

# RAINY DAY INSURANCE

## *Protecting your mortgage and your earning power*

### - Allistar Walker

Mortgage and Income Protection insurance has more variables than a bike has parts to make it the most complex and least understood life related insurance.

Successful people plan throughout their lives and don't take unnecessary or uncalculated risks. Kiwis being the supreme optimists (except when it comes to the All Blacks losing) often fail to plan or protect themselves against the destruction of their incomes whether by sickness or accident. This is strange, given that the income you earn over a lifetime will usually be far greater than the value of any house that you insure.

On 12 August an article appeared in the Herald headed '*Why women pay double for Income Protection insurance*'. This is not necessarily true for every insurance company as the table below illustrates. Women of the same age, occupation and smoking status will inevitably pay more for income insurances but pay less for life and accident insurances. The reasoning is that a greater percentage of women file income insurance claims, compared to a greater percentage of men having claims for death.

	Monthly Premiums			
	Company 1	Company 2	Company 3	Company 4
Male 35	\$ 29.30	\$ 34.00	\$ 34.32	\$ 56.24
Female 35	\$ 44.53	\$ 42.10	\$ 51.02	\$ 69.60
Male 50	\$ 74.88	\$ 77.24	\$ 61.92	\$ 90.07
Female 50	\$109.32	\$106.61	\$102.11	\$165.86

The following assumptions are made:

- Insuring 75% Income of \$65,000
- Male and Female do same job and non smoking
- 8 week wait before claim commences
- Pay out period limited to 2 years.

The less expensive options do not provide their product through the banks.

From the table above you can see that quotes can vary widely between insurance companies. This spells out quite clearly why you need to talk with an experienced and unbiased broker such as ourselves. Your life and savings are too precious to be left to chance.

When selecting income and life insurances ask the salesperson these questions:

1. How much experience do you have in the life industry and what qualifications do you have?
2. How many claims have you handled?
3. What is the difference between mortgage repayment insurance and income protection insurance?
4. Can you provide me with three different quotes?
5. Can you draw up a plan for me with appropriate recommendations?

If you want to buy any off-the-shelf product and are not worried about the cost or claim process at claim time, then it really doesn't matter where you buy from. However, we would suggest that if you can't get satisfactory answers to the above five questions, you should shop elsewhere.

There are many nuances that will change the premiums with Mortgage Repayment and Income Protection insurances. An advisor, who has sat down with you to find out what you want, will offer a comprehensive insurance plan with appropriate recommendations, structured within your budget.

Health insurance can cover medical bills but will not provide an income, living expenses or pay the mortgage. If you have an accident the mortgage repayment insurance will pay in addition to an ACC pay out. If you are sick there is no ACC but income and mortgage repayment insurance will kick in.

People will insure their homes and their lives but miss out protecting their greatest asset – the ability to earn. Even worse you will be around to see your financial position deteriorate, while you are sick. Income and Mortgage Repayment insurances are definitely worth considering – ask someone who has received the benefits, or wished they had.

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