

Financial Insights

with Australian Unity Personal Financial Services

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Caution required before buying risk insurance from TV commercials

There has recently been a significant increase in the number of advertisements on TV selling 'quick & easy' risk insurance with supposedly very low premiums.

They promise a 'no questions asked' approach, with no underwriting hassles and no time-consuming 'full medical history' questions.

They almost guarantee that the consumer will be granted cover, and that it will cost them 'the same as the price of a cup of coffee a week'.

Unfortunately the low premium claim is often not true. They may actually charge up to two times more than retail insurers for the same level of cover (see case studies on page 2).

The reason they charge more is because when insurers don't fully assess risk – as in the case of the TV insurers – they charge *higher* premiums to protect themselves. TV insurance is simple and convenient because they ask just three or four health related questions – and that is usually not enough for the insurer to know if it is safe for them to insure that person. As a result, they often charge significantly more than what a fully underwritten insurance policy would cost.

They may also include waivers which allow them to reserve the right to obtain full medical information at the time of a claim - and they may then decide if they are going to pay out the claimant or just refund their premiums and may state that they would not have insured them in the first place if they had done proper underwriting.

In other words, some people who buy this insurance on the TV may not actually be insured. They just won't know that until they or their family make a claim.

Why use retail insurance?

Apart from usually being much cheaper than TV insurance, retail or fully underwritten insurance policies give you a higher level of assurance that claims will be paid in accordance with the policy.

Retail insurances also tend to have definitions which are more favourable to the client. As an example, retail policies generally do not require a claimant to be unable to work in other occupations for them to pay out on an income protection claim. Most TV insurance policies, in contrast, expect you to be unable to work in any occupation before they'll pay an income protection claim.

Similarly, retail insurance policies tend to pay trauma claims for major events like stroke, heart attack, malignant cancer and so on, as well as for other 'lower level' events like benign brain or spine tumour, chronic liver or lung disease, heart valve surgery, loss of limbs and Parkinson's disease to name a few. Most TV insurance policies do not cover these and other 'lower level' events.

In other words, not only are TV insurance policies generally much more expensive, but they also tend to cover a lot less.

Another advantage of the fully underwritten insurance policies is that the client can make sure they are insured for the correct amount to provide full financial security for themselves and/or their family in case the unexpected were to happen. The TV-style insurance usually has upper limits which will not suit everyone. And the TV policies generally do not allow you to increase your insured amount – once it is in place – to take into account changes in your situation e.g. an increase in salary or an increase in debt or having more dependants.

Interestingly, retail policies do not always require medical tests – for some clients, a full medical history (which is in most cases a 30 minute phone call with a medical professional from the insurance company) is all that is required.

Where can your clients get reliable advice on risk insurance?

At Australian Unity, we have access to policies from major, reputable insurers. If any of your clients need to discuss their risk insurance needs, or would like a review of an existing insurance policy, please give us a call to arrange an appointment.

In the meantime, please see the case studies below which compare TV insurers to retail insurers:

Case Study 1*:

Female, white collar, age 35, non-smoker

Income protection \$4,500 p.m. benefit, 30 day wait, 5 year benefit period

Cost with TV insurance (Ezi Cover) \$115.60 p.m.	Cost with retail insurer (One Path) \$67.16 p.m.
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Saving: \$48.44 p.m. (or \$581.28 a year) PLUS the peace of mind that your claim will be paid, including a more generous assessment of 'ability to perform occupation'

Case Study 2*:

Male, 45 years, non-smoker

\$300,000 Life Insurance

Cost with TV insurance (Insurance Line) \$57.00 p.m.	Cost with retail insurer (AIA) \$38.43 p.m.
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Saving: \$18.57 p.m. (or \$222.84 a year) PLUS the peace of mind that your claim will be paid, and the ability to increase the cover amount if client's circumstances change

Case Study 3*:

Male, electrician, age 40, non-smoker

Income protection \$3,000 p.m. benefit, 30 day wait, 2 year benefit period

Cost with TV insurance (Guardian) \$105.87 p.m.	Cost with retail insurer (MLC) \$72.40 p.m.
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Saving: \$33.47 p.m. (or \$401.64 a year) PLUS the peace of mind that your claim will be paid, including a more generous assessment of 'ability to perform occupation'

* Case study prepared on 8 September 2011

Who is Australian Unity Personal Financial Services?

Australian Unity Personal Financial Services specialises in helping accountants help their clients create more secure financial futures through the provision of professional financial advice, finance broking, and insurance services. We have a flexible service offering and give you the choice of providing financial services in-house under our licence and/or referring your clients to our financial specialists.

We can help you provide your clients with a detailed and totally tailored blueprint for financial success – whether you provide the advice in-house or refer your clients to our specialists – in any or all of the following areas:

- Financial advice
- Wealth creation
- Retirement planning
- Investments
- Superannuation
- Home loans
- Commercial loans
- Investment loans
- Equipment finance
- Car finance
- Personal estate planning
- Business estate planning
- Personal risk insurance
- Business risk insurance.

Australian Unity is a mutual with a proud 170 year heritage of helping Australians create secure financial futures.

This pedigree and experience, combined with our corporate strength and leading edge strategic advice capability, means we are uniquely placed to offer your clients – through you – high quality personal financial services... each finely tuned to your clients' particular needs to ensure they achieve their vision of a secure financial future.

After all, your clients' financial wellbeing is at the heart of everything we do.

MoneyInsights[®]
with Australian Unity Personal Financial Services

Australian Unity Personal Financial Services is committed to providing Australians with a genuine understanding of their investment options. This is achieved via our comprehensive investor education program called Money Insights.
Because knowledge is the first step to creating a secure financial future.

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