



# PRP

PERSONAL RISK PROFESSIONALS

## FINANCIAL SERVICES ROYAL COMMISSION (Round 6: Insurance) YOUR INSURANCE NEEDS REVIEW

Round 6 of the Financial Services Royal Commission commenced its focus into Life Insurance & General Insurance. The focus last week has been on Life Insurance with 6 life insurers on the stand to be challenged regarding their selling and claims practices. Whilst for most people, the evidence presented was shocking, it has unfortunately confirmed concerns we have held regarding this area of the Life Insurance market for some time.

This weeks investigation is focussed on group and direct life insurance, better known as non-advised insurance. This is typically insurance provided via employer or industry superannuation funds or sold via direct marketing (phone or television) or industry associations. The key word in this preceding sentence is “sold” as the focus of this insurance is the selling of insurance, not the provision of advice relating to a clients needs.

Unlike Retail or Advised insurance, many policies held within employer or industry Superannuation funds are not “guaranteed renewable”. This allows policy changes to be made post policy inception. Over the past few years we have seen Superannuation Fund Trustees sign off on changes to their members’ detriment such as the changes in the total and permanent disability definitions to include retraining wording, rendering this cover harder and harder for members to be successful at their time of need. For the vast majority of members, they would not be aware that these changes have occurred until it’s too late. Furthermore, their health may prevent them from obtaining insurance cover appropriate to their needs.

Not only has the Royal Commission highlighted these issues but this view has been supported by the following:

- ASIC Reports [498](#), [587](#) & [588](#) into the claims experience on life insurance all outline significantly improved differences in claim outcomes for clients holding advised insurance compared to direct or non-advised insurance cover.
- [Sydney Morning Herald Article published 2<sup>nd</sup> September 2018](#) regarding offset clauses between income protection and total permanent disability benefits for 2 QANTAS Pilots.
- Our own experience managing claims on behalf of our clients who hold cover via their superannuation funds. In almost all cases, our clients would have simply given up or not qualified for a claim without expert involvement given the complexity of the policy design, wording or claims administration process.

Apart from changes in definitions, the primary argument of holding cover within group or industry superannuation has been group pricing arrangements. Poor claims experience in these policies have not only lead to the dilution of policy wording but also significant increases in pricing. The end result is group pricing has little difference if not increased pricing compared to retail advised insurance.

Further changes are coming with the Productivity Commission recommending the opt in of insurance for super fund members under the age of 25 or those with low account balances or inactive accounts. These proposed changes will further place pricing pressure on group insurance cover in superannuation.

Unfortunately, we have heard time and time again ***“I don’t need to review my insurance as this is covered via my super fund”***. This statement could not be more untrue that at this point in time. At the end of the day, holding insurance is about providing confidence, knowledge and security to your family at their time of need.

The uncertainty, insecurity and lack of knowledge demonstrated this week at the Royal Commission and confirmed via ASIC and media reports noted above, support that seeking professional and expert life insurance advice is vital to securing one’s financial future should the unplanned occur.

There would be nothing worse than seeing you or your loved ones in the media or on social platforms complaining about your claims experience or attempting to raise money to secure your financial future.

**PLEASE ENSURE YOU SEEK THE APPROPRIATE ADVICE TO  
ENSURE YOUR LIFE INSURANCE NEEDS ARE MET.**