Insurance Philosophy

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Insight Investment Partners Insurance Philosophy

Background

Insight Investment Partners has undertaken to formulate our Insurance Philosophy to be implemented for clients who seek to obtain personal risk insurance. This philosophy does not cover advice on life insurance for business purposes.

By undertaking to formulate an Insurance Philosophy for Insight, this will give uniformity on how advice is being delivered to all clients. It will also give the advisers the confidence to convey what are Insight's beliefs on the value of personal risk Insurance as part of a client's financial plan.

In addition, ASIC's Report 413: Review of retail life insurance advice in 2014 found:

a) evidence that advisers failed to adequately consider their clients' personal circumstance and needs, leading to situations where consumers received inferior policy terms, paid more for cover, had health issues excluded and, in some cases, had claims denied where they previously had cover; and
b) evidence of unnecessary or excessive switching of clients between policies to maximise commission income, with a failure to consider or recommend insurance that reasonably correlated to clients' personal circumstances or objectives.

This Insurance Philosophy seeks to provide consistency in the advice process, from the client conversation to how sums of insured are calculated. It also seeks to address the above findings by ASIC to ensure Insight provides high quality advice tailored to the client's specific personal circumstances and objectives.

Objectives Based Advice

Objectives-based advice, also called outcomes-based advice, requires an in-depth understanding of an individual client's short, medium and long-term needs and objectives. The primary aim is to ensure that clients can meet their current and future liabilities and achieve their lifestyle goals.

A single adult, or childless couple may be happy to end their lives with nothing left over, or may be more comfortable self-insuring should they suffer an accident or illness. However, a couple with children will require a more in-depth approach to establish what are their needs and objectives for the various types of cover when completing a needs analysis.

These two different objectives require very different advice. It is therefore very important that the adviser clearly defines the scope of advice provided, obtains the client's objectives when providing any advice, and keeps file notes to support these conversations.

Replacement of Income vs Replacement of Living Expenses

When calculating a client's Risk Needs Analysis, there are generally 2 approaches:

1. Replacement of Income: In the event of accident or illness, the adviser will look replace the client's current level of income until retirement.

Strengths:

- By replacing income, this will ensure that the client is able to maintain their current lifestyle and existing or planned wealth accumulation strategies.

Weaknesses:

- The client may be left with a shortfall of retirement living expenses. By replacing income only, it is assumed that the client's current income will provide sufficient assets to meet their retirement objective until life expectancy. It may not make a provision for retirement living expenses.
- By replacing income, the client may be left over-insured. If the client is a high-income earner, whilst also living a modest lifestyle, they may not need that level of income to meet their living expenses.
- This is a one-size fits all approach.

2. Replacement of Living Expenses: In the event of accident or illness the adviser will look to replace the living expenses through to life expectancy.

Strengths:

- The needs analysis is tailored to the client's specific needs and does not put the client in a position of over-insurance.
- The adviser will consider the client's needs throughout retirement to life expectancy.

Weaknesses:

- Focuses on maintaining lifestyle only.
- A client may understate their living expenses, which would leave them with inadequate cover.

Insight has chosen to use the 'Replacement of Living Expenses' method when calculating a risk needs analysis. Whilst this approach does not necessarily take into account maintaining any wealth accumulation strategies, it enables the adviser to tailor the insurance needs to the client's specific needs and objectives.

By identifying the bare minimum level of insurance required to maintain a client's lifestyle, the adviser is also able to make provisions to include cover for other additional needs and objectives. The client is also able to make informed decisions about what level of cover is appropriate for their needs.

Once again, it is very important that the adviser clearly defines the scope of advice provided and obtains the client's objectives when providing any advice, and keeps file notes to support these conversations.

Client Directed Cover

When providing risk advice, it is important for the adviser to distinguish between when advice is being provided and when the client has directed specific cover.

For all clients, the adviser is to complete the Insight Investment Risk Needs and Objectives Supplementary Questionnaire. As part of the questionnaire, the adviser is to complete the Insurance Needs Analysis. This will assist the adviser to provide advice on the appropriate cover.

Level of Cover:
During the conversation, the client may decline to complete the Insurance Needs Analysis and direct a specific level of cover e.g. $1,000,000 of Life and TPD only. Alternatively, the client may not wish to consider any life insurance at all. In this instance, is vital that the adviser documents the client's objectives and notes that the client directed the specific level of cover.

Whilst the client may have directed the level of cover, the adviser may be required to provide advice on the appropriate policy ownership and/or any other product considerations.

Other Requests:
During the conversation, the client may make any number of other specific requests, including reviewing Life and TPD in superannuation only, or capping the level of premium they are willing to pay. The client may wish to seek a review of the product only, or may wish to retain a certain policy paid by their employer.

The adviser may still be required to complete the Insurance Needs Analysis to identify the appropriate level of cover, and then work within the scope directed by the client.

The adviser needs to clearly document the clients risk goals and objectives, including any priorities and preferences for their cover. The adviser needs to also record the agreed scope of the advice and any limitations on the advice being provided. Whilst this may not all be collected in the initial meeting, the adviser is to keep file notes of any subsequent conversations that may affect the advice being provided.

Product Replacement
As part of ASIC's 'Report 413: Review of retail life insurance advice' one of the key factors affecting quality advice is the 'weak rationale for product replacement advice'.

Whilst a reduction in premiums is a reasonable basis for a product switch, it should be the sole reason. In the case of marginal savings on premiums, any savings may be negated by increasing stepped premiums in the medium term.

When replacing any insurance product, the adviser must also demonstrate the key benefits provided by the new product which are not provided by the old product and any benefits that may be lost as a result of the switch. These reports can be demonstrated using Rick Researcher in X-plan and outlined in the Statement of Advice.

Commissions
ASIC's 'Report 413: Review of retail life insurance advice' found that adviser incentives affect the quality of advice consumers receive. ASIC's analysis shows that upfront commission models are correlated to advice that failed to comply with the law. In 80% of the files in the sample, advisers were remunerated under upfront commission models. However, 96% of the poor advice was given by advisers paid under upfront commission models.

Whilst the commission structure received does not always guarantee the quality of advice, to reduce any potential conflict of interest in the advice provided, Insight will only receive level or hybrid advice commission structure on new policies. In addition, the adviser may rebate commissions to clients to reduce the burden of premiums where cash flow is an ongoing issue.

Fee for service:
An adviser may consider charging a fee for service when providing personal risk advice. This fee may be in lieu of, or in addition to, the commission received by the product provider.

The fee may cover the upfront business costs to provide the needs analysis, the Statement of Advice and application process. As there is no guarantee that the client will proceed with the recommended cover, or be successful in obtaining the cover (due to any existing medical conditions), the adviser may wish to charge a fee for providing advice and the application process.

When charging a fee, the adviser is to ensure the client understands:

- the cost of the services offered before they commit to paying the fees;
- how much the fees are and when they are payable;
- any conflicts of interest that may arise.

Insurance Philosophy

The table below summarises the key considerations when providing advice on the various types of life insurance. The adviser is to use this as a framework for calculating a risk needs analysis and any product recommendations.

	Life	TPD	Trauma	Income Protection
Ownership	• Inside Super	• Flexi-Linked inside and outside super	• Personal	• Personal
Advice & Product Considerations	• Binding nominations. • Estate planning needs. • Address tax implications. • Address super balance erosion due to insurance premiums. • Total expected investment return of 5.21%, being a moderate investor. (2.21% after inflation).	• Split Any/Own occupation. • Linked to life to reduce premiums. • Address tax implications. • Address super balance erosion due to insurance premiums. • Total expected investment return of 5.21%, being a moderate investor. (2.21% after inflation).	• Stand-alone. • Trauma Plus option.	• Flexi-linked if cash flow is an issue. • Cover any business profit as income if self-employed.
Premium	• Stepped vs Level assessment. • Consider level premium for clients under 45 years old.	• Stepped vs Level assessment. • Consider level premium for clients under 45 years old.	• Stepped vs Level assessment. • Consider level premium for clients under 45 years old.	• Stepped vs Level assessment. • Consider level premium for clients under 45 years old.
Strategy	Single: • Final expenses = $15k. • Consider clearing debt. Single with children: • Final expenses = $15k • Clear non-deductible debt.	• Own occupation, where available. • Clear debt. • Cover annual living expenses until life expectancy. • Replace Income shortfall if net Income Protection	• Replace living expenses for 1 – 2 years as a lump sum. • Allow $125K for medical expenses – as per Warner cost of cancer research.	• Cover 75% of income, plus superannuation contributions. • Increasing claims. • Indemnity, use plus or extended option for most favourable pre-

	• Children's expenses until youngest is 21 (school fees, care, living etc.) • Lump sum for children. Couple, no kids: • Final expenses = $15K. • Clear non-deductible debt. Couple with kids: • Final expenses = $15K. • Clear non-deductible debt. • Calculate the client's living expenses (discounted for inflation) until life expectancy. • Offset living expenses with the client's current superannuation balance. • Offset any living expenses with any investment assets according to their needs and objectives. • Offset living expenses with any income the spouse may earn.	benefit does not meet annual living expenses. • Lifestyle modifications - $50,000 for home improvements and $100,000 for modified transport • If the client is renting, the adviser will either cover rental expenses to life expectancy, or make a provision to purchase a new home. • Cost of care = Registered nurse 2 hours per day/ 7 days per week at avge salary of $79,383 or $27,785 p.a. • Offset cost of care or living expenses with any income the spouse may earn. • Offset any living expenses with any investment assets according to their needs and objectives.		disability earnings definition. • Benefit period – maximum available. • Waiting period – assess 30, 60 vs 90 day depending on leave entitlements. • Assess standard vs plus policies.

Life Cover

The purpose of Life insurance is that it provides a lump sum benefit to a beneficiary, third party or an estate in the event of your death. This allows you to provide for the financial needs of your family in the event of death. In some cases, your benefit may be paid to you in advance should you be diagnosed as terminally ill.

Ownership

To minimise the impact on personal cash flow, it is recommended that Life insurance be held through superannuation as a first consideration. This can be owned by the client's personal super account, or through a super trustee where the client can make annual rollovers from their personal super. If the client has a SMSF, the cover can be owned directly by the SMSF.

This will allow your premiums to be funded from the superannuation balance, employer contributions or personal super contributions.

In addition, the superannuation account is eligible to claim a 15% tax deduction on the Life insurance premiums paid.

However, depending on the clients circumstances super ownership may not be appropriate and the adviser must assess this.

Advice and Product Considerations

1. Binding nominations:

Proceeds from a Life insurance policy held through superannuation are tax free, if paid to a spouse or dependant beneficiaries. Tax is payable if the benefit is paid to a non-dependant beneficiary.

2. Estate planning needs:

Where a client's estate is the beneficiary, life insurance proceeds over $50,000 are subject to probate and therefore may be delayed.

3. Address tax implications.

In the event of death, the insurance proceeds will be paid into the life insured's superannuation fund and form part of their account balance. The trustees of the fund will then pay a death benefit to the beneficiaries or estate. Tax may be payable on the death benefit depending on how the benefit is paid (lump sum or pension), who the beneficiary is and the age of the beneficiary.

The benefit is tax-free if aid to a dependant. However, if paid to a non-dependant, there is 15% tax payable on the taxed element and 30% payable on the untaxed element of the account balance.

4. Address super balance erosion due to insurance premiums.

As the insurance premiums may be funded from employer contributions or the client's super balance, it is important to realise the client's superannuation balance will be affected and could be lower at retirement without additional contributions being made.

5. Total expected investment return of 5.21%

When calculating lump sums insured, Insight will use the total expected investment return of 5.21%, being a moderate risk profile. This is a net return of 2.21% after inflation.

For example, a client may require a lump sum to provide living expenses of $50,000 per annum for 40 years until life expectancy. The lump sum required can be discounted by 5.21% (before 3% inflation) for investment earnings on the lump sum, assuming the lump sum was invested in a long-term bond.

Premiums

To keep premiums down, we recommend life and TPD policies are linked. This means that if the client claims on the TPD cover this reduces the amount of life cover by the same amount. Therefore, at death the cover is the life cover less then TPD cover already paid

We recommend life insurance be paid via stepped premiums. This will limit the impact on your superannuation during the earlier years of the policy and better enable you to afford the cost of full cover. Whilst the premiums will increase over time, the need for life insurance will be expected to reduce.

Where the client is under age 45, the adviser may wish to consider level premiums to reduce costs over the long term. Generally, the breakeven point is 12 – 15 years, therefore the client would be required to hold the cover to at least age 60 to benefit from level premiums.

Strategy when calculating Needs Analysis

Single:

- Cover final expenses of $15,000: ASIC estimates funerals can cost from $4,000 for a basic cremation to around $14,000 for a more elaborate casket, burial and flowers. We have rounded this to $15,000 for calculations. https://www.moneysmart.gov.au/life-events-and-you/over-55s/paying-for-your-funeral
- Consider clearing debt: Depending on the level of assets vs debt, a single client may wish to clear debt in the event of their death. This may also be affected by their objective to leave funds for any relatives, friends or charities.

Single with Children:

- Cover final expenses of $15,000: refer above
- Clear non-deductible debt to ensure dependants are not left with debt repayments. Client may also wish to clear any investment debt to leave an ongoing income or asset to his/her dependants.
- Children's living expenses until youngest is 21 (school fees, ongoing care etc.): Provide for children's living expenses until age 21 when the child is no longer a dependant. The client may also wish to provide for school fees, ongoing care etc.
- The client may also wish to leave a lump sum for the child's future.

Couple, no kids:

- Cover final expenses of $15,000: refer above
- Clear non-deductible debt to ensure the surviving beneficiaries are not left with debt repayments.

Couple with kids:

- Cover final expenses of $15,000: refer above.
- Clear non-deductible debt to ensure the spouse is not left with debt repayments. Client may also wish to clear any investment debt to provide an ongoing income.

- Calculate the client’s living expenses (discounted for inflation) until life expectancy to identify their total cost of living. Then offset this amount by the client’s current superannuation balance, which would be otherwise accessed at retirement or paid the surviving spouse at death.
- Offset any living expenses with any investment assets according to their needs and objectives.
- Offset living expenses with any income the spouse may earn.

Total and Permanent Disability

Total and Permanent Disability (TPD) provides you with a lump sum payment in the event the client becomes totally and permanently disabled. The key purpose of this insurance is to help pay for medical expenses and potential renovation costs due to the changes in your lifestyle. It can also be used for lump sum investing to generate income for ongoing living expenses.

The two most common definitions for TPD insurance are own occupation and any occupation. The any occupation TPD definition is more general and to make a successful claim the client would generally need to be unable to ever work in any occupation they are reasonably suited by training, education or experience. To make a claim under the own occupation TPD definition the client needs to be unable to work in your own occupation.

Ownership

Where possible, we recommended Flexi-linked TPD. Flexi-linking means that TPD 'any occ' is owned inside superannuation, and 'own occ' cover is held outside superannuation in the client's personal name.

In addition, the superannuation account is eligible to claim a 15% tax deduction on the TPD insurance premiums paid.

Advice and Product Considerations

1. Flexi-Link Any/Own occupation.

Where the applicant is able to obtain 'own occ' TPD, we recommend Flexi-Linking the policy. To minimise the impact on personal cash flow, it is recommended that 'any occ' cover be held through superannuation. This can be owned by the client's personal super account, or through a super trustee where the client can make annual rollovers from their personal super. If the client has a SMSF, the cover can be owned directly by the SMSF.

The 'own occ' portion will be paid by the client's personal cash flow.

2. Own occupation only:

If the applicant has strong cash flow and does not wish to obtain life cover, the adviser may consider obtaining 'own occ' cover in his/her personal name only. This may also depend on the level of cover and age of the life insured.

3. Address tax implications.

A portion of the 'any occ' TPD payout within superannuation will be tax free, with the balance subject to tax. The total amount taxable will vary according to the client's age, length of service and the amount of benefit.

Under Preservation Age, the relevant tax rate is 22% (incl. Medicare Levy) on any Taxable Component. The tax-free component of a TPD payout is calculated as follows:

$$\text{Benefit amount} \quad \times \quad \frac{\text{Days to retirement}}{(\text{Service days} + \text{Days to retirement})}$$

The 'own occ' portion held in the client's personal name will be directly paid tax free as a lump sum. The premiums for this cover are not tax deductible to you and will reduce their surplus cash flow.

The sum insured will need to be increased to cover the tax payable on any upfront costs e.g. clearing non-deductible debt and/or medical expenses. As the client is able to retain funds in superannuation and commence an income stream once a condition of release has been met, the client will not be liable to pay tax on the funds retained in superannuation.

4. Address super balance erosion due to insurance premiums

As the insurance premiums may be funded from employer contributions or your super balance, it is important to realise your superannuation balance will be affected and could be lower at retirement without additional contributions being made.

5. Total expected investment return of 5.21%.

When calculating lump sums insured, Insight will use the total expected investment return of 5.21%, being a moderate risk profile. This is a net return of 2.21% after inflation.

For example, a client may require a lump sum to provide living expenses of $50,000 per annum for 40 years until life expectancy. The lump sum required can be discounted by 5.21% (before 3% inflation) for investment earnings on the lump sum, assuming the lump sum was invested in a long-term bond.

Premiums

To keep premiums down, we recommend life and TPD policies are linked. This means that if you claim on the TPD cover this reduces the amount of life cover by the same amount. Therefore, at death the cover is the life cover less then TPD cover already paid

We recommend TPD insurance be paid via stepped premiums. This will limit the impact on your superannuation during the earlier years of the policy and better enable you to afford the cost of full cover. Whilst the premiums will increase over time, the need for TPD insurance will be expected to reduce.

Where the client is under age 45, the adviser may wish to consider level premiums to reduce costs over the long term. Generally, the breakeven point is 12 – 15 years, therefore the client would be required to hold the cover to at least age 60 to benefit from level premiums.

Strategy when calculating Needs Analysis

Single:

- Clear non-deductible debt to ensure the life insured is not left with debt repayments. Client may also wish to clear any investment debt to provide an ongoing income.
- Replace any Income shortfall if net Income Protection benefit does not meet annual living expenses.
- Calculate the client's living expenses (discounted for inflation) from retirement to life expectancy to identify their retirement cost of living after the income protection policy ceases.
- Lifestyle modifications - $50,000 for home improvements and $100,000 for modified transport.
- Cost of care = Registered nurse 2 hours per day/ 7 days per week at average salary of $79,383 or $27,785 p.a. until life expectancy.
- Offset any living expenses with any investment assets according to their needs and objectives.

Single with Children:

- Clear non-deductible debt to ensure the life insured is not left with debt repayments. Client may also wish to clear any investment debt to provide an ongoing income.
- Replace any Income shortfall if net Income Protection benefit does not meet annual living expenses.
- Calculate the client's living expenses (discounted for inflation) from retirement to life expectancy to identify their retirement cost of living after the income protection policy ceases.
- Lifestyle modifications - $50,000 for home improvements and $100,000 for modified transport.
- Cost of care = Registered nurse 2 hours per day/ 7 days per week at average salary of $79,383 or $27,785 p.a. until life expectancy.
- Cost of child care according to client's needs objectives until youngest child's age 21.
- Offset any living expenses with any investment assets according to their needs and objectives.

Couple, no kids:

- Clear non-deductible debt to ensure the life insured is not left with debt repayments. Client may also wish to clear any investment debt to provide an ongoing income.
- Replace any Income shortfall if net Income Protection benefit does not meet annual living expenses.
- Calculate the client's living expenses (discounted for inflation) from retirement to life expectancy to identify their retirement cost of living after the income protection policy ceases.
- Lifestyle modifications - $50,000 for home improvements and $100,000 for modified transport.
- Cost of care = Registered nurse 2 hours per day/ 7 days per week at average salary of $79,383 or $27,785 p.a. until life expectancy.
- Offset cost of care or living expenses with any income the spouse may earn.
- Offset any living expenses with any investment assets according to their needs and objectives.

Couple with kids:

- Clear non-deductible debt to ensure the spouse is not left with debt repayments. Client may also wish to clear any investment debt to provide an ongoing income.
- Replace any Income shortfall if net Income Protection benefit does not meet annual living expenses.
- Calculate the client's living expenses (discounted for inflation) from retirement to life expectancy to identify their retirement cost of living after the income protection policy ceases.
- Lifestyle modifications - $50,000 for home improvements and $100,000 for modified transport.
- Cost of care = Registered nurse 2 hours per day/ 7 days per week at average salary of $79,383 or $27,785 p.a. until life expectancy.
- Offset cost of care or living expenses with any income the spouse may earn.
- Offset any living expenses with any investment assets according to their needs and objectives.
- Offset living expenses with any income the spouse may earn.

Trauma

Trauma insurance provides the client with a lump sum payment in the event of the client is diagnosed with one of a specified range of critical illnesses or injuries. The purpose of this insurance is to help pay for medical expenses and to supplement the client's income whilst they are recovering. In addition, it can also be used for lump sum investing to generate income for ongoing living expenses.

Ownership

We recommended Trauma cover be held in the client's personal name.

If a benefit becomes payable, the lump sum is paid tax-free to the policy owner. The premiums for this cover are not tax deductible and will reduce surplus cash flow.

Advice and Product Considerations

1. Stand-alone.

You can buy Trauma insurance as a stand-alone policy that includes just trauma cover and no death or total and permanent disability (TPD) cover. These products have a 'survival period' and no benefit is payable if you do not survive this period.

2. Trauma Plus option.

Where possible, recommend trauma plus cover if the client can afford the premiums.

Premiums

For the majority of cases, we recommend life insurance via stepped premiums Where the client is young (under 45) and the premiums are relatively cheap, the adviser may wish to consider level premiums if cash flow is strong.

Strategy when calculating Needs Analysis

Replace living expenses for 1 – 2 years as a lump sum:
Provide a lump sum of 1 – 2 years living expenses to supplement the client's income whilst they are recovering.

Allow $125K for medical expenses:
It is important to note that according to BT Life Insurance, 80% of trauma claims are cancer related. We have therefore used research into the cost of cancer as the basis of our trauma needs calculations.

As per Rice Warner Actuaries research[1], the cost of various types of cancer treatments range from $19,593 (Melanoma) to $181,812 (Brain). However, the actual cost of cancer is wide and varied. The cost is impacted by many unknowns at the time cover is actually applied for i.e. the type of cancer and the treatment adopted. Whilst we cannot control the type of cancer, we are able to insure for medium level of treatment as a minimum.

The table below shows the average costs of the level of treatments adopted

Level of Treatment	Cost
High Care	$380,000
Medium High care	$180,000
Medium Care	$125,000
Medium Budget Care	$85,000
Budget Care	$58,000

[1] Rice Warner Actuaries 'Risk Insight' Paper dated December 2012.

Whilst we acknowledge that different clients may hold different views on the level of treatment they desire, we have chosen to allow for $125,000 of trauma cover for medical and rehabilitation expenses, which would provide medium care in the event of cancer.

Income Protection

Income Protection Insurance (also known as Salary Continuance) is designed to provide a regular income in the event that the client is unable to work due to sickness or injury. Generally, Income Protection Insurance provides a regular income during a period of disablement for up to a pre-determined and agreed benefit period. The benefit amount payable is up to 75% of your income.

With an 'Indemnity' policy, the amount the client receives at the time of a successful claim will be assessed on the basis of their earnings in the 12 months prior to the disability. The client will need to provide proof of income at time of claim and if their income has reduced, they may receive less than expected.

Ownership

We recommended Income Protection cover be held in the client's personal name if they can afford the premiums from their surplus cash flow.

If a benefit becomes payable, the benefit is taxable income to the policy owner. The premiums for this cover are tax deductible and will reduce surplus cash flow.

While Income Protection can be funded from a super balance, the after-tax cost is generally higher as they superfund can only claim a tax deduction of 15%, whereas the client can claim a tax deduction at their marginal tax rate.

Advice and Product Considerations

1. Flexi-linked if cash flow is an issue.

If cash flow is an issue, the client may be able to flexi-link the policy. Flexi-linking means that an 'indemnity' policy is owned inside superannuation, and a linked 'agreed' policy is held outside superannuation in the client's personal name.

In addition, the superannuation account is eligible to claim a 15% tax deduction on the Life insurance premiums paid.

2. Cover any business profit as income if self-employed.

For any self-employed client who receives income as a distribution of profit from their business, the adviser is to include this as income to be insured under the policy. The client will be required to show 2 years financials to obtain the cover for the business profit income.

Premiums

We recommend Income Protection insurance be paid via stepped premiums. This will limit the impact on your cash flow during the earlier years of the policy and better enable you to afford the cost of full cover.

Where the client is under age 45, the adviser may wish to consider level premiums to reduce costs over the long term. Generally, the breakeven point is 12 – 15 years, therefore the client would be required to hold the cover to at least age 60 to benefit from level premiums.

Strategy when calculating Needs Analysis

Cover 75% of income, plus superannuation contribution:
The Superannuation Contribution Option provides the ability to insure 5% of the client's average monthly Income to be paid to the superannuation account they nominate.

Increasing claims:
We recommend the Increasing Claims option that ensures benefit payments are indexed in line with inflation. The benefit amount is indexed to the CPI with no upper limit stated. A minimum benefit indexation of 3% per annum applies.

Benefit period – maximum available.
The benefit period is the maximum length of time that a benefit will be paid while the client continues to be disabled, although a benefit will not be paid beyond the expiry date of their cover. The benefit period that is chosen will affect the premium they will pay (i.e. the shorter the benefit period the lower the premium). It may also affect the optional benefits available on their policy.

Where possible, we recommend a benefit period to age 65. This will ensure the client receives an ongoing income to age 65, at which time the client will be eligible to access superannuation benefits. However, advisers should look to marry this up with the client's retirement objectives and work capacity. As an example, some professionals will work to at least 70.

Waiting period – assess 30 vs 90 day depending on leave entitlements.
Before the client is able to claim a benefit on their Disability Income Insurance, there is a period that they must be disabled – this is called the waiting period. The waiting period begins the day they are disabled due to illness or injury and have been examined by a doctor, although it may be backdated up to seven days if they are absent from work due to the illness or injury prior to seeing a doctor. The waiting period that is chosen will affect the premium they will pay (i.e. the longer the waiting period the lower the premium). It may also affect the optional benefits available on their policy.

We recommend 30 to 90 day waiting period depending on leave entitlements.

Assess standard vs plus policies:
Where possible, recommend Income Protection plus cover if the client can afford the premiums.