10 ways to

Put protection first

AVIVA

INFORMATION FOR ADVISERS

As you prepare your strategies for a future with brighter economic prospects, be sure to put protection first.

In this booklet, we arm you with 10 ways to acquire and retain protection clients regardless of how the investment markets behave.

1

Tackle the underinsurance crisis

Debunk some common myths

Many people wouldn't think twice about insuring the full value of their car or home. But when it comes to life insurance, 60% of families with dependant children do not have enough insurance to cover household expenses for a year if the family breadwinner was to die.[1]

Even today with an over-abundance of information available, people are still relatively uneducated on the topic of insurance. They believe they have enough insurance in their super, they don't need insurance or think it's just too expensive. Isn't it time to debunk some of these common myths?

Despite the fact that almost every working Australian has some life insurance within their superannuation, Australia has proved to be one of the most underinsured nations in the developed world.[1]

Take a look at these statistics:

- 50% of individuals are underinsured by $100,000 for life insurance[2]
- 74% of individuals are underinsured by $100,000 for Total and Permanent Disability (TPD)[2]
- 45% of individuals are underinsured by $1000 per month for income protection[2]
- Australian families with dependant children need life insurance between the value of 10 to 13 times the combined annual income[3]
- only 4% of Australian families with dependant children have adequate levels of insurance cover[3]
- the default amount of life insurance in super is on average only 20% of what is actually needed[3]

It's quite a serious situation considering:

- 81% say life insurance is too expensive, however 61% overestimate the cost[4]
- 41% say life insurance is too complicated and one in four don't know where to start[4]
- more than 50,000 people were hospitalised due to transport accidents with over five days in hospital (81% of these were of working age)[5]
- over 1,400 people die on Australian roads every year[6]
- more than three in four Australians will be diagnosed with a serious illness in their working life[7]
- one third of women and a quarter of all men will suffer cancer at some stage in their lives – over half of whom will live for longer than five years after diagnosis[8]

When you consider these sobering statistics, there's really no excuse to not put protection first.

Did you know?

Wealth protection is an integral part of any wealth creation strategy. Because no two people are the same, Aviva has a selection of protection products that can be tailored to suit the individual needs of your clients.

1 IFSA/TNS Protection Gap research, 2005
2 AIST Media Release, Tuesday 3rd June 2008
3 Analysis of Insurance needs – Rice Warner Actuaries, May 2005
4 ING Australia's Attitudes Towards Life Insurance, December 2008
5 AIHW Injury Research and Statistics Series No. 42, 2005-06
6 Australian Government, Road Deaths Australia 2008
7 ABS Statistics, 2007
8 Cancer Council: (www.cancer.org.au), Cancer in Australia: an overview, 2008 Australian Institute of Health and Welfare (published December 2008)

For further information, please speak to your Business Development Manager or call Adviser Services on 1300 128 482.

2 Stepped or level premiums? Or both?

Choose a flexible method that suits the client over the long-term

When a client takes up insurance, there are generally three ways they can pay insurance premiums:

1. level premiums are based on age when cover commences
2. stepped premiums increase as the age of the insured increases
3. a combination of the two

The third option could be especially attractive for clients who take up bundled insurance that may include Life, TPD and Critical Illness insurance in the one policy contract. Why?
For Life and TPD insurance, stepped premiums tend to increase at a lower rate as the insured ages so it is a more affordable option. Whereas stepped premiums for Critical Illness increase quite substantially with age. So placing a Critical Illness policy on a level premium rate could really improve affordability for the client in the long-term.

Over time, your client can reduce their stepped premium cover as they build up more assets and potentially need less insurance. As a result, they could end up paying level premiums on most (if not all) of their insurance in their later years, and benefit from the lower premium costs associated with level premiums at that time.

Did you know?

Most claims occur in later years of life, but many policies lapse at this time due to the higher stepped premiums. By combining stepped with level premiums, you can make the cover more affordable for your client in the later years so they keep the cover going at a time when they need it most.

Case study

Steve is a 35 year old white collar professional. After discussing his insurance needs with his adviser, Steve decided to take out Life, TPD insurance on stepped rates and Critical Illness insurance on level rates to age 60.

The adviser provided Steve with comparative insurance premium quotations with a combination of stepped and hybrid premiums over the life of the policies to show Steve how much he could save.

Cover	Sum insured	Accumulated stepped premiums	Accumulated hybrid premiums	Difference
Life	$1,000,000	$169,548	$122,126	**$47,422 or 30%**
TPD	$1,000,000			
Critical Illness	$500,000			

Assumptions

- Age next birthday 36 to 60, i.e. calculation over a 24 year period
- Premiums paid annually
- CPI at 5%

By combining stepped premiums for Life and TPD, and level premiums for Critical Illness, Steve saved $47,422 over the term of the cover.

For further information, please speak to your Business Development Manager or call Adviser Services on 1300 128 482.

3 Bundle all insurances and save a bundle

Make insurance much more affordable

Over time many people can end up with several insurance policies with different insurers where the combined premiums can end up being quite expensive.

Talk to your clients about bundling Life, TPD and Critical Illness insurances in the one policy with the one insurer. It makes insurance easier to manage and they could save a bundle in insurance premiums without sacrificing their levels of cover.

Case study

Adam and Elaine are married and both are non-smoking professionals in their early 40's. Over the course of their adult lives, they have accumulated several stand-alone insurance policies.

When they spoke to their financial adviser, she reviewed their situation and found that just by bundling all their insurances, they could save almost $1,500 a year.

Did you know?

By bundling all your clients' insurances through Aviva, you could save them money that could be directed towards other wealth creation strategies.

Current stand-alone situation (premiums per annum)

	Adam	Elaine	Total
Life insurance ($750,000)	$652.50	$465.00	$1117.50
TPD insurance ($750,000)	$676.50	$627.00	$1303.50
Critical Illness ($400,000)	$1531.64	$1415.48	$2947.12
Income Protection ($6000/month)	$961.05	$1327.91	$2288.96
Total	$3821.69	$3835.39	$7657.08

Proposed bundled situation (premiums per annum)

	Adam	Elaine	Total
Life insurance ($750,000) **TPD insurance ($750,000)** **Critical Illness ($400,000)**	$2146.10	$1752.60	$3898.70
Income Protection ($6000/month)	$961.05	$1327.91	$2288.96
Total	$3107.15	$3080.51	$6187.66
Saving	**$714.54**	**$754.88**	**$1469.42**

Assumptions:

- Standard premiums, no loading applies
- Life insurance standard premiums, paid annually
- Any occupation definition applies for TPD
- Income protection benefit payable for two years after a 90 day waiting period
- State of residence for the purpose of Stamp Duty is Victoria
- Age next birthday for Adam and Elaine is 42 and 41 respectively

For further information, please speak to your Business Development Manager or call Adviser Services on 1300 128 482.

4

Insure the stay-at-home parent

Maintaining a home isn't cheap

Families typically insure only the main breadwinner in their household. They often overlook the financial value that a stay-at-home parent adds towards raising children and maintaining a home.

In financial terms, the non-paid work of house-keeping, child rearing, cooking and all the other domestic duties required to keep a house running can be easily ignored. Furthermore, the possibility that either partner in a marriage should suddenly be unable to work due to illness or injury is seldom considered.

A report by the Australian Institute of Family Studies[1] found that the value of a woman, aged 25 – 44 years, managing housework, shopping and looking after children was $45,617 per annum.

If you calculate this over 20 years (without factoring in CPI), then it works out to be $912,340. And this does not include the cost of raising and educating children.

When discussing wealth protection with couples, it's important to place a value on the contribution of both partners, not just the breadwinner.

Case study

Gary and Sally have been married for a couple of years and have a one-year old son, Jack. When Jack was born, they decided that Sally would take a career break and stay at home to raise their son and look after the family home. Gary would continue in his job as an accountant.

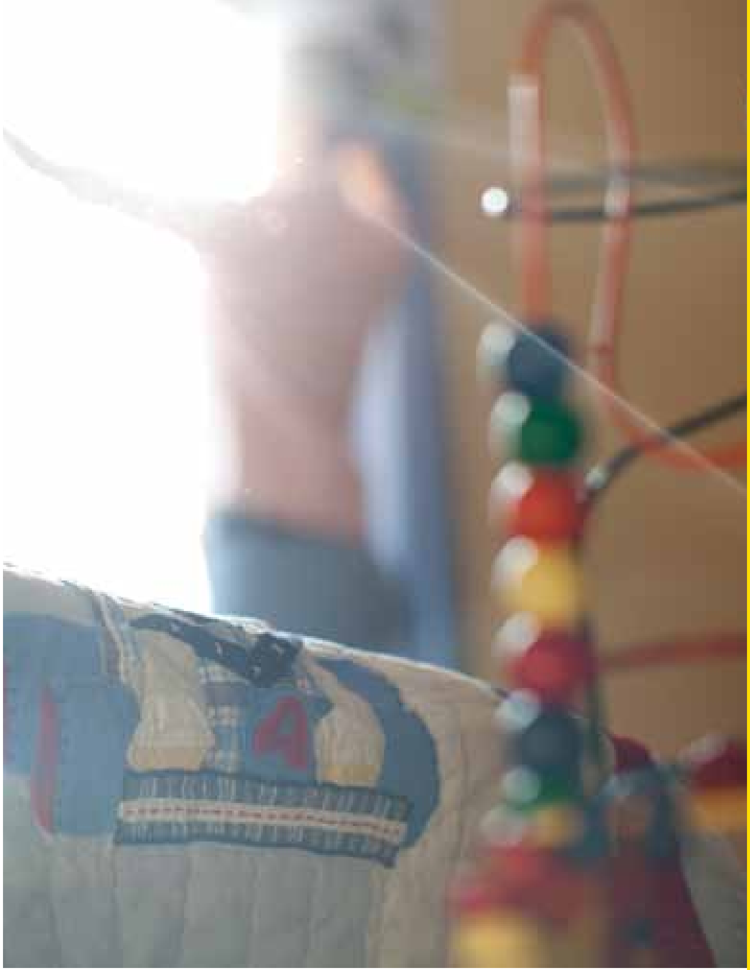
About a month ago, Sally was diagnosed with a terminal illness with only a few months to live. The news was just devastating. Her hospitalisation forced Gary to make major changes to their lifestyle. He had to take time off work to find a babysitter for Jack, a cleaner for the house and still pay the mortgage and bills.

Just before they married, their financial adviser recommended and implemented comprehensive insurance for Gary and Life insurance for Sally. The moment she was diagnosed with the terminal illness, their insurer paid out a lump sum benefit to the family. Although it was little consolation, the money helped Gary make immediate arrangements for the family home and Jack to be looked after. Gary could therefore focus on getting the best medical treatment for Sally.

Did you know?

Aviva will insure the homemaker for up to $1 million for Life, TPD and Critical Illness without the need to provide financial evidence. Should your clients require a higher sum insured, then our underwriters would be happy to consider the application. Another reason to put protection first.

1 de Vaus, D.; Gray, M. and Stanton, D.: *Measuring the value of unpaid household, caring and voluntary work of older Australians*; Australian Institute of Family Studies, Research Paper No 34, October 2003.



For further information, please speak to your Business Development Manager or call Adviser Services on 1300 128 482.

5 Cover the kids for free

Some things do come for free

When a child falls critically ill, it's common for parents to take time off work to support their child and often they experience financial hardship due to unplanned medical expenses.

With free automatic cover for kids,[1] it's comforting to know that there is protection and financial peace of mind for the whole family if a dependant child is diagnosed with a critical illness or passes away.

Here are some facts:

- heart disease in children is the leading cause of death, accounting for more than 30% of childhood deaths[2]
- the most common reason for admission of Australian children to intensive care units is due to heart disease with more than 1,300 being admitted each year[2]
- each year 200 Australian children up to age 14 are diagnosed with leukaemia, the most common cancer in young children, with treatment taking around two years[3]
- brain cancer is the second most common cancer in children each year[4]

Case study

Jane and Matt have been happily married for six years. They have two beautiful children, Dillon aged five and Mia aged three. Everything was going along smoothly for the family when Mia was diagnosed with leukaemia that required immediate hospital treatment.

The doctors reported that the disease was treatable but the treatment could take well over a year and Mia would require round-the-clock care. Faced with such an uncompromising situation, Jane made a decision to take the year off work to look after Mia. This decision would place considerable financial strain on the family, but that didn't matter. Helping Mia fight the leukaemia was their absolute priority.

Thankfully their adviser had recommended adequate levels of Critical Illness and Income Protection cover for both Jane and Matt. In fact their policies provided free cover for children between the ages of 3 and 18 next birthday. The insurance payouts helped ease the financial strain on the family over the course of the treatment, leaving the family to provide all the love and support to Mia as she recovered.

Did you know?

When your client takes out Income Protection or Critical Illness cover with Aviva, they will automatically receive free protection for their children[5]. No questions asked and at no additional cost. Another reason to put protection first.

1 Terms and conditions apply

2 heartkids.org.au

3 Leukaemia.org.au

4 cancervic.org.au

5 Cover is applicable for existing Critical Illness contracts issued from March 1995 and existing Income Protection contracts sold after November 2001. Cover is not applicable for contracts held within a superannuation fund. Conditions and exclusions may apply. For more information, please refer to the current Aviva Protection*first* Product Disclosure Statement.

For further information, please speak to your Business Development Manager or call Adviser Services on 1300 128 482.

6 Pay insurance premiums through super

It's tax and cost effective when times are tough

Here's an idea to reduce out of pocket expenses to get your clients covered.

When times are tough, most people look closely at their budgets. To help ease the burden of the cost of insurance, they can pay the premiums through a superannuation fund. This can:

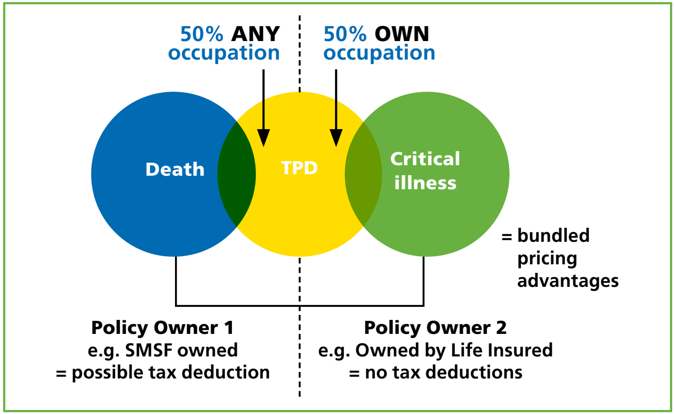
- provide a tax efficient means of funding the cost of Life insurance, particularly for clients on higher marginal tax rates
- provide a cash flow efficient means of funding life insurance
- enable lower income earners to benefit from the Government co-contribution if they fund Life insurance inside super with personal superannuation contributions
- result in reduced costs, or more insurance for the same cost, compared to holding the insurance outside superannuation

Note: contributions to super to pay premiums count towards contribution caps.

Case study

Aaron's financial adviser helped him set up a Self Managed Super Fund (SMSF) and discussed putting Life, TPD and Critical Illness insurance through the SMSF.

What the adviser also did was to split the ownership of the policy between super and non-super. This meant that the SMSF became the policy owner for the Life and half of the TPD sum



insured (with ANY occupation definition). And Aaron became the policy owner for the other half of the TPD sum insured (with OWN occupation definition) and Critical Illness.

The premiums for Life and 50% TPD were paid from the SMSF, making them tax effective. The premiums for the other 50% of TPD and Critical Illness were paid by Aaron from his investment account.

Note: You may want to ensure that new cover is accepted by underwriting before cancelling any existing insurance policies.

Did you know?

With Aviva you can restructure insurance inside and outside superannuation as your client's circumstances change. You can split insurance between both superannuation and personally owned policies.

For further information, please speak to your Business Development Manager or call Adviser Services on 1300 128 482.

7 Get the Government to pay premiums

The benefits of co-contributions

Paying insurance premiums through super can be an effective alternative for clients. But if they earn less than $60,342 per annum and make an after-tax contribution to their super, then they could be entitled to a Government co-contribution.[1]

These co-contributions into the super fund can essentially pay insurance premiums for your clients. From 1 July 2009, to be eligible your client must:

- make a personal super contribution by 30 June each year into a complying super fund or retirement savings account
- have total income less than $60,342 p.a. (this is indexed annually to reflect changes in average wages)
- earn 10% or more of their total income from eligible employment, running a business or a combination of both
- be less than 71 years old at the end of the tax year
- not hold an eligible temporary resident visa at any time during the year, and
- lodge their income tax return

To find out more, visit www.ato.gov.au/superfunds

Case study

Mary is a 32 year old nurse whose assessable income is around $50,000 a year. She and her husband are planning to start a family so Mary wants to increase her levels of Life, TPD and Income Protection.

When Mary spoke to her adviser, he suggested increasing her insurance in her super fund and making personal after-tax contributions over and above the superannuation guarantee (SG) that her employer contributes.

By making personal after-tax contributions, Mary would be entitled to the Government co-contribution, which would help pay for her insurance premiums.

Did you know?

The Government's super co-contribution determined will depend on the income year in which your client made their personal after-tax super contributions. From 1 July 2009, they will receive $1.00 for every $1.00 they contribute, up to a maximum co-contribution of $1,000 a year. This reduces by 3.3¢ for every dollar they earn over $31,920 up to $61,920 p.a.

1 Not available for policies held in the Norwich Union Superannuation Trust (NUST) ABN 31 919 182 394 as there is no accumulation account.

For further information, please speak to your Business Development Manager or call Adviser Services on 1300 128 482.

8 Lock in premiums

Lock and manage the cost of insurance

Typically insurance premium rates increase annually with age. But what if the client could control the cost of insurance by locking in the premiums and have their insured amount reduce annually?

Clients who are finding it difficult to make ends meet can budget with confidence by locking in their premiums and have peace of mind by remaining protected.

Essentially, the sum insured is reduced as the premium rates stay the same as the person gets older.

Case study

Cameron is a 30 year old non-smoker who has $750,000 in Life and TPD insurance that costs him $64.13 per month in stepped premiums.

Times are a little tough for Cameron right now and quite possibly for the next three years. He has asked his adviser for options regarding his insurance cover. Cancelling his insurance cover was the least preferred option so his adviser suggested that he lock in the premiums at their current rate for the next three years.

This means that Cameron will know exactly how much he will pay in premiums so he can budget with more confidence, with the peace of mind of staying protected. His adviser put these figures together:

Period	Sum Insured	Premium (per month)
Year 1	$750,000	$64.13
Year 2	$745,000	$64.13
Year 3	$721,750	$64.13

Assumption:

- Policy fee indexation of 5%.

After the third year if Cameron's financial situation improves, he has the option to unlock the premium freeze and start again on stepped premiums on $721,750 in Life and TPD insurance. In fact, he can cancel the premium freeze at anytime if he chooses to.

Did you know?

Aviva's Protection*first* policy range has an Economiser Option where the insured (if over 30) can choose to freeze their premiums. The Economiser Option can be cancelled anytime by notice in writing.

For further information, please speak to your Business Development Manager or call Adviser Services on 1300 128 482.

9 Pay less with longer waiting periods

Increase the waiting period and reduce premiums

Clients with Income Protection policies can save on premiums if they choose a longer waiting period.

Income Protection insurance premiums reduce with longer waiting periods. So if your clients are suffering from financial strain and are considering cancelling their Income Protection cover, then suggest increasing waiting periods so they have more cash in their pockets.

Case study

Robert and Sandra want to start a family and are restructuring their budgets. They need to save a lot more and are thinking of reducing their levels of Income Protection insurance. They currently have a 30-day waiting period on both policies.

When they spoke to their financial adviser, she suggested increasing their waiting periods since both had adequate levels of accrued sick and annual leave with their respective employers.

To illustrate the savings, their adviser put together the following comparison:

30, 90 or 180 days waiting period per month

	Sum insured	30 days	90 days	Saving (30 to 90 days)	180 days	Saving (30 to 180 days)
Robert	$5,000	$87.25	$67.67	$19.58	$59.83	$27.42
Sandra	$3,500	$92.12	$71.32	$20.80	$63.00	$29.12
Total cost		**$179.37**	**$138.99**	**$40.38**	**$122.83**	**$56.54**

Assumptions:

- Income protection benefit payable for two years
- Both Robert and Sandra are non-smokers and in white collar occupations
- Age next birthday for Robert and Sandra is 38 and 36 years respectively

Did you know?

With Aviva Protection – Income, clients can choose from 14, 30, 60, 90, 180, 365 and 730 days waiting periods. But before changing to a longer waiting period, ensure that your clients have adequate sick and annual leave to cover them for that extended period.

For further information, please speak to your Business Development Manager or call Adviser Services on 1300 128 482.

10 Seamless application process

Applying for insurance has never been easier

Another common misconception is that applying for insurance is too much hassle. That may have been the case in the past and with other insurers, but not with Aviva.

Aviva's award winning Risk*first* enables you to issue policy schedules on the spot. The ground-breaking online technology behind Risk*first* powers your business productivity, giving you back quality time to spend with your clients.

It's like having an underwriter in your office 24/7 and it allows you to deliver decisions instantly. What's more, by asking targeted medical questions Risk*first* reduces the need for medical tests and PMARs.

With less red tape and signature free applications, it's up to 33% faster than the paper method. Just connect to the internet and do everything online. It's that easy.

Risk*first* provides a number of options to give you the flexibility in choosing how to do business:

- email Personal Statements to your clients using Risk*first* mylink
- transpose seamlessly with our aligned questioning of the traditional paper application to Risk*first*
- scan and attach paper applications

With Risk*first*, you can now mix online and offline technology to match your different client needs.

Did you know?

Using Risk*first* over 90% of advisers complete applications in less than an hour and 88% of cases for clients aged 50 or less can be completed with a personal statement only. With no signature required and policies issued on the spot, adviser remuneration is sped up considerably, not to mention the increase in adviser productivity!

For further information, please speak to your Business Development Manager or call Adviser Services on 1300 128 482.

Further information

For more information speak to your Business Development Manager or call **1300 128 482**.

AV1635B 10.09