SMART Comparitor's Pierian Spring eNewsletter
Building Blocks – Part 3 March 2009

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Greetings Folks
It appears that we have set the cat amongst the pigeons.
Before we start this issue, please let us explain a couple of things that we thought were common knowledge, but it appears that this is not the case, certainly this appears not to be the case as far as one tied adviser from Queensland goes.
You do **NOT** have to agree with everything we publish, we simply tell it as it is, as nobody else does – you make up your own mind.
Yes we are independently owned – no interference ANYONE.
You generally receive the news and only the good news, so help them God, from the Insurance companies at launches and other functions that they organise.
Yes, we do write **ALL** our articles – **we do not** employ scripts (journalists), nor have we ever claimed that others were writing our articles for us.
Yes, we do make spelling errors and grammatical errors – maybe our brain is thinking faster then we can type, and maybe sometimes when one is so engrossed in what one is doing, that they cannot see the forest from the trees.
For the gentleman concerned, who sent us an email, saying that we are not very "smart". Here is our published response to your Sir.
We never claimed we were, but I'll guarantee you that we know more about risk insurance then you do or will ever will, as we do not live in the dark and get fed BS.
By the way Einstein SMART is an acronym.
An acronym Mr. Einstein is a "word formed from the initial letters or groups of letters of words in a set phrase or series of words"
Mr. Einstein also mentioned our education program. In what issue have we raised this Mr. Einstein? – He is so knowledgeable, he does not require any further education, or so he thinks whist living in Mushroom Land.
He must relay the blurb that is passed onto to him from reputable organizations such as - _ _ _ _ _ _ (fill the blank).
Mr. Einstein we strongly recommend that you read **RG175,** at least daily.
Who is Mr. Einstein? He certainly has not made a name for himself for trying to help his fellow colleagues, at least not that I have heard off him.
Mr. Einstein is so clever, he has someone else vet his email and forward them to him – Mr. Einstein our publication is FREE, but I thoroughly suggest you don't enroll – you don't need to, you know it all.

Anyway, now that we got that out of the way, let's continue with our bi-monthly thought provoking eNewsletter.

Remember – Archived newsletters can be found at www.smartcomparitor.com.au/enews

Our first article, we thought, was going to be the last, but unfortunately, we were wrong. We have received a large number of emails, and although we could not publish all, we have published 10 of them (names withheld, as we did not have time to ask for and receive permission)

Our great contributor **Caveat Venditor** (Let the Seller Beware) has again given us some more food for thought, again, this is this person's opinion and you do not have to agree with them.

We are not here to judge who is right or who is wrong, therefore all email were sincerely appreciated, even the one from Mr. Einstein. He may wish to apply for the position of script and proof reader. The salary for this position is what we charge for the newsletter - **$00.00** p.a.

Email 1 {Must Read)

Dear Bill,

I note with some interest the debate on the recent product development giving advisers the capacity to "pick your disease" when selling trauma cover.

It is fair to say that for some time I have been concerned when recommending a trauma product to a non-standard life that if exclusion is offered, there is normally no reduction in the premium if the policy is otherwise issued with reduced benefits.

Those exclusions however usually relate to non-core items like blindness etc. In my experience, insurance companies decline cover for trauma if the medical history indicates a more than standard chance of the occurrence of the core benefits of cancer, heart attack or stoke.

So, there is scope for insurance companies to reduce premiums if they decide to delete any benefits from the policy as proposed. No problem with that.

However, the recent development in my view is dangerous for advisers, not insurance companies. There are just a few scenarios in which I believe advisers are going to put their necks on the block if they succumb to temptation.

1. The adviser accepts the **client's argument** that the client is only worried about cancer or cardio vascular issues because his friends have had it or it runs in the family or he thinks he is fit and just wants cancer cover.

2. The adviser accepts the **client's proposition** that the comprehensive product recommended is too dear and then offers to that client a policy providing cancer cover only, as an example.

3. The adviser sees an opportunity with a potential client to make a replacement sale and sells the client, who has with an existing fully featured contract, a policy which has reduced benefits.

All of these scenarios reflect the reality of post FSR advising.

By that I mean there are apparently still some advisers who do not seem to understand that the insurance company (any insurance company) is in no way responsible for the advice provided in the sale of the financial product.

Because insurance companies no longer are responsible for advisers in any way, we have seen a reduction in the high quality of products in the last 4 years - but some advisers either don't know this, or worse, don't care.

As an example, I draw your attention to our recent study on Interim Cover. Interim Cover used to be a simple accident based concept but now has huge compliance problems for advisers who do not take the time to explain to the client, before the client signs the application, what is in and what is not in the Interim Cover certificate. No overseas cover would surprise many advisers, as would exclusion for the taking of alcohol.

In addition, as we now know, advisers can go to a product update presentation and be only told the good bits that have changed (in the eyes of the insurer anyway), but are not told that up the back of the product a number of features and benefits have been whittled down and the number of exclusions have been added.

I am constantly amazed by conversations I have with advisers who say after such product "launches" that **brand x** is a fantastic product and when I ask them a question about **brand x** product and a particular nasty aspect of that product(e.g. a criminality clause), they are blissfully unaware of what is contained in that contract.

Fascinating isn't it- we won't trust politicians because of "the devil being the detail" but we blindingly accept the spin from life insurance manufacturers. Go figure!!!!

Advisers beware. ASIC require you to do **your own** reasonable additional enquiries and not to rely solely on research provided by the dealer.

In relation to point 2 above, advisers must understand that they are not God. Neither they nor their clients can predict6 future health.

Advisers must also understand that they are the professional, and the client **IS NOT**. One of the aspects of being a professional is that you use your knowledge, training and skill to do community good, you put the

needs of your client BEFORE your personal gain and you always give the client BOTH sides of the proposition

In my view, advisers should not ever allow a client to persuade them that it would be a good idea just to have the trauma policy that insures say cancer or cardio vascular matters. No one knows what illness they may get in the future and cherry picking one event can lead to disastrous consequences for all concerned. Please remember that when it comes to a court of law, no amount of notes on your file will protect an adviser who allowed a client to convince him that cancer was the only real matter to be covered, because the court will say "you are the professional, it is your job to advise" and such advice should be done in a manner understandable by the client. In court, judges believe clients who say "he did not tell me", not advisers.

The availability of limited events trauma contracts in my view may lead to a rush of advisers, who like all of us, may be faced with complaints from new or existing clients about the ever increasing cost of stepped premium trauma policies, deciding to offer to the client a policy which covers only cancer for a reduced rate. The Replacement Policy Advice section of the SoA is not big enough for an adviser to cover his backside in a situation such as that.
You would have to acquire signed separate statements from the client to protect yourself from being sued when the client has a heart attack.

As you can see from my comments above, I am not best pleased by the introduction of this type of concept by some insurance companies. These options, if taken up by a considerable number of advisers, are going to give this industry a bad name. The financial advice industry (read investment advisers) right at this moment has got a bad name because of the world economic crisis, but if this availability of lump sum "dial your disease" trauma products is abused, and it is my belief that it is certainly open to potential abuse, the life risk industry will bring down on it the unsympathetic harsh and heavy hand of the regulators. In fact I would go so far to say the risk of advisers acting in an unconscionable manner, in breach of the Trade Practices Act, is very high.

Here is a final thought:

Do advisers think that if these “dial your disease” products had been available 12 months ago, and an adviser had written a Cancer only Trauma Policy and the client suffered a stroke during the Victorian Bush Fires, what do you think their chances are of being sued by this client who suffered the stroke during these fires?

By selecting the Cancer policy, or another similar product, then suffered a stroke, that client is may more than likely going to have long and expensive medical treatment at great costs, and maybe coupled with pain and/or suffering.

How long do advisers think that a court would take to award a claim for gross negligence against that adviser who sold a limited product, just to get the sale, without detailing in

writing what the differences between a full featured Trauma contract, or one paying only limited benefits?

Be very very careful out there.

Caveat Venditor - “Let the Seller Beware”

Email 2

Dear Bill,

I couldn't agree with you more.

Some of these "dills" should be reminded that ASIC requires us to "know your client" and know your product".

They won't hesitate to prosecute someone who failed to offer the best possible contract according to research.

In 1985 or 1986, I'm not sure which; I addressed agents from all the major Life companies on behalf of the old LUA.

I had to discuss the new Brokers/Agents Act and the new Contracts Act. Before my talk, I went around to some of the agents from various mutuals and asked what they sold. They told me they sold IP contracts with 2 year illness benefits and Lifetime Accident benefits. I asked them why they sold these and the answer came back that "they were cheaper and easier to sell". They did not know I was a keynote speaker.

After outlining the terms and conditions of the new Acts, I reminded all those in the room that under the legislation they had an obligation to offer a client the best possible terms available and if they didn't, they could expect some of them to be sued. Like you, I said you won't know how long someone will be sick for but here's a news flash for all of you. 90.0% of all IP claims come from the illness side of the contract and you want to shortchange the client...just to make a sale.

You do so at your peril.

You see I've been an underwriter as well as been in the senior management of a Life Company as an agency manager and assistant NSW manager.

I wonder what those so called sales people are going to do when the premium goes up 10.0% each year for age increases they sold on the original contract based on price.

They are not life insurance salesman, they are product floggers and quite frankly Bill, it will only take one court case and for an adviser to be sued before the others who have followed in their footsteps start looking over their shoulders to see who's next.

Email 3

Hey Bill,

It all comes down to the client. If the client has a pre-existing cancer/heart disease then an exclusion for this alone allows the client to cover other trauma events.

I think this is a great step forward.

However if the trauma policy is going to be sold on price then I see this as a very dangerous step backwards in our profession. Ultimately it comes down to the professionalism of the adviser and their advice.

Insurance companies should be congratulated for provide us with choice.

Cheers,

Email 4

I believe your last newsletter was unfair as I have just applied for the product because my client suffers from MS and has just received a Trauma Claim with no buy back option, so being able to buy Trauma Cancer & Coronary at standard rates is a fantastic option for this client.

Your newsletter certainly displays a degree of ignorance to what transpires in the real world.

Regards

Email 5

Hi Bill

Yep it's me again the conscientious objector.

I believe that the "brand x" rating program should not even list the Trauma cover in the comparisons.

I definitely will not sell anything but the 100% full cover and I think the companies offering the Cancer or Coronary cover should be held responsible for even allowing an agent to write them.

You know what the problem is Bill, if they are not competitive on price they throw in this inadequate cover to confuse and to try and sell an inferior cover.

why don't you take this up with all the companies as most have these crap alternatives but also take it up with the providers of the insurance comparisons asking them not to even list this crap unless it covers the average 39 to 45 events that Trauma should cover.

Keep the bastards honest Bill.

Regards

Email 6

AFSL Legislation has been a huge failure hasn't it?

The cowboys are still out there.

Email 7

Hi Bill,

As the old saying goes:

“A fool and His money is soon parted.”

Conversely, an adviser who sells a policy with a voluntary exclusion is soon in court defending His/Her actions {for offering an exclusion}

Regards

Email 7

Bill, I think some of us advisers (and also insurers) get a bit thin-skinned about these things, where someone else dares to challenge our fondly-held beliefs.

I can think of a great insurance policy which would be a good seller as an affordable "cut down" solution: Term Life which excludes actual death (thus only paying out where a terminal illness is proved).

I'm sure some back-room idealist will think it up soon - like they thought up accident-only direct marketing insurance!!!

Just because it's called "insurance" on the schedule doesn't mean that it covers anything meaningful - as you always say, it's the wording inside that counts.

Keep it up Bill - I don't have to agree with everything you say, but I cannot afford to pay for stuff in which all you do is agree with me all the time!

Regards

Email 8

Hi Bill,

Hope you are having a good break and come back refreshed.

With regards to your note below, are you referring to X Insurance Company?

I agree if the adviser promotes a selection to keep costs down then it is bad advice.

However, I was of the opinion that their options were designed to target people who could not get comprehensive trauma cover due to pre-existing conditions.

I am not sure how successful they are with this though.

Cheers

Email 9

Having just read your article, the premise of the modular Trauma cover that I have previously implemented for clients in fact achieved Trauma cover for them when other companies would not consider the cover, even with an exclusion for prior ailment.

One client had previously had a Heart Attack, the other Thyroid Cancer.

I have interpreted the contract vastly different to yours, in that it is only considered in modular format where a client is unable to obtain full Trauma cover. Thus ensuring certain clients can obtain some form of Trauma.

Email 10

Thanks Bill,

I do see your point of view, however I also think that responsible advisers recommend these products only where applicable, and the Personal Insurance Statement is evidence to support their recommendations. We are required to have an understanding of "Field Underwriting", and I prefer to tell it like it really is, rather than have the client cop an exclusion or decline, when their expectations were greater. Of course I only refer to the previously, and obviously, uninsurable due to cancer (for example). So much time is absorbed by the underwriting follow up requirements, that simplification for the client and ourselves makes an awful lot of sense to me. Bear in mind my previous comment that I believe that recommendations for a limited product will stand scrutiny if the client's disclosure shows a mitigating health / occupational/ activity based circumstance.

Unfortunately, disreputable advisers will always be around as in any industry, take Financial Planning and Storm Financial, take Dr Patel ex Bundaberg. Unfortunately, we all have to live with a bit of "crap" around the place.

However, I was pleasantly surprised to note in our Brisbane daily rag in Jan 08 and Jan 09, that in the list of the 10 most complained about professions, Life Insurance Advisers were NOT there.

While there will be rat bags in every industry, I feel that Risk Advisers reputations have improved immeasurably over the last 10 years. Less and less do we experience the negative and derisive comments at social gatherings when the subject of occupations arises. The majority of us counter-balance the minority.

Cheers