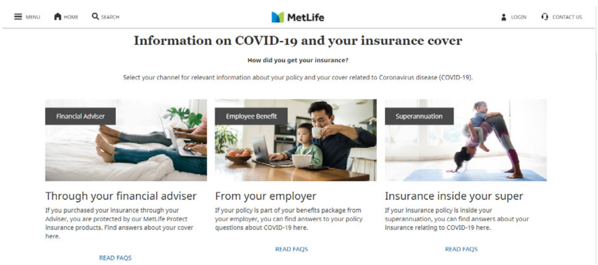
A digital approach to health services and resources

In a recent study into the acute mental health impacts of the pandemic, researchers highlighted the need for proactive, accessible digital mental health services to address serious mental health needs that have arisen, particularly for those most vulnerable.[38]

During the pandemic, life insurers also stepped up and provided health and wellness information and resources to the community, as well as to superannuation funds and corporate clients. With the proliferation of COVID-19 news, the objective was to provide reliable and trustworthy health resources for customers.

Being a trusted source

At the start of the pandemic, MetLife Australia established a COVID-19 microsite to provide advice to life insurance policy holders about dealing with the effects of the pandemic.



Frequently Asked Questions (FAQs) on the microsite provided answers to questions about claims and cover types during the pandemic, the impact of COVID-19 on eligibility, and included links to Federal, State and Territory websites containing information about COVID-19 and resources to help people suffering mental health issues.

Since the microsite launched in April through to December 2020, it attracted over 9,500 views and over 4,200 unique browsers. Importantly, average time on site was 51:23 minutes, highlighting how people are actively consuming large amounts of this content. The Corporate FAQs and Superannuation FAQs were the second and third most accessed pages which shows employers and superannuation funds were actively seeking business support content during this time.

The pandemic has also changed consumer expectations about how they interact with institutions across all industries, with a seismic shift to digital interactions. This relates to both seamless online experiences as well as in-person interactions being more digital.[39] McKinsey research suggested that consumers will not be prepared to return to pre-COVID interactions,[40] which means that for life insurance to continue to be perceived as a valuable service, insurers must continue to deliver improved digital experiences, that evolve with the needs of their customers. MetLife continues to work with superannuation funds and corporate clients to further develop this consistent with the fund's member demographics.

Along with the industry wide measures including the provisions for medical workers and process implemented during 2020. These provided flexibility to customers to navigate this difficult time, while ensuring they still had the safety net that insurance provides.

In addition, MetLife adjusted certain processes to make it faster and easier to process both applications and claims, such as accepting digital signatures, working with customers to provide alternative documentation where required and offering tele-claims as an alternative to physical claim forms. This was an opportunity to reshape the overall customer experience.

Post-COVID-19 health and wellbeing

Post-COVID-19, there will arguably be an even greater role for the life insurance industry to play in providing more holistic wellbeing and mental health solutions.

Specifically, there are three key health impacts from the pandemic:

1. Long-term impacts of the virus — there is emerging evidence of damage to key organs, particularly to the heart muscles, lung function abnormalities, acute kidney injury and neurological impacts.[41]
2. Mental health impacts from extended lockdowns — widespread mental health conditions, as outlined in the previous sections. Suicide rates have not changed based on the latest figures,[42] however, may also increase when Government financial support ceases and the real economic impact is felt.
3. Longer-term health impacts from other unrelated and underdiagnosed conditions — with the current restrictions and reduction in elective surgery, there is an underdiagnosis of serious conditions, predominantly cancer (up to 40% below expected levels).[43] Recent research indicated that a three-month delay in diagnosis can have a significant impact on the prognosis of breast, colon and skin cancer. These cancers are also considered the most "treatable" if diagnosed early. Other conditions emerging as significant risks are heart disease and early signs of stroke.

In response, MetLife launched a 'See Your GP' campaign to encourage people to visit their general practitioner to manage existing conditions and for regular check-ups during the pandemic.[44]

MetLife will continue to find ways to support customers on their health journey to embed the value of insurance. Insurers who anticipate future needs and move quickly to meet them will likely deliver the most value to customers and stakeholders, and potentially attract lifelong loyalty.[45]

MetLife's award winning 360Health

The role of a life insurer in assisting people with physical and mental health issues should start well before any claims process.

360Health is MetLife's health and wellbeing offer for customers. Its focus is on providing thought leadership, health literacy through prevention and early detection, as well as a return to health where possible.

The key initiatives encompass toolkits covering 10 serious illness areas including mental health, cancer, diabetes and cardiac conditions. This is supported by a health risk assessment tool that provides:

- individuals with tailored health information.
- employers with aggregated health data of their employee population, to enable tailored delivery of programs, webinars and health information. This builds employer and fund engagement amongst members.

In 2020, 360Health was awarded Plan for Life's Award for Product Innovation in Health and Wellness and won a Stevie award for innovation in health and wellbeing – a highly regarded and prestigious Asian region service award.

In 2021, MetLife rolled out 360Health Virtual Care, a partnership with Teladoc, a global leader in telehealth medical services and virtual care. Leveraging the Teladoc online portal, MetLife now offers Mental Health Assist, Expert Medical Opinions, GP support and Nutrition wellness assessments to eligible customers and their immediate families.

The development and delivery of these programs is evidence based. MetLife has conducted three surveys across health and wellbeing pre- and post- COVID-19, that showed that what mattered most to individuals was a clear focus on mental health, financial wellbeing and employee benefits linked to health outcomes.

Changing consumer perceptions of life insurance

MetLife's *Behaviour Shifts Research Global Report* (August 2020) surveyed 3,003 people in six countries to test their attitudes to and opinions on a range of personal finance issues, including life insurance, in April, May and June 2020.[46]

The survey found that during the COVID-19 pandemic people's thinking shifted away from longer-term financial objectives to focus on the here and now, with a desire to increase savings and cover everyday living expenses.

MetLife Australia also undertook consumer research in the first half of 2020, to better understand the financial, physical and mental wellbeing and support requirements for people, and the role that employers and superannuation funds can play. With 58% of respondents being impacted financially by the pandemic,[47] they were looking to their financial institutions for support. Just over half (51%) of respondents said that they expected their insurance provider to add new benefits or cover related to COVID-19.

This increase in financial insecurity and demand for wellbeing services, including financial counselling, presented the industry with an opportunity to demonstrate value to customers. In many cases, this will contribute to building trust, as they see the industry supporting them in tangible ways during the crisis. The onus is now on life insurers, and related industries, to continue to help customers after the pandemic.

3.3.4 Managing with increasing mental health burden

Diagnoses of depression, anxiety disorders and other mental illnesses in Australia have risen significantly during the last decade, and this is expected to further increase as a result of the COVID-19 pandemic.[48]

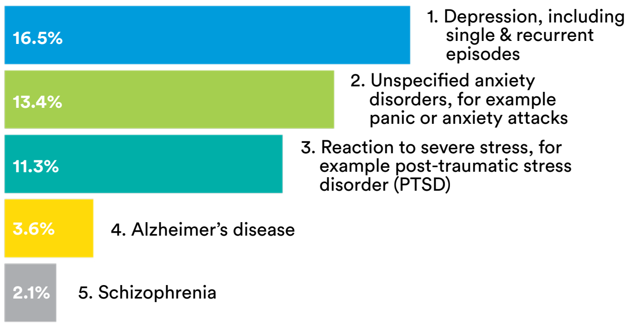
Even before the pandemic, the ABS's National Health Survey found 2.4 million (13%) Australian adults reported experiencing high or very high levels of psychological distress in 2017-18, an increase from 2.1 million in 2014-15.[49] In 2017-18, 4.8 million (20.1%) people said they experienced mental and behavioural conditions – the highest of any chronic health conditions, and an increase from 17.5% in 2014-15.

In terms of cost to the Government, the Australian Institute of Health and Welfare report *Mental health services in Australia*,[50] showed that expenditure on mental health related services in 2017-18 was $9.9 billion. State and territory Governments funded 60.6%, the Australian Government 33.89%, and private health insurance and other insurers funded 5.5%. National expenditure on mental health-related services increased from $382 per person in 2013-14 to $400 per person during 2017-18; a 1% rise.[51]

According to the National Mental Health Commission the cost of mental ill-health in Australia is $60 billion annually.

Life insurers, and the broader financial services industry, have a critically important role to play in enabling improved mental health and wellbeing outcomes for Australians. According to FSC life insurance claims data, life insurers paid $1.24 billion in 2019 to over 9,500 Australians for mental health claims.[52]

The five mental health conditions generating the most claims were:



In November 2020, the Government released the Productivity Commission's final report into its mental health inquiry.[53] It included significant reform recommendations to help improve the mental health of Australians, one of which was for the Australian Government to permit life insurers to fund mental health treatments on a discretionary basis for customers via TPD and IP.[54]

MetLife supports this position and will continue to work with the Government on these reforms in an effort to further increase the value delivered by life insurance. We encourage others in the life insurance industry to also show their support for a greater role for life insurers around mental health.

4. Life Insurance in Australia

It would be remiss to examine the value of life insurance without considering how it is delivered within the Australian landscape. Life insurance does not only derive its value from the benefits to individuals, the economy and society, but also from its accessibility for those who need it most.

This section explores how consumers can access life insurance and the various channels through which it is delivered.

4.1 Access to life insurance

The table below provides a summary of the channels providing consumers with access to life insurance in Australia and the benefits of each. To improve the perceived value of life insurance among Australian consumers, it is key that these benefits are clearly and frequently communicated through each channel.

Channel	How it works	Benefits
1. Retail (through a financial adviser)	In the same way that holiday travel can be booked through a travel agent, life insurance in Australia can be purchased by people through an intermediary. In this case, a financial adviser.	• Allows people to access the expertise of an adviser to find cover that meets their individual needs. For example, complicated personal relationships or medical history, extensive financial obligations, or various forms of income and lifestyle goals should all be taken into account when considering life insurance products. • Financial advisers also assist clients at claim time, not only in dealing with the life insurer but also liaising with doctors, banks, accountants and others.
2. Employer (provided to employees)	Insurance is provided to employees as a group policy purchased by an employer, with employees ultimately given the benefit of the cover under the policy. Employer group schemes are structured on the basis that the life insured is an employee or a dependant of an employee; the employer is the policyowner and can be the agent of the life insured for the purposes of the insurance.	• It is the policyowner in group schemes (the employer), not the life insured (the employee), who enters into the contract, who is obliged to pay the premium, has standing to claim and is entitled to receive the benefit amounts paid by the life insurer. • Providing life insurance to employees as a benefit is one way employers can attract and retain staff (and grow their business). • Happy employees are more engaged in their work, and more loyal to their employers, contributing more meaningfully to their organisation's goals.[55]
3. Superannuation (provided to members)	Superannuation funds have contracts with insurers through which they purchase bulk life insurance policies at a discounted rate. The insurance risk pool is shared among all superannuation fund members, rather than each member's individual risk being assessed directly. Most superannuation funds offer life, TPD and IP insurance for their members. Life insurance in superannuation now accounts for just under half the total life insurance market in Australia.[56] Life insurance had previously been automatically applied to an individual's superannuation account on joining the fund. But recent regulatory change has meant that certain account groups, such as low balance or account holders under 25 years no longer automatically receiving insurance.	• Premiums are often cheaper as the superannuation fund buys insurance policies in bulk. • Insurance premiums are automatically deducted from the superannuation balance. • Most superannuation funds will accept cover without health checks. • People can usually increase the amount of cover they have above the default level. • Employer superannuation contributions and salary sacrifice contributions are taxed at 15%. This is lower than the marginal tax rate for most people. This can make paying for insurance through superannuation more tax effective.
4. Direct	Individuals purchase an insurance policy directly from the insurer.	• The consumer deals directly with their insurer. • The individual is in control of their purchase decision. • Reduced underwriting requirements and generally no medicals. • Quick acceptance of application for cover.

4.2 Distribution of life insurance

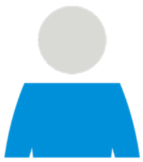
This section provides insights on the value of life insurance delivered by the main distribution channels for life insurance in Australia, with a focus on the key distribution channels for MetLife's insurance offering.

4.2.1 Retail

Understanding the adviser-client relationship

MetLife Australia undertakes an annual *Understanding the Adviser-Client Relationship Report*, which explores the attitudes, behaviours and expectations of current and potential advice clients to help advisers build and strengthen long-term relationships. It is the largest quantitative study of its kind in Australia (1,200+ respondents in the 2019 and 2021 reports).[57, 58]

The research explores the attitudes and behaviours of two distinct groups:



1. **Consumers** who have sought professional financial advice on life insurance, and those who are not currently using a financial adviser but are very likely to see an adviser about life insurance in the next two years.

2. **Small to Medium Enterprises (SMEs)** with up to 20 employees, who have sought professional financial advice on life insurance.

The latest research revealed that advised Australians were more informed about their life insurance than in previous research, with more respondents able to state their level of cover and premium amount paid, as well as explain the difference between stepped and level premiums.

Despite this, confusion around the value of expert financial advice remained, suggesting there is an ongoing need for financial advisers to demonstrate their value by properly educating clients on the benefits of the service. This is especially critical given three in ten consumers and five in ten SMEs reported they were considering either changing their current adviser, or ceasing to use one completely, citing high premiums, lack of affordability, no ongoing need for insurance or a lack of communication as their top reasons.

Understanding of life insurance also remains low among consumers and SMEs. Of those surveyed, 40% of consumers thought life insurance bought through an adviser was more expensive than a policy they could buy directly online or through a superannuation fund but only a third of consumers believed the product was better quality.

The research found consumers and SMEs were willing to pay an average upfront fee of $1,700 for insurance advice. This is below the average cost to deliver quality financial advice, suggesting there is a critical need to retain commission-for-advice to support affordability and accessibility for Australians.

MetLife's research found that advisers are critical in helping clients understand the value of life insurance.

To counteract the downward trend in the perceived value of expert financial advice and life insurance, advisers can educate their clients on what they do and how they add value. Building trust is also key, so that clients equate the value of the advice with the value they receive from the financial products purchased.

Sustainability

The retail advised market has had sustainability issues with the Australian Prudential Regulation Authority (APRA) reporting that the Australian Individual Disability Income Insurance (IDII) industry lost $3 billion over the five years to September 2019. With this concerning trend, APRA has actively encouraged the life insurance industry to address the issue and develop possible solutions to assist with sustainability. This included APRA proposing measures in December 2019 in relation to IDII that are intended to help the market remain viable over both the short and long term, and minimise participants withdrawing from the market. These measures are intended to ensure the retail insurance market remains viable for current and future generations.

MetLife acknowledges and supports APRA's concerns that certain practices have led to unprofitable and unsustainable IDII products. An example includes product features that place the claimant in a better financial position than what would otherwise have been the case prior to the event leading to a claim. Product design features like these may encourage claimants to remain on claim longer than is necessary due to the associated financial incentive.

Commissions

Commissions on life insurance products have been the subject of much debate in Australia since 2009, when the Federal Parliamentary Joint Committee (PJC) on Corporations and Financial Services recommended they be banned.

Since then, there have been multiple reviews into the payment of commissions, including the *Trowbridge report*[59] and ASIC's 413 Review of retail life insurance advice,[60] which culminated in a decision to limit upfront commissions to 60% of the first year's premium. In 2019, the Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry recommended that when ASIC reviews the Life Insurance Framework (LIF) regime in 2021, it should consider further reducing commissions to zero, unless there is clear evidence of underinsurance.

Presently, only 27% of Australians receive advice.[61] Reducing commissions will push up the direct cost of advice to consumers, reducing access to quality advice, with the following potential consequences:

- Consumers will rely on off-the-shelf insurance products, which are not tailored to their financial and personal needs.
- Consumers with lower economic means will lose access to advice.
- Most consumers will not pay upfront for advice if the financial product is subject to an underwriting process that could lead to them being denied access to the product. This is different from investment products, which do not require approval to purchase the product.
- Consumers on claim will lose the support of their adviser during this difficult time (renewal commissions support this service from advisers).
- Underinsurance rates in the Australian market may increase.
- Many financial advisers' businesses may become unsustainable, forcing them out of the industry and further reducing Australians' access to advice.

Other countries' experiences with regulatory approaches to commissions are often cited as representing object-lessons for Australia. Closer examination, however shows that comparison with these examples could be misleading.

The United Kingdom

The United Kingdom provides an interesting case study of a country similar to Australia that was poised to ban commissions, only to abandon the plan following industry opposition.

In early 2013, the United Kingdom's Retail Distribution Review (RDR) reforms were implemented by the country's regulator, the Financial Services Authority (FSA).

The reforms followed nearly seven years of industry consultation, after a series of mis-selling scandals and many years of criticism of commissions for financial advice. The RDR reforms initially recommended a ban on all commissions, including for life insurance products.

The push back from the advice industry was swift and strong, with many analysts arguing that one in three advisers would leave the industry if the reforms were implemented.

In 2009 following industry consultation, the FSA said it did not believe advisers continuing to receive commission on insurance sales would be detrimental to consumers, and that remuneration structures were not a key cause of the problems it saw affecting consumers.

When the RDR reforms took effect, the FSA and industry had agreed on additional disclosure requirements for advisers receiving a commission for insurance products. Higher professional standards and training requirements for financial advisers were also implemented, along with a new classification framework requiring advisers to be either 'independent' or 'restricted'.[62] This is similar to the current situation in Australia with FASEA education requirements and best interests duty.

While different payment models apply around the world, no country that has a strong, voluntary, stand-alone life insurance system has banned commissions. The removal of commissions on life insurance in Australia would be a global first.[63]

For all these reasons, MetLife firmly believes that consumers should have a choice of how to pay for life insurance advice; either fee-for-service or via commission.

4.2.2 Corporate

Employee benefits Australia – engaging employees

MetLife Australia regularly undertakes an *Employee Benefit Trends Study* (EBTS) to investigate the changing Australian workplace landscape and explore ways that employers can better engage with employees and provide them with benefits to drive engagement and loyalty.[64]

The 2020 study showed that while employees are most concerned about their financial health in the wake of COVID-19, employers were four times more likely to believe the focus should be on employee mental health.

While financial health is generally understood to be an underlying cause of mental stress, nearly half of all employees (47%) said they didn't feel supported by their employer with regards their financial health, creating a disconnect between employer and employee perceptions. This was higher for women, 52% of whom said that they felt unsupported.

A holistic approach to benefits

The benefits considered most important to employees have two things in common, they:

1. Play a central role in helping them achieve their personal and work-related goals; and
2. Address their main stressors, particularly around personal finances, retirement, and their family's health – which overlap considerably.

These benefits are often treated as individual products and communicated in a way that focuses primarily on plan details and payouts. This approach misses an opportunity to effectively demonstrate both how benefits can work together as a whole package and the role they play in employees' lives.

If employers look at benefits more holistically, they can start to see benefit packages as suites of products that employees can choose from to meet their employee's individual needs.

Traditional benefits – such as additional superannuation contributions, health insurance and additional paid parental leave – are highly valued by employees and help manage common needs and expenses. They, along with supplemental benefits, such as Death and TPD insurance, provides a financial safety net that helps alleviate employee stress.

Many employees believe their private health insurance alone will cover all health-related situations and do not plan for out-of-pocket costs or the financial impact of not being able to work, even for a short period of time.

MetLife's research reveals that younger generations in particular, believe that they will be looked after by their family or receive some form of Government support such as disability payments, should something serious happen.

By offering a range of traditional and supplemental benefits – and providing education on how these benefits complement each other – can provide employees with a solid foundation of protection, leading to more appropriate levels of insurance.

4.2.3 Superannuation

Insurance inside super recognises that many people will not choose to take out cover, in some cases because of behavioural biases,[65] or may be limited from accessing cover, for example because of medical history, occupation or nature of their work.[66]

Default insurance cover within super delivers an affordable insurance option to most Australians who may not otherwise take out or hold life insurance cover.

Insurance inside super has however been a controversial topic in recent years.

ASIC research[67] has attempted to quantify the value members get depending on the insurance products superannuation trustees provide them, how much they pay in premiums, and the benefits they receive. The research found that while many Australians are receiving value for money, there is wide variation in the design and pricing of default insurance. Further complete and accurate member data is critical to the design of default insurance that delivers the best value to members.

A 2018 Productivity Commission inquiry assessing the efficiency and competitiveness of superannuation, while acknowledging the many benefits of holding life insurance inside super, identified several issues.[68] These included erosion of retirement savings by life insurance premiums, lack of tailoring to individual needs, duplicate 'zombie' insurance policies, and lack of member engagement.

Since then, the Protecting Your Super (PYS) and Putting Members Interests First (PMIF) reforms have been implemented to address these concerns. Changes include making default life insurance for members aged under 25 opt-in rather than automatic and predominantly prohibiting life insurance within any super account with a balance of less than $6,000.

Changes flowing from these legislations mean thousands of Australians with inactive and low balance accounts no longer have insurance cover.

Further legislative changes under Your Future Your Super (YFYS) proposes to empower consumers and ensure their superannuation is working for them. These include:

- **Stapling** — an employee's current membership of a superannuation fund would follow them to a new employer, a policy measure aimed at reducing multiple accounts.
- **Superannuation fund performance measurement** — annual performance testing of MySuper products reported publicly on APRA's website.

- 'Best financial interests' test for superannuation trustees — an update to the current law for superannuation fund trustees to make decisions for their members based on a 'best interests' test, to instead require them to make decisions in the 'best financial interests' of beneficiaries.

Much of the discussion to date has been the anticipated unintended consequences associated with members being stapled to underperforming superannuation funds. While the intention of the proposed legislation is headed in the right direction, there is concern that the performance test and YourSuper comparator does not extend beyond MySuper products to allow members to make an informed decision on the adequacy of their safety net.

Further the financial impact of stapling needs to be considered more broadly by taking into consideration occupation based insurance that may be inappropriate for less engaged members who remain in funds after subsequent career changes, high-risk occupations which is not broadly available nor covered, exclusions specific to members and how they can be carried across funds, employers potentially providing advice to employees on commencing employment, impact on pricing and risk assumptions underpinning insurance contracts, to name a few.

There is also currently greater impetus for the entire ecosystem of superannuation funds to be interconnected with all service providers to facilitate and assist with the legislative changes to ensure a frictionless impact on the customer. Recognising there is more work to be done, MetLife continues to work with superannuation fund partners and Government to find ways to support customers and ensure the life insurance industry remains sustainable and can be trusted in times of need.

Educating superannuation fund members

It is more important than ever to increase awareness and engage so that members can make informed decisions about their insurance needs.

MetLife Australia's most recent annual *Insurance Inside Super Report* looked at the awareness, attitudes and engagement of Australians with insurance inside their superannuation, to help funds communicate more effectively with their members about insurance.

The 2019 research was conducted in the shadow of the highly publicised final report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, during which a spotlight was shone on life insurance within super.

Since then, the industry has worked collaboratively to improve awareness and engagement in relation to insurance in super, by offering a greater selection of related educational materials and resources at key stages of the member journey. With increased awareness of access to insurance through super, improved perception of the value of life insurance is expected to follow.

The key findings of the MetLife *Insurance Inside Super Report* include:

73% of Australians are aware they have life insurance inside super, however only half claim to know what cover they have.

Of those who were aware insurance inside super exists and that they had cover:

NEARLY 40% were not aware they could modify the level of their insurance cover.

MORE THAN 1 in 4 (28%) said they were not aware they are charged a premium for insurance inside super and for those who were aware, only 34% knew the premium amount being charged.

MORE THAN half (57%) don't know how to calculate how much cover they need.

14% were alerted to insurance inside super when they discovered premiums coming out of their account (this discovery can lead to members cancelling cover if they do not understand its value and benefits).

Findings from the research also revealed superannuation funds have a critical role to play in driving awareness of insurance inside super and empowering members to make decisions about their cover with confidence.

NEARLY 3/4 (72%) of respondents trust their superannuation fund to help them make informed decisions about life insurance, while 70% trust their superannuation fund to help them understand how much life insurance they need.

MORE THAN half of people surveyed (60%) have concerns about whether their insurer would actually pay a claim. This is almost 10% higher for people aged 18-39 and concerns are driven by distrust, poor reputation and negative publicity. In reality, MetLife's average acceptance rate for claims against Death cover is 99%, 94% for TPD and 96% for IP. TPD claims tend to have a slightly lower average acceptance rate because they are more complex to assess.[69]

ASIC research on consumer engagement with insurance in superannuation found many consumers struggle with basic concepts related to their cover.[70] For example, there was a lack of understanding of the different types of cover available, particularly IP, and an interchangeable use of terms like fees and premiums. This lack of knowledge can make even simple insurance transactions seem quite difficult.

MetLife has worked closely with superannuation fund partners to help drive better member engagement with their insurance, including providing research on best practice member communications to proactively inform and educate. It is expected that strategic communications prompted by member life events and interactions with the fund will help increase member awareness of insurance cover and improve their decision-making capability. To support informed decisions about life insurance, MetLife also provides several online tools to help customers estimate their insurance needs, including determining the type and calculating the amount of cover required.

ASIC also determined that insurance inside super can be valuable for consumers but that there are a wide range of offerings and what represents value is different for different groups.[71] To this end, MetLife works closely with superannuation fund partners to ensure products are designed appropriately to meet the needs of their members.

Helping Australian consumers understand the value of life insurance is also key to addressing the issue of underinsurance in Australia.

4.3 Underinsurance in Australia

A 2020 Rice Warner report found that there is a significant, and growing, underinsurance gap for Australia's working age population.[72] This research highlights that the total sum insured across all distribution channels has decreased by 17% for Death cover and 19% for TPD cover since 2018, mainly driven by a drop in insurance inside super (27% for Death and 29% for TPD).

Retail advised insurance volumes are also falling due to a reduction in active insurance advisers, according to Rice Warner. Recent reforms in this sector such as the Future of Financial Advice (FOFA) and Financial Adviser Standards and Ethics Authority (FASEA) education reforms are contributing to the ongoing contraction of the advice industry.[73]

Underinsurance leads to increased cost for the Government. As Rice Warner states: "Underinsurance is a direct cost for the Government in terms of additional social security and other related payments, particularly for Australians on modest incomes. We have estimated the current total cost to the Government in social security payments of Death and TPD underinsurance across Australia to be well over $600 million per annum." [74]

To help reduce both the costs to the Government and the unintended consequences for Australians, the root causes of underinsurance need to be addressed by life insurers, distribution partners and related industries. This includes aligned efforts to improve the perceived value of life insurance in Australia through communication, education and dispelling misconceptions about life insurance.

5. Life insurance: myths vs. reality

There are a number of prevalent misconceptions about life insurance in Australia due to misunderstanding, lack of education and negative publicity. This section will discuss some of the most common 'myths' and their impact, and counter these myths with fact-based reality.

Myth	Reality
Life insurance is not value for money or is expensive The number of Australians purchasing life insurance has dropped since 2018 from 56% to 47%. According to an industry survey, 48% of respondents cited the perceived high cost of life insurance as the main reason for not having cover.[75] A consequence of this may be underinsurance, due to individuals choosing to rely solely on life insurance in super, which may be insufficient to maintain a reasonable standard of living.	According to a *2015 Insurance Barometer Study* by LIMRA (a global insurance industry research organisation), 80% of consumers misjudge the cost of life insurance – Millennials overestimate the cost by 213% and Gen X by 119%. The reality is that life insurance can be highly affordable based on monthly premiums. According to Canstar research, a 40-year-old non-smoking Australian can obtain $500k of life insurance cover for between $40 and $80 a month.[76] In contrast, a 40-year-old who wishes to provide $500k of financial security for their dependents if they die would need to set aside savings in excess of $15k p.a. ($1,250 a month) for 20 years (assuming a 5% annual return) to accumulate $500k by year 20. In comparison, the premium for a standard life insurance policy from MetLife for a 40-year old non-smoker can be just over $26 a month.
Insurers don't pay claims Some of the negative publicity arising from the Hayne Royal Commission has led to the misperception that insurers avoid paying claims.	APRA data[77] shows that in 2020, for policies bought through a financial adviser, insurance companies paid out on average: • 96.4% of Death claims • 84.7% of Trauma claims • 81.5% of TPD claims • 94% for Disability Income Insurance (DII) For policies accessed through superannuation, insurance companies paid out: • 97.8% of Death claims • 89.2% of TPD claims • 95.1% for IP MetLife's acceptance of claims rates out perform the industry: 99.3% of Death claims; 93.6% of TPD claims; and 96% for IP.
Insurance erodes retirement savings	In reality, insurance provided through superannuation is generally a more cost-effective way for individuals to obtain life insurance due to premium discounts negotiated for group arrangements. Further, the industry has worked with Government and regulators to implement measures to protect superannuation balances against erosion. In 2016 the Australian life insurance industry united to form the Insurance in Superannuation Working Group (ISWG) and developed the Insurance in Super Voluntary Code of Practice (ISWG Code). The ISWG Code includes the application of a cap on premiums to not exceed 1% of a member's salary. In addition legislative changes relating to Protecting Your Super and Putting Members Interests First covering life insurance in superannuation were passed in 2019. To protect superannuation balances from fee erosion, inactive[78] low-balance (less than $6,000) superannuation accounts were transferred to the Australian Taxation Office (ATO) with the ATO to proactively consolidate superannuation balances on each person's behalf.

Myth	Reality
Insurance cover is *hidden* within superannuation	A 2019 MetLife survey found 73% of Australians indicated they were aware they have access to life insurance in superannuation.[79] Supporting this, MetLife partners with superannuation funds to further educate members about their insurance cover in superannuation and, to increase members' insurance literacy and understanding. Just as the concept of retirement adequacy (as measured by income replacement rates or other metrics) today has an established place within the superannuation vernacular, for the industry as a whole, there is still work needed to establish insurance adequacy and relevant metrics firmly in consumers' minds.
People don't want insurance in super Government, regulators and superannuation funds have been under increasing pressure to drop default life insurance in super and make insurance arrangements opt-in for all members. This could exacerbate underinsurance and increase reliance on Government benefits.	MetLife research suggests when people are aware and informed they are happier, more engaged with their superannuation, more likely to modify their insurance, including increasing it, and have more appropriate levels of cover than those who aren't. Such research findings point to the triple benefits of higher engagement (with superannuation and insurance) and better tailored insurance, when people are informed of their insurance in super arrangements.
Insurance has poor customer outcomes for people claiming against TPD insurance	Data collected by the FSC to year end 2018 shows 88% of TPD claims and 91% of mental health TPD claims were paid in the first instance. The industry is continuously working to improve claims handling processes both voluntarily and as a consequence of regulatory changes. Further, the extension APRA's MySuper heatmap to insurance outcomes should provide further clarity as to how members engage with and claim on their insurance as well as their claims experience and claims outcomes specifically for different types of insurance, including TPD. MetLife expects the above industry and regulatory initiatives will continue to strengthen TPD insurance suitability and improve outcomes for consumers.
Insurance inside super is not fit for purpose	Superannuation trustees have long had an obligation to ensure insurance benefit design is appropriate to the needs of the membership base without the need for underwriting. All superannuation fund members with insurance inside their super have the option to amend their insurance cover at any time to better meet their individual needs. The *Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation) Act 2019* requires trustees to assess on an annual basis whether the outcomes that are being delivered are promoting the financial interests of members and consider outcomes for different cohorts of the membership, not just the membership as a whole.[80] The extension, APRA's MySuper heatmap to insurance outcomes, should provide further clarity on member engagement with their insurance as well as their claims experience and claims outcomes for different types of insurance and different cohorts. MetLife expects this will continue to strengthen the suitability of insurance in super and improve outcomes across a variety of insurance types and member cohorts within superannuation funds.

Myth	Reality
Life insurance is 'set and forget' A 'set and forget' approach to life insurance can exacerbate underinsurance for consumers as a person's financial obligations increase over time. Underinsurance can increase reliance on Government benefits.	As with changing investment risk appetite based on age and life-stage events, life insurance policies should be updated for changing obligations over the course of a lifetime (such as marriage, adoption or the birth of children, increases and decreases in mortgage size or other liabilities). MetLife works with superannuation funds and employer groups to encourage members and employees to engage with their insurance and amend it to suit their changing needs.

6. Closing comments

This report has provided an overview of MetLife's proprietary research and insights across the markets we operate in to highlight the value of life insurance for Australia. It is evident that life insurance provides benefits to:

- **Individuals** — through financial support, peace of mind, return to health support and rehabilitation tools, and cost-effective life insurance in super.
- **The economy** — through contributing to economic growth, stabilising the financial system, providing long-term 'patient capital and supporting business growth through investments in the private placement market'.
- **Society** — through reducing costs to Government and taxpayers, supporting communities, playing a vital role during a pandemic, and the opportunity to provide increased support to alleviate the mental health burden.

In a fast-evolving industry facing regulatory change and the impact of a global pandemic, along with shifting consumer expectations, the life insurance industry must work together to adapt and stay relevant. It is the responsibility of all participants across the industry, including distribution partners, to play a positive role in helping key stakeholders understand the value of life insurance and help promote this message.

7. Overview of MetLife

7.1 A global brand

MetLife's 150+ years of experience has established its status as a trusted global leader in the delivery of effective and innovative insurance, employee benefits, and retirement solutions worldwide.

MetLife has established leading market positions in the United States, Australia, Japan, Latin America, Asia, Europe and the Middle East through organic growth, acquisitions, joint ventures and partnerships, and today protects some 90 million customers in over 40 countries.

MetLife companies offer life, accident and health insurance, retirement and savings products through agents, third-party distributors such as banks and brokers, and direct marketing channels.

Working with individuals, families, corporations and Governments, MetLife provides a range of solutions that offer financial security to customers. The MetLife name is recognised and trusted by tens of millions of customers worldwide, and we have the experience, global resources and vision to provide financial certainties in an uncertain world.

MetLife global statistics

- Serving 90 million customers worldwide.
- US$4.7 trillion of life insurance protection policies in force globally.
- 49,000 employees globally.
- 80th on the 2020 Forbes Global 2000 ranking of world's largest public companies.
- In the top 50 Fortune 500 companies in the United States.

7.2 MetLife in Australia

MetLife Australia is a leading provider of life insurance, partnering with employers, superannuation funds and financial advisers to help Australians protect the lifestyle they love – and providing help when they need it most.

MetLife is the third largest insurer in group life insurance and the second largest in corporate insurance in Australia, covering 1.5 million people and in 2020, paid over $533 million in claims to policyholders.

In June 2021, MetLife was awarded a record five ALUCA Awards for Underwriting, Customer Service and Rehabilitation. MetLife was named Life Insurer of the Year in the Super Fund of the Year Awards 2020 and in the same year received a Plan for Life Excellence Award - Product Innovation in Health and Wellness Award and an Asia Gold Stevie Award, both for 360Health. In 2019, MetLife was named Life Insurance Company of the Year by ANZIIF, and was awarded an Insurance Asia Award for Best New Insurance Product for MetProtect and an ALUCA Excellence Award for Best Underwriting Team.

MetLife provides life insurance through three distribution channels:

1. **Superannuation (Group)** — Offering Death, TPD and IP cover through a built-in life insurance policy within an individual's superannuation fund account. MetLife partners with superannuation funds to design products that are fit for purpose for their members.
2. **Retail** (through independent financial advisers) — Offering Death, TPD, Trauma and IP Insurance. In 2018, MetLife launched a unique modular product offering to allow advisers to tailor policies that meet their clients' needs.
3. **Corporate** — Offering Death, TPD and IP products as an employee benefit, MetLife partners with corporate organisations to tailor solutions to their talent cohort.

8. MetLife Australia Leadership Team

Richard Nunn
Chief Executive Officer

Gary Bailison
Chief Transformation Officer

Tim Batten
Chief Information Officer

Brad Bradenburg
Chief Risk and Compliance Officer

David Campbell
Chief Operating Officer

James Carey
Chief Group Insurance Officer

Allyson Carlile
Head of People and Culture

Meray El-Khoury
Chief Retail Insurance Officer

Gerard McDermott
Chief Strategy and Data Officer

Michael Mullholland
Chief Distribution Officer

Chesne Stafford
Chief Customer and Marketing Officer

Wendy Tse
Chief of Staff and External Affairs

Vince Watt
Chief Financial Officer

Duncan Whiteside
Head of Legal

Media contact:

Sarah Kelly
Director, Communications
M: +61 (0)411 893 890
E: sarah.kelly@metlife.com

9. References

1. Canstar (2019) – *"Benefits of having life insurance: Is it worth the costs?"*
2. Finder (2021) – *"How much does life insurance cost in Australia?"*
3. *Australian Government disability payment rates*
4. *MetLife Australia Employee Benefits Trends Study – Financial Wellness report*
5. *MetLife Australia Employee Benefits Trends Study – Financial Wellness report*
6. *The Australasian Faculty of Occupational & Environmental Medicine – Australian and New Zealand Consensus Statement on the Health Benefits of Work – 2011*
7. FSC Submission to Parliamentary Joint Committee on Corporations and Financial Services "*Options for greater involvement by private sector life insurers in worker rehabilitation*"
8. KPMG (2017) – *"Review of default group insurance in superannuation"*
9. *Insurance through superannuation*
10. *Insurance through super*
11. Cragg, Zhou, Hamilton (July 2020) – *"The Social and Economic Contributions of the Life Insurance Industry"*, The Brattle Group.
12.Cragg, Zhou, Hamilton (July 2020) – *"The Social and Economic Contributions of the Life Insurance Industry"*, The Brattle Group.
13. Outreville, J. François, 2013 – *"The Relationship between Insurance and Economic Development: 85 Empirical Papers for a Review of the Literature"*, Risk Management and Insurance Review, 16(1)
14. Arena, Marco, 2008 – "*Does insurance market activity promote economic growth? A cross-country study for industrialised and developing countries.*" Journal of Risk and Insurance 75(4)
15. Arena, Marco, 2008 – "*Does insurance market activity promote economic growth? A cross-country study for industrialised and developing countries.*" Journal of Risk and Insurance 75(4), p.4
16. Stephen S. Fuller, (2018) – "*Economic Impact of Commercial Real Estate*", NAIOP Research Foundation
17. Cummins, J & Weiss, M (2014) – "*Systemic Risk and the U.S. Insurance Sector*", Journal of Risk and Insurance (81)3.
18. *ABS Managed Funds*
19. *APRA life insurance statistics for December 2020*
20. Schich, S (October 2009) – "*Insurance Companies and the Financial Crisis*", Financial Market Trends (OECD).
21. U.S. Chamber of Commerce, Centre for Capital Markets Competitiveness (Winter 2019) – *"The role of insurance investments in the U.S. Economy"*
22. Croce, Yermo (2013) – *"Institutional Investors and Infrastructure Financing"*, OECD Working Papers on Finance, Insurance and Private Pensions No. 36
23. Standard & Poor's (January 2014) – "*Global infrastructure: How to fill a $500 billion hole*"
24. FSC – "*Accelerating Australia's Economic Recover*"
25. Australian Financial Review (2014) – "Debt markets roundtable: Trends and opportunities In US borrowing"
26. Cragg, Zhou, Hamilton (July 2020) – "*The Social and Economic Contributions of the Life Insurance Industry*", The Brattle Group.
27. Cragg, Zhou, Hamilton (July 2020) – "*The Social and Economic Contributions of the Life Insurance Industry*", The Brattle Group.
28. "*Underinsurance in Australia 2015*"
29. *AIHW People with Disability in Australia*
30. *McKinsey & Company, Charitable giving in the US insurance industry*
31. *Making the economic case for investing in health systems*
32. MetLife (2020) – "Customer Behaviour Shifts Research Global Report: Emerging Trends & Considerations"
33. Roy Morgan – *Mental Health conditions Anxiety and Depression increased rapidly during lockdown*
34. *FSC COVID-19 life insurers customer support*
35. *FSC COVID TPD Claims Initiative*
36. *COVID-19 Commitment to Frontline Healthcare Workers*
37. *MetLife COVID-19 Information Centre*
38. *Acute mental health responses during the COVID-19 pandemic in Australia*
39. *The Digital Consumer: Expectations are higher than ever - Can your brand keep up?*
40. McKinsey & Co 2020 – "*Elevating customer experience excellence in the next normal*"
41. *Centers for Disease Control and Prevention - Post-COVID Conditions*
42. *AIHW Suicide Self Harm Monitoring Data; The Lancet: Real-time suicide mortality data from police reports in Queensland, Australia, during the COVID-19 pandemic: an interrupted time-series analysis*
43. *University of Melbourne - Is a delayed cancer diagnosis a consequence of COVID-19?*
44. *See you GP campaign*
45. Majowski, E, Woods, S, (April 2020) – *"COVID-19: How insurers can support customers and distribution partners"*
46. MetLife (August 2020) Customer Behavior Shifts Research - Global Report: Emerging Trends & Considerations
47. *MetLife COVID-19 Research Summary*
48. The Lancet, *Multidisciplinary research priorities for the COVID-19 pandemic: a call for action for mental health science*
49. *ABS National Health Survey*
50. *AIHW Mental Health Services in Australia* - data updated Nov 2020
51. *AIHW Mental health services in Australia*
52. FSC (July 2020) – "Life insurance awareness week: community day – data reveals the mental health burden shared across the nation" – Media Release
53. *Productivity Commissions Mental Health Report*
54. *Productivity Commission Mental Health Inquiry Report Volume 3*
55. *MetLife Employee Benefits Trends Study 2020*
56. Productivity Commission (April 2018) – "*Superannuation: Assessing Efficiency and Competitiveness*", Draft Report, p. 20.
57. *MetLife Understanding the Adviser-Client Relationship Report 2019*
58. MetLife Understanding the Adviser-Client Relationship Report 2021
59. *Asia Region Funds Passport*

60. *REP 413 ASIC review of retail life insurance advice*
61. *ASIC Report 627 Financial advice: What consumers really think*
62. Riskinfo Magazine, Op. Cit.
63. Association of Financial Advisers (2018) – *Response to the Insurance Round: Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*, P. 9.
64. MetLife Australia (2020) – *"Employee Benefits Trend Study 2020"*
65. *The Adviser-Client Relationship Report 2019*
66. AIA (2020) – *Default insurance in super - One size does not have to fit all*
67. *ASIC REP 675 Default insurance in superannuation: Member value for money*
68. *Money Smart claims comparison tool*
69. *ASIC REP 673 Consumer engagement in insurance in super*
70. *ASIC REP 675 Default insurance in superannuation: Member value for money*
71. Rice Warner "*New research shows a larger underinsurance gap*", 19 November 2020
72. *https://pro.adviserratings.com.au/docs/Musical_Chairs_Report_2020_Q3.pdf 21,146* from 24,772 in Q3 2019 *https://riskinfo.com.au/news/files/2019/11/191105-Musical-Chairs-2019-Q3.pdf* - number of new entrants steadily less than those leaving the industry.
73.Rice Warner "*New research shows a larger underinsurance gap*", 19 November 2020
74. Noble Oak (2020) – Op. Cit.
75. Canstar (2019) – *"Benefits of having life insurance: Is it worth the costs?"*
76. APRA (2020) – *"Life insurance claims and disputes statistics"*
77. No amount has been received by the individual's fund within the last 16 months
78. MetLife (2019) - Insurance Inside Super Report 2019 P.6
79. Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation) Act 2019 (Cth)

metlife.com.au

MetLife

MetLife Insurance Limited | Level 9, 2 Park Street, Sydney | NSW 2000
ABN 75 004 274 882 AFSL NO. 238 096