

Fact Sheet

Common insurance terms

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Most superannuation companies not only provide you with superannuation, but also provide you with a level of insurance cover. Insurance can be a complicated subject, so to make insurance more easily understood, we have explained some common terms.

The insurer

Although Equisuper provides insurance as part of its standard superannuation package, death, Total and Permanent Disablement (TPD) and Salary Continuance (SC) insurance cover is provided by a Life Insurance company. We collect the premiums and pass them onto the insurance company, who then take on the risk.

Death insurance

This is the simplest form of insurance and is usually paid as a lump sum in the event of your death. A death certificate is required before a benefit can be paid.

Total and Permanent Disablement insurance

This insurance pays a lump sum in the event that you are unlikely to ever work again due to either illness or injury*. This cover is payable in addition to any Work cover entitlements that may apply. Typically you will need to be off work for six months before being eligible for such a payment and our insurer will require medical evidence of your disability before admitting the claim.

* The exact definition for TPD can vary quite significantly so you should check your PDS.

Salary Continuance insurance

Also known as income protection, this insurance provides income in the event that you are totally but temporarily disabled. So if you have an illness or injury and you cannot work for a period of time, then after a waiting period (60 days in most cases) our insurer will pay you a monthly income. The level of monthly payment will depend on your cover in place at the time of your claim. However, it is generally up to 75% of your salary.

These payments are reduced by any workers compensation or other insurance payments you receive.

Premiums

The premium is simply the cost of your insurance. The premiums are sometimes discussed in terms of "rate per thousand". For example the insurance may cost \$1.12 per \$1,000 worth of cover, which means \$100,000 of cover would cost \$112.00 (i.e. \$1.12 x 100) per annum. The costs for insurance usually increases with age because the older you get, the greater the likelihood of a claim.

Default cover

Most funds automatically provide an amount of insurance to all members. This is known as default cover, the amount of cover that you will get just by joining the fund. Typically you can choose to increase this cover further, or decrease it.

Automatic acceptance

Automatic acceptance are the terms by which insurance cover is provided to you without you having to provide any health evidence. Most superannuation plans that provide a level of default insurance cover also have an Automatic Acceptance Limit (AAL).

People who apply for cover other than when they first join the employer will usually not be granted cover under the automatic acceptance terms. They will need to be underwritten (see below).

Underwriting

This is the process that insurers go through when you request cover outside the automatic acceptance terms. This involves the insurer asking you to provide evidence of good health. This may either be a personal statement that you complete, or it may be a report from your doctor. If you are applying for a high level of cover, or your personal statement indicates health issues in the past, the insurer may also request further evidence, such as blood tests.

Forward underwriting limits

Once you have been underwritten, our insurer will generally allow future increases in your cover up to a certain limit. This is provided the increases are a result of factors outside of your control, for example salary increases. This is known as the Forward Underwriting Limit (FUL).

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The taxation information included in this brochure is a general guide only. As taxation laws are complex and individual circumstances vary, you should seek individual taxation advice from a qualified advisor.

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