

# Latest Poll – The Value of Life Insurance Claims Support

November 17, 2020

**On average, how many hours per case does your business spend on facilitating life insurance claims for your clients?**

- **11 - 20 hours (35%)**
- 21 - 30 hours (23%)
- Up to 10 hours (22%)
- More than 40 hours (16%)
- 31 - 40 hours (4%)

Our latest poll is effectively asking you to consider the value you deliver in helping your clients with their life, TPD, trauma and income protection insurance claims.

This question is being asked within the context of the ‘commissions versus fees for risk advice’ debate, where NSW adviser, **Brett Wright**, has made his case this week for the retention of risk commissions.

A NSW adviser has released a [discussion paper](#) in which he argues the case for the retention of life insurance commissions as a valid and necessary component of the future life insurance ecosystem in Australia.

Approaching the eve of ASIC’s 2021 review of the quality of life insurance advice, second generation risk advice specialist, **Brett Wright** ([KPRM Insurance Services](#)), outlines his argument for the retention of risk commissions by way of documenting the differences he says exist between the nature of advised life insurance on a commission basis and advised life insurance under a fee for service arrangement.

In his paper – [Comparing Commission vs No Commission + Advised Insurance Alternatives](#) – Wright breaks down various elements associated with the value of life insurance advice, such as ‘Getting Covered’ and ‘Reviewing & Renewing’, and how each of these elements works, or would work, under the commission model and the alternative fee for service model.

Wright also takes aim at the relative issues associated with consumers accessing life insurance via direct and group insurance channels, where he implies the consumer is better served by a personal advised life insurance solution, which better addresses the consumer’s needs and personal circumstances.

In the present environment where a total ban on risk commissions remains a possibility, Wright told Riskinfo he wrote this report “...with the sole purpose of starting open, honest, transparent and fact based conversations with politicians, regulators, life insurers, associations, licensees, advisers at the coal face, and most important of all, the consumers we serve.”

Lending support to his position, Millenium3 CEO, **Helen Blackford**, says Wright’s report outlines many of the key issues from a practitioner’s point of view that lead directly to the accessibility and affordability of Life Insurance: “If an industry construct is further created through decreased commissions where restrictions are placed on a consumer’s ability to access and afford advice, the social and community impacts will result in broader under-insurance, financial hardship for Australian’s in their time of need, and as a result an increased demand on the welfare system.”

*Later this week, Riskinfo will report a series of comments made by a selection of key industry stakeholders in response to Brett Wright’s Advised Life Insurance paper, each of which supports the call for the retention of life insurance commissions as an outcome that will offer the best chance for more Australians to access quality life insurance advice...*

The fundamental basis of Wright's argument is that, just as life insurance itself is the pool of many, supporting the unlucky for the benefit of the community, the same principle applies to life insurance commissions serving as a pool of funding which enables advisers to cost-effectively support the many, review their cover and – importantly – help the unlucky to claim on their cover.

we're ...asking how much value you add to the process in supporting your clients

In asking how many hours you and/or your business spend on each life, TPD, trauma and income protection insurance claim, we're actually asking how much value you add to the process in supporting your clients during this critical moment in their lives.

Naturally, the length of time you and your support team spend on a single claim is determined in part by the product type and the nature and complexity of the claim, but for the purpose of the exercise, we're looking for your average time per claim.

In his 'Advised Life Insurance' paper, Wright suggests life insurance claims take between 10 – 40 hours on average, and he applies an hourly rate of \$300 in asserting advisers would need to charge their clients \$3,000 to \$12,000 if they were charging an appropriate fee for this service under a no commission model. The claim payment would also need to be sufficient to ensure the client could afford the fee, which for a monthly benefit Income Protection claim, is an even larger issue.

Every advice business is different, and you will each have a sense of the average time it takes per claim and also the hourly rate – the value – that you choose to apply to this process. Whatever that number is for your own business, it represents a monetary value that, at least in most other industries, is usually paid by the beneficiary of the service provided.

Wright argues the principle of the pool of life insurance commissions is the right way to go, as this remuneration option removes cost and complexity while at the same time sustains the currently fragile life insurance ecosystem.

Elsewhere in the life insurance industry, we have seen the emergence of specialist claims advocacy services which have their genesis in risk advice businesses and we're also seeing a proportion of the adviser population either finding a way to charge for their claims support services or who are at least considering this option.

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On the other hand, however, there remain many advisers who have never charged their clients to help them when making a claim and never will, because they consider this fee – this value – is already paid within their pool of life insurance commission payments.

In asking you to identify how much time – and therefore how much value – you provide in delivering your claims services, we're also asking you to consider the merits of charging for your services under both the commission and fee for service advice models.

Cast your vote, tell us what you think, and we'll report back next week...