



*Advisers generally report life risk business growth of up to 30% in the last 12 months but they are polarised on whether it is becoming harder to attract new customers. Customer lapses do not appear to be a major concern for the industry and, importantly, advisers predict a bright future for the life insurance industry through stability and growth in the next 12 months.*

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## Beaton IFA Market Pulse

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**Adviser Sentiment Report: Industry Growth – Fact or Fallacy?**

# About the Beaton IFA Market Pulse

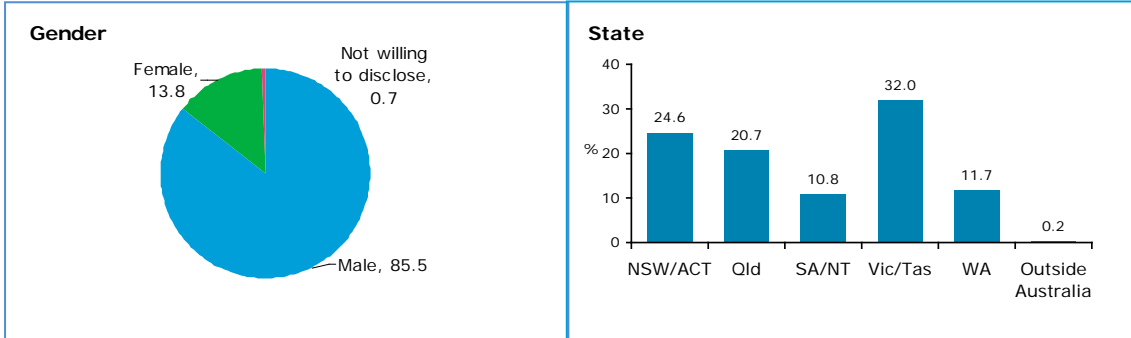
The Beaton IFA Market Pulse is an ongoing survey among financial advisers in Australia. The survey provides a platform for participating insurance providers to get feedback from advisers on topics of interest and gives advisers the opportunity to share their opinions on topical industry issues with their peers. The industry topic for wave 2 of this survey is "Industry Growth – Fact or Fallacy".

Participating insurance providers are Asteron, AIA Life, CommInsure, Macquarie Life, OnePath and Zurich. The second wave of the survey was conducted between 20 June and 11 July 2011 with 435 advisers across Australia completing the survey.

Beaton Research and Consulting would like to extend a special thank you to all advisers who participated in this survey and made the report possible.

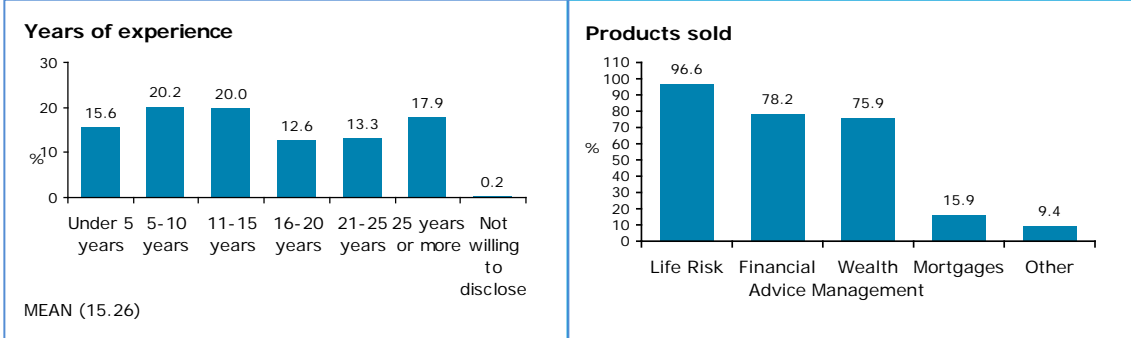
## Our respondents

The profile of 435 advisers who completed Wave 2 of this survey is summarised below.



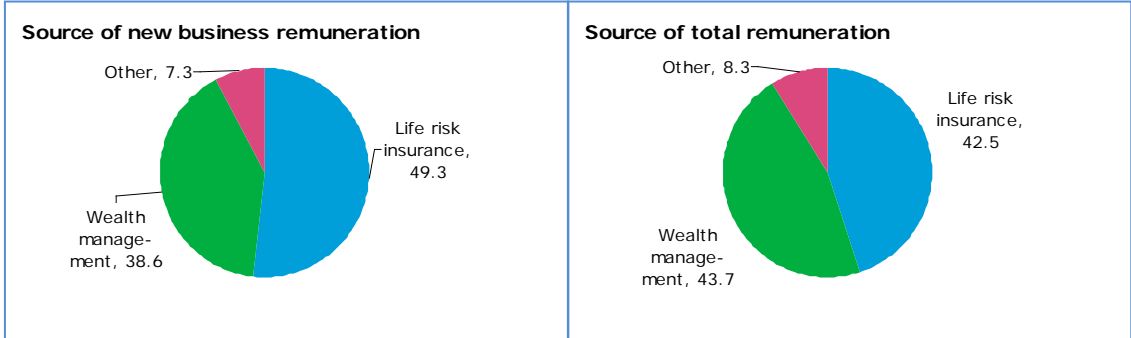
Question: What is your gender?

Question: Where are you currently working?



Question: How many years have you been working as adviser?

Question: Which of the following product groups do you currently sell?

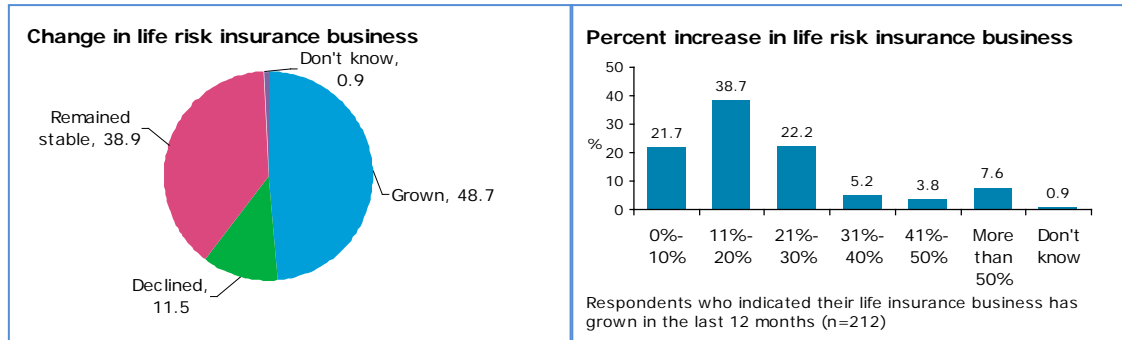


Question: What percentage of your new business remuneration in the last 12 months came from the following product groups?

Question: What percentage of your total remuneration in the last 12 months came from the following product groups?

## Key findings

**Key Message #1:** Nearly half the advisers report life risk business growth in the last 12 months (even higher among younger advisers), with most of these suggesting growth in the realm of 11% and 30%.



*Question: Over the last 12 months, has your life insurance business grown, remained stable or declined?*

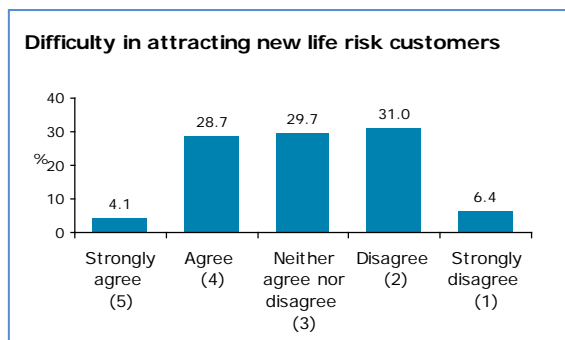
*Question: Approximately by how much – compared to the previous 12 months?*

Nearly half (49%) the advisers reported life risk business growth in the last 12 months, higher among those under 35 years (66%) and 35-44 years (58%).

Of those reporting growth, 39% reported an increase of 11% - 20% and a further 22% reported an increase of 21% - 30% compared to the previous 12 months.

While very few advisers reported a decline in their life risk business in the last 12 months (12%), this was significantly higher among older advisers who are likely to be approaching retirement (28% among advisers aged 65+ years).

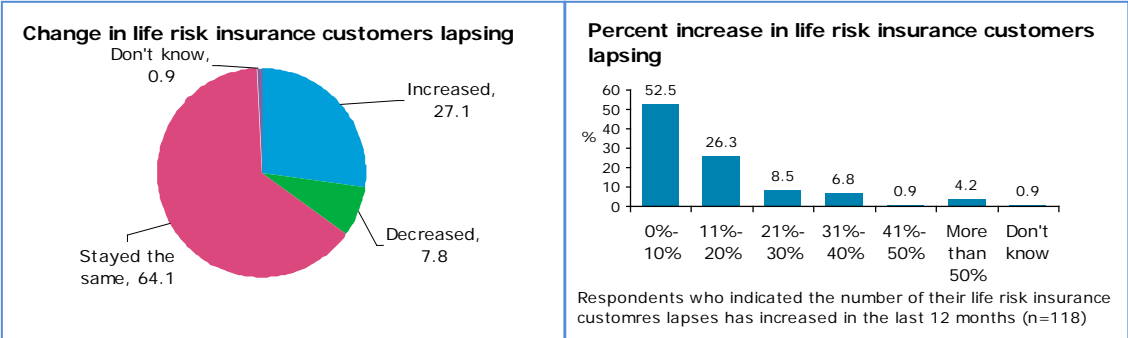
**Key Message #2:** Advisers are polarised on their beliefs about whether it has become harder to attract new life risk insurance customers – approximately one third think it has become harder, one third do not think this and one third are unsure. Queensland is an exception where nearly half the advisers are finding it harder to win new life risk customers.



One third (33%) of advisers agree that it has become significantly harder to win new life risk insurance customers, just over a third (37%) do not agree with this statement and just under a third (30%) are unsure.

*Question: Has it become significantly harder in the last 12 months for you to attract new life risk insurance customers than it has been in recent years?*

**Key Message #3:** While more than a quarter of advisers report increases in life risk customer lapses in the last 12 months (higher in Queensland), when quantified these lapse increases are generally small (less than a 10%).



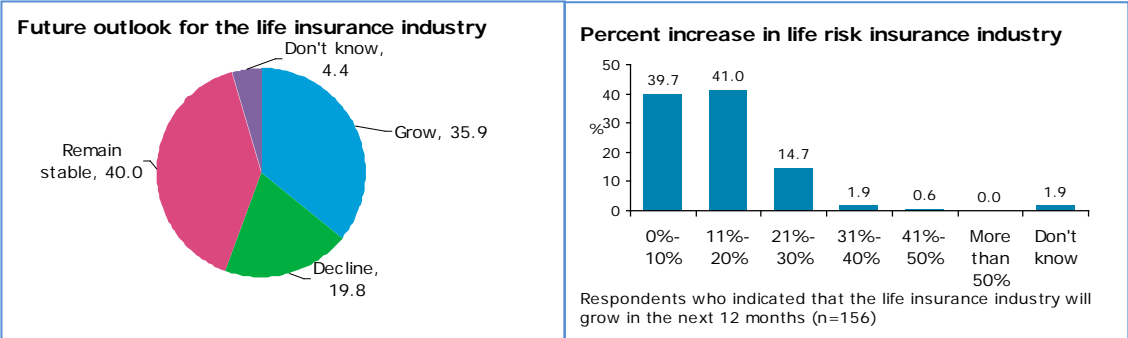
Question: Over the last 12 months, has the number of your Life Risk insurance customers lapsing increased, decreased or stayed the same?

Question: Approximately by how much - compared to the previous 12 months?

Just over one quarter (27%) of advisers reported an increase in the number of Life Risk insurance customer lapses in the last 12 months, higher in Queensland (36%).

Of those advisers reporting an increase in lapses, 53% reported an increase of up to 10% and a further 26% reported an increase of between 11% and 20% compared to previous 12 months.

**Key Message #4:** The future looks bright with more than one third of advisers predicting life insurance industry growth in the next 12 months (even higher among younger advisers), with most of these making bullish predictions of growth in the realm of 11% and 30%.



Question: Thinking about the next 12 months, do you think the life insurance industry will grow, remain stable or decline?

Question: Approximately by how much - compared to the previous 12 months?

More than one third (36%) of advisers think the life insurance industry will grow in the next 12 months, higher among those under 35 years (47%) but lower in Queensland (28%).

Of those predicting industry growth, 40% reported an increase of less than 10% and a further 41% reported an increase of 11% - 20%.

<b>Reasons given for predictions of industry growth</b> (reported by 36% of advisers)	<b>Reasons given for predictions of industry decline</b> (reported by 20% of advisers)
<p><b>Increased awareness about the importance of risk insurance</b></p> <p><i>"With education people are becoming more and more aware of the requirement to protect themselves."</i></p> <p><i>"More general awareness of the need for insurance in the media. There are more TV ads promoting 'over the phone applications' for life insurance. I think this will make it easier for people to buy their cover and should increase the number of people covered."</i></p> <p><b>Economic recovery on the horizon</b></p> <p><i>"Consumer sentiment will be more positive, world economic recovery to continue."</i></p> <p><i>"People have been reluctant to do anything 'new' due to fear of uncertainty in the economy. However, I feel as though things will improve over the next 12 months on an economic front, so people will begin to review their financial situation, insurance being one of them. "</i></p> <p><b>Underinsurance problem, securing the growth</b></p> <p><i>"We've got an underinsurance problem. 80% of clients I see are underinsured... it has to grow."</i></p> <p><i>"Australia is still terribly underinsured and there are a lot of passionate risk advisers and companies out there trying to address the challenges."</i></p> <p><i>"Vast untapped need."</i></p> <p><b>Advisers working on increasing share of wallet</b></p> <p><i>"More advisers are providing holistic advice and because the GFC has hit revenues which advisers are looking to replace."</i></p> <p><i>"Greater focus from planners to generate additional income streams from their existing client portfolios."</i></p>	<p><b>Poor publicity</b></p> <p><i>"The banning of life cover commission via Super will act as a deterrent in an already underinsured country."</i></p> <p><i>"Ridiculous Government regulation!"</i></p> <p><b>Customer resistance and confusion</b></p> <p><i>"People are struggling financially. They don't understand what can be placed into their super funds."</i></p> <p><i>"Media costs on costs and fees. Customer resistance rising."</i></p> <p><b>Tougher times characterised by increases in interest rates, higher mortgages and a grim economic outlook</b></p> <p><i>"Tight economic conditions for most Australian will slow down discretionary spending of all sorts. Legislative changes and uncertainty will result in many advisers leaving the industry and in particular the older advisers with the sales skills. An aging population in Australia will also reduce the need for life insurance as baby boomers reduce cover and increase super instead."</i></p> <p><i>"People are tightening household budgets due to poor economy, particularly the self employed."</i></p> <p><i>"People are more vulnerable financially and they are more aware of that now, especially those with bigger mortgages."</i></p> <p><b>Increased competition</b></p> <p><i>"More competition from industry funds."</i></p>

Wave 3 of the Beaton IFA Market Pulse will be conducted in November 2011. Adviser sentiment on a new topic of interest will be shared with you shortly after.

Thank you for your ongoing support, *Research Team at Beaton Research and Consulting*