

Dear Friends

Why insurance premiums are going up

Theo has asked me to expand on the issues driving the upcoming increases in life insurance premiums, particularly income protection insurance. Inflation under control is not a bad thing for the economy, as long as our incomes increase as well. But there are some valid reasons for the fee hike.

Put simply, insurance works because we all contribute, and if anyone is unfortunate enough to need it, there is a reservoir of money to draw from. Insurance companies get well paid to organise this arrangement but, to put it simply again, their costs have increased – while returns have decreased. Therefore, the price goes up.

It is easy to jump to the conclusion that COVID-19 is driving this price increase. The answer to whether this is in fact the case, is 'sort of'. Whilst tragically, Australia has lost around 1,000 people to this dreaded virus, a lot of lives have also been saved by the virtual eradication of influenza (for this year) a decrease in the road toll and general limitation of other deaths over the last 12 months. Where COVID-19 plays a role is in the economic slow-down, which has reduced interest rates. This in turn, means that insurance companies generate less from the 'pool' of money we contribute, with the result that their income is lower.

Australia has also recently experienced an increasing level of income protection insurance claims. The epidemic of mental health issues in society and the aging of the population have most likely driven this increase. As we age, the incidence of debilitating illnesses including depression, heart disease and cancer are higher. More 'payouts' lead to more costs.

Notably, there has also been a regulatory change brought by the Australian Prudential Regulatory Authority (APRA). Insurers can no longer offer new 'agreed value' income protection policies (similar to guaranteed payout car insurance). Instead, income protection insurance cover will now be limited to the less favourable 'indemnity' definition (think 'market value' car insurance) which links benefits to the client's earnings at time of claim. Fortunately, existing agreed value contracts are able to be retained.

As most regular readers of eGrow would be aware, Marinis Financial Group is not remunerated by commissions on the insurances we arrange for clients. Insurance advice forms part of the service we provide and is covered by our agreed fee structure. Commissions normally built into the premium structure are rebated against the insurance costs, so that our clients will typically pay 25-30% less in insurance premiums. This practice will continue, regardless of any pricing changes to insurance contracts.

The final point I make is there is also a time to reduce and to cancel your insurances. These contracts are there to protect your assets and income, but when your financial planning has done its job (in most cases hopefully, that will be in your early 60s) you should no longer need to carry this expense.

If you have any questions about insurance, feel free to give me a call on (08) 8130 5130 or via email at jason@marinigroup.com.au.

Sincerely,

**Jason Zanini B.Ec., CFP®
Financial Adviser
Authorised Representative**

Some additional observations from Theo:

COVID-19 is a stark reminder that risk is ever-present in investing. No one saw it coming – and then wham! Virtually everything changed overnight (just as it did 12 years ago with the GFC). We learn slowly. Until last year, the western world felt cocooned from risk, and COVID-19 should have shattered our complacency.

As financial strategists, my role and that of Jason's is to put in place plans to mitigate risk (that's why our investment approach is conservative and designed to manage, as far as practicable, market risks and volatility).

Similarly, life insurance plays a vital role in protecting our loved ones against financial risks should something unexpected happen to affect the health or the life of an individual.

Unless you are at that stage in life where your debt has reduced and your assets are sufficient to support you, now is NOT the time to cancel your life insurance. As Jason has pointed out in his preceding comments, premiums are increasing because risks are increasing.

Remember too, that due to the Marinis nil commission approach, our clients' premiums will be up to 30% lower than the average market insurance prices, even after increases.

If premium increases are a concern, please contact us on (08) 8130 5130 or via email at admin@marinigroup.com.au and make a time to discuss all your options.

Ethical Investment Strategies

You will remember from previous editions of eGrow that Sam Molloy, one of the members of my Board of Advice, has been driving the investigation of 'ethical' investment strategies. For those interested, Marinis now offers a limited portfolio of proven funds. They do, however, come at a cost of 0.1% above the standard index options I usually recommend. I will be comparing their performance carefully over the coming years and will keep you informed.

Feel free to discuss these alternatives at your next meeting with us.

Media

Please click [here](#) to see the latest media articles involving Marinis Financial Group. If you would like to read my recent contribution to Alan Kohler's InvestSmart magazine about mental health and investing, click [here](#).

And one more thing: increased superannuation opportunities from 1 July 2021

The federal government has increased its various caps on superannuation balances, along with a raft of other indexation increases. This includes increases to concessional and non-concessional contributions, which flows on to increases in the 'bring forward' contribution caps.

The bottom line is that Australians will soon be able to put more into superannuation – which means we will be better rewarded for taking a long-term savings approach.

The increases will apply in the 2021/22 tax year, and we will provide full details (as well as opportunities to take advantage of the new caps) in our June eGrow, as part of the usual EOFY reminder.

As always, if you would like any further information about your superannuation opportunities, or if we can be of assistance in any way, please don't hesitate to contact us, either by email at admin@marinigroup.com.au or call (08) 8130 5130.

Kind Regards,

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