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## Life Insurance Comparison

Buying Direct vs Buying through a Financial Adviser (retail)

"I got my life insurance directly through an insurance company advertised on TV. I got instant cover, I didn't have to go through any medical checks. It was easier and cheaper. I cut out the middleman."

We speak to a lot of clients who believe that they have adequate cover provided through their bank, or they may have bought a policy from one of the big TV advertisers. What many don't realise is that life insurance is not standard across the board.

**The cheaper and easier option is not always the best option to protect your future.**

If you could guarantee you never had to make a claim, it would never be an issue. But if you're taking out a policy and spending money on premiums to give you peace of mind, it's your right to assume you're covered adequately, and it's your right to expect that you'll get paid the right amount at the right time. The benefits, after all, are your main reason for paying monthly premium! Sadly, we have read too many articles about people being duped and livelihoods devastated at claim time.



### Buying Life insurance without a Financial Adviser (Direct)

Direct life insurance is, as its name suggests, life insurance you can buy direct, either from insurance companies or financial institutions. There is no involvement by a financial planner, the cover is easy to apply for, the response is quick, the applications require nil or minimal medical information, applications can be completed online, in the branch or over the phone and cover is immediate.

Oddly enough, what makes direct life insurance so appealing is the very same thing that can prove a negative. Buying direct negates the need to see a financial planner who can assess your individual situation and advise on a product or course of action that you perhaps had not thought about. This can result in direct life insurance not necessarily being cheaper than a product that is more tailored towards your needs. Some direct insurers have been found to have premiums 35% more expensive than retail cover!

**Are you covered for minor and common pre-existing health issues? Are there any exclusions of common activities?**

Because you are not consulting a planner and relying on his or her knowledge, you need to compensate and look carefully at exclusions in the policy before you sign up. Of particular importance are the definitions of pre-existing medical conditions. For example, some policies exclude pre-existing medical conditions.

That niggling back pain? That time you had high cholesterol or high blood pressure? That time you experienced stress? Anything else? What about that time you took a hot air balloon ride or ride in a seaplane? Any of these things might preclude you from receiving a benefit should anything happen. You or your loved ones may not receive the monetary benefit you thought you would.

In addition, some direct life insurance policies reduce the amount of cover as you age. All have restrictions on risky lifestyles such as motor racing and contact sports in your spare time.

**Please take time to read exclusions and fine print!**

**What are you covered for exactly?**

Is it death by any cause or accidental cover only? Are you covered for trauma? Disablement?

**What are the premiums?**

What is the premium today, in 5 years, 10 years' or 15 years' time? Can you afford it? Are the premiums a stepped or level structure?

**How is the policy structured?**

Is it a combined policy where multiple types of insurance are combined into one policy and one premium? Or is it a stand-alone, individual policy? Do you know the differences between holding insurance through super or outside of super?

**We can help you.**

Call the team on 1300 124 683 or email [info@investmentzone.com.au](mailto:info@investmentzone.com.au)

### What will happen if you make a claim?

A recent ASIC REPORT, #498, published in October 2016, called "Life insurance claims: An industry review", revealed that **direct insurance claims have a 71% higher chance of being declined** compared to a retail (advised) insurance claim.

The Direct insurance industry has formally been put on notice, and ASIC has said "we will also conduct a major review of the life insurance sold without personal advice industry."

Whilst it's quick and easy to take out a policy, direct insurance policy holders will need to rely on themselves or family to do the leg work at claim time. This is when it gets complicated, as the customer (who understandably will be emotional, stressed from dealing with the tragedy) will now need to go down the path of justifying and proving their level of health and that they didn't have any pre-existing conditions, and that they haven't taken out any activities that would be excluded. In addition to this, Medicare records can take around 8 weeks to access, which could be dire for many people. It's now easy to understand why the process of taking out a policy is so simple and quick!



### Buying Life insurance via a Financial Adviser ('retail insurance')

Retail insurance is that which is obtained through an intermediary, like a Financial Adviser. These products are generally fully medically and financially underwritten and provide greater flexibility and additional policy options compared with direct insurance. They can be customised by the amount of cover, premium styles, structure, options, all to suit your budget and circumstances.

#### So how affordable is it?

According to Lifewise Industry Facts page, \$0.99 per day (\$30 a month) would be the approximate retail premium for a 35 year old male applying for \$500,000 of Life cover. **\$0.82 per day** (\$20 a month) would be the approximate premium for a 35 year old female, non-smoker, applying for \$500,000 of Life cover

#### What's the process of getting cover?

With retail / advised insurance, getting comprehensive health information from the applicant and raising them with the insurer before the cover is taken out, is usually done in conjunction with the Financial Planner. This is the reason application forms for retail advised insurance can be lengthy, although there can be phone or web based options available to make the process more efficient. It seems very complicated, however in effect, by asking so many questions up front, the insurer takes the time to more thoroughly investigate an applicant's health in the process greatly reducing the risk of nasty surprises at claim time. Retail insurers get complete and comprehensive health details upfront to minimise the time they spend getting this information when a claim happens. Wouldn't you rather take time now, than have to go through this process if you or your partner/family bereaved?

It's no surprise that overwhelmingly, **retail claims are paid out far quicker** than direct claims.

#### Thinking of cancelling your policy?

Never cancel an existing policy, or let it lapse until you know exactly what you are letting go of. Make sure you research the features of the new policy and compare them to what you may already have because you could be losing features that are more comprehensive in nature at claim time, such as child cover or ability to reinstate.

Our team understands what is covered and what is not covered in all the different policies and can steer you towards the one that best meets your needs. This is the trade-off you make when buying direct so it's really important to do your home-work and make it your business to know what exactly you are signing up for.

#### Conclusion

Remember, a self-service approach that may tick a box in a matter of minutes is no substitute for good advice, and could end up being the bane of your financial future in your greatest hour of need!

**If you would like to know more or require a second opinion, talk to Brad and the team about how to get the right cover for you and your family. Remember, it's your family's future.**



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