



# The last question you should ask first

Examining personal uninsurability

Drew Browne

**I**t is a uniquely Australian experience. Every few years, the north-eastern coast of Australia is devastated by catastrophic floods or bushfires. Lives, homes and businesses are swallowed up. The media descends, and we hear the same questions on a loop—'Why do people still build here?' or 'Why do businesses stay?' and inevitably, 'Don't they know it's a flood zone?'

The question that is often overlooked and the one that truly matters is, 'What happens when you become uninsurable?'

## The uncomfortable truth about uninsurability

We acknowledge this uncomfortable reality and understand almost instinctively, that a postcode can become uninsurable. A line is drawn on a map, and suddenly, the risk to insure is too great. The safety net is gone.

However, we rarely talk about how this same crisis affects not only postcodes, but also people. You can have your own personal flood zone, and you won't hear a weather warning. You will just feel the water rising around your ankles when it's already too late.

Think of it as a ticking clock in your own biology. One unexpected medical diagnosis. One shift in your family's medical history and the alarm goes off. Suddenly the line is not on a map, it is drawn

around you. The door slams shut. Factors concerning your health have made you uninsurable.

And if that happens the day after you've signed the mortgage, launched the business, entered the partnership, purchased the franchise or guaranteed that loan—it is too late. You have locked yourself into a risk you can no longer transfer.

## The unasked question

In my work as a specialist risk adviser, I see the aftermath of this phenomenon too often. I see smart, ambitious people—business owners or families taking on a new mortgage, partners buying into a venture, franchise or exciting opportunity, intended parents going through the process of IVF or even surrogacy—who took all the right steps except for one. They did not ask the most important question first—'Can I get insurance?'

## Why (some) advisers stay silent

It is time for an honest look at what happens when you become uninsurable.

Were you properly guided to have a conversation about managing your personal risks when you got married, became a parent or even a surrogate, became a joint mortgagee, a business partner or franchisee, or lent money for a home deposit to your adult child?

If the answer is no—if you were not pushed to explore this fundamental question—then you have not just been poorly advised, you have been critically under-advised.

Why is this conversation so often avoided? For many in the financial world, the primary focus is on wealth accumulation. Paying for insurance premiums can mean less to invest, and if remuneration is tethered to the level of funds under management—you can see why this topic may receive less attention than it deserves.

However a financial plan that ignores personal risk is not a plan—it is a gamble. Failing to have this hard conversation about risk management is not just an oversight—it is a critical failure of advice.

### Life's wicked problems

This serious gap in risk advice has profound implications when it comes to managing personal risks. In our personal lives, the most difficult risks are those that have both emotional and financial consequences. These wicked problems, if you like, can cloud our judgment, especially when thinking about outcomes that may not work out as we expected.

While the focus of a financial plan often remains on wealth, the true measure of a sound plan lies in how it addresses these complex challenges that overlap life, love, and business.

Let's take a hard look at the real-life issue of suddenly finding out you are either uninsurable or hard to insure, and how that affects the management of your personal and business risks.

### Getting the sequence right

Most people agree that successful life and business decisions come from good timing and taking considered steps in the right sequence.

For business owners and their families making crucial personal decisions or considering a new business venture or partnership—how does the important conversation about the risks begin? How does this look for a double-income family looking to take on a double mortgage through the purchase of an investment property? Or, for those going down the SMSF route, what are the right questions to ask before you sign the paperwork and become the directors of a corporate trustee company?

### Two foundational questions to start with

Banks deal with you commercially—they expect that you have carefully considered (even been advised about) the consequences of the financial decisions you make, just in case things don't pan out as you had hoped. Read the fine print in any home loan agreement and you will see you are required to keep your property appropriately insured for the term of the mortgage debt, including against fire and floods.

Here are two challenging questions—one commercial, one personal—that you should have solid answers for:

- What risk management sequence should you follow before committing to this big venture?
- What level of personal courage is needed to step away—professionally or personally—if you realise the risks outweigh the potential rewards?

Let's return to the basic components of managing personal and business risks, and in particular those risks that overlap and can affect us all any day.

### You can't avoid risk, but you can manage it

In both life and business, managing risk is essential—but that doesn't mean avoiding it altogether. The personal and professional spheres often overlap, and we shouldn't overlook the influence of relationships and emotional ties. These deserve thoughtful consideration and respect in our decision-making.

Risk management is a ceaseless, evolving art. Today, crossing a busy road demands a triple-check while navigating a footpath requires a new dance due to the omnipresence of e-bikes and delivery scooters.

### A simple framework

How do we deal with all the things we cannot control? Often risk management frameworks feel like they were designed by committee to be 'weaponised' as an exercise in strategic avoidance—rather than a practical tool.

Let's simplify. When it comes to the big, life-altering risks—those with the potential for both emotional and financial fallout—there are four choices.

#### Avoid

Some risks are not worth taking and should be avoided. Generally not an option for starting a family or a business.

#### Accept

This amounts to crossing your fingers and hoping for the best and is a terrible strategy for anything you cannot afford to lose.

#### Manage

Appropriate for everyday risks, for instance insuring your car.

#### Transfer

This is the one that matters the most and applies to life and business risks that could be catastrophic, like sudden serious illness, disability or death. The risks that have outcomes that are too great to bear alone must be transferred. You shift the financial burden to an insurance company whose entire business is built to carry the risk for you.

The real hurdle is not the insurance policy process or premium, but rather the mindset that 'it will never happen to me'.



#### The quote

*A financial plan that ignores personal risk is not a plan—it is a gamble.*



**Drew Browne,**  
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Drew Browne is owner and senior financial adviser at Sapience Financial. An award-winning Writer, Speaker, Financial Adviser, and professional mentor, he works with small-business owners and their families to help them protect themselves from their business. Having worked in financial services for over 25+ years, Drew's background in law and professional advice have earned him a reputation as a no-nonsense adviser and a formidable advocate for his clients, friends and supporters.



### The quote

*The risk of being uninsurable is not a niche problem, but one that hangs over anyone making a significant financial or life decision.*

## Nothing bad will happen

This mindset and resultant avoidance of thinking about the worst that could happen is not limited to any specific type of person, budget or postcode. It is widespread and impacts everyone with something to build, something to protect, or a life in motion.

### Who is at risk?

The risk of being uninsurable is not a niche problem, but one that hangs over anyone making a significant financial or life decision.

Consider the three following categories:

#### The builders:

This applies to anyone taking on debt to create something new, and could include:

- launching a business
- signing the mortgage on a home or investment property
- securing a commercial loan
- buying into a partnership or franchise, or
- developing a property

While debt is the fuel for growth, your personal insurability is the foundation you build on. Without it, whatever you are building and anyone you are building it with is at risk.

#### The protectors:

This could be anyone making significant moves to secure their families' future.

It includes:

- lending money to your children for a home or other large undertaking
- acting as a guarantor on a loan
- setting up buy/sell agreements to protect your business partners, or
- navigating the blending of finances of a new family after remarriage.

#### The transitioners:

This applies to people whose lives are in a state of change and includes:

- changing careers, especially from the perceived safety of a corporate job to going out on your own
- dealing with the financial reset that comes from being made redundant
- untangling the financial and emotional complexities of divorce
- planning for a hard-earned retirement—whatever that looks like today

These major shifts in circumstance represent a new chapter and a potential fault line where your insurability can unexpectedly crack.

## Are you too close to the problem?

Often the question of insurability is deferred until the eleventh hour. After months of investing in a project, insurance becomes a grudge purchase—the last box to tick.

When the final unwelcome answer is 'no, you cannot be offered insurance', the sunk cost fallacy can take hold and the belief that 'we have come too far to turn back' overrides sound financial judgment.

Risk tolerance and what can realistically be managed will vary by individual and circumstance. But human nature is such that being too close to a problem, especially a complex situation, can affect our perspective. Sometimes, we are simply too close to see the bigger picture. And understandably, few are eager to initiate difficult conversations.

The conversations we have and those we avoid frame how we engage in the world around us. When we habitually avoid difficult matters, we fail to develop the skills to learn and integrate them into our life. Avoidance only feeds the problem and we unconsciously find new ways to ignore it. This is dangerous when it comes to risks that have major emotional and financial consequences

## Managing risks with intentionality

For those risks that are simply too big, using life and disability insurances to carry them for you, your family and your business is essential, intelligent planning.

Remember—the main obstacle is not the cost, but denial that a disaster will ever happen.

The first step is to take control by understanding your insurability. The second is to act on that insight and ask—what should I do next to lay the foundation for a secure future? Otherwise you risk building a life that's vulnerable to damaging shocks and surprises.

Maintaining composure under pressure starts with having the most difficult conversations upfront—before they become urgent. Whether you're building a business, a partnership, or a secure future for your family, success depends on getting the sequence right by having the foresight to ask, 'Wait, can I even get insurance for this?'

Because the cost of not asking early may be far greater than you know. **FS**