The value of life insurance

You're at risk of losing the valuable protection of life insurance

Recent Federal Government changes to the rules for insurance in super mean that some superannuation members will lose the insurance they have in super — unless they choose to opt in or make a contribution. So, here are some things you should think about before deciding whether to keep your cover — or let it lapse.

What is life insurance?

Life insurance is financial protection for some of the worst that life can throw at you and your loved ones. While no one wants to think about worst-case scenarios, it's worth thinking about what would happen if you were no longer able to provide for yourself or your family.

Life insurance can provide financial support to you or your beneficiaries if you die, are diagnosed with a terminal illness, or become totally and permanently disabled – providing valuable funds at a difficult time.

It can also provide regular payments to replace your income if you're temporarily out of work due to illness or injury.

How life insurance can help

Death cover	Total and Permanent Disablement (TPD) cover	Income Protection cover
Death cover provides a one-off payment if you die or are diagnosed with a terminal illness. The money can be used to pay off debts, pay day to day expenses or be invested for your family's future needs.	Pays a lump sum to you if you are totally and permanently disabled and are no longer able to work as a result. This one-off payment can help protect you and your family's lifestyle and provide funds to help with medical costs and ongoing care. It can also help replace the income and superannuation you would be unable to earn because you are no longer working.	Pays a regular benefit of up to 75% of your income if you're unable to work due to illness or injury. This can help to fund your everyday living costs, like your mortgage, school fees or car repayments, and help you maintain your lifestyle while you're off work.

What are the risks?

Increases in household debt, a weakening property market, and the lowest household savings since 2007,[1] mean fewer Australian families could withstand the financial impacts of the loss of a source of family income due to death, illness or disability.

The number of people relying on double incomes to pay debts, like a mortgage, has increased. If just one person was to die or become totally disabled, their home may need to be sold.

1 Moody's Analytics webinar, *Australia's Outlook Amidst the Housing Slowdown*, October 2018

Additionally, more adults are living in their parents' homes, without substantial assets behind them. This means that if they become permanently disabled or injured, the responsibility and costs of ongoing care would likely be borne by their parents — potentially derailing their own financial security and future.

189%
the proportion of household debt to disposable income[1]

67%
people rely on a double income to pay down their mortgage[2]

1/3
the number of 18–34 year olds living with their parents[3]

Case studies

Death cover

Hussein (30) and Liana (29) were the proud parents of twin baby girls, when Hussein was tragically killed in a car accident on his way home from work. Unfortunately, Hussein had no death cover.

Liana worked part time while the girls stayed with her parents, but her income was insufficient to cover their mortgage and living costs. This meant she had to sell the family home in a depressed market, getting less for it than what they paid – and leaving her with a substantial debt to pay off.

With death cover, Liana would potentially have been able to pay off the mortgage or reduce it to a level she could pay on one income – giving her and the girls long term financial security.

Total and permanent disablement (TPD) cover

Daniel was 24 and living life to the full when he had a serious surfing accident that left him totally and permanently disabled. He didn't have any insurance.

Daniel's parents, Ron and Sarah, had paid off the family home and were looking forward to a financially secure retirement. After Daniel's accident however, they had to take on new debt and refinance their home to help pay for Daniel's rehabilitation and ongoing care costs, and to adapt their home for wheelchair access.

With TPD cover, Daniel would have received a lump sum payment to contribute to the costs of his care, providing him with greater financial independence while ensuring his parents were financially secure in retirement. The lump sum payment could have also helped replace the income and superannuation he would have otherwise earned – providing valuable funds to live on into the future.

1 Moody's Analytics webinar, *Australia's Outlook Amidst the Housing Slowdown*, October 2018
2 Roy Morgan, *High reliance on two incomes to repay home loans presents a potential risk*, September 2018
3 ABC.net.au, *How life has changed for people your age*, December 2018

Income Protection cover

Louise was 32, single and enjoying her career as an architect when she had a major car accident that left her hospitalised for 6 weeks and unable to work for 5 months.

Her insurance through her employer's superannuation included income protection cover, which paid a benefit for up to two years. This meant Louise received fortnightly benefits of 75% of her income for the time she was off work – helping cover her essential living costs during this time.

Without income protection, Louise would have had to give up her city apartment and move back in with her parents. She may also have had to go into debt to fund her other living costs. But with the protection of a regular income protection benefit, Louise could maintain her financial independence – and stay focused on her own recovery.

You may lose your valuable insurance cover

Life insurance was often included as part of workers' super packages. But recent changes mean people with 'inactive' super accounts may lose their life insurance benefits.

From 1 July 2019, Federal Government changes to insurance in super will take effect. These changes are designed to ensure people aren't eroding their super balances in inactive accounts (those that have had no contributions for over 16 months). But they can also mean your valuable life insurance will be automatically switched off – unless you choose to opt-in by notifying your fund that you wish to maintain your existing insurance or make a contribution to your account.

What do you need to consider?

To determine what level of life insurance is right for you, you need to consider your personal circumstances including:

- whether your superannuation is consolidated into one account to minimise costs
- what your specific needs are for financial security and peace of mind
- whether you have any dependants or debts like a mortgage
- whether you may be able to get insurance cover again in the future – this may be difficult depending on your age, occupation and health circumstances, and
- the cost of your insurance cover and what your account balance is with Vision Super.

Take a look at our PDS and Insurance Guide for a reminder about the detail of the cover we provide you. This can be found on the fund website at **visionsuper.com.au/publications** For help calculating your insurance needs, check out our calculators at **visionsuper.com.au/super/calculators**

Protecting your life insurance

Luckily, it's easy to ensure that your life insurance will continue to protect you and your family from a serious setback. To review your life insurance, or to opt-in, talk to your financial adviser today, or get in touch with us on **1300 300 820** or at **insurance@visionsuper.com.au**

Frequently asked questions

I've just made a change to my insurance cover – do I still need to opt-in?

Yes. The Federal Budget Protecting Your Superannuation Package (PYSP) changes are for anyone who's been an inactive member for more than 16 continuous months. So even if you have actively changed your insurance cover, you may still need to opt-in or make a super contribution if you want your cover to continue.

What happens if I opt-in?

Your cover will continue, and we will continue to deduct premiums to pay for that cover. After you opt-in, if your account remains inactive, we'll contact you at least every 15 months to remind you:

- that you chose to stay covered,
- when you made your election to maintain your cover, and
- explain what you need to do if you wish to cease your insurance.

What happens if my employer or I make a contribution to the fund?

If you make a contribution to your account before 30 June 2019, your cover will continue from 1 July 2019 — and you will no longer be considered to be a continuously inactive member.

However, if you don't continue to make contributions, we'll write to remind you to opt-in or to make a contribution again. We'll also send you reminders after 9, 12 and 15 months of inactivity. If you don't opt-in or make a contribution, your insurance cover will end after your account has been continuously inactive for 16 months.

What happens if I do nothing?

Your insurance cover will end on 1 July 2019, or the next time you have been inactive for 16 continuous months.

What happens if I'm on claim?

If you've made a claim on your insurance, any payment won't be affected by this change. Any future cover will still end if you've been continuously inactive for 16 months and do not opt-in.

Vision Super offers an extension to cover while you're on claim, you'll receive an extra 30 days of cover after 1 July 2019 before your policy ends.

Can I re-apply for insurance cover after it ends?

It depends. Some funds, including Vision Super will let you switch your cover back on with conditions — for example, pre-existing conditions may be excluded from cover for a certain period.

Others may require you to reapply for insurance — and you may need to provide evidence that you're in good health.