

tr!plejump®

as life happens

Issue Ten Autumn 2010



Welcome...

Triplejump is committed to developing effective ways of increasing the awareness of Human Capital Risk issues for New Zealand's Small to Medium Enterprises (SMEs). With close to 450,000 SMEs in New Zealand, it is important we work towards protecting the wealth created by these private enterprise.

It is natural to be optimistic about the future but experience has taught us that good business management includes planning for those defining events that could have undesirable outcomes especially where those events could erode your wealth.

Triplejump continues to grow from strength to strength with 17 Franchise offices now established throughout New Zealand. Keep an eye on our website which shows you where we are. Our Advisers look forward to hearing from you, your family and friends.

Best wishes

tr!plejump®

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Insurance Company Tax Changes - What does it mean for you?

In July 2010 the way Life Insurance Companies are assessed for revenue it receives for Life Insurance premiums changes and it is predicted to increase the tax that a Life Insurance company will have to pay.

As a consequence Life Insurance Companies are advising us that the price of Life Insurance will increase in the future.

Many insurers and advisers are using this tax change as a motivator to get clients to shift some or all of their insurance cover away from Term policies (sometimes also known as Yearly Renewable Term, YRT or Rate for Age) to Level Premium policies.

The sales rationale behind this is it will enable you to 'lock' in a price today and not be affected by the predicted increases to premiums from the tax changes.

Some things that we think you need to know

Firstly, the tax changes only apply to Life Insurance policies. It does not affect Income Protection, Permanent Disablement, Trauma, Disability Key Person and Medical Insurance policies.

Secondly, the Government has given the Life Insurance companies a "grandfathering" period on all Life Insurance policies in force at the 30th June 2010. For Term policies this is expected to be up to five years, for level premium policies it is up until the end of the term.

Thirdly, the policies that are most likely to be affected by the tax changes are predicted to be the Level Premium policies because a key part of the tax change relates to the treatment of investment income.

The last issue is that many insurers have been aware of the forthcoming changes and have factored this into price increases over the past two years.

We are not trying to suggest that there is not the potential for some price increases in Life Insurance policies in the future however it will not immediately affect Term policies already in

force. Our concern is that consumers are being lead to believe that this will be the case. We are also concerned that consumers are being encouraged to change over to Level Premium policies without being properly informed as to the implications of that decision – *price hikes are being used as the 'fear factor'*.

Level versus Term policies

The principle behind Level Premium Life Insurance in simple terms is that you spread the cost 'equally' over the life time of the policy to avoid paying a very high cost in the later years of your life.

However, what Level Premium policies also mean is that in your younger years when your need for cover is likely to be highest you will pay anything up to three times the actual cost of the insurance as compared to a Term policy.

The marketing material for Level policies suggest that your breakeven point is at the age when the term premium equals the level premium and thereafter you are 'in the money' if you have insured with a Level Premium policy. Typically the marketing graphs show this cross over point at about 10-12 years after the policy has been put in place.

What the graphs fail to show you is the real breakeven point. That is, the point at which the opportunity cost of the extra money you have paid to the insurer and the additional premium you have paid in those first 10-12 years cross over. The opportunity cost could be that if you had the money you could have reduced your mortgage faster or invested the 'surplus' into saving for your retirement. Our analysis shows that the actual breakeven point is more likely to take 18-22 years not 10-12.

We know also that most of us have only a limited amount of money that we can afford to

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as life happens

spend on insurance. If we are paying three times as much for our life cover as we need to the chances are we will be forced to make choices not to insure other important risks like loss of income from disablement or major medical expenses.

Feeling concerned? Being barraged with marketing tactics?

If you are feeling concerned about the

Close Up – Non Disclosure

Recently TV1's Close Up screened a story about a woman who was declined a claim under her insurance policy for non-disclosure.

The woman had purchased an insurance policy through her bank 13 years ago to cover the mortgage on the family home.

She filled out the application on her own.

More than six months previous to applying for the insurance she had a fatty cyst removed from her breast which was benign. She did not disclose this on the application form.

While her insurance application was being processed she had a routine mammogram which was normal. She did not advise the insurer of the mammogram.

When some 13 years hence she sought to claim against the terminal illness benefit in the insurance policy the insurer declined the claim on the basis of non disclosure – she should have disclosed the cyst and advised the insurer of the mammogram.

Some important lessons come out of cases such as these and reinforce the importance of receiving professional advice and having an adviser who is working for your best interests.

1. A large amount of people prefer to fill out an application on their own. It is well known that people applying for insurance 'self assess' their previous medical treatment and conditions and may dismiss many things as not being important and therefore don't disclose them. Triplejump believes it in is our clients best interests if we are with them when they fill out the insurance applications to ensure that there if full disclosure.

2. Because this woman had completed the application through a bank teller she did not

implications of the tax changes, or, are being approached by telemarketing propositions on the issue, please talk to your Triplejump adviser before you make any decisions.

We promise that we will work with you to understand your needs first. We will provide you with informed and unbiased advice about how best to structure your insurance, balancing risk and cost to ensure you have the optimum outcomes.

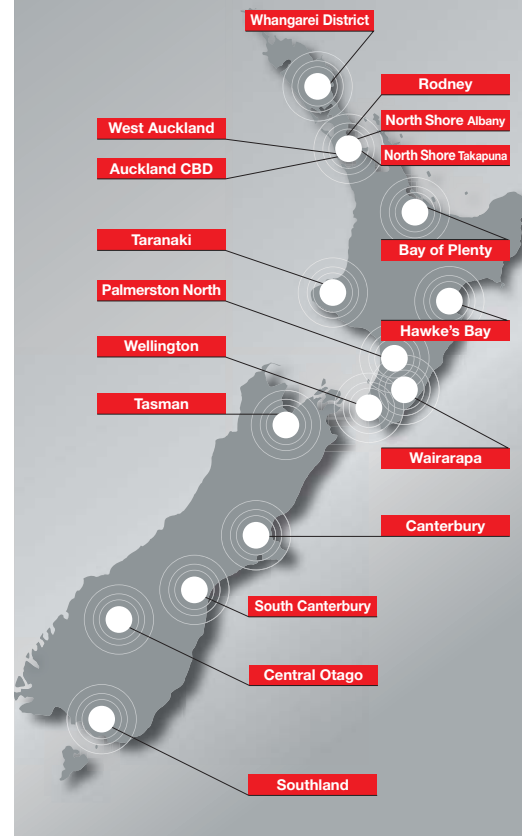
have an advocate who worked on her behalf when she needed a claim assessed. The family invested months of time and a lot of money trying to fight their way through the claim. Although there is information that may not have been provided in the Close Up story based on the information that was screened it seemed questionable that this case should have been declined for non-disclosure. A key test of non-disclosure is whether it was material – material is something that had the insurer known would have altered the terms of the cover provided. If the woman had disclosed that she had a benign fatty cyst removed and that she had had a routine mammogram which was normal the insurer would more than likely have provided the cover without exclusions or terms (related to those conditions). The fact that this claimant did not have an advocate – in this case an insurance adviser working in her behalf-she was unable to apply the law of insurance to justify her claim.

3. Many people often don't understand their duty to continuously disclose relevant information while their application is being underwritten – when they are applying for cover without an adviser these facts can be overlooked leading to non-disclosure.

Triplejump is an advocate for our clients. We will not only work hard to ensure that our clients provide all the required information on the application form but we will also work hard to ensure that claims are paid. We have substantial knowledge of insurance law and can access the necessary people both inside and outside insurance companies to ensure that our clients are treated fairly.

It's the Triplejump difference – Advice Service and Support.

tr!plejump® Offices



Triplejump in the News:

Triplejump Growth

Triplejump is off to a great start for 2010 with two new franchises having joined the network.

We would like to welcome **Triplejump Manawatu Limited** and **Triplejump Takapuna Beach Limited**. The addition of these two franchises extends our reach throughout New Zealand.

We know 2010 is going to be another fantastic year with even more franchises opening up throughout New Zealand making it easier to meet the needs of our customers and making it easier for New Zealanders to receive professional advice on their risk needs.

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