



AUSTRALASIAN
CEMETERIES & CREMATORIA
ASSOCIATION

July 2013

Funeral Insurance Schemes

Addendum to ACCA Position Statement (Feb 2013)

Members will recall in February this year ACCA released a Position Statement on Funeral Insurance Schemes. Since then, further information has been gathered on these schemes and we feel that it is important to communicate additional information for the benefit of all ACCA members and their client families.

The key concern around Funeral Insurance schemes is the fact that they are simply an Insurance policy dressed up to look like something that is purpose built to cover for the costs of a funeral and memorialisation/burial. There are numerous pitfalls that come with these schemes and it is important that you and your client families understand what they are.

One of the more specific concerns about funeral insurance schemes is the risk that the amount paid in premiums will far outweigh the actual cost of the funeral and memorial. Remember that this is an insurance policy not a bank account. Premiums paid are not put aside to accumulate in your name.

With a Funeral Insurance Policy you are simply insuring the cost of a funeral (which may or may not include the cost of memorialisation/burial) for an amount of time. That is, the amount of time between when you commence the policy to the time of your death. This could amount to many, many years and therefore many, many premiums.

Further, should any premium(s) not be paid (and your policy therefore lapses) then all of the premiums paid since the start of the policy could be lost completely, leaving the policy holder with no money put aside for the cost of funeral/memorialisation expenses.

The Australian Funeral Directors Association (AFDA) has done a considerable amount of research on the issue of Funeral Insurance Schemes. They have communicated widely to not only their members, but also to State and Federal Government departments as well as other groups such as the ACCC (Australian Competition and Consumer Commission), to highlight the many dangers these types of schemes can present to people who are seeking to prepare and plan ahead for their future funeral and memorialisation expenses.

ACCA, in concert with the AFDA believe that funeral insurance products and their advertisements are misleading and do not provide Consumers with the full facts, resulting in Consumers entering into contracts without a full understanding of the product.

Here are some bullet points highlighting common pitfalls of Funeral Insurance Schemes as set out by the AFDA:

- Life insurance products that use the term 'funeral plan' in their marketing are misleading as the benefit is not and cannot be assigned to a funeral director, and therefore there is no guarantee that the monies will be used to pay for a funeral. There is also no provision in the process to actually pre-plan the type and style of funeral required. People believe they have paid for a funeral when in essence they simply have life insurance which may be used for any purpose when paid out to their beneficiary.
- There is a total lack of transparency involved in the sales process when discussing premium increases after the age limit for acceptance has been reached (usually 80yrs old). Generally speaking premiums are not fixed and future price rises are not discussed at all during the sales process which generally takes place over the phone. Age restrictions usually apply (i.e. under 80) and premium increases after that age has been reached are not clearly disclosed.
- Lack of adequate disclosure of the cost of the policy, with advertising tag lines such as "for the cost of a cup of coffee a day", when in actuality fact premiums are age dependent and rise steeply depending on age. Independent research shows that after approximately seven years one pays more in premiums than the actual cost of the funeral. Many vulnerable consumers are getting caught out by insurance premiums that start low, but rise sharply as you age.
- As an example, if you take out a \$6,000 funeral insurance policy when you're 60, by the time you're 75 you will have paid more in premiums than the value of your benefit. And if you live to 90 years of age, you will pay between \$64,000 and \$84,000 in premiums. However, with a pre-paid funeral, consumers pay \$6,000 today and that's all they ever pay.
- Our Members are now reporting elderly clients approaching them who have been paying insurance premiums for the last few years but can no longer afford the rising premium, but feel trapped because if they stop they have no funeral plan cover and they can't afford to lose the \$4000 or \$5000 they have paid in premiums to date. This situation will only increase in the years to come.

For a copy of the AFDA Brochure on Pre-Paid Funeral options (including Funeral Insurance Schemes) please refer to the following link to the AFDA website -

[http://www.afda.org.au/media/member/Prepaid%20Funerals%20Vs%20Funeral%20Insurance%20Final%20Brochure\(1\).pdf](http://www.afda.org.au/media/member/Prepaid%20Funerals%20Vs%20Funeral%20Insurance%20Final%20Brochure(1).pdf)

ACCA fully supports the AFDA and their position on Funeral Insurance Schemes and appreciate the sharing of information in this regard for the benefit of all members.

For more detailed information on the AFDA's review of Funeral Insurance Schemes we encourage you to contact the AFDA at info@afda.org.au or on (03) 9859 9966, or speak to your local AFDA Member.