

5 Things you should know before buying Life Insurance

How to purchase the policy that's best for you



Contents

- ◇ Answering medical questions up front..... 3 - 7
- ◇ Inside Super/Outside Super 8 - 11
- ◇ Level Premium vs Stepped Premium 12 - 15
- ◇ Standard Cover vs Plus Cover 16 - 19
- ◇ Own Occupation vs Any Occupation (TPD)..... 20 -23

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Answering Medical Questions Upfront

A POLICY THAT DOESN'T REQUIRE THIS MAY SAVE YOU TIME AND MONEY ON PREMIUMS BUT IT WOULD BE LITTLE HELP IF YOU ARE NOT COVERED COME CLAIM TIME.

Think of purchasing life insurance as you would any asset. When buying a new car, you look into the service history, consider the brand, wear and tear and upkeep, and weigh up any known flaws before deciding which to purchase and at what price.

The same considerations are necessary when choosing a life insurance policy, both for you and your insurer. You look into the level of cover you need and shop around for the best options for you. Your insurer also considers the risk of insuring you, and offers you terms to cover your needs while considering your health and history.



How an Underwriter Assesses your “Insurability”

1**Your age at the time of application**

People under 35 typically present lower risk and as a result may qualify for lower premium rates.

2**Are you a smoker?**

If the answer is yes, unfortunately, your premiums can be up to double what they would be for a non-smoker such is the perceived risk to your health.

3**Genetics and family medical history**

If your family has a long history of illness such as cancer or heart disease, your risk may be assessed as high by an underwriter. On the flipside, if you have no family history of illnesses then you are more likely to be offered cover at a standard rate or better (depending on other factors).

4**Your current health and recent history**

If you have undergone major surgeries, require ongoing medications, or recovered from a serious illness in the past, these things are taken into consideration in determining your risk and premium.

5**Your occupation**

Dangerous or higher-risk work can also mean you are considered a higher insurance risk, and your premiums will likely reflect this. For someone who undertakes dangerous work, life insurance is important to protect those who depend on you.

Information Typically Requested

Current Physical Information:

- ◇ Age, Weight, Height

Medical Information:

- ◇ Medical condition(s) including symptoms and treatment
- ◇ Medication currently being taken
- ◇ Treating Doctor details

Family Medical History:

- ◇ Details of the medical history of your blood relatives (mother, father, brother, sister)
- ◇ Serious illness of blood relatives (i.e. cancer, heart disease, hereditary conditions)

Financial Information:

- ◇ Occupation and Income
- ◇ Business Earnings and ownership (Self employed)

Lifestyle Habits:

- ◇ Sports
- ◇ Hobbies
- ◇ Tobacco Use
- ◇ Alcohol consumption

Past or Current Insurance:

- ◇ Do you currently have any other life insurance?
- ◇ Have you had a policy with an exclusion or loading?
- ◇ Have you had any insurance claims that have been declined?

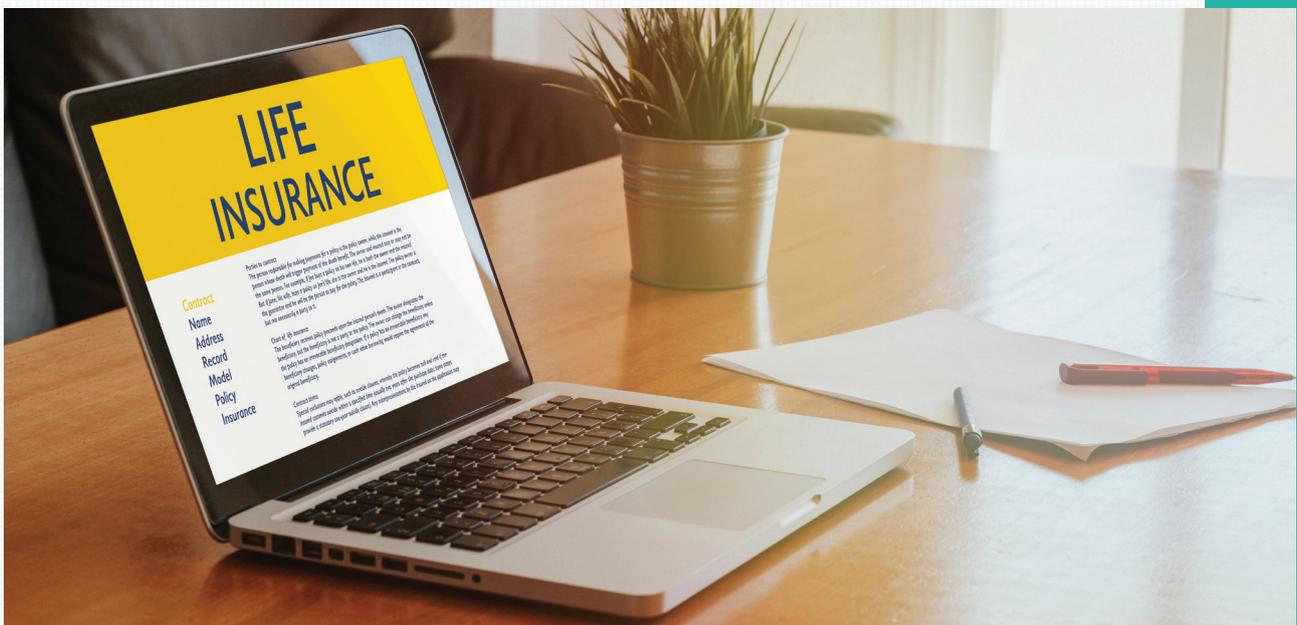
WHAT'S THE BENEFIT TO ME?

By answering more questions at the time of application, an insurer is better able to determine the viability of the policy, and their potential risk of offering insurance to you. The benefit to you is provided you answer the questions honestly, there is no further underwriting required, and you will likely have an easier experience when submitting a claim to receive the insurance benefit.

Pitfalls to Avoid

The risk to you if you do not provide accurate information to the insurer:

- ◇ Purchasing life insurance that is promoted as “no medicals required” is not underwritten until claim time, meaning regardless of how healthy you were when you purchased your policy, your claim entitlement will be assessed against your health status at the time of claim, increasing the risk of reduced or no payout.
- ◇ Failure to disclose information that may impact the Insurer’s decision to cover you may result in their refusal to pay a claim and render your policy null and void.
- ◇ All policies cover varying diseases and health issues. If you have a family history of a particular condition, you want to be sure you are protected in the event you do develop it and require treatment or financial protection for your family.



What we Know From Experience

- ◇ “No medicals” guaranteed acceptance policies or policies with pre-existing condition exclusions can have a lower likelihood of successful claims.
- ◇ Underwritten policies provide greater confidence of what you are (and are not) covered for at the time of purchase.
- ◇ Just about everyone can be insured regardless of pre-existing health conditions. It’s important to take the opportunity to assess any health issues while you are younger and get the cover you need.
- ◇ Not everyone presents the same risk to an insurance company and when properly assessed, your premium will reflect your situation rather than a one-size-fits-all approach.
- ◇ Only certain medical conditions are likely to prompt an insurance underwriter to request a medical examination or report from a doctor.
- ◇ Often, declined claims are a result of non-disclosure at time of application, or ineligibility to make a claim due to policy definitions, limitations, exclusions or pre-existing conditions.

Inside Super vs Outside Super

According to moneysmart.gov.au, more than 70% of Australian workers choose to hold life insurance cover through their superannuation fund. Quite often, those insurances are provided through a 'default' insurance cover in an industry or employer superannuation fund. So why do so many of us take advantage of the option to have Life Insurance cover in this way, and is it the best option available to you?

These employer sponsored and industry insurance products that deduct premiums directly from your super account can be appealing for a number of reasons:

1. It's easy to acquire and is usually provided by the super fund by default
2. It usually doesn't impact your cashflow
3. It takes advantage of bulk buying so you get discounted premiums

There are also many reasons why more of us should consider purchasing Life Insurance products outside of super as part of a sound financial plan for the future.

DID YOU KNOW?

As of April 2020, insurance in superannuation is offered to members on an 'opt-in' rather than 'opt-out' basis where the member is under the age of 25, or has an account balance below \$6,000

Under the law, if a member hasn't opted-in to retain their insurance, super funds will cancel insurance on inactive super accounts that have not received contributions for at least 16 months.

If you have more than one super account, you might have more insurance cover than you realise, therefore it's possible you might be paying premiums on cover you don't need.

Pros and Cons of Life Insurance Inside Super

There are many different ways insurance inside superannuation can be structured, and it is important to understand what you have. For most people, the positive and negatives of the standard insurance they were given inside superannuation can be as follows:

PROS	CONS
<p>Easy to pay</p> <p>Insurance premiums are automatically deducted from your super balance.</p>	<p>Ends at age 65 or 70</p> <p>TPD insurance cover in super usually ends at age 65. Life cover usually ends at age 70. Outside of super, cover generally continues as long as you pay the premiums.</p>
<p>Fewer health checks</p> <p>Super funds who offer a default insurance cover will generally accept you for a level of cover without health checks. This can be useful if you work in a high-risk job or have health conditions that can make it difficult to get insurance outside super.</p>	<p>Limited cover</p> <p>The amount of default cover you automatically get in super is often lower than the cover you can get outside super. Default insurance through super isn't specific to your circumstance and some eligibility requirements may apply.</p>
<p>Increased cover</p> <p>You can usually increase the amount of cover you have above the default level. But you'll generally have to answer questions about your medical history and do a medical check.</p>	<p>Reduces your super balance</p> <p>Insurance premiums are deducted from your super balance. This reduces your savings for retirement.</p>
<p>Tax-effective payments</p> <p>Your employer's super contributions and salary sacrifice contributions can be partially used to fund the insurance premiums. These contributions are taxed at 15%. This is lower than the marginal tax rate for most people. This can make paying for insurance through super more tax-effective.</p>	

What does your Standard Life Insurance Inside of Superannuation Cover?

For most people, the default insurance inside super will not provide sufficient benefit to meet their needs and can offer a more complicated experience for the family at claim time. Depending on your circumstances and your family medical history, it's a good idea to closely examine what your insurance cover actually provides.

To do this you can:

1. Contact your super fund(s)
2. Access details through your super account online
3. Check the Product Disclosure Statement (PDS) which must be provided to all policyholders and outlines who the insurer is, details of the cover available, and how to make a claim.

It's important to find out what type of insurance you currently hold, how much cover you have, if there are any exclusions, and how much you're paying in premiums to understand if the policy is suitable for your needs.

BY LAW AN INSURER MUST GIVE YOU A PRODUCT DISCLOSURE STATEMENT (PDS) BEFORE YOU BUY OUTLINING THE FOLLOWING:

- What's included and excluded under the policy
- What information you'll need to disclose
- Information about your premium and how it might change over time
- Any waiting periods that apply before you can make a claim
- How to make a claim
- How to make a complaint about the claims process or a decision

The Pros and Cons of Life Insurance Outside of Super (Underwriting at time of Application)

With so many insurance providers and products out there, seeking advice from an insurance expert will help you achieve the right level of cover that is more likely to protect you and meet your needs should something go wrong in your life. Benefits of underwriting at application

PROS	CONS
Policies are underwritten at time of application meaning any pre-existing conditions are locked in, regardless of whether your health deteriorates or you change your lifestyle (e.g. take up smoking)	Premiums may end up being a little higher, however this is usually because you have nominated a policy that covers you for everything you need
Speaking with an expert insurance adviser before purchasing can help you choose a policy that will suit your needs	The application process does take a little more time and may require a medical assessment in order to be thorough and secure the level of cover you require but helps the likelihood of the insurance providing you a benefit at claim time
Choose a policy that suits your financial situation to ensure you are sufficiently covered and your beneficiaries taken care of	
Claims are paid faster and direct to you, the policy owner	

Should I Choose Level Premiums, Stepped Premiums or Something Else?

Before you choose the type of premium that is best for you, you'll need to understand the options available. There are no options that guarantee the cost of insurance will never change over time, but how costs are calculated differ for the different premium structures.

The term "stepped premium" relates to the most common way to pay for your life insurance and generally the cost increases each year based on your age (as the insurance risk increases as you get older).

"Level premiums" were designed to offer people an option where the insurance premium doesn't increase each year based on your age. As a result, the initial premium may be higher in the beginning, but over time can work out more cost effective if you hold the cover for a long time, particularly if you hold the cover until age 65. Level premium can also make budgeting for insurances a little easier.

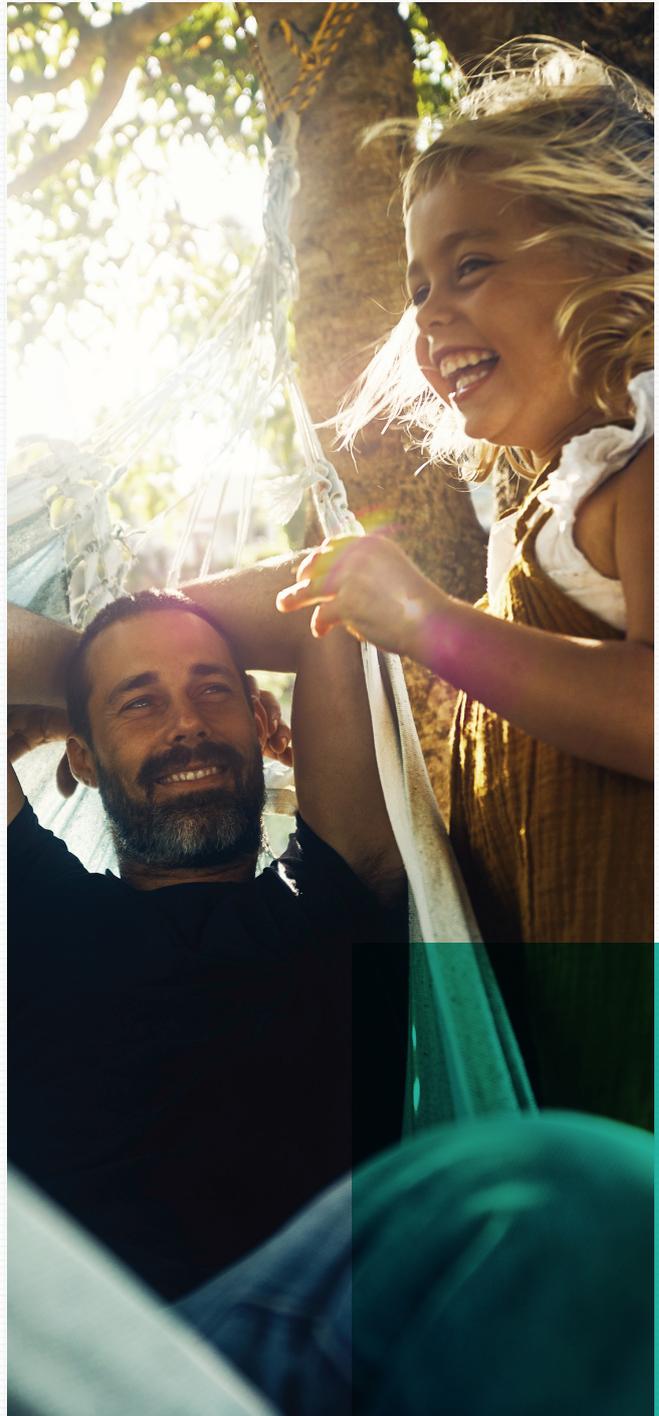
Most default employer and industry superannuation funds offer another type of premium, called 'decreasing cover'. People who hold these policies will find the level of cover they have decreases over time; rather than your age increasing the cost each year (as the risk increases), the policy reduces the amount your insured for to account for the increased risk.

Deciding which option is right for you comes down to what is most appropriate for your situation – do you want to pay a bit less now knowing the price will go up over time, are you happier with the security of your age not impacting your premium each year, or does your situation call for the cover to drop each year but not go up much in price?

Can I Change the Type of Premium on my Existing Policy?

Everyone is different and choosing a life insurance policy can be affected by many things such as age, job security, debt, number of dependents, and so on. The choice of how you structure your premiums is important in getting the most value for your situation.

It's important to consider what your insurance goals are before purchasing. Once you commit, most changes to your policy 'can reset the clock' and require a renegotiation of terms and premiums. This also means that any changes to your age, health or occupation could change your level of risk and end up costing you more or reducing the conditions you are covered for.



Can I Have Both?

If you are in the market for a policy for the short-term or your need for insurance will significantly reduce over time, a stepped premium or perhaps a decreasing cover policy could be a suitable solution (as long as you understand how much the price or cover changes). Stepped premiums may help you afford your premiums today, but will you still be able to afford them by the time you are in your 50s and need the cover most?

On the other hand, if you want more certainty over the long-term, a level premium could be more suitable, and it might save you money over the life of the policy.

Perhaps a hybrid policy which combines some of the features of both stepped and level cover might be the most appropriate for your situation and needs. Just as you can choose to pay your home loan through a combination of fixed and variable rates, you may be able to take part of your insurance on different premiums to keep costs down in the earlier years.

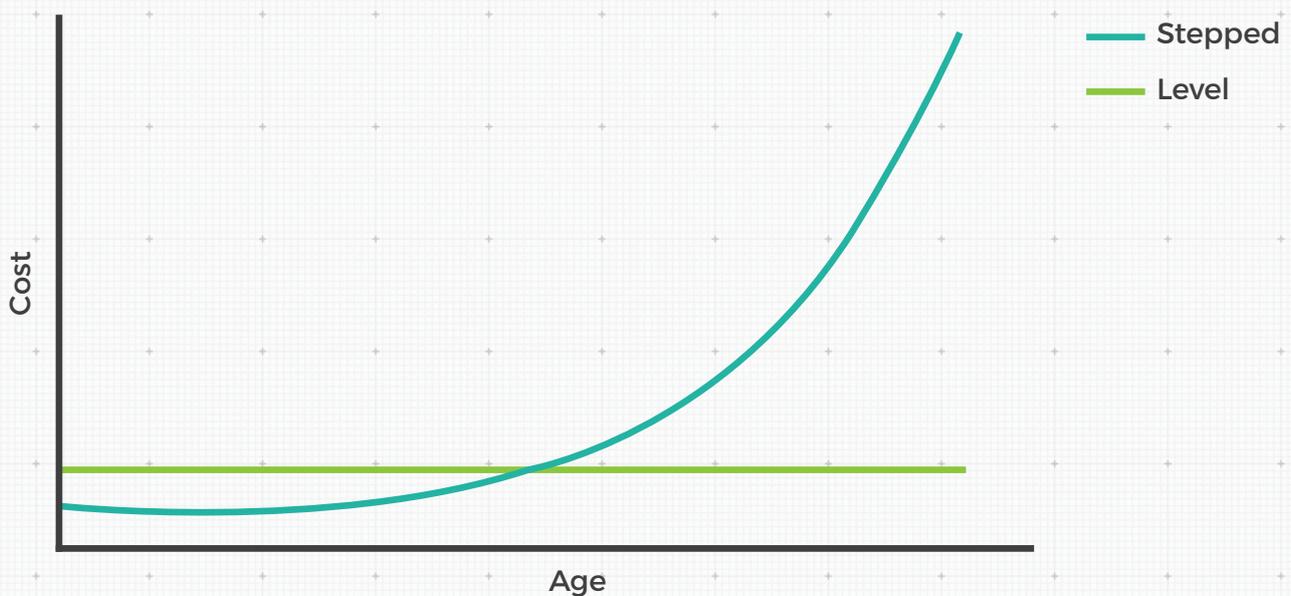
For some people, it might be appropriate to have both stepped and level premiums. A lot of people choose to have cover that they need for the longer-term on a level premium, and other cover that won't be needed to its full extent over the long-term as a stepped premium.

Before you Decide...

What you should know:

- ◇ For most people who chose a level premium, the sooner they lock in the level premium, the greater the potential long-term savings can be
- ◇ Policies that offer a level premium will normally have a maximum entry age that is lower than stepped premium policies
- ◇ As you approach 65 years of age, the price difference and potential benefits between starting a new policy on level or stepped premiums are reduced

LEVEL VERSUS STEPPED PREMIUMS



What's the Difference Between Standard and Plus/Comprehensive Cover?

Income protection insurance is important to cover your everyday expenses and bigger financial commitments should you become sick or injured and unable to work for a period of time. There are many options available to you and many differences between products and the levels of cover they provide. Most are flexible and allow you to choose when your cover starts, how long you will be covered for, and what percentage of your salary is protected.

Critical Illness or Trauma insurance provides a one-off payment should you suffer from a condition that is covered by your policy. Standard cover provides benefits for the most common critical conditions with few additional options, at a lower cost. Whereas Plus cover provides benefits for a more extensive range of critical conditions with additional options available to match your circumstances and preference.



What are the Advantages of Comprehensive Policies (Over Standard), and are They Worth it?

Advantages of Comprehensive Cover

With a comprehensive cover policy (over a standard cover policy), you generally receive additional benefits for a slightly higher premium, such as:

- ◇ Faster claim payout
- ◇ Claim a % of your policy regardless of the level of damage to your health so you can take the time you need to fully recuperate and prevent future relapse or associated issues
- ◇ Higher claim limits available
- ◇ Waiver of premium while on parental leave or during a claim period
- ◇ Waiver of waiting periods for specific medical conditions
- ◇ Remember too, income protection insurance is often tax deductible, seek advice from an insurance professional to understand your options

It Might cost a Little more, but here's how it can Translate

Are you after more benefits for a few more dollars? Here's a couple of examples of what each level of cover would provide. Please note these are examples only and benefits differ between product providers and policies.



Sandra is a nurse in her early 50s who maintains an active lifestyle, but recently suffered a heart attack out of the blue.

Standard Cover in this instance will not cover a claim even though Sandra needs 6-8 weeks off to fully recover as less than 25% of her heart tissue was damaged as a result of her heart attack. Her claim is also likely to take several weeks to process as it must be measured against very specific health impacts to be successful.

Plus Cover would afford Sandra the ability to claim a minimum of 10% of her policy (up to \$25,000) regardless of the amount of tissue damage caused. Her claim would likely be approved within 7-14 working days and she could take the time she needs to get completely well again before returning to work.



James is an active professional with a young family in his early 40s who has recently been diagnosed with melanoma.

Standard Cover will result in an unsuccessful claim as the melanoma has luckily not yet spread to his bloodstream or organs. However, he will have to finance his own treatment and recovery period without being able to depend on his income protection insurance.

Plus Cover would mean James is able to make a claim at a time when his diagnosis is in its earlier stages to enable him to access better treatment options, including surgery recovery and rehabilitation. His claim would also likely be approved quickly to enable him to focus on getting well.

What do I Need to Consider When Choosing the Level of Cover?

Income protection insurance is an important part of any financial plan. By looking at your finances before purchasing insurance, you'll be able to gauge:

- ◇ How quickly will you need to access a payout?
- ◇ What financial obligations do you have now, and are you likely to have in the future that will determine the amount of cover you need?
- ◇ Do you have any existing medical conditions or a family history of any health issues that could affect your ability to make a successful claim?
- ◇ Do you have a life insurance policy with a death benefit?
- ◇ How long will you need to rely on financial support from your payout?

Own Occupation vs Any Occupation (TPD)



Total Permanent Disability or TPD insurance is a life insurance product which pays you a lumpsum in the event of disability due to illness or injury. When purchasing TPD insurance, it's important to understand the definition of what it means to be totally and permanently disabled. Generally insurers base their policies on the following three main definitions:

OWN OCCUPATION - based on you being unable to ever work again in the job you performed prior to your disability.

ANY OCCUPATION - based on you being unable to ever work again in any job suited to your education, training or experience.

ACTIVITIES OF DAILY LIVING - based on you being unable to perform certain activities needed for daily living (e.g. showering, eating).

Why this is Important When Buying TPD Insurance

OWN OCCUPATION

- ◇ This is the preferable option as it provides you with the best opportunity of making a successful insurance claim.
- ◇ Comes with higher premiums and is only available to certain occupation categories.

ANY OCCUPATION

- ◇ While this may be a cheaper option, legal precedents show that an insurer can consider a wide range of potential occupations when determining whether a claimant is able to ever work again and may not always be aligned with the claimant's prior occupation or skillset.
- ◇ As a result, successful claims are less common.

ACTIVITIES OF DAILY LIVING

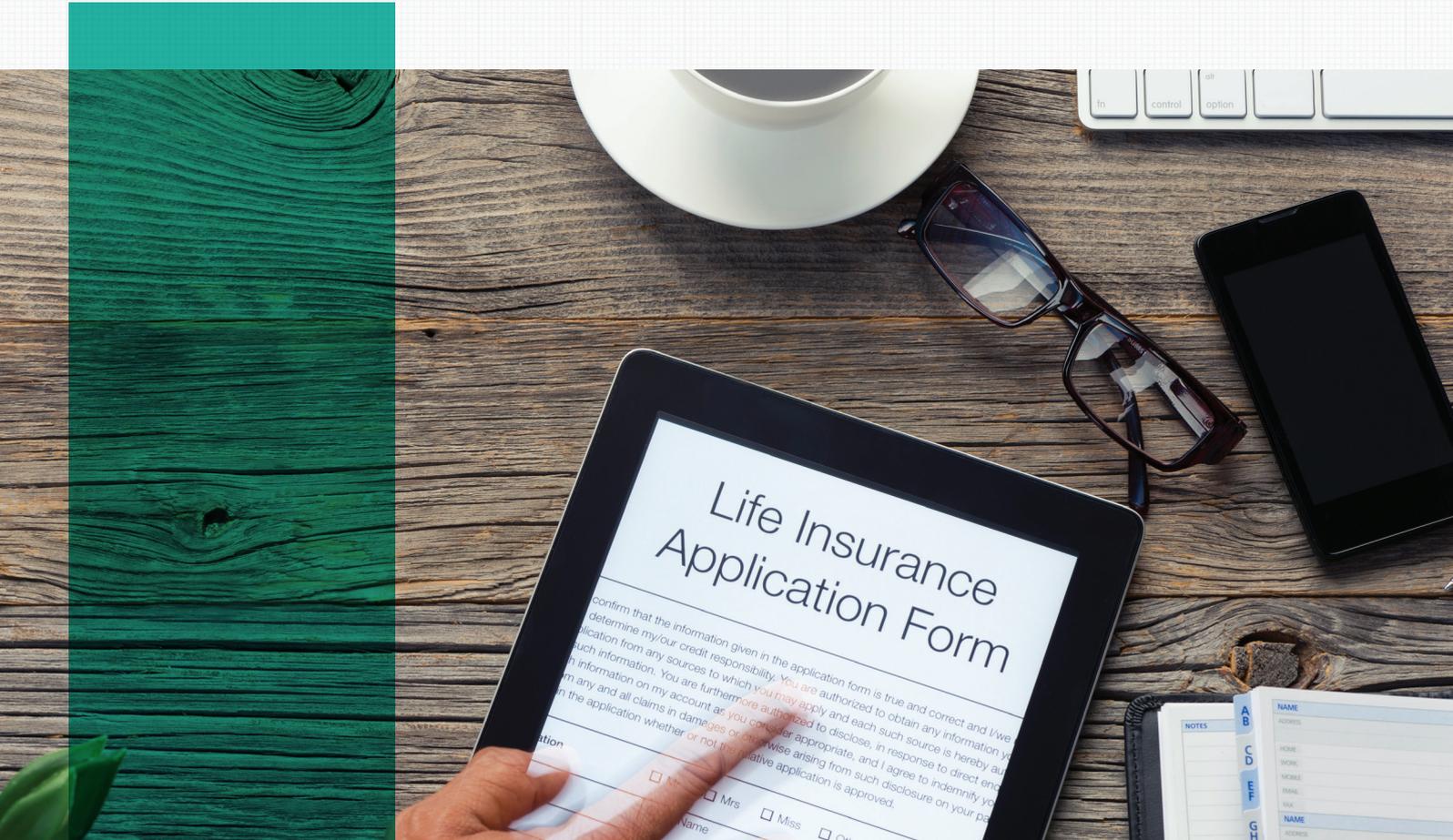
- ◇ This option restricts the opportunity of making a successful claim

DID YOU KNOW?

The term pre-disability earnings refer to your highest average monthly earnings in any consecutive 12 month period in the three years immediately preceding the date of your disability.

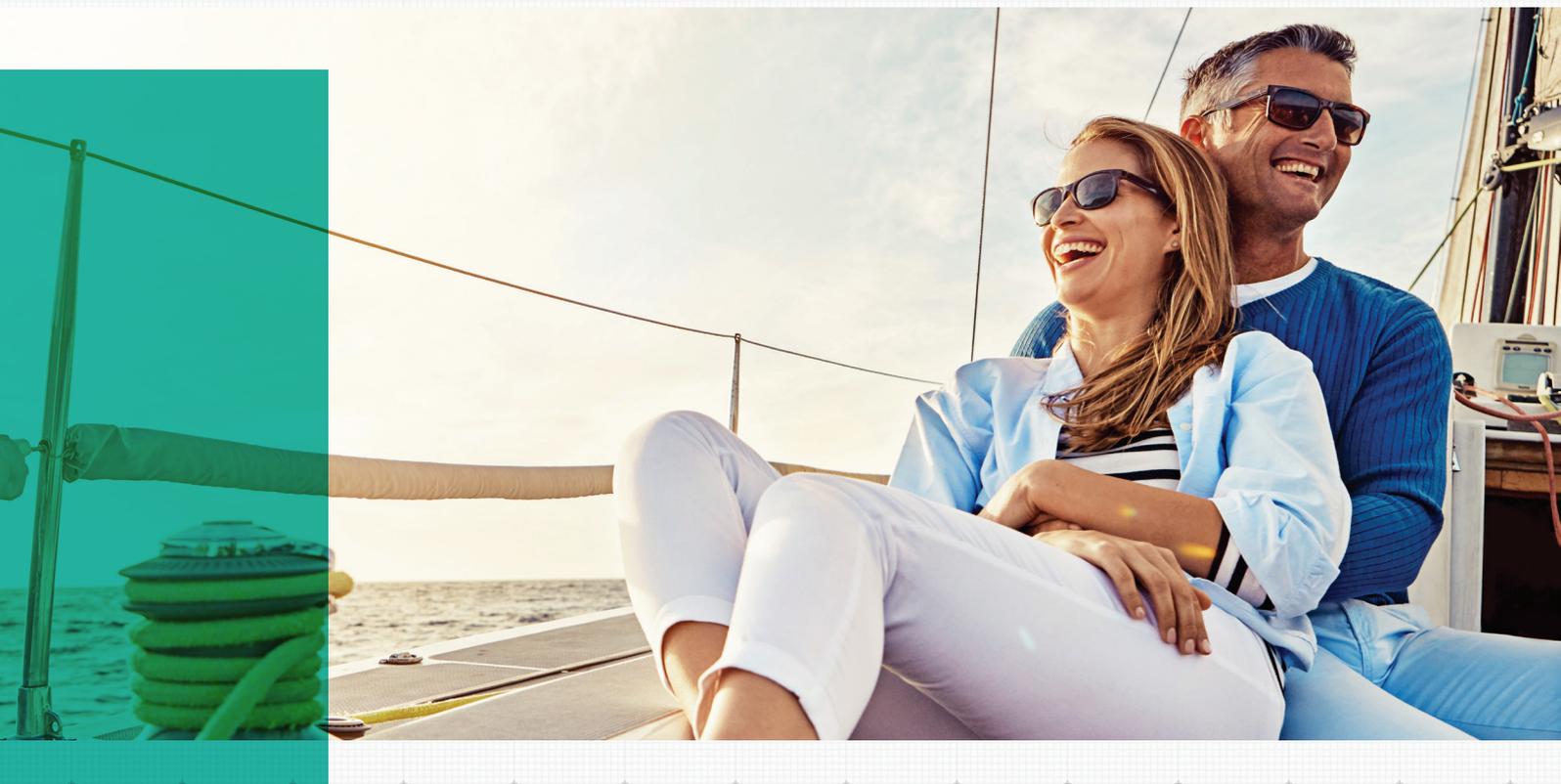
The Pros and Cons of Own or Any Occupation Cover

	PROS	CONS
OWN OCCUPATION	<p>You're more likely to have a successful claim (as it's easier to prove you can't return to your usual occupation)</p> <p>You won't be forced to downgrade to a different position if you can't do the same job</p>	<p>More expensive than any-occupation cover</p> <p>Often will not cover high-risk jobs, such as some tradies, riggers etc.</p>
ANY OCCUPATION	<p>Cheaper than own-occupation cover</p> <p>You can get cover with most occupations</p>	<p>If you can return to work in another field, you won't receive a payout.</p>



Which TPD Policy is for me?

Comparing TPD policies is difficult as each insurer offers cover for different conditions. Generally, things like the loss of a limb or blindness will likely qualify you straight away for TPD. Other conditions may take time to assess and require more than one medical practitioner's opinion, but who will assess you, when, and how is subject to the individual policy provider. The claims process can vary based on what is required to demonstrate the standard definition.



With TPD there is no link to your income at the time of claim, instead the amount you choose will be reflected in your premium. Yet there are no guarantees you will be covered in the event of a claim so choosing and being able to justify the appropriate level of coverage is important.

How Healthy you are Determines how much you'll pay

LIFE INSURANCE PROVIDERS USE A CLASSIFICATION SYSTEM TO DETERMINE THE LEVEL OF RISK ASSOCIATED WITH INSURING YOU. THESE ARE NOT STANDARDISED AND CAN BE CONFUSING.

Every life insurance company uses similar classifications to determine how much you pay for your life insurance. However, every insurer has their own rules they use to define each classification.

For example, any type of tobacco use is viewed negatively, however some insurance companies may distinguish between tobacco products when determining your classification.

NOT EVERYONE IS THE SAME?

If you are 30 years old and in good health, you obviously provide a significantly lower risk of suffering an early death than someone in their 60s or with a poor medical history. Life insurance is based on calculable risk – hence the need for underwriters. So... when you complete an application for life insurance, you are assessed on the basis of pre-determined risk factors.

Choosing a Policy that is Right for you

Life insurance can seem more complicated than it needs to be. Understanding the 5 key areas outlined in this ebook will ensure you are informed and protected should you ever need to make a claim. For more help, speak to one of our qualified insurance advisers by completing the request for more information.

Free Checklist:

- ◇ Speak to a qualified Insurance Adviser
- ◇ Evaluate your financial position and consider how much cover you need
- ◇ Choose a policy from a reputable Insurer
- ◇ Check your policy inclusions and exclusions
- ◇ Consider your family medical history and risks
- ◇ Disclose all necessary information at the time of application to ensure you will be appropriately covered

Request More Information...

If you would like more information, please contact us via the dedicated form on our website <https://oasisinsurance.com.au/life-insurance-quote/>



Planning for the future?

We've got you covered.



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