

Lack of insurance puts livelihoods at risk

by John Anthonly, Stuff News | Feb 03, 2014

New Zealanders place more value on their house and car than they do health and family if current insurance trends are anything to go by. The latest available statistics from 2012 showed 95 per cent of New Zealanders' insured their homes and cars but only 57 per cent insured their lives, and just 20 per cent had income protection insurance.

Today New Zealanders continue to take a gamble in health, life and income protection insurance, industry experts say. The Financial Services Council of New Zealand (FSC), which represents life and income protection insurance companies, said this was because people did not know how much insurance they needed, or were not confident about making a purchase.

FSC chief executive Peter Neilson said New Zealanders were significantly under-insured in the event of death, serious illness and short term disability. The amount of insurance cover a person needed depended on their circumstances, he said.

For example, debt-free people with no dependents may not need any life insurance. But as soon as people had dependents they needed to assess their options, he said. "As soon as you have debts or dependents it's probably important to think about how much cover you need."

Couples with children, a mortgage and a combined income of between \$50,000 and \$120,000 were the most under-insured income bracket, he said. This made them vulnerable at times of hardship because if one person's income were to go then the household may earn too much to claim a benefit but not enough to meet current expenses. "People find that they're too rich to claim social security but they're too poor to pay the mortgage or rent."

The Health Funds Association of New Zealand (HFANZ) is the industry body which represents New Zealand health insurers. It said last quarter was the first time health insurance numbers had increased for the first time since June 2009. The increase of 800 people took the total number of New Zealanders covered by health insurance to nearly 1.34 million, HFANZ said.

Its chief executive, Roger Styles, said New Zealanders lagged behind Australia when it came to obtaining health insurance cover although people were beginning to realise its importance, particularly as demand for elective surgery increased. "People are seeing there's a value in having health insurance to be able to access surgery in a more timely manner than they would if they were relying on the public health sector," Styles said. New Zealand's public health resources were likely to decrease in the future making health insurance even more necessary, Styles said.

"They need to be thinking about the sort of health system that's going to be here in 10 years' time and it's going to be one where there are public funding shortages, where people are going to have to dip into their pockets a lot more." Neilson recommended that people consulted a financial adviser before settling on an insurance provider to determine how much cover was appropriate. "Make sure you have at least several years of cover so your family don't have to suffer for a substantial period of time," Neilson said.

People should check the adviser's credentials and experience before taking advice, he said. Deciding the right balance of personal insurance could be a tricky juggling act while

shopping around would give an idea of whether a policy was good value for money and how it compared with other products.

Checking the company's history would show whether the provider had a good record paying claims and a good credit rating, he said. "There's no point in having someone who's not there when the problem comes."

Authorised financial adviser Martin Hawes said New Zealand was an under-insured nation because cover was expensive. "A lot of people simply can't afford it. "It's often a question of priorities," Hawes said. Buying personal insurance was a matter of paying an annual premium to pass on risk one could not afford to the insurance company, he said.

One of the hardest things when it came to insurance was selecting the right adviser, he said. "A really good risk expert is worth his or her weight in gold." Thorough research was essential in making a decision, he said. "It's very difficult for the general public to make an assessment of who is going to be good in this area and who is not."

New Zealand Federation of Family Budgeting Services chief executive officer Raewyn Fox said for most people who use its service personal insurance was not even an option. "They've got things that are higher priorities like keeping the roof over their head and keeping the power on." But the service did discuss the importance of personal insurance with people and helped steer them towards a situation where obtaining it became a realistic option.

But the reality was that nearly 80 per cent of people who used the service were beneficiaries, often laden with bad debt such as cars on hire purchase, she said. For this reason the budgeting service encouraged people to first obtain car and contents insurance.