

Income insurance through superannuation

AXA now offers income insurance through superannuation

AXA's Income Insurance Superannuation Plan features the same premium structure as the Income Insurance Plan and has benefit periods of one, two and five years, to age 60 and to age 65.

The plan is also available through AXA's recently released capital protected offer, North.

How will your clients benefit?

Benefits of having income insurance through superannuation include:

- Cash flow poor clients, who have superannuation through AXA's North, do not need to use their disposable income to pay for their income insurance.
- Clients who are self-employed may be able to claim a tax deduction for contributions (premiums paid) made to the superannuation fund.
- Clients using AXA's North as their main superannuation fund can use any salary sacrifice contributions or employer contributions to fund their income insurance requirements.
- Depending on a client's level of income, any after tax contribution (premium payment) to an income insurance superannuation plan may entitle them to a government co-contribution of up to \$1,500.

Important information to remember

Using superannuation to finance insurance over the long term can have a significant effect on the balance of a superannuation account.

As a client's circumstances change, they should be encouraged to replenish their superannuation fund and where necessary make top-up contributions to ensure their fund balance isn't eroded.

Level premiums should be used to reduce the long-term impact stepped premiums can have on a superannuation account balance.

Key details of AXA's Income Insurance Superannuation Plan

Occupation groups	MP, AA, A, B, C, D and BY, CY, DY, F
Contract type	Indemnity and agreed value
Benefit period	1 year, 2 years, 5 years, to age 60 years (dependent on occupations) ¹ and to age 65 years (dependent on occupations) ¹
Waiting period	All waiting periods (dependent on occupations) ¹
Waiver of premium	Yes
Commission	Upfront, hybrid, flat
Availability	Stand alone or available through North, AXA's recently released capital protected offer

¹ See the Adviser Easy Reference Guide for Individual Insurance, October 2008 edition.

² Not available to 'F' occupations.

Availability of cover

Premium structure	Entry age	Expiry age
Stepped or Level	18 to 55 next birthday	60
Stepped or Level	18 to 60 next birthday	65

Key benefits

- Total Disability Benefit
- Partial Disability Benefit
- Attempted return to work during the waiting period
- Rehabilitation expenses
- 100 per cent Superannuation Guarantee Contributions
- 24 hour worldwide cover
- Waiver of premium
- Leave Without Pay Continuation Benefit²
- Indexation Benefit
- Upgrade of benefits
- Interim Income Insurance Cover

Are there any special conditions?

Due to superannuation law certain benefits and conditions have been altered. For more details, please consult your AXA business development representative.

The cashing requirements under Superannuation Industry Supervision (SIS) law state that under temporary incapacity, the benefit that can be paid to a member must not exceed the income they were receiving before the disability. Given this, AXA's offset clause has been revised for our Income Insurance Superannuation Plan.

It is important to be aware of the offsets that are required by superannuation law for income protection products.

The benefit paid for income insurance products is assessable for income tax purposes. In this case, as the benefit is paid to the Trustee of the superannuation fund, it is the responsibility of the Trustee to deduct tax from the benefit. Therefore, your client will receive their benefit net of tax.

Indemnity contracts

As superannuation law requires that the client does not receive more than 100 per cent of the amount they were earning immediately prior to the disability, the pre-disability earnings amount used for calculating partial benefits is the income amount received immediately prior to the disability occurring.



Examples of monthly benefits (before tax)

Agreed value

Under superannuation law, the client cannot receive more than they were earning prior to becoming disabled.

Case study 1

Client has an income insurance policy with a Total Disability Benefit of \$10,000. Client is earning \$15,000 per month before their disability. During the disability client has earnings of \$2,000.

The benefit is equal to 75 per cent of the pre-disability income, minus offsets, to a maximum of the Total Disability Benefit amount.

$75 \text{ per cent of } \$15,000 = \$11,250 - \$2,000 = \$9,250$.
So the Total Disability Benefit is \$9,250.

Case study 2

Client has an income insurance policy with a Total Disability Benefit of \$10,000. Client is earning \$10,000 per month before their disability. During the disability client has earnings of \$2,000.

In this case the Total Disability Benefit under superannuation is \$8,000 as this benefit, plus the offsets, ensures the member would receive their pre-disability income.

Case study 3

Client has an income insurance policy with a Total Disability Benefit of \$10,000. Client is earning \$5,000 per month before their disability. During the disability client has earnings of \$2,000.

In this case the Total Disability Benefit under superannuation is \$3,000 as this benefit, plus the offsets, ensures the member would receive their pre-disability income.

Indemnity

Case study 4

Client has an income insurance policy with a Total Disability Benefit of \$10,000. Client is earning \$15,000 per month before their disability. During the disability client has earnings of \$2,000.

The Total Disability Benefit is calculated as
 $75 \text{ per cent of } \$15,000 = \$11,250 - \$2,000 = \$9,250$.

Case study 5

Client has an income insurance policy with a Total Disability Benefit of \$10,000. Client is earning \$10,000 per month before their disability. During the disability client has earnings of \$2,000.

The Total Disability Benefit is calculated as
 $75 \text{ per cent of } \$10,000 = \$7,500 - \$2,000 = \$5,500$.

Case study 6

Client has an income insurance policy with a Total Disability Benefit of \$10,000. Client is earning \$5,000 per month before their disability. During the disability client has earnings of \$2,000.

The Total Disability Benefit is calculated as
 $75 \text{ per cent of } \$5,000 = \$3,750 - \$2,000 = \$1,750$.

It is important to be aware of the offsets that are required by law in superannuation for all income protection products.

Total Disability Benefit	Agreed value	Indemnity
Monthly benefit = \$10,000 Offsets = \$2,000 PDI = \$15,000	\$9,250	\$9,250
Monthly benefit = \$10,000 Offsets = \$2,000 PDI = \$10,000	\$8,000	\$5,500
Monthly benefit = \$10,000 Offsets = \$2,000 PDI = \$5,000	\$3,000	\$1,750

Note: Care also needs to be taken where the client is involuntarily unemployed or on a sabbatical, as the Income Insurance Superannuation Plan will not provide a benefit. Superannuation law will not allow the superannuation fund to pay a benefit to someone who is not earning an income before a disability occurred.

What are the conversion rules?

Ordinary income insurance plans may be converted to superannuation plans. Conditions apply. Please contact your AXA business development representative for more information.

What are the premium rates?

Premium rates are the same as AXA's Income Insurance Plan. Quotes can be obtained using AXA's Premium quoting tool (PQT) version 4.0.

What do advisers need to do to select the plan?

To produce a quote for the Income Insurance Superannuation Plan, simply select the Plan in the latest version of AXA's PQT.

To download the most recent version of the PQT software, go to www.axaadvantage.com.au > Risk Quoting Software.

Looking for more details? If you have any queries or require additional information, please contact an AXA business development representative on 1800 655 655.

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The National Mutual Life Association of Australasia Limited
ABN 72 004 020 437 AFS Licence No. 234649
Member of the Global AXA Group
Registered Office: 750 Collins Street Docklands Victoria 3008



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