

Did you know?



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CommInsure's Buy Back Benefit and TPD/Trauma Cover

CommInsure's Total Care Plan and Total Care Plan Super have an inbuilt buy back benefit for Life Care. Unlike some competitor products, it is provided at no extra cost to the client. It is important to understand how this benefit works.

Claim impacts on level of cover

Where a client is paid a claim benefit on his or her policy, the client's sum insured is reduced by the claim benefit amount paid. This applies to both linked or rider policies and stand-alone policies. For example, let's say George has a linked policy of \$1 million Life Care and TPD (total and permanent disability) Cover and, \$300,000 Trauma Cover under Total Care Plan.

Unfortunately, George is subsequently diagnosed with severe prostate cancer and is paid a full Trauma benefit of \$300,000 to cover excess medical expenses, rehabilitation and time off work for his recovery. George's sum insured is reduced as a result of the claim to \$700,000 Life Care and TPD Cover and \$0 Trauma Cover.

The Buy Back Benefit – how does it work?

The 'buy back' feature basically allows clients to restore their level of life and trauma cover (but not TPD cover) reduced by the sum insured amount as a result of a claim. Clients can effectively 'buy back' this cover 12 months after the claim payment date, otherwise known as the buy-back period. Let's understand the specifics:

- **Life Care Buy Back** period is activated following any trauma or full TPD claim.
- **Trauma Buy Back** period is activated where a client has a full reduction in cover due to a full trauma claim or a series of partial trauma claims that reduce the cover to below \$10,000.

Please note that unless there has been consecutive partial trauma claims, the buy-back period generally won't be activated by a partial trauma claim unless the sum insured is reduced to less than \$10,000. Buy back does not apply to the Child Cover Option. Life Care Buy Back does not apply if part of the TPD Cover benefit for Partial and Permanent Disability has been paid. In a linked policy, TPD Cover reduced by a trauma claim cannot be bought back.

What is the cost?

The Buy Back Benefit under a CommInsure lump sum policy is a standard, built-in feature. This is important to note when comparing price and product features with other providers in the market. The advantage for our clients is that they never need to worry about continuation of cover on their first claim – cover reinstatement is already built-in.

Indexation still applies

Indexation will still apply to the remaining cover during the buy back period. In addition, when the cover is reinstated, the client can continue to receive indexation on the total sum insured in the future and not just the reduced sum insured amount. From the example used above, let's assume an applicable CPI rate of 3%. George's new sum insured amounts after the 12 month 'buy-back' period will be:

Life Care	\$1,021,000 (\$700,000 x 1.03) + \$300,000
TPD Cover	\$721,000 (\$700,000 x 1.03) Note: TPD remains at the reduced sum insured
Trauma Cover	\$300,000

What rates apply to the reinstated cover?

A great thing to note about the CommInsure Buy Back benefit is that the same premium conditions, including any loadings and exclusions, remain in place when the cover is reinstated. If the policy was established on standard rates, it remains on standard rates regardless of the type of claim. If there are certain loadings and exclusions

applied at the commencement of the policy, these will also remain unchanged. In addition, if the Trauma cover is linked or a rider to Life Care, rider rates will still apply.

How do clients activate reinstated cover?

The advantage for clients and advisers is that cover is automatically reinstated, no further medical underwriting or further action is required by the client. The client is sent a courtesy letter up to 6 weeks before their cover is reinstated with information detailing their total sum insured amounts, effective date of the reinstatement and the premiums payable.

Will the client need to meet the qualifying period again?

Unlike other reinstatement of cover, under the Trauma Buy Back benefit, the client will not need to meet the three month Qualifying Period on the reinstated sum insured amount.

How have CommInsure customers benefited from the Buy-Back feature?

Since 2007, **over 1,200** clients have had their cover automatically reinstated under CommInsure's Buy Back benefit - that's 100% of our clients eligible for the buy-back benefit have had their cover reinstated.

Things to be aware of with Buy Back and linked policies

- The trauma cover buy-back benefit can only be applied once. For example, if the client suffers two consecutive claimable events resulting in a full benefit payable, the buy-back benefit is not available after the second claim is paid out and the client's cover will remain at the reduced sum insured level. However, the Life cover can be bought back a second time
- The reinstated cover amount will also be restricted in ability to claim for related events. Using our example, if George had another cancer event he would not be able to claim again for cancer under trauma. If however he had a linked life cover policy and is diagnosed as being terminally ill or dies as a result of cancer, then the Life Care benefit would be payable.
- Advisers may want to consider whether stand-alone policies or linked policies are a better way to structure their client's insurance given impacts a claim can have on linked cover sum insured levels versus extra costs. While 'linked' covers mean sums insured are reduced by any claims, stand-alone policies are on average 15-20% more expensive than 'linked' covers.
- Once the buy-back benefit has been activated, other benefits such as Loyalty Bonus, Guaranteed Insurability Option and Severe Hardship Booster will no longer apply.
- Buy-back will not apply once the client has reached age 70.

Summary

Life and Trauma cover, when exercised under the Buy Back Benefit, is automatically reinstated – no further medicals and no messy paperwork for the client or adviser to complete. Life Care Buy Back also applies after a partial trauma claim. Reinstated cover under the Buy-Back benefit will continue to receive the indexation benefit after it has been reinstated if the client has opted to receive the indexation benefit.

Important information

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