



RISK ADVICE COMES OF AGE

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Far from being a transaction where advisers provide product selection and implementation, insurance is rich with opportunities to add value to clients through advice. While forward-looking advisers have built their businesses around this proposition and actively lead with advice strategies for their own clients, many licensees are yet to catch up.

Stepping into a professional insurance advice business, you will see well-educated advisers who understand estate planning issues, tax and ownership structures and who often work in tandem with accountants and lawyers in the provision of their advice to individuals and business owners.

By contrast, the traditional licensee service offering focuses on risk research and preferential arrangements with the insurers on their approved list. Insurers themselves provide marketing collateral, sales skilling and limited technical support and in recent years most have focused their efforts on technology solutions to improve efficiency.

Our research and feedback from advisers has shown that what actually matters to them is being able to access serious technical support in complex areas and to be able to demonstrate the value of their advice not only to clients but to accountants, lawyers and other referral partners. In addition, being part of a peer group with other like-minded businesses and receiving support in relation to advice documents and business processes is important.

For practices focused on business

succession advice, there are more requirements. It is not appropriate to simply play a role in implementing the insurance funding. A great advice business needs access to specialist lawyers, knowledge about planned succession events, not just the unplanned insurance triggers, and an understanding of all relevant tax issues. This allows them to proactively engage the business owner's accountant and adequately brief the solicitor drafting the agreements. All vital elements of the insurance equation.

Risk specialists have some fairly distinct needs and finding the right help and resources to meet these needs has historically been difficult.

How do risk specialist advisers access the professional development and support they need?

MLC's Risk Specialist Network is a unique offer based on adviser insight and brings a new perspective on what a licensee can do to really add value. It supports innovative risk businesses by providing access to technical expertise, specialised services, strategy papers, presentations, and quality education and peer networking opportunities.

For example, we identified a clear need for sophisticated technical education so MLC's advanced business insurance workshops were established to offer professional development opportunities unavailable elsewhere. A dedicated technical expert was assigned to liaise with members on complex issues, networking forums for members were created

and a website to serve as a contact point and basic source of information was launched. The feedback from advisers has been overwhelmingly positive with many relieved they as risk professionals can now access the kinds of resources previously only available to their counterparts with a focus on investments.

Indeed, the Risk Specialist Network has had its critics in the past, with some questioning "why do risk advisers need to know all that stuff – their role is just to implement the insurance?" As members of the Risk Specialist Network will attest, attitudes such as this are dangerous and definitely not in the best interest of the client. These critics have been strongly advised that the professional risk advice era is well and truly here and that ill-informed commentary is unhelpful in combating lingering consumer perceptions of the product sale versus advice issue.

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Firstly and most importantly, licensees should be doing everything in their power to support the provision of quality financial advice that is in the best interest of the client. In addition, the licensee is responsible for advice provided by their representatives, letter of advice (LOA) holders, to clients. It is their duty to ensure they provide the most relevant and comprehensive support possible. If the licensee does not support the advice



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business in complex areas, they accept liability for their LOA holders using whatever information they can find to educate themselves.

This becomes particularly perilous in the business insurance area where sums insured and premiums are larger, and where inappropriate insurance structuring or legal work can leave the adviser and licensee vulnerable to client complaint and litigation.

Another real concern is business succession cases where insurance is provided and the client does not implement the appropriate legal agreement or the legal agreement does not adequately work with the way the insurance has been structured. In this example, should the insurance event occur, the advice will fail, hence exposing all parties to potential loss and, of course, litigation. In the same way, an adviser's inability to properly engage the client's accountant may lead to key entity information or proprietor loans being missed, once again resulting in the advice failing should a trigger event occur.

A licensee that truly understands estate planning, tax and succession issues can play an active role in not only supporting the advice process, but in positioning businesses in their network with referral partners. Depth of resources and a demonstration of support are a powerful endorsement for businesses and also provide comfort to the referrer that their client is in safe hands.

We all play a role in overcoming consumer perceptions and endless comparisons of one product versus another simply reinforce the old view that it is only the product that counts. Of course product research is important, but it will always be one of the last steps in the initial advice process. The more people who champion insurance as a legitimate and valuable area of advice, the better the quality of the advice, the advisers, and therefore the client experience will be.

There are many professional risk specialist advisers operating across the country to deliver quality advice to their clients. It is time they received the support and respect from the industry they deserve. «