

THE VALUE OF INSURANCE ADVICE

The rise of direct insurance providers presents planners with an opportunity to articulate and demonstrate their value offering to underinsured clients, writes **Sue Viskovic** CFP®.

Our team of coaches have run workshops with about 300 risk insurance advisers around Australia recently and we've discovered some very interesting things. These advisers are in the top echelon of insurance writers in the country, and many of them were keen to share ideas and explore new ways of generating business, including exploring new business models and value propositions.

One of the topics we discussed was the increasing prominence of direct insurance providers, who place insurance online and over the phone for the general public. The advisers we spoke to were very clear on the fact that while consumers with very limited needs and simple personal situations may be well-served by direct insurance, there is still undoubtedly a need for quality advice.

You can't turn on the TV nowadays without seeing an advertisement from a direct insurer. But this plethora of television advertising may actually help advisers – we keep hearing that 'insurance needs to be sold', and we know that our population is underinsured, so if their advertising dollars motivate people to think about the unthinkable and take action to protect their family, then that's fantastic.

As the advice community, it is then our responsibility to further educate people about the need to seek quality advice to ensure they are actually paying for the right insurance, and that it will be there for them if they need it.

We heard some very interesting stories that were shared about clients seeking insurance from direct providers. We heard a heart-breaking story of a mother of three young children who lost her husband to suicide, and couldn't understand why the insurer was making her jump through hoops to get the life insurance claim paid. There was a 13-month exclusion on suicide, but the policy had been in-force for over four years. The insurer was asking for five years of medical history, looking for evidence that her husband had been treated for depression in the year prior to taking out the cover. At the time of discussion, the claim was still pending, but it is very possible that the young widow will be denied on the basis of a pre-existing medical condition.

Had this family sought advice when obtaining their

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insurance cover, the adviser would have taken them through the underwriting process at the outset. The adviser may have found an insurer who would have provided cover, and if not, at least the family would have known what they were covered for.

The benefits of underwriting at the time of application rather than the time of claim cannot be downplayed. Most advisers will facilitate this process when lodging applications, effectively obtaining discounts for good health. The great advisers will set their clients' expectations about what is likely to be an arduous process, and then they (or their staff) walk each client through that process of completing forms, booking medicals, chasing up medical reports, organising blood tests, liaising with underwriters and so forth.

In many cases, were it not for the adviser, the client would likely either not start the process, or give up part way through. It is well worth it in the end though...to obtain the reassurance that not only are they insured, but the money they are spending on premiums is money well spent; and if they ever need to make a claim, it would be unusual that they would be denied by the insurer.

The same cannot be said for those who answer a few questions and get their insurance cover from a direct provider. They will be shocked to learn that the underwriting process is done at the time of the claim, and the odds are much higher that they will have their claim knocked back – discovering too late, that all the money they have been paying on expensive insurance premiums for years has been a complete waste.

Of course, field underwriting is just one of the many valuable things that an adviser provides a client when they assist them with their insurance needs. Most clients also need help with:

- Knowing what types of cover are most important to them – life, TPD, trauma, income protection;
- Knowing what levels of cover to put in place;
- Knowing what they can reduce if their budget does not allow for the optimum levels of cover;
- Which insurers to select – not only choosing the cheapest options but also the right inclusions for their situation;
- How to structure the ownership of their policies so that they can minimise tax payable – both on the premiums they pay, and also on any payout that they may receive;
- Whether to select level or stepped premiums, agreed value or indemnity, Any or Own-occupation;
- Help them understand the pros and cons of holding insurance via superannuation, considering such things as the harsh conditions of release for TPD; and
- Perhaps one of the most valuable things about having an adviser is the ability to call on them when something goes wrong. The adviser will know if the client should make a claim, and will handle the paperwork and liaison with the insurer.

Some of these things can be researched and learned online if you had the time, but for many consumers, the risk of getting it wrong is far too great, and so their adviser's support is invaluable.

Most consumers don't know what they don't know about getting insurance cover, and that is our responsibility to educate them about. How can someone make an informed choice when they aren't aware of all their options? When the value of insurance advice is articulated well, either directly by advisers or by their clients and referral partners, people are hard-pressed to argue that they would not benefit from being under the care of a financial planner with insurance experience. ●

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