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How life insurance works

Life insurance is designed to protect you financially if something unexpected happens to your health.

It includes a number of different types of insurance that can cover you for different situations.

What type of life insurance is right for you?

Life cover

This type of insurance is also sometimes called death cover. It can cover your family financially in the event of your death and can pay an early benefit to cover costs if you are diagnosed with a terminal illness.

Customers can select the amount they want to be insured for up to a maximum level, depending on their living costs and expenses such as mortgages and school fees.

Income protection (IP) insurance

IP cover pays a regular benefit that replaces some of your income if you are temporarily unable to work because of sickness or injury.

You can structure this type of insurance in different ways depending on your needs and budget, including shorter or longer waiting periods before your IP benefit is paid, and different lengths of time you want the benefit to be paid.

Total permanent disability (TPD) cover

TPD insurance pays a lump sum if you become permanently disabled as a result of sickness or injury and are unable to work. As well as providing financial support for you and your family, it can also pay for expenses that health insurance may not cover, such as home modifications.

Trauma insurance

Trauma cover pays a lump sum in the event of a serious illness or life-threatening condition to help in financing your recovery. The payment is commonly used to cover expenses associated with the specific medical event or trauma, such as out of pocket costs or home alterations.

Business expense cover

This type of insurance covers expenses for small business owners if they become ill and unable to work.

How much does life insurance cost?

The amount of premiums you pay for your life insurance will depend on various factors, such as the type and level of cover you take out, the premium type you select (refer to the section below called 'How do life insurance premiums work?' for more information) and a range of personal factors such as your age, sex, whether you smoke, health, occupation, pastimes. .

You can find out more in your insurer's product disclosure statement (**PDS**), which will be given to you before you take out cover. The PDS would contain information about what your insurance covers, the application process, premium costs and the process for making a claim.

Finding the right level and type of cover for you will depend on your budget and individual circumstances. It's a good idea to seek out a professional financial adviser to have these discussions.

You can also consider whether you have any life insurance in your superannuation fund. While most super funds generally provide life insurance, this may only cover part of your insurance needs.

When considering your life insurance needs, you may want to look at the level of debt you have, your stage in life, whether you have people who depend on you financially and what they would need to maintain their lifestyle if something were to happen to you.

How do life insurance premiums work?

Premiums are a regular payment to cover the cost of your insurance policy. There are typically two premium types you can use to pay for life insurance products.

Variable age-stepped

Variable aged- stepped premiums generally increase due to age and can also increase due to changes in your benefit amount insured - such as through indexation, the length of time you have held your policy, or a premium rate review.

Where your premium type is specified as 'variable age – stepped premium', your policy premiums are recalculated each year based on your increase in age and any changing benefit amounts.

Premiums can also vary, up or down, if your insurer reviews their premium rates for a number of reasons. For detailed information, please refer to your insurer's PDS.

Variable premiums (previously known as level premiums)

Variable premiums will not increase due to age, but can increase due to changes in your benefit amount insured – such as through indexation, the length of time you have held your policy, or a premium rate review.

Where your premium type is specified as 'variable premium', your policy premiums do not increase due to age, however they are likely to be higher at the commencement of your policy compared to a variable age- stepped premium type. Variable premiums can increase due to increases in your benefit amount insured.

Premiums can also vary, up or down, if your insurer reviews their premium rates for a number of reasons. For detailed information, please refer to your insurer's PDS.

The premium is calculated based on your age when variable premiums were selected. The premium for other increases in your cover will be based on your age at the time of the increase.

Generally your variable premium will convert to a variable age - stepped premium basis on a specified date – in our products it is the policy anniversary immediately after you turn age 65 if your policy continues beyond this date. Any taxes or monthly payment loading applicable, and any policy discounts you are eligible for, are then applied.

For more information on how life insurance works and what type of cover is right for you, speak with your financial adviser.

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