



COVER

YOU CAN COUNT ON

Brokers are used to 'selling' a seemingly intangible product which the end consumer can't actually see. Yet, at first glance, selling insurance can seem like an even more complicated proposition – how can you sell something which people can't see, and that they may never need?

STORY/ Jay Garcia

DESPITE THE difficulty some consumers have getting their head around insurance – “What if I never use it? What are the chances of this actually happening? I'm sure it will be fine” – it's easy to see why insurance and its associated products are a natural fit for brokers, especially when you consider how underinsured some of your clients may be.

In 2014, KPMG estimated in a report that the level of underinsurance of employed people in Australia was \$304 billion per annum against disability.

The report went on to say that if Australians were adequately insured, social security benefits could be reduced by a minimum of \$340 million in the first year.

Not only is getting adequate insurance common sense, it can help brokers expand their client service while bringing added value to their trail books. *The Adviser* caught up with brokers and insurance providers to look at how you can introduce insurance into your business offering and provide coverage for your clients.

Perfect match

Finance Made Easy director Tony Bice says risk insurance is a natural fit for mortgage broking for a number of reasons.

“It makes sense to offer insurance so that the client at least knows that their property is going to be insured and it won't hold up settlement. If you're going to give a client advice on buying a property, which is probably the biggest decision they're ever going to make, then it makes moral sense and economic sense to offer risk insurance.”

According to Mr Bice, it's a matter of creating wealth on one hand, while protecting wealth with the other.

“This is how I explain it to clients, ‘I wear two hats. I'm a mortgage broker and a financial planner. With my mortgage broking activities, I'm going to create wealth for you by providing you with a loan to buy a property, which in the years to come will go up in value. And on the financial planning side, I'm going to protect that wealth by putting in place a plan to protect not only

your house, but also your income and, most importantly, your family.’”

Lisa Maxwell, a franchisee for Aussie Home Loans in Sydney's Annandale says insurance is a value add to her business, an extra service she can offer to clients and an additional income stream.

“It gives me peace of mind that I have offered a product should something unexpected happen to my clients. I have had a client contact me after the death of his partner and unfortunately they did not take up the mortgage protection insurance that I had offered and he nearly lost his home.

“Losing a spouse is hard enough to deal with, you don't want to worry about losing your home as well. Our mortgage protection insurance also offers a payment if you are diagnosed with a serious illness so the payment can help with medical expenses as well as assisting with the mortgage. Lenders also require buildings to be insured so providing a quote for this is one less thing the client has to do.”

Mortgage brokers are best placed to ensure clients use the tools available to determine the level of insurance appropriate for them and that a policy is put in place before settlement, according to Phil White, chief executive of QBE LMI.

“Mortgage brokers do the vital work of managing the relationship between the customer and the loan provider. They, therefore, have a unique opportunity to help meet customers’ needs and requirements. Negotiating a mortgage is also a sensible and logical time for a customer to think about associated insurance products, including contents insurance and landlord insurance, so it makes sense that the broker has access to and knowledge about these products.”

CEO of ALI Group Huy Truong says brokers are already viewed as a trusted adviser, which puts them in an ideal position to discuss sensitive subjects such as insurance.

“The reality is life insurance is a very personal discussion about critical illness and mortality. Clients generally prefer a face-to-face discussion within a very relevant context, such as how they would service their loan if an unexpected life event were to occur.”

Business benefits

Mr Bice says that by becoming a financial planner and providing risk insurance, he’s been able to distinguish himself from those who only offer mortgage broking services.

“I started my financial planning for the sole reason that I could see where the industry was heading and how saturated it was going to get with mortgage brokers, so I felt I needed to diversify my business to create a competitive advantage,” he says.

Offering protection should be a built-in part of the loan process, according to Ms Maxwell.

“Clients have worked so hard to purchase their property, it’s important that they consider how they would meet loan repayments if something went wrong. Our role as brokers is to educate our customers about the importance of adequate protection, so that they can then make an informed decision about how they would like to proceed.

“It’s only a short conversation to have. I provide every client with a quote to protect their new loan amount, and then work with them if they would like to vary

the level of cover to suit their needs and/or budget. This protects my own business as well as my clients.”

According to Mr White, offering insurance can assist mortgage brokers in providing a more holistic service to clients.

“We know from speaking with our broker clients that this correlates to increased customer satisfaction and loyalty. Offering insurance products also helps our brokers transform into a broader financial services business rather than solely a mortgage broking business.”

Mr Truong says brokers can also generate additional income by offering loan protection.

“Our brokers are earning on average \$500 per policy in commission and rewards points – and it only takes 10 minutes to offer. In fact, some of our top brokers are earning over \$40,000 a year simply by protecting their clients.

“Many of our leading brokers have noted that offering loan protection has led to a more personal relationship with their clients and this in turn leads to longer trail books and new client referrals.”

Creating a bigger book

The business benefits of offering insurance are immediate – but also stretch into a broker’s future, according to Mr Bice.

“By creating a competitive advantage, in years to come when I’m looking to sell my book, which book looks more appealing – a mortgage broking book with a multiple of 1.5 or two if you’re lucky or a book with mortgage broking and a financial planning book attached to it?” Mr Bice says.

“The value of your business becomes so much more powerful when you’ve got more strings to your bow.”

Offering mortgage broking and financial planning means brokers can generate more trust from their clients, according to Mr Bice.

“The first thing that a client who’s Googled me will say is, ‘I’m meeting with a few other brokers so why should I go with you?’ And straightaway, if I wasn’t a financial planner then I would simply have to say, ‘I might be able to get you a cheaper rate than those guys or I might be able to find a better product’.

“But when I can say, ‘I can guarantee those other guys aren’t financial planners as well as mortgage brokers, so what I offer is not only my mortgage broking services, but I tie in the



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importance of creating a financial plan and a statement of advice for you’.

“The client goes, ‘Wow, this guy is different to the others, so I’m going to go with him’. So my volume’s doubled and I’m creating leads that I would not normally have gotten if I was typically just a mortgage broker.”

Mr Bice says he’s built his organisation so that he can sell three books as part of the business once he decides to retire – the mortgage book, the financial planning book and the superannuation book.

“The thing you’ve also got to remember is that it’s important the way you structure your financial plan. If you do a mortgage for a client and then you do a financial plan and you put life insurance, total and permanent disability, income protection, and critical illness in place, those monthly premiums could be a couple of hundred dollars a month on top of their mortgage, which can be hard to sell to a client.

“What I do is I structure my financial plan so that the bulk of those premiums are actually deducted annually from inside their super. That means they then have the opportunity to get the insurance cover they need in line with their home loan without breaking their budget each month.

“I’ll say, ‘You’re a salaried employee so your employer, by law, pays 9.5 per cent of your income into your super and is assisting you with the insurance premiums because the money is deducted from inside your super’. Once I sell it to a client like that, I have no problems whatsoever.”

Ms Maxwell says the easy way to broach the subject of insurance with clients is to address it immediately.

“In my initial appointment, I mention that we provide home and contents insurance, landlords insurance as well as mortgage protection insurance as part of the service we provide to our clients and that we will be providing more

information at the appropriate time. We then follow up with a quote – building insurance when an offer to purchase has been accepted and mortgage protection when their loan is approved.”

Getting into the game

According to Mr Bice, in order to offer insurance to clients, brokers need to first undertake a diploma in financial planning, which can put many brokers off as they don’t want to go through more training and exams.

“You’ve also got to understand the financial planning industry, find a dealership group, which is the same as finding an aggregator, and then you’ve got to get accredited with a number of different insurance groups.”

“It all seems a bit too hard, but if those one-in-ten mortgage brokers that see the benefit of what I’ve just explained and are prepared to go through a little bit of heartburn, then the rewards out the other

side are simply that you get a lot more business. With some 14,000 mortgage brokers and financial planners throughout the country, it becomes important that you diversify into financial planning so you can create a competitive advantage.”

Mr Truong says there are a few different models available to brokers looking to offer loan protection such as referral to external financial advisers, in-house advisers or call centre providers, as well as brokers arranging a policy directly with a provider.

“Through ALI Group, brokers can offer their clients Loan Protection Plan, which provides home buyers with cover for critical illness (or trauma), death and terminal illness and involuntary unemployment. Critical illness cover is usually not available through superannuation and is becoming increasingly important as advances in technology mean survival rates and treatment costs are on the rise.

“In a situation where a client wants something different to loan protection, ALI Group also has a team of insurance specialists who can arrange other forms of protection such as income protection, total and permanent disability, trauma only or death only as appropriate.

“In addition to Loan Protection Plan, brokers authorised with ALI Group also have access to home and landlord insurance through QBE which they can offer and put in place themselves. This ensures their clients are receiving a positive customer experience, end-to-end.”

Mr White says QBE offers mortgage brokers the capability to fully service their clients through a partnership with ALI Group.

“This partnership between QBE and ALI Group means the broker can organise insurance needs for customers through QBE’s portal, rather than be referred to an external call centre who would then handle the transaction. This distinction allows the broker to retain their individual customer relationship and control the customer experience.”

According to Mr White, brokers can offer building, contents and landlord insurance as well as loan protection insurance through this partnership.

Brokers are in a unique position when it comes to being able to offer insurance – and the worst that can happen when they suggest it to clients is they decline your proposal – so why not see how it could benefit your business? ■