

What to look for *BEFORE* you sign the insurance dotted line

The pros and cons of buying insurance online



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One thing that I find myself talking about to my clients lately is what's the difference between having a Financial Planner sort out my insurance vs just going online to get it done. So I thought it was time for some straight up facts! I wanted to share a conversation I had last week with some great clients around the pro's & con's of going online to buy your insurance.

What do you get buying insurance online? Is it any better? Does it cover the same things? Is it cheaper?

They had heaps of valid questions and it's a decision we're all faced with at one point or another.

Anyway the question came up about an ad that they had seen on TV about how to get really cheap insurance cover without filling in any paperwork or forms... You know the ones....

- Full insurance for 2 bucks a day....
- No medical questionnaires needed...
- Backed by some big insurance company...

They make it sound so cheap... so easy... and so logical don't they? As you know, we're all bombarded by these TV and online insurance companies trying to get your attention (and a share of your wallet).

Forever promising big discounts, easy quotes, anything to get you to check them out. In fact, there are so many options and promises out there, it's hard to make a clear decision. People's automatic reaction to - what to do when we need to compare options - is to get online or Google search it.... *"CHEAP INSURANCE BRISBANE"*

The problem is that when you do that, most people don't ask themselves – “am I really getting the best deal by going online, or should I be speaking to a Financial Adviser to get some actual advice about this...?” As a specialist Insurance Planner and Financial Adviser with decades years in the finance and property industry, I've seen the good, bad & the downright ugly when it comes to the way some of these online or direct insurance policies have been set up. I've also had to clean up my fair share of 'insurance disasters' that I can contribute to lack or poor quality advice at inception....

I feel like I know what I'm talking about here. So let's lay out the facts....

What are some things to look for – and to look out for – when you're either looking at NEW insurance cover – or even REVIEWING what you have already?

Buying direct online insurance

On the surface, online quotes may look like the easiest route.

- ✓ You do it on your own time.
- ✓ You don't have to speak with anyone.
- ✓ You get to choose your own cover and how it's set up...

Buying insurance direct can be a convenient way to go, and in theory, online insurance quotes seem to make logical sense. You get what you need - without any hassle - and sometimes at what looks like great rates.

Unfortunately, unless you're an expert in insurance (I'm going to assume you're not...), how do you know if you ARE exactly getting what you need? It's great that technology has taken us to the point where we can explore prices and plans online, but what we're finding over and over again is that usually, this method either leaves people under insured

The product doesn't pay out like they said it would (or you have to go to WAR with the insurance company to get a payout...). The policies are often set up incorrectly (wrong name, wrong beneficiary...) All just because we wanted to save a few bucks.

Look, I 100% understand why you'd want the best quotes for your insurance and I can see the attraction of doing it in a convenient way... but have you ever bought a new computer or a stereo or some other piece of technology and had to call their call centre with a problem? Every time it's a new person or they have no idea who you are, what you need, why you even purchased the products and it's always a long irritating conversation. Try ringing the Telstra call centre and you'll see what I mean!

Do you want the same for your insurance every time you file a claim or need policy information?

Oh, and by the way.... The reason you don't need to fill in any forms or answer any medical questions is because they'll take 'anyone' on-board...they'll take your premiums...

And then – when it's time that you need to make the claim...

That's when they do their assessments and start to think about whether you qualify for a claim OR NOT....

Imagine being injured or sick in hospital and you having to start trying to prove that you're healthy enough and should qualify for a claim...

Using a Financial Adviser

But on the flip side, Financial Planners have a more structured and methodical process. They spend the time to ask you the right questions, collect important information, create recommendations that are specific and designed with you and your family in mind. They'll usually have several options and different companies they can use so they do a bit of research and compare options for you.

One big thing they do is to talk about the little-known topic of **Stepped vs Level Premiums**. Stepped premiums start off cheaper – which sounds great at the start. But as you get older – your premiums go up each year with your age – and with inflation. You've probably noticed that the premium for your insurance is going up and up each year right...? That means you've probably got Stepped premiums (they step up each and every year....).

So a valuable conversation to have with your financial planners is the option of what's called Level Premiums. Level premiums are great! They usually start off a bit more expensive... but they only rise with inflation. Your age increase has been factored in at the start. So over time, the cheaper Stepped premiums that keep rising every year actually 'cross over' and become more and more expensive as you get older...! The real kicker here is that many people say "hey, I'm not paying these over the top premiums any more.... I'm cancelling this policy cos it's too expensive...!" But of course, the reason it has become so expensive is because that person was statistically more likely to claim – as they get older – and inevitably – the accident or illness happens – but the person has cancelled their policy and can't claim. Knowing about Level premiums at the start might have allowed the client to maintain their policy and therefore be able to claim – when they need it most. That's just one good example of where good insurance advice can improve your situation.

Having your insurance and working with a Financial Planner may not always be the most convenient option, but it will more than likely lead you to having the right advice getting the best insurance for your family.

Isn't that what your insurance is supposed to do?

Your Financial Planner knows your needs, they know the rules, and they generally know all the different products, policies – and importantly – the wording and all the 'grey areas' inside and out. They also know your situation intimately so that they are best placed to make appropriate suggestions, which will benefit you best.

So let's summarise...

Talking to a Financial Planner will allow them to assess the situation to make sure you:

- 1) Getting the proper cover you need and
- 2) You're not paying for something you don't need.
- 3) You get advice on other important considerations – over and above just the cost.

These are big decisions and you want – no – you need someone in your corner to guide you and help you make the best decisions.

So, what's the best option?

Look, if you're just shopping around and getting some info – doing some research online is fine. It doesn't hurt to get a few online quotes – just to see if you're in the ballpark. But be warned – the quote you generate online, is almost certainly NOT going to match what you already have – so be careful not to fall for the trap of comparing an apple to an orange.

If your online quote comes out cheaper..., you can bet your bottom dollar that there is a reason for that and you should talk to your planner to figure out the differences BEFORE you go cancelling policies without advice.

There's so much more that goes into getting the right cover than just the price.

If you feel like you're torn between looking for a cheaper quote or getting some proper advice..., why not start by booking in a free, no obligation Financial Health check at www.investmentzone.com.au/bookonline

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