

# as life happens

Issue Nine Summer 2009



## Season Greetings...

As we come to the end of another busy and successful year we want to thank all the clients we have worked with throughout 2009 and look forward to continuing to be of assistance in 2010.

We hope you get the opportunity to relax and enjoy a well earned break over the Christmas and New Year period, safe in the knowledge that your wealth is protected should the unexpected occur.

If you haven't had the chance to work with us on establishing your risk plan, it's never too late to start. Give us a call, we look forward to hearing from you.

All the best for the festive season.

## Moral Hazard and Morale Hazard - whats the difference?

The insurance industry is renowned for jargon and confusing terms.

**Moral Hazard** and **Morale Hazard** are just two such examples.

If you heard those words you would probably be forgiven for thinking they were the same thing - but they are not, although both of them relate to insurance and the behaviour of those of us who are insured.

*Moral Hazard is the risk the insurer faces that a client will exaggerate the value of a loss, make up a loss, or even cause the loss – to enable them to claim against their policy.*

*Insurers use claims assessors and claims managers to try to reduce the probability of fraudulent behaviour.*

*There is also Morale Hazard. A slightly different spelling and a very different meaning. Morale hazard relates to the possibility we alter our behaviour because we have insurance. Do we, for instance, take less care of ourselves or our possessions because we know there is a back up, that someone will pay to replace or fix?*

There is evidence we do indeed alter our behaviour, although not necessarily consciously. In doing so we increase the likelihood of a claim being made. If I have house insurance I might be less careful when burning candles. If I live in a fire zone I might be more likely to grow vegetation close to my home. If I have Income Protection Insurance I might be less proactive about making sure I keep my stress levels down knowing if I get too stressed to work I am covered by my policy.

Moving vehicles in and out of parking spots involves careful consideration of the vehicles in front and behind. If I can't buy insurance I'm going to be extremely careful. If I'm fully insured quite possibly I will be less careful particularly if I am in a hurry or simply having a bad day. If I am sharing the risk by having to pay an excess I will be at least somewhat

careful. I might also think about, my 'no claim bonus' and the cost if I should lose this.

Insurers use 'no claims bonuses', excesses on policies, discounts for behaviours which

reduce risk, e.g. having burglar alarms or fire extinguishers on your property, gym memberships and annual health checks with medical policies, as ways to try to reduce the effect of morale hazard behaviour.

Insurers also exclude some specific activities which are perceived to increase the risk that we will claim against our policies, e.g. sky diving or motor racing.

**Morale Hazard isn't a conscious or malicious intent to cause a loss. We are just not as careful.**

That is ironic given insurance is a service designed to make our lives safer, in return for a premium, and yet it may actually encourage us to engage in behaviour that is more risky.

Moral Hazard and Morale Hazard although different insurance issues - have a similar effect - if neither of them existed our insurance premiums might be slightly lower.



## Skin Cancer Did you know?

By far the most common cancer of all, skin cancer has a reported incidence in New Zealand some four-fold higher than all of the other cancers put together. Roughly two out of three New Zealanders will require treatment for a skin cancer at some stage in their life, making it an extremely common problem.



### There are three main types of skin cancer

a) **Basal cell carcinoma** – also known as BCCs. These are the most common and do not tend to metastasize (spread to other organs) and are therefore not a significant life, disability or trauma risk. They can require extensive and costly surgical procedures to achieve full clearance, however, and so are significant health insurance risks.

b) **Squamous cell carcinomas** – these are also known as SCCs. They are less common than BCCs and if not treated can metastasize and result in death. Like BCCs, they too are a significant health insurance risk. As both SCCs and BCCs tend to occur in sun-damaged skin, the likelihood of recurrent or new skin cancers is high; this needs to be taken into account in the underwriting process.

c) **Malignant melanoma** – this is the least common but the most aggressive of all the skin cancers, with a high mortality rate. If caught early then the chance of a cure is high. Depth of invasion of these cancers is an important prognostic indicator, with melanomas less than 1mm deep having a good prognosis. Those that are deeper than 1mm – especially lymph node involvement – carry poorer prognosis in general.

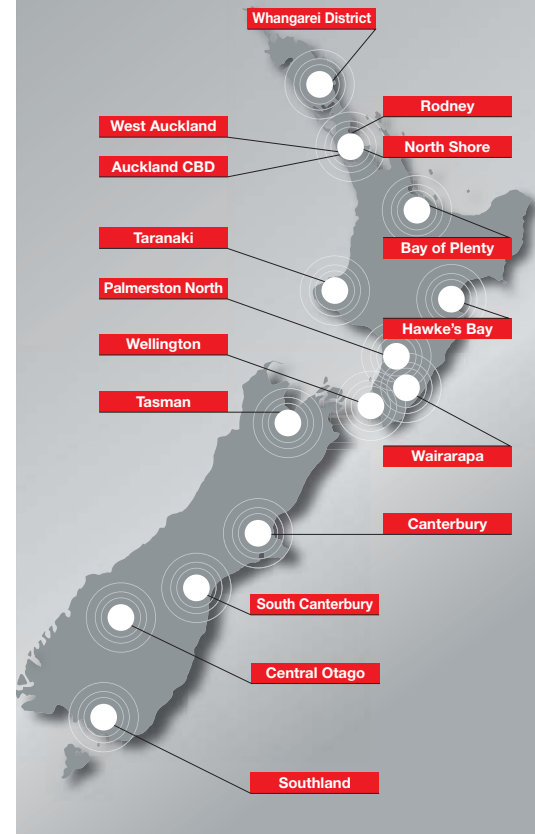
There are some pre-cancerous skin lesions known as solar keratoses or actinic keratoses, that if untreated carry a higher risk of developing SCCs. These are commonly burnt off with liquid nitrogen for this reason. Their presence, however, is a marker for an increased risk of developing skin cancer.

### What Insurers look at for Skin Cancer when you apply for cover?

While the majority of skin cancers can be cured, some, like malignant melanoma, are more serious and have the capacity to result in death and significant morbidity. Some of the things insurers consider when assessing individuals risk are:

1. The type of skin cancer, how it has been treated and whether it has been cured
2. Any past history of skin cancer with relevant details
3. Any comments made by your doctor regarding future skin cancer risk e.g. degree of sun damage, very fair (type 1) skin, occupation
4. Family history especially of melanoma and familial dysplastic naevus syndrome (someone with more than 100 moles, many of which look suspicious)

Source – ING Life Adviser Update, March 09.



### Triplejump in the News:

Triplejump has had a great year of news coverage culminating in some fantastic wins recently that we would like to share with you!

*Our CEO Cecilia Farrow had her first ever TV appearance in October. She was interviewed by TV Hawke's Bay for their television programme called Chatroom. Cecilia spoke of her passion and her belief in Triplejump and what you can expect from us in the future. If you wish to view this interview please contact your adviser for the details.*

*Unlimited Magazine also featured Triplejump as a 'Cool Company' in their November issue. The article titled 'In Good Company' told the story of Triplejump and the key people involved in our success and those that continue to support us as we grow. Please feel free to contact your Adviser if you wish to read a copy of this article or visit the 'News' section of our website.*