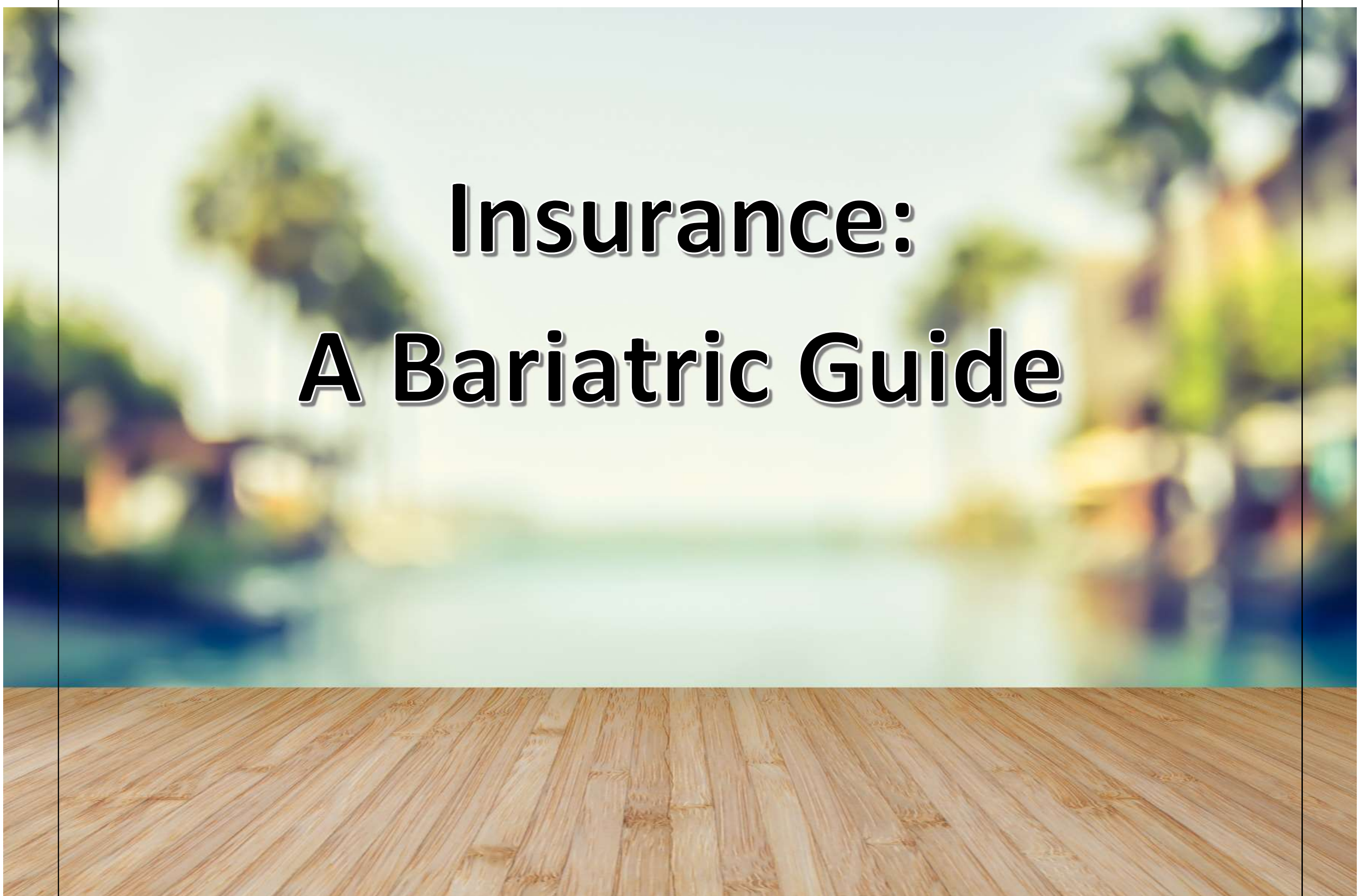

Insurance:
A Bariatric Guide

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Preface:

I have developed this guide over the past 6 months in an attempt to demystify the topic of insurance and specifically how it relates to Bariatric Surgery. It is my aim to enable you to better understand your risks, the risks of your families and how to protect both you and them. I also want to explain how insurance companies treat obesity and bariatric patients, their rationale and how to ensure you are getting the best protection now and into the future.

As Robert Boyce said:

"Knowledge is power. Knowledge shared is power multiplied."

It is important to note that these are just general guidelines and they do change. Insurance companies are always analysing national and international statistics and trends and they will adjust their policies and decisions on a regular basis. However, many of the principles discussed in this guide don't change and should leave you in a better position when you next come to review your insurances

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What is Insurance?

As human beings, our instinct is to protect what is valuable to us. Most people own something valuable, such as a car, house, boat, furniture or a business. They also have other valuable things such as their health and their ability to earn an income. One of the ways people protect what is valuable is by taking out insurance.

In broad terms, insurance is about a person putting a small amount of money into a “pool‟ with other people to cover the cost of repairing or replacing their valuables if they are lost, damaged or stolen, help a person recover if they are injured or look after a family if someone were to die prematurely.

Insurance is therefore all about a group of people or a community pooling risk. In this sense, insurance is a community product. Through an insurance company the community pools premiums to pay the claims of those in need.

When a person needs to make a claim, insurance companies must ensure there is enough money in the “pool‟ to meet the cost of that claim. Insurance involves a large number of people paying a small amount of money to make sure the few who need to make a claim are covered.

The advantage of having insurance is that it allows the community to share risks. This takes away the need for people to pay the full cost of loss or damage on their own. In many cases this could, if it occurred, leave many people in great financial difficulty.

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Dealing with a Financial Adviser versus dealing Direct:

Firstly, what is a Financial Adviser…… The Financial Markets Authority defines a Financial Adviser as someone who can recommend or provide opinions on financial products such as insurance. This is different from just describing how financial products work, which isn't financial advice. A Financial Adviser must be registered on the Financial Service Providers Register (FSPR) and be engaged by a Financial Advice Provider (FAP).

In layman's terms, a Financial Adviser is someone who generally is independent and can deal with two or more of the available insurers in the market. Think of a mortgage broker but for your insurances.

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So why deal with a Financial Adviser? Well, there are a number of reasons but let me touch on a few of the main ones

1. Free Service – generally a Financial Adviser doesn't charge you anything for the advice and service they provide and if they do, then they must disclose this upfront. This means they'll do all the work for you, and you don't have to pay them anything. Most Financial Advisers in the insurance market will get paid by way of commission from the insurance company they place the business with. In the Financial Advisers Disclosure Document, they should disclose all details related to the commissions they earn.

2. Impartial Advice – the Financial Adviser can usually access a number of insurance companies and products and find the best fit for you based on your stated needs and requirements.

3. Expertise – a good Financial Adviser will have a sound and in-depth knowledge of the insurance companies and the products they offer. This doesn't just come from reading the brochures and policy wordings, this comes from real life experiences and past dealings with other clients. A good Financial Adviser will also have access to independent research that is able to compare insurance products in great detail.

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4. Helping hand when you need it most – Claims time can be one of the most stressful times in a person's life. Not only are you suffering from a significant health issue, you then also have to deal with an insurance companies claim department. A Financial Adviser can help at these times and reduce the amount of time, work and stress for you by dealing with the claim on your behalf. Now there will still be some work for you to do, but significantly less than if you were dealing with the insurance company yourself. And did I mention all this service generally comes at no cost to you?

5. Being an Advocate – sometimes, but fortunately not very often, the insurance goes wrong and a claim is declined or a policy is voided (cancelled). At these times it is very important to have a Financial Adviser to be your advocate and help guide you through the process of getting the decisions reviewed and understanding why the insurance company has made the decision they have. It is important to understand that you have rights and responsibilities, and a good Financial Adviser can help you understand these.

Hopefully this clarifies why dealing with a Financial Adviser is a better option for you than dealing directly with an insurance company or bank.

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Why is Obesity considered a risk for Insurance companies?

Insurance companies, and more specifically their actuaries, review health and social statistics, trends and research from all over the world in order to make their policies, guidelines and pricing. With respect to obesity, there is significant long-term research both within New Zealand and around the world that shows links to increased cardiovascular disease, cancer, musculoskeletal issues and many other health problems. Obesity related conditions including heart disease, stroke, type 2 diabetes and certain types of cancer are among the leading causes of preventable death. However, just as with smoking there is strong evidence to suggest that if someone quits smoking, then many of these risks are significantly reduced. With sustained weight loss, the risk of many of these related health issues is also significantly reduced and is more in line with normal societal averages.

This is why if a bariatric patient has successful surgery, loses weight and can show that they can maintain the healthy weight, an insurance company will not apply adverse terms to their cover or will review any existing adverse terms.

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What types of Products are available?

Lump Sum:

Life Cover – insurance that provides a lump sum payment to your partner and dependants, or other nominated beneficiaries, in the event of your death. Whether it is buying a new house, paying off the mortgage or bank loans, education or retraining. Basically, whatever your loved ones would need financially after you are gone.

Serious Illness (Trauma) Cover - Serious illness cover is a type of trauma insurance that provides you with a lump sum payment to reduce the strain, both financially and emotionally, of dealing with a serious but often recoverable illness or injury. The lump sum can help reduce debt, further medical treatment, rehabilitation expenses, or paying off the mortgage. The purpose of the funds is entirely yours to decide.

Permanent Disability Cover - provides a lump sum payment should you completely lose your ability to ever work again through illness or injury. This cover is designed to alleviate the significant financial impact that losing an income forever would likely cause.

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Disability:

Income Protection Cover - provides a financial safety net should you be disabled as a result of sickness or injury, and unable to earn your regular income. The monthly benefit is designed to replace a significant portion of lost income to help maintain your usual lifestyle during treatment and recovery.

Mortgage Repayment Cover - provides a financial safety net should you be disabled as a result of sickness or injury and are unable to meet your mortgage repayments. The monthly benefit is designed to ensure that most people's main fixed expenses, their mortgage, can continue to be paid.

Household Expenses/Rent Cover - provides a financial safety net should you be disabled as a result of sickness or injury and are unable to meet your regular fixed expenses. The monthly benefit is designed to ensure that peoples main monthly fixed expenses (e.g.: rent, phone, power, etc) can continue to be paid.

Health or Medical Insurance:

New Zealand's public health system provides quality care in urgent situations - such as accidents and emergencies. However, non-urgent conditions, including those that have significant impact on lifestyle can include long and uncomfortable waiting on public hospital waiting lists. Private health insurance allows fast access to private treatment and a broader range of treatment options than are available to you through the public health system.

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Key Terms:

Obesity – rightly or wrongly Insurance Companies still use the BMI Guide to determine if a person has a normal weight, is overweight, is obese or is morbidly obese. As a general rule of thumb, a BMI of 32-33 can be considered 'standard' and not incur any adverse terms provided that there are no significant co-morbid factors. Anything greater than say 33 BMI will tend to invoke adverse terms (loading, exclusion or deferral) from an insurer.

Co-Morbid Factors – these are generally things like blood pressure, cholesterol, diabetes, abnormal blood glucose and abnormal liver function. However, they can also include other less obvious things such as mental illness and joint issues (e.g.: arthritis). Co-morbid factors can exacerbate adverse terms with insurance when combined with higher BMI's.

Loadings – this is an additional premium charged by the insurer to reflect 'perceived' additional risk. So, for example you will generally be quote standard premiums/rates and then after an application has been assessed an insurer may place a loading on these premiums and increase them. If the premium was $100 per month and the insurer placed a +50% loading, then your total premium would be $150. Importantly loadings mean that you are fully covered in a claim event. The additional premium is the insurers way of representing the additional risk. Loadings are also often reviewable. So, in the case of obesity and bariatric surgery, once you've lost the weight and maintained it for a period of time then loadings may well be reduced or totally removed, making your insurances more affordable.

Exclusions – this is where an insurer will choose to insure you, but they will exclude a specific medical condition, occupational duty or hazardous pursuit from being covered in the event of a claim. You are covered under the policy for all other events except the specifically excluded condition. As with loadings exclusions can often be reviewed, particularly if they occurred in the past and have minimal risk of occurring again in the future. So, for example with bariatric surgery, once you've lost the weight and maintained then many of the past risks are minimised and, in some cases, reduced completely.

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Deferral & Decline – a deferral means that the insurer won't be able to offer you terms right now but may well be able to in the future. This often happens when a person is due to have a surgery and the insurance company just wants to make sure everything is alright post-surgery. Once the surgery is completed then the insurer will often offer terms. By their very nature deferrals are temporary and have a defined review period or have a situation that must occur before the insurer will offer terms. With a decline the insurer is saying that it is unlikely that they will ever be able to offer any terms. Both of these scenarios are quite rare, but I have seen deferrals occur with particularly high BMI's (e.g.: +45 BMI).

Review Period – with loadings and exclusions, insurers will often offer a 'Review Period'. This is a time frame where after which they will reassess your loading or exclusion and may choose to remove or in the case of a loading reduce it. It is important to note that the Insurer will not instigate this. You (or your broker) are responsible for approaching the insurer. Also, it is up to the insurer if they will review the terms at that time, although if you have met all their requirements then there is no reason why they won't.

Risk Insurance – types of insurance on 'people'. Insurances such as life, trauma, disability and income cover are often called risk insurance as a broad descriptive term.

Pre-Existing Condition - Means any illness, sickness, disease, injury or medical condition
existing prior to the commencement date of a policy that:

- The life assured, dependant relative or child was aware of; or
- The life assured, dependant relative or child had signs or symptoms of; or
- The life assured, dependant relative or child had investigated or sought medical advice for; or
- A reasonable person in the circumstances would seek diagnosis, care or treatment for

Having a pre-existing condition doesn't mean that it will lead to an exclusion or a loading, it just means that these things should be disclosed to allow your insurer an opportunity to review the condition. Often smaller conditions and/or conditions that occurred years ago do not present additional risk to an insurer and therefore often do not lead to loadings or exclusions.

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