

Overview of the Insurance Industry

Who has Insurance?

The insurance industry in Australia has operated for over 120 years, providing financial security and "peace of mind" for families and businesses.

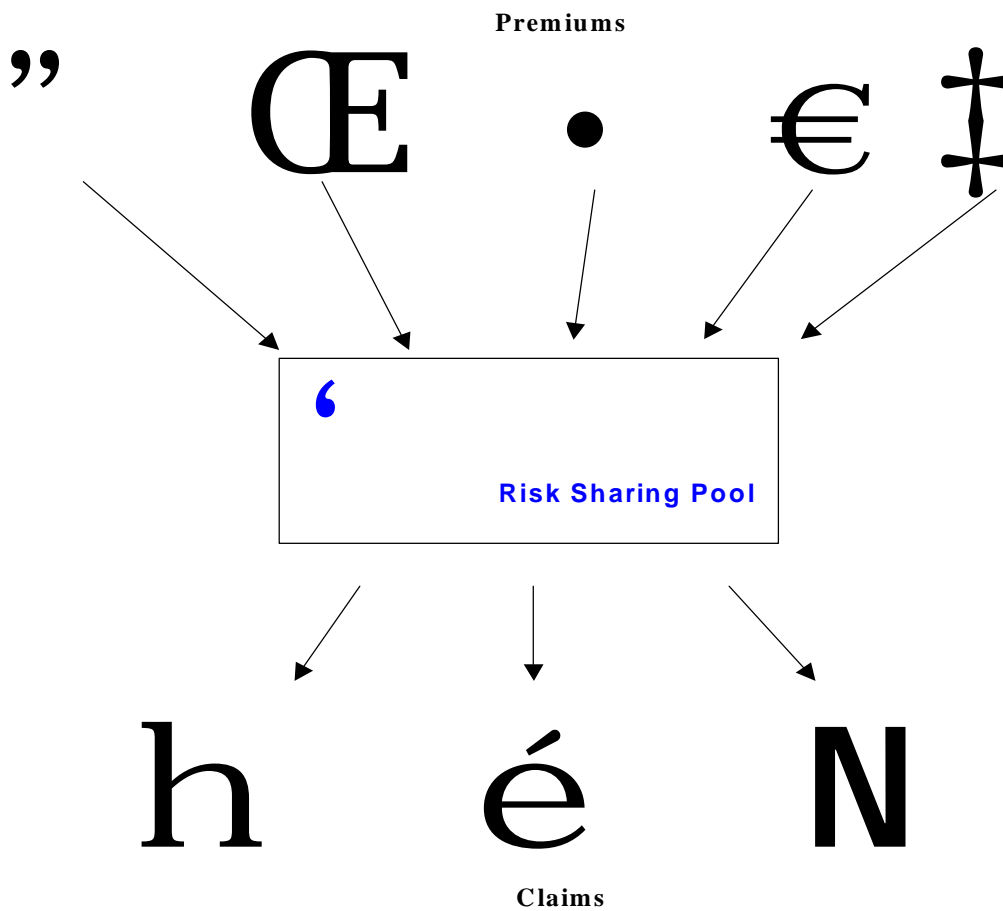
Approximately 6.3 million Australians are protected by Life, disability and trauma insurances.

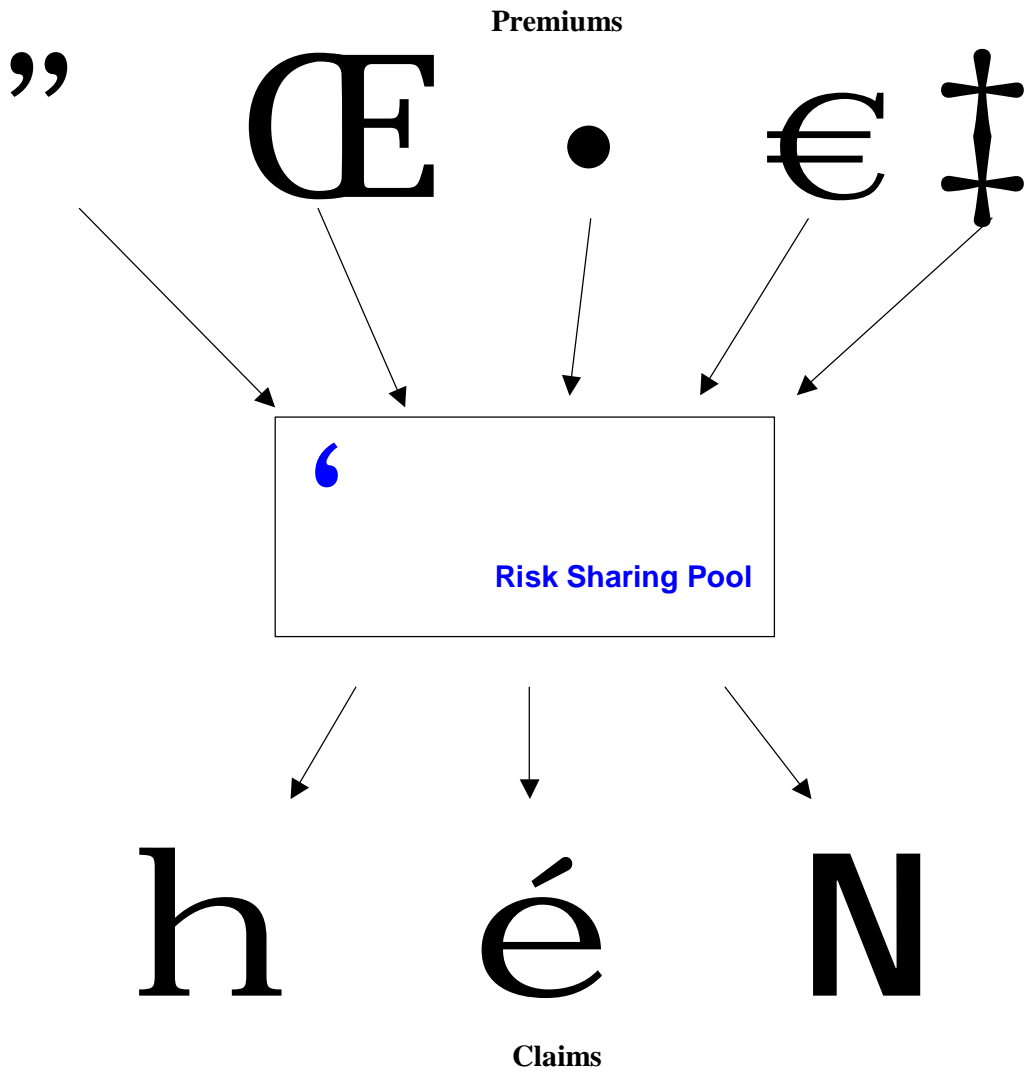
How it works?

Australians purchase insurance because it provides an affordable way of collectively sharing risks that are too great for them to bear as individuals.

A survey of 17 life insurers in 1999 showed that over \$1 Billion is paid out in claims each year.

In Australia insurance is voluntary where all premiums are paid into a 'risk-sharing' pool. Successful claims are then funded from the pool. For those that are more likely to claim, premiums will be higher. Below is a simplified diagram of the process.





A: Overview of the Insurance Industry

[Mr Tony Hawkes and Mrs Chris Hawkes](#)

How does my age and health affect the cost of my insurance?

- i Age is one of the main factors used to determine how likely it is that you will make a claim i.e. generally the older you become the more probability of a claim.
- i Gender (women tend to live longer than men), smoker status and occupation are considered when assessing a risk.
- i Personal medical history (past and current) as well as family history is also important.
- i Blood and medical tests and doctor's reports on pre-existing medical conditions.

What is the likely outcome for an Australian Insurance application?

Source: IFSA Fact Sheet March 2002

Industry Experience

- i In the financial year 2000/2001 CommInsure paid out 5,394 Life, TPD, Trauma & Income Protection claims totalling \$168,514,000.
- i In a comparison of Trauma Vs TPD claims, Royal & Sun Alliance for 2001 experienced a 78% Trauma to 22% TPD ratio.
- i AMP paid out a weekly average of \$350,000 in Income Protection claims during 2001.
- i More than 50% of trauma claims are made by people by people under 45 years of age. This compares to only 6 % of people over 55.