

Practice management

The art and philosophy of quality risk advice

Centrepont Alliance Workshop

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Insurance philosophy and strategies

Why build or update your insurance philosophy?

“Strategic life insurance advice includes advice on the type, level, structure and affordability of life insurance cover based on the client’s cash flow position and which prioritises the client’s insurance needs”.

“Strategic advice can be stand alone or, where appropriate, provide the framework for product advice”.

Source: REPORT 413: Review of retail life insurance advice

Insurance philosophy and strategies

Risk strategy construction

- Assist clients in determining **appropriate levels of insurance cover**, carefully balancing the risk of underinsurance against the need for affordability.
- Evaluate the **value of options and extras** considering the client's long-term ability to maintain the policy, distinguishing between essential and non-essential features.
- Consider the **policy structure** in relation to the **expected duration of coverage**, such as whether the insurance is held within superannuation, and whether premiums are age-stepped or variable.



Insurance philosophy and strategies

Core risk strategy philosophy

Affordability

Balancing affordability with sufficient protection is key to ensuring financial security.



Sustainability

Cost-effective policies and structures, optimising coverage to match evolving needs.

Self-insured

Individuals or entities who assume financial responsibility for potential risks.

The future belongs to those who can

transform financial

complexity into

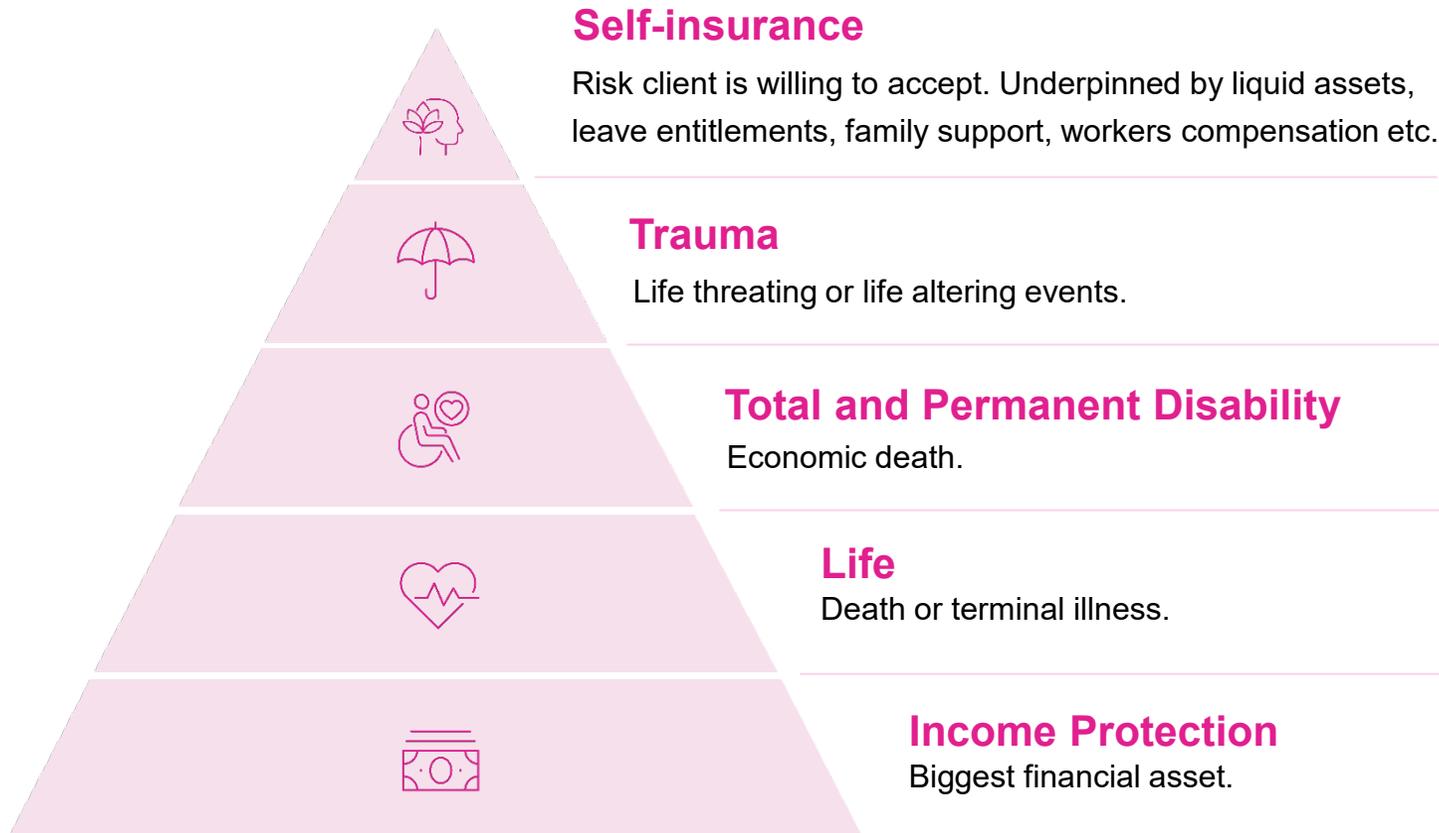
simplicity

for their clients.



Insurance philosophy and strategies

Hierarchy of insurance needs



Years ¹	AWOTE ²	Manager
0	\$102,752	\$150,000
5	\$551,004	\$804,370
10	\$1,205,424	\$1,759,709
15	\$1,982,670	\$2,894,352
20	\$2,905,794	\$4,241,952
25	\$4,002,176	\$5,842,479
30	\$5,304,333	\$7,743,402
35	\$6,850,888	\$10,001,102

1. Income indexed at 3.5%
2. ABS AWOTE for Full-time adults November 2024

Risk advice strategies

How much is the client willing to spend?

% of income	Super contributions	Funding period
2%	25%	2 years
4%	50%	5 years
5%	75%	8 years
6%	100%	10 years

Please check with professional standards team.



Structuring inside super

Education and awareness helps clients make informed decisions regarding funding via Super:

- Short-term strategy, unless other mitigating circumstances.
- Ensure client fully understands projected impact on capital and income in retirement.
- Low super balance and/or ongoing contributions consider max. 25% of contributions.

Risk advice strategies

Balancing affordability and adequacy

30%

Income Protection

Potential allocation of insurance budget for most clients¹

25%

Life Insurance

Portion of protection budget for life cover¹

25%

TPD Insurance

Allocation for disability protection¹

20%

Trauma Cover

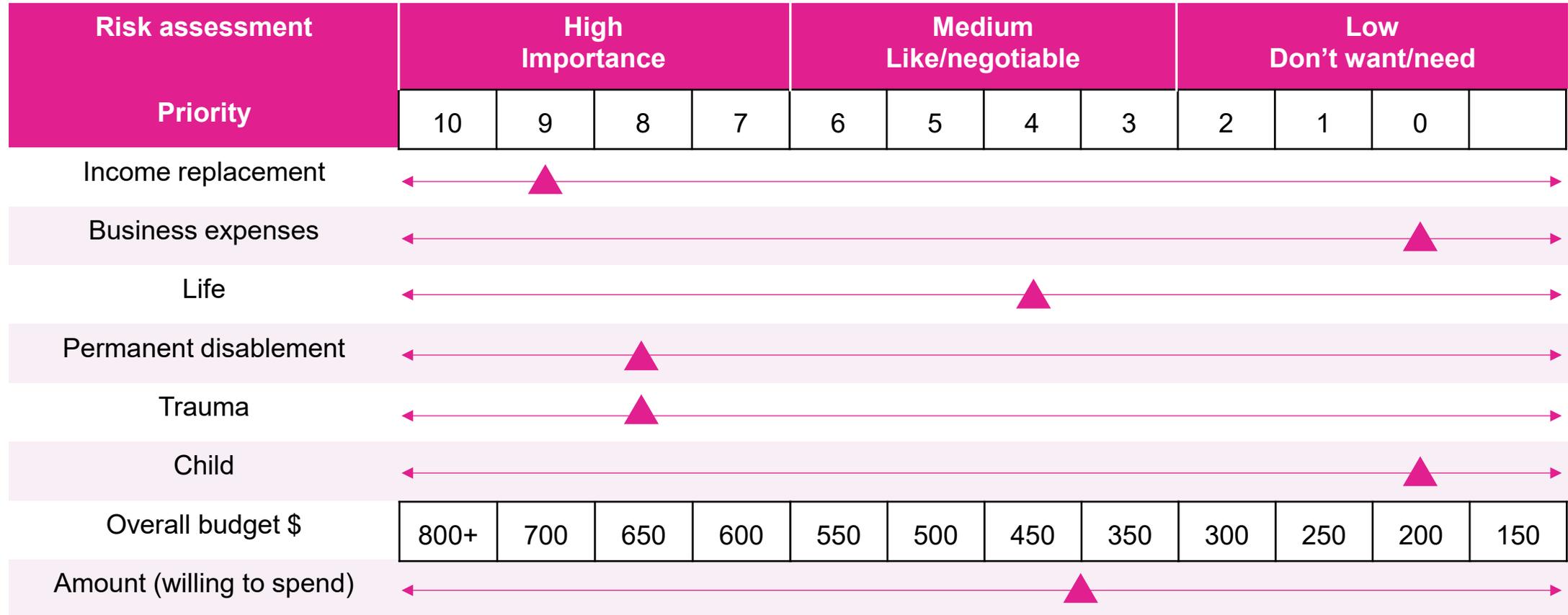
Portion for critical illness protection¹

1. These percentages are for illustrative purposes and should be adjusted based on individual client circumstances, priorities, and budget constraints. The key is finding the right balance between comprehensive protection and sustainable premium costs.



Insurance philosophy and strategies

Exploring client priorities and willingness to compromise



Insurance philosophy and strategies

Simplifying complexity – Income protection



Structure

Non-Super or Super. Key considerations: Affordability and retirement planning impacts.



Waiting period

Excess before benefits begin after disablement. Best strategy: 30, 60 or 90 days?



Benefit period

Payments continue throughout disability period. Best strategy: age 65, 5 or 2 years?



Income replacement ratio

70% of regular income. Best strategy 70%, 70% reducing or 60%? Legacy product considerations.



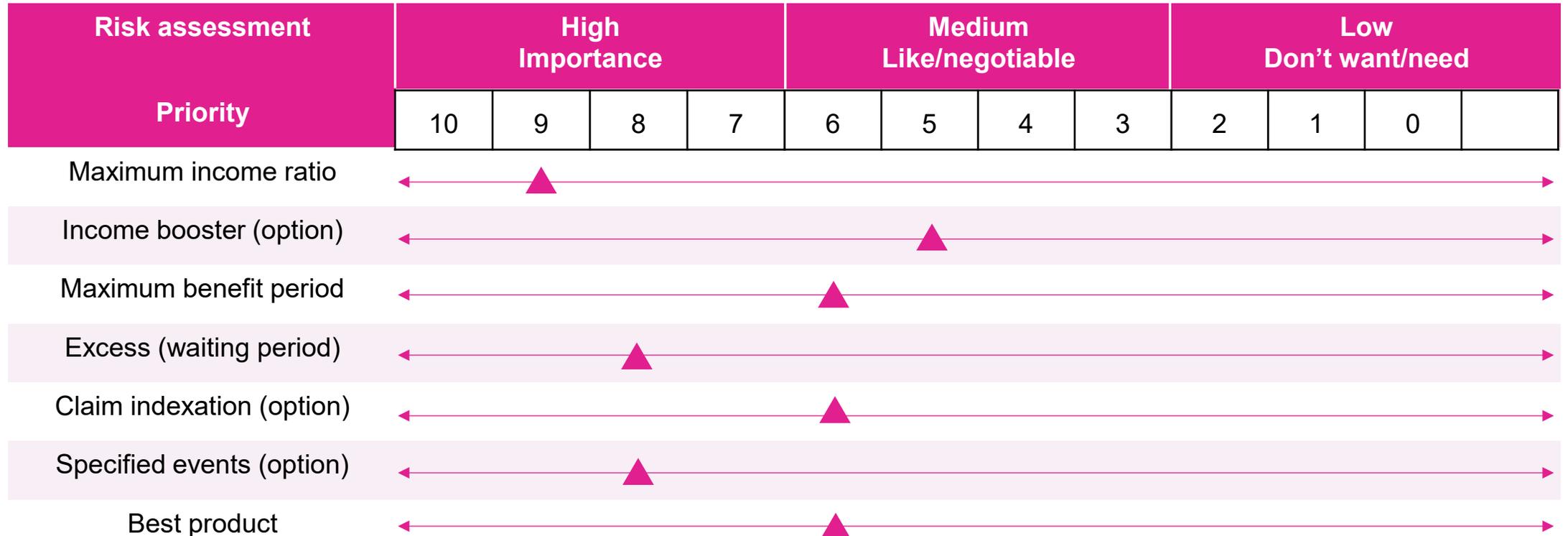
Other options

Affordability and cost benefit analysis e.g. increasing claim, income support booster and Specified events.



Insurance philosophy and strategies

Exploring client priorities and willingness to compromise



Risk advice strategies

IP strategy # 1 - Waiting period

Selecting the most suitable waiting period involves evaluating several key factors unique to each client's circumstances:

- **Policy excess awareness:** Understanding how the policy excess affects the timing and amount of any benefit payout.
- **Sick leave availability:** Assessing the length of paid sick leave that may cover initial income shortfalls.
- **Household cash flow:** Considering whether the family relies on a single or dual income, and the impact on overall financial stability.
- **Access to emergency funds:** Evaluating how readily available savings can bridge the gap before benefits begin.
- **Availability of specific events options.**

Leveraging premium savings for enhanced risk protection



	Premium	Potential savings	
30 days ¹	\$1573		
90 days	\$1026	\$547	35%

1. Income Protection Flex IP 70, age 40, Male, NS, Manager (A), Income \$100k, \$5833 mb, age 65/30

2. 2 year wait replacement existing Group only with maximum 2-year benefit

Risk advice strategies

IP strategy # 1 - Waiting period

Increasing the waiting period from 30 to 90 days, can result in significant premium savings.

These savings might allow for a stronger and more comprehensive lump sum risk plan, such as:

- **Total and Permanent Disability (TPD)** insurance — either Any Occupation or Own Occupation definitions.
- **Trauma** (Critical Illness) cover.
- **Tailored combination** of the above, depending on personal needs and goals.

Saving money on income protection can free up funds for extra cover, giving clients greater financial confidence.

Leveraging premium savings for enhanced risk protection²



	Premium ¹	Potential savings	
30 days ¹	\$1573		
90 days	\$1026	\$547	35%

1. Income Protection Flex IP 70, age 40, Male, NS, Manager (A), Income \$100k, \$5833 mb, age 65/30

2. Lump-sum stand-alone covers without options

Risk advice strategies

IP strategy # 2 - Benefit period

The most suitable benefit period for income protection is often the maximum period available.

Choosing a shorter benefit period **may not** be in the client's best interest, particularly when the following factors apply:

- **Significant number of years** remaining until retirement (e.g. age 65).
- **Small or limited** asset base.
- **Insufficient** emergency savings.
- **Low levels** of Total and Permanent Disability (**TPD**) cover.
- **Encourage clients to revisit** this decision regularly, as their financial situation and needs evolve.

It is critical to consider the client's financial obligations, lifestyle expectations, and long-term needs.

Leveraging premium savings for enhanced risk protection



	Premium	Potential savings	
Age 65 ¹	\$1573		
5 years	\$832	\$741	47%

1. Income Protection Flex IP 70, age 40, Male, NS, Manager (A), Income \$100k, \$5833 mb, 30 days

Risk advice strategies

IP strategy # 2 - Benefit period

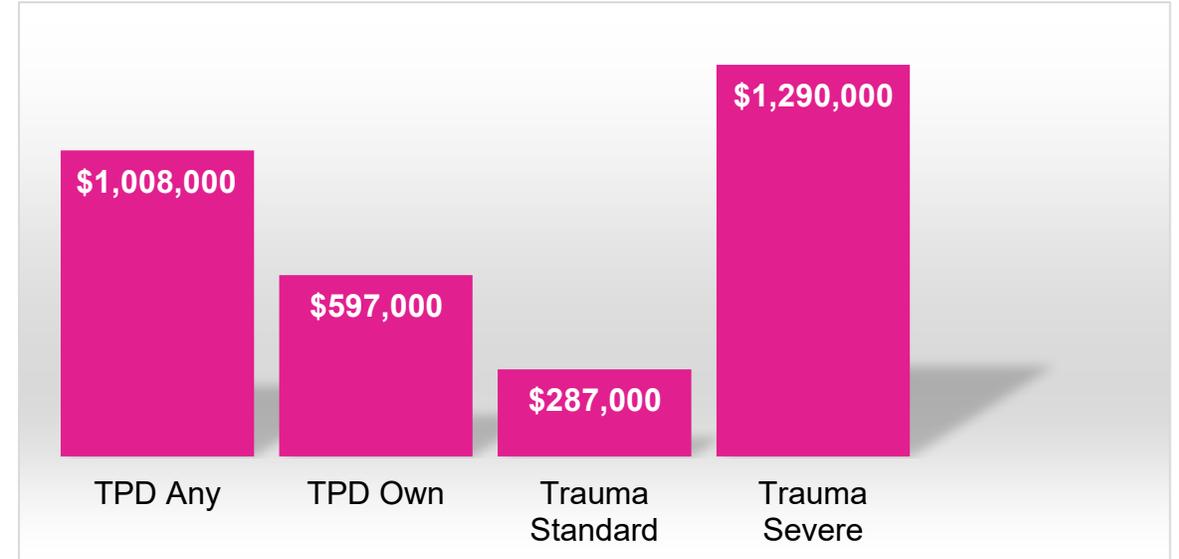
Decreasing the benefit period from age 65 to 5 years, can result in significant premium savings.

These savings might allow for a stronger and more comprehensive lump sum risk plan, such as:

- **Total and Permanent Disability (TPD)** insurance — either Any Occupation or Own Occupation definitions.
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Risk advice strategies

IP strategy # 3 – Insurable income

The most appropriate percentage of regular income to be covered depends on several factors, including:

- **Household cash flow**, such as whether there are dual or single income earners.
- **Dependents and their needs** (e.g. children, aging parents).
- **The level of “living benefits”** (lump sum payments) already insured.
- **Current debt levels** and repayment obligations.
- **Potential ongoing medical and rehabilitation costs**.
- **Access to employer or government benefits**, which might reduce personal coverage needs.
- **Availability of income support booster options**.

Leveraging premium savings for enhanced risk protection



	Premium ¹	Potential savings	
IP 70	\$1,573		
IP 60	\$1,281	\$292	18%

1. Income Protection Flex IP 70, age 40, Male, NS, Manager (A), Income \$100k, \$5833 or \$5000 mb, age 65/30

Risk advice strategies

IP strategy # 3 – Insurable income

Stage of life or dependents: can influence the weighting between income replacement vs. lump sum needs.

Adjusting the income coverage ratio, can result in premium savings.

These savings might allow for a stronger and more comprehensive lump sum risk plan, such as:

- **Total and Permanent Disability (TPD)** insurance — either Any Occupation or Own Occupation definitions.
- **Trauma** (Critical Illness) cover.
- **Tailored combination** of the above, depending on personal needs and goals.

Saving money on income protection can free up funds for extra cover, giving clients greater financial confidence.

Leveraging premium savings for enhanced risk protection²



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IP 70	\$1,573		
IP 60	\$1,281	\$292	18%

1. Income Protection Flex IP 70, age 40, Male, NS, Manager (A), Income \$100k, \$5833 or \$5000 mb, age 65/30
 2. Stand-alone lump sum covers without options

Insurance philosophy and strategies

Simplifying complexity – Life



Structure

Non-Super or Super. Key considerations: Affordability, retirement implications, beneficiaries and tax.



Life

Death and terminal illness.



Additional benefits

Link (non-super) any TPD and/or trauma cover.
Link (super) any TPD cover.



Other options

Affordability and cost benefit analysis e.g. disability premium waiver and business guarantee.



Risk advice strategies

Client engagement strategy - Life

Life - Ready reckoner

Level	Formula Income ¹ – Debt	Sum insured
Platinum	25 x income	\$2,568,800
Gold	Debt + 12 x income	\$1,899,024
Silver	Debt + 8 x income	\$1,488,016
Bronze	Full debt	\$666,000

Needs analysis model

Life	Base strategy
Mortgage ²	\$666,000
Other debt	\$20,000
Income replacement ³ (\$1,000 per week 10 years)	\$508,787
Living expenses, Childcare, education etc.	\$200,000
Final expenses, Medical, funeral, legal etc.	\$50,000
Sum insured	\$1,444,787

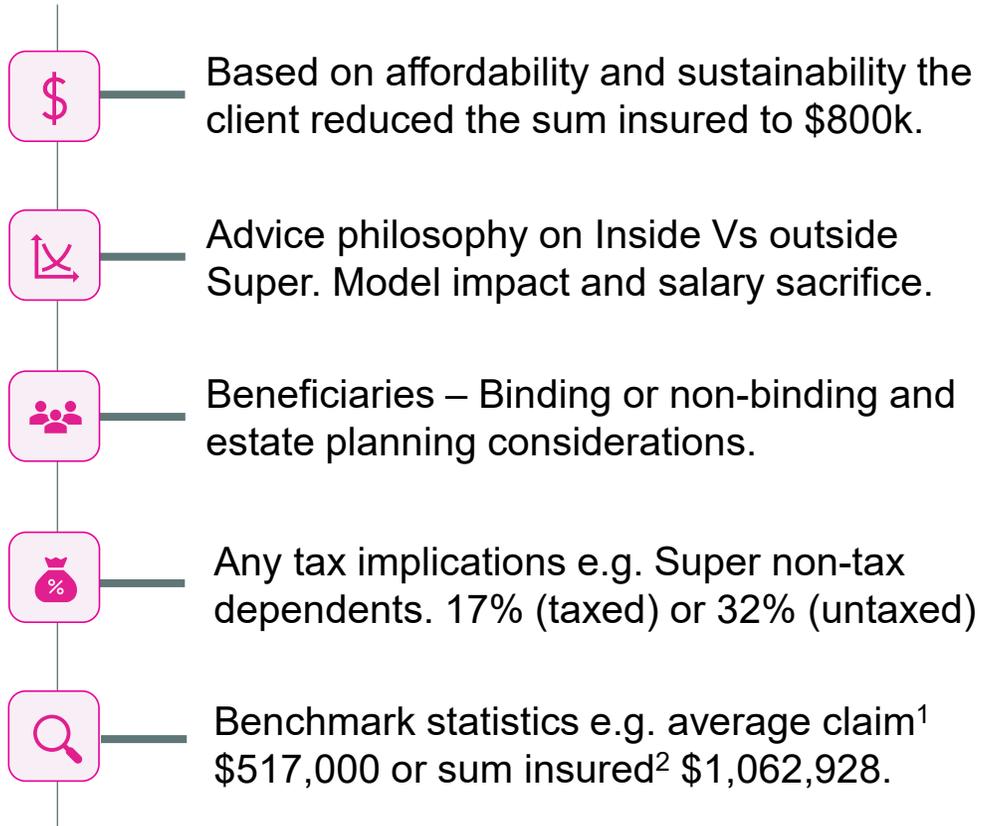
1. ABS average weekly ordinary time earnings – November 2024. AWOTE \$102,752
2. ABS lending Indicators for the December 2024 quarter. Average mortgage \$666,000
3. www.moneysmart.gov.au – Life insurance calculator (inflation 2.5% and interest rate 3%)



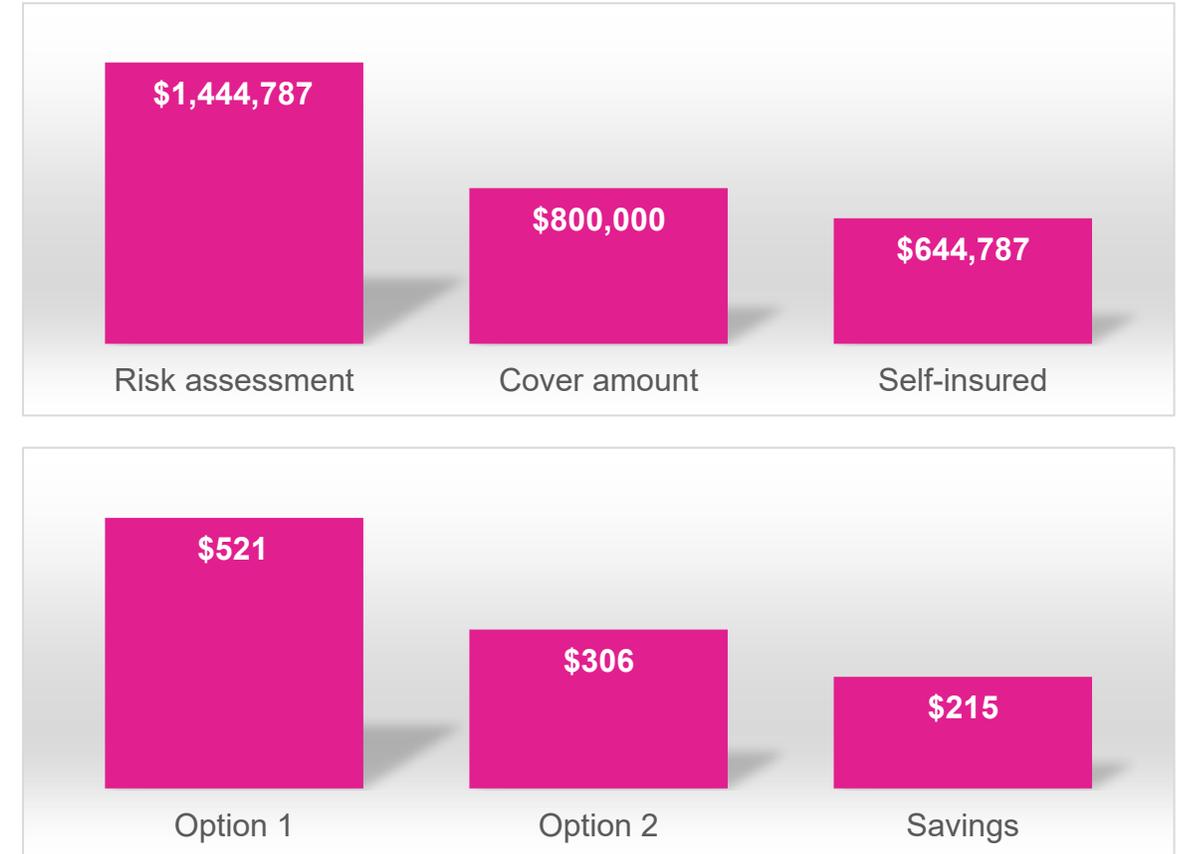
Part 1 - Let's Get Technical: How much is enough?

Risk advice strategies

Strategy considerations - Life



Leveraging premium savings for enhanced risk protection³



1. APRA Life insurance claims and disputes finalised (Ind advised) December 2024
2. ClearChoice inforce portfolio (all years) June 2025
3. ClearChoice Life cover - Age 40, Male, non-smoker stand-alone no options

Insurance philosophy and strategies

Simplifying complexity – TPD



Structure

Non-Super or Super. Key considerations: affordability, retirement implications, beneficiaries and tax.



Own occupation

Unable to work again in the specific job or profession.



Any occupation

Any job suited to your education, training, or experience.



Non-occupational

Significant permanent impairment e.g. loss of independence.



Other options

Affordability and cost benefit analysis e.g. disability premium waiver.



Risk advice strategies

Client engagement strategy

TPD - Ready reckoner

Level	Formula Income ¹ – Debt	Sum insured
Platinum	25 x income ¹	\$2,568,800
Gold	Debt ² + 4 x income <i>with income protection</i>	\$1,077,008
Silver	Debt + 2 x income <i>with income protection</i>	\$871,504
Bronze	Full Debt	\$666,000

Needs analysis model

TPD	Base strategy
Mortgage ²	\$666,000
Other debt	\$20,000
Income replacement or top-up ³ (\$500 per week 10 years)	\$254,393
Living expenses, Childcare, education etc.	\$200,000
Medical expenses, Carer, modifications etc.	\$50,000
Sum insured	\$1,190,393

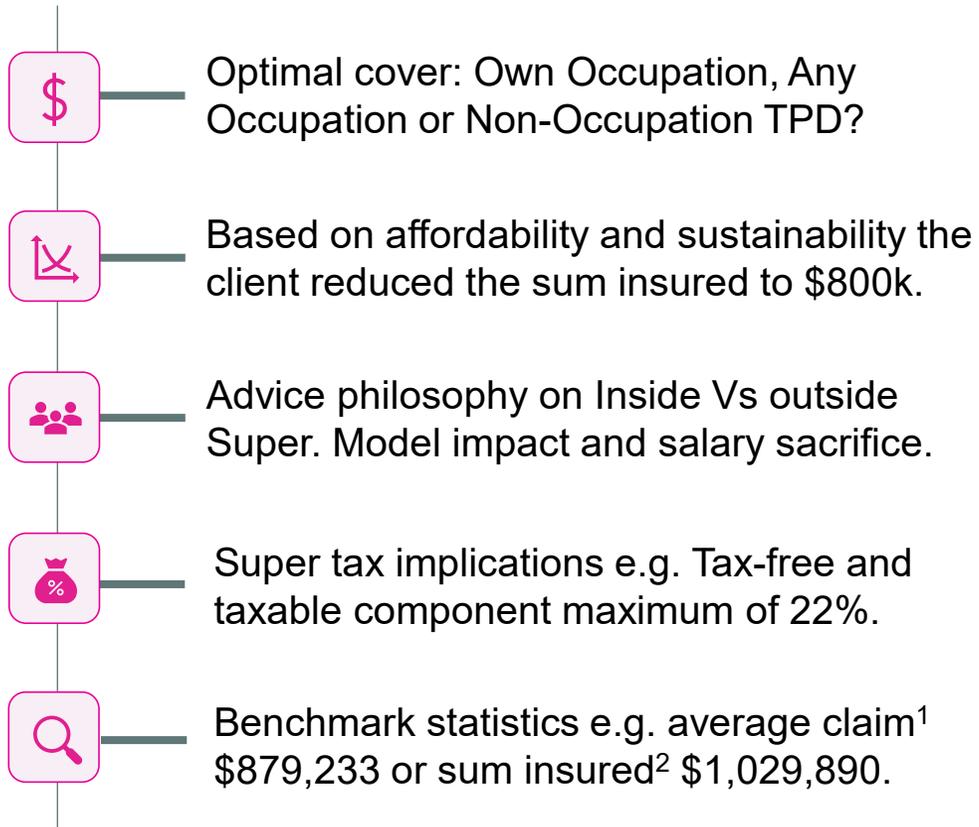


Part 2 - Let's Get Technical: How much is enough?

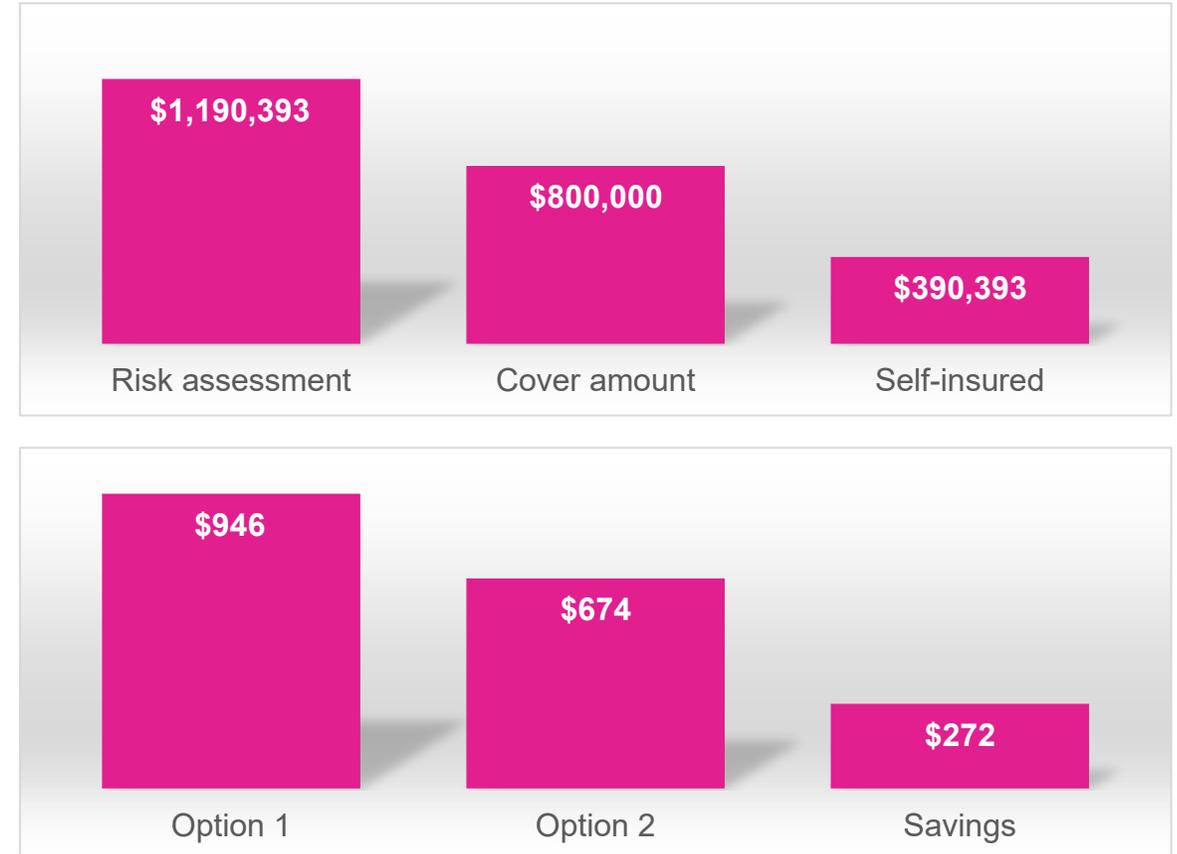
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Risk advice strategies

Strategy considerations - TPD



Leveraging premium savings for enhanced risk protection³



1. APRA Life insurance claims and disputes finalised (Ind advised) December 2024
2. ClearChoice in-force portfolio (all years) June 2025
3. ClearChoice TPD - Age 40, Male, non-smoker, Stand-alone no options, ANY Occupation

Insurance philosophy and strategies

Simplifying complexity – Trauma



Structure

The owner can nominate beneficiaries for any death benefit.



Trauma standard

Comprehensive cover and options for additional partial benefits.



Trauma severe events

Specific amount can be paid for more severe and permanent conditions.



Other options

Affordability and cost benefit analysis e.g. trauma reinstatement option.



Risk advice strategies

Client engagement strategy - Trauma

Trauma - Ready reckoner

Level	Formula	Sum insured
Platinum	Debt + 4 x income	\$1,077,008
Gold	Debt + 2 x income	\$871,504
Silver	2 x income ¹	\$205,504
Bronze	Medical and lifestyle expenses (\$100k)	\$100,000

Needs analysis model

TPD	Base strategy
Mortgage ² (50% of home loan)	\$333,000
Other debt	\$20,000
Income replacement or top-up ³ (1 x income)	\$100,000
Living expenses, Childcare, education etc.	\$0
Medical expenses	\$50,000
Sum insured	\$503,000

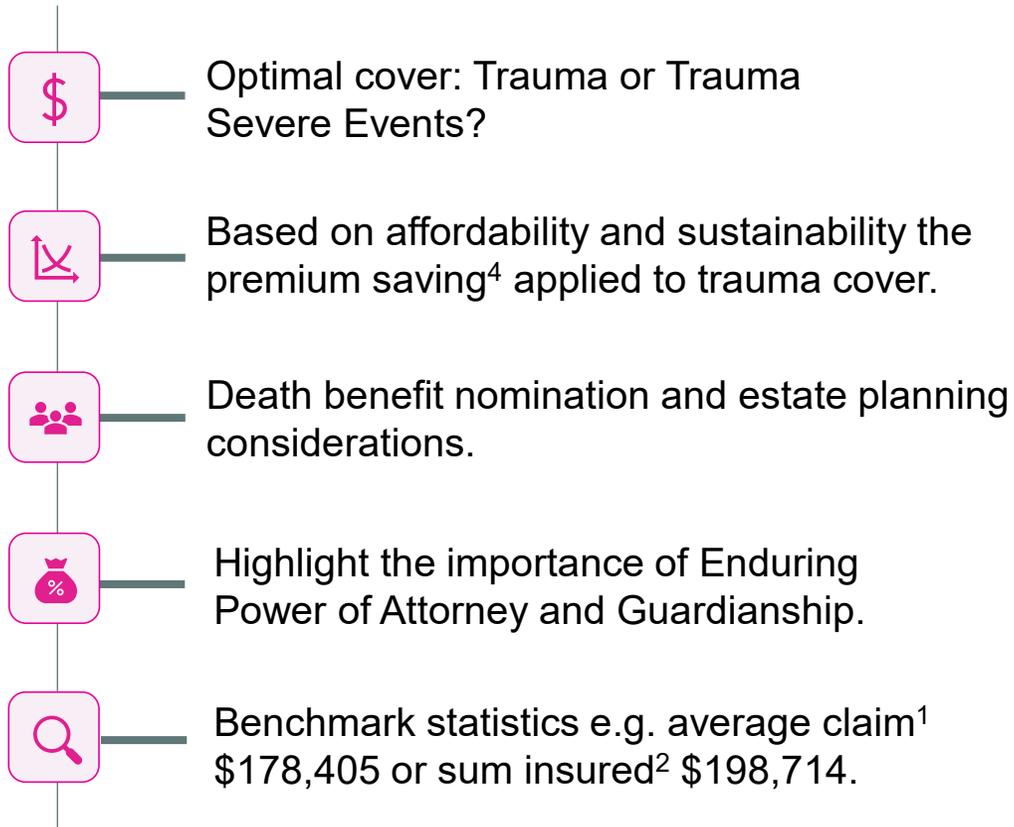


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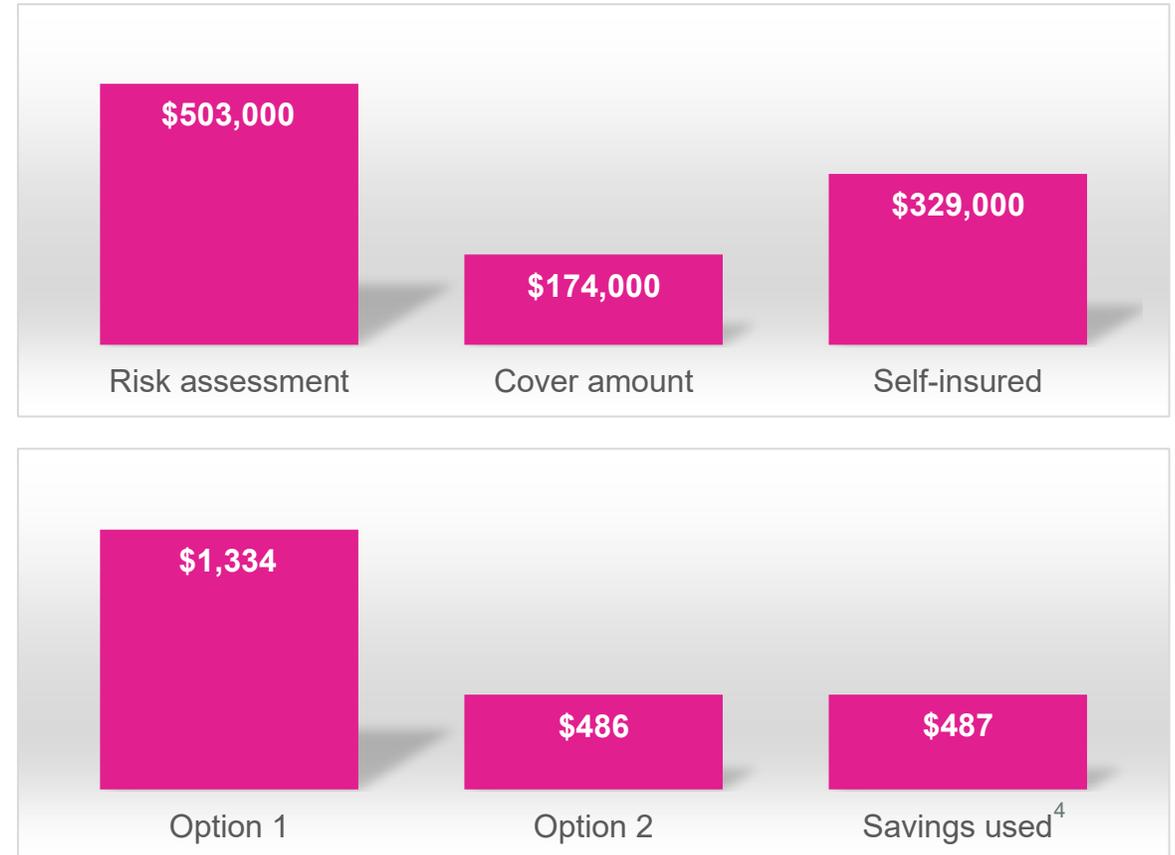
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Risk advice strategies

Strategy considerations- Trauma



Leveraging premium savings for enhanced risk protection³



1. APRA Life insurance claims and disputes finalised (Ind advised) December 2024
2. ClearChoice inforce portfolio (all years) June 2025
3. ClearChoice Trauma standalone with no options - Age 40, Male, non-smoker
4. Premium saving from Life and TPD applied to purchased trauma cover

Risk advice strategies

Final piece of the puzzle

Product ¹	Score	Year 1 premium	10 year cumulative
1	81 / 31	\$1,425	\$20,405
2	79 / 54	\$1,381	\$21,312
3	81 / 49	\$1,377	\$21,484
4	83 / 41	\$1,505	\$21,699
5	83 / 59	\$1,446	\$22,548
6	81 / 54	\$1,510	\$23,232
7	81 / 51	\$1,565	\$24,394
8	88 / 51	\$1,398	\$24,697
9	83 / 49	\$1,991	\$25,599
10	81 / 59	\$1,705	\$25,599

Role of product research:

- Premium modelling is important from a **long-term affordability perspective**, with a focus on the client's ability to retain coverage throughout the identified time frame.
- Qualitative research by comparing product ratings, **key features**, and detailed policy extracts. This approach ensures a comprehensive understanding of the strengths and limitations.
- Critical for **legacy products** e.g. agreed value IP
- Supports **informed decision-making** tailored to the client's specific needs and long-term objectives.

1. Iress: IP non-Super, Accountant, 40 Male non-smoker, age 65 \$7000pm
 2. Top 10 based on cumulative premiums

In conclusion

Risk philosophy and art of advice

- An insurance philosophy enhances consistency, improves client outcomes, and provides a clear framework for product recommendations.
- Affordability and sustainability over the agreed time frame form the cornerstone of acting in the client's best interests.
- Formulating the journey is just as important as reaching the destination, it ensures purpose and adaptability along the way.
- Educating and empowering clients enables them to make better-informed decisions about protecting their wealth and financial wellbeing.
- Our distribution team can assist in developing or reviewing your insurance philosophy.
- 3-part series - Life, TPD and Trauma, Income Protection - Let's Get Technical: How much is enough?



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