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Consumers buy insurance policies, seek advice online

A third of consumers choosing to receive advice through the web.

MICHAEL RODDAN THE AUSTRALIAN 12:00AM January 7, 2017

As the problems in the financial advice and life insurance industries continue to mount, Australian consumers are taking matters into their own hands, with insurance policies increasingly "bought" and not "sold" as consumers turn away from traditional advice channels.

According to a new survey from unlisted friendly society Noble Oak, more and more of Australians' life insurance advice is coming through the internet, with a third of consumers choosing to get advice through the web and 20 per cent relying on family member's recommendations. Just 25 per cent use a financial adviser.

The data comes at a time of upheaval for the financial advice and life insurance industries. After a series of scandals involving improper advice, inappropriate remuneration incentives, and allegations of claims mishandling, Financial Services Minister Kelly O'Dwyer has pushed through laws cracking down on life insurance advisers. The industry has also developed a new code of conduct in the wake of a worrying report from the corporate watchdog ASIC and a string of media allegations of improper behaviour.

It is in this environment that Noble Oak chief executive Anthony Brown believes his life insurance company will flourish.

"As an independent life insurer and friendly society, who is not owned by a bank and does not own any dealer groups or distribution channels, Noble Oak has been able to avoid many of the legacy issues hindering the industry and focus on delivering to our clients," Mr Brown told *The Weekend Australian*.

The group's survey, conducted by independent firm Pureprofile, found more than half of respondents were unwilling to pay anything for life insurance advice — a "fundamental" problem for the advice industry. Nearly three-quarters of people surveyed said they would be confident buying a policy online without advice. "While a majority of customers previously outsourced their financial affairs, we are moving to a new state where people are taking more control and insourcing these decisions," Mr Brown said.

The life insurance remuneration reforms have been criticised by the Life Insurance Customer Group, a body that represents the interests of life advisers, because a claim on life insurance that was sold "directly" through an insurance website had a 71 per cent higher chance of being denied compared with a policy sold through an adviser. The Association of Financial Advisers pushed for laws to treat advisers on the same level as direct distribution channels, such as comparison websites.

Mr Brown said he valued proper advice and was not an advocate of the direct insurance model, which was often the most expensive form of life insurance.

"Unfortunately some life insurance products available directly to the customer contain broad pre-existing condition clauses. Many don't require much information about your medical history upfront," Mr Brown said.

"This means that people's life cover can exclude important medical conditions. If they then pass away as a result of these conditions, they will not be covered. This means insurers may have to 'underwrite' at the time of the claim. This can result in the claim being delayed or not being paid. For many people, life insurance is still a grudge purchase. The full value is often not understood until they speak to someone."