



Business & Estate Planning Specialists

How expert Claims Management advice generated an extra \$687,500



A recent claim we managed illustrates the value of obtaining advice.

Caren H had the following insurance portfolio:

- ▷ \$787,500 Life & Total Disablement Cover – owned/paid from her IOOF Super policy; and
- ▷ \$100,000 Trauma Cover – self owned, but linked to above policy.

The following benefits were included:

- ▷ Double TPD option on the Life & TPD policy;
- ▷ Terminal Illness is included with Life Cover (less than 12 months to live); and
- ▷ Life Buyback and Trauma Reinstatement on the Trauma Cover policy.

Double TPD Option

The double TPD Option is only available if TPD insurance is Attached to Life insurance.

If 'Double TPD' is indicated in your Policy Schedule, and the TPD Benefit becomes payable:

- the Life insurance Benefit will not be reduced
- future premiums due in respect of that part of the Life insurance Benefit Amount equal to the TPD Benefit paid will be waived;

These insurances were set up in May 2014.

In February 2015, Caren was diagnosed with an aggressive cancer. After confirming the biopsies of the cancer met the definition, Caren was paid \$100,000.

The trauma benefit is paid tax free – and was paid within 2 weeks (March 2015) of the claims paperwork being lodged.

The Life & Total Disablement Cover reduced to \$687,500 as the Trauma policy was linked. 12 months after the trauma claim is paid, Caren has the option to restore her Life cover back to \$787,500 (Life Buyback option) and Trauma Cover to \$100,000 (Trauma Reinstatement option).

Caren underwent surgery and was receiving high level chemotherapy. If you know anyone who undergoes chemotherapy, it does enormous damage to your body - resulting in Caren being bedridden for many months.

In August 2015, Caren's husband advised they have received bad news – Caren's cancer is terminal and further surgery is not an option. The prognosis is 6-9 months left to live.

The normal course of action here would suggest a claim could be lodged under the Terminal Illness benefit included with the life cover – so \$687,500 could be paid (tax free) to Caren. These funds could be used to explore radical alternatives, which they obviously wish to pursue. The policy benefits would then reduce to \$0.





An Alternative Strategy with Great Advice

Caren had not worked since March 2015 and obviously her prognosis prevents her being unable to return to work as a sales representative.

To meet the definition of Total & Permanent Disablement, Caren must be continuously off work for at least 3 months and her medical specialist must certify that Caren is unable to return to any work through which she would be suited through education, training or experience.

In this instance, Caren has not worked for 6 months and her 2 specialists would certify that not only would Caren be unable to return to any work, she is also terminally ill with a probable life timeframe of less than 9 months.

Due to the inclusion of the Double TPD option, the following claims strategy was discussed with Caren and her husband.

1. Apply for the TPD benefit of \$687,500 first;
2. When this benefit is paid, the Life insurance benefit would continue at \$687,500 (with all future premiums waived – due to the Double TPD option). Normally the TPD benefit would be taxed (as policy was set up as a super account) – however the TPD insurance benefit was paid to Caren's IOOF Super account. The

IOOF Trustees elected to pay the benefit under their Terminal Illness benefit – thus the \$687,500 benefit was paid to Caren tax free. (A tax saving of approximately \$45,000)

3. Next, a claim was lodged under the Terminal Illness benefit attached to the Life insurance policy – that is, another \$687,500. This benefit was also paid tax free.

4. Should Caren survive until March 2016, the Life Buyback benefit (linked to the original Trauma policy) would be exercised and another \$100,000 would become payable under the Terminal Illness benefit. This would be paid tax free.

Caren and her husband agreed on this strategy. The \$687,500 TPD payment was paid in early September 2015.

The Terminal Illness claim of \$687,500 was also paid later in September 2015.

Caren's husband indicated the funds were used to retire their mortgage of \$460,000, thus leaving them with \$915,000 in tax free funds.

They had researched the cancer and had elected to travel to Melbourne and the USA to explore some alternative health treatment options. Caren's husband indicated the funds allowed them to participate in these very expensive treatments to prolong Caren's life as well as quality of life.



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	Normal Course	Alternative Course
Trauma Benefit	\$100,000	\$100,000
TPD Benefit		\$687,500
Terminal Illness Benefit (Life Cover)	\$687,500	\$687,500
Life Buyback (March 2016)	\$100,000	\$100,000
Total	\$887,500	\$1,575,000



Tips

Obtaining great advice can lead to better outcomes and more funds.

Most Life & TPD insurance policies do not contain the Double TPD option. Review your insurances and demand this option be included in your insurance portfolio.

Seek a specialist insurance adviser who can manage your insurance portfolio and provide claims management for you. It reduces your stress levels knowing a specialist is doing all the hard yards on your behalf.

A specialist insurance adviser will also ensure you have the appropriate levels of insurance and include options that suit your circumstances.

Over 50% of all TPD claims with industry super funds are lodged via law firms, such as Shine Lawyers, Maurice Blackburn etc. There's a reason for this. Industry Super Fund members don't usually have access to claims assistance, so they seek advice via law firms. However the costs can be enormous – with legal fees of around 30% of the claim payout.

Note: Caren H – name has been changed for privacy reasons

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