

# **5 INSURANCE HORROR STORIES THAT RUINED LIVES**

**...AND HOW TO AVOID THEM!**

# INTRODUCTION

Insurance isn't fun. It isn't always easy to understand, and hopefully you'll never actually have to claim on it.

BUT... it's very clearly there for a reason. It's to protect you in the case of unforeseeable misfortune – whether disease, an accident, a natural disaster, or a property tenant accidentally or even intentionally burning your investment property to the ground. Or destroying the property besides fire....

Since insurance tends to be a bit dry, we tend to rush through the process without asking the right questions with the result often being too much, too little or most commonly a nice round figure forced by a sales person who won't even be around at claim time!

What you need is a good advisor... that's your first line of underwriting – you need to make sure you understand your needs, have the right type of insurance, are paying the right premiums, and have the right advice come claim time. Without that, you're left VERY exposed...

That's why we created this special report. It's a simple and easy way to make sure you don't fall victim to these common mistakes. Make sure you read it carefully, and use the tips to make sure you get the best possible insurance for your needs.

Here are the 5 absolute horror stories that happened to ordinary NZers. Their livelihoods were turned upside down. And what you can do to protect yourself from being left out in the cold if you need to claim on your policy...

To YOUR prosperity,



**Vaughan Atkin**

Authorised Financial Advisor

## **Horror Story #1**

# **CELIA HAY MISSES OUT ON \$496,000 - INSURANCE COMPANIES GET AWAY WITH IT AGAIN...**

Celia Hay had spent 17 years dutifully paying her insurance premiums. Standard policies designed to protect her business (a top-performing restaurant in Christchurch) against all manner of misfortune.

Her businesses were successful – turnover of around \$1.2 million and employing up to 20 staff.

She also owned the building the restaurant was in, as part of a group of investors. This building also housed the NZ School of Food and Wine.

In all, she had 6 different insurance policies.

When the Christchurch earthquake struck, the building where her restaurant was located was severely damaged.

Celia naturally expected her insurance to cover the loss of rental income from the Food and Wine school. After all, that's why she had "Business Interruption Insurance" with one of her insurers for those 17 years.

And she expected that her paid cover would repair the damaged fit-out and pay for the loss of profits from the restaurant.

19 months later, she has only received \$32,000 on a \$529,000 policy.

Only one of Celia's five claims has been paid in full. The business interruption insurance was reduced by hundreds of thousands.

The building insurer has taken 19 months to make a decision whether to rebuild – which means the other claims couldn't be 'processed' until now. A classic stalling tactic designed to put you into the weakest position possible so the insurance companies can 'negotiate a settlement' with you.

The material damage hasn't been paid in full, and the interruption claim has gone nowhere.

Meanwhile, Celia is losing money daily and is facing insolvency action from a creditor.

How do situations like this occur?

It's to do with the fine print. Business interruption insurance can be 'adjusted' by the insurance claims. Adjustments can include reductions in payouts because of downward 'trends' affecting a business. In Christchurch, these adjustments have included 'depopulation' and 'wider area damage', which first appeared in Hurricane Katrina claims... in the US.

Oh, and for insurance for loss of revenue due to damage... the insurance companies will tell you that the loss of revenue isn't due to the damage, it's due to access to the premises (the no-go cordon). Never mind that the cordon is a result of the damage.

So what happens next? Insurers then seek settlements that are less than the full amount of cover. Businesses are forced to accept because they need the cash. Or... the insurers withhold payment based on this factor or that, until you sue them (which is difficult when your cash flow has taken a beating).

You want to make sure you don't end up in Celia's position. You may consider the actions of the insurance companies to be utterly unethical, but that won't get you paid out properly and it WON'T protect your business.

You need to be prepared, and you need watertight policies.

## How to avoid this happening to you!

Negotiate the longest business interruption cover possible. One year might be enough in the case of fire or a rebuild, but if there's widespread damage over a larger area, such as with an earthquake, you'll need 2 years.

Get professional advice before you lodge a claim, or do anything that might affect a claim. Policies are designed to be complicated – so you need someone who understands them to make sure you're not disadvantaging yourself.

Keep excellent records – you'll need these to prove your claim.

Make sure you get good policies.

**If you'd like to find out more** about how any of our insurance policies could potentially save you hundreds of thousands of dollars, you really need to give us a call on **0800 168 768** or email us at [info@lifefirst.co.nz](mailto:info@lifefirst.co.nz)

## Horror Story #2

# FINE PRINT COSTS SEAN KENZIE \$90,000 - HE THOUGHT HE WAS 'COVERED'!

Sean Kenzie, 28, like many NZers, enjoys the sights, sounds, and flavours of Thailand. Given Thailand's reputation as a fantastic holiday destination, with a few dangers thrown in, he's always careful to take out travel insurance.

When a motorcycle crash landed him in hospital with punctured lungs, a split liver, four broken ribs and a disfigured jaw, he needed some extensive treatment. Treatment that racked up a medical bill of more than \$90,000. Fortunately, his medical insurance would cover it... or so he thought. He only discovered after his accident that the insurance didn't cover riding a motorcycle. Even after receiving donations, he's still deep in the red.

It's not just about having insurance, it's about 'understanding' insurance. He urged people travelling overseas never to overlook the fine print.

"Nothing might happen and you might think it's a waste of money but there is that 1 per cent chance that you could end up like I was and you really need it. You really need it," he said.

And don't rely on reciprocal healthcare agreements to look after you.

These agreements do not cover all costs that arise when an accident or emergency medical situation occurs - such as ambulance travel, medical support and flight costs for repatriation to New Zealand, or bringing a family member out to support you. These costs can be seriously expensive.

You need travel insurance that will REALLY protect you, and not leave you out of pocket.

## How to avoid this happening to you!

Make sure you understand exactly everything that is included and what is not. If something happens, know exactly who will cover what costs.

Don't underestimate the potential medical bills. Make sure you get good policies.

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## **Horror Story #3**

# **THOUGHT SHE WAS COVERED... SNEAKY LOOPHOLE THAT COST CATHY HER CAR!**

Most people in NZ carry some level of car insurance. You fill in the forms, which are admittedly among the easiest of insurance policies to take out. These can even be done over the phone or online (which are a practical minefield of loopholes that the insurance companies can and WILL use to deny your claims).

You've filled out the form exactly as required – all honestly, and so it seems watertight.

At the time Cathy (not real name) did this, her son Andy (not real name) wasn't yet a driver. 4 years of premiums later, and he had started driving (and also amassed a few traffic convictions – including two for drink driving).

Seven months after her most recent policy renewal, Andy crashed the car – he'd been using Cathy's after his was confiscated.

Because Cathy had simply 'rolled over' her old policy, that meant that technically, she'd failed to update her insurance company about these convictions when the policy was renewed.

She had not disclosed the drink driving offences.

It didn't matter that her son had mended his ways and was not drunk at the time of the accident.

It didn't matter that he was listed as a potential driver of the vehicle.

All that mattered was that she had failed to tell them of his driving record. The insurer decided that Cathy had an ongoing responsibility to let them know of any circumstances that might be relevant to the policy renewal.

Failure to disclose even the tiniest detail meant Cathy was left without a car, and without any insurance payout.

And here's another shocker you need to be aware of...

You don't need to be convicted of drink-driving to have your insurance claim declined. Even if you pass a breath or blood test hours after an accident, insurers can use experts to determine what your alcohol level would have been at the time of the accident and, thus,

decline a claim.

Another fishhook, which Insurance Ombudsman Karen Stevens saw all too often, was claims being declined because drivers lied about their drinking.

“If you say you haven’t been drinking and you’ve had a couple of drinks that is grounds for the insurer to decline the claim.”

In some cases, even one drink can scuttle your claim and leave you penniless.

The Ombudsman also cites the case of a single mother who bought a car on finance. On renewal of her insurance policy, she failed to declare that a new partner with criminal convictions had become a regular driver. When the partner wrote off the car in an accident, the insurance company declined the claim for non-disclosure. (Imagine how fortunate it is that he hadn’t just run into a brand new Ferrari!)

**It went on to cancel her household insurances because of the partner’s presence in the house and, as a result of having no building insurance, her mortgage was foreclosed.**

Harsh as this may sound, such tales are not unusual. Remember, insurance companies are incentivised financially to find reasons not to pay out your claim. You need to outsmart them...

## **How to avoid this happening to you!**

The key to avoiding this kind of problem is understanding EXACTLY what points you need to disclose to the insurance company. It might result in a slightly higher premium now – but at least you’ll get paid out properly later. After all, that’s the whole point of getting insurance in the first place.

Make sure you declare everything – if you’ve got convictions, the vehicle has been modified, or if family members are going to be using the vehicle.

Also, make sure you have a good insurance advisor. Don’t rely on the insurance companies to ask all the right questions – remember, it’s in their interests for you to accidentally leave something out. And make sure everything you’ve told them is noted in the policy.

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## Horror Story #4

# \$80,000 BILL FROM THE INSURANCE COMPANY!

Ever arrived home late, exhausted and hungry?

You put something in the pan, sit down to watch TV and fall asleep. That's exactly what happened to Rachel Gough, 25.

The resulting fire caused \$80,000 in damage.

Not to worry, the landlord is insured, so it'll be covered. After all, that's what insurance is for, right? Sure enough, the insurance company, in this case the insurer DID pay out the landlord.

Then they sued her for the \$80,000 because her negligence caused the fire. She was forced into bankruptcy.

If she had a contents insurance policy that covered personal liability, she would have been fine.

With this in mind, no one should move into a rental property - including teenagers going flatting for the first time - without contents insurance, even though the more people you have in the flat the harder it is to get insurance and the higher the excess will be.

Even then, it can be a minefield or small print and conditions, most of which the insurance company won't explain properly, such as 'a reasonable standard of care'.

That's the key reason you need a personal insurance advisor - to mitigate any risks inherent in your situation.

## How to avoid this happening to you!

Make sure you have a good policy, whether you're renting, living in your own home, or a landlord. Without insurance, you're leaving your prosperity to chance...

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## **Horror Story #5**

# **ONE LEG MISSING? NOT DISABLED, NO \$120,000 PAYOUT SAYS INSURANCE COMPANY.**

We all like to think we're bulletproof and invincible. If we're forward-thinking enough, we take out various insurance policies to cover us in case of accidents, injury or illness.

That's exactly what John Fenton did. As a painter and decorator, he wanted to make sure that if anything happened, he'd be covered. He took out an insurance policy for \$120,000.

Then the unthinkable happened. He lost a leg.

The \$120,000 payout would cover getting an automatic car, rehabilitation, and let him retrain.

Until his insurer pointed to the fine print, which stated that he wasn't disabled. In order to be disabled, he needed to lose TWO limbs. Losing just a leg wasn't enough.

Naturally, this was news to John. He'd taken out disability insurance, and like most of us, figured that loss of a limb, meaning he could no longer work in the same job, would be covered. After all, it's a very traumatic experience and one that by any normal definition would qualify as 'disabled'.

But deep down hidden in the myriad clauses, was a condition that two limbs had to be lost.

Today, John scrapes by on an invalid's benefit. It's \$250 a week.

This is just one example why you MUST have your entire policy checked. There's no point paying years and years of premiums, just to have your insurance payout rejected over some small condition that was there from the start.

On the other hand, you need to make sure you HAVE insurance so that you're protected against unfortunate eventualities. It's a fine line, but so important to your livelihood to get right.

Another way insurance companies give themselves some wiggle room is through 'pre-existing conditions'. If you have an illness, or have had it before, or even if you're had the precursors of that illness, you won't be covered. Same goes with 'experimental' medicine.

Insurance is absolutely critical to making sure you'll be able to survive in the event something happens – but what's even more critical is making sure you have the right policies that ACTUALLY respond when that 'something' happens.

## How to avoid this happening to you!

Health insurance is one of the most complex areas of insurance. It's well worth having an expert broker organize your insurance for you. Without that, the hundreds of clauses in the contract can leave you high and dry.

Make sure you have a good insurance advisor who KNOWS insurance backwards and will be your advocate at claim time. Only then can you feel safe that you're actually covered properly.

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## AND IT DOESN'T STOP THERE...

If you expect ACC to cover you, think again. Only 1 in 30 claims are for accidents. The other 29 are for illnesses that won't be covered by ACC. And how much do common procedures cost?

Here's a table below – how far would it set you back to have to pay out for a hip replacement in the next couple of years?

Health Service	Cost
Angioplasty with Stents	\$26,000 - \$30,000
Cardiac Bypass	\$45,000 - \$60,000
Valve Replacement	\$49,000 - \$65,000
Hip replacement	\$26,000 - \$30,000
Prostate Bracytherapy	\$26,000 - \$32,000

The statistics around insurance are frightening. 1 in 6 males will not make it to the age of 60. Take your class of 30 at high school – 5 of them won't be around when you're 60 and if they don't have life insurance, their families may well be left with no income provider and a mountain of debt.

## **FREE Consultation:**

# **HOW TO GET THE RIGHT INSURANCE POLICIES THAT PROTECT YOU AND DON'T LET THE INSURANCE COMPANIES WRIGGLE OUT OF THEIR PAYOUTS**

If you're looking at doing the smart thing and making sure you have insurance, congratulations. You've taken the first important step in taking responsibility for yourself and your family.

The second, equally important step is to make sure you get the RIGHT policies. Not just tick the boxes on an online form (a cleverly-created minefield of tricks that favour the insurance companies).

## **Here's some great news:**

Right now, you can get a free, no-strings attached, insurance policy health check with one of our experts at LifeFirst Insurance.

The purpose is not to sell you any new policies. The purpose IS to make sure that your current policies will respond in the event of 'the unforeseeable' and that you will be covered.

## **You'll also discover:**

- Why the cheapest health insurance policy **will probably not respond in the event of a claim** (too many conditions – remember, it's cheap for a reason).
- What kinds of insurance you need to **protect your property**, whether you're a home owner, landlord, or tenant.
- How to avoid the small mistakes that **cost people hundreds of thousands of dollars every day** in NZ. Non-disclosure, mistakes on the insurance form, loopholes, etc...
- How to make a claim that will be successful – **what to tell the insurance companies** and avoid their wriggling out of payment because you say something 'open to interpretation'.
- Why you **always need to talk to an advisor** before making a claim – so you **get your money** and the insurance companies don't rip you off.

To set up your no-obligation and no-strings-attached Insurance Policy Health Check, simply call our office on **0800 168 768** or email us at [info@lifefirst.co.nz](mailto:info@lifefirst.co.nz) NOW! One of our experts will be happy to schedule a time to meet with you face to face.

You simply can't afford not to take advantage of this opportunity.

We're even happy to travel to you. Simply call us on 0800 168 768 and tell us where to be.

**But please don't delay.** Getting the right insurance coverage is critical. Don't put yourself—and your family—at financial risk. Call us at **0800 168 768** and schedule your FREE, no-strings consultation today.



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