

Buying Life Cover From a Broker

- **Q: How and where can we actually buy a life, critical illness, or disability cover?**

Essentially, you can buy life, disability or severe illness cover through a financial adviser or directly from a life insurer or associated bank. If those are your options, why would you choose one of the others, right?

There are many benefits to using a financial adviser including help with assessing your needs, identifying the best policy, cover and premium increases, and help with getting accepted for cover. Buying cover without an adviser, and directly from a life insurer, may be best suited to those who have simple life cover needs.

- **Q: What exactly is a broker or advisor and what do they do?**

An insurance broker or advisor is really just an individual or company that will negotiate on behalf of a client, which would be you and me, with a number of insurers. In other words, if you and I approach an insurer, we are only dealing with one organization but approaching an advisor means they are able to quote on the cover and types of life products available from a number of available insurers.

Let's quickly have a look at some of the services a broker or advisor generally offers:

1. Comprehensively assess your financial and insurance needs given your personal circumstances. This means they will also be able to recommend an appropriate amount of cover and products in line with your needs and what you can afford. Your advisor will then help you compare the offerings from different insurers and determine what would be best for your needs, your family and your budget.
2. Identify a suitable policy, taking into account the benefits offered, and terms and conditions of the policy and all other relevant considerations, such as the insurer's track record on paying claims. This means they will be able to help you assess whether you need life, disability and critical illness cover, if you need a funeral policy or benefit, and any other optional benefits an insurer may offer.

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3. Advise you in future if an insurer launches a new feature or product that may better suit your needs.

4. You may have to have certain medical tests done – such as blood tests and cholesterol tests, or you may need to have your blood pressure taken as part of the underwriting process when getting a fully-underwritten life cover (which may include disability and critical illness). Your life insurer will tell you where to go for these tests or send a nurse to your home or office to do them. An advisor will guide you through the medical questions and engage with an insurer if your medical condition is viewed as more serious than you or your adviser believe it is.

- **Q: One could buy cover from a broker or advisor, or directly from an insurer. Elaborate on the second option.**

This second option of buying cover without an adviser, and directly from a life insurer, may be best suited to those who have simple life cover needs. If you decide to buy life cover direct from a life insurer through the company's website or its telemarketers, here are a few tips.

1. Going for this option means you will need to ensure you keep track of your communication with the insurer, any information you may need to provide, and policy documents yourself.
2. This also means you will need to be responsible for identifying which life product would be best for your needs and determining the amount of cover that would be appropriate for your family. Working out how much cover you need isn't impossible, but it is more difficult if your circumstances are more complicated – for example, if you have remarried or you have a business.
3. Cutting out a financial adviser may not necessarily mean the policy is cheaper. If the cover is offered after only limited questions and no tests – known as limited underwriting - it may prove to be more expensive for the same amount of cover when compared to a fully-underwritten policy.
4. Buying directly from an insurer means you may get offered cashback bonuses. Policies that offer bonuses or cash backs for your loyalty are, in terms of a code of conduct under the Financial Advisory and Intermediary Services Act, not allowed to create the impression that the bonus is free and should indicate if it is optional and express the cost of it and the impact on your premiums.

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- **Q: How do you know whether you can trust your broker?**

All insurers must be registered with the Financial Services Conduct Authority (FSCA) in order to sell funeral and life cover in South Africa. When you do purchase a funeral or life policy make sure that your policy documents include the full company name and registration details of your insurer.

Some funeral parlours also sell funeral policies, but these policies must be underwritten by an insurer. It is illegal for a funeral parlour or advisor to sell insurance that is not underwritten by a registered insurer, but to protect yourself, check which registered insurer has underwritten your advisor or parlour's policy before beginning to pay your premiums. A funeral parlour and advisor must also be registered with the FSCA in order to provide funeral policy services.

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