



EXPECTING THE UNEXPECTED:

Australia's preparation for financial uncertainty

Life Insurance Whitepaper March 2023

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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 survey response 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. 24730

The respondents referred to in this whitepaper were participants in a survey conducted by Pureprofile as described in the Appendix.

Key findings

Almost two-thirds of Australians expect their income to be affected in 2023

Australians are bracing for the fallout of a potential recession, as **61% of respondents think an economic slowdown will leave them unemployed or with reduced income in 2023**. Consumers also rank 'good value' and 'lowest price' as their most important factors in purchasing insurance, which is further indication that money is top of mind.

People who hold life insurance continue to be happier

Good news: Australians, for the most part, are happy. **Average happiness levels remain the same as last year — 6.5/10 —** despite tough economic conditions. For context, that's just 0.4 points lower than what it was in the 2020 report before the pandemic. Notably, **respondents with life insurance are happier on average than those without**. Insured consumers rate their happiness 6.8/10, compared to uninsured consumers who rate it 6.2. This is consistent with our survey results all the way back to our 2018 survey, in which insured respondents have been generally happier than their uninsured counterparts.

Consumers see life insurance as a security blanket

How do people currently feel about life insurance? It's complicated. Although most respondents who don't have or don't plan to renew life insurance (including life, TPD, trauma covers, and/or income protection) are motivated by cost, many of those who do have cover are holding onto it amid financial uncertainty. Consumers seem to be becoming increasingly worried about providing for their families. **The main reason for taking out life insurance cover for 52% of respondents in this year's survey was to look after their loved ones.**

In terms of plans for taking out insurance cover, respondents rank income protection as the life insurance product they'll most likely take out in the next five years.

80% of Australians don't use a financial adviser

For the seventh consecutive year, we're seeing a decline in Australians engaging a financial adviser for their life insurance needs. When seeking life insurance, 25.4% of respondents in 2017 said they used a financial adviser. However In 2022, only 11% of respondents say an adviser would be their first point of contact when seeking life insurance. In fact, **the majority of respondents rank family as their preferred source of informal financial information** (with the internet ranking second).

Australians are increasingly buying insurance online

Compared to previous years, respondents are increasingly buying insurance products (including life, auto, travel, home, health and income protection) either online or through an app. Only 21% of respondents used websites to purchase life insurance in 2017, but in 2022, **53% of consumers compare cover online and at least 43% prefer to purchase online.**

Introduction

For the seventh consecutive year, NobleOak has commissioned research into Australia's life insurance industry.

The goal? To better understand the forces shaping consumer demand in a rapidly evolving sector. Why? Because we hope our findings can help improve the customer experience and the value that Australians receive from products within the life insurance industry.

Using Pureprofile Australia, NobleOak surveyed over 1,000 Australians — 51% with life insurance, 49% without — across a broad range of demographics and geographies. Here's what we found:

First and foremost, Australians are consistently happy. With COVID concerns on a steady decline and mental health ratings on the rise, the Australian spirit's remarkable resilience continues to shine. Meanwhile, more consumers are researching life insurance — both online and through querying family members — signalling that a growing number of people are seeking to understand their cover and what's available in the market and relying on their families for advice.

But, it's not all sunshine and rainbows. As COVID-related challenges fade, new ones arrive in equal measure. Financial uncertainty looms large over respondents as a potential recession approaches, with many expecting to be significantly impacted in the coming months.

However, one common denominator remains: the need for insurance. Australians are holding on to their cover, choosing to let go of material items and leisure activities in favour of the financial protection which insurance can provide. We also expect to see this trend continuing over the next few years, as respondents focus on providing for their families and navigating uncertainty.

Rising economic uncertainty

Consumers fear financial hardships ahead. This year's results indicate that consumers are increasingly worried about their financial security. Given concerns about Australia's economy, this comes as no surprise.

Here's the real shock: Most respondents expect to be significantly impacted by financial hardship in the near future. In fact, 61% think an economic slowdown or recession will leave them unemployed or with reduced income. Compared to our previous survey, 2022 saw a 28% increase in respondents feeling they may be made redundant.

Respondents rank budget tightening as the event most likely to happen to them in the next year, followed by rent increase, home loan stress and a change in employment.

61%

think an economic slowdown or recession will leave them unemployed or with reduced income

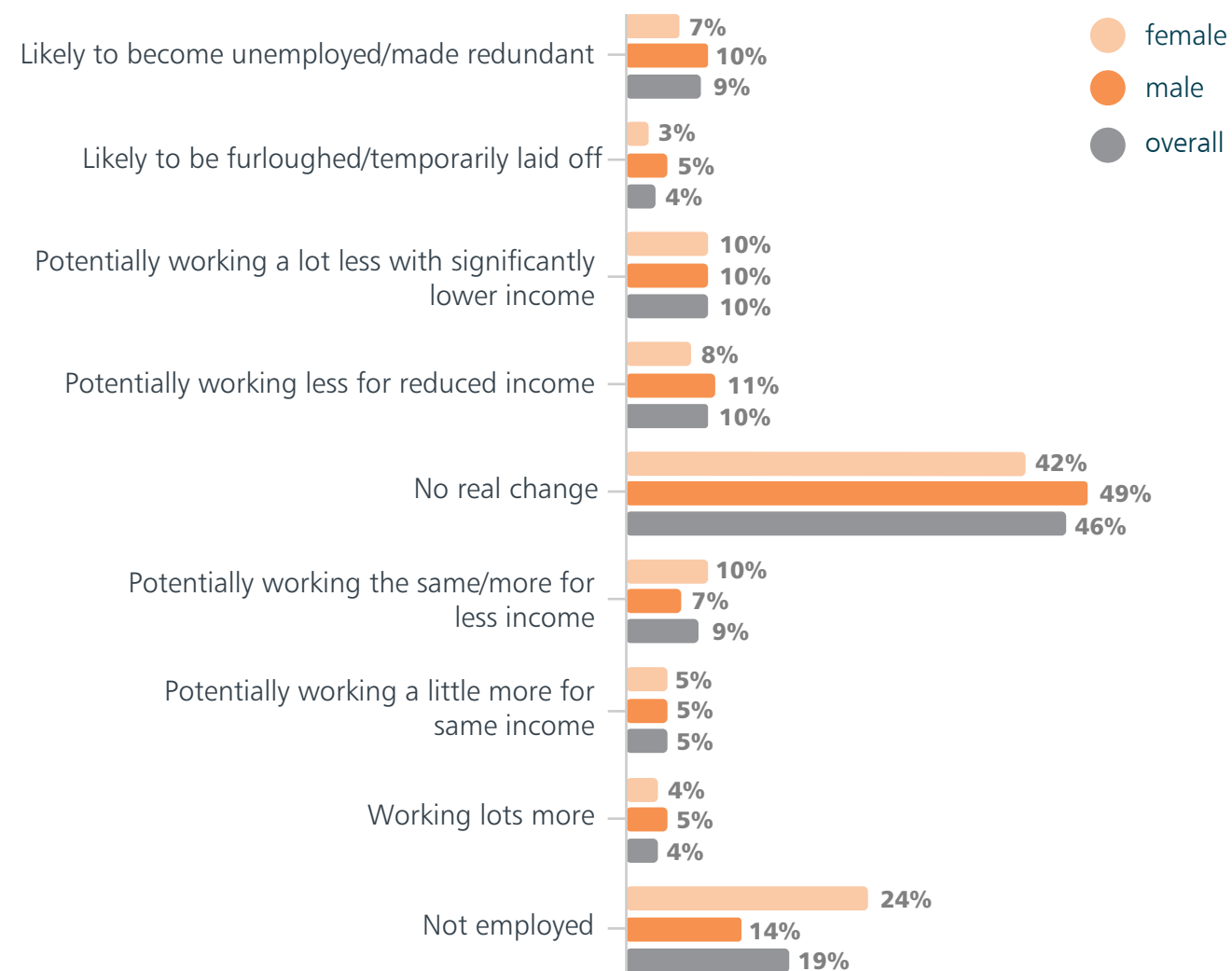
28%

Compared to our previous survey, 2022 saw a 28% increase in respondents feeling they may be made redundant

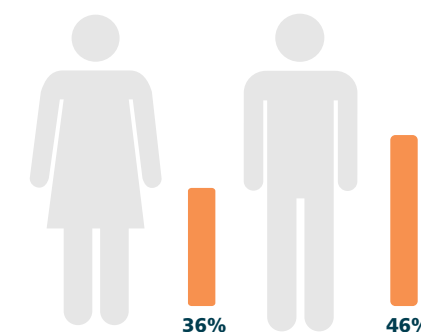




How do you think an economic slowdown or recession will affect your working situation in the future?



Respondents who said Covid-19 prompted them to reduce overall spending



RIISING ECONOMIC UNCERTAINTY

Tough times may be getting tougher.

It's no secret that Australians have persevered through their fair share of turbulence over the past few years. Unfortunately, it looks as though tough times have taken their toll on the country's optimism, especially when it comes to household finances.

According to our survey, consumers are growing increasingly worried about providing for their families with 52% of respondents citing the main reason for taking out insurance cover as taking care of their loved ones. This trend has increased from 48% in 2020. Interestingly 20% of respondents rank either their life or their income as the first thing they would insure to help protect their family and their livelihood compared to just 13% in 2020 and 12% in 2021.

Furthermore, 58% of respondents believe an unexpected expense of \$4,000 would be harder to cover now than it would have been the previous year. In fact, 34% of respondents are unsure that they would be able to come up with it at all, which is an increase from 26% in the 2021 survey. Notably, just 36% of people say they'd have little trouble finding the money in 2022 — a startling 14% drop from last year's result.



52%

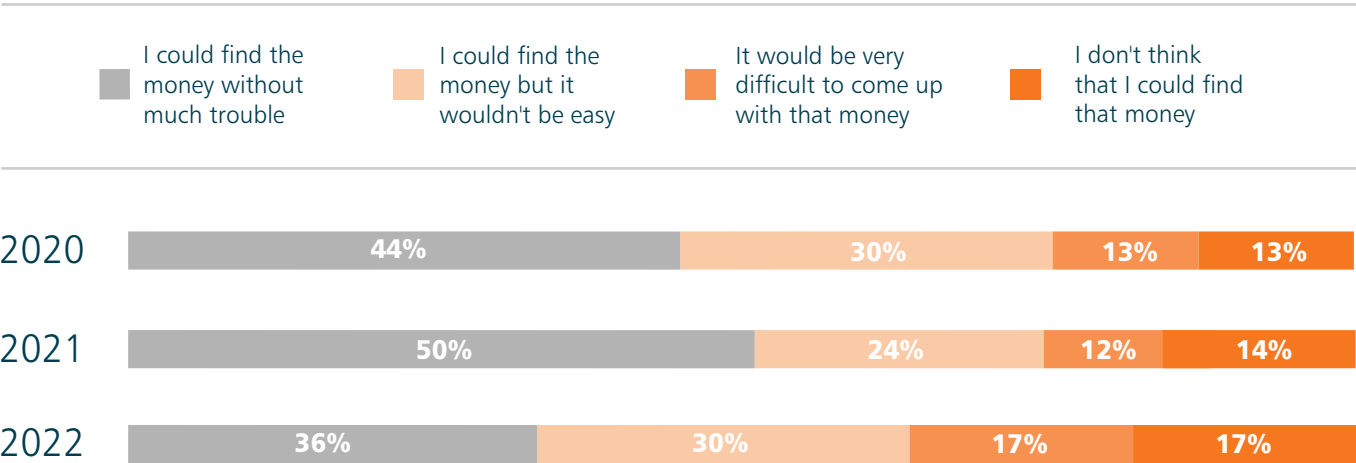
of respondents citing the main reason for taking out insurance cover as taking care of their loved ones



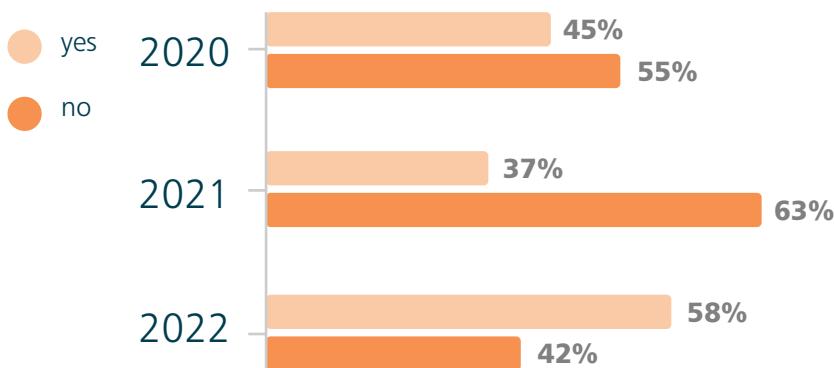
58%

of respondents believe an unexpected expense of \$4,000 would be harder to cover now than it would have been the previous year

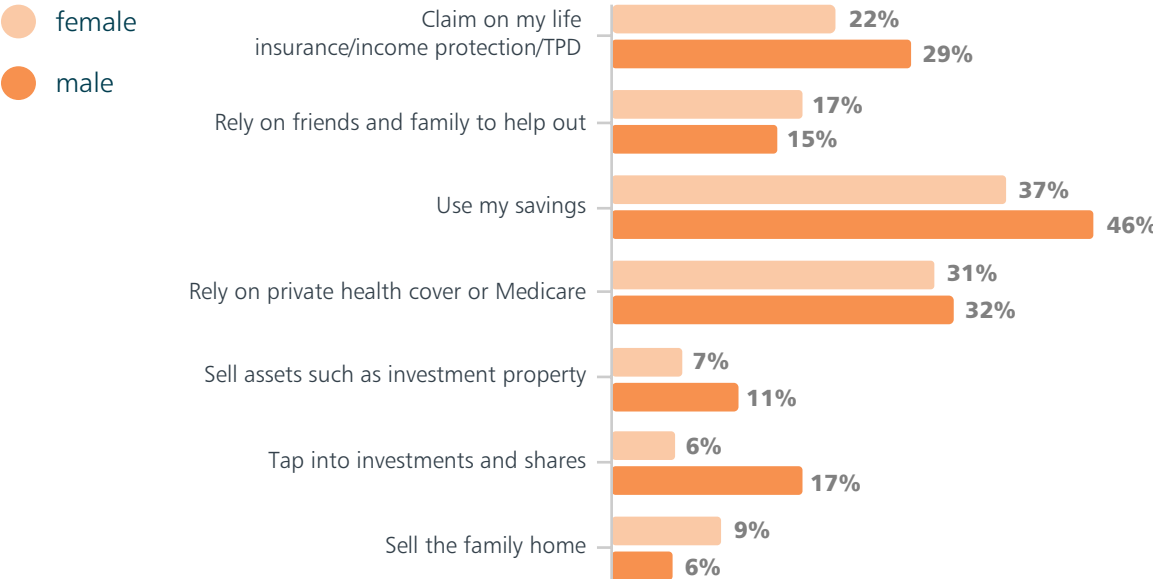
If you had a sudden surprise expense costing \$4,000 (e.g. car broke down, home repair, medical expense), how easy would it be to find that money?



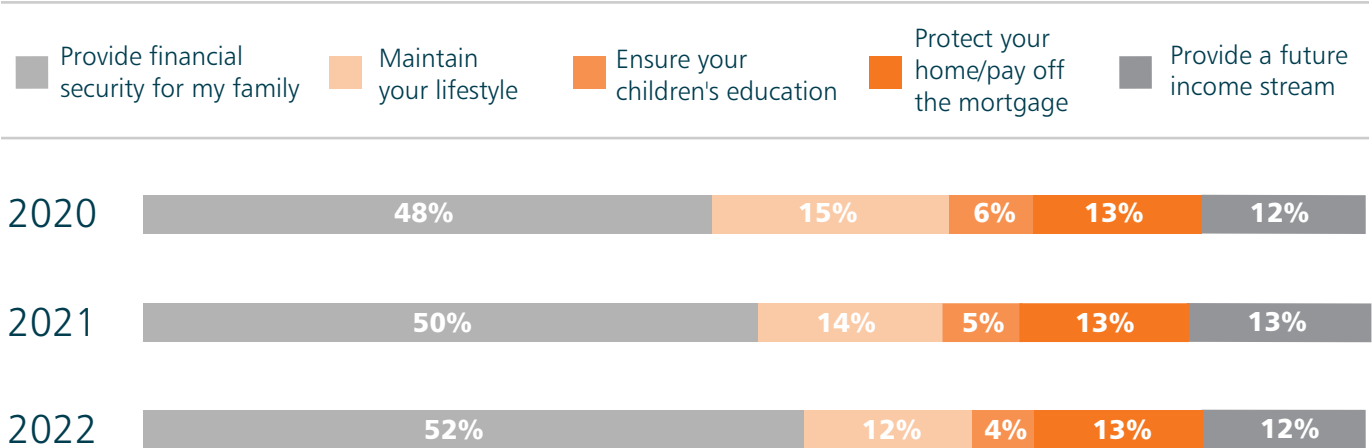
In comparison to last year, would it be harder for you to find \$4,000 to cover a surprise cost?



How would you cope financially if you were diagnosed with a major illness such as cancer or suffered an injury and couldn't go back to work?



What is the main reason for having/taking out life insurance or income protection?



RIISING ECONOMIC UNCERTAINTY

Slight decrease in income protection.

Here's what we know: the survey response suggests that Australians are worried about the economy, many expect to be financially impacted by a recession, and more people are worried about supporting their family.

However, despite growing concerns about financial security and economic instability, there's been a 4% decrease in respondents who have income protection. Why might this be?

The small regression is likely due to the fact that people are actively tightening their belts as they adjust to increased living costs and prepare for a potential recession. It's to be expected that consumers are cutting expenses where they can, especially in areas they deem costly.

However, in terms of future plans for taking out insurance cover, respondents rank income protection as the life insurance product they'll most likely take out in the next five years, so this trend may decrease in future years.

Respondents who didn't have life insurance products stated the primary reason for not having cover was that it was too expensive, which aligns with what we've seen in the past three years.

What are the different types of insurance cover you have or intend on getting in the next 5 years?



RISING ECONOMIC UNCERTAINTY

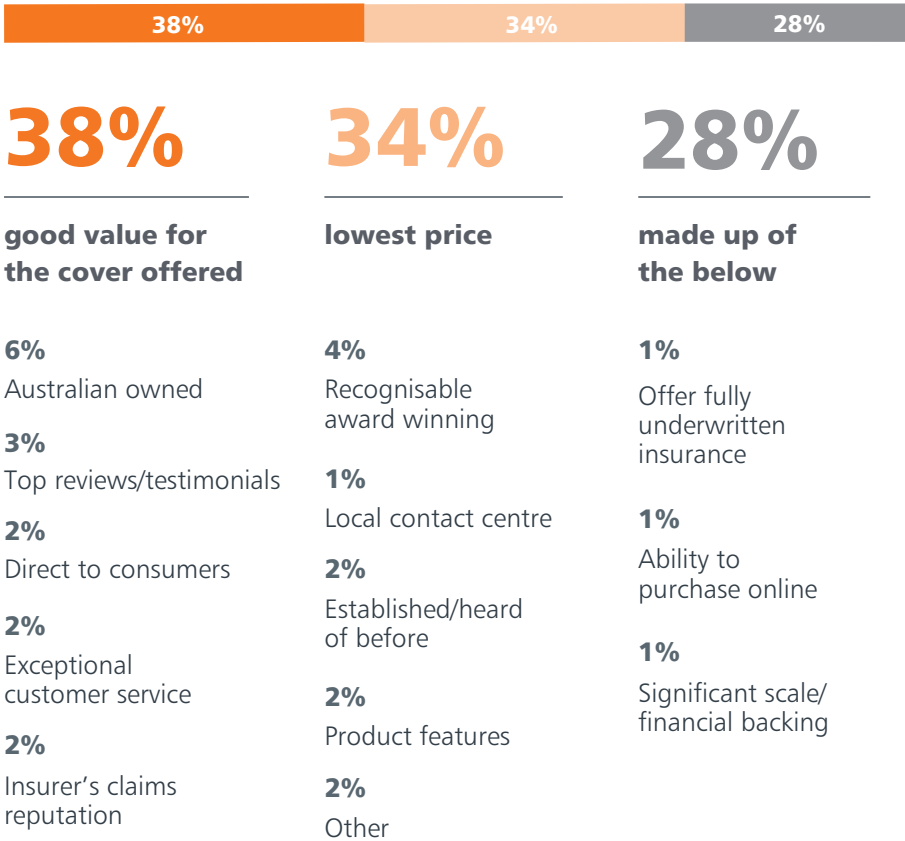
Higher focus on cost savings.

Now that people are tightening their spending, Australians are placing a premium on cost efficiency in 2023. What does this mean when it comes to life insurance?

Roughly 38% of respondents rank “good value for the cover offered” as their most important factor to consider when purchasing life insurance. Furthermore, 34% of respondents rated “lowest price” as their main consideration.

Both responses appear to be the leading factors determining consumer life insurance decisions, signalling a significant focus on value and price. Interestingly, just 16% of respondents ranked “lowest price” as their most important factor in 2021, but this number more than doubled in 2022. Value, on the other hand, remained consistent as the leading factor (and it even increased by 7%) in 2022.

Most important factors to consider when purchasing life insurance



GETTING USED TO THE NEW NORMAL

Life after COVID-19.

Overall, many of the health-related metrics tracked in our research have remained consistent across 2021 and 2022, suggesting that people have acclimated to the pandemic's initial turbulence.

Here's where things took an interesting turn: Mental health ratings are on an upward trajectory. Whereas 25% of respondents indicated their mental health was at least somewhat better since before the pandemic in the 2021 survey, this number reached 38% in 2022 — an impressive 13% improvement.

In last year's whitepaper, 48% of Australians said their mental health actually declined since before the pandemic. Fortunately, that number shrunk to 35% in 2022. In other words, mental health appears to be trending in a positive direction, even in the midst of economic uncertainty.

Bottom line: Resilience, once again, seems to prevail.



35%

of Australians said
their mental health
actually declined since
before the pandemic

38%

of respondents indicated
their mental health was
at least somewhat better
since before the pandemic





On a scale of -5 (much worse) to +5 (much better), how would you rate your mental health/mental wellbeing now versus before the Covid-19 pandemic?

-5 Much worse -4 -3 -2 -1 0 1 2 3 4 5 Much better

2021



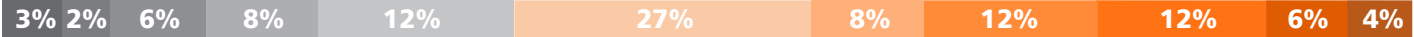
2022



Women



Men



GETTING USED TO THE NEW NORMAL

Happiness appears unchanged post-pandemic.

Between pandemic health risks and rocky economic conditions, it's reasonable to assume most people aren't happy. Yet, our survey says otherwise.

According to our sample, Australians rank their happiness at an average of 6.5/10, which is unchanged since last year's result. For context, this is just 0.4 points down from pre-pandemic levels — a true testament to the nation's perseverance.

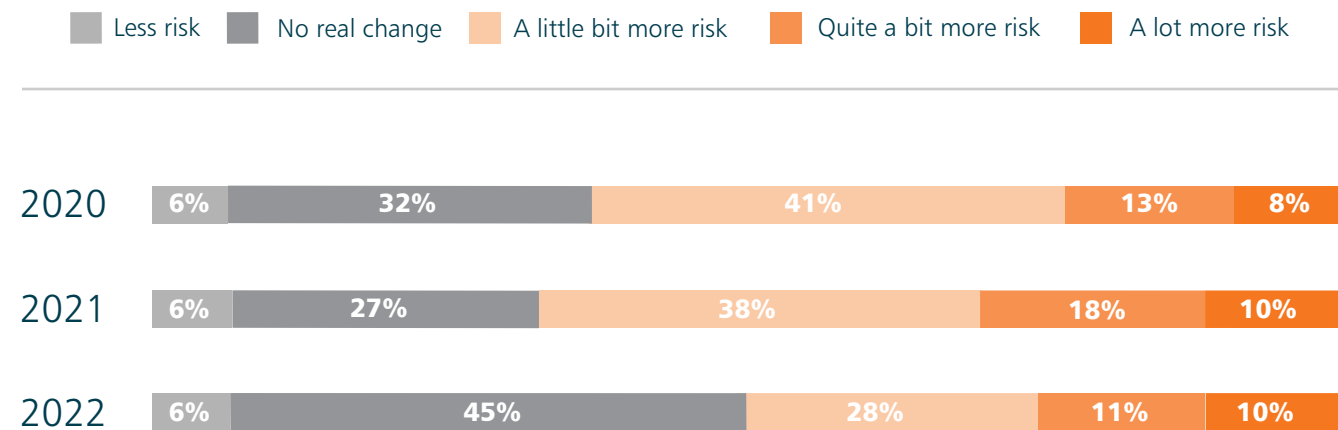
Although there's no substantial distinction between male and female happiness, there appears to be a difference between people with life insurance and those without. In 2022, insured consumers rate their happiness 6.8 on average, whereas the average happiness level of uninsured people is 6.2. This is consistent with our survey results all the way back to our 2018 survey, in which insured respondents have been generally happier than their uninsured counterparts.

Notably, people are feeling slightly more at ease in the face of COVID. Respondents were asked if they felt like there were more or less perceived health risks and risk of dying than there was pre-pandemic in both 2021 and 2022.

More than two-thirds of respondents believed there were more health risks than before the pandemic in the 2021 survey, but this number dropped to 49% in 2022.



In comparison to before the Covid-19 pandemic, in terms of risks to your health or risks of death does it feel like there is:



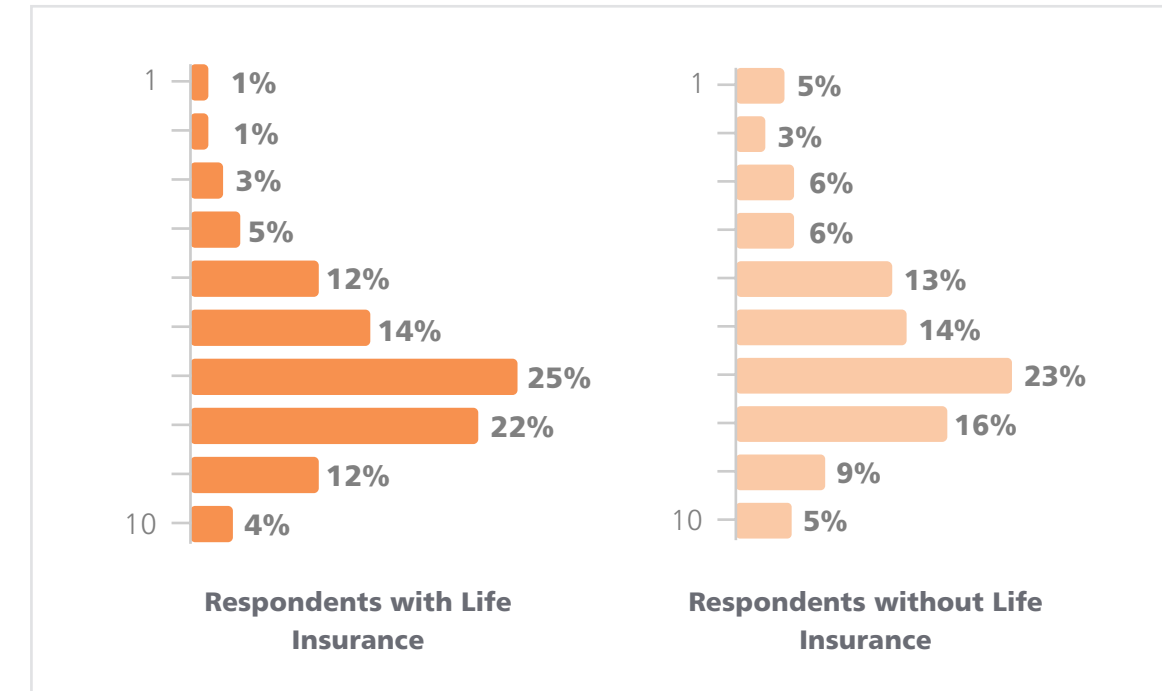
Women in 2022



Men in 2022



On a scale of 1-10, all things considered, how happy are you right now?



Australians rank their happiness at an average 6.5/10, which is unchanged since last year's result

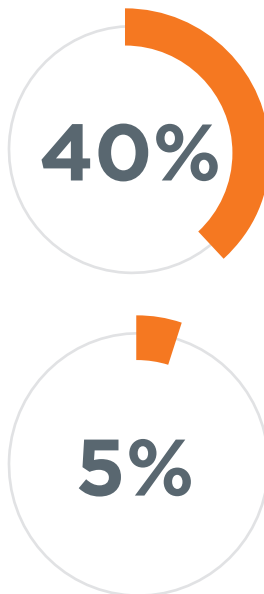
GETTING USED TO THE NEW NORMAL

Consumers are doing their homework around insurance.

Our past research shows that Australians carried a sense of confusion around whether or not COVID-related risks were covered by life insurance. This year it seems the public has done their homework, resulting in more definitive answers across the board.

43% of our sample is either sure or fairly positive that death, total and permanent disability, or an inability to work caused by COVID is covered by, (respectively), life cover, TPD insurance and income protection, compared to just 24% in the previous survey. What's really notable is that just 5% of respondents were unsure if a life insurance policy would cover death or disability caused by COVID, a significant drop from nearly 40% in the past two years.

What does all this mean? It suggests more people understand life insurance, at least relative to how it covers conditions caused by COVID-19.

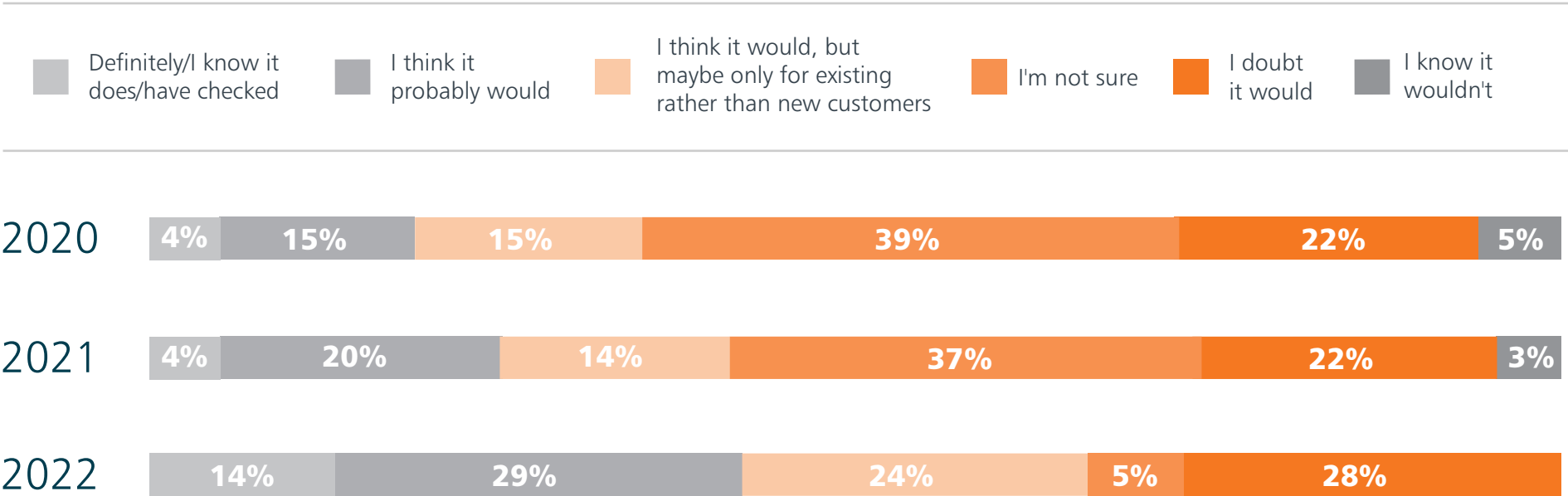


In 2020 and 2021, nearly 40% of respondents were unsure if a life insurance policy would cover death or disability caused by COVID-19. This number dropped to 5% in 2022





In terms of risks associated with COVID-19, would you expect life insurance to cover this automatically?



INTERESTING CHANGES IN CONSUMER BEHAVIOUR

A steady decline in financial advising.

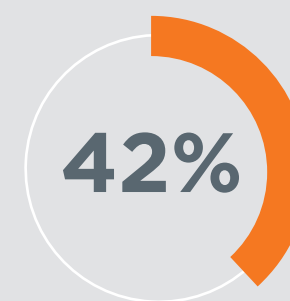
You might think that the notion of economic turmoil would inspire an increasing number of consumers to seek out the guidance of a professional financial adviser. If our survey is any indication, this doesn't seem to be the case.

Despite potential financial uncertainty ahead, 80% of respondents don't use a financial adviser whatsoever. Looking back at our previous research, we can see that this represents a growing trend over the past six years. When seeking life insurance, 25.4% of respondents in 2017 said they used a financial adviser. In 2022, only 11% of respondents said an adviser would be their first point of contact when seeking life insurance.

We also asked respondents what they would do to cope financially if they weren't able to work due to a serious illness or injury. 42% of respondents said they would rely on savings, which is a 9% increase over the last two years of our survey. Interestingly, we also see that the amount of people who would look to rely on their friends and family to help out doubled in 2022, suggesting that fewer feel that they would be able to cope on their own.



of respondents don't use a financial adviser whatsoever



of respondents said they would rely on savings to cope financially if they weren't able to work due to a serious illness or injury

INTERESTING CHANGES IN CONSUMER BEHAVIOUR

Where are consumers getting their financial advice?

Given that 80% of respondents indicated that they don't use a financial adviser, this raises the question: Where are they getting their financial advice?

In the past, the answer was simple: the internet. Since 2017, respondents consistently ranked the internet as their go-to resource for general financial information, but this changed in 2022. Now, 35% rank family as their most appealing source of advice — increasing year on year and overtaking the internet as the top response.

That said, the internet is still an important resource for financial information, especially related to insurance. In fact, websites have consistently ranked as the primary tool for comparing life insurance products over the past six years. In 2022, survey responses show that 53% of people use a website to compare life insurance products before making a purchase, more than any other source. Notably, respondents who do have life insurance are more likely to engage a financial adviser than those who don't.

Compared to previous years, respondents are increasingly buying insurance products (including life, auto, travel, home, health and income protection) either online or through an app. As a matter of fact, only 21% of respondents purchased life insurance in 2017 online, but at least 43% do so in 2022.

Where consumers are getting financial advice:

53%

online

35%

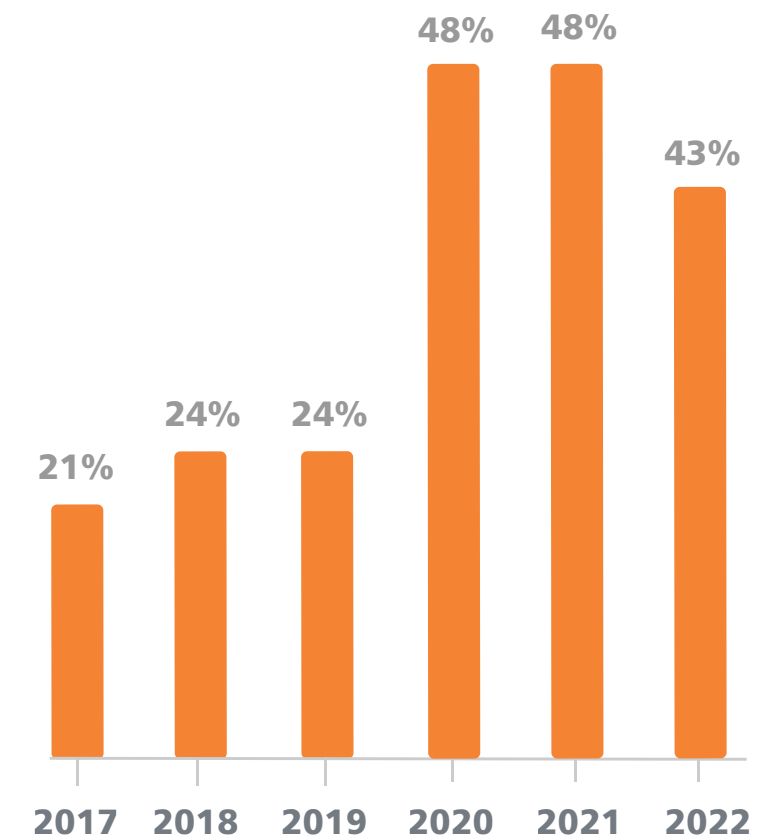
family

12%

other



Respondents who bought life insurance online



INTERESTING CHANGES IN CONSUMER BEHAVIOUR

Priorities around insurance.

How are Australians dealing with a state of uncertainty? Simply put, they're expecting the unexpected. Consumers appear to be prioritising their various insurances to help them navigate financial turbulence.

In fact, our respondents indicate that leisure and material expenses are the first to go in the event that some or all income is lost for an extended period of time. Here's how consumers rank the following categories in terms of which expenses they would cut back on.

Item	Score
1. Holidays	12,640
2. Entertainment costs	12,620
3. Health and beauty expenses	11,526
4. Savings and investment plans	8,658
5. Transport expenses	8,635
6. Education costs	8,530
7. Pet insurance	8,259
8. Income protection	8,155
9. Life insurance	7,838
10. Mobile phone usage	7,334
11. Grocery costs	7,055
12. Health insurance	6,772
13. Car and home insurance	6,670
14. Gas and electricity	6,011
15. Mortgage and rent	4,697

Personal insurances are notably lower on this ranking than most material expenses. This means consumers are less likely to cancel cover during an extended loss of income, favouring their value as a security blanket at a time of uncertainty.

For the past 7 years, holidays, entertainment and health/beauty expenses have been consistently the first items that consumers would cut back on. Utilities and mortgage/rent are understandably the top priority areas to maintain, regardless of a loss of income.

Life insurance is increasingly important to people, moving from 5th place in the 2019 survey to 9th place in this year's survey, with education and transport being costs that would be cut before financial protection for the family.

INTERESTING CHANGES IN CONSUMER BEHAVIOUR

Growing confidence in life insurance and income protection claim payouts.

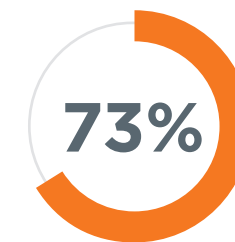
Trust is an important factor to consumers when it comes to life insurance, which is why this year's results are a positive step in the right direction. According to our sample, 73% of consumers are at least reasonably confident that their insurer would pay their life insurance (life, TPD, income protection or trauma insurance) claim, should it be required.

Although confidence levels are stable across age and gender, our sample indicates interesting results at the state level. Australian Capital Territory and Tasmania report the lowest rate of confidence across the entire country.

Overall, confidence in insurers paying claims has risen over the past six years. Despite "reasonably confident" consumers declining slightly since 2017, respondents who are at least "confident" in their insurer have increased to offset the difference. In fact, just 19% of respondents were confident in 2017, but that number has since risen to 46% today with a further 8% stating they are very confident.

That said, consumers seem to lose confidence in insurers with a poor track record of cybersecurity. Over 18% of respondents say they'd never be a customer of an insurer that has had its customer data compromised in an incident. On a similar note, almost 20% say it would take a significant amount of remediation for them to become (or remain) a customer after a cyber attack.

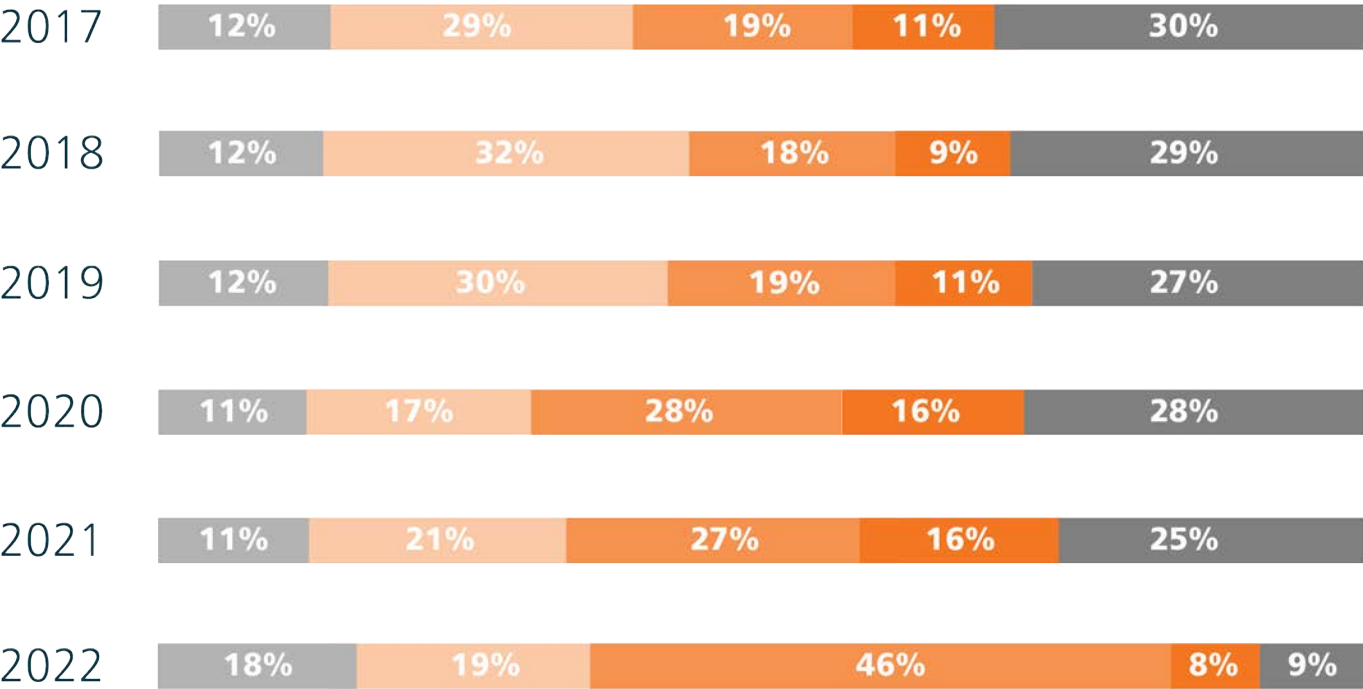
After all, insurance providers have a real responsibility to protect customer privacy. With sensitive data on hand, it's important for consumers to trust their insurers to keep information out of sight from prying eyes and malicious cybercriminals and equally important for them to trust that their insurer will be there for them and pay out a valid claim in their time of need.



73% of consumers are at least reasonably confident that their insurer would pay their life insurance claim

How confident are you that your life insurer would pay your life insurance or income protection claim, should it be required?

■ Not Confident at all ■ Reasonably Confident ■ Confident ■ Very Confident ■ I don't have life insurance or income protection

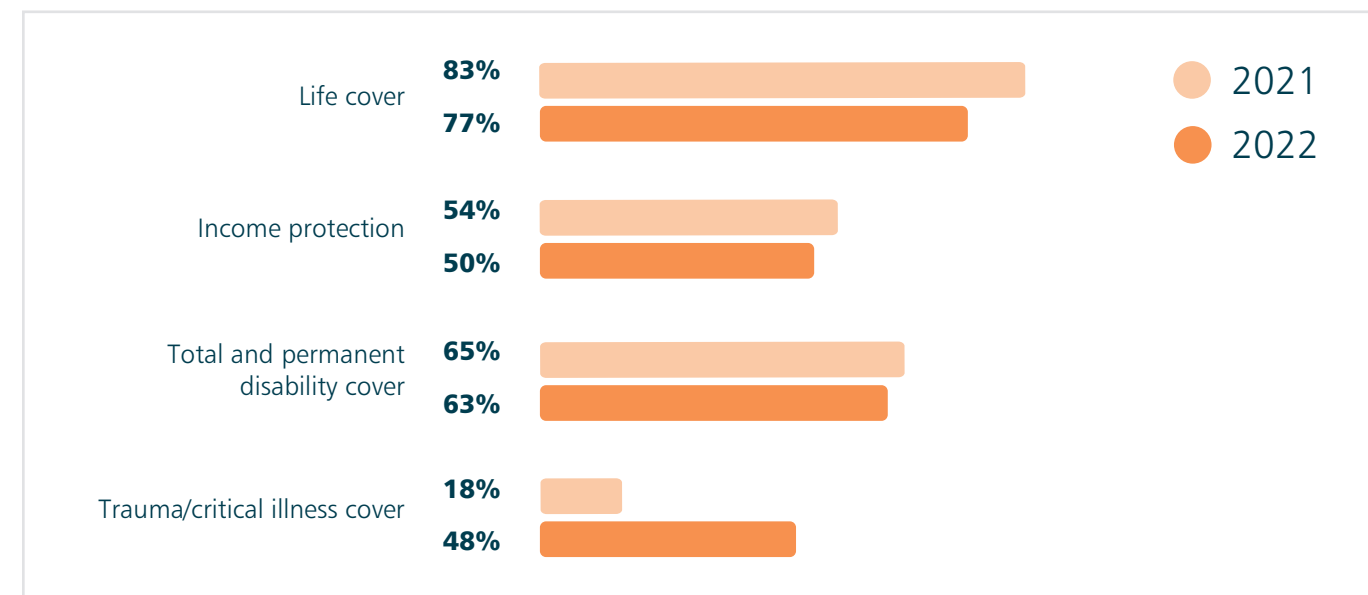


INSURANCE AT A GLANCE

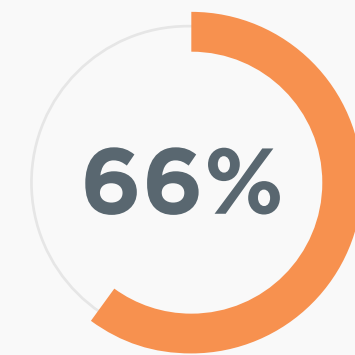
The state of life insurance heading into 2023.

Let's check in on the life insurance industry as it ventures into 2023.

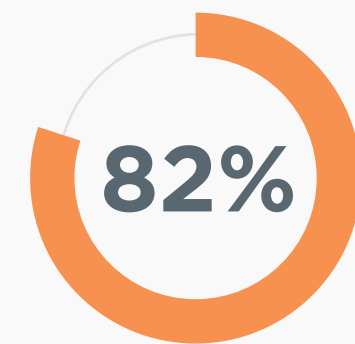
Importantly, this section of our survey is only referring to those respondents who hold a life insurance product. Amongst these respondents, although types of insurance products purchased remain largely unchanged, there's been a slight decrease in Australians who have life cover: 83% in 2021 vs. 77% in 2022. Overall, here's how insurance is broken down this year compared to last year, amongst those respondents who hold one or more life insurance products:



Over the past 3 years we have seen respondents are more likely to hold life cover as they get older



Only 66% of respondents aged 30-34 report having life cover insurance



This number rises as respondents age, increasing to 82% for respondents aged 55-60

INSURANCE AT A GLANCE

What are the key factors that affect life insurance purchasing behavior?

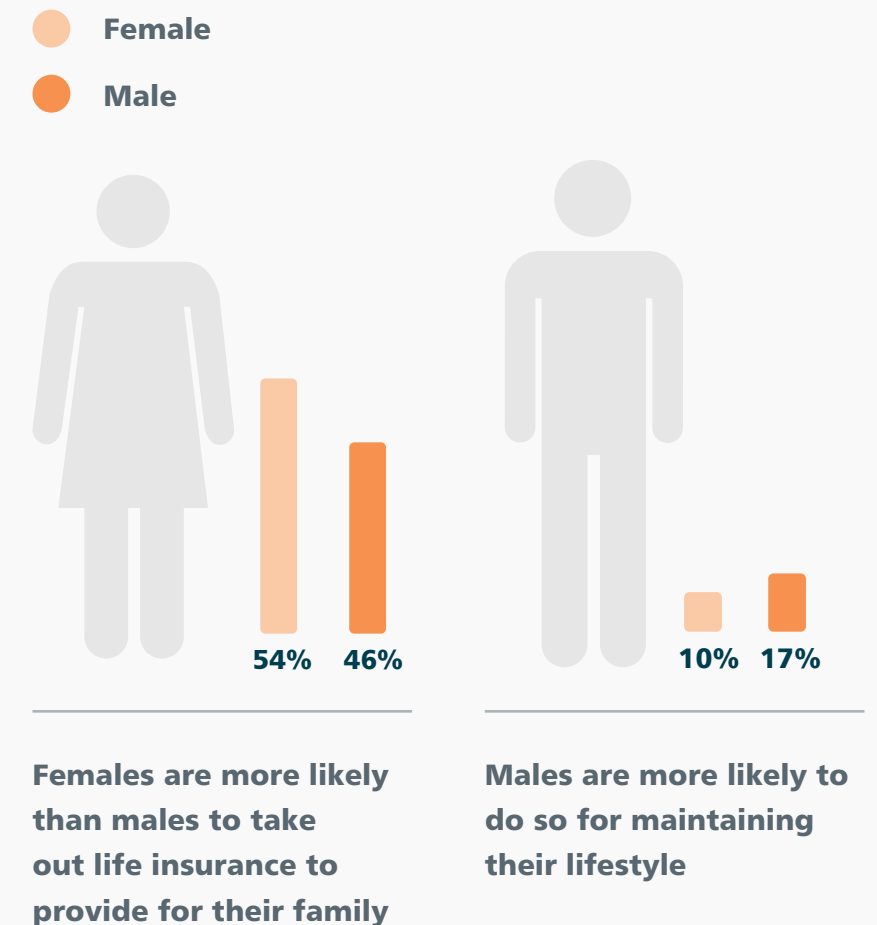
What about Australians who don't currently have any life insurance products? And what about those who do have cover, but aren't willing to renew?

Given the cloud of financial uncertainty shadowing this year's survey, it's no surprise that these groups are primarily motivated by cost. Our sample indicates that 40% of respondents who don't have or aren't renewing their life insurance say coverage is too expensive, which is on par with previous year's findings. Of this group, over two-thirds don't have life insurance to begin with.

On the other hand, those who do have life insurance or income protection are driven by a need to provide financial security for their family. Looking back, we can see a trend that's steadily increased over the seven years that we've been conducting this research.

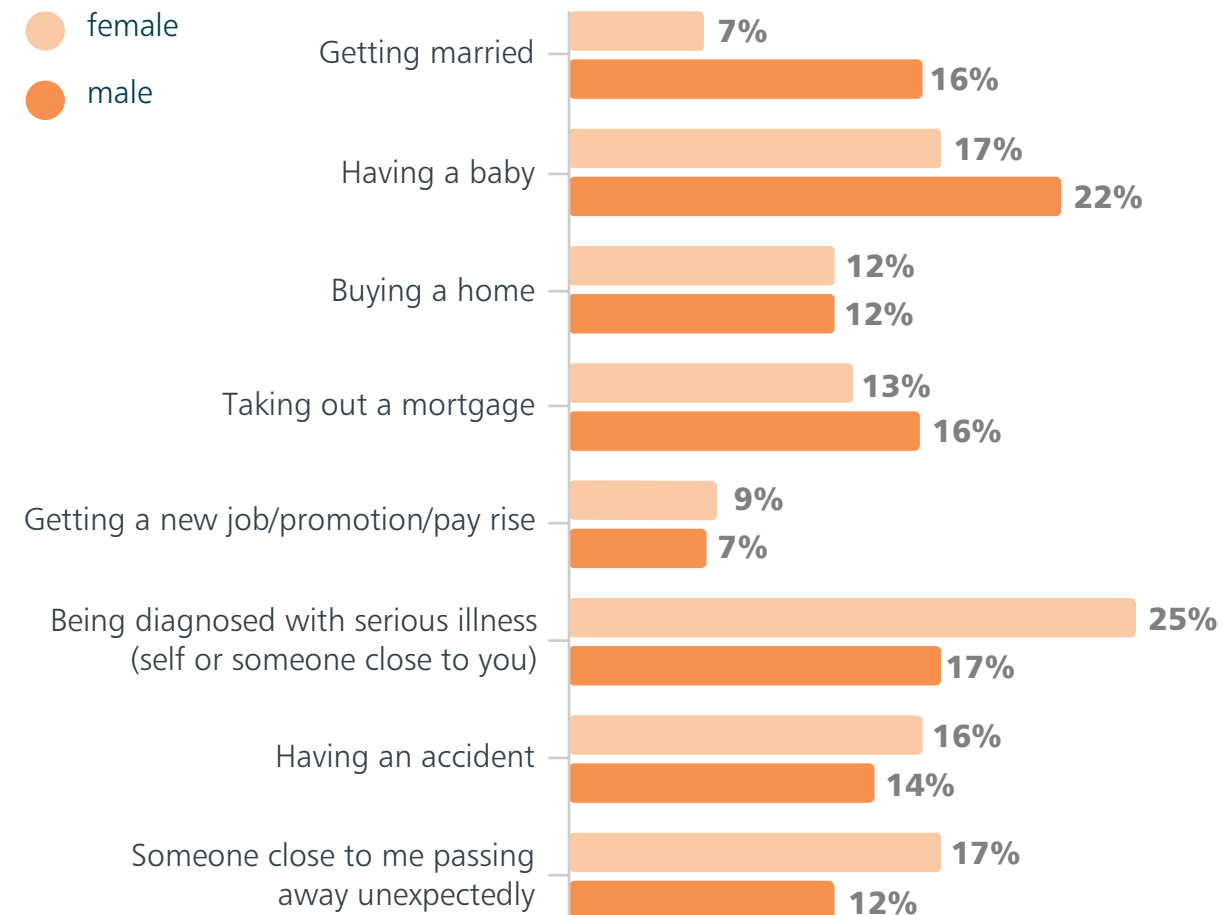
By the same token, a slightly smaller percentage of respondents are leveraging insurance for material reasons, such as to maintain their lifestyle. Let's break this down by gender: over the past 3 years females are more likely than males to take out life insurance to provide for their family (54% vs. 46%). Conversely, males are more likely to do so to maintain their lifestyle compared to females (17% male vs. 10% female).

Differences in reasons for taking out cover*

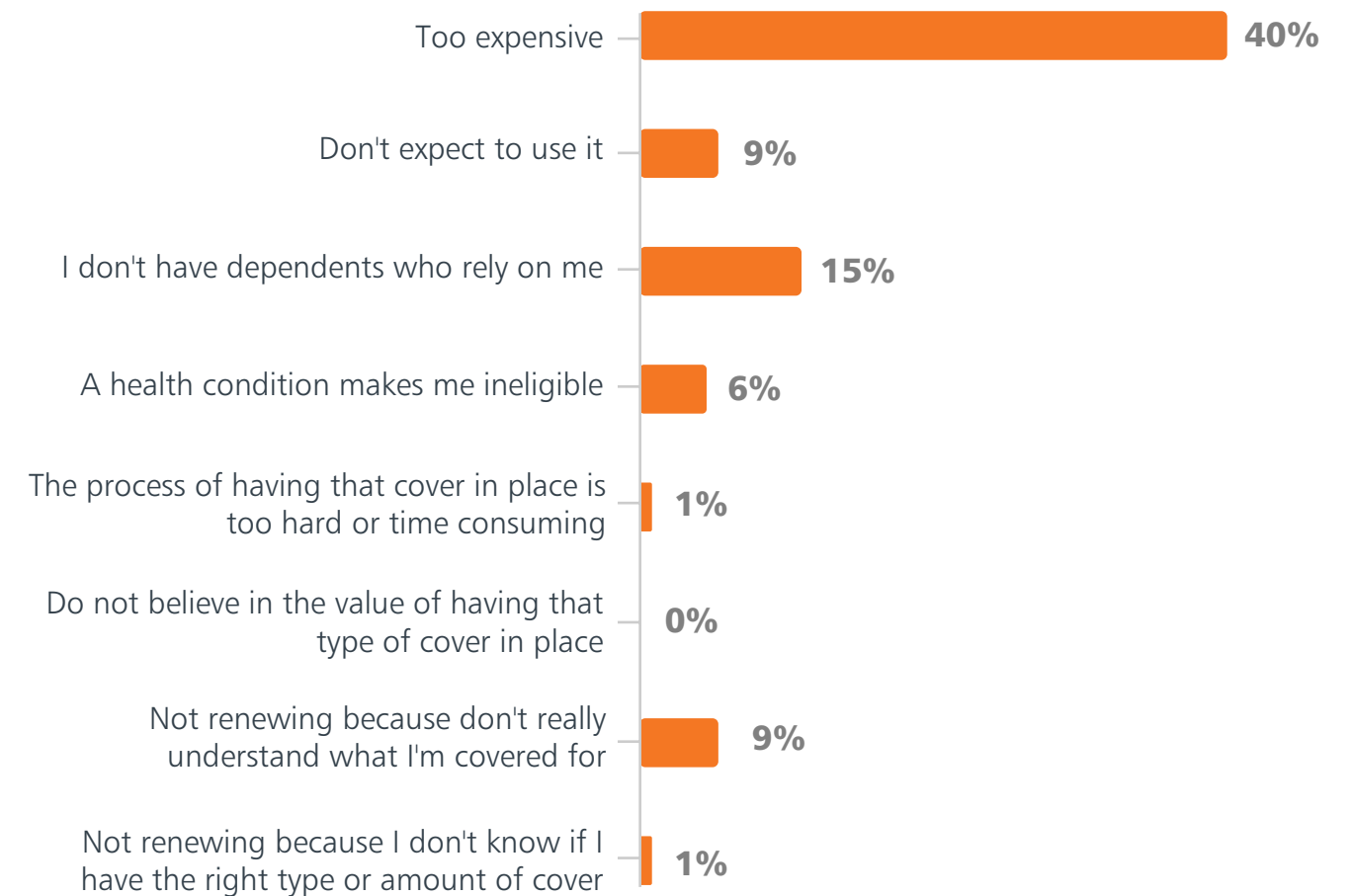


*based on combined survey results from the past 3 years

What life events prompted you, or could prompt you, to take out life insurance or income protection?



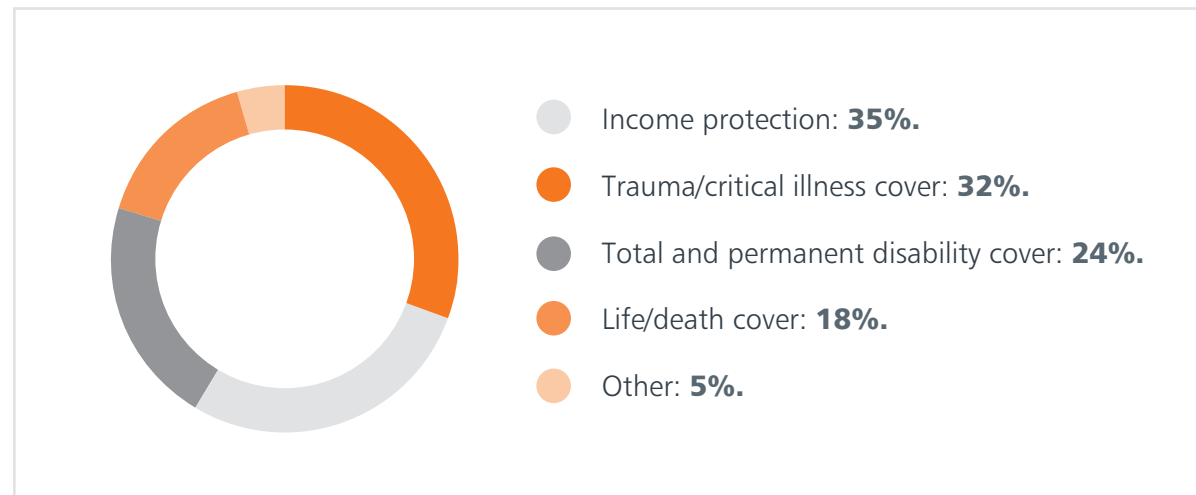
If you do not have or don't intend to renew your life insurance or income protection insurance, what is the main reason?



INSURANCE AT A GLANCE

What will life insurance look like down the road?

We've glanced back at the year that was (and even the years that were). Now, let's look ahead at what's in store for the insurance industry in the not-too-distant future. Here's how respondents rank the top life insurance products they intend on purchasing in the next five years:



Of course, economic uncertainty is a key theme in this year's survey. With financial hardships on the brain, it's only natural that respondents are thinking about what they can do to navigate the rocky terrain that may be ahead. Thus, it's no surprise that income protection tops the list of insurances they're most likely to purchase in the future.





Conclusion

Seven years ago, NobleOak set out on a goal to uncover consumer insights and patterns that would help shine a light on Australia's life insurance industry.

With a mission to deliver better value and customer service across the country, we've once again commissioned research into the hearts and minds of the nation's consumers.

Although COVID risks are starting to fade, more trouble may be on the horizon. We found that most Australians aren't just afraid of an economic slowdown — they're actively preparing to manage its repercussions. Whether it be through family, friends or an online resource (and less and less through a financial adviser), consumers are seeking financial information as they tighten their belts and cut back on leisure and material expenses.

Meanwhile, confidence in life insurance is on the rise, with more people prioritising their cover in the face of reduced income, redundancy or even unemployment. Confidence in insurers paying out claims is also on the rise. Although cost remains a barrier, Australians rank income protection as the life insurance product they're most likely to buy in the next five years.

Ultimately, Australia's resilience continues to persevere despite a potential recession. Happiness levels remain constant, mental health ratings are on the rise and more consumers are doing their due diligence to prepare for whatever the future may throw their way.

APPENDIX

Important information concerning this whitepaper

About NobleOak Life Limited

NobleOak Life Limited (NobleOak), is one of Australia's most established direct life insurers and has a heritage of over 145 years. NobleOak is an independent insurer providing Life, TPD (Total and Permanent Disablement), Trauma, Disability Income (Income Protection) and Business Expenses Insurance.

With NobleOak, you buy directly. We keep our overheads low and offer competitive premiums while still maintaining outstanding personal service.

NobleOak has a Feefo rating of 4.7 out of 5 stars* and is Australia's most awarded direct Life Insurer of 2022. ^ NobleOak is the only Life Insurer to have won a Canstar Award for "Outstanding Value – Direct Life Insurance" and "Outstanding Value – Direct Income Protection" for the past seven years running. In 2022, NobleOak was the recipient of the Plan for Life Customer Service Award as well as the Finder Best Life Insurance award and Mozo's Life Insurer of the year award. In 2023 so far NobleOak has attained a Feefo Platinum Trusted Service Award for the fourth consecutive year and a Canstar Outstanding Value Award for Income Protection.

*Feefo rating based on 142 service ratings over the past year (as at 31 January 2023).

^ NobleOak awards available at nobleoak.com.au

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Research methodology

The national research study referred to in this whitepaper was conducted independently by Pureprofile Australia Pty Ltd in December 2022 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 Brafton, one of Australia's leading content marketing agencies.





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