INSURANCE TERMS YOU SHOULD KNOW

Income Protection Insurance versus Workers Compensation Insurance

Income Protectio Insurance is a better cover than Workers Compensation Insurance. It provides 24 hour cover, whereas Workers Compensation only covers work accidents and injuries that occur at work. Workers compensation generally does not cover time off work due to illness or accidents that occur outside of the workplace.

Indemnity versus Agreed Value

Income protection policies may be issued as agreed value, guaranteed agreed value or indemnity. An agreed value policy means that the insured monthly benefit, plus any indexation increases, will be payable at the time of claim regardless of any reduction in the insured's income since commencing the policy. Guaranteed (or financial endorsed) agreed value contracts are those where sufficient financial information has been provided prior to the commencement of the policy to allow a claim for total disablement to be paid without further financial justification. Where this financial endorsement or guarantee does not apply, the financial justification for the insured benefit may be sought at the time of claim.

In all cases, financial information may be sought in the event of a partial disablement claim. In simple terms, providing full financial information at the commencement of policy makes it less likely that financial evidence will be sought at the time of claim, particularly for claims where the insured is totally disabled and not working.

Indemnity policies provide a limit on the benefit payable, such that at the time of claim, the maximum benefit payable is a factor of the income the insured has earned (generally) in the 12 months leading up to claim. This means that if the insured has suffered a drop in income since taking out the policy, the benefit payable may be less than the insured monthly benefits. Indemnity policies usually cost less than agreed value policies and may be eligible for discount option on a standard policy.

Standard versus Comprehensive Cover

Standard cover only covers basic features such as the benefit are payable in the event of total disability, partial disability, rehabilitation, and unemployment.

Comprehensive cover covers in addition to the basic cover which includes accommodation, family support, home care, and specific injuries benefits. Hence, the premium for a comprehensive cover is higher compared to the standard cover.

Cancellable Versus Non Cancellable Cover

Cancellable Income Protection Insurance is a policy that may be cancelled and covers you for a short period of time. The insurance is available from a general insurer. Cancellable income protection insurance may be cancelled at the time of renewal by the insurance company as a result of a health risk, such as a heart attack or development of cancer during the year. This type of insurance is particularly useful to professional sports persons who may be playing a different sport, or for another club, during the off-season from their usual team.

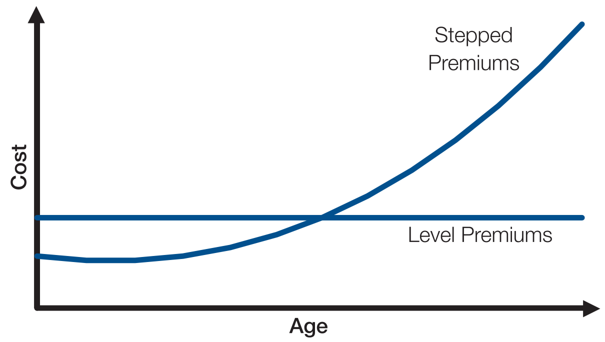
Non-Cancellable Income Protection Insurance is a policy that guarantees cover to a selected expiry date in return for the payment of a premium. Only the insured can void the policy by way of cancellation letter or non-payment of premiums.

It is important that you consider Income Protection Insurance to assist in covering your financial commitments to ensure that sickness or accident will not create undue hardship or jeopardise your lifestyle.

Premium Structure

Insurance premiums are usually available in two forms:

- **Stepped Premiums:** Whereby the insurance costs increase each year in accordance with your age.
- **Level Premiums:** Whereby your insurance premiums are constant year to year.*



*Most companies reserve the right to increase level premium rates, so it is not guaranteed that premiums will remain the same each year.

Stepped premiums are usually lower in the early years of insurance, but level premiums may be more cost effective over the longer term.

We usually recommend a stepped premium structure as it allows you to obtain the required amount of insurance whilst minimising the impact on overall cash flow. Over time we generally review your level of cover to determine if it is sufficient and potentially reduce it as you build up more assets.

How can we help you?

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