

NobleOak Life

Life Insurance Whitepaper

**The remarkable resilience of Australian happiness
in the face of a once in a century year.**

February 2021

Synopsis – Key Findings

1

COVID, COVID, COVID

It's difficult to get past the impact of the pandemic on the lives of Australians in 2020 – and that's despite our relative success in handling the disease. Overall we were happy with our Federal and State Governments, with 64% rating their response at an 8 out of 10 or higher. Nearly half of us (46%) had our working lives significantly affected, with nearly a third (32%) experiencing reduced income to date. And a quarter (25%) forecast reduced income in the future.

2

More financially cautious

Not unreasonably in an uncertain time, we're being more financially prudent. Almost half (45%) of our respondents are spending less, saving more (38%), planning for the future more (32%) and cutting back on entertainment spending (24%). This matches previous years where entertainment and holidays were identified as the first things people would look to save on.

3

Less of a safety net

Nearly half (45%) of our respondents say they would find it harder to find \$4,000 for a surprise expense this year. This is concerning considering that in 2019 we found that 65% of people expected to rely on savings to help them if they couldn't earn a living due to ill health.

4

Cancer remains our biggest fear

Not surprisingly given the wall-to-wall coverage, we tend to overestimate the actual risk of COVID-19 to our health. However, as in 2018 and 2019, we remain most concerned with the overall risks of cancer, correctly seeing it as the biggest risk to our wellbeing.

5

The Mental Health silver lining

Western culture has tended to have a difficult time recognising mental health as the serious and prevalent issue that it is. Unfortunately 42% of us are feeling more stressed this year. But, in maybe a silver lining of the pandemic, people ranked 'depression' as the second most important threat to their wellbeing.

6

Confronting your own mortality

In 2018 and 2019 we found that most people need some kind of life trigger to get them to consider life insurance. Life events – marriage, babies etc – remain important. However, of all the triggers, confronting your own mortality - through a health scare, an accident or the unexpected death of a close friend or relative – is massively motivating. 80% of respondents pick one of these as a key trigger for them to take up life insurance.

7

More see value in their life insurance

There's nothing like a global pandemic to get people to value life insurance more. Last year only 1 in 3 were definitely going to be renewing their life insurance. This year, it's jumped to half (50%).

8

More reassurance – fully underwritten and Australian owned

We're looking for more reassurance around our life insurers. When asked to rank different elements of life insurance, 'Good value for cover offered' remains number one, but the second most desirable factor was 'fully underwritten insurance'. And 'Australian Owned' came in more important than local contact centre, top reviews and testimonials, and award winning, with 53% rating it higher than an 8 out of 10 for importance.

9

The protection of family and relationships keeps happiness steady

By any measure, 2020 was a challenging year. However, Australians' overall level of happiness barely moved – from a mean of 6.9 in 2019 to a mean of 6.7 in 2020. And it looks like spending more time with our families (42%) has helped us recognise what's important in life, with people in families or couples being significantly more happy than singles.

The participants referred to in this Whitepaper were participants in a national survey conducted by Pureprofile as described in the Appendix. The information in this Whitepaper is provided as general information only. It is not personal advice and readers should always consider their own needs and circumstances, as well as the relevant Product Disclosure Statement, before making decisions about life insurance products. Comments made based on the available data have been made in good faith but readers are entitled to make their own conclusions and assessment of the data provided here. **NobleOak Life Limited ABN 85 087 648 708 AFSL No. 247302**

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Introduction

There's only one word for it – COVID

Our calendars tell us that it's been 12 months since NobleOak's 2020 Whitepaper. But that's not the real story of how time feels warped this year.

At the beginning of the year devastating bush fires were on most of our minds. But a once in a century (hopefully!) global pandemic has made all that feel like a very long time ago. It seems almost ridiculous that bush fire season is upon us again and we're thankful for La Nina.

In this year's Whitepaper – our fifth - we have therefore looked at some broader questions related to how people feel about COVID-19, as well as our more common topics related to risk, finances, and attitudes towards life insurance.

We have found that more people are looking for reassurance in life insurance, with fully underwritten and Australian Owned ranking highly in importance in choice of insurer.

However, among all the interesting findings, one really jumps out – and it relates to a question we've asked every year in our Whitepapers – 'how happy are you?'.

With everything that 2020 threw at Australians, we've seen a remarkable resilience in the Australian spirit, with just a 0.2 reduction in the average happiness score vs the 2019 research data (6.7 vs 6.9).

Interestingly those with families or in couples, rated themselves as significantly happier than singles or those in shared households did. With 42% of people saying COVID-19 has meant that they spent more time with their families, it looks like family and relationships have helped to protect our mental wellbeing. For a company dedicated to helping people protect the ones that they love, it's a gratifying thought that those very relationships have protected our overall happiness.

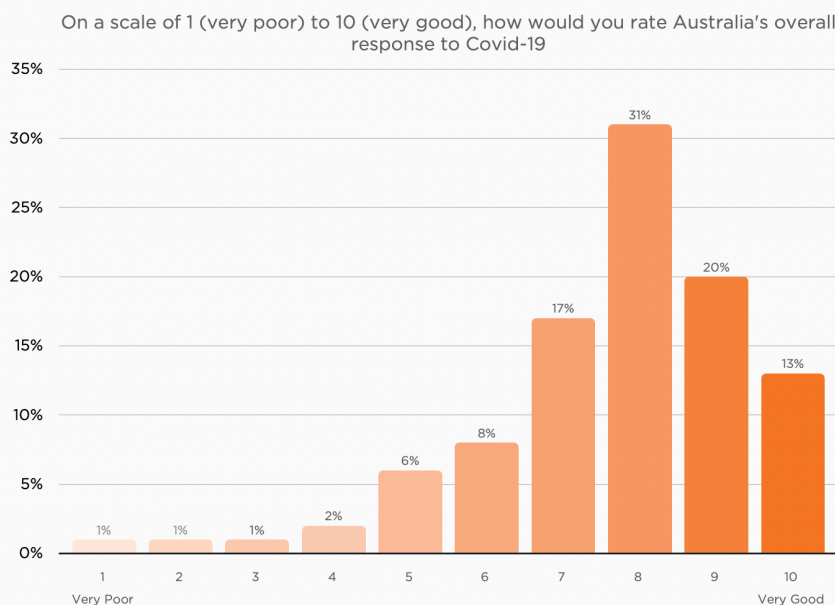
On a final note, we want to offer a truly heartfelt thank you to all the incredible health care and other workers who've supported all of us through this year with their sheer hard work and compassion. It really has been an amazing effort to witness and makes us proud to be an Australian company.

COVID-19

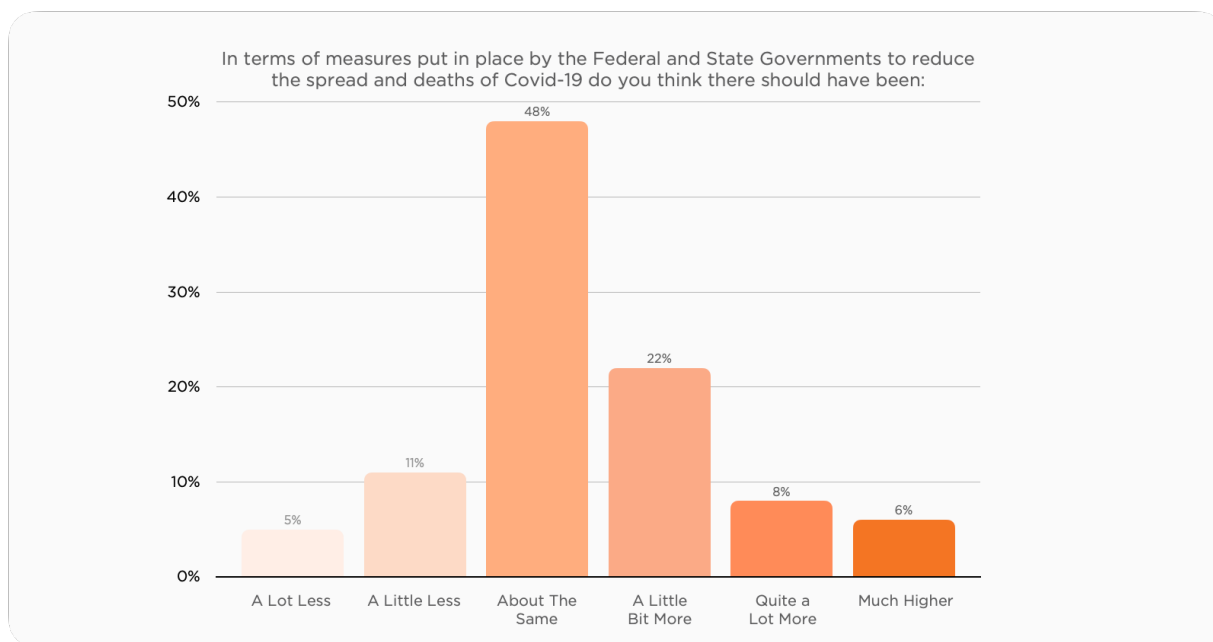
You can't start a review of 2020 without looking at COVID-19.

Most happy with Government response

Reflecting the good results that Australia has been able to achieve, and in good news for our leaders, we're pretty happy with our overall response to the pandemic. 64% rate the overall response as an 8 or higher and only 11% rank it as 5 or below. If you're NPS inclined, it's an overall NPS of +16.



We also think our State and Federal governments have mainly got the settings right, with a significant plurality (48%) supporting approximately the same level of restrictions as those that

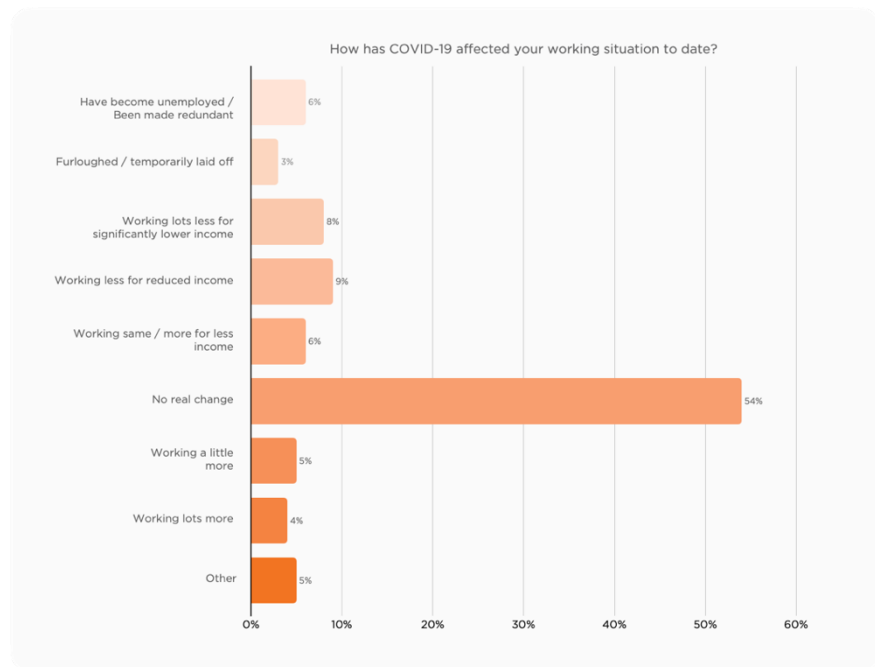


have been implemented. However, it appears that if we were to lean one way, we'd have preferred more rather than less restrictions, with only 16% of respondents supporting less restrictions, while 36% would have gone for more.

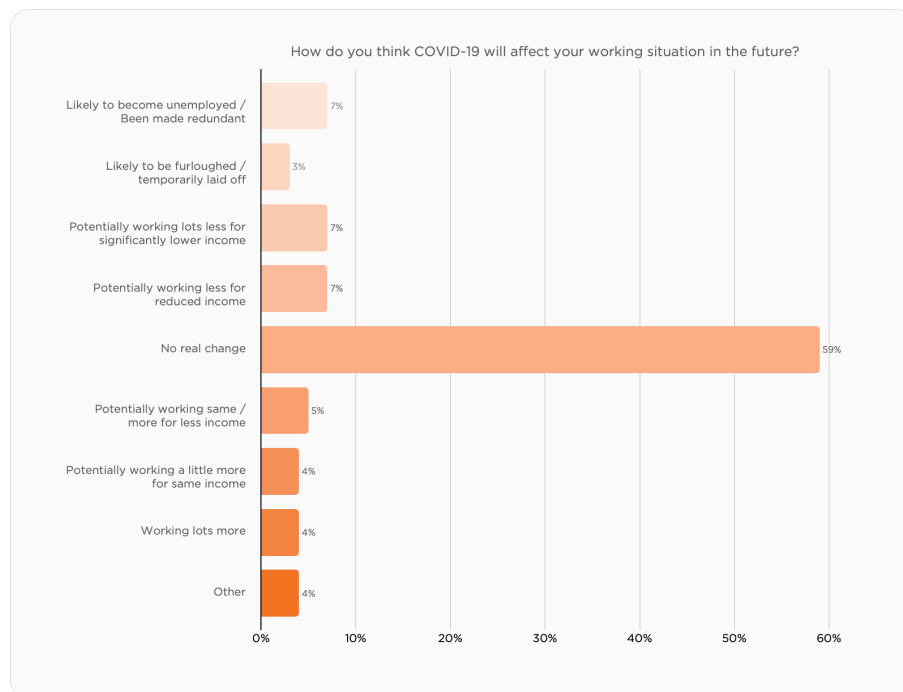
A huge impact on working life

A once in a century pandemic had a once in a century impact on our working lives. Only 54% of respondents said that COVID-19 had no real change on their working situation. That's almost half reporting that it had a significant impact.

Nearly one in three (32%) experienced a decline in their income – presumably leading to an incredible amount of stress.



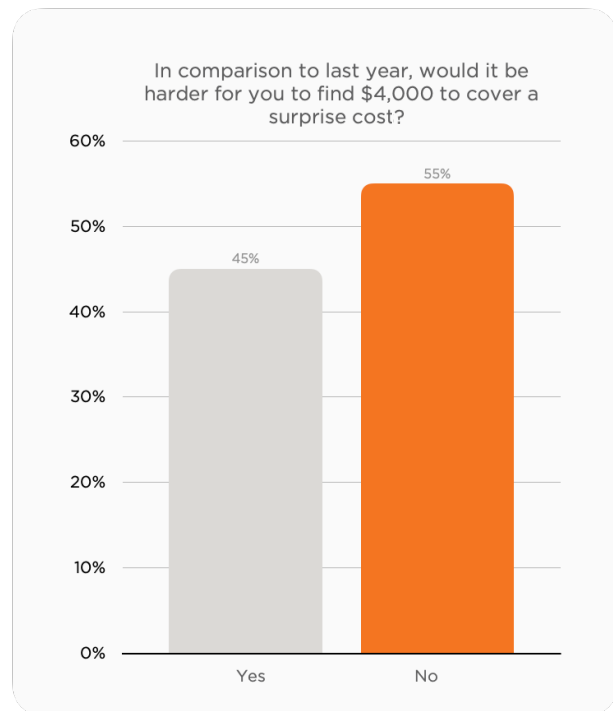
Perhaps more worryingly, seeing as our economy is c.54% based on consumer spending, people aren't feeling overly confident about their future. Only 6 in 10 (59%) are projecting that Covid will not affect their working situation in the future. Nearly a quarter (24%) are projecting that their income will be lower moving forward. This is likely to have real world economic effects, and something the RBA will be particularly concerned about as they contemplate interest rate settings.



Nearly half less able to deal with unexpected costs

A common way to understand how much of a safety net people have to draw upon is to see if they could cover an unexpected expense. We use \$4,000 dollars to represent something like a repair to a home or car – something that's not a regular expense, but perfectly within the bounds of possibility.

Nearly half (45%) of our respondents say they would find it harder to meet this 'regular surprise' stress test this year versus last year. This really brings home the scale of the impact Covid has had on our finances and overall stress levels.



What COVID-19 has prompted us to do

Clearly COVID-19 is something none of us were really prepared for. It has therefore prompted people to do all sorts of things.

In terms of our finances, clearly it's prompted us to be more prudent:

- Almost half of us (45%) are spending less
- 38% are saving more
- 32% of us are planning for the future more
- 24% have cut back on entertainment spending
- 8% claim to have taken up the opportunity to withdraw money from super – great if it's helped people through tough times, but potentially costly for their long term futures

The effects on our wellbeing and the way we live is more mixed:

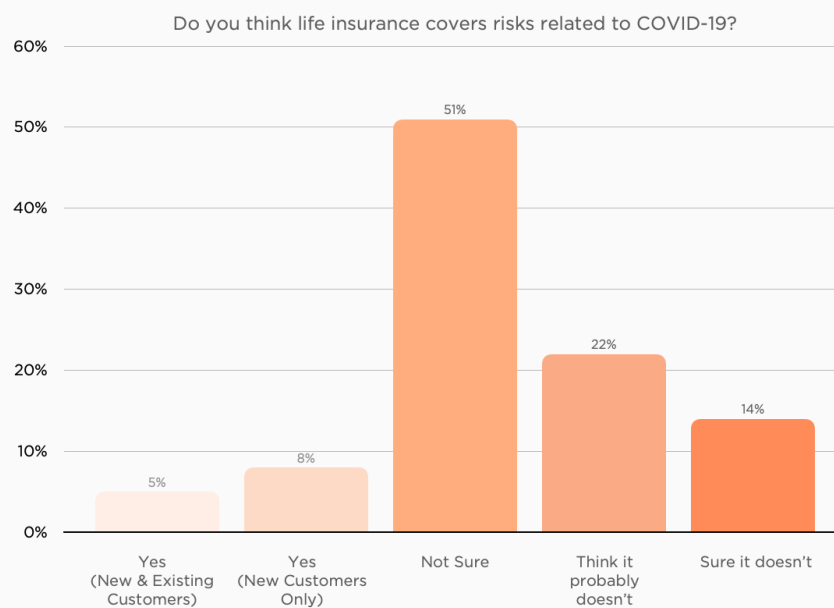
- 42% of us are spending more time with family
- 42% of us have felt more stressed (hopefully not the same 42%!)
- 28% of us have been working from home (which is probably less than the media attention that's been given to this)
- 16% of us have spent more time outdoors
- 17% of us have got fitter, which just shades the 15% of us who have put on weight and the 9% drinking more alcohol

Interestingly for a health/potential deadly crisis, it's prompted less than 2% of us to check our existing life insurance, take out new life insurance or new health insurance. And despite all the media coverage, only 1% report that they have taken up a mortgage holiday, perhaps recognising the overall increase in interest that it would cost them.

In fact there has been little movement on most things that are longer term in nature. Along with other media reporting, this suggests that overall people have entered a holding pattern/survival mode, rather than COVID-19 prompting us into longer term actions yet. It will be interesting to see if this holds when we return to some form of normality.

Opportunity to do more to reassure customers around COVID-19

When people buy Life Insurance they're buying a level of reassurance for an uncertain future. At the time of a global health crisis, where more than half the population are more concerned for their health, only 13% of respondents were confident that their Life Insurance covers them for COVID-19 and more than half (51%) are unsure. This is a significant opportunity for the industry to build more trust by letting their customers know what they are and are not covered for in terms of life insurance products and the impacts of COVID-19.



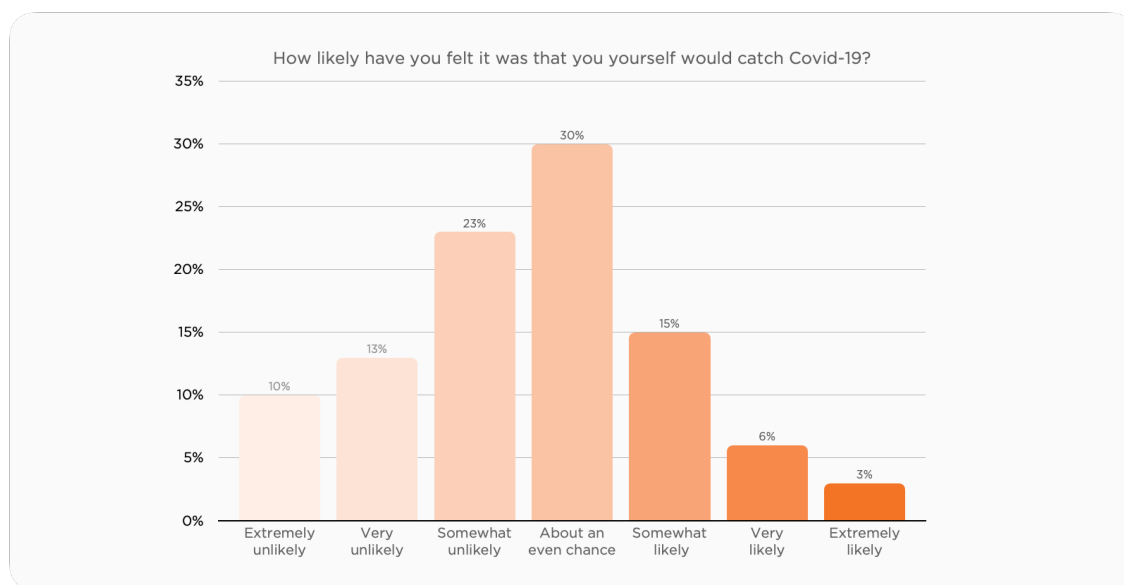
Understanding risks

The real risks of COVID-19

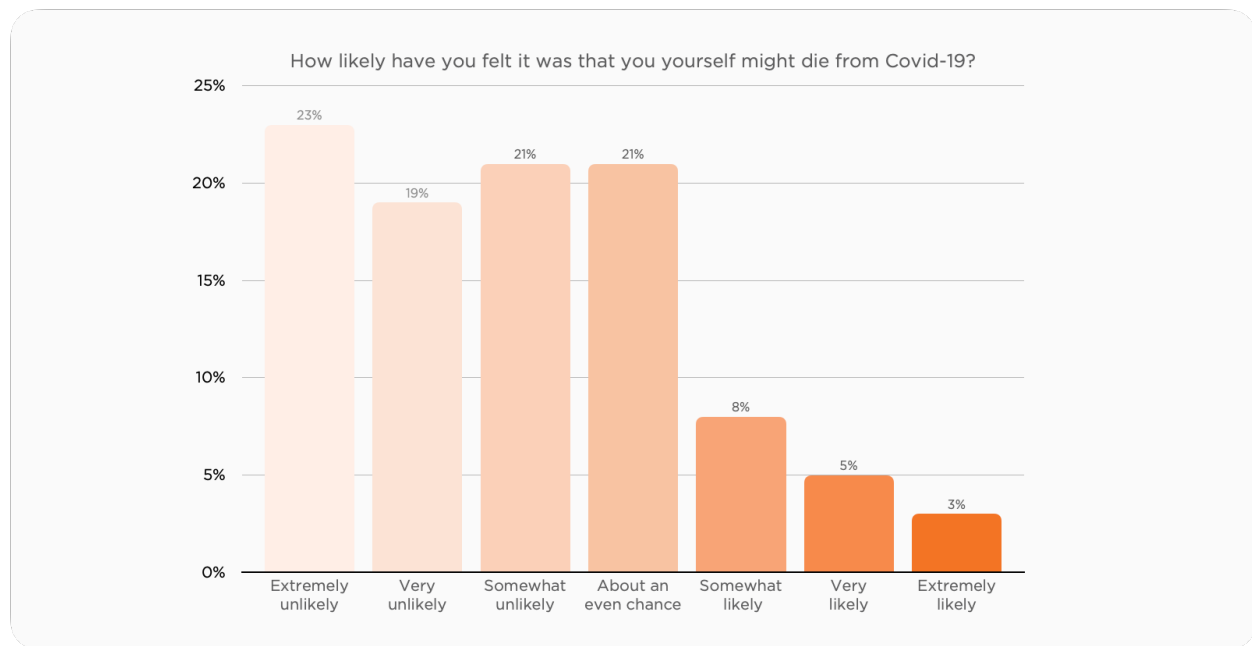
Humans are notoriously poor at understanding risk. We tend to overestimate that which comes to mind easily or dominates our news feeds, and underestimate some of the quieter, but more deadly risks.

For something that's been in our lives every single day, it's unsurprising that we see an overestimation of the true risks associated with catching and dying from COVID-19.

Partially due to our relative success in containing the virus, the real risks in Australia have been relatively low. Total COVID-19 infections in Australia by 31st December 2020 were 28,408 – or a little under 1 in 900 (for context, those in the UK had a 1 in 27 chance of catching COVID-19). However, more than 1 in 2 (54%) rated their chances of catching COVID-19 as even or worse – which might explain why we'd have been happy to see more restrictions.



The concerns around death from COVID-19 are just a more extreme version of this. Tragically, there were a total of 909 deaths by 31st December 2020, or close to 1 in 28,000 Australians. However, over 1 in 3 (37%) have rated their chances of dying at even or worse.



This really shows the challenge for our public health officials; they want people to be nervous enough to 'do right thing', but not so scared that the economic problems become self-fulfilling. It's a tricky tightrope, but they seem to have negotiated it well.

However, cancer remains our biggest fear

The Australian Institute of Health and Welfare (AIHW) estimates that 150,000¹ of us will unfortunately be diagnosed with cancer this year. In terms of its impact on our lives, it represents a dreadful toll both mentally and physically.

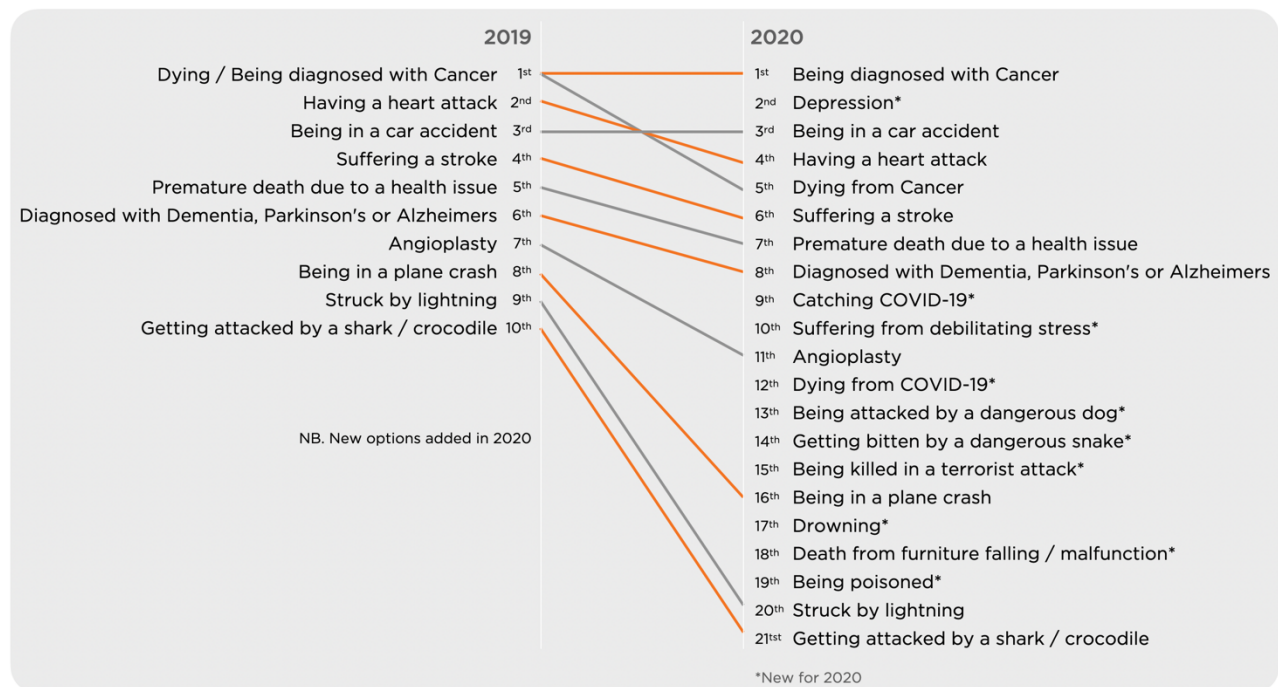
According to the AIHW, all types of cancer combined are indeed the most prevalent cause of loss of Disability Adjusted Life Years in Australia, and Australians correctly rank it as their number one concern again this year.

However, we rank death by cancer as only the fifth biggest risk. The AIHW estimates that approximately 50,000 Australians will unfortunately die from cancer this year. The latest published estimates of hospitalisations from car accidents is 39,330 (2017)², while in 2019 there were 1,195² deaths on our roads. The AIHW ranks Coronary heart disease as having the single biggest impact on our lives, but our respondents ranked it only fourth.

Interestingly given the year we've had, catching COVID-19 ranked only 9th and actually dying from COVID-19 ranked 12th. As per above, that's higher than the real risks, but shows that Australians have a fair degree of perspective when it comes to the true risk we've been experiencing.

Source information is on page 24

Rank the following events in order of likelihood to happen to someone like you in the future



The mental health silver lining?

2020 clearly had a toll on everyone's mental health. Whether it was concerns about health, family, lack of work, too much work, isolation or home schooling, it really was an assault on our mental wellbeing.

Perhaps the only silver lining in all of this is the impact it has had on our awareness of mental health as an issue that can affect any of us. When asked about perceived risks, 'Depression' was ranked second, only behind Cancer as something people are concerned about. It's a testament to the work of the many organisations and charities that have been trying to bring this important part of our health into greater awareness.

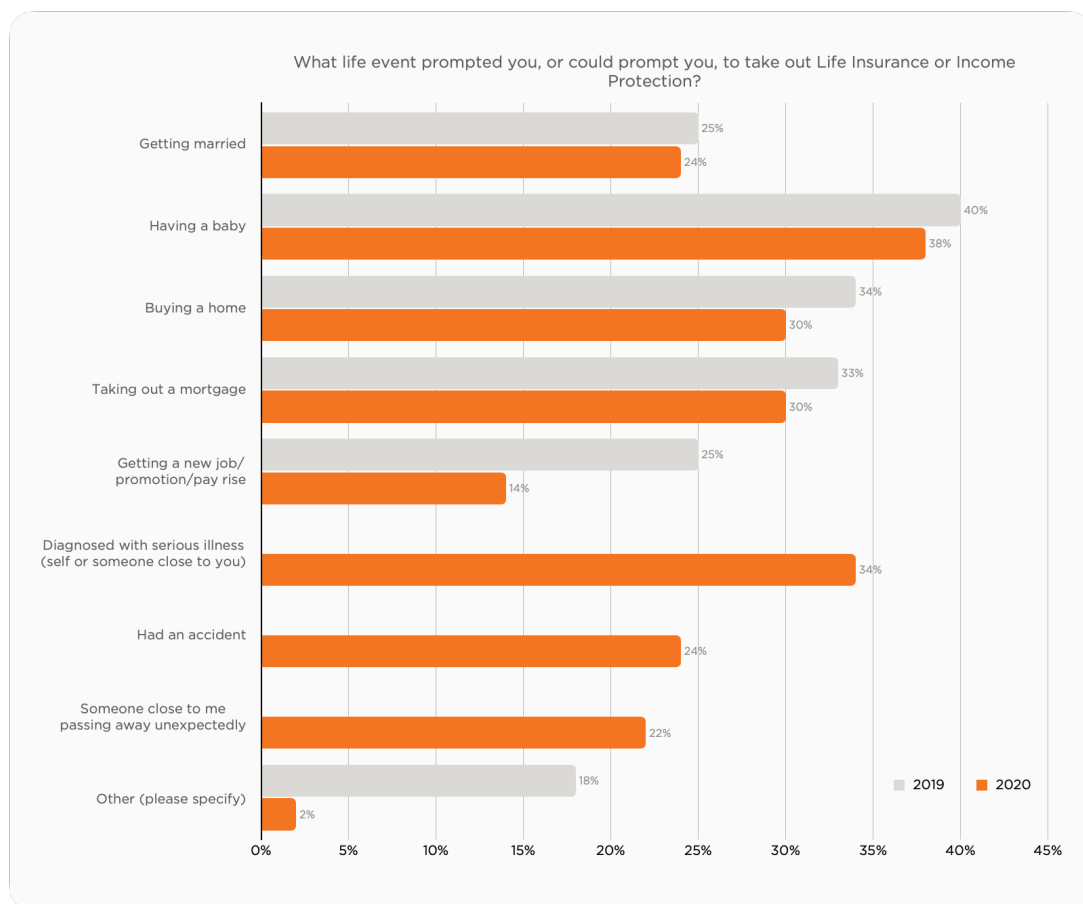
Life insurance

Confronting your own mortality

For the vast majority of people, it takes a life changing event/‘trigger’ – like having a baby (38%) or buying a home (30%) – to prompt most of us into taking out life insurance.

While an increase in dependents or commitments leading us to consider how we’ll provide cover for these through Life Insurance just makes sense, it’s interesting that being confronted by our own mortality seems to be particularly motivating, perhaps reflecting the year we had. 80% of respondents purchase life insurance after a trigger related to health – an illness diagnosis (34%), an accident (24%), or an unexpected death of a close friend or relative (22%).

This suggests that we only take action when confronted by the truth of our own mortality, possibly too late and probably leaving many of us more exposed than we want to be if we took a few moments to think about it. It could be one of the main causes of the overall underinsurance seen in Australia (are we relying on being the ‘lucky country’ a little too much?).

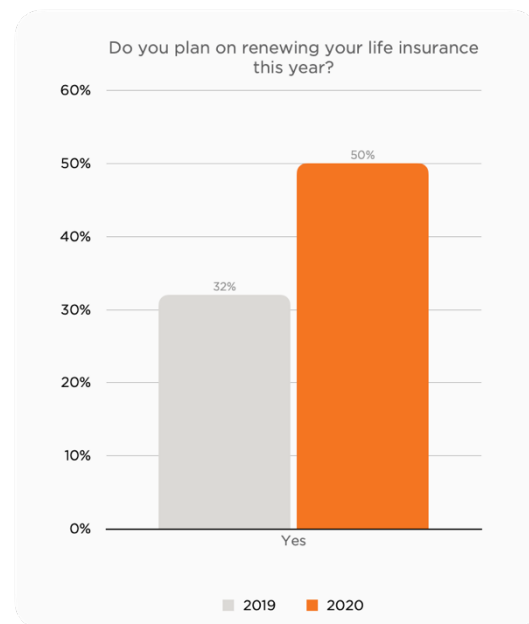


More see value in their life insurance

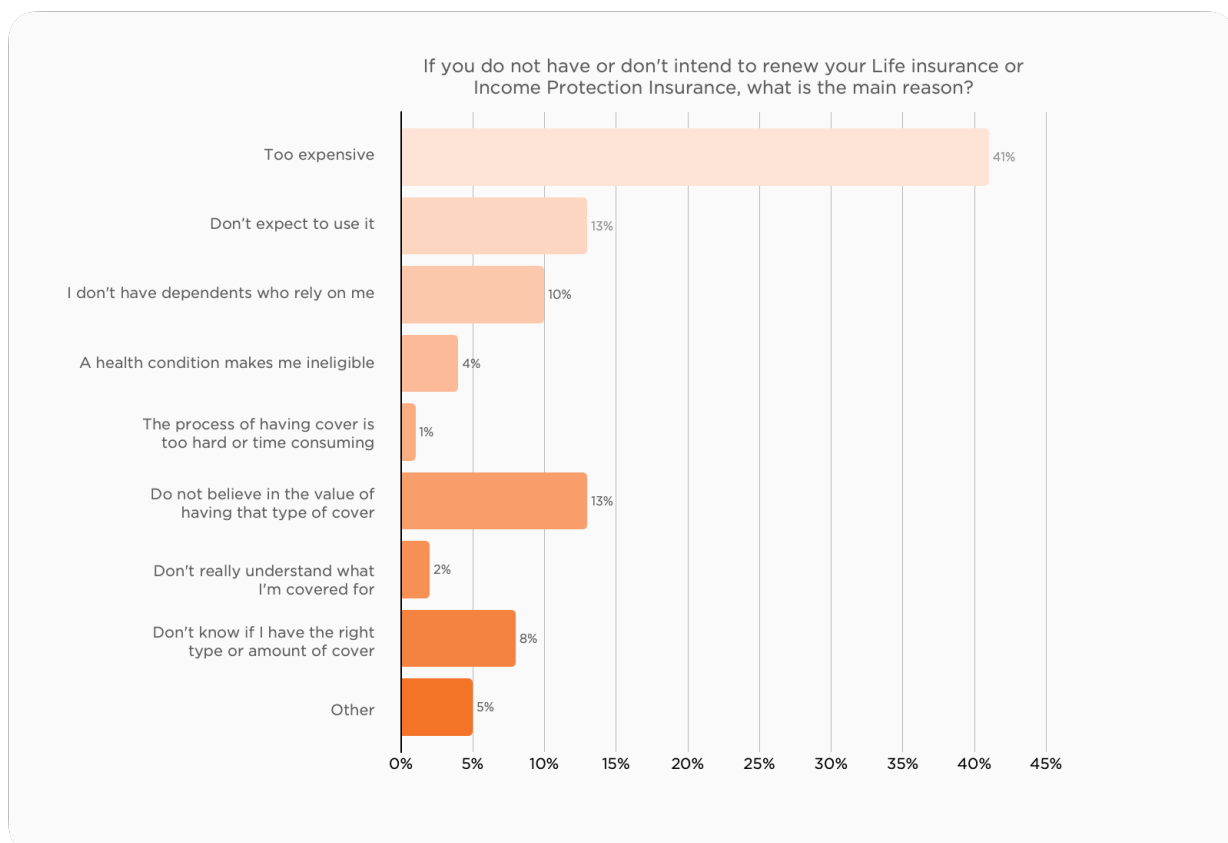
Unsurprisingly, there's nothing like a global pandemic to make people value life insurance.

In 2020, only 1 in 3 people with life insurance claimed that they would definitely be renewing their cover. Following the year we've had, this has increased to half (50%) this year.

Perhaps the real surprise is that this figure is not higher.



As per previous years, the main reasons to not have or not renew life insurance relate to price/value perceptions. Outside of simple affordability issues, the industry as a whole still needs to help more people see the value in cover and not just the costs.



The importance of fully underwritten and Australian owned

When asked to rank the overall importance of different factors in purchasing life insurance, it looks like this year has prompted Australians to look for some more reassurance.

Behind the perennial top choice of 'Good value for cover offered' (8.13 out of 10), our respondents ranked the reassurance of fully underwritten insurance as their second most important factor (7.47).

In another nod to reassurance, 'Australian owned' was also ranked as highly important (7.23), with 54% ranking it as an 8 out of 10 or higher. This means it beat Local Contact Centre (7.21), Top reviews/testimonials (7.17), and Award winning (6.59). It suggests people really value the backing of a company with deep roots in Australia.

Life insurance regains top 3 insurance spot

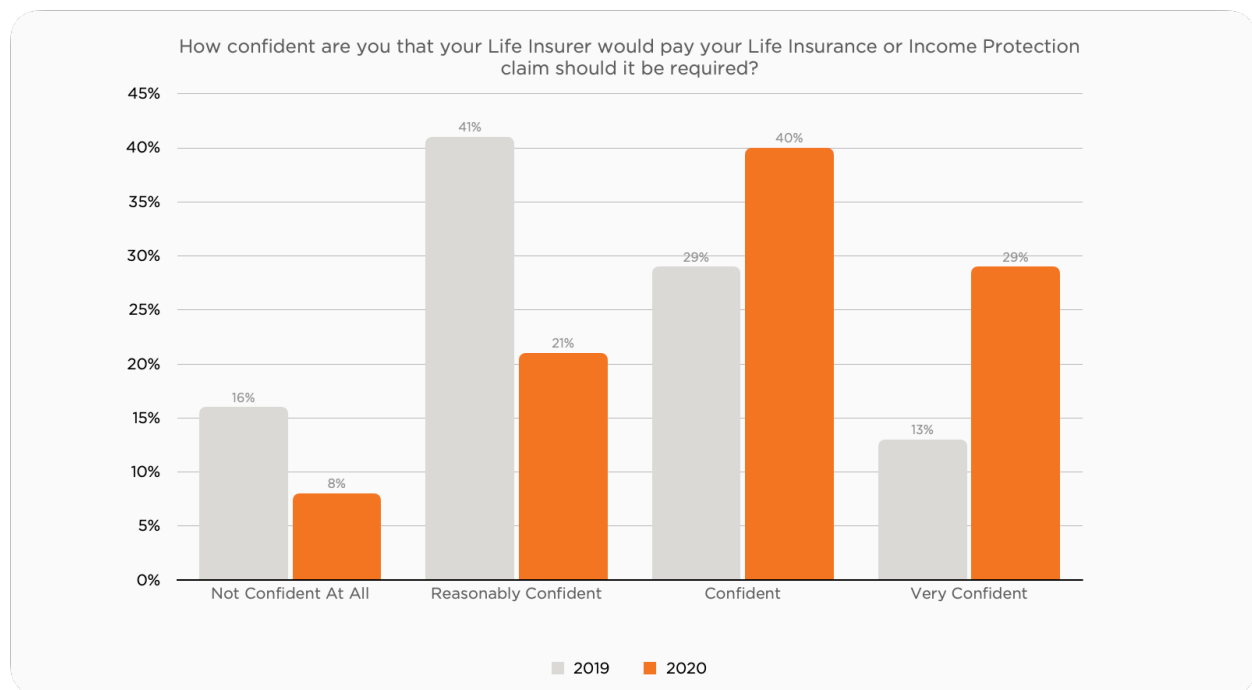
Every year, we ask people to tell us what things they would insure first. As per previous years, home and car come in the top 2. However, in our 2020 Whitepaper, Health Insurance had taken over from Life Insurance as the 3rd most important. In good news for the industry, insuring your life has regained its top 3 spot.

The waning of the Royal Commission hangover?

And in more good news for the industry, it appears that consumer trust in the Life Insurance sector is finally returning, perhaps marking the end of the hangover caused by the headlines generated by the Royal Commission.

After the Royal Commission, confidence in life insurance companies had sunk dramatically - only 42% of people with Life Insurance in our 2020 Whitepaper said that they were confident or very confident that a claim that they made would be paid out and 16% were not confident at all. In comparison, 69% of respondents this year claimed to be confident or very confident that a claim would be paid out, and only 8% are not confident at all.

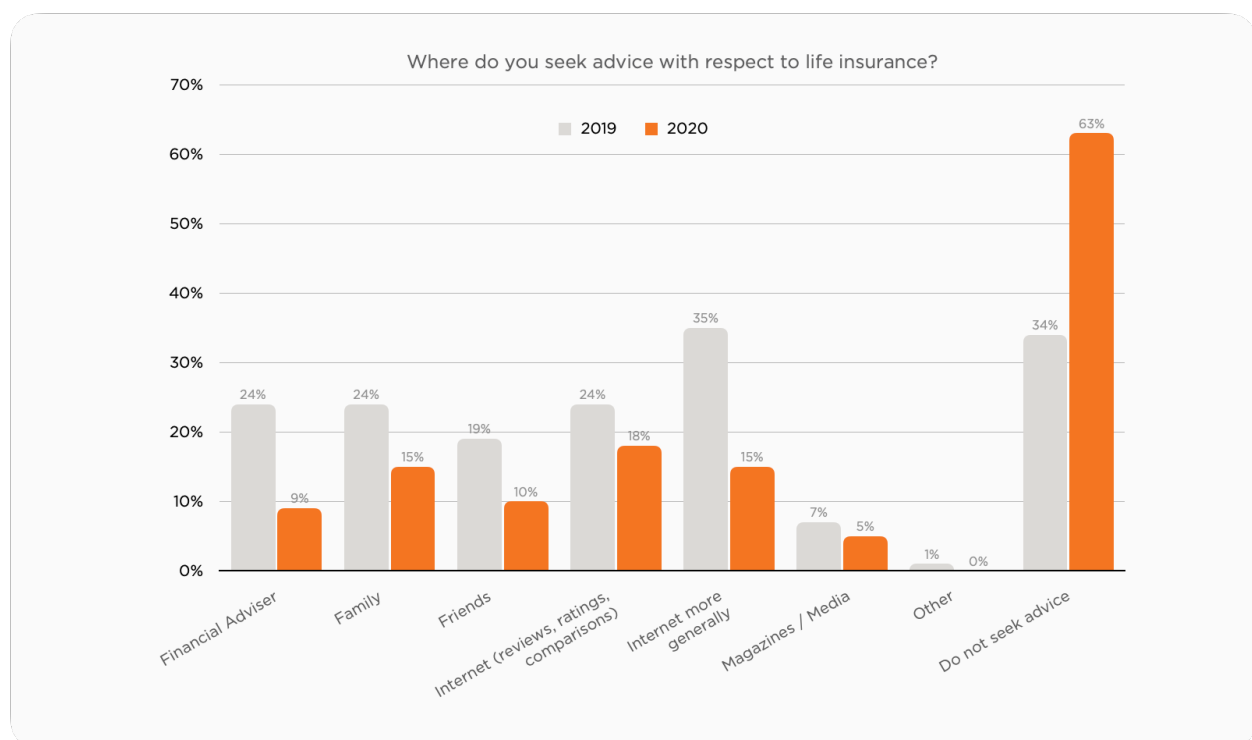
Still, we shouldn't get blinded by the relativity. Whilst a very positive movement in trust, for an intangible product that is all about trust, nearly 1 in 10 customers not believing that the cover they're paying for will actually pay out is obviously a concern. So the industry still needs to work on rebuilding its overall reputation.



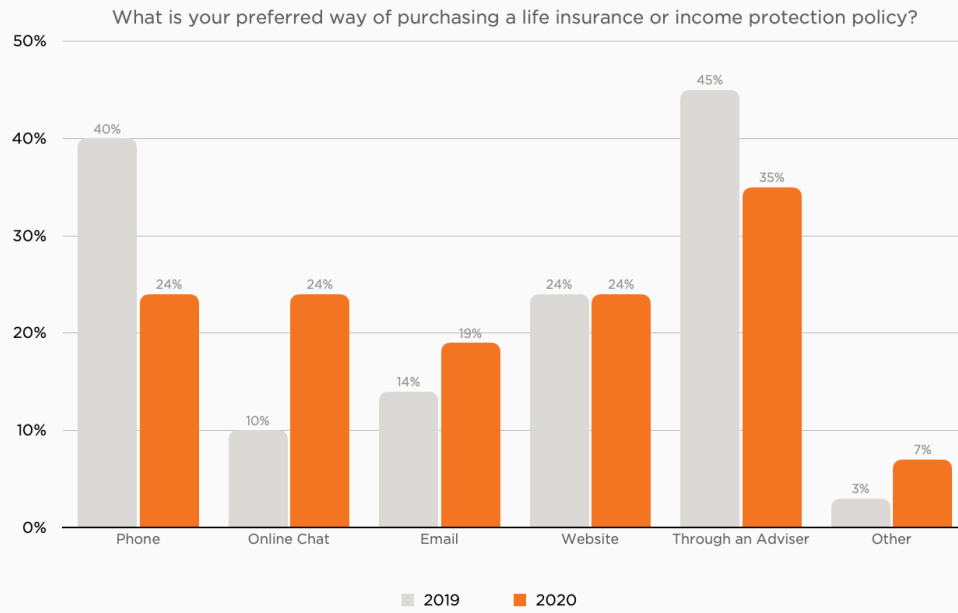
Interesting times for financial advisors

Over the 5 years NobleOak has been publishing these annual Whitepapers, survey findings have shown a consistent move away from relying on financial advisors for life insurance advice. But this year we saw a really dramatic decline, going from 24% of respondents in the 2019 survey seeking the help of a Financial Advisor to just 9% in the 2020 survey.

It seems like this is an overall trend for this year of just not seeking out advice in general, with declines across all the categories of advice that we ask for. It will be interesting to see if this is a temporary change brought about by needing to 'batten down the hatches' (meaning people are generally less future focused and will revert to the previous levels when life returns to more normality), or if this really represents the speeding up of an existing trend. Something we'll be looking out for next year.



This decline in the role of Financial Advisors in Life Insurance is also revealed in how people want to go about purchasing cover. 'Through a Financial Advisor' has seen an 11% drop from last year. We can also see that online channels are maturing, with a big reduction in the traditional channels of phone, and Financial Advisors, and a significant jump in the use of online chat from just 10% to 24%.



The remarkable resilience of the Australian spirit

By any measure it's been a tough year

It seems a long time ago, but for many of us the year started under a blanket of smoke and with our communities dealing with the devastation of bush fires.

We'd barely drawn breath by the time COVID-19 hit, threatening our health and ravaging the economy and people's working and social lives. And little did we know back then that it would affect the whole year and beyond.

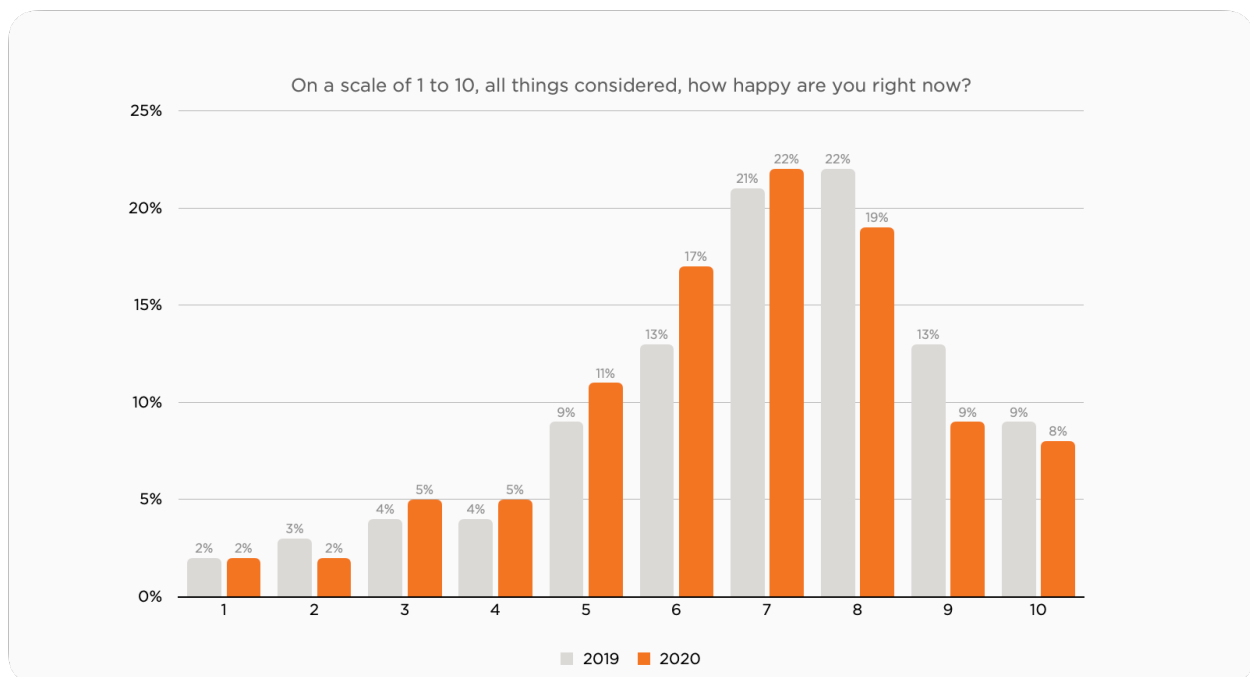
Few would disagree that it's been one of the hardest years in living memory.

Each year we have asked people to rate their overall level of happiness from 1 (very unhappy) to 10 (very happy). Under the circumstances, you'd expect Australian's to be significantly less happy. But that's simply not what we found.

The remarkable resilience of Australian happiness

In a remarkable show of resilience of spirit, it seems like we've been able to largely shrug off the effects of 2020.

In the data from 2019, the mean reported happiness score was 6.9 out of 10. In 2020, the mean score declined by just 0.2 to 6.7.



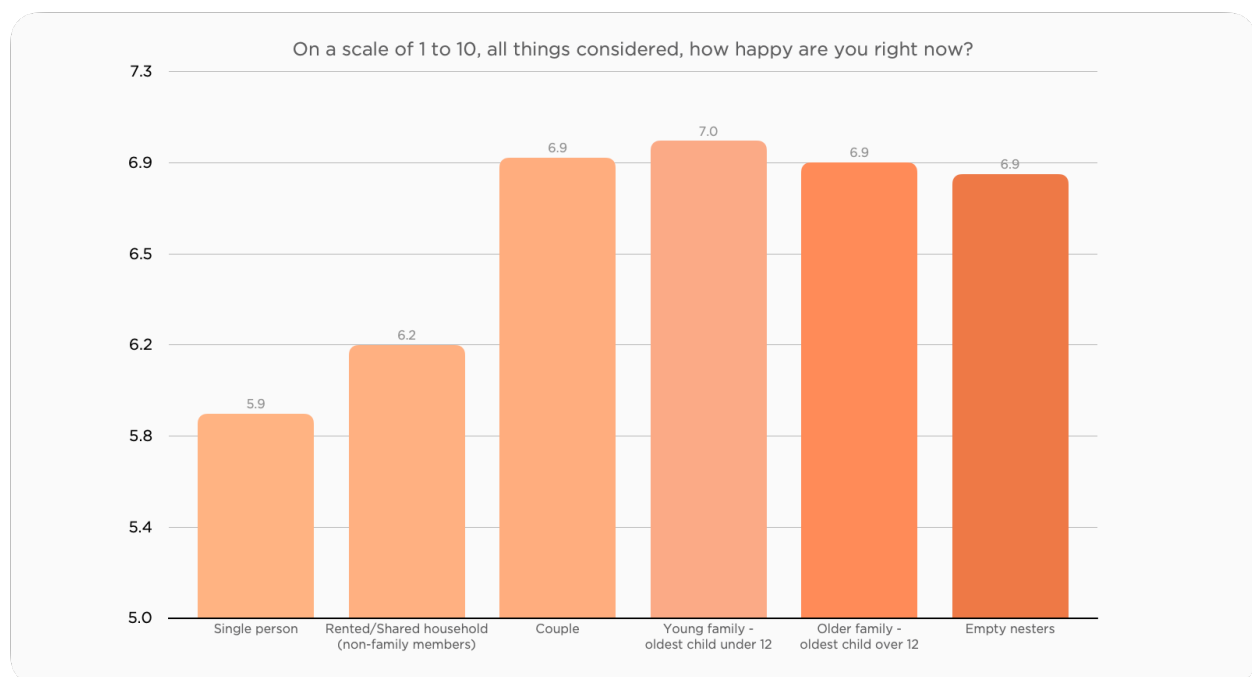
What explains this surprising result?

Clearly the overall satisfaction with Australia's relatively successful management of COVID-19 will have helped – constantly reinforced by global headlines highlighting the struggles most countries are facing.

Most other factors seemed to have a negligible impact (see below). However, there does appear to be one important factor that stands out – family and relationships.

The protective role of family and relationships

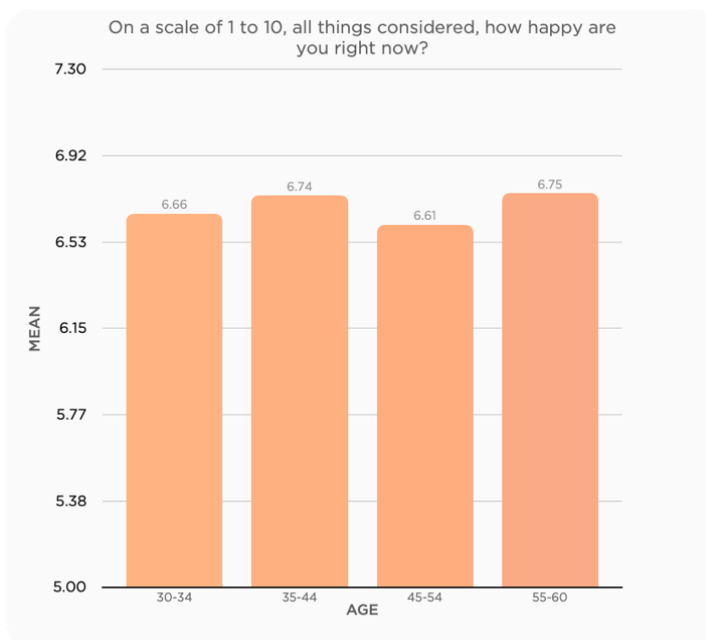
Those with families are significantly happier than singles or those in shared accommodation. Our happiest group – those with young families (7.01) report being 20% happier than singles (5.86).



A quick analysis of social media shows that whilst lockdowns and restrictions have been disruptive, many people remark on the happiness that spending more time with their families has brought them, often mentioning that it's helped them to see what's truly important in life.

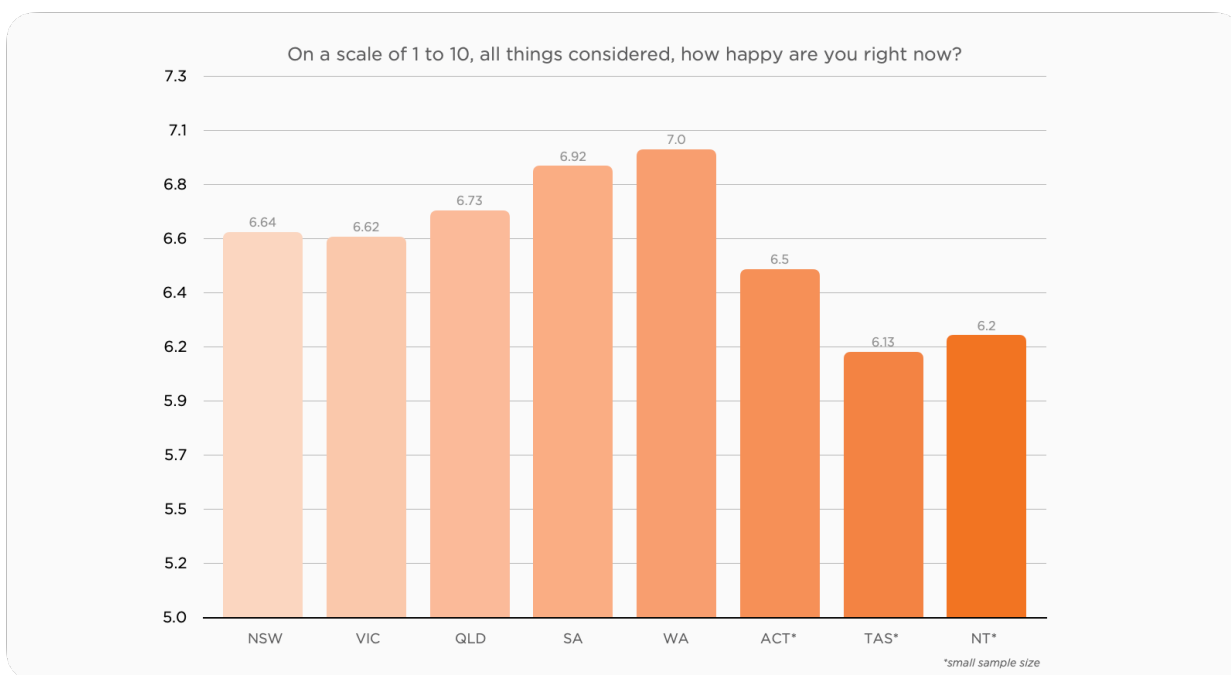
And it's not just an age thing (clearly younger people are more likely to be single than older people). Age bands show the lowest level of happiness is in the 45-54 yr olds (6.61) vs highest in 35-44 yr olds (6.74), a fairly marginal difference, suggesting it really is about the power of family and relationships.

For a company dedicated to helping people protect those they love, it's hugely gratifying to know that those you love are also protecting you.



Other happiness findings

- There was a negligible difference between the genders: Women averaged 6.70, men 6.67
- Similarly, there were almost no differences between Metro (6.69) and Regional (6.67) happiness levels
- There were some state based differences. Interestingly, the states with less COVID-19 infections and deaths showed a slightly higher happiness result - WA(6.99), SA (6.92), QLD (6.73) - versus those that had more significant outbreaks and lockdowns - VIC (6.62) and NSW (6.64). (NB ACT, TAS and NT recorded lower results, but sample sizes were too small to report reliable findings)



Sources

¹ Cancer data in Australia, AIHW, Cat. no: CAN 122
www.aihw.gov.au/reports/cancer/cancer-data-in-australia/contents/summary

² Road Trauma Australia—Annual Summaries, 9 July 2020
www.bitre.gov.au/publications/ongoing/road_deaths_australia_annual_summaries

Appendix

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Research methodology

The national research study referred to in this Whitepaper was conducted independently by Pureprofile Australia Pty Ltd in November 2020 from a survey completed by over 1,000 Australians between the ages of 30 and 60 years old. Almost half of the respondents have a current Life or Income Protection policy in place with a mix of occupations and relationship statuses.

Whitepaper

The NobleOak Whitepaper was written by Mr Wolf, an independent Brand, Advertising and Communications Agency.

About NobleOak Life Limited

NobleOak Life Limited (NobleOak), is one of Australia's most established life insurers and has been in the Australian market for over 140 years. NobleOak is an independent insurer providing Life, TPD, Trauma, Income Protection and Business Expenses insurance.

NobleOak keeps costs low and avoids commissions to financial advisers. They are able to pass savings back to their customers and clients through their competitive premiums, while still maintaining outstanding personal service.

NobleOak has a client satisfaction rating of 94.5% (2019 client survey) and is the most awarded direct Life Insurer of 2019[^]. NobleOak is the only Life Insurer to have won a Canstar Award for "Outstanding Value – Direct Life Insurance" four years running. In 2019, NobleOak were the recipient of the Plan for Life Customer Service and overall Excellence Awards and attained a Feefo Gold Trusted Service Award. Also in 2019, NobleOak has also been recognised by Finder, winning the Best Life Insurance category, and Mozo as the Life Insurer of the year.

[^]see NobleOak awards information at www.nobleoak.com.au/award-winning-life-insurance

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*The information in this Whitepaper is provided as general information only. It is not personal advice and readers should always consider their own needs and circumstances, as well as the relevant Product Disclosure Statement, before making decisions about life insurance products. Comments made based on the available data have been made in good faith but readers are entitled to make their own conclusions and assessment of the data provided here. **NobleOak Life Limited ABN 85 087 648 708 AFSL No. 247302***

