BEWARE OF CHANGING YOUR INSURANCE POLICIES

Every few years, a new or an existing life assurance company goes on a drive to increase market share by poaching sales staff from competitors and launching "new" products. Unfortunately, these events are not that good for the end consumers; in fact they are the ones that usually suffer.

DON'T CHANGE YOUR POLICY ONLY BECAUSE YOUR AGENT SAYS SO

According to various industry insiders, some life assurance agents who previously worked for banks and life assurance companies have been paid millions to switch allegiance to a new employer who is on a drive to get more clients. When I hear about the amounts being paid to these agents, I become increasingly concerned that this money will need to be recovered by the new employer in the very near future from their new clients. Although I am no life assurance expert, I cannot see how the money will be recovered unless it comes from clients being sold new policies and this is where the problems start. If you were sold a life assurance policy by Joe Agent from Piggy Bank three years ago and now he works for Fantastic Insurance Company, is it in your best interest to change your policy simply because he has changed employer?

The industry pays life assurance agents their commission over a two year period so, if you cancel a policy within the first two years, it is likely that your agent will need to repay some commission to the company. Therefore your agent will (almost never) recommend a change to a policy that he sold to you within the last two years. So if he recommends a new policy shortly after the end of the two year period, you need to be very wary. Life assurance products don't change radically so it is likely that a policy that is three years old is probably still appropriate for you now.

I DON'T LIKE COMPLEX FINANCIAL PRODUCTS

Perhaps I have a limited intellect but I can never really understand how much a product really costs me when a bunch of different financial services are wrapped into one product or investment. Some combinations of products make sense but not to the extent that we see now. For instance, if I go shopping at my least favourite retailer and go to gym 700 times a year; will my life assurance premiums drop by 17% of my last restaurant bill? In addition, if my wife goes for some extra medical check-ups, will my investments grow even faster? How wonderful! I can't understand why this has never been done before…or has it?

Whenever I have seen the life assurace industry wrap a range of products (e.g. investments + life cover) into one – the client (i.e. me) has not really benefitted. A cynic might argue that the real purpose of wrapping services into a complex product is to hide the heavy costs that consumers will now be paying whilst they are shopping at their 2nd favourite retailer, gymming 700 times a year and flying to Timbuktoo on their specially priced flight.

Personally, I only pay for my insurance when I can see exactly what it will cost me and I can compare the cost to another company's costing. In addition, I like to bank, fly and eat exactly where I want to not where my life assurance company tells me to. So, that means Mr Joe Agent, who just got paid R5m to join Fantastic Insurance, that I will not be buying a new life policy from you now or ever again. But, I hope you enjoy your fancy new car that I saw you driving on the weekend.