



Understanding the Adviser-Client Relationship **Report** **2019**

Insights into the attitudes,
behaviours and expectations
of current and potential
advice clients to help
advisers build and strengthen
long-term relationships

A word from our CEO

With the financial services industry facing its share of turbulence in the past twelve months, it's more important than ever for financial advisers to have insight into the attitudes, behaviours and expectations of their clients.



The Royal Commission into Financial Services put intense scrutiny on the sector in Australia, and negative sentiment persists despite reforms that are transforming the industry.

MetLife continues to support advisers in their engagement with their clients, as we know from our research that regular and transparent communications help to strengthen relationships and restore trust in the sector.

Now in its second year, the MetLife Report: Understanding the Adviser-Client Relationship, explores the attitudes and behaviours of two distinct groups:

- Consumers (those who have sought professional financial advice on life insurance, and those who are not currently using a financial adviser but are very likely to see an adviser about life insurance in the next two years), and;
- Small to Medium Enterprises (SMEs) with up to 20 employees who have sought professional financial advice on life insurance.

The report provides a snapshot of consumers' and SMEs' attitudes towards financial advisers and their level of confidence about their life insurance, along with actionable insights into how advisers can further improve the customer experience.

The research found one third of consumers and half of SMEs are considering changing, or no longer using their adviser in the next 12 months. This is a concerning statistic which highlights how important it is for advisers to demonstrate the ongoing value of the service they provide. Advisers can't take their clients for granted. With such a high proportion of consumers and SMEs looking for change, advisers must constantly be looking for ways to build trust and develop genuine relationships with clients.

It's no surprise that honesty and trustworthiness are the major factors people consider when choosing a financial adviser. Those advisers who take the time to have deep

and ongoing conversations with their clients about their individual needs, and demonstrate the benefits of personalised and tailored advice, will likely gain a competitive advantage.

We are proud of our association with financial advisers and we are committed to doing all we can to raise public awareness of the important contribution they make to the Australian community. We hope the ongoing analysis and insights we provide through this research will help advisers engage positively with clients about their life insurance needs.

Richard Nunn
CEO, MetLife Australia.

About MetLife in Australia

MetLife is a leading provider of life insurance, partnering with employers, super funds and financial advisers to help more Australians protect the lifestyle they love.

Our 151-year history and global presence gives us the scale and experience to be a valued and trusted partner in business. We protect customers in more than 40 countries and lead the market in corporate insurance solutions in the US, Asia, Latin America, Europe and the Middle East.

MetLife is the third largest group insurer in Australia, protecting more than 2.6 million people. We support our claimants to get back on their feet financially, having paid out over \$420 million in claims in 2018. We provide an exceptional claim experience with access to ancillary support services to promote holistic health and wellbeing.

You can find out more at:

metlife.com.au

Who will benefit from reading this report?

- Financial advisers
- Licensees
- Insurance industry professionals
- Advice industry professional bodies
- Media

Methodology

In 2018 MetLife commissioned independent research consultants, Little Triggers, to conduct the largest quantitative study of its kind to support the launch of its retail insurance offer in Australia.

We've again delivered this study in 2019 to give advisers knowledge of their clients, and potential clients, to help them better manage those relationships.

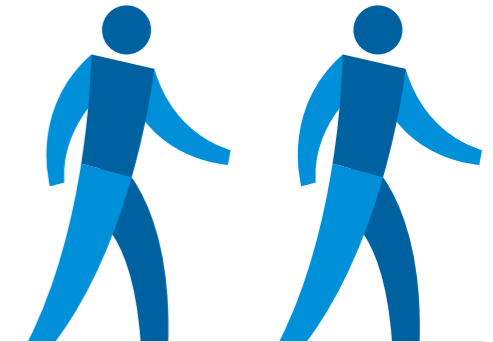
This report includes 2019 highlights from a survey of 1,298 respondents:

- 797 consumers who have life insurance purchased through a financial adviser;
- 213 Small to Medium Enterprises (SMEs) with 2–20 employees who have life insurance purchased through a financial adviser; and
- 288 consumer potentials who are very likely to see a financial adviser about life insurance in the next two years

Further breakdown of respondents can be seen on the following page.



Who took part in the survey?



Breakdown	Consumer with LI	SME with LI	Consumer Potential
Age			
18–34 years	21%	28%	24%
35–49 years	25%	40%	18%
50+ years	54%	32%	58%
Gender			
Male	56%	64%	46%
Female	44%	36%	54%
Average annual household income (before tax)			
<\$40k	05%	03%	09%
\$40–69k	09%	09%	20%
\$70–99k	17%	23%	18%
\$100–129k	14%	20%	14%
\$130–149k	09%	16%	08%
\$150–160k	06%	06%	03%
\$160k+	27%	17%	18%
Undisclosed	13%	06%	09%
Time with current adviser			
<1 year	06%	03%	N/A
1–2 years	08%	13%	N/A
2–3 years	11%	27%	N/A
3–4 years	09%	16%	N/A
4–5 years	09%	08%	N/A
5+ years	41%	26%	N/A
Undisclosed	16%	06%	N/A

Key findings

01 Confidence levels amongst consumers and SMEs in being able to explain various life insurance features have increased across the board in 2019.

02 Consumers and SMEs are seeing an adviser about life insurance to protect their family, or following a recommendation from a family member or friend.

03 The most important factors when choosing an adviser continue to be:



Honesty and trustworthiness



Transparency about fees and commissions



Adviser experience

04 75% of consumers and 62% of SMEs first worked out what life insurance cover they needed, rather than looking at how much they could afford.

05 Buying life insurance through an adviser is perceived to provide a higher quality product that is better tailored to individual needs compared with insurance purchased either directly online from an insurer or through a superannuation fund. However, this is also perceived to be more expensive.

06 Seven in 10 prefer to pay an upfront fee with lower premiums over the lifetime of the policy.

07 Consumers and SMEs were willing to pay an average of \$1,700 for insurance advice.

08 To offset not paying an upfront fee to advisers, three in 10 were willing to pay between 1–5% extra in premiums over the lifetime of their policy.

09 While the majority are aware insurers pay commissions to advisers, many don't know how much they receive, particularly consumers.

10 Almost a third of consumers and half of SMEs are considering either changing their current adviser, or ceasing to use one completely, citing their top reasons as:



High fees



Lack of affordability



No ongoing need for insurance



Lack of contact

11 If looking for a new financial adviser, more than 50% of consumers and SMEs with LI would prefer to use an independent adviser.

12 Over 40% of consumers and 60% of SMEs with LI have concerns their life insurer would pay out in the event of a claim.

13 Six in 10 undertook a review with their adviser in the last 12 months. Those who had a review are:



2.1 times more likely to recommend their adviser

14 Most indicated that the removal of commissions would not change their willingness to see an adviser.



However, they believe this would lead to more Australians being underinsured.

15 If under financial pressure, consumers are more likely to cut back on the following before they let go of their insurance cover:



Holidays



Pay TV



Gym/personal training expenses





01

Consumer

Seeking advice

Approximately 20% of Australians seek out financial advisers at vulnerable yet fortuitous moments in life, such as the birth of a child or coming into an inheritance.

More than a third (39%) of consumers who have life insurance through an adviser originally initiated discussions in order to 'protect their family' or saw their adviser following a recommendation from a family member or friend.

For consumer potentials who indicated they would very likely see an adviser about life insurance in the next two years, 25% indicated cost was a barrier (up from 18% in 2018).

Not knowing how to start also prevents people from seeing an adviser (21%). Consumer potentials are also confused as to which adviser to choose (18%) as well as wanting to get their finances in order before seeing an adviser (16%).

Like in any relationship, the most important attributes consumers seek is that the adviser is honest and trustworthy (85%), transparent about fees and commissions (78%) and adviser experience (75%).



Important attributes when choosing a financial adviser

85% Honest and trustworthy

78% Transparent about fees and commissions

75% Adviser is experienced

70% Adviser is highly qualified

65% Genuinely cares about me

65% Independent advice/not tied to any particular financial institutions

Choosing cover



Confidence levels in consumers being able to explain various life insurance features have increased across the board in 2019. The majority (81%) of consumers know their amount of cover, compared to 74% last year, while half (50%) of consumers could explain the difference between stepped and level premiums, compared to 43% last year.

When taking out their most recent insurance, three-quarters (75%) of consumers first worked out what cover they needed, then looked at whether they could pay for it. For those under 35 years of age, cost was a stronger factor – more than a third (36%) of consumers aged 18 to 35 say they first worked out what they could afford.

Over 40% of consumers surveyed thought buying life insurance through an adviser (versus purchasing through super or directly online from an insurer) as more expensive but it is also perceived to be higher quality, likely due to the market knowledge of advisers.

Advisers can help bridge this gap by demonstrating their market expertise to their clients and explaining in more detail as to why their particular plan is suited to the clients' individual circumstances. This is an opportunity for advisers to demonstrate value and show their

client that whether their insurance sits within or outside of a superfund, the advice is tailored for a certain individual and therefore worth more.

The reasons people seek financial advice are varied – life insurance is seen to be complicated and the role of an adviser is to take on that complexity and craft tailored plans for the consumer, including recommendations of products that suit their needs. Consumers then can be confident that they are adequately insured in case of injury or illness.

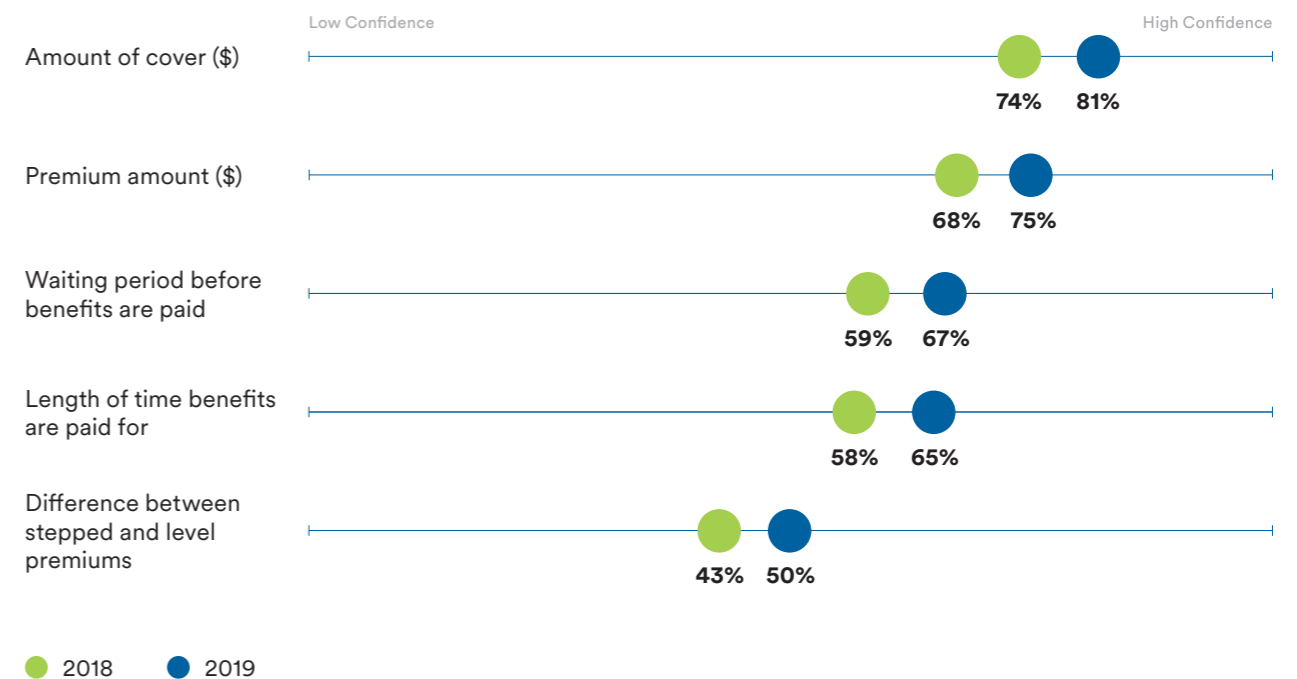
Close to half of the consumers appear to need this reassurance, as 46% have concerns about whether an insurance company would pay out in the event of a claim. These concerns are somewhat unfounded, as ASIC shows that almost all (96%) of death claims, 95% of income protection claims, and nearly nine in 10 (87%) of TPD claims were paid out in 2018 for policies bought through

a financial adviser. Advisers can be more transparent about what products they are recommending for their clients and why they are suited, so that these concerns can be put to rest.

Although Australia's economic and political climate has been particularly volatile in the last few years, with stagnant wages a feature of the modern workplace, life insurance is one area where consumers were least likely to cut discretionary spending, along with spending on children's education and housing repayments. This is potentially because life insurance is seen as 'protecting family', the top reason consumers see a financial adviser.

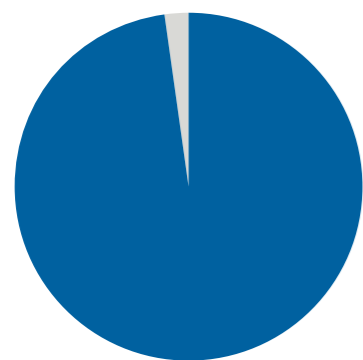
Confidence in explaining life insurance (LI) product features

Consumers with LI

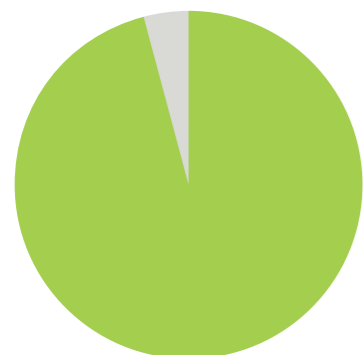


46% of consumers with LI and 64% of SMEs with LI have concerns about whether their insurance company would payout in the event of a claim.

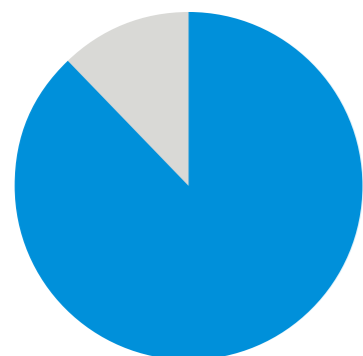
However, ASIC data shows that in 2018, for policies bought through a financial adviser, insurance companies paid out:



96% of death claims,



95% of income protection claims, and

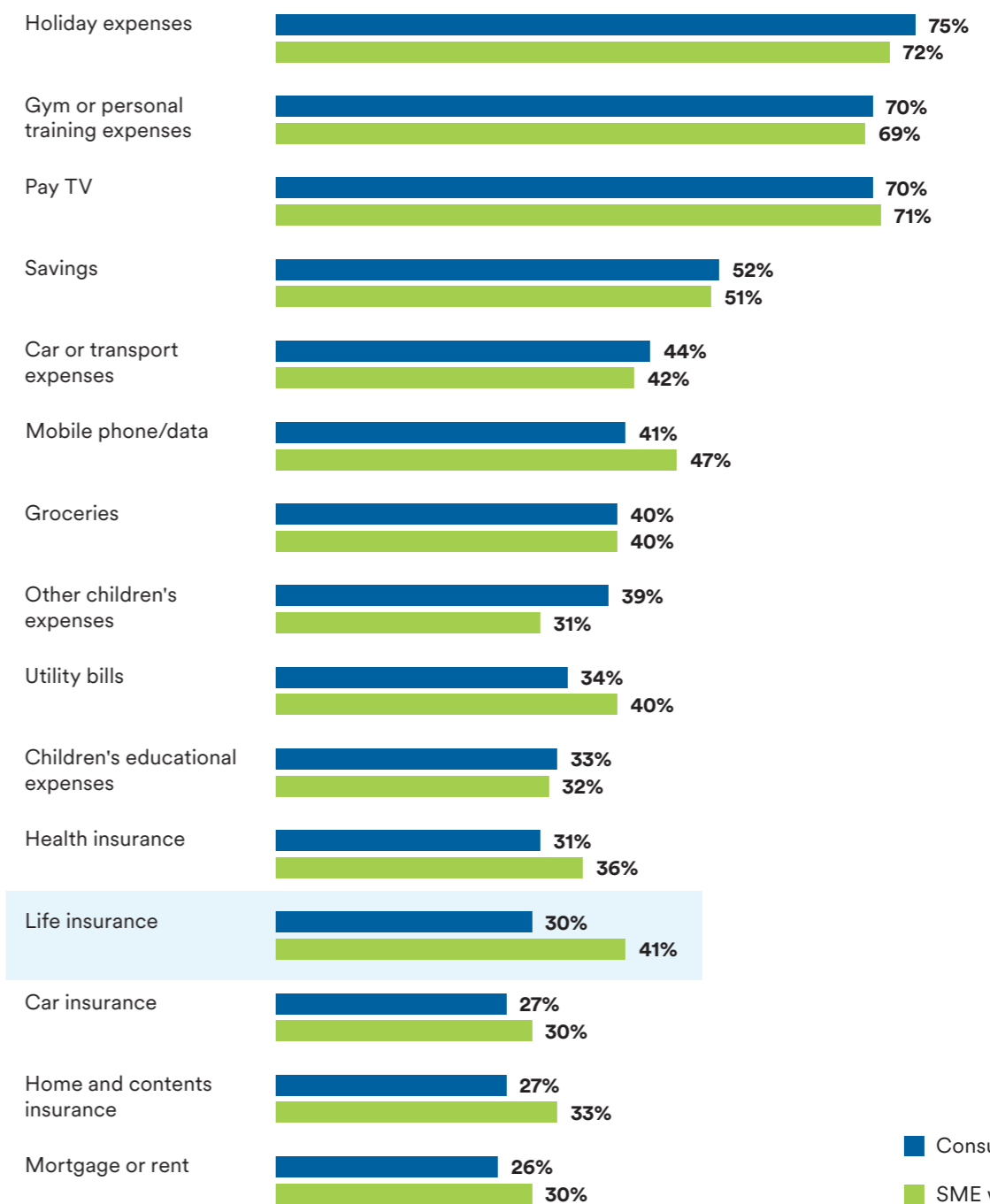


87% of TPD claims.

ASIC Life Insurance Comparison Tool. Available at: <https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/life-insurance-claims-comparison-tool>

If under financial pressure, consumers are **most likely** to cut back on holidays, gym expenses and pay TV.

They are **least likely** to cut back on mortgage and rent and various insurance covers, including life insurance.



■ Consumer with LI
■ SME with LI

Fee and easy?

In line with consumers wanting more transparency, respondents to the survey indicated a preference to pay for their advice via an upfront fee rather than a commission. But this needs to be viewed in the context of very low awareness around the commission advisers earned.

More than half (55%) of consumers say they are not aware of the amount of commission their financial adviser receives.

78% of consumers with life insurance through an adviser say they prefer to pay an upfront fee for advice with lower insurance premiums over the lifetime of the policy. When asked if removing commissions would make consumers more or less willing to see their adviser, nearly half indicated they would not expect the removal of commissions to change their willingness to see an adviser, while one in five said it would make them more likely to see an adviser.

With the Australian government considering the removal of commissions, it is important to understand how this may impact the degree to which consumers are insured. Nearly three quarters (72%) of consumers thought removing commissions would result in more people being underinsured. While further research is needed to understand why, it could be that

consumers believe the removal of commissions would lead to higher up-front fees resulting in people choosing lower levels of cover. Advisers can seize this as an opportunity to be more transparent about their commissions and the way they communicate the benefits of tailored insurance products, so the consumer can be assured they are insured with the right products for the right reasons, not because of any benefits an adviser might receive.

The data suggests the issue is not whether an adviser receives commissions, but that the practice of receiving commissions is too opaque.

When asked what types of advice consumers would be willing to pay a fee for, the top drivers cited were building up investments (54%), saving for retirement (50%) and getting life insurance (46%).



3 in 5

believe more Australians will be **underinsured** if commissions were removed.

Yes, more will be underinsured:

72% Consumer with LI
67% Consumer potential

No, will have no impact

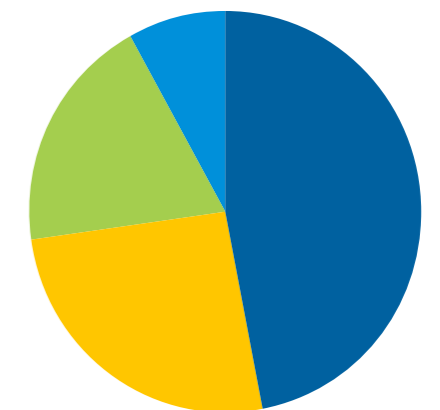
18% Consumer with LI
17% Consumer potential

Don't know

10% Consumer with LI
16% Consumer potential

Perceived impact of removing insurance commissions on likelihood people will see an adviser

Consumer



- 47% wouldn't change
- 26% less likely to see a financial adviser
- 19% more likely to see a financial adviser
- 8% don't know

The price to pay

Consumers who expressed a preference to pay an upfront fee for insurance advice were willing to pay an average of \$1,700.

This is much lower than the average cost to produce comprehensive insurance advice and indicates that significant education is required to help clients frame a realistic expectation around the value of the services advisers are providing.

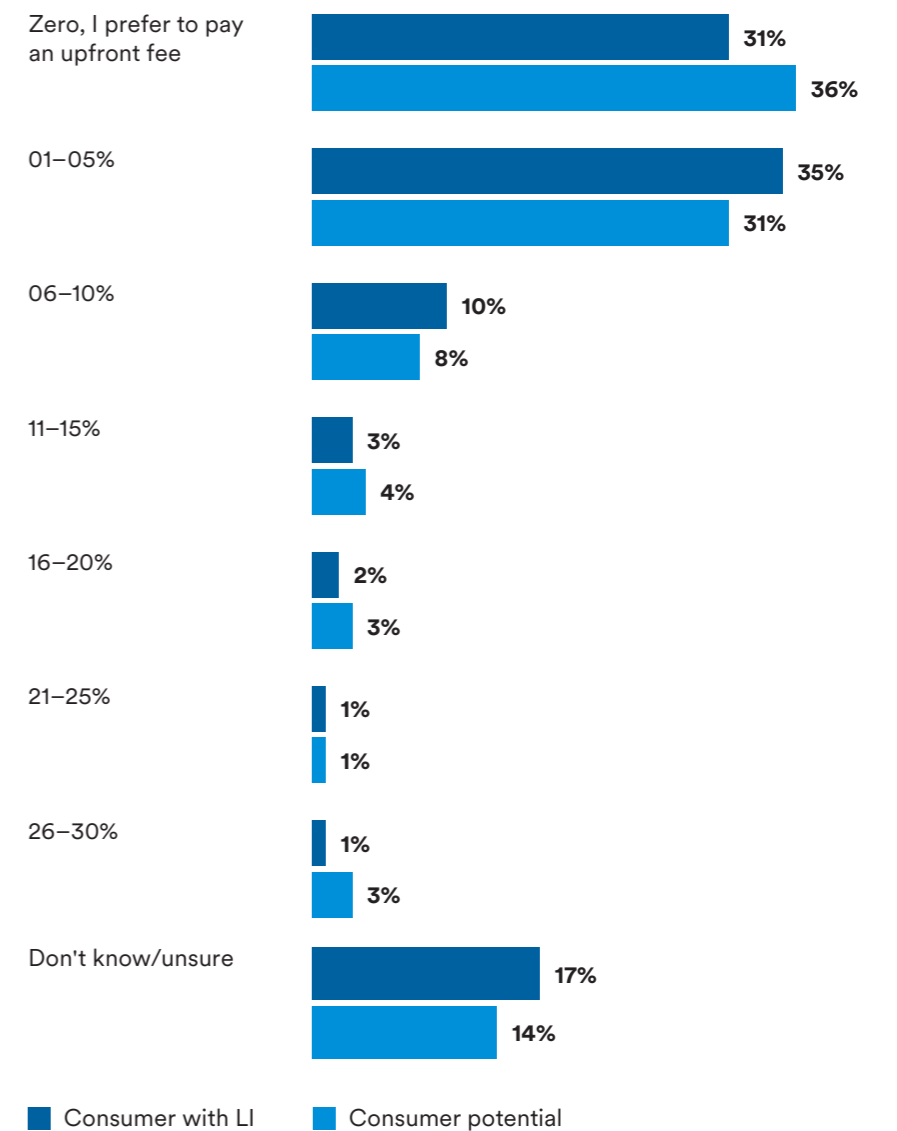
To offset not paying an upfront fee to advisers, three in 10 were willing to only pay between 1–5% extra in premiums over the lifetime of their policy, so advisers should be transparent about costs and take the time to explain both the benefits of the products they suggest for their clients and the need for any additional fees.

3 in 10

are willing to pay 1–5% extra in premiums to offset no upfront fee.



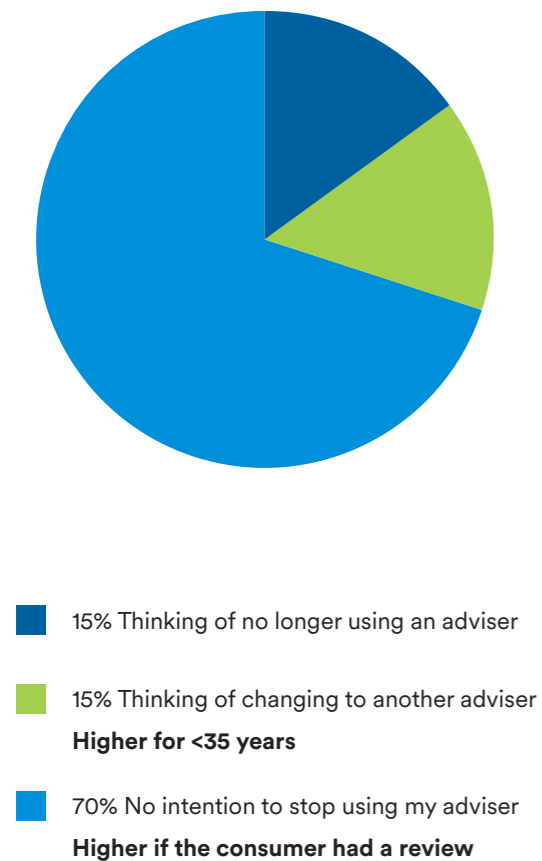
Extra amount consumers are willing to pay in insurance premiums to offset no upfront fee



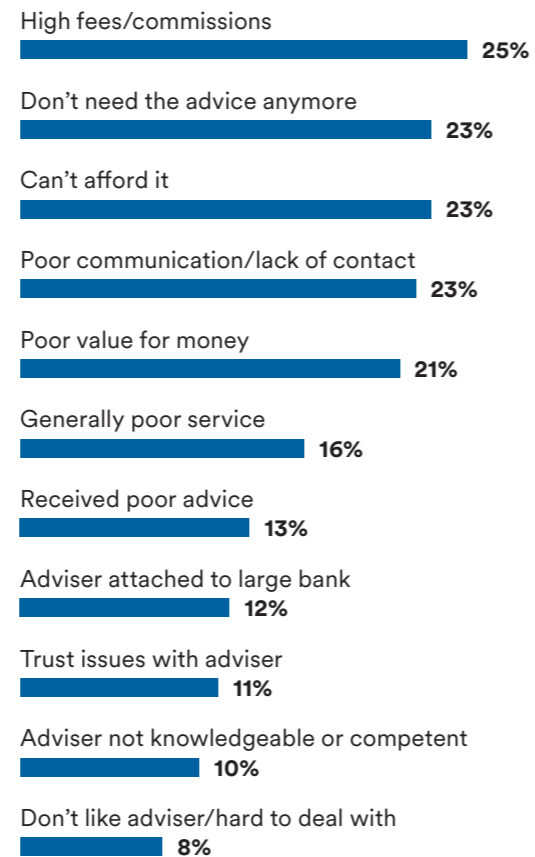
A questioning client base

Around one in three consumers are thinking of changing advisers or stopping seeing their adviser altogether in the next 12 months, citing cost and lack of communication as the main reasons.

Consumer intentions with regards to their current adviser



Why consumers are thinking of changing/no longer using their adviser



Client satisfaction is at its highest two years after establishing the relationship with their adviser.

Advisers really need to recognise this as a serious call to nurture their relationships and show their expertise to their clients through regular contact and reviews.

There are two ways that advisers can easily improve client satisfaction. The first is around building a relationship that is more akin to a partnership, the second is by demonstrating their expertise and providing value on a regular basis.

One act that can have a big impact on their clients and be an opportunity for an adviser to demonstrate their care and expertise is a simple annual review. Of the 60% of consumers with life insurance who undertook a review with their adviser in the last 12 months, 63% rated their experience as 'very good' or 'excellent' and 49% modified their insurance cover in line with their stage of life. For example, those aged under 35 increased their cover, while those who might be transitioning to retirement reduced theirs.

The added value of this engagement with clients is clear. Consumers who have had a review are more likely to be loyal and recommend their adviser to a third party.

There are two ways that advisers can easily improve client satisfaction:



The first is around building a relationship that is more akin to a partnership.



The second is by demonstrating their expertise and providing value on a regular basis.



Reasons for recommending their adviser

“ They provide very clear recommendations and adjust my insurance as needed by my changing circumstances. They also contact me regularly to review everything that I need in regards to my financial future.

Consumer with LI, 60–64, NSW

“ Took the time to explain the policy, came to workplace to assist with completing the policy paperwork.

Consumer with LI, 50–54, Melbourne

“ Long term relationship and they care about us. Not cheap but cost is not always everything. The service we get is exceptional.

Consumer with LI, 50–54, Perth

“ She reviews my plan annually, talks in plain English, looks for savings if required, makes changes if necessary, is easy to talk to and available.

Consumer with LI, 60–64, Sydney

“ They are more like a friend these days, who always has my interests at heart.

Consumer with LI, 35–39, Adelaide

Importance of integrity

The Royal Commission into Financial Services has fuelled negative sentiment around the operations of large financial organisations.

If looking for a new adviser, nearly six in 10 consumers would prefer an independent financial adviser. However, no matter which licensee advisers work under, this result highlights the importance clients are now placing on integrity, client centricity and transparency.





02

Small-medium enterprises (SMEs)

Talking points

With the spotlight on the practices of advisers, both inside and outside of large institutions, a pleasing consequence has been a growing understanding of products, particularly among SMEs.

Compared to the 2018 research, SMEs with life insurance say they are better informed about their cover and more confident talking about it. This is likely because they are financially liable and closer to their business, making it necessary for them to pay close attention.

With so much change affecting the industry it is an opportune time for advisers to make contact with their clients to review or explain their cover and advise if, or how, changes will impact them.



The price of advice

When taking out their most recent insurance, 62% of SMEs first worked out what cover they needed, then looked at what they needed to pay for it.

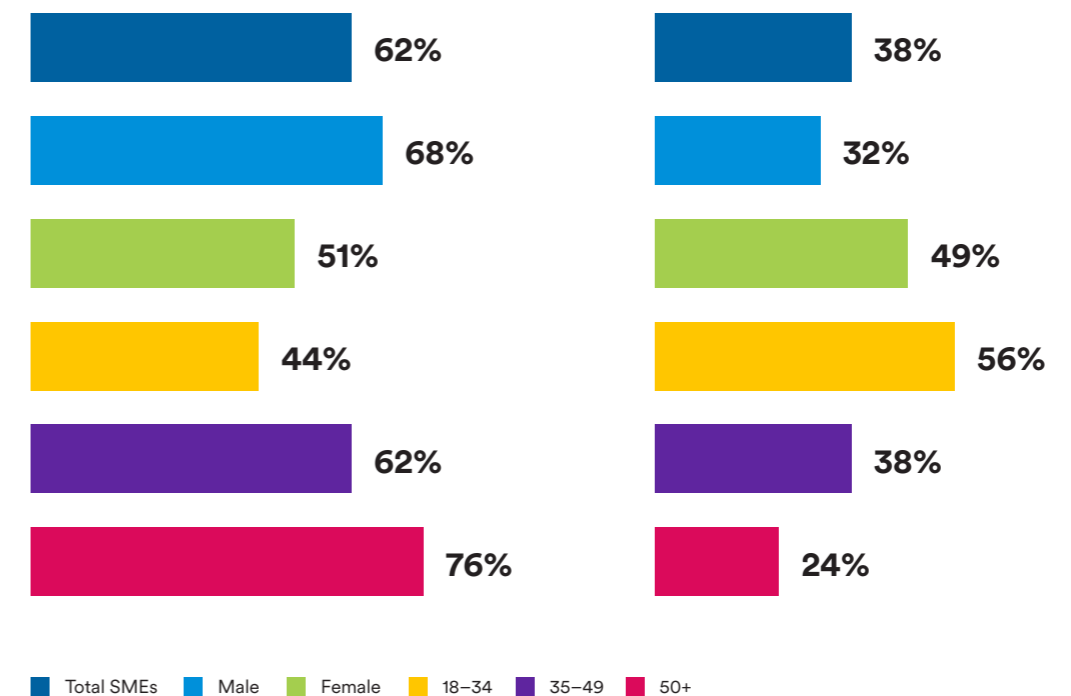
And when given a price range between \$1,500 and \$5,000 for an adviser to produce a comprehensive life insurance plan, like consumers, SMEs were more likely to commit to the lower end of the range. On average they were willing to pay \$1,700.

What SMEs look at when taking out insurance cover

SME with LI

First worked out what cover they needed.
Then looked at how much they would need to pay.

First worked out what they could afford.
Then looked at how much cover this would pay for.



Perceptions of value

Advisers have an opportunity to demonstrate the value of their service to SME clients by spending more time with them upfront to ensure they fully understand the benefits and the quality of their insurance recommendation.

Many SMEs pride themselves on being able to spot value and this trend manifests itself in their perceptions of financial advice. 51% felt that buying life insurance through an adviser was more expensive than through a super fund and 43% think buying insurance through an adviser is more expensive than buying it directly themselves, while two in five SMEs perceive the quality of the insurance to be higher from an adviser.

This suggests advisers can do more to show their value and their holistic approach to insurance. Advisers should take the time not only to explain the products but to ensure clients understand the benefits that come with having a tailored policy and bespoke advice around insurance concerns. There is more advisers can do to educate SME clients about the reasons for their recommendations in order to convince SMEs that tailored guidance on their insurance needs for their business is an investment that pays off.



Fees and commissions

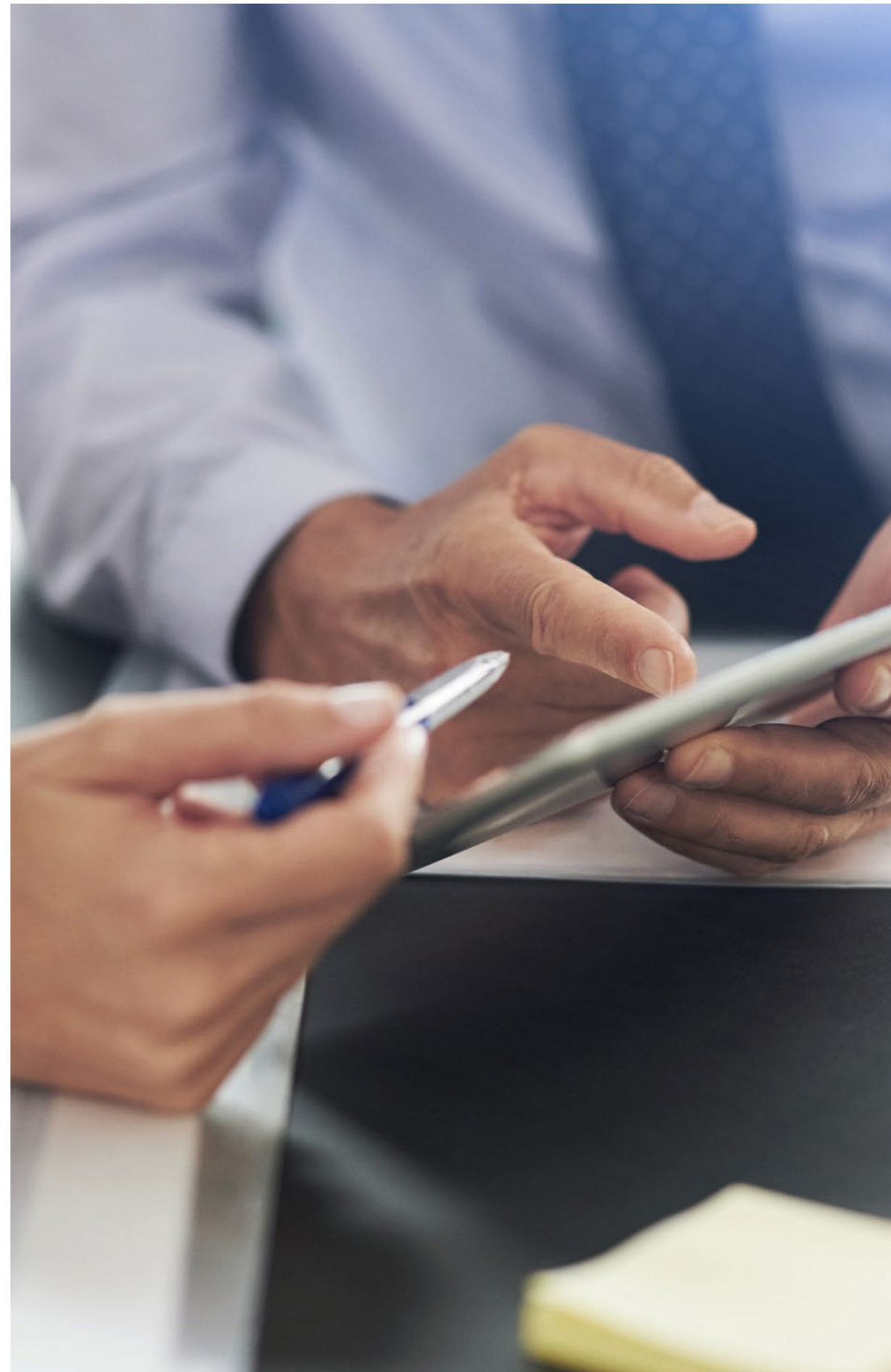
SMEs also showed a preference for fees over commissions when it comes to paying for their insurance advice, but they were also more open to advisers taking commissions.

Like consumers, nearly eight in 10 SMEs say they would be willing to pay an upfront fee if it meant lower premiums over the life of their policy. Yet more than a third of SMEs couldn't recall what the commission their adviser took on their life insurance was.

One third (31%) of SMEs say they would feel no different towards an adviser knowing that they took a commission and 27% say knowing their adviser took a commission would actually make them trust their adviser more, compared with just 10% of consumers.

Interestingly if insurance commissions were removed, nearly four in 10 (38%) SMEs say this would make them more likely to see an adviser, compared to just 19% of consumers. Six in 10 perceive that more Australians will be underinsured if removal of commissions occur.

Again, it is perhaps not the fees or the commissions that are important to clients, but the explanation that accompanies them and whether the adviser is transparent about them.



If insurance commissions were removed, most SMEs don't expect this will have a significant impact on willingness to see an adviser.

Perceptions of trust based on knowledge of commission

Knowing that an adviser receives a commission, rather than being paid an upfront fee impacts trust of the adviser in the following ways:

- 35%** Less likely to trust the adviser
- 31%** Feel no different towards the adviser
- 27%** More likely to trust the adviser
- 07%** Don't know how it impacts their trust of the adviser

Moving on

Half of SMEs are considering leaving their adviser in the next 12 months, either to change to another adviser, or to cease the relationship completely.

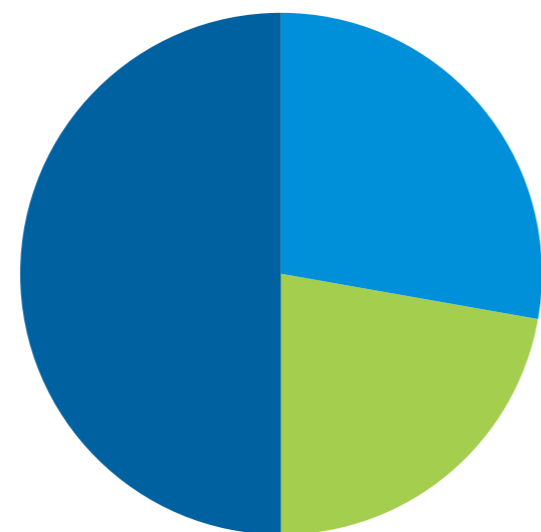
The main reasons cited are cost and trust issues, although a significant percentage (23%) of SMEs cite affiliation with a major bank as the reason for leaving. This may reflect the often-fraught relationship small businesses can have with major banks and the need to show that you are operating in the best interests of SME clients.

At the very least, this should prompt advisers to contact their clients and have a frank conversation about their clients' insurance needs. Fewer than two-thirds of SMEs (63%) had a review with their adviser in the last 12 months.

The benefits of a review are not just for the adviser, it helps SMEs better understand their changing needs and evolve their cover to ensure they remain protected. Of those SMEs that undertook a review in the past 12 months, 55% changed their cover, with about half (49%) increasing their cover.

If looking for a new financial adviser, half of SMEs with life insurance would prefer to use an independent adviser, followed by one aligned to a larger network of other financial advisers. This highlights the ongoing need for financial advisers, whatever their affiliation, to prove their worth and demonstrate their value.

SME intention in regards to using their current adviser



- 28% Thinking of no longer using an adviser
- 22% Thinking of changing to another adviser
- 50% No intention to stop using my adviser

Why SMEs are changing/no longer using their adviser

33% High fees/commissions

26% Trust issues with adviser

23% Adviser attached to large bank

21% Poor value for money

19% Can't afford it

17% Received poor advice

Reasons for recommending their adviser

“ He is good at explaining things in detail and lets us see different options or outcomes before we decide.

SME with LI, 50–54, Brisbane

“ He is helpful and insightful on top of being very proactive to my needs.

SME with LI, 30–34, Melbourne

“ I like the way they talk to their customer.

SME with LI, 30–34, Melbourne

“ Process was well managed and easily implemented leaving me more time for my business.

SME with LI, 60–64, Brisbane

“ (My adviser) is a good trustworthy adviser (and) has your back when you need him.

SME with LI, 55–59, NSW



03

Actionable insights

Advice for advisers



Because life insurance is such an important issue for all Australians, particularly as our population increases and ages simultaneously, MetLife has distilled the following insights from the largest research project of its kind to give advisers five ways they can improve and build on their relationships with current and potential clients.

1 Communicate, communicate

Consumers and SMEs are better informed than ever before and their expectations about what passes for great service are increasing at an unprecedented rate. Advisers who develop new ways to communicate their value to clients and keep in touch more regularly will likely win. This also involves understanding how their client likes to be communicated to (phone, email or in person) and how often – allowing them to tailor their communications accordingly.

2 Increase transparency

Honesty, trust and transparency are all held in high regard by consumers and SMEs alike. These are intangible qualities but advisers who cultivate a culture of openness and initiate valuable conversations with clients will reap the rewards. Simple keeping-in-touch practices such as letting clients know when their next review will be, how their claims are progressing, and setting upfront expectations around communication frequency can go a long way in making clients feel valued.

3 Show your value

The majority of SMEs and consumers admit they need help purchasing this category of insurance. When considering buying insurance clients are first motivated about making sure they get the cover they need before turning their mind to cost. The role of the adviser is to help them understand what insurance they actually need, identifying what they can afford to pay and helping them to purchase the insurance that best suits their needs. The majority of people are willing to pay \$1,700 for insurance advice and advisers should take this into account when framing fee conversations.

4 Encourage regular reviews

An annual review is not only best practice, and a way to ensure clients have the right cover for their needs, but it goes a long way in fostering loyalty among clients. However, perceived cost can be a barrier so it's important to be clear with clients about the benefits of a review and any associated costs.

5 Show your integrity

Recent events have hurt the public confidence in financial advisers. This is a good opportunity to demonstrate the benefits of receiving high quality advice (regardless of being aligned to a financial institution, a larger network of other financial advisers, or being independent) and ensuring your clients feel you are acting in their best interests. By doing this, it will help to rebuild trust in the financial advice industry.