



**2 March 2006**

**AMP Financial Services**

Level 15, ANZ Centre  
23 – 29 Albert Street, Auckland  
Telephone +64 9 337 7723  
Facsimile +64 9 337 7701

***Advice critical to cracking underinsurance***

*AMP research shows critical level of underinsurance among families*

Over 67 per cent of New Zealand families have either no life insurance at all or have inadequate cover for their long-term needs according to independent research revealed today by AMP Financial Services.

The recent study conducted by AMP, involving a survey of over 470 parents with dependent children, showed that only 55 per cent of New Zealand families have a life insurance policy.

Meanwhile, only 31 per cent were adequately covered to ensure their family would receive support for a minimum of five years. This means that 67 per cent of families either have no life insurance at all or have inadequate cover.

John McMurdo, General Manager of Life Insurance at AMP says "The underlying reasons for Kiwi families not having adequate levels of insurance or not having it full stop centre around perceptions that it's too confusing, too expensive and that the right level of cover has been taken when in reality, a third of the time, this just isn't the case."

The survey shows that over 90 per cent of those insured believe their cover is robust, yet only 31 per cent would have long-term support beyond that of paying off immediate expenses, such as a mortgage, at best.

"In our dis-saving society, we're ploughing money into debt without thinking about the long-term consequences of not having the safety net which insurance provides. With weekly premiums costing as little as it takes to buy two cups of coffee a week, it's difficult not to see the value and affordability of paying to protect a family's wellbeing.

"When it comes to ensuring the right level of cover, a general rule of thumb is that five times your salary is a good starting point, but more important is the need to have your individual needs and those of your family taken into account."

Vance Arkinstall, Chief Executive of the industry body Investment Savings and Insurance Association (ISI) agrees, saying AMP's recent underinsurance study highlights the critical importance of undertaking a personal needs analysis with a financial adviser on a regular basis in order to ensure at least a minimum of five years coverage.

"The first question we need to ask ourselves is if we died today would our life insurance pay off the debts (mortgage, credit card, hire purchase) and how long could the family survive on the remaining funds."

Arkinstall adds that the issue of underinsurance is a social problem that will require concerted effort by New Zealand families along with the combined support of the life insurance industry, financial advisers, and policy makers to solve.

John McMurdo said the high level of underinsurance was particularly worrying given many families would be left struggling with potentially crippling debt after the loss of a parent or loved one. In 2005, AMP received 1,646 life claims and paid out \$54 million on these. This figure represents a substantial proportion of the \$65 million paid out on all risk claims during the year.

One member of the household tended to be the most underinsured – the mother. Approximately 70 per cent of mothers either do not have any life insurance or have inadequate cover.

These findings were also evident in Australia when the study was undertaken late last year. This again showed that one of the largest barriers to taking insurance was perceived affordability.

Although a similar number (55 per cent) had life insurance, 60 per cent of these families were covered for under a year at the most, creating an estimated A\$1,300 billion in underinsurance among parents with dependent children.

The research showed that life insurance proved the most popular form of insurance for New Zealand parents at 55 per cent, followed by health insurance (36 per cent), income protection and mortgage insurance (both 23 per cent) and critical illness (18 per cent). However many proved unlikely to amend their policies despite a change in household/personal circumstances.

**Ends**

**Media Enquiries:**

Carol Smith  
 AMP Public Affairs  
 Phone: +64 9 337 7723  
 Mobile: +64 274 960 864

**Total Weekly Premium for \$350,000 cover**

<b>Gender</b>	<b>Age</b>	<b>Health</b>	<b>Weekly Premium</b>
Male	30	Non smoker	\$5.67
	35	Non smoker	\$5.88
	40	Non smoker	\$7.09
	45	Non smoker	\$9.71
Female	30	Non smoker	\$4.18
	35	Non smoker	\$4.61
	40	Non smoker	\$6.03
	45	Non smoker	\$8.29

**About the AMP Underinsurance Research:**

The AMP Underinsurance Research involved an online survey of 471 New Zealanders with dependent children. Conducted by TNS in November 2005, the study has a margin of error of 4.5 per cent.

The level of underinsurance is determined through assuming adequate cover requires five times the amount of the Statistics New Zealand-calculated average personal income of \$40,000.

**About the Investment and Financial Services Association Underinsurance Research (Australia):**

The Investment and Financial Services Association (IFSA) Underinsurance Research involved an online survey of 600 Australians with dependent children. The study was conducted in August 2005 by TNS.