



MEDIA RELEASE

Life Insurance – The Big Shift to Direct

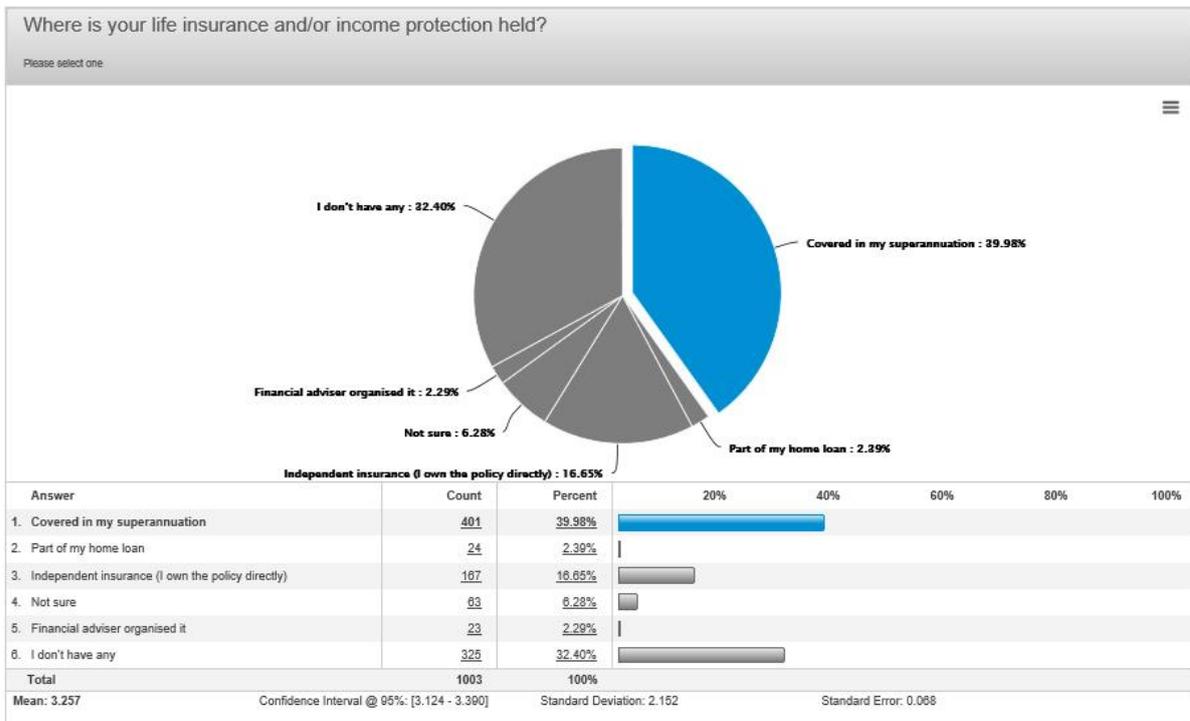
2 June 2014

The “Life Insurance Gap” survey, commissioned by NobleOak Life Ltd (NobleOak) and conducted by independent research group, Pureprofile, has just been completed by over 1,000 Australians with children. Refer Appendix II for survey Demographics.

The findings reinforce that Australians are purchasing life insurance directly more and more, without using an adviser, and their knowledge of adviser commissions in life insurance is very low. It also shows people’s perception of the value they receive from financial advisers is very low.

Key findings from the survey are:

1. More people are buying life insurance directly

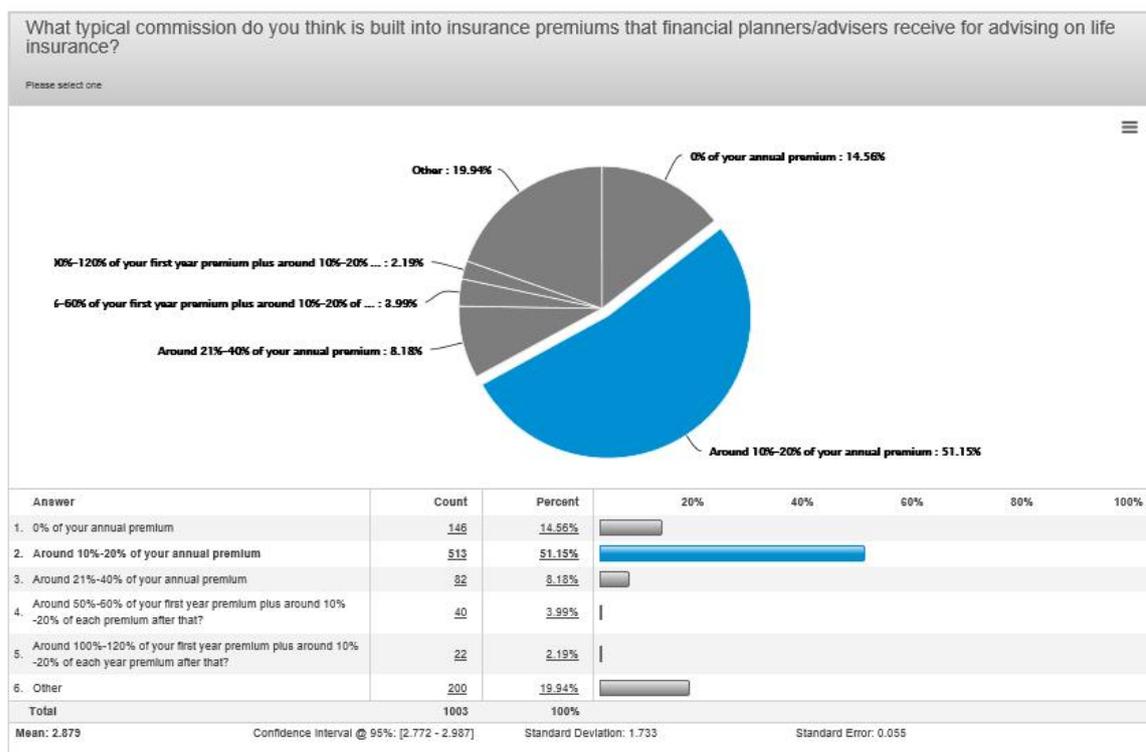


Around 24% of respondents that have life insurance, own it directly, showing the increased trend to own life insurance policies outside of superannuation. Only about 3.4% believed they purchased life insurance through an adviser. Around 60% of those with life insurance rely on their superannuation for their life insurance needs, however we can assume some of this cover has been arranged by financial advisers also.

“Many superfunds have limited life insurance offerings, with premiums that have increased by over 50% over the past 12 months. Some superfund life insurance premiums increased by over 200% in the last 2 years. These survey results illustrate the growing trend to buy life insurance directly, outside of superannuation and without advice. It appears that more and more clients want to take better control of their finances and save on external commissions.”

Anthony R Brown – CEO NobleOak Life Ltd

2. People are unaware of the commission built into life premiums



While the typical financial adviser receives between 110% and 120% of the first year premium, and around 10%-15% of each subsequent annual premium in commission, this is clearly not understood by the market. Only 2% of respondents understood that this is how most financial advisers/planners are remunerated with respect to life insurance. Most respondents (51%) believed advisers receive only 10-20% of annual premium, with no up-front commission. This indicates that recent financial services reforms and better disclosure practices aren't having a material impact on improving the understanding of built-in commissions. The high up-front commission game will be here for a while.

“Financial advisers are doing it tougher these days, with higher costs associated with compliance and operating their businesses. Most financial advisers still choose to receive higher upfront commissions of around 110% of the first year life insurance premium, plus a smaller ongoing annual commission to offset their costs and better manage their cash flow. Most consumers aren't aware of this commission structure and are surprised with how much distribution costs are

factored into an average life policy premium when told. While this commission disclosure is mandatory, it does not appear to be clear to most clients or the public in general.”

Anthony R Brown – CEO NobleOak Life Ltd

“The traditional model of selling life insurance through financial advisers that accept high upfront commission, in my view, is inefficient and old-school. While I empathise with financial advisers who are finding life harder these days, at NobleOak, we don’t pay high up-front commissions on our products. We only pay level commissions (a flat annual commission) or no commission at all, to help reduce the premiums our clients pay, so they can save money or get more cover. We therefore attract fee-for-service style advisers, who usually enjoy lower lapse (cancellation or expiry) rates than other advisers.”

Anthony R Brown – CEO NobleOak Life Ltd

3. Advice value gap remains

Q7. How valuable is the annual advice you receive from your financial planner/adviser on life insurance?		
I don't have a financial planner/adviser	700	69.86%
I do have a financial planner/adviser and I receive no annual advice	188	18.66%
I do have a financial planner/adviser and the advice I receive is not valuable	20	2.00%
I do have a financial planner/adviser and the advice I receive is valuable but not worth the commission	48	4.79%
I do have a financial planner/adviser and the advice I receive is valuable and worth the commission	47	4.69%
Total	1003	100.00%

While most respondents do not have an adviser, the ones that do aren’t satisfied with the level of advice they are receiving. Only 16 % (47/303) of people with advisers believe the advice is worth the commission paid to the adviser. And most of them think the adviser is paid less than they actually are.

Unfortunately 62% (188/303) of people with advisers receive no annual advice at all.

“While there are many great financial advisers out there, people are now purchasing life insurance directly to save on high upfront commissions. Many appear unsatisfied with service levels. This is a natural evolution of life insurance as customers become more confident with their decision making and the awareness of life insurance has increased, with many insurers promoting their products on TV and through online advertising.”

Anthony R Brown – CEO NobleOak Life Ltd

“The challenge for financial advisers to articulate their value remains clear from these results. This also always a challenge in a service industry, especially when there have been so many high profile cases highlighting some poor behaviour from a small number of advisers.”

Anthony R Brown – CEO NobleOak Life Ltd

“It has been a tough landscape for financial advisers since the GFC. Clients have become far more cynical about the quality and timeliness of advice they receive, and have a limited understanding of the costs involved with running a financial advice operation, including the compliance costs associated with advice. This makes it difficult for advisers to economically add real value to their clients, even when they do have their clients’ best interests in mind.”

Anthony R Brown – CEO NobleOak Life Ltd

Appendix I

Background

NobleOak Life Ltd (NobleOak) is a specialist Australian life insurer that has been protecting Australians for over 135 years, offering comprehensive life insurance with minimum built-in overheads and commissions. NobleOak is APRA regulated, with an ASIC licence and their products are backed by a top 3 Global Reinsurer.

NobleOak's offer is simple – **“Comprehensive life insurance cover for less – with great service.”**

NobleOak's vision is to – **“Better protect Australians and their families, by providing more affordable and accessible life insurance.”**

NobleOak contact details

Jessica Rees – Marketing Executive– (02) 9299 7852

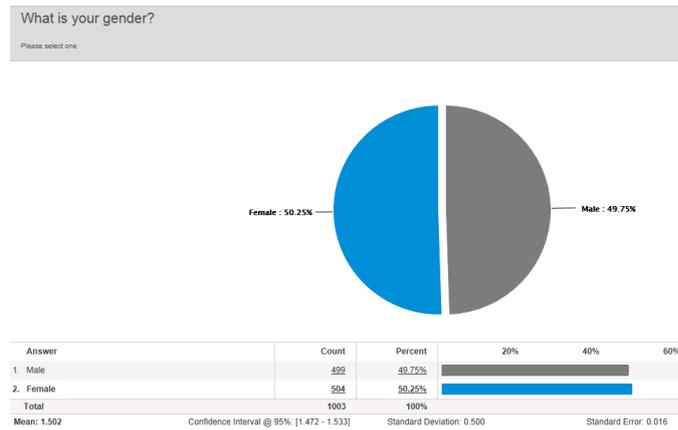
Anthony R Brown – CEO– (02) 9299 7852

Appendix II

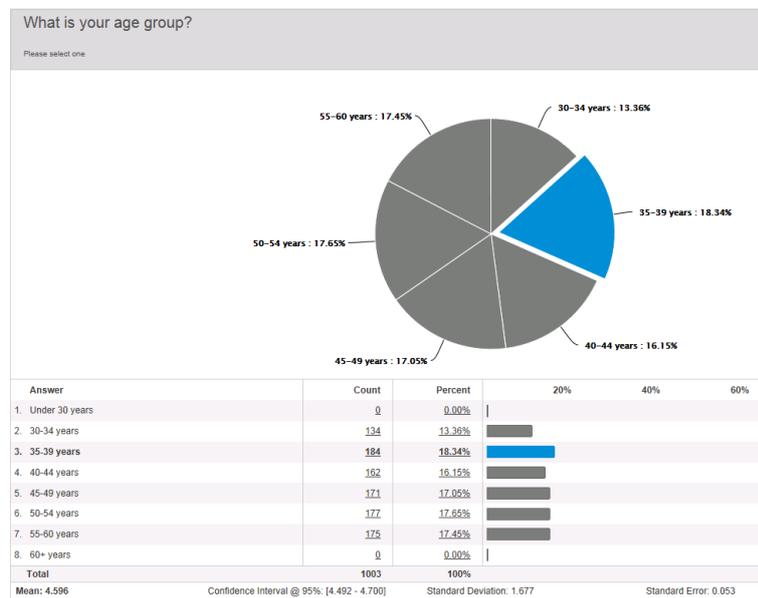
Survey Demographics

1,003 Respondents with children completed the survey in May 2014

Sex



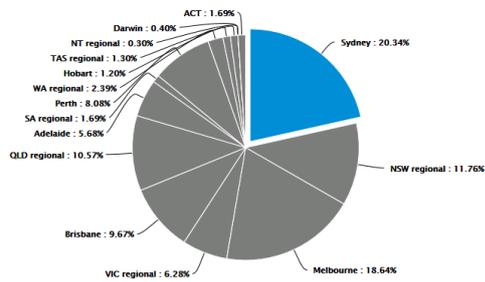
Age Mix



State

Where do you live?

Please select one

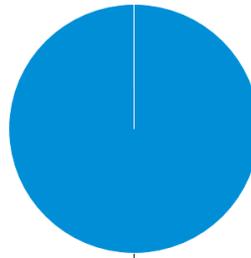


Answer	Count	Percent	Bar
1. Sydney	204	20.34%	<div style="width: 20.34%;"></div>
2. NSW regional	118	11.76%	<div style="width: 11.76%;"></div>
3. Melbourne	187	18.64%	<div style="width: 18.64%;"></div>
4. VIC regional	63	6.28%	<div style="width: 6.28%;"></div>
5. Brisbane	97	9.67%	<div style="width: 9.67%;"></div>
6. QLD regional	106	10.57%	<div style="width: 10.57%;"></div>
7. Adelaide	57	5.68%	<div style="width: 5.68%;"></div>
8. SA regional	17	1.69%	<div style="width: 1.69%;"></div>
9. Perth	81	8.08%	<div style="width: 8.08%;"></div>
10. WA regional	24	2.39%	<div style="width: 2.39%;"></div>
11. Hobart	12	1.20%	<div style="width: 1.20%;"></div>
12. TAS regional	13	1.30%	<div style="width: 1.30%;"></div>
13. Darwin	4	0.40%	<div style="width: 0.40%;"></div>
14. NT regional	3	0.30%	<div style="width: 0.30%;"></div>
15. ACT	17	1.69%	<div style="width: 1.69%;"></div>
Total	1003	100%	

Mean: 4.501 Confidence Interval @ 95%: [4.301 - 4.702] Standard Deviation: 3.243 Standard Error: 0.102

Children

Do you have children?



Answer	Count	Percent	Bar
1. Yes	1002	100.00%	<div style="width: 100%;"></div>
2. No	0	0.00%	<div style="width: 0%;"></div>
Total	1002	100%	

Mean: 1.000 Confidence Interval @ 95%: [1.000 - 1.000] Standard Deviation: 0.000 Standard Error: 0.000