



BY LETITIA WATSON

LONG-TERM COVER

Knowing what to expect of your broker will assure you choose the best long-term insurance

WE'VE talked about short-term insurance and the difference between insuring directly and using brokers. The long-term insurance industry is much bigger than the short-term one and covers everything from retirement planning to funeral benefits and study policies.

You can also choose between direct insurance and a broker but recent research by the Discovery group shows direct life insurance costs on average nine per cent more than when you use a broker and the benefits aren't as comprehensive. This has made many take another look at their policy premiums. But it doesn't mean all brokers will give you the best option.

Law-abiding brokers

To choose the best financial adviser you need to know what to expect from such a person. Make sure advisers are registered with and licensed by the Financial Services Board (FSB). They must show you their licences. Representatives of specific financial services providers such as Old Mutual are registered with the FSB as representatives of these companies.

Visit the FSB at www.fsb.co.za or call 0800-11-04-43 to check on someone's licensed status.

Experts recommend advisers also belong to a professional body such as the Financial Intermediaries Association of Southern Africa. Members are kept informed of changes in the law and industry developments and their dealings are also scrutinised.



Products

Financial advisers are licensed according to their qualifications and experience for the type of planning they're allowed to do. It's your right to choose a broker but remember, they're not necessarily licensed to give you the investment product you need. Ask to see their licence as it will indicate the products they're licensed for. If they don't have the qualification to market certain products they don't have the necessary knowledge about that product.

Advisers linked to a specific financial services group will offer only that company's products. But if there's an agreement between Sanlam and Old Mutual, for example, some of their representatives can offer certain of the other company's products.

Brokers' financial advice is supposed to be independent of a specific company and they must give you products, quotations and rates from various

institutions in order to offer you the most suitable financial solution. Ask for more product options; don't just accept that the first one is the best.

Service

Your adviser must do a financial needs and risk analysis for you before a product is sold. This involves taking your needs and requests into consideration and doing a comprehensive analysis of your income, expenses, assets and liabilities.

They must look at your existing coverage – whether it's in your personal capacity or through your employer – as well as your pension or provident fund. They must also clearly explain the tax implications of your decisions and look at plans you might have for your estate. An investment plan is then compiled to supplement any shortfalls according to your stage of life, health, income ability, dependants and expected retirement age.

All monies and costs involved in the products and what the adviser earns must be indicated in the policy – ask your adviser to explain them.

Your role

Withholding information, even unintentionally, is one of the main reasons claims are rejected or not paid in full, information from Liberty Life indicates. That's why it's important you give correct information about your health and lifestyle when taking out a policy. This includes any illnesses or diagnoses you've had.

A medical condition that's omitted isn't underwritten and isn't taken into consideration when your premium is calculated. Claims stemming from that condition will then not be paid out. For example, if you have or have had diabetes and it isn't noted on your application, and you lose a foot because of poor circulation (a complication of diabetes), it's possible your claim won't be paid out. □

'I detest life-insurance agents; they always argue that I shall some day die, which is not so'

STEPHEN LEACOCK, CANADIAN HUMORIST, 1869-1944

tip:

A general rule is to talk to your adviser about your investment portfolio twice a year.