

Insurance Policies

Insuring against risk is a means by which the impact of a traumatic event can be lessened. Whether the risk be personal risk or property risk the impact of not having appropriate Insurance may be disastrous. We recommend clients should at least annually review their insurance to:-

- Ensure the policy is current
- Cover is appropriate
- There are no factors which may limit the effectiveness of a claim.

We strongly recommend you speak to Lisa O'Sullivan from Genesys Wealth Advisors in relation to your Risk Insurance, at least to understand the risks and benefits thereto. Lisa can be contacted through our office or on 9769 9899.

Risk Insurances

Term Life Insurance

In the event of death, the proceeds will assist with the repayment of a mortgage, other borrowings, cover medical and funeral costs, assist with funding future school fees and providing ongoing source of capital and income for family. Consider the financial impact of the death of one of your family.

David and Jennifer's story

At 33 years of age, David decided to take out life insurance. He knew this was important, given his wife Jennifer had given up work to raise their young family.

Five years after the policy was taken out, David was tragically killed in a boating accident. Jennifer had a lot to deal with, but at least she didn't have to worry about money.

The life policy was paid out in full and Jennifer used the lump sum to settle all immediate bills, completely pay off the mortgage, pay for David's funeral costs, set up a fund for the children's education, and invest in a wealth creation portfolio that could be drawn down on to create an income stream.

By planning ahead, David had assured his family's security after his untimely death.

Total and Permanent Disability Insurance

If you were no longer able to work, what impact would it have on your financial affairs? As with Term life, appropriate cover would provide for a lump sum to reduce debt and provide a capital sum for ongoing income generation to meet medical and living needs.

The chance of suffering an illness or injury between the ages of 35 and 65 leading to Total and Permanent disability is one in 10.¹

1. Source – General Re-Insurance Life of Australia Ltd

Andrew's story

Andrew is a 27-year-old IT consultant. He was single and carefree, and enjoyed a happy social life. Unfortunately when driving home from work one night he was involved in a car accident.

Andrew received serious spinal injuries resulting in quadriplegia. He experienced a severe change to his circumstances as he found himself bound to a wheelchair for the rest of his life.

Andrew had taken out a total and permanent disability policy for \$750,000 which was paid out in full. He was able to use the lump sum payment to help him adjust to his unplanned lifestyle change.

Some of the costs Andrew was forced to outlay included fitting his home with wheelchair access ramps and full-time carers to look after him, as well as the ongoing medical costs associated with his disability.

In the context of previous discussions Powers of Attorney and guardianship consider how useful it would be in these circumstances for decisions to continue to be made in the best interests of Andrew during a time he may not have the capacity to make such decisions.

1. **Source** General Reinsurance Life of Australia Ltd

Trauma Insurance

What would happen if you suffered from a traumatic illness and had to take time off to recuperate, or were unable to return to work in the same capacity?

Who depends on your income? How would you pay for your mortgage or children's school fees? How would you maintain your current standard of living?

Trauma insurance is one way to help you and your family cope financially with the impact of a trauma event such as cancer, heart attack or stroke. If you suffer a trauma event during the term of your insurance a lump sum is paid which can be used to ease the financial stress due to a loss, or reduction, in income.

While it is hard to think about the possibility of suffering a major trauma event in your lifetime, the likelihood is very real. Currently one in three Australian men and one in four women will be diagnosed with cancer by the age of 75. ²

Although death from a major trauma can be a reality, mortality rates for many of our leading health concerns are falling due to better diagnostic tools, earlier detection and improvements in the treatment of trauma events.

The survival statistics are positive news, however, those who do survive a major trauma still face the ongoing costs associated with their care, rehabilitation and existing financial commitments.

2. Source - Pricing Dread Disease Insurance - Institute of Actuaries of Australia 1994 Updated March 2002

Income Protection Insurance

Income protection insurance will replace your income up to the insured benefit amount of the policy. Generally speaking the maximum cover is 75% of earnings (after business expenses, but before tax); however, ancillary benefits can be obtained on top of this to protect your superannuation contributions and also to protect you in case of a severe sickness or injury.

It is important to remember that benefit payments usually do not start immediately; an excess or waiting period will apply during which no benefit is payable. The waiting period can be as short as 14 days or as long as two years.

Once benefits start, payments are usually made monthly in arrears. The maximum period of time that payments continue is called the benefit period. A range of benefit periods are available – some as short as one year, with the longest continuing through to your 65th birthday.

Many Australians will be covered at their workplace by Workcover. This cover will however only be for accident at the workplace and does not cover sickness or accident away from the workplace preventing work attendance.

Consideration should be given to the effect of not being able to earn income on your financial affairs.

Health Insurance

The cost of health care in Australia can be extremely expensive. By not having private health insurance, you risk being at the mercy of the public health system and its limitations to choice of the type and delivery of the service and potential long waits for elective surgery. The government have introduced various incentives/penalties should Private Health cover not be taken out by higher income earners. We would also suggest that if the cover does not incorporate Ambulance cover, separate Ambulance membership should be subscribed. A ride in the air Ambulance would not be an enjoyable one particularly when followed by a very large bill.

Property Insurance

Property Insurance has been topical over the last year particularly due to the ravages of nature, bushfire, floods and hail storms have caused hundreds of millions of dollars of damage. Unfortunately there are many examples where the claimant was either not insured or not sufficiently insured.

We encourage you to review all your insurances, even down to your car registration which includes a compulsory third party cover.

We have witnessed first hand the impact of where a simple matter such as the car registration renewal went to the old address, and as a result not renewed. Unfortunately the client was at fault in a subsequent serious accident for which they were no longer personally insured and were held liable for extensive claims by another injured party.

We strongly suggest you seek the advice of your Insurance suppliers and Financial Planner to review your risk.

Risk Insurance Information sourced from Genesys Wealth Advisers 'How Important is your peace of mind. Personal Risk Insurance. Issued January 2010'