



ISSUE 2 | 2010

lifelines

Putting your house in order

WELCOME TO OUR LATEST ISSUE of *Lifelines* – keeping you informed on issues relating to your financial security and wellbeing.

With the cold weather keeping us indoors, and the end of the tax year upon us, it's the perfect time to take stock of our personal and financial plans. So, instead of hibernating, why not use the time to get ahead and to put your house in order?

In this issue you'll find useful information to help you choose the right insurance protection for your family, maintain your health and vitality over winter, and plan for the retirement of your dreams. So, get comfortable with a hot chocolate while you read. And don't hesitate to call us with any questions. We are always keen to hear from you.



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BEGINNER'S GUIDE



**IN SHORT,
UNDERWRITING
IS ABOUT FAIRNESS
AND GETTING THE
BALANCE RIGHT BETWEEN
THE RISKS, COSTS AND
LIKELIHOOD OF A CLAIM
BEING MADE.**

What is underwriting?

UNDERWRITING IS THE PROCESS used by insurance companies to figure out how risky it is to insure people and businesses. It also helps them to decide how much to charge the customer and how much coverage they should receive.

Because not all risks are equal, some policies will be more expensive than others, and may have conditions attached to them. An insurance company also needs to be confident that it has enough money in its pool of funds to pay out claims when they arise.

In short, underwriting is about fairness between all parties and getting the balance right between the risks, costs and likelihood of a claim being made. Without this process, people could be charged more than is fair for the cover they need, or, in a worst-case scenario, an insurance company might have insufficient funds to pay legitimate claims.

Every insurance company has its own set of underwriting guidelines to help it decide whether to insure an applicant, to what extent and at what cost. With life insurance, for example, the underwriters use a combination of factors in calculating the risk of death, and pricing the cover. These include such things as age, sex, weight, occupation, smoking and drinking habits, hobbies and travel.

During the application process, the underwriters may decide to make a counter-offer, in which the premiums have been adjusted or 'loaded', or in which various exclusions have been added, to ensure fairness in the event that a claim needs to be paid.



Can you put a price on your family?

MOST PEOPLE WOULD AGREE that family is extremely important but, despite this, surprisingly few think to protect their family's financial future, in the event they or the income-earner passes away. Just because that regular income has ceased, it doesn't mean the monthly expenses will.

Life insurance or your savings may cover the initial expenses, but how would your family cope, if it had to cover the cost of mortgage repayments, electricity, food, clothing and education?

Did you know?

- **One in nine females and one in six males over the age of 30 will die before they reach 64***
- **In 2007/08, more than 1,600 New Zealanders, or four people a day, died as a result of injury.****

These statistics are alarming, but even more so is the fact that the level of underinsurance in New Zealand is among the highest for OECD countries – 24th out of 30 nations.#

And what's more, the growing trend in New Zealand is for women to have children later in life with the average age of giving birth at 30 years^, compared to 25.4 years in 1975. This requires parents to provide financial support for their children much later into the parents' adult lives than ever before.

The solution

Many insurance providers are now offering 'Family Protection' plans that pay a monthly benefit if you die – providing a regular income, for a time you specify, to help your family maintain the lifestyle it had before your death.

Typical features of this type of cover include:

- It allows you to nominate the benefit term
- Should you marry, have children or become responsible for the full-time care of a close relative, a Special Events Increase Facility is available which allows you to increase your sum assured
- A Bereavement Support benefit provides an immediate lump-sum payment on your death.

Perhaps it's time you undertook a review of all your insurance needs. To find out more, contact us today.

Sources: *Statistics New Zealand, 2004 **Injury Prevention Network of Aotearoa New Zealand #New Zealand Herald, 2010 ^OECD Economic Survey, 2008

Food for thought

WITH WINTER UPON US, the urge to hibernate beneath the duvet and fill our plates with stodgy food can be almost irresistible. However, at this time of the year, our bodies have an even greater need for healthy, immune-boosting foods and exercise to fight off chills and ills, and beat the seasonal blues.

So don't make winter an excuse: dust off those trainers, clean out the fridge and the cupboards, and swap those bad habits for a healthier routine.

Why not try the following?



Start each day with a good nutritious breakfast, which includes some low-GI foods to keep you going for longer: things like porridge, organic muesli (with no added sugar) or a poached egg on wholemeal toast.

Exercise outdoors. Perhaps you leave for work in the dark, spend the day under artificial lights and leave for home in darkness. The body needs sunlight, and the Vitamin D it generates, so make sure you spend some time outside each day. Combining daylight with 30 minutes of jogging or walking will flood your body with serotonin and suppress sleep-inducing melatonin.

Drink more water, especially during and after exercising. Staying well-hydrated is just as important now as it is in the warmer weather.

Do not overeat. Avoid hunger pangs by carrying healthy snacks wherever you go, such as bananas, apples or rice cakes.

Watch less TV. It's easy to fall into a telly-watching habit when the evenings are darker. But this can lead to weight gain and may also affect your sleep, leaving you feeling sapped in the morning. Instead, use the opportunity to do things for which you claim you do not have time, such as cooking healthy meals, organising yourself for the next day or trying a new hobby.

For more information, check out www.getfitter.net

Don't gamble on your good health

OVER THE PAST FEW YEARS, the rising cost of health insurance has caused many people to reconsider their priorities and to gamble on their good health. However, the cost of going without health cover, and the potential impact on you and your family, should never be ignored.

None of us is immune from illness and, if you want guaranteed access to expert treatment, when and where you need it, then health insurance is essential. Without it, your family could face financial hardship should you be forced to pay for expensive medical procedures yourself.



If you are considering health insurance or re-evaluating your current policy, it is helpful to understand the major factors that influence the cost of premiums:

- **Medical care comes at a price and in many instances the costs are high.** For example, a cardiac bypass (heart surgery) currently costs between \$45,000 and \$60,000. Meanwhile, during the past three years, the cost of a mastectomy has risen by a yearly average of 31%.*
- **In New Zealand we have an ageing population.** There are now more people in the over-65 age bracket than ever before, and this figure is set to increase dramatically in the next 50 years.** This is already placing a huge demand on the health system, both public and private, with more and more people requiring medical attention.
- **Normally, there are waiting lists for surgery in the public system.** Increasingly, people are opting to go private to avoid lengthy waits and major disruptions to their lives. This means that private insurers are funding treatment that would normally take place in the public system.
- **New technology to treat and diagnose disease is constantly being developed and it comes at a high price to the public.** A recent example of this is the Positron Emission Tomography, or PET scan, which was introduced in New Zealand in 2005.
- **In the 12 months to September 2009, the health insurance industry paid more than \$743 million in claims.** This was an increase of more than \$67 million, or 9.9%, over the previous year.#

While this doesn't paint a particularly rosy picture of the health sector, it does show why health insurance is important, giving you peace of mind and real choice, should you or someone in your family become ill.

Sources: *Sovereign claims statistics, 2009 **Statistics New Zealand website #HFANZ Statistics, September 2009

IF YOU WANT
GUARANTEED ACCESS
TO EXPERT TREATMENT,
WHEN AND WHERE
YOU NEED IT, THEN
HEALTH INSURANCE
IS ESSENTIAL.

**There are many
different health
cover options
available, so talk
to us about which
will suit your
circumstances.**



WILL YOUR INVESTMENTS
GENERATE THE INCOME
YOU NEED TO ENJOY
YOUR RETIREMENT?

In search of the good life...

INCREASING LIFE EXPECTANCY, the declining ratio of workers to retirees and the rising cost of health care are issues that will increasingly affect New Zealanders over the next few generations.

While our government will need to address the significant impact of these social changes, financial institutions and financial planners will also play an important role in providing products and services that serve our ageing population.

However, some commentators suggest that New Zealanders may fall short of enjoying the lifestyle they are used to if they do not start planning soon enough.*

Advances in health care and our increasing standard of living have extended our life expectancy. The average New Zealand male is now expected to live 18 years beyond the retirement age of 65, while the average female will live even longer, to 86 years old.**

These life expectancy rates are sobering and suggest Kiwis will need to plan carefully so that they do not outlive their savings.

Now KiwiSaver has entered the market and is helping New Zealanders prepare for their

retirement, with attractive incentives on offer for those who sign up. But will the current model provide you with sufficient security come retirement?

The current minimum levels will mean that few will have saved enough for a prosperous retirement. Combinations of part-time work and part-time retirement, working to an older age and downgrading the lifestyle we are used to living are future scenarios we may not want to contemplate, but which may become reality.

Upon reaching retirement age, will you have the necessary investment plans in place to generate the income needed to live the lifestyle you dream of today?

Give us a call and let us help you plan for your retirement – so you can enjoy your golden years.

*Twenty years of summer, Martin Hawes, 2009

** New Zealand Life Tables: 2005-2007. Life Expectancy at Selected Ages - Total Population