

WHY SUPPORTING YOUR CLIENT TO BE HEALTHY IS IN THEIR BEST INTEREST

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HEALTHIER, LONGER,
BETTER LIVES

What is 'Best Interests Duty'? For client advisers, there is usually a fiduciary duty to act in a client's best interest. For financial advisers giving personal advice it goes further: there is a statutory duty to act in the best interest of the client and to give priority to the interests of that client.

This means that the emphasis of any personal advice is wholly in meeting the objectives, financial situation and needs of the client.

One way in which an adviser can demonstrate they have complied with the best interest duty is to adhere to the 'safe harbour' steps outlined in the legislation. These steps include¹:

- identifying the objectives, financial situation and needs of the client
- where it's reasonable to consider recommending a financial product, conducting a reasonable investigation into the financial products that might achieve the client's need and objectives
- basing all judgements on the client's relevant circumstances, and
- taking any other reasonable steps in the best interests of the client at the time the advice is given.

Does this include an assessment of the current budget, cash flow and outgoings of a client? Does it include the client's health and wellness objectives? Yes, in all likelihood. Is there an opportunity to meet those objectives or reduce those outgoings through the addition of a health and wellness program linked to health insurance or personal life/disability insurance recommended to the client?

The best interests duty is based on the notion of 'reasonableness'. Advisers need to make reasonable inquiries to obtain information and conduct a reasonable investigation into financial products that are relevant to that client's circumstances.

Clearly then, the type and features of any insurance policy recommended should be based on a client's personal insurance needs and circumstances. However many insurers are now also promoting a healthy lifestyle by offering discounts or a reward system. There is an argument to viewing these life insurance health rewards as a savings opportunity and a means of getting the policy the client requires to fit their budget. But is that all?

Is it reasonable to expect my adviser to discuss and recommend to me a program that can attach to my insurance that will immediately discount my policy fees, allow me to maintain or even increase that discount, to reduce my existing gym fees by half, and give me the opportunity to access discounted flights on my overseas family holiday goal? In my personal case, very definitely. And depending on a particular client's circumstances, goals and objectives, quite possibly. If there are a number of appropriate products available to meet my personal insurance needs, and one in particular also has benefits which help me to achieve my other needs, goals or objectives, given my financial situation, then that one is likely to be in my best interest.

The amount a client may save through utilising a health and wellness program and the type of rewards they'll receive can be dependent on the insurer you recommend/they choose and their level of program participation.

This brings us to one of the key benefits of such a program for an individual in need of cover: a quality health and wellness program attached to life, disability or health insurance can allow the client to take an active role in managing their

¹ This list is not exhaustive. Refer to Corporations Act 2001 – Section 961B (2)

premiums. This can make a significant difference to premium cost – in some cases up to 20%.

Car insurance contracts often reward customers for a 'no claims' history. Where possible, individuals seeking cover will, as a matter of course, utilise this option to reduce their car insurance premiums when comparing policies. With life and health insurance, individuals seeking cover were traditionally subject to a standard premium, and then subject to premium loadings and cover exclusions if their health history and behaviours resulted in a higher risk to the insurer. Now, those seeking personal insurance can gain access to better than standard rates, as a reward for their health history and behaviours – a significant change in the marketplace and very relevant to price sensitive clients.

Cost is a consideration when making advice recommendations where affordability and/or cash flow restrictions are indicated during the process of collecting and assessing the objectives, financial situation and needs of the client. The discount on premiums available through health and wellness programs that attach to life and health insurance is one way to address these considerations.

For those clients where affordability and cash flow are less the issue, and reaching savings or retirement goals has priority, then savings made through health and wellness programs that provide discounts and rewards can be reallocated to make further investments or contributions to super.

Engagement in health and wellness programs linked with personal insurances has also been shown to significantly reduce lapse rates. For example, for AIA lump sum policies with the Vitality health and wellness program attached, the lapse rate for actively engaged clients is shown to be reduced by around 70%, and on average for all Vitality linked policies the lapse rate is reduced by about 40%. Reduced likelihood of lapse means increased likelihood the insurance contract will still be intact if and when a claim is made. It helps ensure the objectives of the client will continue to be met. The risks associated with lapse are obvious and well documented, including not least the challenge in getting older clients or those with adverse health changes underwritten again where there still remains a need.

Aside from upfront and ongoing premium discounts and a significantly reduced chance of lapse, some health and wellness programs also allow and encourage clients to become more proactive in engaging in a healthy lifestyle over the short, medium and even long term. A program such as AIA's Vitality has systems that are proven to promote health through utilising ongoing goals to maintain motivation

and more frequent and tangible rewards for the client demonstrating healthy behaviours. The client is rewarded not only for weight or fitness but for healthy eating, completing health checks and assessments and undertaking preventative health measures. In this way, clients are not only insuring themselves if the worst happens but are investing in their own long-term well-being. Such a program may allow those clients to live and work longer, achieve more, reach financial and other goals faster and potentially allow them to be less reliant on expensive health treatments and fall backs such as insurance (ie can reduce cover amounts over time), social security (can be self-funded and more secure), and other forms of support.

If financial plan assumptions include working to a particular age and earning a particular income, then the ability to keep working and meet those income requirements through good health is relevant. If client goals include financial and family security, retiring early, holidays or other goals dependant on income and/or wellness, then a client will be well served to maintain their health in order to actively engage in paid work to achieve those goals (and hold insurance if the worst happens).

There may be any number of reasons that advice in relation to a health and wellness program is appropriate to a client's relevant circumstances. For example, depending on their objectives a health and wellness program may be appropriate to recommend in terms of:

- affordability/ premium discounting,
- improving and/or maintaining health,
- access to ongoing benefits and
- rewards or access to discounted pricing.

Before making a recommendation for a life insurance product, an adviser needs to compare policies and review the benefits, features and price side-by-side - all in the context of the client's financial situation and relevant needs, goals and objectives. It's worth remembering though, relevant considerations may be more wide-ranging than we have traditionally thought.

There is no doubt that living a healthier life is in any client's interest. By monitoring their health, exercising, eating healthy and undertaking other preventative health measures, clients are likely to live a longer, more productive and happier life², in turn providing more financial and emotional security to themselves and their family. That may not be every client's goal or objective, but for many of us, it is certainly one worth pursuing.

2 George Mason University. "New study examines how health affects happiness." ScienceDaily, 13 November 2012. <[sciencedaily.com/releases/2012/11/20121113122048.htm](https://www.sciencedaily.com/releases/2012/11/20121113122048.htm)>
Centers for Disease Control and Protection. "Well-Being Concepts" 31 October 2018 <www.cdc.gov/hrqol/wellbeing.htm>