**Go above and beyond for your client.**

Tools you can customise by OnePath Life Insurance

**CATEGORY – Understanding premiums**

TOPIC – Why do premiums go up?

**SOCIAL MEDIA**

Use or customise the below post most likely to resonate with your clients via social media such as LinkedIn or Twitter. Your posts can link directly to the articles on our website, or you can customise a link to your own white-labelled versions of the articles.

***Tip:*  Spread the word with #clarity**

#clarity is a hashtag we’ve added to the material to promote life insurance education. We encourage you to get on board and help grow engagement and confidence in the life insurance industry by using it when you post on social media.

**SOCIAL MEDIA POST**

Rising premiums are an inevitable part of owning life insurance. But when you understand the main factors behind those price increases, you’ll see you have more control over your premium than you might think. Read more #clarity

<Link to the article below either on your website or within the social platform>

**FLYER/NEWSLETTER/WEBSITE ARTICLE**

This article has been white-labelled to allow you to use the content (without having to seek our permission) as a customer flyer, newsletters or on your website.

***Tip*: Complement your advice**

You could also use the articles to complement your advice, sending specific articles to clients who have expressed concerns about their insurance or who have yet to take up insurance you have recommended.

**ARTICLE**

**Why premiums go up (and what you can do about it)**

There are 3 key reasons why your life insurance premiums go up from year to year. While you can't control all of them, you may be able to take steps to lower the cost of your cover.

**Factors that you control**

The cost of cover increases differently depending on whether you’ve chosen to pay stepped or level premiums (if your policy offers this choice).

**Stepped premiums are determined by your age at renewal, and can rise because:**

* Life insurance premiums are predominantly based on the risk of certain events happening to you, and these risks increase with age as serious illnesses become more common as you get older. For stepped premiums, the cost of your cover is recalculated each year based on your age at your anniversary. Generally this means your premium will increase each year as you get older
* The optional indexation feature may be applied to your policy, which increases your sum insured to keep up with inflation

**Level premiums are determined by your age when you first take out cover, and can rise because:**

* The optional indexation feature may be applied to your policy, which increases your sum insured to keep up with inflation
* The impact of insurance industry related factors and broader market factors, such as those shown below

Although you control the premium structure applied to your policy, you should note that at policy anniversary the premiums may still increase (even with level premiums), because age is just one factor that determines your premium. There are a number of other industry and broader economic factors that determine the price of premiums, such as claims trends in the Australian population. *Sometimes,* changes in these factors can result in a *repricing* of your insurance cover.

It’s important for you to know that when insurers reprice stepped or level premiums, they don’t do it for an individual policy within a specific group unless they do it for every policy in that group, so the decision to reprice is a big one.

Regardless of whether your policy is on stepped or level premium, premium rates and premium factors are not guaranteed or fixed and many life insurers in Australia have repriced premium rates in the past and may increase in the future, as a result of some of the industry and market factors discussed here.

It’s important to talk to your financial adviser or your life insurer to understand your policy as well as any repricing activity that’s recently occurred, so you can make an informed decision about which premium structure is right for you.

**Indexation**

* Indexation is an automatic increase to your sum insured to keep up with inflation, so you’ll always be able to have the same financial freedom in the event of a claim
* It’s optional – accepting indexation is great if your needs stay the same, but if your need for protection decreases over time, you may want to think about declining it

Where your policy lets you do this, you can elect to change your premium payment type (stepped or level), as well as switch off indexation – but we recommend speaking to your adviser, or us, before making a change.

**Insurance industry factors**

**One of the jobs an insurer must manage is to ensure that the premiums collected are of a level to ensure claims can be paid. This means that the wider environment in which an insurer operates can determine the cost of your insurance.**

Occasionally, we have to reprice our products to reflect industry risks and ensure sustainability of our products, so that we can keep people covered for the long term

**For example, mental health based claims are rapidly increasing, placing pressure on income protection premiums**

* The World Health Organisation has identified mental illness as the biggest disease burden around the globe.
* The suffering caused by mental illness has a real and debilitating impact on peoples’ wellbeing. For us, it’s important that the people who need care are getting care and financial support to help them recover.
* The effect of this is that claims for mental health have increased in number as well as the length of time people are off work.
* To be able to provide cover and protection for all those who need it, we are required to price our policies in a sustainable way in order to keep people covered for the long term.
* Naturally we embrace our duty to support the wellbeing of our customers, to enable them to attain the care they need to get back to independence as quickly as possible.

**Broader economic factors**

**Just like most business, insurers are also susceptible to wider economic factors that may have an impact on the premiums you pay. For example:**

**Low interest rates are having a particular impact on the cost of level premiums**

* The Reserve Bank of Australia’s official cash rate has fallen dramatically over the last decade. It is currently sitting at a historical low of just 1.0% (as at July 2019).
* A low cash rate has a negative impact on life insurance companies, as premiums paid by customers are generally invested in cash or other interest rate-linked investments.
* This impact is more significant for policies with level premiums. This is because higher premiums are paid in the first few years of the policy, and those additional premiums are invested to help reduce the cost of the cover in later years.

**How can you reduce your premiums?**

**If you’re concerned about your premium, please talk to your financial adviser. They can work with you to see if it makes sense for you to:**

* remove some extra-cost options you may have selected
* lower your amount insured
* switch off indexation (which increases your amount insured to protect against inflation) at your next policy anniversary
* extend your waiting period on your income protection policy (i.e. the time it takes for benefit payments to start after you stop working)
* reduce your benefit period on your income protection policy (i.e. the total amount of time you may be eligible to receive income protection benefits).
* explore the opportunity for tax deductions for your premiums. If you’re eligible, this can help to reduce the impact of premium increases.

**Want to know more?**

If you’d like to discuss any of the content in this article and how it may apply to you, please call me on XXXXXXXXXX.