

# 10 MISTAKES PEOPLE MAKE WHEN BUYING LIFE INSURANCE



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# BY REQUESTING THIS REPORT YOU COULD BE ON YOUR WAY TO SAVING THOUSANDS OF DOLLARS OVER YOUR LIFETIME ON LIFE INSURANCE

This report will show you the top 10 most common mistakes people make when purchasing life insurance, and how working with the team at Austar Financial Services will help ensure you don't fall into these traps.



## DISCLAIMER:

The information contained in this report is of a generic nature and should not be construed as advice. We strongly recommend that if you have any questions about the 10 mistakes raised in this report you contact the team at Austar Financial Services Ltd. Our advisers are available to answer your questions and can review your current insurance to highlight areas of concern (if any). All information contained within this document is copyright protected and reproduction of any part of this report is prohibited unless authorisation is given by Austar Financial Services Ltd.

**Important:** If you have existing insurance policies in place DO NOT cancel or alter them before seeking professional advice, or cancel insurances before you have acceptable alternative cover in place.



# WHAT KIND OF LIFE INSURANCES ARE THERE?

## LIFE INSURANCE

Life insurance provides a specified cash lump sum in the event of death. It is an essential form of protection to cover debt commitments such as mortgages and personal loans, and provide families with future financial security.

## TRAUMA INSURANCE

Trauma insurance will pay out a lump sum when the insured is diagnosed with a life altering medical condition (as defined in the insurance policy). The covered conditions may differ between insurance provider's products, so it is important to have a quality product in place. The trauma insurance pay-out can help pay for medical treatment and other living expenses.

## MORTGAGE REPAYMENT INSURANCE

Mortgage Repayment Insurance provides a monthly payment covering the cost of your mortgage payments in the event you cannot work due to illness or injury.

## MEDICAL INSURANCE

Medical Insurance provides funds for the treatment of non-acute medical conditions, and funds for access to faster treatment through private hospitals. This can include the cost of surgical or non-surgical treatments, and you can choose to include specialists and tests covered in the policy.

## TOTAL PERMANENT DISABILITY (TPD)

TPD provides a lump sum payment in the event of accident or injury resulting in total disability, and can be used to repay debt, medical expenses and other living expenses.

## INCOME PROTECTION

Income protection cover is paid out in instalments, and offers security in the event of an injury or illness which prevents you from working. Imagine being off from work for a few months, or years. Having income protection in place can help pay the bills, medical expenses, and provide funding to help sustain your lifestyle when your ability to work is lost.



# MISTAKE # 1

## NOT REVIEWING YOUR LIFE INSURANCE COVER REGULARLY

Already have life insurance in place? Great! But when was the last time you stopped to consider if it still meets your needs? Outlined here are the major reasons why you should take the opportunity to review your life insurance cover regularly.

**Changes in your debt or asset levels** such as buying a house, gaining or paying off a mortgage, and buying or selling a business will dramatically alter the amount of cover you may need. Unfortunately when you do not take the option to review your insurance you may find you are paying more premium than needed, or have inadequate cover when a claim occurs. This may leave you and your family short when the money is needed most.

**Change in personal circumstance** is the most common need for an insurance review. A new arrival in your family, your kids leaving home, a marriage or a divorce; all of these factors will affect the level of cover you may need. Also the ownership of policies should be considered at this time.

**Changes to your health** can have a dramatic effect on your policy premiums. You may have been cleared of a

medical condition, or given up smoking for 12 months, which could reduce the amount you pay for your cover.

**Changes to your income** will affect your standard of living and therefore the extent of cover you feel is necessary to maintain certain needs for you and your family.

**Increase in premiums.** Depending on the type of policy you have, inflation related increases may have been a good idea when you took the policy out, but are they needed now? Do you have the best policy at the best price?

**Change in employment** can have more of an impact than just your level of income. There may be significantly different levels of risk between old and new jobs, or travel that was not previously considered in your cover.

**Insurance company policy improvements.** This can happen as companies update their policies, and you may find there is now a better product on the market for you. A review can also help confirm what you are and are not covered for.

### HOW WE CAN HELP?

You will be contacted by your adviser each year when it is your policy anniversary, providing you with an opportunity to review your insurance. This is an excellent time to reflect on any recent changes in your personal and/or professional life and update policies to suit your current lifestyle needs.

Of course you are welcome to decline your review if you feel nothing has changed and are content with your current cover.

It may be a few years between a major event in your life, however a lot can happen in one year; marriage, the birth of a child, a new direction in your career, or in a relationship.

This yearly contact is a gentle reminder that our team is available should you need professional advice in reviewing your financial safety net or help making a claim.



## MISTAKE # 2

# NOT BUYING ENOUGH INSURANCE

Did you know that most New Zealanders are majorly underinsured, with many people having no life insurance in place at all.

Yes, this may sound like a sales pitch. However, we have found that it is usually at claim time when people realise the importance of life insurance, and the impact becomes a reality when they do not have enough.

And of course then it's too late!

There are several different kinds of risk insurance which can help to cover your needs when an unexpected event occurs. These different covers should not be ignored when looking to secure your future finances. For more information on types of life insurance available, please see page 3.

### SO HOW MUCH LIFE INSURANCE IS ENOUGH?

The average person will cover their debts and maybe a few years replacement income... or may look to cover four to five times their annual income. But is this enough?

### HOW WE CAN HELP?

Our professional advisers will ask questions to gain an overall understanding of your personal financial circumstances. This will give them background to your current situation, lifestyle and future financial goals for you and your family.

The information you provide will help your adviser put together a detailed written report, presented back to you, to provide insurance cover recommendations from the information you provided.

### LET'S LOOK AT SOME FUNDAMENTALS...

Did you know, one of your largest assets is your ability to earn an income?...

... So, assuming that you are surviving on your current family income, why not simply secure this income amount?

#### EXAMPLE:

Say your family income is \$50,000pa.

**Most people** opt to cover four to five times their annual income. This would give \$200,000 to \$250,000 of life insurance cover. This sum might pay off debt, cover the funeral expenses, and some or all of the mortgage, but no matter the circumstances, would one day run out.

**To cover this amount annually** you would need to invest \$1 million dollars at 5%. This would then allow your family to financially continue living off the interest in the years to come if you were not around to provide for them. This option would leave funds for childrens education, mortgage and other bill payments to continue as before, and financial security to those left behind.

This process will give you an understanding of the financial impacts that an accident or death can cause for you and your family, and products that are available to you to help minimise the financial effects should something go wrong.



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## MISTAKE # 3

# DISREGARDING THE NEED FOR TRAUMA INSURANCE

Trauma Insurance is a vital part of your financial health, especially if your family depends on your income.

By disregarding the need for this insurance for both yourself and your family members, you could be in the sole care of government facilities and support in the event of a major medical condition.

While your income decreases from not being able to attend work, either due to your medical condition or perhaps the need to support a family member, your expenses increase as care, medications, hospital visits, and specialist visits occur.

Trauma Insurance will provide a lump sum of money in the event of medical conditions as defined in the policy wordings. This will relieve financial stress during this hard time, and can help in the payment of your mortgage, rehabilitation, home help, non-government funded drugs, alternative or private hospital treatments or a holiday.

Medical conditions covered may include (and not be limited to):

- Cancer
- Heart Attacks
- Stroke
- Chronic kidney, liver or lung failure
- Sever rheumatoid arthritis
- Intensive care treatment
- Dementia

Be aware of low cost covers, be sure of the conditions you are covered for, and make sure you compare the range of conditions covered with other policies and prices available to you. There are 'budget' or 'essential' Trauma Insurance policies on the market that (for a similar cost) cover very little in comparison to A grade covers.

## HOW WE CAN HELP?

With Austar Financial Services advisers you have Trauma Insurance options available to you from a range of quality suppliers. Our advisers keep up to date with changes or additions of medical conditions covered in policies, and through independent and in-house training sessions analyze the benefits of the products that they can offer.

Advisers can also discuss the level of cover you can take out and make recommendations with consideration for your current lifestyle and expenses, and your goals

in the event of a medical condition impacting your life (such as paying off the mortgage or taking care of your family).

Our team can also guide you through the claims process should you need to make a claim. This is just one of the many extra services we offer our clients.



# MISTAKE # 4

## USING A TIED AGENT

### WHAT IS A TIED AGENT?

A tied agent is someone who is 'tied' to a particular insurance company. In other words they are required to place most, if not all of their business (your insurance cover) with the one insurance company they work with.

### WHY IS USING A TIED AGENT BAD?

Using a tied agent will limit the range of insurance cover products available to your adviser to recommend and ultimately you will not be presented with what may be the best suited product on the market specific to your situation.

### WHAT ABOUT BANK STAFF?

Personal bankers are tied agents. Bank staff can only offer you products from their allocated insurance company.

You should be warned, the banks products may be a lower cover quality to other options available to you. Independent research has shown that some of the major trading banks have Trauma insurance products which are rated "D" whereas there are many other Trauma policies that are rated "A" for almost the same cost. This can happen across entire range of products available on the market.



### HOW WE CAN HELP?

Advisers with Austar Financial Services are non-aligned agents; they are not tied to or required to use any one company's products.

Our advisers have access to a wide range of quality companies who they can place your insurance with. You benefit by being given advice from advisers who utilize independent research for product quality, and are involved in consistent product training and development, enabling advisers to highlight differences

between policies, and find what is best suited to your needs.

It also means advisers can 'shop around' to find the best price for you, and approach other companies in the event of unsatisfactory terms being offered.



## MISTAKE # 5

# GETTING THE OWNERSHIP OF POLICIES WRONG

This is potentially one of the biggest mistakes people can make! This mistake is often not picked up on until claim time...when you guessed it... it's too late.

The key to having good insurance in place is ensuring that the right amount gets paid to the right place at the right time when something goes wrong.

This may mean working in with your lawyer or accountant to get the ownership right, considering any debt that needs to be paid in an unfortunate event, and your goals creating the need for your insurance; who will look after your children (if you have them), and when and if they will have access to money left to them.

Advisers can discuss options with you to help you determine who may be best to own your insurance policies.

This may also mean that throughout your insurance policy the ownership may change.

For example in the event of a marriage you may wish to add your partner to the ownership, enabling him or her to access the claim payout if you are incapable of doing so, without legal intervention. This could also be in reverse in the event of a divorce, where an owner can be removed.

## HOW WE CAN HELP?

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While helping you apply for your insurance our advisers will ask questions to ensure they understand your goals in the event of an unfortunate event occurring.

This will allow them to make recommendations on who should own your policies if you are unsure, and describe what implications may occur if the ownership is not properly considered.





## MISTAKE # 6

# NOT CONSIDERING THE TERM OF INSURANCE

Be aware of the expiry term of life insurance cover.

Life insurance policies in New Zealand may have an expiry age or maturity date, which is when the cover will cease.

The current age expectancy for those living in New Zealand is 80+ years of age.\* As this figure continues to increase with medical and technological advances, it would be a tragedy for you to pay for your insurance for years and have it expire before you (or those it has been put in place for) get the benefit from it.

Make sure you leave yourself the option of continuing to be covered in your 'twilight years' and not be forced into losing your insurance cover when you least expect it.

\*Taken from the World Life Expectancy website, April 2012, [www.worldlifeexpectancy.com](http://www.worldlifeexpectancy.com)

### FOR EXAMPLE:

Life Insurance policies may have expiry ages on them to include:

- Expiry at age 60 (not suitable for the average New Zealander according to statistics)
- Expiry at age 100
- No Expiry age



## HOW WE CAN HELP?

Our advisers will highlight if there are expiry ages or maturity dates on policies, and how these may affect you in the future.

If you have any older policies which you are unsure about please do not hesitate to mention this to your Austar Financial Services adviser. With your permissions your adviser can assess any insurance previously taken out and answer questions you may have regarding the cover and expiry (if any) of these.



## MISTAKE # 7

# NOT PREPARING FOR THE INSURANCE MEDICALS

During the application process for insurance your 'risk' of being a client is determined by the insurance company which your adviser is applying to. This process happens during the underwriting of your application, after it has been submitted to the appropriate company.

Part of the underwriting process may require a medical examination or blood tests to help the underwriter more accurately determine your 'risk' level. By preparing for these tests to ensure you get the best results you could save yourself thousands of dollars in premiums.

Tests required by underwriters may include:

- Cholesterol test
- Blood test
- Full medical examination

Simple activities or changes in your day to day life may also positively impact on the outcome of these tests and your overall health.

### THINGS YOU CAN TRY:

- The addition of physical activities (especially if you have a sedentary job role or lifestyle),
- An increase in healthy foods such as fruit and vegetables, and a decrease of highly processed foods, caffeine and other poisons such as nicotine and alcohol,
- An increase in your water consumption,
- And get a good night's sleep.

**Important:** Please do not make any major changes to your lifestyle without consulting your doctor or a health professional.

### DID YOU KNOW:

**Smokers:** If you have been a non-smoker for 12 months or more you can declare this to your insurance company. This can be noted on your records and may even result in reduction in your premiums.

**Exclusions:** Some exclusions can be reviewed in 12, 24 or 36 months to determine if they can be removed as an exclusion on your insurance cover.



## MISTAKE # 8

# PURCHASING 'LOW COST' MAIL OUT SCHEMES

### One word: Don't!

These schemes can be very 'simple', for example they may only cover you for accidental death, and not death from illness. Not soundly knowing what you are buying, or what you are covered for, is not smart financial planning.

Be wary of any life insurance application form that does not ask you medical questions. It may mean that you will not be properly underwritten, and maybe be paying more than you need to.

Using these schemes as a 'for now' situation may also harm the access you have to lower premiums later in life, especially if your health changes. You should first discuss premium payments, and whether to expect (and plan for) premium increases with a professional adviser, so you get a full understanding of not only what you are buying, but also what else is available.

It's like buying a T.V. Find out all of the models and features available on the market, assess what features are important to you, what models have those features, then shop for the best price between suppliers, comparing the features and quality you want, with how much you are prepared to spend.

Come claim time the service from mail out schemes may also prove impersonal and have greater emotional difficulty, as in many cases you will be dealing direct with the insurance company and not via an adviser (who is on your side).

## HOW WE CAN HELP?

Your adviser can explain the terms and wordings of policies so you have no questions about what you are buying. This way you can make an informed choice about the products available to you, and the benefits they will provide and their cost.

Austar Financial Services also has a dedicated Claims and Underwriting department to help you come claim time.



## MISTAKE # 9

# NOT TAKING INSURANCE DUE TO A LOADING OR EXCLUSION

After you have completed the application forms to apply for life insurance, your adviser will send these to the Insurance company you are applying with. The insurance company will 'underwrite' (assess) your medical history. You will then be offered the 'terms' which they are prepared to provide for insurance cover.

The terms offered may include loadings; an additional amount of premium based on the risk assessed by the supplier company.

**For example:** the insurance company may assess that you have a higher risk of dying due to a higher than normal cholesterol level. Because of this the underwriter may load your premium by an additional percentage.

So if your premium was originally quoted at \$100 per month, and your loading is 50%, the adjusted premium would be \$150 per month.

An insurance company may also add an exclusion of pre-existing medical conditions. This is why it is important to get your insurance while you are young and healthy, as the older we get the more likely we are to develop medical problems.

## HOW WE CAN HELP?

Our insurance advisers will ensure loadings or exclusions are reasonable and argue the point with the insurance company if they feel they are unacceptable.

This also gives our advisers the option to 'shop around' with other insurance companies ensuring they get the best terms available for you.

Having an adviser on your side to act for you and ensure that you review exclusions in the future is a great benefit to you.

So why is it a mistake to not proceed with a loading or exclusion? In many cases it will be the only insurance option you have. Generally there is a good reason why the insurance company believes that your risks are higher. Hence the importance of taking the insurance offered!

### DID YOU KNOW:

**Smokers:** If you have been a non-smoker for 12 months or more you can declare this to your insurance company. This can be noted on your records and may even result in reduction in your premiums.

**Exclusions:** Some exclusions can be reviewed in 12, 24 or 36 months to determine if they can be removed as an exclusion on your insurance cover.



## MISTAKE # 10

# NOT USING ONE OF AUSTAR FINANCIAL SERVICES INSURANCE ADVISERS

As you can see from the previous 9 mistakes, many of these can be avoided by using a Austar Financial Services Insurance Adviser.

By using Austar Financial Services advisers you have security knowing that:

- We use both independent and in-house research to determine the benefits of a range of insurance products on the market, enabling us to find the best product to suit your needs.
- We are not tied or limited to who we place our business with.
- We have a structured process to follow, helping to ensure your application runs smoothly.
- Each adviser has their own Disclosure Document available to you free of charge on request.
- Our review system will ensure that your insurance is kept up-to-date with your current needs.
- We have a dedicated support team in place to help you access extra services, such as an in-house underwriting manager for your applications, a claims service available to help you during difficult times and client services representatives so you don't have to deal direct with the insurance company.
- Our advisers belong to either Financial Services Complaints Ltd (FSCL) or Insurance and Savings Ombudsmen (ISO); professional brokerage organisations which provides a disputes resolution should something go wrong.

**REMEMBER WE WORK FOR YOU, NOT THE INSURANCE COMPANIES.**



**There is no point having a safety net with huge holes in it.**

**CONTACT ONE OF OUR ADVISERS TODAY TO ACCESS PROFESSIONAL NON-ALIGNED ADVICE TO SECURE YOUR FINANCIAL FUTURE.**





# SERVICES OUR INSURANCE ADVISERS CAN OFFER YOU

## FOR YOU:

- Life Insurance
- Trauma Insurance
- Total Permanent Disability Insurance
- Income Protection Insurance
- Mortgage Repayment Insurance
- Medical Insurance
- Kiwisaver
- Home Loans
- Refinancing

## FOR YOUR BUSINESS :

- Business Ownership Protection
- Business Liability Protection
- Key Person Protection
- Loss of Ownership Income Protection
- ACC Cover Plus Extra
- Succession Planning
- Business Asset Cover
- Business Continuity Cover
- Vehicle and Machinery Insurance

## FOR YOUR FARM:

- Rural Material Damage
- Rural Business Interruption
- Rural Liability Insurance
- Rural Income Protection
- Rural Livestock Insurance
- Rural Machinery Breakdown
- Rural Stock Deterioration
- Succession Planning



# WOULD YOU LIKE A PROFESSIONAL TO REVIEW YOUR INSURANCES FOR FREE?

## FREE INSURANCE REVIEW

**THIS COUPON ENTITLES THE BEARER TO A  
FREE INSURANCE REVIEW.**

To make your appointment direct you can find your nearest adviser online at [www.afsnz.co](http://www.afsnz.co) or call 09 281 3690 and one of our team will happily connect you with your nearest adviser.



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Please let us know of this coupon when you speak with us. We look forward to hearing from you.



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AUSTAR FINANCIAL SERVICES HAS A HIGHLY QUALIFIED TEAM OF INSURANCE ADVISERS READY TO HELP YOU WITH YOUR PERSONAL NEEDS. WE UNDERSTAND THAT PROTECTING TODAY'S ASSETS IS CRITICAL TO REALISING TOMORROWS GOALS. WE PROVIDE A PROACTIVE SOLUTION TO COMPANIES, PROFESSIONAL GROUPS AND INDIVIDUALS BY IMPLEMENTING A CUSTOMISED BEST-PRACTICE APPROACH TO EFFECTIVE, LONG TERM RISK MANAGEMENT.



## AUSTAR FINANCIAL SERVICES L I M I T E D

Adviser Disclosure Documents are available free of charge on request.

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