

THE DUTY OF CARING

Australia as a country is mostly world renowned for its caring and compassion.

The population lifts itself to another level in times of disasters brought about by the natural phenomenon of tsunamis, bushfires, floods or man-made terrorist bombings. Our volunteered help is eagerly sought when expert assistance is required.

However, there is one area of our business lives as “Professional” Finance/Mortgage Brokers, Financial Planners, Real Estate Salespeople and Accountants where we fall short.

When we talk to clients, whether single or not, with or without dependent children, we fail to mention the most important part of the transaction. PROTECTION. Too often we are just happy to arrange a loan for the purchase of their dreams because, in reality, we are well paid for our successful achievements. Our clients have a new address, a motor vehicle or purchased a business and our bank account is replenished.

After the deal is done do we sit back and say (a) “Gee that was a good deal, I really helped them and they seem satisfied” or (b) should we, on reflection, say “did I really help those people?”

If in your quieter times you ponder on your business and in (a) “they seem satisfied” and you cannot answer (b) this is very important. In the news or on the grape vine on a daily basis, we see and hear where people suffer financial hardship caused by a multitude of reasons. It is those people, our customers not yet clients, who for whatever reason did not have Financial Risk Protection simply because they didn’t think anything would happen to them. But more importantly they weren’t told by their Financial Professional of the financial ramifications of an unforeseen event whether it be as a result of an accident, illness or even death. If that advice was given they would become clients not just “once only” customers.

The courts in Australia deem Financial Professionals to have legal obligations and as such, if clients are not made aware of the possibility of financial hardship through no fault of their own, the Financial Professional can be found negligent under the Duty of Care. If this is the case clients may seek recompense through civil action for what monetary loss they consider could have been avoided had they been given the protection information by their Financial Professional.

Let us now consider some real life experiences.

1. A young professional executive going places lost his wife during childbirth and he then had to care for himself and 3 children including a new born baby. Due to these tragic circumstances he lost his job because of the time needed to devote to his young family. This in turn meant no income and the lender had no alternative other than to take possession of the property. If the lender or the Mortgage Broker had emphasized the importance of Risk Protection, this individual may not have had to face such disastrous consequences.
2. Many Financial Professionals readily give advice to businesses and arrange finance to fund future business options and visions but completely ignore the fact that some things can go horribly wrong. If this happens how will the company/business continue to trade? Questions that should be asked are;
 - How do you get along with your fellow director/directors, partner/wife/husband?
 - How would it effect you if that person was suddenly required to sit at the board table due to the Death or Total and Permanent Disablement of your fellow director, partner/wife/husband?
 - You will find that most company directors will recoil at that thought so, why not advise them of the need to arrange for a Buy/Sell agreement that can be funded by insurance in four different ways?
3. The writer has personally seen clients who have become ill, suffer extreme financial hardship as they have completely ignored the professional advice to take out Income Protection in the event of illness or accident. We have also seen the loss of loans off our books because the client has refused to take out the required insurance coverage. (Many employees unmistakably believe they are covered by Workers' Compensation 24 hours per day.)
4. Recent events in Victoria highlighted the need for insurance and it wasn't only related to property and assets.

(Please note that of the 173 deaths that occurred during the recent Victorian bushfires industry sources say there have only been 30 claims totaling \$5 million. There were also 500 injured. In the normal course of events, how many of those would have had an Income Replacement policy?)

As has been demonstrated these are everyday events and the opportunities are there for Financial Professionals to offer suggestions or actually arrange the cover that is vitally important.

Recently released statistics revealed that only 14% of the population had Life Cover and more surprisingly only 6% had Income Replacement. By getting involved in this financial services area Finance/Mortgage Brokers can have an additional income stream. Not only are the clients well protected financially but the more people who avail themselves of these insurance arrangements can also ease the strain on the public purse.

In my role as an assessor of Diploma and Certificate IV applications in Financial Services (FNS50504 and FNS40804) I am amazed at the lack of mention of insurance protection in the case studies I assess. This not only applies to new entrants into the industry but also loan writers with many years of experience. With the impending takeover of the regulatory role by ASIC, we firmly believe the time has arrived for loan writers to become active in the protection of their clients' assets, namely their life, their income and their property.

**RISK PROTECTION COVER IS NOT EXPENSIVE IN TODAY'S TERMS.
SO PLEASE DON'T IGNORE IT.**

Finance/Mortgage Brokers have three alternatives to become involved;

1. **NO ADVICE-** After having explained the financial risks of taking on debt, have clients sign an authority that they would like more information on Risk Cover and refer them to a Professional Insurance Practitioner. They may not wish to accept what you have offered and if that is the case have them sign where they indemnify you against any action should a claim arise in the future.
2. **GENERAL ADVICE-** Undertake a course whereby you can become qualified to offer general advice and arrange the cover as stated by the clients that they think they may need or be able to offer certain cover up to the amount of the loan only. However, this certainly does not provide clients with the required levels of cover. They are still exposed to many other events that you are not authorized to discuss or proffer the required advice, given you only have approval from your Licence Holder to give general advice.

Extreme caution is advised in this area because if after being aware of your client's full financial position you arrange cover to the maximum allowed under your Licence Holder's authority and it is found insufficient for the client's needs, it could well be challenged in court. The onus is on you, as the expert, to show why you did not advise them to seek further professional advice to ensure the cover allowed for by you was sufficient to meet their needs should unforeseen events happen..

3. FULL ADVICE COURSE – By enrolling in this training course you achieve the appropriate qualifications to give full advice which offers total protection for your client's interests and financial needs. These qualifications are the minimum required by most ASIC licence holders to enable you to operate as an Authorized Representative under their Dealer Licence.

In conclusion, we have endeavoured to portray the many problems that are faced on a daily basis by Financial Professionals who have the responsibility to ensure clients are offered the opportunity to take out Risk Cover products. If we accept this responsibility we protect ourselves against future litigation and more importantly we, as an industry, can provide some comfort to those unfortunate enough to have fallen on hard times.

Insurance will never bring anybody back but it can certainly take away a lot of pain.

I well remember the experienced insurance broker who told me the most satisfaction he received from his job was when he had to deliver a cheque to a bereaved wife and children as a result of a claim for the death of her husband and their father.

Doing our job the right way in a professional manner shows that we do **CARE** and it is not just a **DUTY**.

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