



Media release

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First-time ever figures: Over one in five working age parents will die, become seriously ill or injured, new research shows

- **Personal underinsurance expected to cost the government \$1.3 billion over 10 years**
- **The typical Australian family will lose half (in some cases more) of its income if a parent dies or is unable to work due to serious illness or injury**

One in five Australian families will suffer the death of a parent or a serious accident or illness that renders a parent unable to work, according to new Lifewise / NATSEM research released today.

The research, titled the *Lifewise / NATSEM Underinsurance Report*, released at the IFSA Life Insurance Conference in Sydney today, found the underinsurance of parents with dependent children and a mortgage will cost the Australian Government an estimated \$1.3 billion in additional social security payments over the next decade.

The research was completed in February 2010 by the National Centre for Social and Economic Modelling (NATSEM) at the University of Canberra for Lifewise - a public awareness initiative aimed at encouraging Australians to protect themselves from financial hardship that can result from accident, sickness or death.

Lifewise commissioned the research to measure the social and economic cost of underinsurance. It models the number of Australian families expected to experience an insurable event during their working lives; the cost of this underinsurance to government; and the financial impact of various insurable scenarios on a typical family. (Scenarios and typical family demographics can be found in note to editors below.)

Launching the research, IFSA's Chief Executive John Brogden said: "Australia's "she'll be right" attitude stops most people confronting the very real possibility they will suffer an insurable event during their working life that has the potential to leave them financially ruined at an already difficult time.

"This groundbreaking research shows that the likelihood people will be unable to provide for their family due to accident, illness or death is much more common than people think," he said.



The report found over one million working age parents will die, become seriously ill or injured and be unable to work at some stage during their career. Every day, over 65 families are impacted by an event that seriously affects their ability to earn an income and support their kids.

“Given Australia is one of the most underinsured nations in the developed world¹ this is an important issue with significant social implications,” Mr Brogden said.

The impact on the typical Australian family

In measuring the impact of underinsurance on a typical family, the report revealed:

- Based on current average levels of insurance, the typical Australian family’s weekly income will be cut by half to about \$600 where a main breadwinner Dad becomes temporarily ill or injured and can’t work, or where Mum dies or becomes temporarily or permanently disabled;
- The family’s financial situation following the event will be long term, remaining broadly the same over a one, five and 10 year period;
- When recommended levels of income protection insurance are in place, the policy will in most cases replace between 80% and 100% of the family’s income short and longer term (depending on the duration of the policy); and
- With adequate life insurance, the remaining partner can repay existing mortgage debt and invest what remains to generate an income that replaces income between 80 and 100% of the original.

“This research shows that recommended levels of insurance will ensure a family can maintain their hard-earned lifestyle and focus on what’s important during a difficult time,” Mr Brogden said.

About Lifewise

Lifewise is an industry-wide campaign that aims to encourage Australians to take appropriate steps to protect themselves from the financial hardship that can result from accident, sickness or death. The campaign features a straight-talking website and ‘how much is enough’ insurance needs calculator so that Australians can educate themselves about the risks they face in life and how they can manage them.

More information about the campaign including a list of supporters is available at the Lifewise website: www.lifewise.org.au

For a copy of the summary report please click here:

http://www.ifsa.com.au/2010%20Documents/2010_0302_Lifewise%20Summary%20Research%20Report_Final.pdf

¹ Swiss Re Economic Research & Consulting , 2007



For the full research report please click here:

http://www.ifsa.com.au/2010%20Documents/2010_0302_Lifewise-NATSEM%20Report%20Final.pdf

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Note to editors

Scenarios

The four scenarios modelled to measure the impact on a typical family were:

- Scenario 1 Husband dies
- Scenario 2 Husband disabled (a) temporarily unable to work ; (b) permanently disabled
- Scenario 3 Wife dies
- Scenario 4 Wife disabled (a) temporarily unable to work; (b) permanently disabled

Typical family

The characteristics of the typical Australian family used in the Lifewise/NATSEM research are derived from 2008 ABS data. The couple is comprised of a main breadwinner working full-time on \$75,000 and a secondary income earner working part-time on \$35,000. They have two children under five. Typically, Dad has life insurance of \$91,000, total and permanent disablement insurance of \$71,000 and super of \$30,000. Mum has \$14,000 in super. Neither have income protection insurance.