

Checklist

Product Research

issues to check when replacing policies

Purpose



Many advisers feel somewhat confused about and confronted by how to assess the suitability of a potential life risk product replacement strategy, particularly when it comes to documenting this in the SoA. This list will assist by covering many possible considerations and will therefore help to create a list for inclusion on the SoA as well.

Checklist



In no particular order:

- ❑ What are the main terms and conditions of the existing policy?
- ❑ Does the proposed new policy (or fund) provide at least the same terms and conditions?
- ❑ Will the client need to provide any medical evidence?
- ❑ What are the current sums insured – ensure the current renewal notice is checked and the original schedule is not used to check current sums insured.
- ❑ What are the current premiums – ensure the current renewal notice is checked and the original schedule is not used to check current premiums.
- ❑ What exclusions apply to both?
- ❑ Is there an increase in cost, by changing? e.g. is the existing a group rate versus an individual rate on the new policy?
- ❑ If there is a decrease in cost, is this an indication of the cover being less valuable or effective for the client than the existing policy?
- ❑ Are binding nominations available on both (if super)?
- ❑ Is there a 13 month suicide clause in the new policy?
- ❑ Is there a 3 month trauma exclusion clause in the new policy and if so does the new insurer offer to waive this for clients with existing trauma cover?
- ❑ Does the employer currently pay for some or all of the benefits and the client will lose this advantage with the new policy?
- ❑ Is a change in ownership proposed and if so is this to the client's advantage?
- ❑ Is the existing policy at level or stepped rates of premium? If level, is the new policy going to disadvantage the client in terms of their long-term costs?
- ❑ Does the client have underwriting acceptance terms that may not be as favourable if they move to another insurer/policy?
- ❑ If cover is in super, can cover be accepted by the new fund before leaving the existing fund?
- ❑ If income protection, check whether you could be replacing agreed value with indemnity and if so, understand the implications of this and how to explain to the client. See the Text Library's Product Advice section for help with this.

Text Library