

Super topics

The importance of insurance

You probably insure your home, car and other valuables, but what about you? Would your family cope if you died or were unable to work because of illness or injury? How long could you survive without a regular income?

Insurance is an important part of any financial plan. An unforeseen event can easily wipe away hard-earned savings unless they are protected by the right insurance cover.

An underinsured population

Even if you do have insurance cover, do you have enough? Many people underestimate their financial commitments and find out too late that they don't have enough cover to meet the cost of living. Expenses like mortgage repayments, car and personal loans, credit cards, school fees, food, clothing and other bills will still need to be paid whether you are able to earn an income or not.

A recent study found that 64 per cent of Australians are underinsured by an average amount of \$112,000.¹ This means that about two thirds of the population are at risk of enduring a financial crisis should they be unfortunate enough to incur a serious accident or injury that would prevent them from working.

Contrast this with the fact that one in five Australians will die during their working life² and one in sixteen has a severe physical impairment where they need assistance with self-care, mobility or communication³.

While Australians' carefree attitude is admirable, a careless approach to financial security can adversely affect you and your family.

How to get cover

One of the most affordable ways to cover yourself against death and disability is by purchasing insurance through your super fund.

In particular, large super funds like AustralianSuper can negotiate competitive premiums for members by using their size and economies of scale to spread the risk and keep costs low.

Owning insurance through super can be painless as the premiums are deducted directly from your contributions and their only taxed at 15 per cent, making it a very tax-effective way for you to pay for your insurance – especially if you're on the highest marginal tax rate.

Insurance via AustralianSuper

Upon joining, all AustralianSuper members are offered a default level of three units of Death and Total and Permanent Disablement (TPD) cover, provided they are in active employment with an AustralianSuper employer at the time. Generally, this is a higher level of default cover than most other funds offer, as AustralianSuper recognises that many Australians are underinsured.

Members also have the option of applying to vary their level of cover to suit their particular circumstances.

Death and TPD cover

Insurance for death and TPD is designed to provide financial support if you die or become totally and permanently disabled. In the case of death, a lump sum payment is paid to your dependents and if you are deemed totally and permanently disabled a lump sum payment is paid to you.

Members can apply for up to \$2 million of cover (subject to meeting the insurer's health evidence requirements), which is available until:

- Death – up to age 70
- TPD – up to age 65.

You can choose Unitised Cover, whereby the value of each unit of cover is determined by your age and decreases as you get older while the cost stays the same. Alternatively you can opt for Fixed Cover, which means your level of cover stays the same over time and instead the cost of cover increases as you get older.

Income Protection

Income Protection insurance helps protect your income if you are temporarily unable to work due to illness, injury or accident.

Trustee of AustralianSuper (ABN 65 714 394 898)

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Each unit of Income Protection cover provides a benefit of \$500 a month (before-tax) and you can apply to cover up to 85 per cent of your income (75 per cent salary + 10 per cent super). A monthly benefit is payable for up to two years if you are totally or partially disabled after the waiting period is ended – either 30 or 90 days – which you choose upon application.

Cover is available up to age 65 provided you are in active employment with an AustralianSuper employer on the date that cover commences.

Cost of cover

The cost of Unitised Death and TPD cover is \$1 per unit per week. The cost of Fixed Cover is based on your age.

AustralianSuper recognises that some people are exposed to more health risks than others, so you may be eligible for lower premiums or higher benefits if your Occupational Rating can be classified as Low Risk or Professional. These ratings may be offered if you work primarily in an office environment and perform no manual work.

Income Protection cover premiums are calculated based on your age, the waiting period you choose, your Occupational Rating and the number of units you select.

Duration of cover

If you cease employment or it is more than 13 months since your employer last made a contribution to AustralianSuper for you, your Death, TPD and Income Protection cover will cease. Prior to the 13 months you can apply to continue your Death cover only. Unless you do this your cover will only be reinstated (at the lower of default cover and your prior level of cover) when you receive another employer contribution into your AustralianSuper account.

Your cover may also cease if you leave the Fund, you make a claim or you write to us and request to cancel your cover. Other terms of cancellation apply – please contact us for more information.

Getting the right cover for you

Everyone's circumstances are different, so it's important to find the level of insurance that's right for you. We strongly recommend you seek professional advice and consider insurance as part of your overall financial plan.

To vary your AustralianSuper insurance cover simply download the AustralianSuper *Insurance Guide* from www.australiansuper.com or call **1300 300 273** for a copy.

¹ 2007 AXA Protection Report

² CommInsure

³ 2007 AXA Protection Report