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## Listed life insurance a safe bet in present market

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**LISTED life insurance companies represent a compelling buying opportunity in the current market environment, as policy sales continue to rise and the outlook remains positive.**

Simon Swanson, the managing director at CommInsure, Australia's largest life insurer, said history showed that the insurance industry was counter-cyclical.

"What actually happens in downturns is people can see that things go wrong -- and we have seen that this year on the investment markets and credit markets -- so people's propensity to buy protection of things going wrong increases," he said.

CommInsure has had a 40 per cent increase in sales in the past 12 months, which Mr Swanson partly attributed to financial advisers shifting focus from investments to insurance, which was easier to sell during falling equity markets. The Investment Trends November 2008 Planner Risk & Risk Technology Report, due out next month, found businesses that offered insurance services as well as investments performed better this year than those that did not.

The survey of more than 1000 financial advisers found that the average proportion of revenue derived from advising on life insurance had surged 6 per cent this year to 26 per cent.

This week, Tower Australia Group, considered by analysts to be a pure life insurance play, announced that its net profit had swollen by \$28 million in the past 12 months to \$68.7 million.

While the local financial sector has plummeted 51 per cent this year, Tower's share price has only fallen by half as much, which Credit Suisse analyst Arjan van Veen attributed to investors seeking shelter: "That is a function of the fact that everything that is deemed to be safe, such as consumer staples and health care, has really outperformed. In boom markets these stocks get looked at as being boring, despite still giving good returns, but in these sorts of environments they are the outperforming stocks because they don't go down as much, or hopefully don't go down at all."

Tower managing director Jim Minto is confident sales will continue to rise: "The expected growth in the market is underpinned by the age band increases and consumer price index increases in premiums that are coming through and by people being significantly underinsured and needing additional cover. It is a market that is expected to grow at very strong rates for the next 10 years and it is a good place to be."

Market researcher DEXX&R forecasts risk insurance sales to triple to \$22 billion by the end of 2017, an increase of 13.75 per cent per annum. This is in contrast to some overseas markets, which have seen life insurance companies post significant losses over the past year. "Life insurance in Australia is generally a non-investment contract providing pure risk protection whereas in some other markets investment based contracts were common as were guaranteed return products, which have caused large losses overseas," Mr Minto said.

Regulatory conditions are also considered to be tougher in Australia, with a capital adequacy requirement imposed by the Australian Prudential Regulation Authority to ensure the needs of all policy holders can be met.

Mr van Veen says one of the only things threatening growth throughout the industry is an increase in claims, which tends to occur during recessionary periods.

However, CommInsure's Mr Swanson said claims had so far remained stable. "We haven't seen any spike in income protection and disability claims to date and the reason for that is unemployment hasn't moved," he said.

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