Common Personal Insurance Questions

The following responses have been developed to address common insurance questions raised regarding life insurance. These descriptions are general, so you should refer to the product disclosure statement for the full terms and conditions of your policy or speak to a financial adviser.

How is the cost of my premium determined?

The cost of insurance premiums varies based on whether you have:

- insurance inside your superannuation whereby the trustee owns the policy, or
- insurance outside superannuation whereby you own the policy directly in your own name.

In many cases, you'll need to go through an underwriting process where your insurer determines the cost of your insurance based on several factors including your age, gender, weight, occupation, smoking status, health and Lifestyle, e.g., whether you partake in any 'high risk' activities.

Some other key factors influencing your premiums may include:

- Type of cover selected
- Any optional benefits you have selected under your policy
- Discounts you are eligible for
- Previous claims and incident history
- Whether you choose to pay your premium annually, monthly or by instalments
- Government taxes and any state or territory duties or levies
- How much cover you want
- Your risk assessment by the insurer
- The level of excess you select

What happens if I miss a premium payment?

Many policies have a grace period wherein you can pay the premium with no penalty or interest. If you have a term policy and do not make the payment within this grace period, the insurer will usually cancel the policy.

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Can I buy more than one policy?

In general, you can take out more than one life insurance policy. If you are looking for additional coverage, purchasing multiple life insurance policies may be worth considering, especially if you believe your current level of cover will not sufficiently cover your family's debt and expenses.

For income protection policies the insurer often includes offset clauses that prevent claimants from receiving more than a certain percentage of their gross salary while off work. You could have multiple income protection policies that all offer payment equalling 70% of your gross salary, however you wouldn't be able to claim the full amount from all of them. You would typically be limited to a combined maximum of 70% across all your policies.

Do I need to undergo a medical exam before my application?

Your health status has a significant impact on your life insurance policy. Some insurers may ask you to undergo a medical exam before you can get life insurance. They generally ask for this exam to better understand the risks involved in insuring you. You will be notified by the insurer as part of your application process if you are required to undergo a medical exam.

Typically, the insurer will have you meet with a licensed medical professional who guides you through the process. Generally, you will go through two phases during the exam:

- Verbal questionnaire – you sit with the medical professional who will run through a series of questions with you. Some of the questions will be related to the answers provided in your application.
- Sample collection – you can be asked to provide various samples including urine, blood or saliva. You can often provide these samples in your own home under the supervision of a medical professional. You'll be notified of the samples they intend to collect prior to the exam itself.

They may also collect other details including your height, weight, blood pressure and pulse.

Depending on your age, the insurer may also require an x-ray or electrocardiogram (ECG). If required, you can complete this requirement at a radiology practice or similar.

The insurance company will pay for any medical exams or tests they require.

What are my obligations with disclosing details to the insurer?

If you want to purchase new insurance cover, apply to reinstate a policy or change an existing policy, you must comply with the Duty to take reasonable care not to make a misrepresentation. This Duty is outlined in the Insurance Contracts Act (1984) which is Commonwealth legislation and it applies to all types of insurance.

The Duty not to make a misrepresentation is a legal principle meaning that you must tell the insurer anything that you or a reasonable person in your circumstances would know and which is relevant to the insurer's decision to offer a policy to you. The Duty of Disclosure applies whenever you apply for insurance, wish to change an existing policy or renew a policy.

You do not have to tell the insurer anything which reduces the risk in offering cover to you. However, you do need to tell them anything that you know might increase their risk in insuring you.

There are serious consequences if you withhold information when asked. In the worst-case scenario, the insurer may refuse to pay a claim and treat the contract as if it never existed. In other instances, they may reduce the amount you have been insured for or vary the insurance contract in a way that places the insurer in the same position you would have been in if you had disclosed everything you should have.

What happens if my policy expires?

Where your policy has expired, you may not be able to get the same level of insurance, or for the same price again, in the future.

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If you want to take out cover a second time, you may need to go through another underwriting process. As your health can change over time, this could lead to exclusions (conditions that do not trigger an insurance payment) or increased costs.

What are life insurance exclusions, pre-existing conditions, and loadings?

Information disclosed in the application process may result in your being deemed by an insurer as being 'high risk' due to several factors relating to your health and lifestyle. The insurer may impose an exclusion clause or a loading on the policy as a result.

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If you have a pre-existing condition e.g., you've previously experienced a heart attack, it is likely that an increase in premium will be applied to the policy due to the additional risk of death.

Loadings are generally scaled, starting at a certain percentage of that premium's original cost. It can increase depending on your level of risk and if there is a higher probability that you are going to claim in the future.

It may be tempting to omit certain details to save on your premium; however, this may cause your policy to be cancelled (see below), or your claim denied.

Can my insurer cancel my policy?

Your insurance remains in place where premiums have been paid. However, the insurer may cancel your policy if you have:

- Failed to pay premiums,
- Failed to disclose any relevant information regarding your health during the application process, and if the insurer had known that information, wouldn't have offered you cover,
- Made a fraudulent claim,
- Deliberately misrepresented your condition of health or lifestyle during the application process, and/or
- Failed to comply with any other terms and conditions within your chosen policy.

Can I retain my insurance despite having an inactive super account?

If your insurance is held inside super, trustees generally cannot provide cover to you if your super account is inactive. An account is deemed inactive if it has not received a contribution or rollover for over 16 months.

If your account is inactive, you will receive a communication from your super provider explaining that your insurance could be cancelled by a specified date. To keep your insurance cover:

- Return the opt-in form enclosed with the letter sent to you, or
- Complete a separate opt-in form located on the website of your super account provider, or
- Make a contribution or rollover which will make your super active again.