

Policyholders don't know what they are covered for

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New Zealanders have a high level of awareness about income protection insurance – but not much knowledge of what it means.

A major survey of income protection coverage in Australia and New Zealand highlights the gaps in the coverage but also opportunities for the industry.

The survey was done by TNS with the backing of the Investment Savings and insurance Association and the Australian Investment and Financial Services Association.

Just under half – 47% - of New Zealand business people have never had income protection insurance at all – 15% have had cover but let it lapse, and 38%.

Least likely to have cover are under 40 year olds and women in business.

However, New Zealand's business sector has a much higher level of cover than their Australian counterparts – 70% are covered compared to 55% in Australia.

New Zealanders in the business sector also have a higher incidence of life insurance cover, at 70% compared with 55% in Australia.

The most surprising result thrown up by the survey is that people who do have income protection policies are not much more aware of what they mean than those who do not have such cover.

“Thirty nine percent of the business people surveyed were unaware that income protection premiums may be tax deductible,” says ISI chief executive Vance Arkinstall.

“The survey also indicated high levels of ‘don't know’ answers to questions, indicating the industry has more work to do assisting the self-employed and small business sector to understand how they can mitigate risk to income.”

Only a few firms – 4% - offer income protection cover for staff, and 7% are considering offering it.

With increasing emphasis on recruiting and retaining skilled staff this is an area of potential for the industry, says Arkinstall.
