PERSONAL FINANCIAL SERVICES
SINCE 2001

Common risk insurance terms

Personal insurance, or life insurance, may provide a financial benefit if you suffer a serious injury or illness, or upon death.

The following glossary of terms has been provided to assist with building your understanding of the common terms and phrases that may be an important aspect of any recommendations made by your financial adviser.

Life insurance is an over-arching term that covers:

- term life insurance
- trauma (or critical illness) insurance
- total and permanent disablement (TPD), and
- income protection (or salary continuance cover).

Accident Benefit Option: Can be added to your Income Protection policy for an additional premium and may pay a benefit during the waiting period for a serious accident.

Accident Only Cover: Insures you in the event of an accident. Illnesses, for example cancer, would not be covered.

Activities of Daily Living: Bathing, dressing, eating, toileting, transfer (mobility).

Agreed Value: An agreed amount of monthly benefit of income protection policy.

Any Occupation: Relates to Total and Permanent Disability and some income protection definitions. If you are not working due to accident or illness, generally you need at least two medical practitioners (of which one is a specialist) to certify that you are unlikely ever to be able to work in any occupation to which you are reasonably suited by training, education or experience.

Beneficiary: The person that the owner of a life insurance policy names to receive the policy benefit if the insured person dies.

Benefit: The amount of money paid when your insurance claim is approved.

Benefit Period: The maximum period of time your income protection policy will pay you for any one claim. e.g. 2 years or to age 65.

Business Expenses Insurance: Provides a monthly payment to reimburse business for regular fixed business expenses should you be unable to work due to illness or injury. Can be taken as either stand-alone or attached to income protection policy.

Buy / Sell Insurance: Intended to serve the insurance needs of business owners. Usually used in conjunction with a buy/ sell agreement which defines the transfer of the shares of a business from one owner to the remaining owner(s) in the event of death, total & permanent disability or medical crisis.

Buyback option: This may be a feature of your TPD or Trauma policy (when bundled with life cover) which allows you to 'buy back' life insurance cover up to the amount of the TPD or Trauma claim paid (normally after a 12 month period from the date of claim), without having to update your medical information.

Child Trauma: Trauma/crisis benefit attached to a parent's policy that will pay a benefit should the child suffer a specified medical trauma.

Claims Indexation: An option under an income protection policy whereby the monthly benefit amount is indexed to the rate of inflation.

Critical Illness option: May be a feature of your Income Protection Policy and means that if you make a claim on your policy due to a range of conditions, including but not limited to stroke, cancer or a heart attack, in addition to your monthly benefit, you will also receive a lump sum payment.

Day One Accident: Optional benefit attached to Income Protection where you will be paid 1/30th of your monthly benefit per day that you are disabled during the waiting period, if you are disabled as a result of an accident. Depending on the length of your waiting period you will typically need to be totally disabled for 3 to 30 days during the waiting period to qualify.

Double TPD option: Generally, when a TPD benefit is paid, it reduces your Life cover by the claim amount. The "Double TPD option" may be a feature of your Life & TPD policy which means that if you make a TPD claim, the benefit paid will not reduce the amount of Life cover you have.

Duty of Disclosure: When you complete an insurance application you are required to disclose every matter you know about your health, occupation, sport activities and income. When you make a claim, the insurer will generally write to your doctor or Medicare to obtain your health history. If the insurer finds information in your medical history that you failed to disclose, they may void or cancel the policy, which may mean you may not receive any benefit.

Exclusion: The insurance company may exclude a hazardous sport/activity or pre- existing medical condition, which means you will not be covered if you become injured, sick or die from anything listed as an exclusion.

Forward Underwriting: Allows you to be medically underwritten for a higher sum insured than you currently require. When you wish to increase the sum insured you only need to satisfy financial underwriting requirements. Forward underwriting is typically used for business insurance buy/sell cover.

Future Insurability: The option to increase your sum insured without having to provide health evidence or go through the underwriting process. Usually this option is available on a defined certain event e.g. marriage, birth of a child, or an increase to your mortgage.

Guaranteed Renewable: Once your policy is in force, as long as you continue to pay your premium, the insurer will continue to insure you regardless of any change in your health/ circumstances.

Income Protection: Cover designed to replace a percentage of your earned income when you cannot work due to a sickness or accident and are under medical supervision.

Increasing Claim Payment: This is generally an extra cost option but simply offers a "pay rise" each year usually in line with CPI when you are on claim.

Indemnity: Means you will have to prove your income at claim time.

Indexation: On the anniversary of your policy the sum insured will be adjusted to keep pace with inflation. Typically the increase is to CPI, but it may also be a fixed amount.

Key-Person Life Insurance: Life insurance purchased by a business on the life of a person (usually an employee) whose continued participation in the business is necessary to the firm's success and whose death or disability would cause financial loss to the company.

Lapse: The termination of an insurance policy because a renewal premium is not paid before the end of the grace period.

Level Premium: The premium is calculated and based on your age at the start of the policy. Level premium is more expensive to begin with, but does not increase with your age, so may be cheaper in the longer term than a stepped premium at the same age.

Non-disclosure: The insured has a duty of disclosure that, if not met, can mean that the insurer can void the policy.

Non-Smoker: You will generally be classed as a non-smoker if you have not smoked tobacco or any other substance for a continuous 12 month period. Some insurers include tobacco substitutes i.e. nicotine patches/gum and e-cigarettes as smoking so you should check definitions prior to completing that section of the application. Premiums are higher for smokers.

Occupation Category: Grouping together occupations with similar duties and risk levels. Higher risk occupations are likely to have higher premiums than lower risk occupations.

Own Occupation: This relates to Total and Permanent Disability and some income protection definitions. To meet this definition you must be unable to perform your job due to an accident or illness and at least two medical practitioners (of which one is a specialist) have certified that you are unlikely ever to be able to work in your usual occupation.

Partial Benefit: Certain trauma events only result in a portion of the total insured sums being paid to you on diagnosis. This payment is deducted from the total sum insured e.g. coronary artery angioplasty and some carcinoma in situ.

Partial Disability: If you are unable to work at your full earning capacity due to injury or illness, your income protection will help supplement your lost income. Partial disability is calculated by your insurer on a set formula.

Premium: The amount you are required to pay for an insurance company to issue your insurance policy and keep it in force. This can be paid annually or in a series of payments such as monthly.

Premium Loading: The insurance company may offer you cover on the condition that you pay a higher price, due to an increase in risk factors e.g. overweight, smoker, or dangerous sporting activities.

Qualifying Period: An initial period of a trauma/crisis policy during which no benefit will be paid on cancers, heart disease/ heart attack and stroke. This may be waived where the trauma cover is to replace another policy for which you have already served the qualifying period.

Recurring Disability: A feature of income protection cover. Once you have been on claim and have returned to work, if the same condition recurs and causes you to be unable to work again, the waiting period may be waived. The condition must typically recur within 12 months of your previous claim.

Reinstatement: An option of trauma/ crisis insurance that allows you to retain your trauma cover after a claim (normally after 12 months from the date of claim), without having to update your medical information. The reinstated policy will have all benefits related to your claim removed, meaning you can't be paid for the same condition twice. For example, should you suffer a heart attack, a heart attack and all heart related benefits would be removed, but all cancer benefits etc. would be retained.

Retirement Benefit/protection option (Super Booster): A feature applicable to Income Protection policies and allows you to continue to accumulate superannuation whilst you are receiving a monthly benefit.

Salary Continuance: Another name for Income Protection held with superannuation or via group policies.

Stand-alone: You may have a stand- alone trauma/crisis policy. This policy will NOT pay a death benefit.

Stepped Premium: The premium will be recalculated (and will usually increase) on each policy anniversary based on your age and the level of cover at that time.

Suicide Exclusion: Life insurance policy wording which specifies that the proceeds of the policy will not be paid if the insured takes his or her own life within a specified period of time (usually 13 months) after the policy's date of issue.

Survival Period: A condition of stand-alone trauma/crisis policies. This is the period of time you must survive a crisis event to receive a benefit payout. The survival period is typically 8 or 14 days. This may either be assisted or non-assisted life support systems. If you do not live through the survival period, this policy will NOT pay a benefit as it is designed purely to cover the costs of treatment and recovery/rehabilitation following diagnosis.

Term Life Insurance or Death Cover: Covers you in the event of death by illness or accident. Suicide is generally not covered if it occurs within the first 13 months of the policy being in place.

Terminal Illness: A part of Term Life/ Death cover. If you are diagnosed as having a terminal illness and, in a specialist's medical opinion, are unlikely to survive 12 months, your life cover benefit may be paid.

Total Disability: As it relates to Income Protection insurance, this definition applies where you are unable to work due to illness and injury and are under medical supervision. Typically you will be unable to perform income producing duties.

Total and Permanent Disability (TPD): A lump sum benefit paid if you are, in a medical specialist's opinion, unlikely to ever work again. Any Occupation means you are unable to work in any job that you are reasonably suited to. Own Occupation means that you are unable to work in your usual occupation following disablement.

Trauma/Critical Illness Insurance: A lump sum benefit paid if you suffer a medical trauma as defined in your policy e.g. cancer, heart attack and stroke.

Waiting Period: The chosen number of days you must be unable to work before your income protection claim starts. No benefit is paid for time off work during the waiting period. A longer waiting period generally has a lower premium. Note that after the waiting period ends it usually takes a further month before payments commence.

Waiver of Premium: Relates to disability type covers where the insurer, upon you becoming totally and permanently disabled, will no longer require you to pay any further premiums on policies you hold with that company.

Underwriting: The process where the insurance company's underwriter assesses your application for insurance cover. They look at your health, occupation, sport activities and income details. The underwriter may accept you as a standard cover, or offer you special terms or may reject your application for cover.

Yearly Renewable: Typically a general insurance policy (i.e. car, house and content) where the insurer requires you to reapply each year on policy anniversary. The insurer in this case can alter or decline your cover based on your change in circumstance since taking out the policy.

Please do not hesitate to contact your financial adviser for further clarification of any of these terms or to discuss your needs in detail. Details may vary between policies and insurance companies so the Product Description Statement (PDS) for your selected product should be reviewed carefully.

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