

2202AFE Assignment – Risk Management Strategy

Case Study Trimester 2, 2019

DUE DATE: 11:00am Friday 6 September 2019 (Week 8)

Background:

The purpose of this assignment is to test your knowledge of life risk products as well as your understanding of risk management as it applies to personal risks and application of strategies in an applied context. It is also designed to test your ability to develop appropriate assumptions and apply innovative and critical thinking in solving problems, as well as your written communication skills and professional reflection skills.

Required:

You are required to write a strategy paper to address the **Bell family** case study (outlined below). The strategy paper should describe generic strategies as well as provide recommendations for specific insurance products to meet Eleanor and Chidi's objectives.

The scope of your advice is limited to wealth protection using **life insurance** products discussed in class in Topics 4 and 5 as well as drawing on relevant content on life insurance from other topics.

Provide any materials or links to materials to support your advice as appendices to the strategy paper.

Appropriate style and tone should be used as well as writing clear, concise, and customised recommendations for the clients.

Note: *General* insurance (e.g. home and contents, car insurance, health insurance, etc.) is out of scope for this assignment.

Your strategy paper **will be typed into the attached template.** Do not alter the font style (Arial) or margins. You may add headings, colour and adjust font sizes where appropriate (minimum 10 point font in text and 8pt font in tables).

The length of your strategy paper **should not exceed 10 pages** single spaced including the tables already in the template, but the word limit excludes appendices and the compulsory supplementary appendix.

NOTE: You MUST also complete the electronic coversheet when you submit your final assignment or your assignment will not be marked.

The pre-recorded lectures and readings for Topics 4 and 5 of the course outline the main life insurance products generally available in the market and their role in addressing personal risks.

The focus of the assignment is on the application of strategies and life insurance products to meet the needs (and best interests) of your clients. It will require you to conduct research into real world insurance products and Xplan 'risk researcher' will be made available to you for this purpose. To assist, supporting resources, including a household budget template and example risk strategy (RG90) is also available to you in the assignment information on the course website.

You will need to calculate and recommend an appropriate amount of cover for insurance as part of the assignment, including a full needs analysis (completed using 'risk researcher' in 'Xplan') with detail on underlying assumptions.

In practice, you would seek further information from your client to properly address your client's needs and make appropriate recommendations. However, for the purposes of this assignment, **you will need to make some assumptions** in your strategy paper. For example, you may need to make assumptions about the amount of superannuation that the clients require or already have if that information was not provided in the case study, assumptions about their assets, liabilities and living expenses; assumptions on dates of birth and the clients' preferences for providing care, etc in the event of a major illness or disability.

Overall, however, marks will be awarded for the application of strategy and careful research on the form of the insurance products you recommend rather than just assumptions about the level of cover required. Although the needs analysis is important, the risk/insurance **strategy** you recommend is also a focus for this written assessment. A marking rubric is available under the assessments tab for this assignment for your reference.

Case study for 2202AFE Written Assignment:

'Chidi and Eleanor Bell, and their two kids (Janet and Tahani)'

Chidi Bell is 42 years old. He is married to Eleanor who is 36. They have two children Janet (age 4) and Tahani who is 2 years old. They live in 'Good Living Heights' in Brisbane.

Chidi works full-time as an IT Manager for a large privately-owned company. He has an income of \$150,000 including super. Eleanor is currently engaged in home duties although she does work part-time (18 hours per week) as a specialist literacy teacher for a state school (earning \$60,000 part-time including super). Janet and Tahani attend childcare while Eleanor is at work, although Janet will start in school (Prep Yr) at a state school next year.

Chidi works unusual hours and is often on call during the evenings and at weekends. His job is very stressful and he hasn't had any time off in many years. He has 10 weeks of accumulated annual leave. Eleanor has a full-time, permanent job with Education Queensland as a teacher, but has been on extended maternity leave since having children only returning to work part-time 7 months ago after the Tahani's second birthday. Once Tahani is at school (Prep), Eleanor intends to work full-time again – her employment arrangements allow her to do this smoothly. Eleanor does not have any annual leave accrued but does have 4 weeks of sick leave available if needed.

The Bell family live in Good Living Heights, have a mortgage of \$450,000 and plan on doing another \$50,000 of renovations in the next 3 months. During the course of applying to extend the mortgage to complete their renovation, a friend asked Chidi and Eleanor whether they thought they had appropriate life insurance or not. They conceded that they really did not know if they had adequate cover.

Eleanor knew she had default life insurance with QSuper from when she started teaching which currently sits at:

Life insurance: \$375,000

TPD insurance: \$375,000

IP: 90 days waiting period, 2 year benefit period

For more details (and to calculate the premiums), see the Accumulation Account Insurance Guide at: <https://qsuper.qld.gov.au/our-products/insurance-options/default-insurance-cover>

Chidi has an industry super fund but **does not have any** insurance cover in it.

The lending officer pointed out that they were dependent on Chidi's income primarily but also Eleanor's income, particularly when she returns to full-time work. Should that income stop for any reason, the family would not be able to meet its commitments. The lending officer has referred Chidi and Eleanor to you for advice.

Eleanor is particularly concerned as her cousin has recently had bowel cancer. She is also worried about Chidi as his job is stressful and demanding. In addition, recent blood tests show that his cholesterol levels have been rising over recent years, although not in the range that would require any medication.

Although Eleanor is anxious to get cover in place for Chidi to maintain their lifestyle, she feels that cover for her is unnecessary as the cost of premiums could be more effectively spent on cover for Chidi. Chidi agrees with this but would prefer to wait to get insurance until he gets his cholesterol under control. He is concerned that his cover will be declined or that the premiums will be higher than expected.

Neither Eleanor nor Chidi have smoked since Eleanor first got pregnant.

Assume you have since completed your client interview and fact find and complete the attached template. NOTE: YOU WILL NEED TO MAKE SOME ASSUMPTIONS. PLEASE DETAIL THE ASSUMPTIONS YOU HAVE MADE ABOUT THE BELL FAMILY'S ASSETS, GOALS AND CIRCUMSTANCES.

You are now ready to write up your wealth protection strategy assignment. See the template provided for this strategy.

Key points to consider to get your thinking started:

What are Eleanor and Chidi's assets and liabilities in their balance sheet (make assumptions where needed)?

What are Eleanor and Chidi's (S.M.A.R.T) risk management objectives?

What is the priority for the objectives?

What is the importance for Eleanor and Chidi of considering insurance as part of their overall financial plan?

What are the consequences of Chidi not having adequate insurance cover? What about Eleanor?

What is the role of different types of insurances in a well-structured risk management plan?

What are the benefits of each type of insurance?

What strategies have you considered?

Do you agree with Eleanor and Chidi that their money is best spent on maximising cover for Chidi rather than taking out cover for Eleanor?

Do you agree that Chidi should wait until his cholesterol reduces to a normal level before he applies for cover? Why or why not?

What products have you recommended and why? How do they meet Chidi and Eleanor's needs?

What are the risks of implementing (or not implementing) the advice?

What are the ramifications of not making a full disclosure to the insurer?

Why is the review process so important when it comes to giving advice on insurance?

Is your explanation clear and concise and in terms that your clients can understand?

Checklist – the basics:

	Is my assignment within the page limit? 10 pages plus appendices
	Have I used the SMART goal format from Topic 5A slides?
	Do I have enough SMART goals eg approx. 8?
	Did I include a household budget as an appendix?
	Did I complete the assets and liabilities tables – and make assumptions where needed?
	Have I calculated the surplus income the client/s have based on post-tax, post-super income and household budget?
	Have I completed all of the sections of the template provided?
	Have I included existing insurances?
	Have I included superannuation balances, including any assumptions?
	Have I sufficiently and appropriately justified my choice of premium structures for each of the insurances?
	Have I included all appropriate insurances for each of the clients?
	Have I given appropriate warnings where needed e.g. 3 yr rule if cancelling insurances?
	Have I completed the recommended cover table with enough detail for it to be a standalone reference for clients?
	Have I maintained consistency between amounts of insurance cover needed between goals, needs analysis and recommended cover?
	Did I outline alternatives, advantages and disadvantages?
	Is the total of my premiums well within the income surplus of my clients?
	Have I included relevant issues in the review section?
	Have I taken into account the working hours threshold/limit for Income Protection insurance?
	Have I outlined whether TPD is any or own occupation and sufficiently justified that?
	Have I justified my waiting period and benefit period for Income Protection?
	Have I checked that I have not left the client potentially worse off?
	Have I completed the Compulsory Supplementary Appendix for my assignment?