

Insurance 101

Today's Outline

- Life, critical illness, and total and permanent disablement cover – lump sum cover
- Income / mortgage protection – regular monthly income
- Medical
- Jargon
- Claims
- Importance of being truthful (non disclosure) and reading the terms and conditions
- Questions

Life Insurance

- Lump sum payment when you die or become terminally ill.
- Things to think about
 - How much do I need?
 - Debt, dependents, replacement income, education
 - Ownership – where do the proceeds go if you die?
 - What offsets the need for cover?
ie. Assets, KiwiSaver
- How long is cover needed for? Some cover is definitely better than no cover!
- Male (age 40) non-smoker
 - \$200,000 life cover \$29 per month
 - \$500,000 life cover \$42 per month
 - \$1m life cover \$75 per month (at age 60 \$620 p/mth)
- Female (age 40) non-smoker
 - \$200,000 life cover \$22 per month
 - \$500,000 life cover \$33 per month
 - \$1m life cover \$61 per month (at age 60 \$450 p/mth)

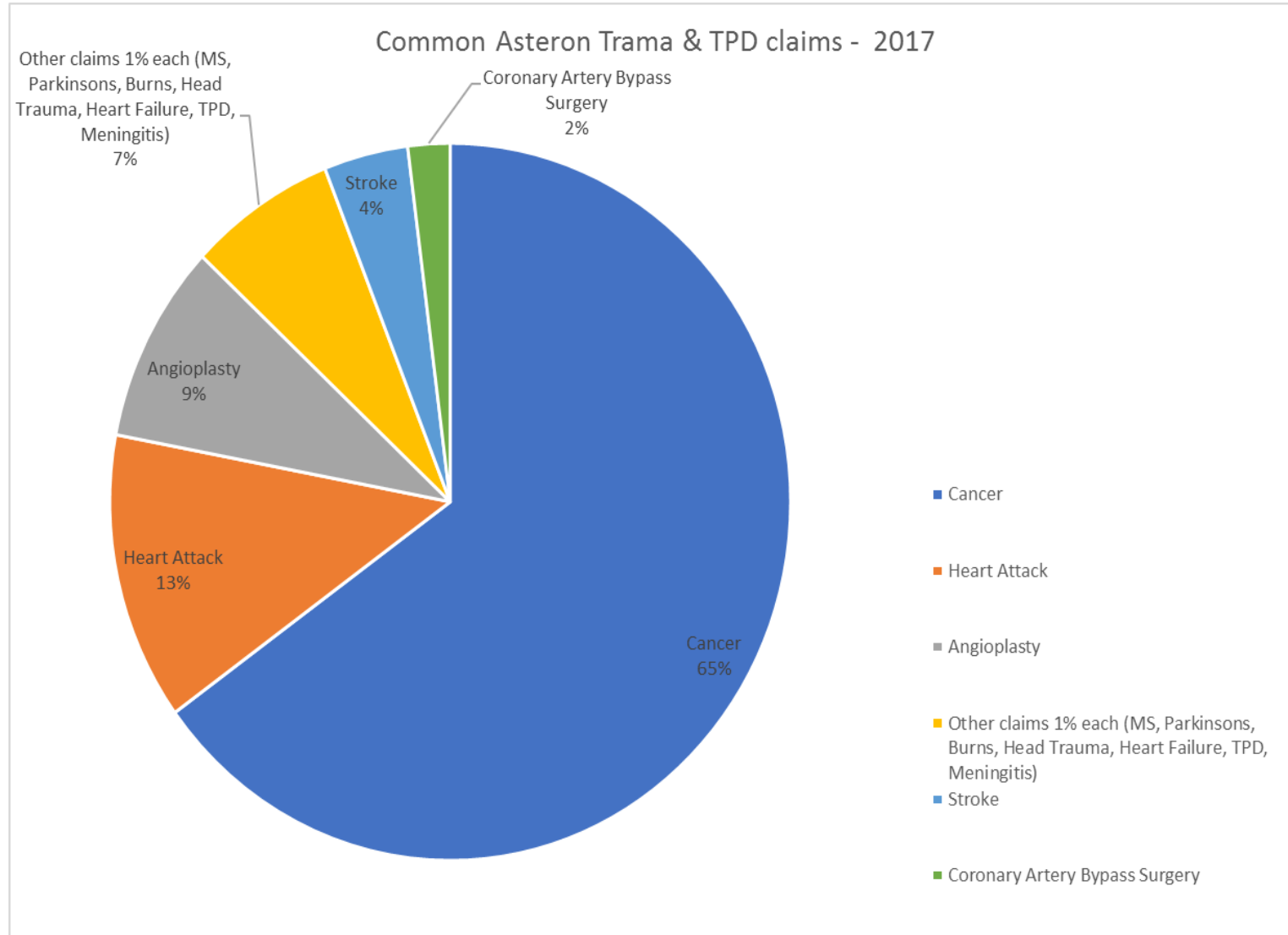
(These are illustrations provided purely for illustrative purposes only)

Critical illness (trauma) Insurance

- Lump sum payment when diagnosed with specified critical conditions
 - Paid as part of life cover, or in addition to
 - Cancer cover
 - Severity based
-
- | | | |
|------------------------------|------------------------|-----------------|
| • Male (age 40) non-smoker | \$100,000 trauma cover | \$25 per month |
| • Female (age 40) non-smoker | \$100,000 trauma cover | \$25 per month |
| • Male (age 50) non-smoker | \$100,000 trauma cover | \$70 per month |
| • Female (age 50) non-smoker | \$100,000 trauma cover | \$52 per month |
| • Male (age 60) non-smoker | \$100,000 trauma cover | \$200 per month |
| • Female (age 60) non-smoker | \$100,000 trauma cover | \$128 per month |

(These are illustrations provided for illustrative purposes only)

Critical illness/trauma claims



Income or Mortgage Protection

- Replaces a portion of your income or repays your mortgage while you are unable to work due to illness or injury
- Role of ACC - accident only
 - Up to 80% of salary/income due to accident (up to 120k) or could be less with ACC options
 - No fault scheme for everyone that funds treatment to get you back to work
 - ACC provide some ongoing income if income earner dies in accident
- The structure of cover is very flexible and there are many ways to structure to fit specific circumstances
- Income protection covers up to 75% of your gross income
 - Choose what portion of your salary/income you want to receive if disabled
 - Specify wait time – 30, 60 or 90 days – up to 2 years (or combination)
 - Payable to age 70, 65, or for 5 years or for 2 years (or combination)
- Mortgage protection – based on your income or mortgage repayments

Income Protection

- Male (age 40) non-smoker \$100,000 income

	White collar	Blue collar
\$6,250 monthly benefit, payable to age 70, after a 90 day wait	\$92 per month	\$130 per month
\$6,250 monthly benefit, payable for 5 years, after a 90 day wait	\$55 per month	\$78 per month
- Female (age 40) non-smoker \$100,000 income

	White collar	Blue collar
\$6,250 monthly benefit, payable to age 70, after a 90 day wait	\$151 per month	\$190 per month
\$6,250 monthly benefit, payable for 5 years, after a 90 day wait	\$84 per month	\$110 per month

Pricing reflects risks

Gender, occupation, income, wait period, benefit level and for how long payable

All these illustrations assume standard rates.

Medical Cover

- Pays for unexpected medical procedures and consultations
- Large variance in types of cover – from reimbursing part cost of surgery, through to GP visits and dental and optical
- Some policies exclude surgery, but cover day to day expenses
- The premium increase as you get older
- You can have excess options to reduce cost of cover
- If available through work, then often very sensible to join

Underwriting and a bit of jargon

- Underwriting is an insurance term to describe their assessment of risk
- Based on age, gender, smoker/non smoker
- Then other factors can also impact
 - Income
 - BMI
 - Existing medical conditions
 - Family history
- The truth, the whole truth, and nothing but.....
- Once cover in place, no further reassessment of your health (so getting cover while you can is always sensible with benefit of hindsight)
- Stepped/level premium
- First life/indemnity/agreed/indemnity/future insurability/guaranteed/CPI adjusted/ etc!

Claims

- Insurers pay most claims!
- Tell your insurer early. Support is available
- Tell your adviser early.
- Expect a claim to be investigated more fully if policy is new
- The claims process can involve getting information from many different people and organisations.
- It can take time before a claim is finalised

- Two common reasons why claims are not paid:
 - Outside policy wording
 - Non disclosure

The benefits of getting advice

- Talking through your specific circumstances
- Structuring the cover
- Finding an appropriate insurer
- Assisting to get the insurance issued
- An ongoing relationship
- Assisting with claims
- Confidence

- Find an adviser
 - <https://financialadvice.nz/find-an-adviser/>

Questions?