

## MEMBER ENGAGEMENT

### Member blog – Value of insurance

The following member content has been prepared by TAL for use by partner superannuation funds for their members. It is available to use in white-label format for communications and is designed to provide information for members on positive ways to support their overall wellbeing. Your own internal approval process including legal requirements are required prior to publishing.

-BLOG-

## Common questions about insurance through super

When you open a new super account, most super funds give you the option of including insurance cover.

There are three main types of cover available through super: Life insurance (death cover), Total and Permanent Disability (TPD) insurance, and Income Protection insurance.

If you haven't made an insurance claim before, you might not have given much thought to the types and levels of cover you need. But it's important to know what you're paying for and how your cover works if something unexpected happens to you.

Here are five common questions that people ask about insurance through super.

### 1. Is it worth having life insurance?

Life insurance provides a financial safety net for you and your loved ones. It can help you keep up with medical costs and living expenses if you get sick or injured, as well as enabling your family to maintain their standard of living if you pass away.

Life insurance through your super is provided by TAL. Last financial year (2023/2024) TAL accepted 94% of all claims assessed, and 73% of claims paid were to customer recovering from an illness or injury.<sup>1</sup>

### 2. Is insurance through super cheaper?

In most cases, your insurance premiums will be lower if you have cover through your super instead of taking out an insurance policy outside of super. This is because your super fund negotiates lower premiums with the insurer to cover its members.

Your insurance premiums are paid from your super balance, which is typically taxed at the low rate of 15%. Outside of super, you have to pay the premiums from your take-home pay, which is taxed at your marginal tax rate. This can be as high as 45%, depending on your income.

### **3. Are the insurance premiums tax-deductible?**

Income Protection premiums outside of super are usually tax-deductible, but Life and TPD insurance premiums aren't. Insurance premiums for cover through super aren't tax-deductible.

### **4. Can you increase your cover?**

Yes, most super funds will give you the option to increase your cover, up to a maximum amount. If you want more cover than the automatic amount they calculate for you, you'll probably need to provide extra information about your health, lifestyle, and occupation. You may also need to get a medical health check.

### **5. Can I have the same type of insurance inside and outside of super?**

It's possible to have separate Income Protection, Life or TPD insurance policies inside and outside your super. You'll be charged an insurance premium for each policy you have.

However, if you need to make a claim it may not work the way you want it to. For example, Income Protection policies will take into account any other insurance payments you're already receiving when they calculate your payment amount for a claim. If one insurer is already paying you the maximum total benefit (usually 70–90% of your pre-tax income), then you most likely won't receive any benefits from the second insurer.

There are valid reasons why people might want more than one policy. One of these reasons is that life insurance in super usually ends when you turn 70 and TPD insurance usually ends when you turn 65. This isn't the case for insurance policies outside of super, so people sometimes have multiple policies to make sure they're consistently covered.

If you're considering taking out multiple policies, it's a good idea to speak to a financial adviser first. They can help you make sure you have the right cover for your needs.

### **6. Do you need to have insurance attached to your super?**

No, you don't. Even if your super fund automatically sets up insurance cover for you, you always have the option of cancelling your cover if you don't want it – for instance, if you already have life insurance outside super. You can also change your level of cover based on your specific financial needs.

If you have other questions about insurance through super, please contact your super fund.

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<sup>1</sup> Claims statistics based on total number of accepted claims that were determined to be eligible for payment between 1 April 2023 and 31 March 2024. A claim is assessed in order to determine whether or not the claim is payable. A claim is accepted when the claim is determined to be payable.

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