Verve

Money & Mindset

Insurance

You can insure almost anything these days, at a price. For example, you may have heard of celebrity types insuring certain assets (like their butt...) for a huge sum! While insuring your backside is probably not everyone's jam, when it comes to insurance, we can start by considering:

What or who is important to me?
What if something were to happen to impact it/them?
What financial plan do I have in place for if that something were to happen?

Your financial plan could include things like an emergency buffer fund or a savings account - covering things like pet expenses, for example - and it might also include insurance.

Exercise 1: Protecting what's precious

1. To start assessing your insurance needs, a good question to ask yourself is:
"If something were to happen, how much could I cover myself before needing additional financial support?"
This will help to determine what risks and belongings you need to cover, the level of cover you require and the 'excess' you can afford.

◯ **Less than $1000** ◯ **$1000 – $5000** ◯ **$5000 – $10,000** ◯ **$10,000 – $50,000** ◯ **More than $50,000**

2. The next question to ask when reviewing your insurance needs is:
"How long could your living expenses be sustained in the event of unemployment due to injury or sickness?"
If you live in a family unit, think about how long your family could sustain living expenses if one of the primary income earners could no longer work or passed away. Consider how much sick leave entitlements, access to savings, insurance policies, disposal of assets etc. you have access to. This will help determine the level of life insurance cover you need and the waiting period you can afford.

◯ **Less than 1 week** ◯ **Less than 1 month** ◯ **1-2 months** ◯ **2-3 months** ◯ **3-6 months** ◯ **More than 6 months**

3. Think about the major assets you own (like your car or house) as well as the people or animals you love and depend on. Use the table below to list these items and consider what financial plans or options you already have in place if something were to happen to impact them. You can then use this to help you to either make a financial plan, like setting up a savings account for pet expenses, or show you where insurance might be needed.

IDENTIFY WHO AND WHAT IS IMPORTANT TO YOU	WHAT COULD GO WRONG? WHO AND HOW WOULD IT IMPACT YOUR LIFE?	WHAT FINANCIAL BUFFERS AND INSURANCE DO YOU NEED OR HAVE ALREADY?	ACTION STEPS REQUIRED
I.e. my home	A fire, which destroyed the building and my assets, would have a major impact on my life.	Property insurance, home and contents insurance.	I need home and contents insurance. I will research 3 providers for the best rate.
I.e. my pet	Requires a major surgery	I have $3,000 safety buffer saved for a rainy day	I will check that my safety buffer could cover the cost of most dog surgeries.

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Exercise 2: A supportive insurance plan : General insurance

What insurances are relevant to you in your current stage in life? Where are you over or under insured?
What steps can you take to be super comfortable with your risk planning? Review what insurance you currently have, whether it fits your bill and any actions you can take to ensure you are covered, and that you have the best deal, whatever happens.
For more information on general insurance, check out: understandinsurance.com.au.

INSURANCE TYPE	WHO AND WHAT IT COVERS	INSURER & POLICY NUMBER	PREMIUM ($)	RENEWAL DATE
I.e. Comprehensive Car Insurance	I.e. Toyota Camry BX21CL	I.e. AAMI #13101319		

How do I know I'm getting the best deal?

It's worth doing your research with insurance as different companies may provide the same amount of cover for a significantly different premium. It can save you money to check before you renew your policy for the year ahead, as you might be able to get a better deal with another provider. Then give your insurer a call and let them know that you're thinking about switching and ask what they can do to match the offer you found with another insurer.

Insurance terms

- **Premium:** The lump sum, monthly or annual fee you pay to be covered. The general rule here is the higher the risk, the higher the premium.
- **Excess:** The amount you have to cover before you get anything back. The general rule here is the higher the excess, the cheaper the policy. An excess usually only applies for general insurance and not life insurance.
- **Waiting period**: has a different definition for —
  - **General Insurance:** A waiting period means how long you have to wait after taking out your insurance policy before you can claim.
  - **Income Protection:** A waiting period means the amount of time which passes before a benefit is paid out, i.e. if a waiting period was 90 days, this much time would have to pass after being certified unfit for work. The general rule here is the longer the waiting period, the lower the premium.
- **Product Disclosure Statement:** a.k.a. the policy wording - this document contains all the fine print and outlines exactly what is and isn't covered under your policy.

Life Insurance 101

A quick overview on the different types of life insurance:

Death: This provides your dependents with a lump sum payment in the event of your death.

Total & Permanent Disability: This provides you or your dependents (as applicable) with a lump sum payment in the event you become totally and permanently disabled. In some cases, you can have a combined Death & TPD policy. In this instance, the amount is typically only paid out once. So if someone was totally and permanently disabled they may receive a payout, but there would generally not be an additional payout if they died after that. This might depend on the terms of the policy though, and some people choose to have both Death only as well as Death & TPD cover.

Income Protection: Offers a monthly income stream in the event that you are sick or injured and not able to attend work.

Trauma Insurance: Also called 'critical illness' or 'recovery insurance'. This pays a lump sum amount if you suffer a critical illness or serious injury. This could include cancer, a heart condition, major head injury or stroke. Note: trauma insurance cannot be offered within super funds.

Exercise 3: A supportive insurance plan - life insurance

Remember you might have life insurance attached to a super fund and this is a good place to check first if you're not sure whether you already hold life insurance.

Is the cover amount enough based on what you listed in Exercise 1? Is it too much?
Is there an area that you're missing that is relevant for your current stage of life?

For more information and to use the Money Smart Life Insurance calculator, check out: www.moneysmart.gov.au/insurance/life-insurance

INSURANCE TYPE	WHO AND WHAT IT COVERS	INSURER & POLICY NUMBER	PREMIUM ($)	RENEWAL DATE
I.e. Income Protection, Life Insurance, TPD, Trauma Insurance	I.e. Who's it for, level of cover, etc.			

My #1 action step to reduce risk if something goes wrong in the future is

10 minute challenge

If you need to review or purchase insurance, open your calendar and schedule a time to research more about insurance or call your insurer or super fund (if you have insurance through the fund). If you have your necessary insurance in place, set diary reminders when your policies are due. Have it notify you a month out so you can call and negotiate the best rate each year