

WILL TAX CHANGES INCREASE INSURANCE COSTS?

- Allistar Walker



Life insurance premiums could increase by up to 25% as early as July 2010 but possibly not until 2012. This is due to government changes in insurance company tax law heralded by MP's Peter Dunne and Michael Cullen under the Labour administration. The previous law was OK for savings related whole of life policies which were popular before the 90's. The current term insurance contract profits are not taxed in the same way leading to tax advantages for the insurance companies which they have been able to pass on to consumers.

Unfortunately increases in policy premiums will no doubt result in people being insured for less, in a climate where possibly a majority of people are underinsured anyway. This in turn will lead to a greater reliance on meagre government handouts when uninsured persons strike tragedy.

Insurance companies are divided as to the impact of this increased taxation. The competitiveness within the industry will help to keep premiums down initially, but eventually some cost will have to be passed on to the consumer.

Ensure you are protected

Utilising an insurance broker who has many insurance companies he/she places business with, could be important. Banks tend to only use one company and some brokers place most of their business with only one company because of better commission arrangements.

If policy prices rise substantially you want to be sure that you have the ability to switch companies if you gain an advantage. Be careful here though. It is not prudent to cancel an insurance policy until you are accepted by the new company on terms suitable to you. You must make sure that your cover is continuous or, as luck would have it, something could go wrong in the interim and you would not be insured. A good broker will address all those issues to ensure your continued protection.

As independent advisors/brokers ourselves, we are constantly drawing up review plans for potential clients. Often we find that people don't understand or have the cover they really need or are paying too much. A simple review by a competent and experienced advisor will fix this problem, often with only minor adjustments with the existing insurer.

Our claim as advisors/brokers has always been that we will do a better job and provide cheaper premiums than are available at your friendly bank.

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