



What happens if...?

Your easy guide to protecting your family and assets



Simple answers to your questions

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An easy read

The worst thing that anyone could imagine would be to become seriously ill or even die. Perhaps the next worst thing would be to imagine the effect this could have on your family or loved ones. You may not be able to prevent a tragedy happening, but at least you can 'soften the blow' by making sure your family and your assets are protected.

This is an easy guide to the purpose and different types of insurance offered by AMP. Taking out the right insurance will give you the security of knowing that you and your family are covered, as well as your business if you have one.



What are the chances?

Does “It couldn’t happen to me” sound familiar?

If you think about the people you know, chances are that you do know someone who has died or been seriously ill recently.

What are the risks?

There are many risk statistics available and the examples below set out just a few... but they may surprise you.

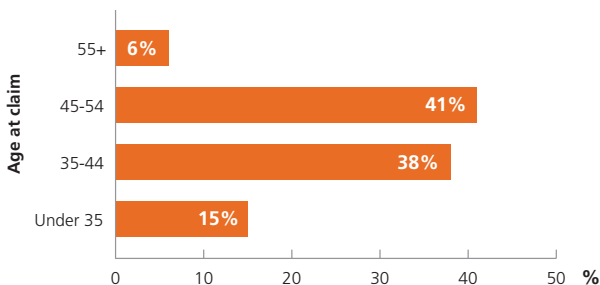
- 1 in 3 men and 1 in 4 women will suffer from cancer in their lifetime*
- in Australia in 1998, 40% of all deaths were from cardiovascular disease+
- 1 in 2 men aged 40 and 1 in 3 women aged 40 risk having coronary heart disease in their future life+
- 1 in 4 men aged 45 and 1 in 5 women aged 45 risk having a stroke before age 85+
- in Australia in 1998, there were 80,864 new cancer cases (excluding non-melanocytic skin cancers) and 34,270 deaths due to cancer*
- more than 50% of trauma insurance claims are made by people who are under 45 years old and only 6% by people aged 55 or older#

* Source: Cancer in Australia 1998, Australian Institute of Health & Welfare (AIHW)

+ Source: 2001 Heart Stroke & Vascular Diseases Report (AIHW)

See the following graph

Trauma claims paid by age



Source: Institute of Actuaries: Mortality Report 1995-1997

Check your health and fitness

We hear a lot about the importance of balancing your work with your life. And some of us know we're not as fit or as healthy as we could be. Our health and fitness now affects how long we'll live and our future quality of life. So, how healthy are you?

How long can you expect to live?

Because of healthier lifestyles and advances in medicine, Australian life expectancy has increased by almost ten years, Australians can now expect to live into their eighties.

How can insurance help?

Whether you're young or old, single or with a partner, life, trauma and income insurance can help ease the financial burden on your family or dependants should you become seriously ill, were injured and couldn't work or if you died prematurely.

What are the choices?

This will always depend on your own personal circumstances. For example:

For those who are:	They may want to:
25, single, currently paying rent and saving for a deposit on a home.	protect against loss of income caused by disability and still get paid with income protection insurance.
38, with a partner, a child under 5 and are paying off a mortgage and debts.	protect their family's well-being with life insurance, trauma cover for both partners and income protection insurance for the working partner.
45, own their own business and employ two people in the business.	protect the ongoing operation of the business with life insurance, income protection and business overheads insurance.

Provide for your family with:

- life, trauma or disablement insurance
- income protection insurance

Protect your business with:

- business overheads insurance
- life, income protection and business overheads insurance

Protect your family

If you died, your family may have enough money to pay funeral expenses and some ready cash to last a few months and your superannuation would help too, but what happens when the money runs out? Even if you were seriously ill, you might have to cash in any investments you have, change your lifestyle, or change your plans for your children's education. You might even have to sell the family home.

And it's not only the principal breadwinner who needs insurance. Both partners need insurance to maintain that lifestyle if something unexpected happens to either one, as both partners are responsible for creating the lifestyle which you currently enjoy.

Protect your business

Have you thought of who would run the business if you couldn't? What would be the best option for the business? The bills will still need to be paid. If the business didn't survive and went bankrupt, the other partners and staff would have to go through this extra trauma. By paying the expenses of your business while you're ill or injured and can't run it yourself, business overheads insurance helps keep your business going while you recover.



What type of insurance is available?

How AMP can protect you

Money for your family... in the event of death

Life insurance provides money for your family, partner and/or dependants if you die, or if you become terminally ill.

Regular income... if you are disabled and unable to work

Income protection insurance pays you an income each month while you are unable to work because you are ill or injured. You can get up to 75% of your income.

You should also check your superannuation plan details to see what benefits it covers – to avoid doubling up and over-insuring yourself. Talk to your superannuation provider or adviser if you're not sure.

A lump sum... if you suffer a major trauma condition

Trauma cover provides a lump sum payment if you suffer a trauma condition that's defined in the insurance plan.

AMP covers a number of trauma conditions, including heart attacks, strokes, cancers, major organ transplants, dementias, paralyses, Multiple Sclerosis, severe burns, Motor Neurone Disease and HIV.

Summary of insurance products available from AMP

No matter what you decide you need, AMP can help you. Take a quick look at AMP's Flexible Lifetime – Protection: Death Cover, Total and Permanent Disablement Cover, Trauma Cover and Income Protection.

Flexible Lifetime – Protection

Death, Total and Permanent Disablement and Trauma covers provide a comprehensive personal insurance package for individuals, and, for businesses, enough funds to buy out a partner's beneficiaries or to provide total and permanent disablement cover.

Features:

- optional death cover up to age 99
- built-in terminal illness benefit
- optional trauma cover which provides a lump sum benefit if you suffer a specified trauma condition
- optional total and permanent disablement cover
- inflation indexed
- waiver of premium option (you don't pay your premium while you're disabled)
- choice of payment options.

Income Protection Insurance provides a comprehensive income protection package for those in full-time employment aged between 19 and 64 and can guard against the loss of regular earned income through long-term illness or injury.

Features:

- three levels of cover – Advanced, Standard and Basic
- monthly benefit payments
- cover for up to 75% of your monthly earned income
- choice of benefit periods (how long you are paid for)
- choice of waiting periods (time before you get the first payment)
- optional superannuation contributions
- choice of payment options.

How much cover?

Many factors affect how much cover is enough, like age, number of dependants and current financial circumstances. Everyone is different and each person's situation needs individual assessment according to their own personal needs and goals.

Jo, Nick and Jen are three very different people and have different insurance cover. Let's look at their situations on the following pages to see how death cover, income protection insurance and trauma cover can work.



Maintain a lifestyle

Death cover is designed to maintain your dependants' lifestyle. As an example, Jo has one child, a mortgage, a credit card debt and already has \$275,000 life insurance. She also has a superannuation benefit of \$40,000.

But in Jo's situation, this is not enough. Jo is under-insured. If she died, her family would suffer financially.

Jo's situation

Annual salary before tax (A)	\$60,000
Multiple of annual salary (B)*	multiply by 10
Funds needed to maintain dependant's lifestyle (A x B)	\$600,000
+ additional expenses on death (eg funeral costs, medical bills etc)	\$30,000
+ money to pay off debts (eg mortgage, credit cards)	\$185,000
+ money for child's education costs	\$70,000
- immediately cashable assets/investments	- \$20,000
- existing superannuation benefit	- \$40,000
= suggested death cover of (C)	\$825,000
But, existing death cover is (D)	- \$275,000
therefore the shortfall is (C - D)	\$550,000

Would your dependants have enough money to maintain their lifestyle?

* One way of working out how much you need to maintain your lifestyle is to multiply your annual salary (before tax) by 10. For an older person, a lower multiple may be more appropriate, whilst a younger person may choose a higher multiple.

How much trauma cover?

Trauma cover is available with death cover or as a stand alone insurance. Most people choose a lower amount of trauma cover or total and permanent disablement cover compared with death cover to suit their budget. The most important thing is to have enough money to cover medical expenses, major debts and some replacement income.

Is your payslip in the mail?

To 'get by' so you can continue paying things like bills, expenses and debts while you're ill or injured, most people need at least 75% of their income.

Nick is a self-employed painter, supporting a wife and two young kids. Whilst riding his surfboard, he took a heavy fall, injuring his back. He needs extensive rehabilitation therapy and is unable to work for 36 months.

Nick's wife, kids and the mortgage all depend on his income. Without insurance, they'll soon use up all their limited savings and go into debt.

So how could Income Protection Insurance help Nick?

After waiting for his initial two weeks (the waiting period he chose), Nick receives payments every month until he's able to go back to work. These payments are enough to feed his family and keep the home going.



Keep your business in the black

Jen is 35 and runs her own consulting business. She's making ends meet and has started a superannuation plan, but her business has only been going for a couple of years and she hasn't managed to save much yet. One Saturday, she's hit by a motorist while crossing a road and suffers a head injury.

Her injury means she can't work for 12 weeks. But she still has to pay her bills and feed and clothe herself, as well as pay her medical costs. As soon as she puts in her insurance claim, her Income Protection plan pays her a monthly benefit once the waiting period has expired, so she receives a total of 75% of her pre-disablement income – enough to keep her going.



What about business cover?

As an employer, you've probably already organised workers' compensation for your employees, but would your business survive if you weren't there to run it?

If Jen employed staff in her business, she could also have had Business Overheads Insurance. This would pay her 'eligible business overheads' each month for up to 12 months while she's ill or injured and can't work.

Examples of 'eligible business overheads' covered are:

- salaries of most non-income producing staff
- workers' compensation and superannuation costs
- rent and mortgage interest on business premises (unless the premises are also your residence)
- property rates and property taxes
- leasing costs of office equipment and motor vehicles
- electricity, water, gas or telephone bills
- cleaning and laundry bills
- general insurance premiums
- subscriptions to professional associations
- advertising costs
- accountants' and auditors' fees.

Why AMP?

For over 150 years we have helped generations of Australian families, individuals and business enterprises safeguard and build their financial future.

AMP is a leader in wealth protection.

In 2002, Personal Investor Magazine awarded AMP's Income Protection Insurance the silver award for Income Protection Policy of the Year.

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