

REPRESENTATIVE EXAM MODULE 06



GENISTAR
Financial Freedom For All

TOPICS AND EXAM INFORMATION

In this module we'll be covering:

- Financial Protection
- Types of Insurance
- Underwriting

EXAM

After you have gone through the learning materials, you will take an exam to test your comprehension.

- Multiple-choice questions
- Not timed
- Refer to your notes
- Three attempts to pass

ADDITIONAL SUPPORT

The video presentation should cater to most learning styles, but if you have additional support needs, you must notify us before you use your 3 attempts.



FINANCIAL PROTECTION

WHAT IS FINANCIAL PROTECTION?

When we talk about financial protection, we are referring to insurance products which protect us against financial risk.

MANAGING RISK

To manage risks, we must consider their financial impact. Risks that would have a **small financial impact** are usually not worth the cost of insurance. However, those that would have a **big financial impact** should be insured against.



GRAZED ELBOW

FINANCIAL IMPACT: Low
INSURANCE NEEDED: No



FINANCIAL IMPACT: Significant
INSURANCE NEEDED: Yes

DEATH/SERIOUS ILLNESS

PURPOSE OF PROTECTION

An insurance payout might be used to:

USES OF INSURANCE PAYOUT

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graph TD; A[USES OF INSURANCE PAYOUT] --> B[Maintain a standard of living]; A --> C[Pay for ongoing care/medical expenses]; A --> D[Pay off mortgage]; A --> E[Sense of security];
```

Maintain a
standard of
living

Pay for ongoing
care/medical
expenses

Pay off
mortgage

Sense of
security

PROTECTION GAP

Many people in the UK are uninsured or underinsured. This is called the **Protection Gap**.

Reasons:

- Unaware of needs
- Believe that they can't afford protection
- Don't want to think about it



FACTORS TO CONSIDER

WHEN BUYING PROTECTION, CONSUMERS CONSIDER:

AFFORDABILITY

Can they afford the premiums?

AGE AND STAGE OF LIFE

People with dependents or higher incomes need more protection

MORTGAGE

Many people purchase protection alongside a mortgage.

VALUE

Is the product good value for money?



TYPES OF INSURANCE

TYPES OF INSURANCE

There are several types of insurance products to consider, and your personal circumstances determine which is right for you:

LIFE INSURANCE

Provides financial support to your dependents upon your death.

INCOME PROTECTION (IP) INSURANCE

Provides support if you are unable to work due to an accident or illness.

CRITICAL OR SERIOUS ILLNESS COVER (CIC/SIC)

Supports you if you are diagnosed with a specific type of medical treatment

PRIVATE MEDICAL INSURANCE (PMI)

Supports you through illness requiring hospital attention.



LIFE COVER

TYPES OF LIFE COVER

LIFE COVER

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graph TD; LC[LIFE COVER] --> AD[ACCIDENTAL DEATH]; LC --> DS[DEATH IN SERVICE]; LC --> TL[TERM LIFE]; LC --> WL[WHOLE OF LIFE];
```

ACCIDENTAL DEATH

Pays **only** if death is caused directly by an **accident**.

DEATH IN SERVICE
policy linked to **employment**.

WHOLE OF LIFE
(Or Life Assurance)
Pays out on **death at any age** as long as premiums are paid.

TERM LIFE
(Or Life Insurance)
Pays out on death within a **specified period** (or term).

NOTE:

Even though you may see the terms life **insurance** and life **assurance** used interchangeably, there is a difference.

Life insurance is term insurance.

Life assurance is whole of life.

TYPES OF TERM INSURANCE

The amount of protection inside a term policy can vary:

- Level term
- Increasing term
- Decreasing term

At Genistar, we normally market **decreasing term insurance** as this corresponds with the Theory of Decreasing Responsibility and best meets the needs of most people.



THEORY OF DECREASING RESPONSIBILITY

How Life Normally Works

HIGH NEED FOR PROTECTION

GOOD AMOUNT OF SAVING

NEED FOR PROTECTION

When You Are Young:

1. Young Children
 2. High Debt
 3. House Mortgage
- Loss of income would be devastating!

At Retirement:

1. Grown Children
 2. Lower Debt
 3. Mortgage Paid
- Retirement income needed

SAVINGS

DON'T HAVE A LOT OF MONEY

LOW NEED OF PROTECTION

NEEDS

The amount of cover needed is based on several factors including:



DEATH

The amount needed for funeral and end-of-life expenses.



INCOME

The amount needed to replace the deceased's income in order to maintain a desired standard of living.



MORTGAGE AND OTHER DEBTS

The amount required to pay off debts.



EDUCATION

The amount required to cover children's education needs.



OTHER FACTORS

Based on individual circumstances.


EXISTING INSURANCE

DEATH IN SERVICE


Some clients might have a death in service policy through their employer. Since this is only in force while they work for that employer, it probably shouldn't be considered as part of a long-term financial plan.

EXISTING TERM OR WHOLE OF LIFE POLICY

A client might also have an existing term or whole of life policy which could meet some, or all, of their needs. But in some cases, the policy may no longer be suitable and need to be replaced.



I don't work at my old place anymore, so what do I do about my death in service policy?



You need not worry. I can suggest you some other options that might be able to replace your death in service life cover.

CLIENT

REPRESENTATIVE

GENISTAR REPLACEMENT POLICY

A Genistar representative **CANNOT** advise on whether a client should replace an existing policy with a Genistar policy.

Genistar **CAN** provide clients with relevant, factual information so they can make a fully informed decision.



REPLACEMENT

Things a customer should consider before replacing their existing term policy:

- How much is paid out upon death?
- Is there an option to convert the plan without further medical evidence?
- Has the existing plan been written into trust?



WHAT IS A TRUST?

There are different types of trusts, and they are a way of managing assets. Life insurance policies are often placed in a trust – either on their own or along with other assets.



SETTLOR

Creates the trust and adds assets.



TRUSTEE

Manages the trust.



BENEFICIARIES

Benefit from the trust.

PROS AND CONS

PUTTING A POLICY INTO TRUST:

ADVANTAGES

- Policy payout goes directly to the beneficiaries – without probate. Probate could take months or even years.
- The payout may not be subject to inheritance tax.
- A trust ensures the payout is distributed according to the settlor's wishes: Especially important if there is no Will.
- A trust can offer protection against creditors should the settlor go bankrupt.

DISADVANTAGE

- Once a policy is placed into trust, it can be harder to make changes to it (depending on the type of trust).

PUTTING A POLICY IN TRUST

Setting up a trust is fairly simple, and most insurers offer their own forms for clients to complete.

If the settlor has particular or unusual requirements, they may need further assistance, which would involve a solicitor or professional.

Any new life insurance policy or any existing policy, which is not already in trust or assigned to a third party, can be put in trust.



CHANGING NEEDS

There could be changes in:



MARITAL STATUS



FAMILY SIZE

Everyone's life situation is always evolving, and your client's needs may change throughout the term of their policy.

This is why it's important to do an annual review with every client.



INFLATION RATE



MORTGAGE STATUS



**SERIOUS ILLNESS COVER (SIC)
CRITICAL ILLNESS COVER (CIC)**

SERIOUS/CRITICAL ILLNESS COVER

Why Might Clients Need SIC/CIC?

If someone suffers a serious illness, they might not be able to continue working and might even require on-going medical treatment.

A payment from a SIC and CIC policy could help cover these expenses.

I am a single working mum. After my accident, my Serious Illness Cover is helping me financially support my family while I am out of work and recovering.



BENEFITS OF SIC AND CIC

SIC AND CIC

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graph LR; A[SIC AND CIC] --> B[Both cover a range of illnesses listed in the policy.]; A --> C[Both pay out a tax-free, one-off lump sum.]; A --> D[Both can be standalone policies or added to a life policy.];
```

Both cover a range of illnesses listed in the policy.

Both pay out a tax-free, one-off lump sum.

Both can be standalone policies or added to a life policy.

DIFFERENCES BETWEEN SIC AND CIC

	Critical Illness Cover (CIC)	Serious Illness Cover (SIC)
Conditions	Fewer conditions covered	More conditions covered
Payout and Severity	Policy pays full amount only when the condition is deemed severe enough.	The payout is based on the severity of the condition. Less serious cases are paid out a lesser amount.
End of policy	Policy ends when a payout is made	Policy does not cease after the first claim. It remains in force until 100% of the insured sum has been claimed.

SIC vs CIC EXAMPLES

Prostate Cancer: If you are diagnosed with low-grade prostate cancer:

- CIC may not pay if the cancer is not deemed serious enough.
- SIC will pay an amount based on the severity of the condition.

Eyesight: If you go blind in one eye:

- CIC may not pay out as partial blindness may not be considered severe enough.
- SIC would pay out based on the severity.



INCOME PROTECTION INSURANCE

INCOME PROTECTION INSURANCE (IP)

CIC and SIC:

One-off lump sum for a specific serious illness.

INCOME PROTECTION INSURANCE

Regular payments while unable to work

50%-65% of income

Claim as many times as needed

Deferred period



PRIVATE MEDICAL INSURANCE (PMI)

PRIVATE MEDICAL INSURANCE (PMI)

NHS – Provides free healthcare to most UK residents.

PMI can complement NHS by providing access to private treatment, or certain drugs and services not available on the NHS.



PMI: WHAT DOES IT COVER?



ACUTE CONDITION

PMI is designed for acute conditions: conditions that are likely to respond quickly and fully to treatment.



CHRONIC CONDITION

PMI will typically NOT cover chronic conditions: conditions that need long-term monitoring or rehabilitation, or which continue indefinitely or are likely to come back.



PRE-EXISTING CONDITION

PMI will NOT normally cover pre-existing conditions: any condition you have at the time you take out the policy. However, you may be able to cover some pre-existing conditions by paying a supplement, or by meeting certain criteria.



UNDERWRITING

UNDERWRITING

During underwriting, insurance companies compare the client's details to the national average to determine the risk involved and decide on the premium they will charge.

- Age
- Health (current and historic)
- Lifestyle (such as occupation, dangerous pursuits, etc.)
- Higher risk = higher premium.



MORE EVIDENCE

Sometimes, insurers need more information to make their decision. They might request:



ADDITIONAL REPORTS



QUESTIONNAIRES



EXAMS



TELE-UNDERWRITING

PRE-EXISTING CONDITIONS

Pre-existing medical conditions might be handled in various ways:



EXCLUDED

Client can never claim for the excluded condition.



MORATORIUM

An exclusion on all pre-existing conditions during the past five years.



GROUPS

Group schemes often cover pre-existing conditions as there may be little or no underwriting.

LOADING

If, after looking at the information, the insurer decides that a client is a higher risk than normal they may 'load' the premium.

This means that instead of rejecting the policy, they offer the client cover with a premium higher than a standard policy.

Why is my premium more?

Because of your medical history, you're a higher risk. But at least they're offering you a cover.



CLIENT



REPRESENTATIVE

NON-DISCLOSURE CLIENT AND REP RESPONSIBILITY

Clients and reps must be **thorough** and **honest** when completing the application. If details about medical history are omitted or entered incorrectly the policy might not pay out.

If non-disclosure is discovered, the insurer makes the final decision on whether the claim will be paid fully, partially or refused completely.

And it goes without saying, that a Genistar representative should never be involved in any deliberate non-disclosure.

Please give full details of your medical history. If anything is incorrect, your policy could be void.



GENISTAR'S MISSION

Genistar's mission is to:
**Help people secure a better
financial future.**

We Believe in:
FINANCIAL FREEDOM FOR ALL!



THANKS FOR WATCHING!

You must now answer some questions about what you have just learnt!



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