

Insurance for Your Life and Lifestyle

Insurance for Your Life and Lifestyle Having adequate insurance to cover possessions such as your house, contents and car as well as those intangible assets such as your ability to earn an income to pay the mortgage in times of illness or disability is an essential part of good financial planning. Life insurance can provide you or your dependents money at times when it's needed most such as in the event of your death, disability, long-term sickness or injury. Having adequate insurance cover can provide you and anyone who depends on you security and peace of mind if any of those circumstances happen rather than leaving you and those that depend on you exposed to the risk of financial hardship.

There are a number of different types of life insurance. Some are investment-type policies which have life insurance cover as well as an investment element. Often these types of policies can also be incorporated into your superannuation arrangements. In fact most superannuation funds have cover which pays benefits on the death or total disability of the member and it is now becoming common to also provide continuation of salary during periods of sickness or disability. Other policies are designed to cover risk associated with operating a business where the business or business partners rely on you or others as an essential part of operating that business. At the very least life insurance can provide protection for you and your family should something unforeseen and unfortunate happen.

Insurance for your life and lifestyle is usually referred to under the following terms:

Income Protection Insurance and Sickness and Accident Insurance

Trauma Insurance

Term Life Insurance Total and Permanent Disability Insurance

Business Insurance such as Partnership and Key Person Insurance

Not all insurance brokers deal with life insurance. However many brokers can arrange all your life insurance needs as part of your overall risk management plans either directly through their own brokerage or in association with other licensed advisers. Professional advice can help because premium costs vary considerably as do the various policies and definitions, exclusions and benefits.

Life insurance can also be available as part of your superannuation arrangements whether you are self-employed or working for someone else. There are also taxation implications when arranging your life insurance and a professional adviser can help with all of these important issues for you, your family and your business if appropriate. In fact life insurance should always form part of your overall risk management strategy and this is where a broker is ideally placed to take a holistic

approach to all your insurance needs. Remember that it pays to know what you're covered for when it comes to something as important as your life. Find a specialist in this area and select.

Income Protection or Sickness and Accident Insurance

Your earning capacity is usually your greatest asset, but not everyone thinks to insure it. This cover can insure usually up to 75% of your normal income if you are prevented from working through sickness or accident. It's particularly suitable for self-employed people, and full-time employees to cover loss of income because of accidents outside working hours and sickness.

There are different policies available with different definitions of disability.

Waiting periods prior to the commencement of benefit payments can vary with longer waiting periods generally resulting in reduced premiums. Care needs to be exercised as you would be relying on your own financial resources during the waiting period. Other features include varying lengths of benefit payment periods for sickness and accident after which benefits cease. Generally all policies cease paying benefits when the person insured reaches 65 with shorter payment periods such as two years being available. Some include accident but not sickness and some are not guaranteed renewable when you have had a claim, change occupation or pastimes such as sport or risky activities.

‘Guaranteed renewable’ policies are usually referred to as ‘Income Protection Policies’ and the insurer will invite renewal regardless of your continuing health or claims in the previous policy year. Policies which are renewable yearly at the insurer’s discretion are known as ‘Sickness and Accident Insurance’ policies. Each year the insurer has the option whether or not to invite renewal based on the previous policy year claims experience and any change personal circumstances. Sickness and Accident insurance policies are usually cheaper and available to a wider range of occupations than are Income Protection policies. Income Protection policies on the other hand are usually only available to less risky occupations.

Some Income Protection policies are particularly appropriate to small business as they can provide, in addition to income replacement for the business operator, cover for overheads incurred by the business during the proprietor’s incapacity. This could assist by allowing the owner to bring in a temporary replacement to keep the business operating. An example of this would be a doctor who brings in a locum to keep the practice operating. An insurance broker is the ideal person to be able to assist small business owners when looking at the total needs of the client

when assessing the consequences of 'business interruption' and the total insurance needs of their client.

Many superannuation schemes provide a similar benefit commonly known as 'Salary Continuance'. Generally the benefit becomes payable if the member is sick or has been injured outside of work and all other leave has been exhausted. The salary continuance is normally only paid for a maximum of two years after which time the member must use their own financial resources unless they have been deemed totally and permanently disabled which might entitle them to a lump sum benefit from their superannuation fund. It is common for employees who have a salary continuance benefit as part of their superannuation arrangements to also have Income Protection insurance but with a two year waiting period.

Trauma Insurance

Unlike income protection, trauma insurance provides a lump sum when you are diagnosed with one of several specified life-threatening illnesses such as heart attack, stroke, cancer or one of the other sicknesses listed on the policy. Some features to watch out for are: (a) the sicknesses and injuries specified vary from policy to policy; and (b) not all illnesses are covered, usually only the major terminal ones. This cover is not a replacement for income protection; it should be viewed as an additional extra to be used to pay for medical treatment, pay off debts and for rehabilitation purposes. Trauma (also referred to as critical illness insurance).

Term Life Insurance Cover

As with domestic insurance such as home and contents term life insurance can pay a single benefit to your dependents as a lump sum if you die from accident or illness. Term life insurance premiums are paid each year and tend to increase in price as you age. Some insurers don't guarantee future premium rates and in some cases, the first year's premium may be discounted significantly. As with Income Protection insurance the policy is guaranteed renewable. That is to say the insurer, unlike domestic general insurance, invites renewal each year based on your original state of health and form of occupation and pastimes that existed when you first took out the policy.

Total and Permanent Disability

Insurance Also known as TPD, this provides a lump sum only if you are totally and permanently disabled before retirement. Because of this, it is no replacement for income protection. It is often sold as an add-on to another policy such as personal accident or provided as an extra benefit under a superannuation scheme. Still, the conditions vary from policy to policy. Some definitions of permanent disability and the ability to no longer work are more restrictive than others; the payment is not always provided in a lump sum and sometimes comes in installments over several years. Also, life cover usually ceases if a lump sum is paid out, leaving no money for dependents. There are also different definitions of work. For example, some provide cover if you can no longer do your usual job, while others only provide cover if you are unable to do work of any kind.

Premium funding

The premium for an insurance product is required as soon as the insurer accepts the risk. However, that often doesn't suit the clients business, they might prefer to spread payments of the premium over, say 12 months. Premium funding can be arranged through your insurance broker. This is a credit transaction which is separate from the insurance transaction. Specialist premium funding companies handle the credit arrangements.