



BY ASSETWISE

THE 29 BIGGEST MISTAKES PEOPLE MAKE WITH INSURANCES - AND HOW TO FIX THEM!

INSURANCE | MORTGAGES | KIWISAVER



1

Thinking ACC will cover you if you can't work. (75% of disablements over 6 months are illness so NOT covered). You need a good Income Protection cover.

2

Believing ACC is more than just a compulsory insurance. You can't eliminate it, but you may be able to reduce the premiums greatly if you are self-employed, so get advice by an expert.

3

Having 2 x income protection policies with DIFFERENT insurers. Chances are only 1 will pay!

4

Not having Income Protection or Mortgage Repayment insurance at all. Your financial future relies on your ability to earn.
Is your cover an Indemnity or Agreed Value?

5

People choose the amount to insure their lives based primarily on covering debt alone. Not replacing income



6

Not having a Will. Huge and costly consequences for you and your family.

7

Not applying the 3 Question formula to each insurance cover. If there is a claimable event- (1. Would it be Financially devastating? 2. Is it likely to happen? 3. Is there a way to solve it without much cash?). Apply this formula and make smart decisions about your insurances.

8

Choosing an Adviser because they seem nice, were convenient or they were Johnny on the spot is just plain crazy. Get expert advice as you potentially have millions of dollars at risk if it is done wrong.

Make sure you ask them how many insurance companies they have agencies with? This is particularly critical with Life Insurance, Income Protection, Trauma & Medical related products.

9

Thinking all insurance policies are not created equal. The devil is in the detail. Do you ever read the policy?



10

Not realising that most Financial Advisers only have agencies with 1-3 insurance companies. This means they can't offer real choices and will only ever recommend one of their limited number of Providers. That means you may be recommended a vastly inferior product as adviser can't place it anywhere else.

11

Believing that banks are Awesome!

Err... NO. Never buy insurance from the bank! They don't know insurance & their policy wordings are normally cut down versions of what's available through a proper insurance company. E.g. Some banks have trauma cover. But it only covers about 12-17 critical illness conditions. And each condition is harder to get a claim on as the definitions are harsh. It's no cheaper than proper cover and real insurers have about 50 conditions covered.

12

Having insurance with any of these companies? CIGNA, AIL (American International Life) or Combined Insurance? Get some independent Advice from an expert!



13

Not getting that insurance is a lot more serious than you realise. You trade your premium for what might be a million-dollar payout. If you truly think you understand the fine print and nuances of policy wordings, then well done. It takes years for a qualified Adviser to fully understand what the Wordings mean.

14

Making claims direct with the insurer and not talking to your Adviser. Don't let your Adviser fob you off at claim time. Get advice on how to word your claim. It's possible to inadvertently say the wrong thing to support a claim, only then to discover that your claim has been declined because of what you said.
Also, if you are insured with the bank you have no one to advocate for you if they don't want to pay.

15

Using a Financial Advisor who only has access to a small number of insurers



16

Thinking you are covered for something when you don't have cover at all. E.g. I have income protection. It's called disability cover...

However, it's a lump sum payment and requires Total & Permanent Disablement (never work again... ever) while the other pays a monthly income if you can't work, even temporarily

17

Leaving insurance to sit in the 'Too Hard' basket. It can be complex, and you are busy. So, the BIGGEST mistake people make is simply not dealing with it properly at all. It's easier to ignore the "Elephant in the Room" than to invest some time to think about what you need and why.

And if that's ever an issue, then let us do the hard work for you and just one more thing...

Don't procrastinate on it any longer. Get it sorted NOW. The cost of regret is lifechanging when it comes to insurance. And once you need to claim it's already too late.



And there are more if you are Self-employed

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20

Paying for the same or similar insurance twice! e.g. pay huge premiums to ACC and also paying for Income Protection. When set up properly the savings you make on reducing your ACC levies can pay for your income protection and top-up covers. Now you have full cover for accident and illness all for the same price as your ACC used to cost.



21

Self-employed people don't separate out their risks into the 3 areas (Family, company & shareholders) and subsequently there are serious overlaps or omissions.

22

If you have a business partner (Not Husband/Wife) you need a buy/sell agreement (Not just a shareholder agreement). Don't end up with your business partners wife's lawyer as your new shareholder! And use insurance to pay your partner out when things go wrong.

23

Not having insurance on your business partner. If business worth 1 mill and someone dies or is disabled? How are you going to fund buying him out? Bank won't want to help. Cash flow down, key person gone. Business growth uncertain and you need to find a million bucks!
Or they need to find it to pay you!



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Letting your commercial and domestic insurances roll over each year without carefully reviewing the covers.

Vehicles devalue. Why pay premiums for a \$45,000 Ranger when its now \$29k Generally, levels of cover don't reflect the amount of risk they carry. Some are paying for covers they don't even need. With others having doubled or tripled in size but their covers are still based on their old turnover and staffing.

25

Palming it off to your admin person or to assume that the cover put in place years ago is still ok. The buck stops with you and it's your business or family on the line. (Except if your partner is the admin person. Then do it TOGETHER)

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Choosing an Adviser because they seem nice, were convenient or they were Johnny on the spot is just plain crazy. Get expert advice as you potentially have millions of dollars at risk if it is done wrong. Are they a qualified specialised Business insurance Adviser? Make sure you ask them how many insurance companies they have agencies with? This is particularly critical with Life Insurance, Income Protection, Trauma & Medical related products.

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You are foolish if you are not using a good competent accountant.

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Leaving insurance to sit in the 'Too Hard' basket. It can be complex, and you are busy. So, the BIGGEST mistake people make is simply not dealing with it properly at all. It's easier to ignore the "Elephant in the Room" than to invest some time to think about what you need and why.



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