



Good Shepherd
Australia New Zealand

Low-income households and insurance patterns

An analysis of insurance expenditures for
NILS applicants in 2019

December 2020

Susan Maury and Zara Lasater



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About us

Good Shepherd Australia New Zealand was established to address the critical, contemporary issues facing women, girls and families. We work to advance equity and social justice, and to support our communities to thrive. We aspire for all women, girls and families to be safe, well, strong and connected.

The Research and Advisory team is responsible for:

- strategic research and evaluation
- client understanding and co-design
- financial hardship, vulnerability and family violence training and capability building
- program design.



Executive summary

This report provides an analysis of 20,405 No Interest Loans Scheme (NILS) applicants with Good Shepherd Australia New Zealand (formerly Good Shepherd Microfinance) in 2019, concerning their rates of insurance and average expenditure for policies. When applying for a NILS loan, individuals are asked about their budgetary expenses for five insurance categories: car, house/contents, funeral plan, health and life/unemployment. An analysis of 2019 data using SPSS produced the following key findings:

1. The **'average' individual** captured in this dataset is a female resident of New South Wales, aged between 35-54 years, living in a rental property and relying on Centrelink payments (particularly the Disability Support Pension) as her primary source of income. This puts her annual income around \$25,000 - \$30,000, or right about at the poverty line for a single adult.
2. Overall, **insurance does not appear to be a priority** – or perhaps affordable – to the majority of the individuals in this sample. Only 41.7% of the sample held any form of insurance policy, and of this sub-set the majority (70%) held only one type of policy.
3. Generally speaking, women, older people and those with more income were **most likely to be insured**. However, there was variation across the different policy types.
4. The likelihood that an individual has **car insurance**¹ is directly correlated to their income, with 43.6% of those in the highest quintile (with an average annual income of \$50,000) holding car insurance, compared to only 17.5% of those in the lowest quintile (with an average annual income of \$16,000). The average amount spent on car insurance was significantly lower than the average cost of car insurance when analysed by state. Furthermore, more people reported paying for car registration than for car insurance, and this varied by state, perhaps reflecting legislative differences. The average cost paid for car insurance was \$663 per annum.
5. **House/contents insurance**² was held by 8.3% of the entire sample at an average cost of \$833. Further analysis revealed that those who lived in a home that was owned or being purchased by themselves or their family were much more likely to have house/contents insurance, at 39%, compared to only 5.8% of those in a rental. Those who lived in a home that was owned or being purchased also spent

¹ The budget data entry does not differentiate between different types of car insurance, such as CTP, third party and comprehensive.

² The budget data entry does not differentiate between home building and home contents insurance.



considerably more on house/contents – averaging \$1,160 per annum, compared to only \$597 per annum for those in rentals. Age was also a predictor of having a house/contents insurance policy, with older adults more likely to do so.

6. With 10.5% of the sample holding a **funeral plan**, this was the second most popular insurance policy following car insurance, and the relationship between income and the likelihood of holding a policy was almost directly inverse (excepting the lowest quintile). Age was also a predictor of having a funeral plan, with older people more likely to do so, as was Indigenous identity. Having dependents was negatively predictive. This is the only insurance type in which our sample appeared to be *more* likely to hold a policy than the general Australian population. It may be an indication of how precarious individuals in our sample feel their lives to be, or it may reflect predatory sales behaviour, which has been associated with funeral plans. The average cost spent on funeral plans was \$802 per annum.
7. **Health insurance** is the least likely insurance for this sample to purchase, with only 3% indicating they held a policy. Women and older members of the sample were more likely to have health insurance. While the likelihood of holding a health insurance policy was almost directly correlated to income, only 5% of the highest quintile indicated they paid for health insurance. These rates appear to be far below normative data for Australia as a whole. The average amount spent on a health insurance policy was \$1,480 per annum.
8. **Life/unemployment insurance** was held by 5.5% of the entire sample, at an average cost per annum of \$804. Women and older members of the sample were more likely to have life/unemployment insurance. Income was not predictive of holding a policy, except for the poorest households in the sample, who were least likely to hold a policy.

This research provides insight into insurance patterns for low-income households. However, it cannot answer the question of the value individuals place on insurance, or how insurance decisions are made. **Phase 2** of this research will incorporate a mixed-methods design which will provide further insights into decision-making processes, barriers to holding an insurance policy, and the perceived value of insurance.



Overview

Insurance holds an important place in ensuring households can withstand economic shocks and unexpected expenses. However, an estimated 10 per cent of all Australian households consider themselves under-insured, with an additional 10-12 per cent stating that they ‘did not know’ if they needed additional insurance.³ Previous research by Good Shepherd identified key barriers as affordability, accessibility, suitability, understanding, supply, product design, and known or perceived risks (including for the insurance industry, policyholder, and community sector).⁴

In response to these needs, in 2015 Suncorp and Good Shepherd entered into partnership to create an affordable and accessible microinsurance product. Microinsurance products are designed to meet the needs of low-income households – those least able to cope with unexpected expenses. The Essentials by AAI insurance products are intended to mitigate barriers to holding relevant insurance policies.⁵ Nevertheless, there are concerns that many low-income insurance households remain under-insured.

Good Shepherd Australia New Zealand (GSANZ) entered into an agreement with Suncorp to conduct research intended to support improved financial inclusion in the context of general insurance by understanding how Suncorp is creating value for their Essentials by AAI customers. The agreed purpose of the research was to explore perceptions of insurance value through a mixed-methods study of GSANZ clients. With the advent of the catastrophic bushfires in late 2019/early 2020, however, the decision was made to reconsider the scope of the research. It was determined to break the research into two parts, with Phase 1 interrogating information held by GSANZ about the relationship that NILS applicants have with different types of insurance, as a non-invasive first step. This draft report provides a summary and overview of findings from Phase 1, and suggests possible questions to address in Phase 2.

³ Marjolin, A., Muir, K., Ramia, I., and Powell, A. (2017). Why is financial stress increasing? Financial resilience in Australia 2016 – Part 1. Centre for Social Impact (CSI) at UNSW-Sydney, p. 25. Access at https://www.csi.edu.au/media/Financial_Resilience_Part_One.pdf

⁴ --- (2013). Insurance for low-income Australians: Taking Innovative Action. Discussion Paper. Good Shepherd Microfinance, Northcote, March 2013. Access at <https://goodshepherdmicrofinance.org.au/assets/files/2013/04/INSURANCE-FOR-LOW-INCOME-AUSTRALIANS-March-2013.pdf>

⁵ See <https://www.canstar.com.au/home-insurance/suncorp-a-strong-advocate-for-risk-transference-in-the-economy/>



Data set and analysis

GSANZ holds three separate databases on microfinance clients. The first relates only to those who have been provided with a StepUP loan. As this data is held by NAB and does not record insurance information, it was not used for this research. The second dataset relates to customers of the Good Money stores (located in Queensland, South Australia and Victoria). While this data contains information on three types of insurance that customers hold, we decided not to use this data as it is confined to Good Money customers only and is limited in its geographical representation (relative to the third set of data [finPOWER]). The final set of data is drawn from myNILSapp/finPOWER and draws upon the client data for the No Interest Loans Scheme (NILS) provided across the network of community providers in Australia. As the most comprehensive of the three databases, it is the best set of data upon which to draw for the purposes of our study.

The majority of providers migrated to this shared database in 2018, so we determined to use all data held in the finPOWER database for calendar year 2019. This includes all entries, which also incorporates applications which were rejected for a NILS loan. This has provided us with a greater number of cases to analyse and also a greater income spread – both higher and lower – than provided solely by those who were approved for NILS loans. CY2019 includes approximately 20,000 individual entries. It should be noted that it excludes approximately 30% of all NILS client information for this timeframe, since not all providers or states were using myNILSapp. Exclusions include NILS Tasmania (11%), Good Money stores (13%), Anglicare WA (3%), Foresters (2%) and Womens NILS 4 Health (0.5%). When comparing by state, therefore, we have confined our analyses to the four states with the largest representation: New South Wales (NSW), Victoria, Queensland and South Australia.

All client cases for financial year 2019 were provided to the research team in a deidentified manner in an Excel spreadsheet. Data were cleaned, coded, and imported into SPSS© for analysis. Data held in finPOWER is derived from data fields completed by NILS workers employed or volunteering at various community organisations. The data is based on information provided by clients (verbally and/or by examining their bank statements). Data is collected so as to ascertain eligibility for a NILS loan; there is a budget template but no conversation script or standard questionnaire used, except for the script provided in relation to insurance referral activity. It should be noted that the primary purpose of the data collection is to provide an understanding of an individual's income and expenses, and is not specifically focussed on insurance per se. The level of detail concerning insurance policies is therefore limited, and the information that is entered is also subject to data entry errors and/or information recall errors. In order to mitigate potential data



entry errors, all analyses on costs have excluded the five highest and five lowest entries. These cases are still included in aggregates of who holds insurance, however.

As part of understanding a client's budget situation, all clients are asked whether they carry policies for five main categories of insurance: car, house/contents, funeral plan, health and life/unemployment. If yes, clients are further asked how much their policies cost per annum. House/contents and life/unemployment are not differentiated in the data entry process, nor is car insurance differentiated by type. (Fields are provided in Appendix A.)

Thus, our analysis is confined to the following information:

1. A general overview of the client base (e.g., basic demographics).
2. The number/per cent of clients who hold these five types of insurance.
3. The amount spent on the various types of insurance.
4. The profile of clients who hold various policies.
5. Various sub-analyses; for example, does car insurance cost vary by state, or do homeowners spend more on home/contents insurance?

We have also divided the sample into quintiles by total annual income. This allows us to further disaggregate patterns based on income. We have sought to apply a "sense check" by sourcing normative data by way of comparison. However, we were limited by publicly available information; a future research step may include sourcing comparative data from Suncorp or another reliable source.

The following sections provide a demographic overview of the entire sample. This is followed by specific information on each type of insurance.



Describing the sample

All clients who applied for a loan from the Good Shepherd No Interest Loan Scheme (NILS) between 1 January – 31 December 2019 and using the myNILSapp (and therefore captured by the finPOWER database) were included in the sample, N = 20,480. Seventy-five cases were excluded due to lack of income data, with a total number of cases included in the analysis of 20,405. The decision was made to include all cases regardless of whether they were approved for a loan, to increase power and also provide a wider range of income. The number of cases which did not receive a loan totalled 1,167, which is 6% of the entire sample.

The majority of clients included in the sample were female, totalling 13,316 or 65.2% of the total. Males totalled 7,011 (34.4%) and 34 people identified as intersex. Gender was unknown for 44 clients. See Figure 1.

Gender breakdown of sample

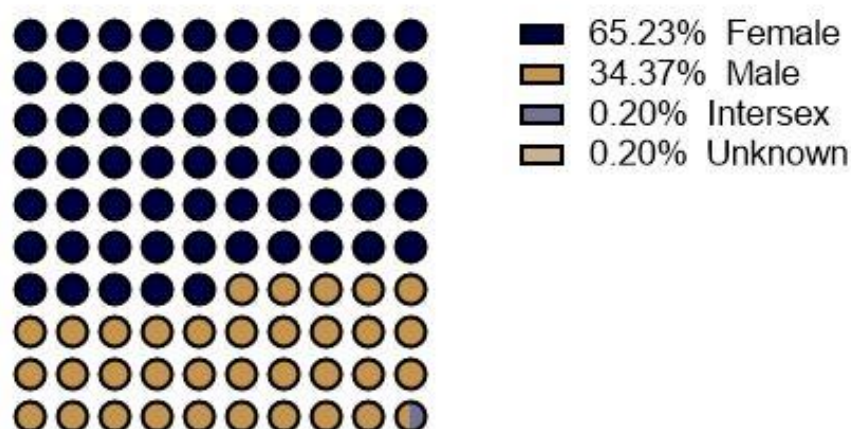


Figure 1: Gender of sample

The age of clients follows a curve, with the majority of the sample falling between the ages of 35 – 54 years (totaling 9,042, or 44.3% of the entire sample). See Figure 2 for the per cent distribution.

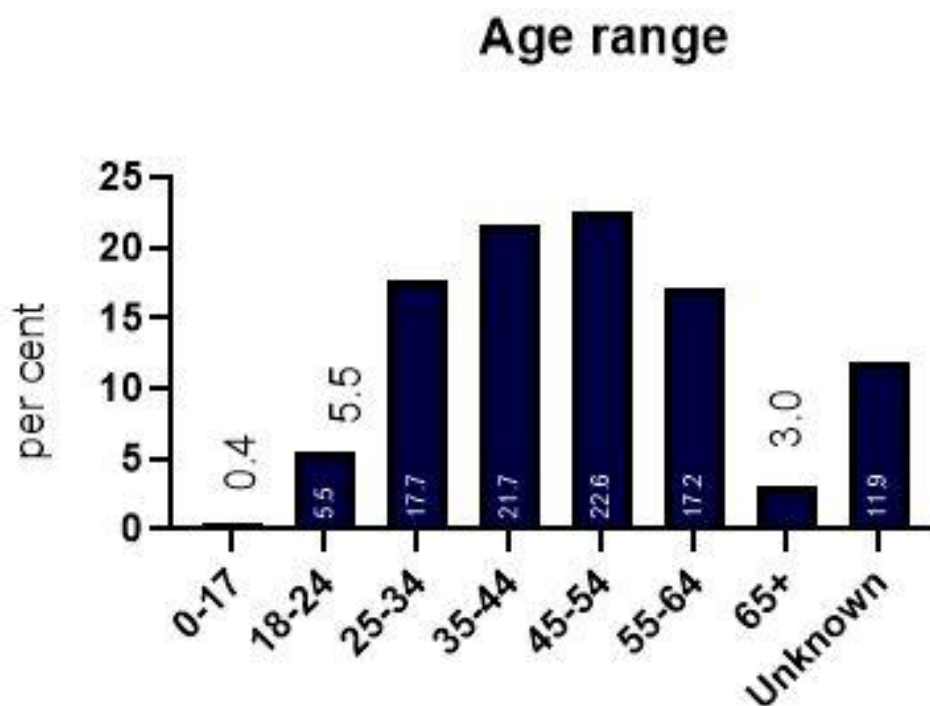


Figure 2: Distribution of age

Nearly 25% of the sample identified as Indigenous, with just under 68% not identifying as Indigenous and 7.6% unknown; see Figure 3.

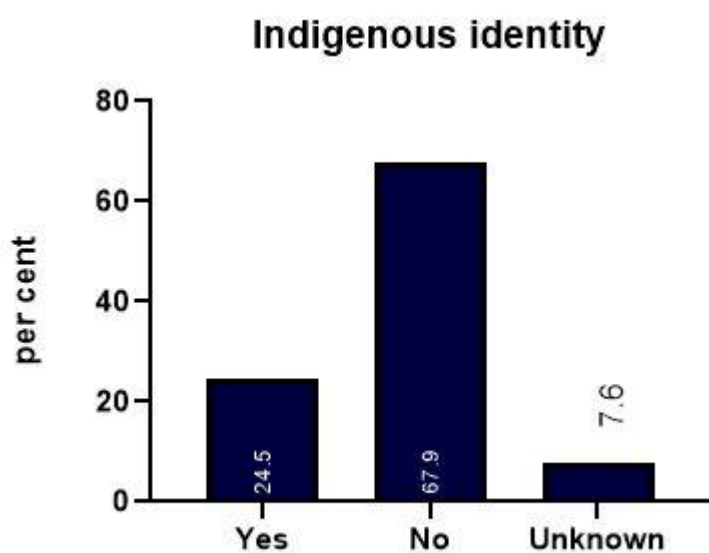


Figure 3: Per cent of sample identifying as Indigenous

The majority of the sample – 57% – did not have dependents, while 43% indicated they had one or more dependents; see Figure 4.

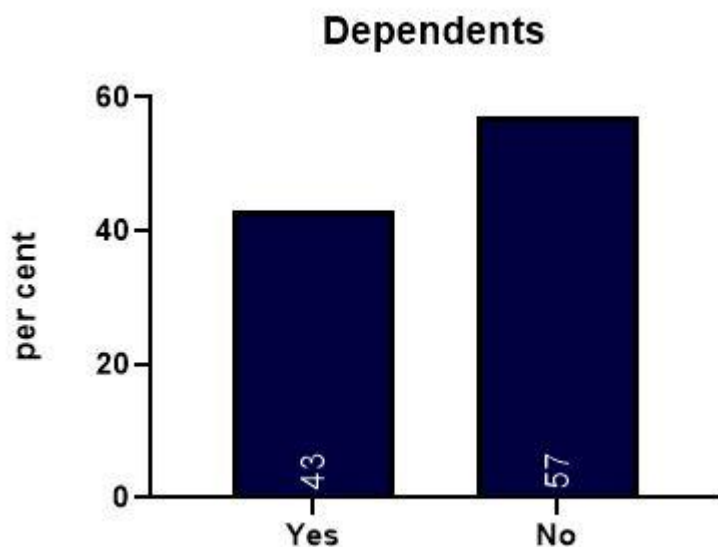


Figure 4: Per cent of sample with one or more dependents

While the sample included clients from every state and territory, the range varied widely; see Figure 5. This is reflective of where finPOWER data is captured rather than a reflection of service provision as noted previously. New South Wales residents were the most numerous, reflecting 9,982 clients or 48.9% of the entire sample, while South Australia represented 6.9% of the sample. 3.9% were either from states with low representation (because they were not using the myNILSapp in 2019) or was not entered. Where analyses is conducted by state, only the four most represented states are included. Other analyses include the entire geographic sample.

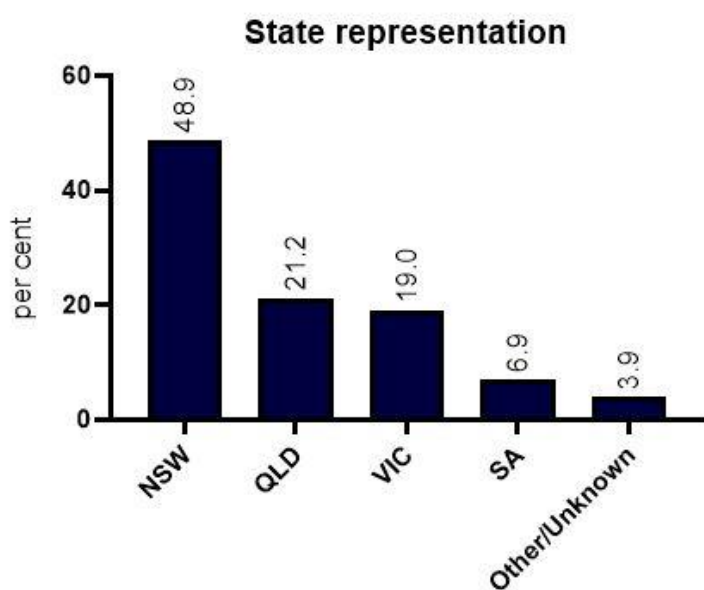


Figure 5: Geographic distribution of sample



The vast majority of clients were living in either public or private rentals, totalling 15,111, or 74.1%. Only 1,673 (8.2%) lived in a home that was owned or being purchased by the client or their family. Eight per cent (1,624) of the sample lived in “Other” housing, which includes boarding houses, supported accommodation, crisis accommodation, independent living units, Indigenous communities, institutional, public shelters, and supported accommodation. See Figure 6 below.

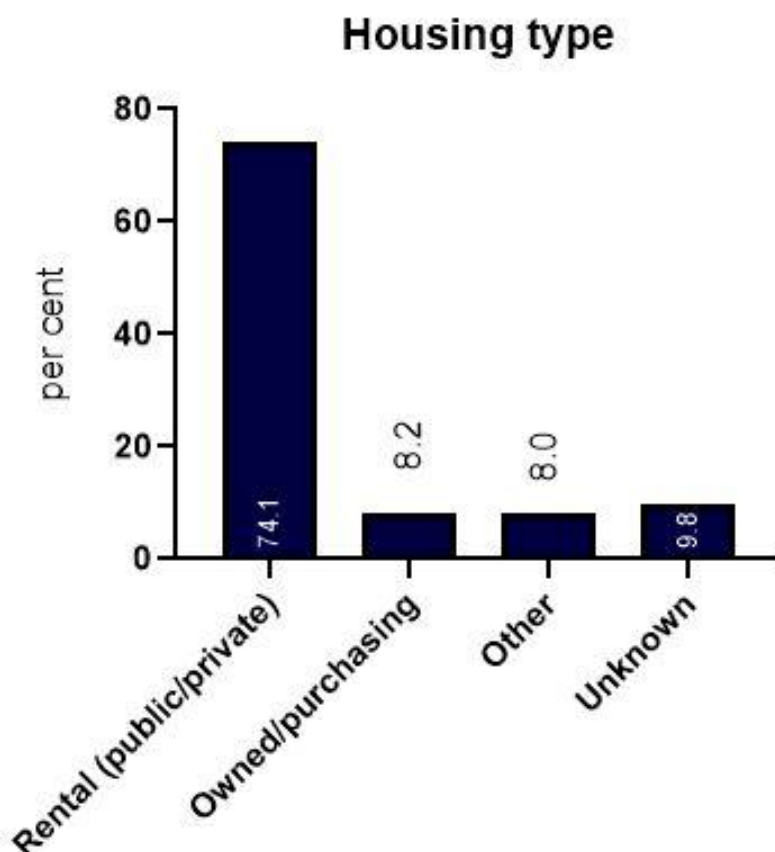


Figure 6: Housing type

Most people in the sample – 18,841, or 92.3% - listed a form of Centrelink payment as their main source of income. 1,078 (5.3%) people listed wages or self-employment as their primary source of income, with a small percentage (0.3%, or 69 individuals) listing their main source of income as “Other,” which includes worker’s compensation, rental income, Superannuation, Paid Parental Leave, child support, emergency relief payment, foreign income/pension, and investments. See Figure 7.



Main source of income by type

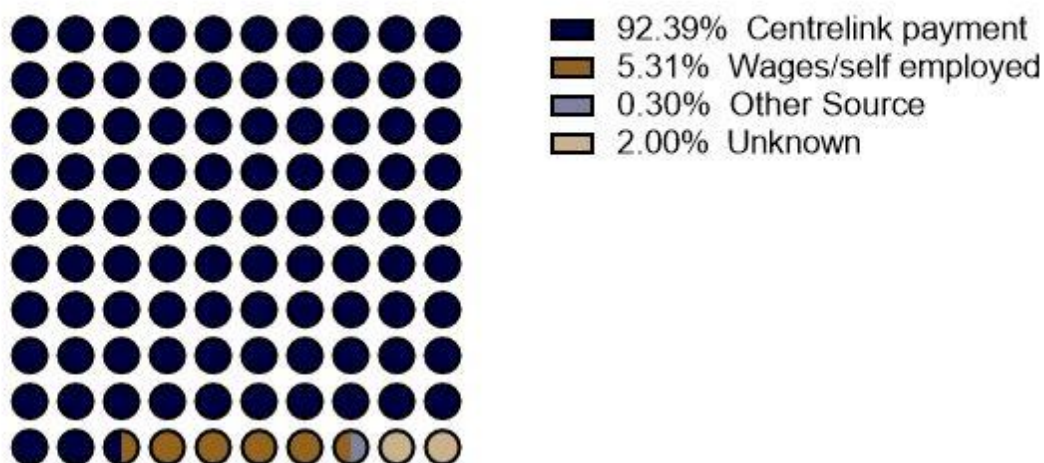


Figure 7: Main source of income

A further breakdown indicates that people relied most on the Disability Support Pension (DSP), with 6,145 people (30.1%) listing it as their primary income source, followed by the Newstart Allowance – 4,606 people (22.6%). A more complete breakdown of primary income source and average annual income is provided in Table 1. The main sources of income provided varying annual income averages. Those on Youth Allowance had the lowest average annual income, at \$14,435, but the Newstart Allowance, reflecting almost 23% of the entire sample, was only marginally higher, at \$20,998. Thirty per cent of the sample relied on the Disability Support Pension, which averaged slightly higher at \$27,774. Those whose main source of income was wages (some self-employed) had an average of \$45,205. To place within context, the average Australian who works full time earns \$86,268 (ABS, February 2020)⁶. According to the recently released *Poverty in Australia* report (ACOSS, 2020)⁷, the poverty line, measured as 50% of median income, is \$23,764 for a single adult.

⁶ See

[https://www.abs.gov.au/ausstats/abs@.nsf/lookup/6302.0Media%20Release0Nov%202019#:~:text=Moderate%20growth%20in%20average%20earnings,\(ABS\)%20figures%20released%20today.](https://www.abs.gov.au/ausstats/abs@.nsf/lookup/6302.0Media%20Release0Nov%202019#:~:text=Moderate%20growth%20in%20average%20earnings,(ABS)%20figures%20released%20today.)

⁷ See

<https://apo.org.au/node/276246#:~:text=In%20Australia%2C%20the%20poverty%20line,week%20below%20the%20poverty%20line.>



Table 1: Main income source and average annual income

Main source of income		
% of sample	Income source	Average annual income
30.1%	Disability Support Pension	\$27,774
22.6%	Newstart Allowance	\$20,998
14%	Parenting Payment Single	\$39,081
9%	Carer Payment	\$35,494
7%	Age Pension	\$26,317
6.1%	Family Tax Benefit	\$44,414
5.3%	Wages/self employed	\$45,204
2.1%	Unknown income source	\$38,090
1.3%	Youth Allowance	\$14,435
1.0%	Centrelink (Other) ^a	\$31,574
0.4%	Austudy	\$22,697
0.3%	Carer Allowance	\$37,789
0.3%	Other source ^b	\$43,864
0.2%	Special benefits (all types)	\$22,655
0.1%	Sickness Allowance	\$20,243

^a Other Centrelink payments include Parenting Payment Partnered, Widow's Allowance, Widow's Pension, Wife's Pension, Foster Care Allowance, Newborn Supplement, Flexibly Support Payment, Partner Allowance, and Rent Assistance.

^b Other payments include worker's compensation, rental income, Superannuation, Paid Parental Leave, child support, emergency relief payment, foreign income/pension, and investments.

Total reported annual income ranged across the sample from a low of \$2,400 to a high of \$122,562, with an average of \$30,471 (SD: \$12,532). Because the spread is so great, the sample has been divided into quintiles based on reported annual income: that is, the highest 20%, the second-highest 20%, the median 20%, the second-lowest 20%, and the lowest 20%. Each division includes approximately 4,050 people, ensuring a similar number of individuals for each quintile. This division allows for more nuanced analysis, (see Figure 8 for the average annual income by quintiles). The highest quintile reports an average annual income of \$50,278 while the lowest quintile reports an average annual income of \$16,110. Where average income is reported for quintiles in other parts of this report, the amount is rounded to the nearest \$500.

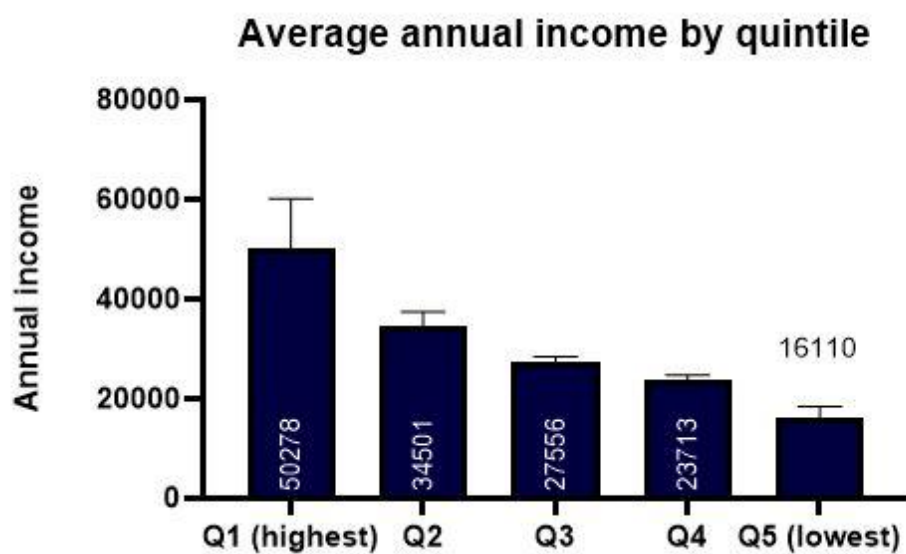


Figure 8: Average annual income by quintile



Overview of insurance policies

All clients were asked whether they carried policies for five main categories of insurance: car (described as “Comp/3rd party”), house/contents, funeral plan, health and life/unemployment. First, we examined what percent of the sample had *any* type of insurance policy. Less than half of the sample – 41.7% – held any type of the five policies that they were asked about; see Figure 9.

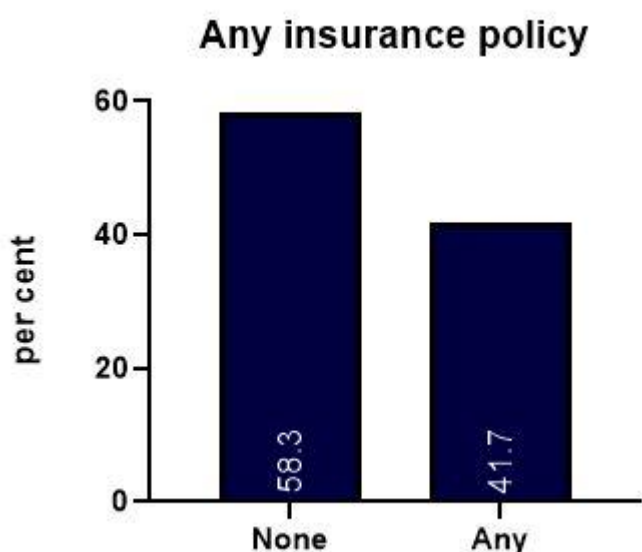


Figure 9: Per cent of sample that held any type of insurance policy

Of the people who had insurance, the vast majority – 70%, or 5,997 people – held only one policy. Twenty-three per cent, representing 1,930 people, held two policies. Six per cent of the sample (505 people) held three policies. Eighty-three people, representing 1% of those holding insurance, held 4 policies, and only three people held five policies – a number too small to be statistically significant. See Figure 10.

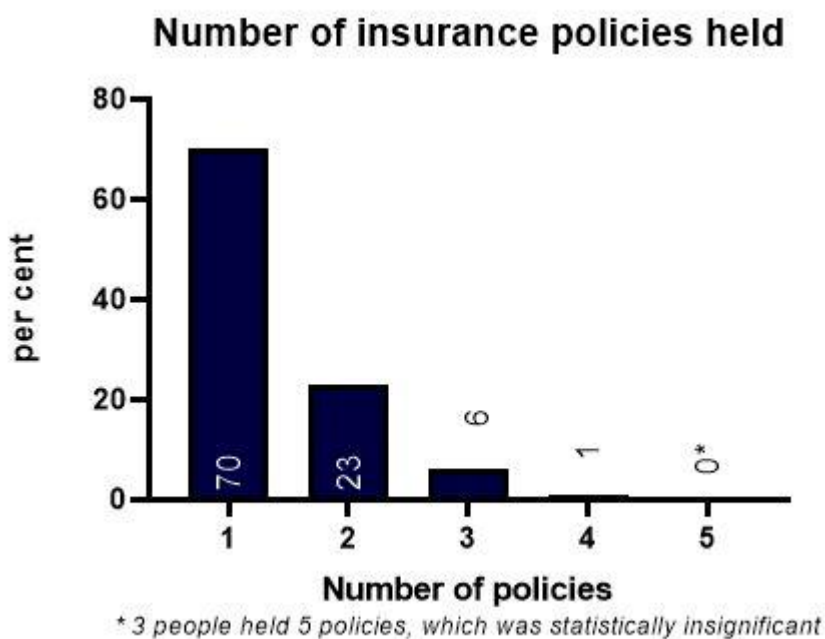


Figure 10: Number of insurance policies held (per cent)

Having dependents was not predictive of whether someone had insurance. Gender, Indigenous identity, age, state of residence and housing status were weakly predictive. Income and age were moderately predictive.

Women were slightly more likely to be insured than men, holding 69.2% of the policies while making up 65.2% of the entire sample. Those who did not identify as Indigenous were slightly more likely to hold insurance, holding 73% of the policies while making up 69% of the sample. While those in the sample living in Victoria and South Australia were insured at a statistically representative level, people living in New South Wales were less likely to be insured, with only 48.9% of those in that state holding a policy despite making up 56.6% of the sample. People living in Queensland held 21.2% of the policies despite making up only 16.6% of the entire sample, making Queenslanders the most likely to be insured. Housing status was not predictive except for those who living in a home owned or being purchased by themselves or a family member; while making up 8.2% of the entire sample, they held 12.7% of the policies.

Younger people were less likely to hold insurance; those aged 25-34 held only 12.7% of the policies, despite making up 17.7% of the entire sample. On the other end of the age spectrum, those aged 55+ held 27.5% of the policies despite making up only 20.2% of the sample. See Figure 11, which provides the per cent of insurance policy holders by age and (in brackets) the per cent of the entire sample that each age bracket comprises.

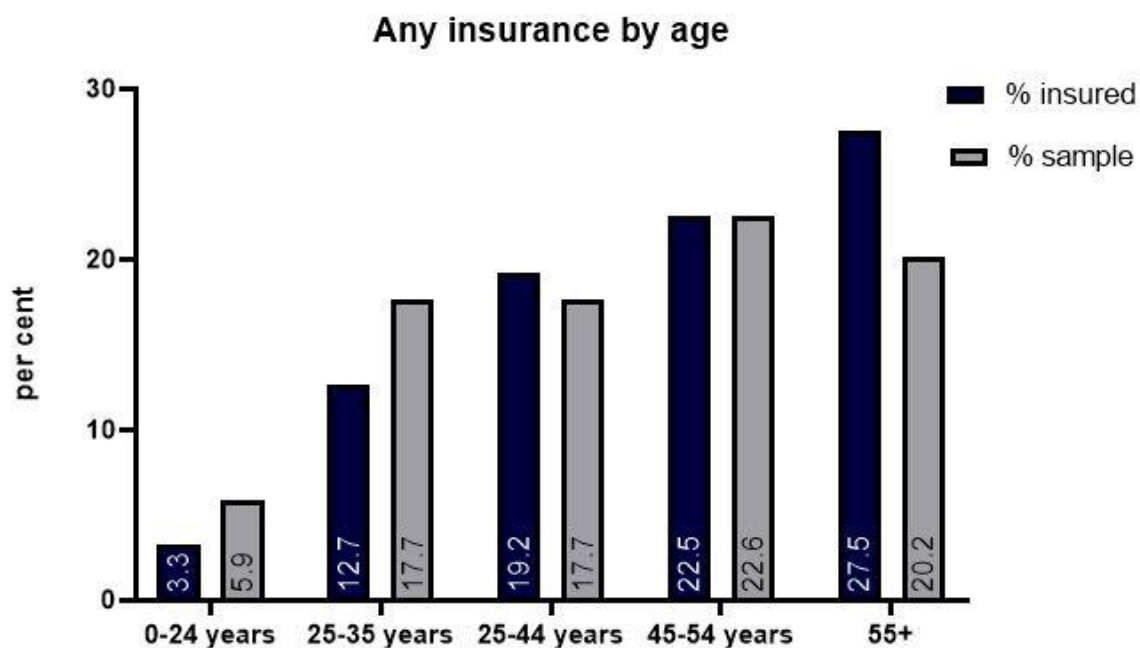


Figure 11: Any insurance policy by age (% of whole sample)

The likelihood of holding insurance was only moderately correlated to income; see Figure 12. The highest (wealthiest) quintile was much more likely, at 25.1%, to hold an insurance policy than the lowest quintile, at only 12.1%. However, the middle three quintiles were quite similar in their coverage, at around 20% of the sample for each income bracket.

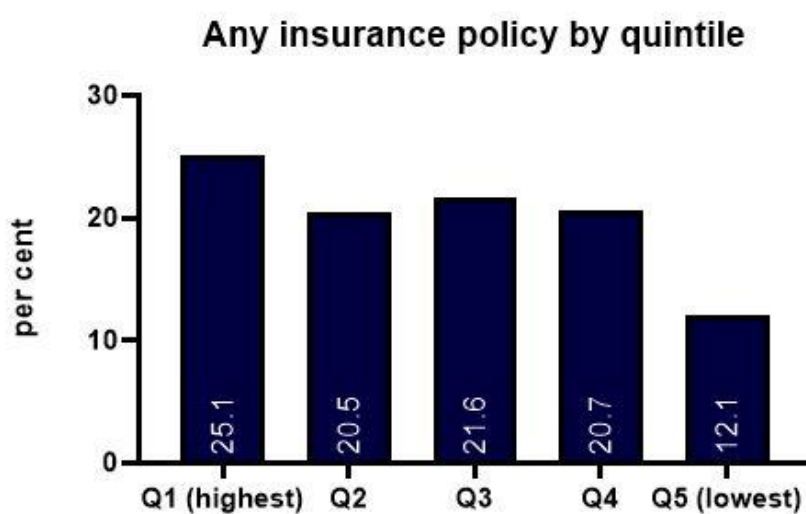


Figure 12: Any insurance policy by quintile



The lack of any strong predictors for holding insurance indicates that predictive factors are likely to differ depending on the type of insurance. In the following section of the report, therefore, predictive patterns are examined for each insurance type.

Examining the entire sample, individuals were mostly likely to have car insurance, with 30.1% stating they carried a car insurance policy. Health insurance was the least popular type of policy for individuals in the sample to have, with only 3% as shown in Figure 13.

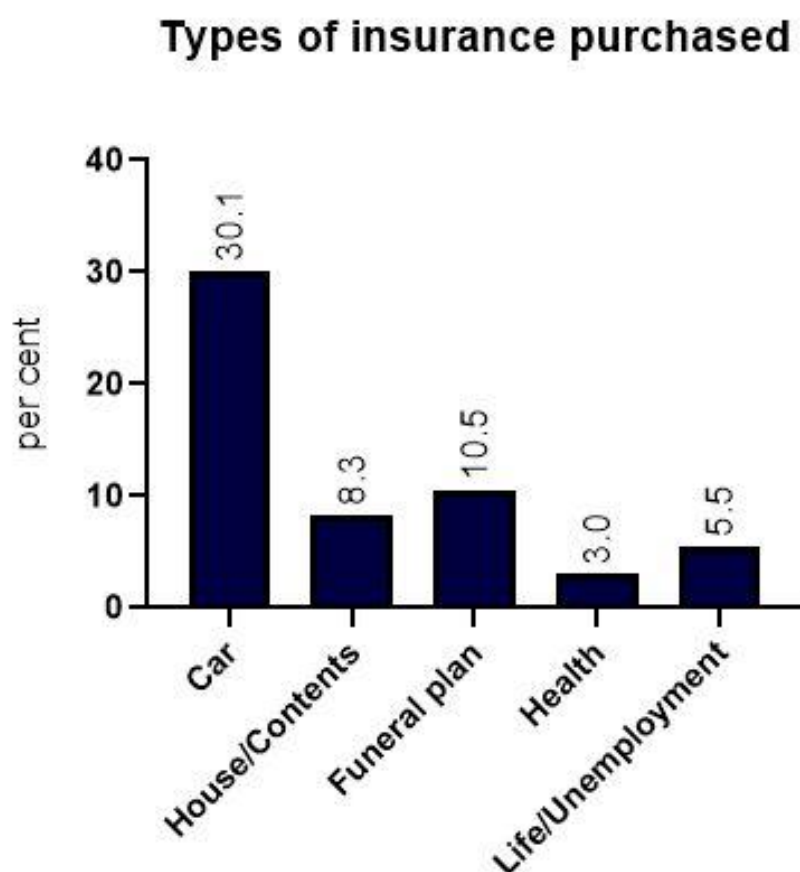


Figure 13: Types of insurance policies held



Insurance patterns

Car insurance

Car insurance is the type of insurance most likely to be held by all people in the sample (30.1%), regardless of income quintile, potentially due to legal requirements for compulsory third-party insurance. Those who hold car insurance have a higher average income, at \$34,241, than those who do not have car insurance, at \$28,850. Neither gender, age nor having dependents were predictive of owning car insurance. Indigenous identity was weakly predictive, with those who did not indicate Indigenous identity holding 76.4% of the policies while making up only 68% of the entire sample. State of residence was also predictive, with those from NSW or South Australia slightly more likely to have insurance while those in Victoria and Queensland slightly less likely to do so. A further analysis by state is provided below.

In order to better understand how car insurance correlates with owning a car, we have included the per cent of people who also budget for car registration as a comparison. When examined by quintile, the percent of those who both pay car registration fees and hold a car insurance policy correlates with annual income. Those in the highest quintile are most likely to both pay car registration (60.4%) and hold a car insurance policy (43.6%). This drops to 32.1% for car registration and 17.5% for car insurance in the lowest quintile; see Figure 14. For all quintiles, the incidence of car insurance is lower than that for car registration, but that may be due to differences across states in how car insurance is handled. We have, therefore, also provided analysis by state (see below). We could not source comparable data on the percentage of the overall Australian population with car insurance.



Car registration and car insurance by quintile

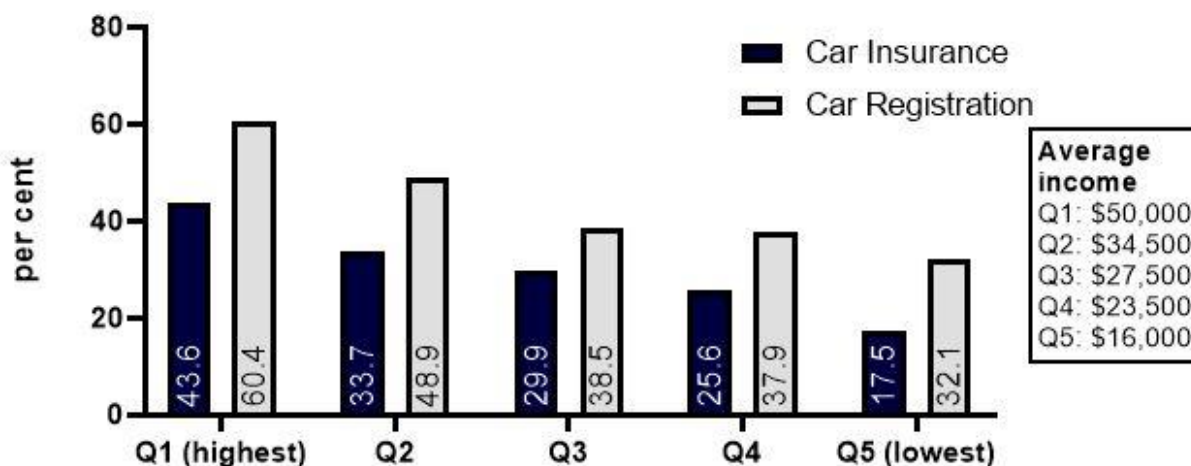


Figure 14: Car registration and car insurance by quintile

Table 2 shows the average annual amount spent on car insurance by quintile. It shows that the average annual cost of car insurance was much higher on average for the highest quintile, at \$807, while the other quintiles averaged between \$659 - \$530.

Table 2: Annual expenditure on car insurance by quintile

Car insurance: number insured and average annual expenditure by Quintile		
Quintile (average income)	Number insured	Average
Q1 (\$50,00)	1,797	\$807
Q2 (\$34,500)	1,377	\$659
Q3 (\$27,500)	1,217	\$588
Q4 (\$23,500)	1,040	\$598
Q5 (\$16,000)	716	\$530
Combined	6,147	\$663

Because car insurance legislation and protocols differ by state, we have compared the relationship between listing car registration as an expense to the rate of car insurance, by state. (Note that the sample does not total 100% due to the exclusion of other/unknown states.) Figure 15 shows that while in NSW the relationship is fairly equitable, all other states show great variation. In Victoria, approximately one-third of those who pay for car registration also hold car insurance, while in Queensland and South Australia it is approximately half.



Comparison of car insurance & registration by state

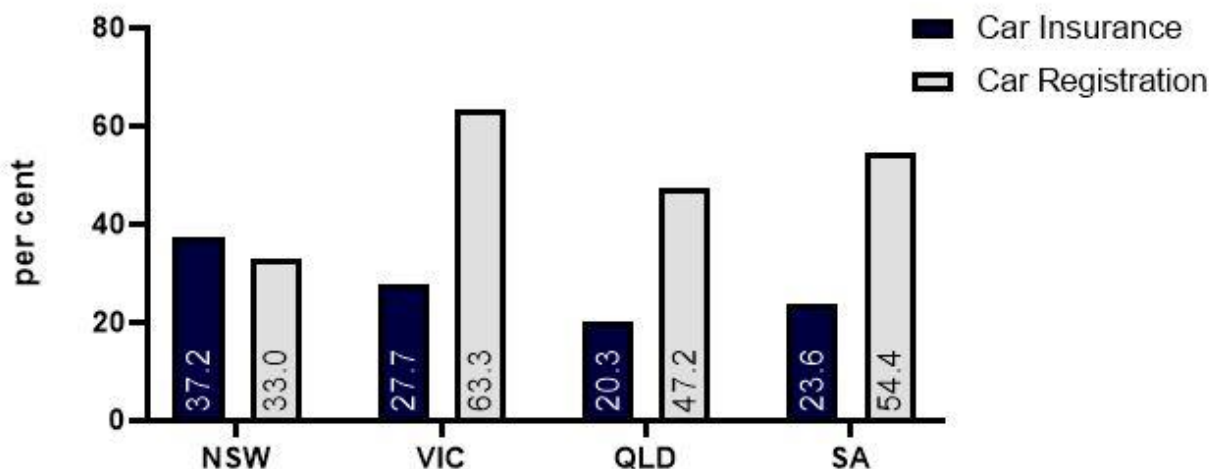


Figure 15: Relationship between car registration and car insurance by state

We have also provided a summary of the average amount spent on car insurance by state; see Table 3. The average amount spent on car insurance by state for the entire population is included for comparison⁸. The average cost of car insurance for our sample is much lower than the average amount spent within each state; this may reflect that clients in our sample are more likely to find a good deal, or it may mean that they are opting to purchase only the minimum legally required coverage.

Table 3: Car insurance expenditures by state

Car insurance: number insured, average annual expenditure, and range spent by state			
State	Number insured	Average cost	Average cost for state (2019)
New South Wales	3,724	\$638	\$1,045
Victoria	1,074	\$721	\$1,466
Queensland	875	\$699	\$920
South Australia	335	\$640	\$969

⁸ See <https://mozo.com.au/insurance/car-insurance/guides/car-insurance-in-2019-how-much-does-it-cost-and-how-can-you-save>



House/Contents insurance

House/Contents insurance was held by 8.3% of the entire sample. This compares to approximately 50% of the general Australian population, according to Booth and Lucas (2018)⁹, with renters the most likely group to be under-insured. Those who held a house/contents insurance policy had slightly higher incomes than those who did not - \$34,106 compared to \$30,141. Gender was a predictor of purchasing house/contents insurance, with women more likely to hold a policy than men; specifically, while women are 65% of the entire sample, they were 74% of the policy holders for house/contents insurance. There were slight variations by state, with people in Victoria and South Australia more likely to hold a policy while people in NSW and Queensland were less likely. Having dependents was negatively predictive, in that those with dependents, making up 43% of the sample, held only 36% of the house/contents insurance policies. Indigenous identity was also negatively predictive, with 7.7% of those with an Indigenous identity holding a house/contents policy while making up 25% of the entire sample.

Age was a strong predictor, with a clear correlation between advancing age and the likelihood of holding a policy; see Figure 16. The percentage of each age group across the entire sample is included in brackets above the graph bars for comparison. This indicates that, while people aged 55-64 make up only 17.2% of the sample, they represent 26.1% of those who hold a house/contents insurance policy. Likewise, while those aged 65+ hold 7.4% of the policies, since they only make up 3% of the entire sample, this is a comparatively high rate of insurance. On the low end, those aged 25-34 made up 17.7% of the entire sample, but only 6.2% of those who hold a house/contents insurance policy. Those aged below 24 who held such a policy were negligible.

⁹ See <https://theconversation.com/insurance-is-unaffordable-for-some-but-its-middle-australia-that-is-underinsured-105662>

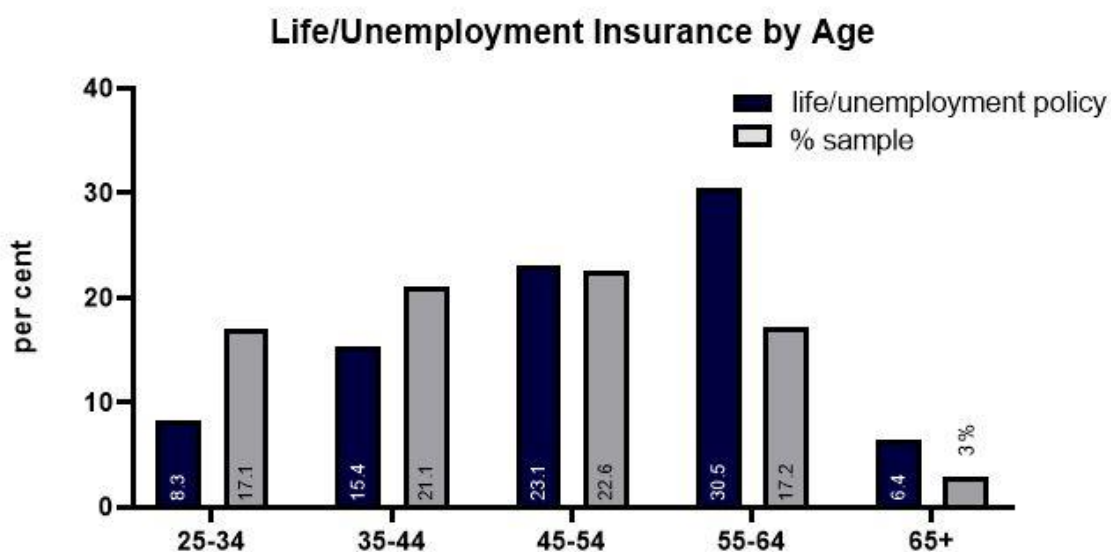


Figure 16: House/contents insurance by age (% of entire sample)

The likelihood of holding a policy did not follow a linear income pattern, with those in the highest quintile, at 11.6% of the sample, and the second-lowest quintile, at 11%, most likely to have a policy. The second and third quintiles had similar rates of house/contents insurance, at 8.1% (Q2) and 7.3% (Q3). The lowest quintile had by far the lowest rates of house/contents insurance, at 3.6%. See Figure 17.

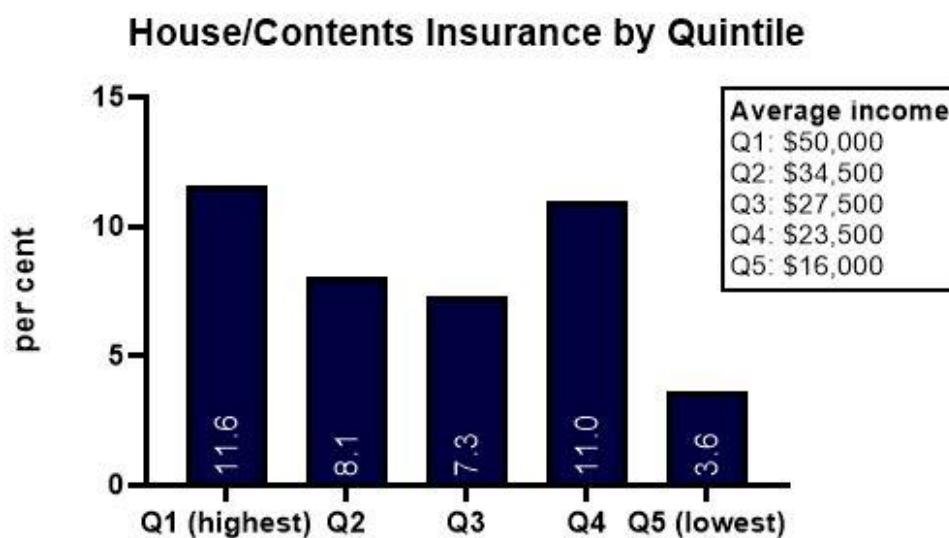


Figure 17: House/Contents insurance by quintile

Table 4 provides the average annual expenditure on house/contents insurance as well as the range, by quintile. Average annual expenditures were fairly uniform, with the lowest



average reported by the third quintile at \$657 and the highest by the first quintile, at \$928. We were unable to source normative data to provide a comparison.

Table 4: House/contents insurance expenditure by quintile

House/contents insurance: number insured and average annual expenditure by quintile		
Quintile (average income)	Number insured	Average
Q1 (\$50,00)	479	\$928
Q2 (\$34,500)	332	\$829
Q3 (\$27,500)	297	\$657
Q4 (\$23,500)	447	\$855
Q5 (\$16,000)	146	\$817
Combined	1,691	\$833

It seemed likely that investing in house/contents insurance may be correlated to home ownership, so we analysed the data by homeowner status; see Figure 18. This was the case, with 39% of those clients who were living in a home that was owned or purchased by themselves or their family holding a house/contents insurance policy, despite comprising only 8.2% of the entire sample. Only 5.8% of those in any kind of rental held a house/contents policy, although renters were 74.1% of the entire sample. Only 3.1% of those in any kind of rental held a house/contents policy, although renters were 74.1% of the entire sample. Only 5.8% of those in any kind of rental held a house/contents policy, although renters were 74.1% of the entire sample.

House/contents insurance by homeowner status

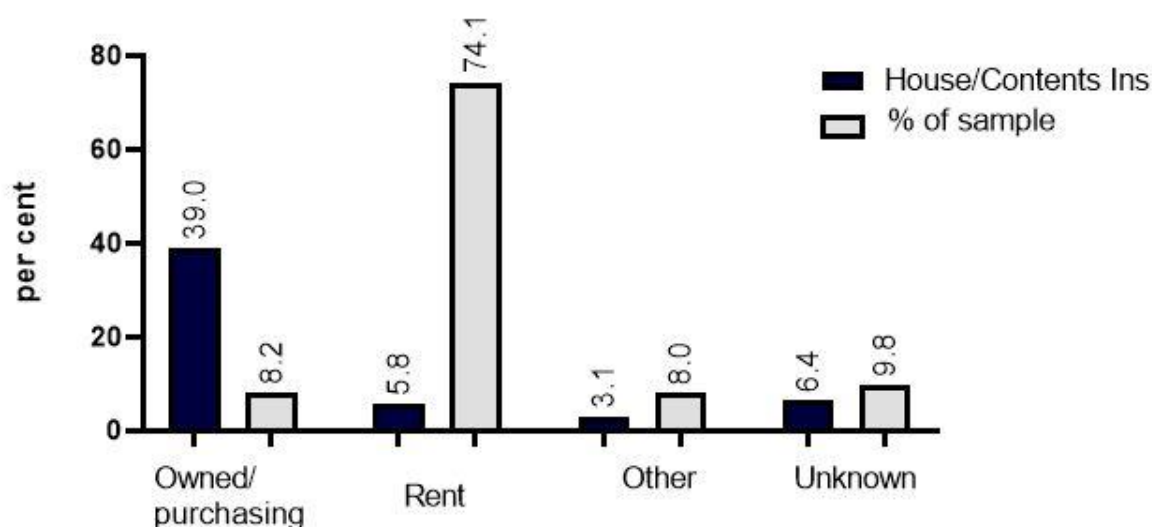


Figure 18: House/Contents insurance by homeowner status (% of the entire sample)



Additionally, the average cost of house/contents insurance was highest for those who were in a client- or family- owned or purchasing home, at \$1,160, while for those who rented, the average annual cost was much lower, at \$597; see Table 5. This may reflect larger premiums to cover structural damage compared to only insuring contents; however, the insurance questions asked did not provide this level of detail.

Table 5: House/contents insurance: number insured and average expenditure by home ownership status

House/contents insurance: number insured and average annual expenditure by home ownership		
Homeowner status (% of sample)	Number insured	Average
Owned/purchasing (8.2%)	652	\$1,160
Rental (74.1%)	871	\$597
Other (8%)	50	\$602
Unknown (9.8%)	128	\$869

Funeral plan

After car insurance, a funeral plan was the most popular form of insurance policy for this data set, at 10.5%. This appears to be a much higher rate of policy investment than the Australian general public; the Australian Seniors' commissioned Circle of Life Study (2016)¹⁰ found only 2% of seniors held a funeral policy. People who had a funeral plan earned an average of \$29,030. Neither gender nor state of residence were predictive of holding a funeral plan. Income, age, lack of dependents and Indigenous identity were all predictive of having a funeral plan. Those who did not have dependents held 79.4% of all funeral plans despite making up only 57% of the entire sample. Thirty-two percent of those who held insurance plans also identified as Indigenous, despite making up only 25% of the entire sample. The relationships between income and age is explored in greater detail below.

The likelihood of having a funeral plan was almost directly inverse to income, with only 6.5% of the highest quintile holding a plan, and 8.7% in Quintile 2. Quintiles 3 and 4, in contrast, were about twice as likely to hold a funeral plan, with 15.3% of those in the median quintile and 16.7% of those in the second-lowest quintile having a policy. This

¹⁰ See <https://assets-us-01.kc-usercontent.com/fe157580-e3ba-00c4-7df9-7b5d8eaae1c1/e95c9e50-8e0b-4339-9c76-74cefd2ff690/media-release-circle-of-life-full-report.pdf>



inverse relationship between income and having a funeral plan did not hold true for the lowest quintile, with only 5.7% of individuals having a funeral plan. See Figure 19.

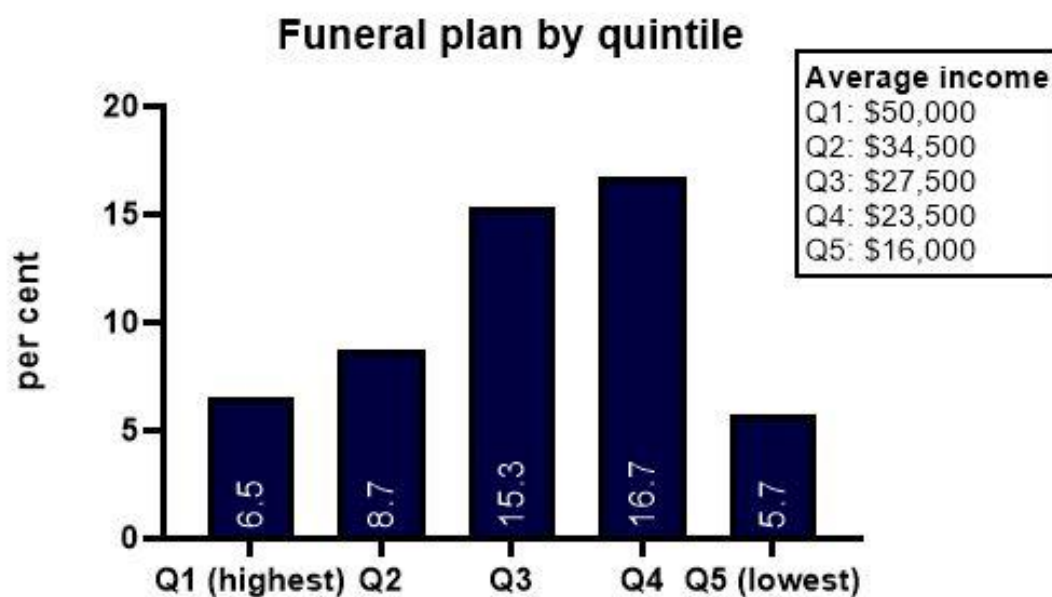


Figure 19: Funeral plan by quintile

Below is the annual expenditure on funeral plans, by quintile (Table 6). Average costs were fairly consistent across the quintiles, with a high for the first quintile of \$876 to a low for the fifth quintile of \$668. The comparatively high numbers of funeral plans, particularly amongst households with more financial stress, may be a sign of predatory behaviour; the Australian government’s MoneySmart guide¹¹ cautions against many funeral plans as failing to save money for most individuals.

Table 6: Annual expenditure on funeral plans by quintile

Funeral plan: number insured and average annual expenditure by quintile		
Quintile (average income)	Number insured	Average
Q1 (\$50,00)	270	\$876
Q2 (\$34,500)	355	\$793
Q3 (\$27,500)	623	\$822
Q4 (\$23,500)	675	\$804
Q5 (\$16,000)	231	\$668
Combined	2,154	\$802

¹¹ See <https://moneysmart.gov.au/funeral-insurance>



Age was also a predictor of owning a funeral plan. Figure 20 provides an analysis of those who hold a funeral policy by age. The representation of each age division is included in brackets above the graph bars for comparison. For example, it can be seen that while almost 9% of people aged 35-44 hold a funeral plan, this age group is almost 22% of the overall sample. Conversely, people aged 55-64 hold 35.5% of the funeral plans, but make up only 17% of the entire sample. Those under the age of 25 held a negligible number of plans.

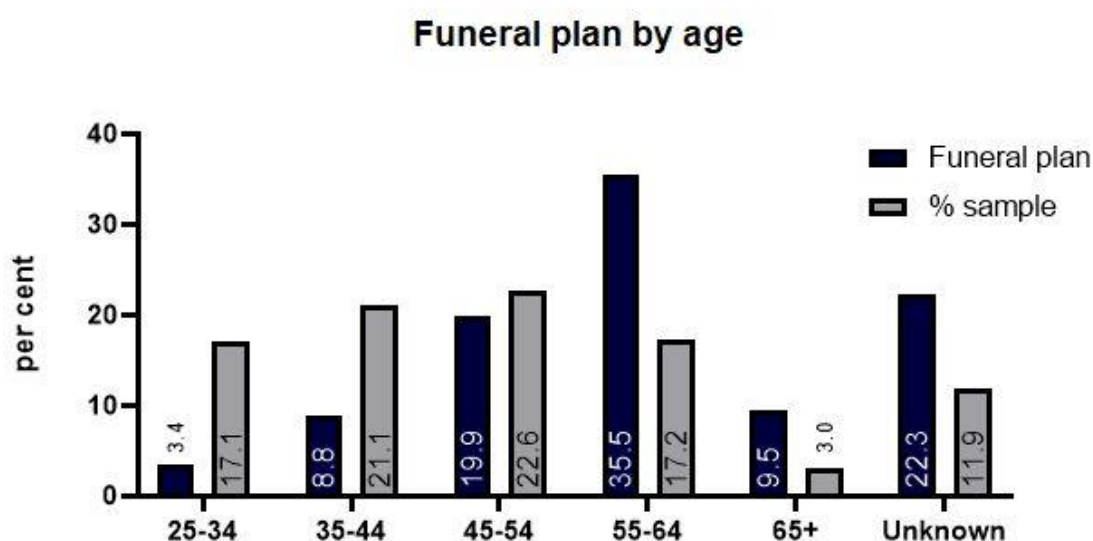


Figure 20: Funeral plan by age (% of the entire sample)

Health Insurance

Health insurance is the least likely type of insurance policy to be held by the individuals in this sample, at only 3%. Gender was predictive of holding a health insurance policy, with 82% of policies held by women despite making up 65% of the sample, while men held 18% of health policies despite making up 34% of the sample. Age and having dependents were not predictive. State was not a predictor excepting South Australia; 12.5% of health insurance policies were held by people from this state despite making up only 6.9% of the sample. Indigenous identity was negatively predictive, in that 5.9% of health insurance policies were held by people who identified as Indigenous despite making up 25% of the entire sample.

Income level was directly correlated to the likelihood that someone would hold a health policy; those who held a policy have an average annual income of \$36,130 compared to an annual income of \$30,297 for those who did not. Similar to car insurance, the highest quintile was most likely to hold a health insurance policy; despite this, only 5% indicated



they did so. Only 1.2% of the lowest quintile held a health insurance policy. See Figure 21 for the full analysis by quintile. As a point of comparison, Tikkanen et al (2020)¹² report that in 2016 46% of the Australian population had private hospital coverage and almost 55% had private treatment coverage. While they report that only 22% of those in the lowest quintile hold a health insurance policy, this is much higher than what is reflected in our sample.

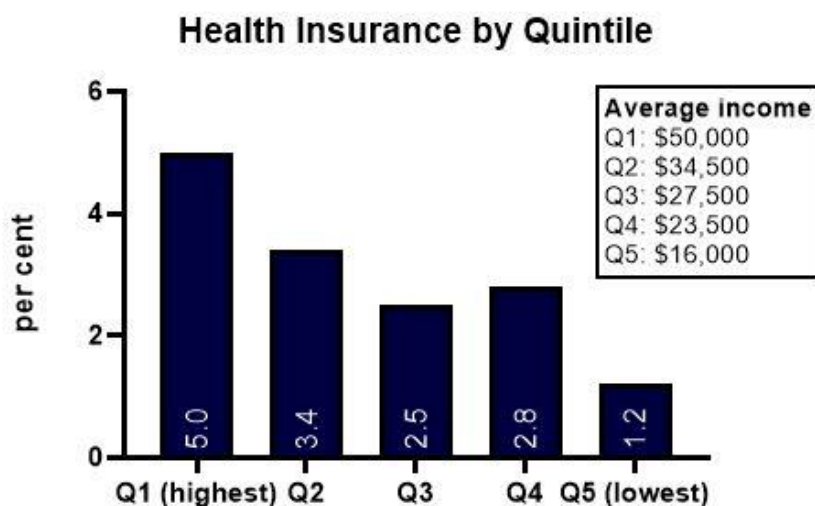


Figure 21: Health insurance by quintile

Table 7 shows the average amount spent on health insurance, by quintile. With the exception of the lowest quintile, the average expenditure was fairly uniform across the other quintiles, ranging between \$1,825 - \$1,119. The lowest quintile spent on average \$924 – approximately half the amount spent by the highest quintile.

Table 7: Annual expenditure on health insurance by quintile

Health insurance: number insured and average annual expenditure by quintile		
Quintile (average income)	Number insured	Average
Q1 (\$50,00)	207	\$1,825
Q2 (\$34,500)	138	\$1,468
Q3 (\$27,500)	103	\$1,119
Q4 (\$23,500)	115	\$1,427
Q5 (\$16,000)	47	\$924
Combined	610	\$1,480

¹² Tikkanen, R., Osborn, R., Mossialos, E., Djordjevic, A. & Wharton, G.A. (5 June 2020). International Health System Profiles: Australia. Access at <https://www.commonwealthfund.org/international-health-policy-center/countries/australia>



Life/Unemployment insurance

Life/unemployment insurance was recorded as one item; it is therefore not possible to distinguish between the two in this data set. Across the sample, 5.5% held life/unemployment insurance. Gender was predictive of holding life/unemployment insurance, with 73.1% of the policies held by females despite making up 65% of the overall sample; 26.8% of policies were held by males despite making up 34% of the sample. Neither Indigenous status nor state of residence was predictive of having a health insurance policy. Having dependents was negatively predictive, in that those with dependents held 35.9% of the policies despite making up 43% of the entire sample.

Age was strongly predictive. Figure 22 shows the rates of holding life/unemployment insurance by age, with the percentage that each age division represents of the sample placed above the bars. It can be seen that those aged between 25-44 years collectively make up 38.2% of the sample but hold only 23.6% of the life/unemployment insurance policies. Conversely, those aged 55+ hold a combined 36.9% of the policies while making up only 20.2% of the sample. Those under the age of 25 held a negligible number of policies.

Life/Unemployment Insurance by Age (% of sample)

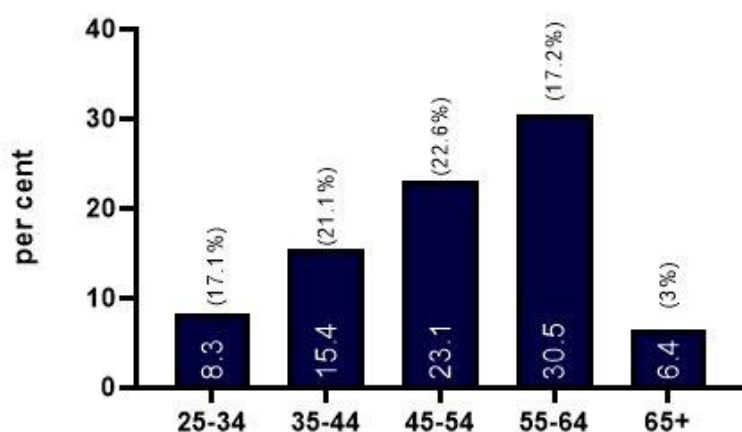


Figure 22: Life/Unemployment insurance by age

With the exception of the lowest quintile, the likelihood of holding life/unemployment insurance was fairly uniform regardless of annual income, ranging between 5.3% - 6.7% of policy holders across quintiles 1 – 4. Quintile 5 had the lowest rates of policies, at 3%. See Figure 23. According to insurers TAL¹³, half of the Australian population holds a life

¹³ See <https://www.tal.com.au/slice-of-life-blog/how-many-australians-have-life-insurance#:~:text=There%20are%20almost%2022%20million,Institute%20of%20Health%20and%20Welfare>.



insurance policy; our sample is therefore insured at only 10% of the average rate for life insurance.

Life/Unemployment Insurance by Quintile

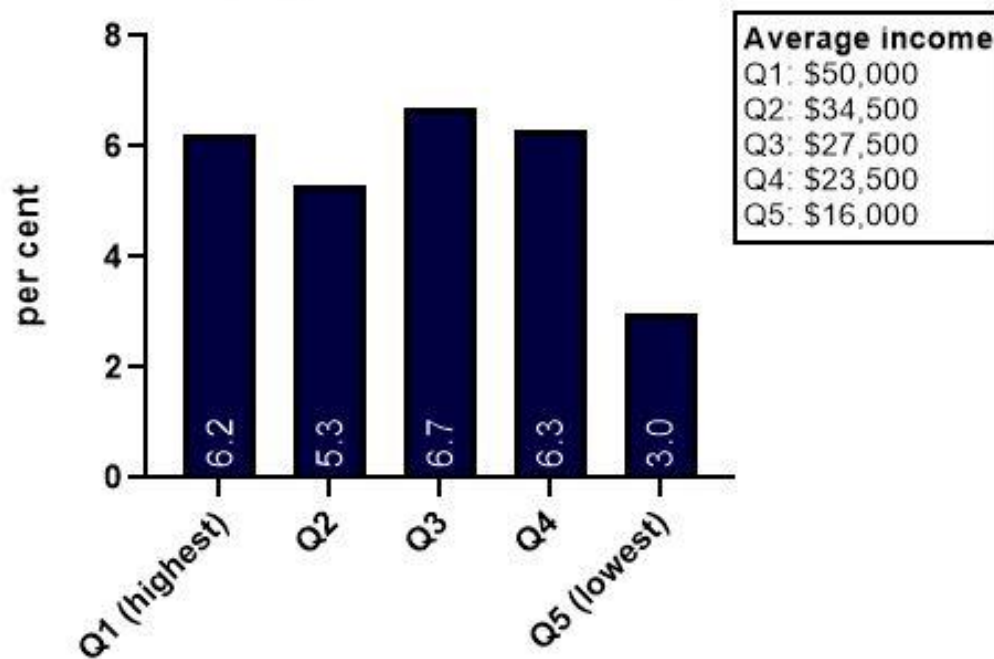


Figure 23: Life/Unemployment insurance by quintile

Table 8 provides the annual cost of life/unemployment insurance policies by quintile. Average costs were fairly consistent across the quintiles, with a high of \$869 for the third quintile to a low of \$773 for the fourth quintile.

Table 8: Annual expenditure on life/unemployment insurance by quintile

Life/unemployment insurance: number insured and average annual expenditure by quintile		
Quintile (average income)	Number insured	Average
Q1 (\$50,00)	255	\$794
Q2 (\$34,500)	216	\$780
Q3 (\$27,500)	273	\$869
Q4 (\$23,500)	254	\$773
Q5 (\$16,000)	122	\$787
Combined	1,120	\$804



Conclusion and next steps

This research looked at patterns of insurance across low-income households but interrogating a Good Shepherd 2019 database of 20,405 NILS applicants. The large size of the database allowed us to analyse insurance patterns for five types of insurance – car, house/contents, funeral plan, health, and life/unemployment – by income, gender, age, Indigenous identity, and homeowner status.

This analysis revealed that a low percentage – 42% – of NILS clients hold any kind of insurance. Furthermore, different kinds of insurance demonstrated differing patterns. Car insurance was found to be directly correlated to annual income, while for house/contents insurance owning a home and older age was predictive. Funeral plans were more likely to be held by people who identified as Indigenous and were older, while also being inversely correlated to income; it was also the only insurance type which this cohort appeared to be *more* likely to have than the general Australian population. Only 3 per cent of the sample held private health insurance, with women, older people and those with higher incomes more likely to hold this type of policy. Income was not predictive of having life/unemployment insurance, but being a woman or older was.

The research illuminates patterns of insurance for low-income households, and raises many questions which remain unanswered by this methodology. A key consideration is the *value* that low-income households place on insurance. It could be that insurance is valued but is considered too expensive. Alternately, it could be that few low-income households have had the variety of insurance types explained and offered to them; it may be that the high number of funeral plans reflect predatory marketing in an otherwise underserved population.

Another question is how insurance decisions are made in low-income households. What are the barriers to accessing insurance that would assist households to weather disasters, unanticipated financial outlays, and other personal financial setbacks caused by events such as a death in the family, loss of job, or ill health? Barriers may include affordability, access, or knowledge.

Phase 2 of this research will build on the findings from this analysis to better understand the value that low-income households place on insurance – both in general as well as specific insurance options. It will also seek to understand how low-income households make insurance decisions.

A mixed-methods approach will provide a short online survey for Good Money clients, which are comparable to the households included in the NILS database. Two thousand people will be approached to respond to more detailed questions about the types of



insurance policies they do and do not hold, what value they may see in the various insurance policies, and how those products could better suit their needs.

People who fill the online survey will also be given the option to participate in a more in-depth phone conversation to discuss their decision-making process and perceived barriers to obtaining insurance.



Appendix A

The GSM Quality Assurance Manager who oversees finPOWER provided the research team with the following de-identified data in an Excel document (data has been authenticated through a randomised analysis of client budget information and finPOWER data):

<ul style="list-style-type: none"> • AccountId • CSPName • BranchName • ClientState • ClientPostCode • Dependants • HouseholdType • HousingType • Age Bracket • SingleStatus • Disability • FamilyViolence • Indigenous • Gender • CountryOfBirth • MainLanguage 	<ul style="list-style-type: none"> • MainSourceOfIncome • TotalIncome • TotalExpenses • TotalFixedExpenses • TotalDiscretionaryExpense • BudgetSurplus • SurplusAfterFixedExpen • INC_WAGES_Wages/Salary • INC_CS_Child Support • INC_FCA_Foster Care Allowance • INC_FIP_Foreign Income/Pension • INC_INV_Investments – Interest/Dividends • INC_OT_Other • INC_RENTB_Rental/Board Income • INC_OT2_Other Income • INC_CDA1_Carer Allowance • INC_FTB1_Family Tax Benefit • INC_NSS10_Widow Allowance • INC_NSS11_Youth Allowance • INC_NSS2_Newstart Allowance • INC_NSS3_Newstart Mature Age Allowanc • INC_PEN1_Age Pensio • INC_PEN2_Carer Payment • INC_PEN3_Disability Support Pension • INC_PEN4_Parenting Payment – Single • INC_PGA1_Parenting Payment – Partnered 	<ul style="list-style-type: none"> • InsuranceConversation • CouncilRates • EXP_REGO_Car Registration • EXP_FPLAN_Funeral Plan • EXP_LUINS_Life / Unemployment Insurance • EXP_SOT1_Savings / Insurance Other • EXP_HINS_Health Insurance • EXP_VHINS_Car Insurance • EXP_AMB_Ambulance • EXP_INSHC_House / Contents Insurance
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