Planet
BEST PRACTICES BETTER SOLUTIONS

If you need medical treatment

If you are too sick or injured to work

If you suffer a major health condition

If you are unable to ever work again

If you die or are terminally ill

Alternative Solutions

Medical Insurance

Income Protection Insurance

Trauma Insurance

Total & Permanent Disability Insurance

Life and Terminal Illness Insurance

Mortgage Protection Insurance

Insurance Options

If you need medical treatment

While New Zealand has a full public health service, can you rely on it to provide timely treatment?

More and more we hear of longer waiting lists and increasing numbers of treatments that are classed as "elective". However, while you sit on a waiting list your conditions could get worse so that your recovery time will also be a lot longer – if you can make a full recovery after such a long wait.

If you require medical treatment, you need to be in a position to be able to get treatment as quickly as possible, without incurring a potentially large bill.

If you do need medical tests and/or hospital treatment having **medical insurance** allows you to make use of the very best medical care at a time that suits you and in the private hospital of your choice.

However, the cost of treatment may not be the only financial factor to consider. There could also be a loss of income while you are off work or the extra costs incurred because you can't run the home.

If this is the case there could be alternatives to be considered. ***Please refer to the Alternate Solutions section.***

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If you are too sick or injured to work

If you are working and are injured and can't work for a time, you will likely be covered by New Zealand's Accident Compensation Corporation (ACC) statuary benefits.

They will pay 80% (subject to a maximum amount) of your pre-injury income for "as long as you can't work." If you are on an above-average income you may want to check what this maximum amount is either directly with ACC or by asking your adviser. ACC will also likely pick up the costs of your medical treatment.

However, one of ACC's responsibilities is to get you back to work as soon as possible, whether it's in a field you are trained for or not.

If you are too sick to work, you may be entitled to receive a Job Seeker's benefit from Work & Income – though this is currently means-tested.

Covering the costs of medical treatment is covered in the section **"If you need medical treatment"**.

Are you comfortable that either the ACC benefit or the Job Seeker's benefit will allow you to maintain an acceptable standard of living?

If not then where will the extra money come from?

One of the key factors in deciding what extra money you will need is just how soon you anticipate being able to get back to work either fully or part-time while you recover. ***Please refer to the Alternate Solutions section.***

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If you suffer a major health condition

There are many major medical conditions you could suffer which would have a significant impact on you financially. Conditions such as cancer, heart attack, stroke, heart surgery, paralysis, loss of the use of limbs...

There are likely to be 2 parts to this financial impact.

1. **The cost of treatment** – please refer to the section "If you need Medical Treatment" where the costs associated with treatment are discussed
2. It could be that **you are off work for a time** while you have your treatment and also during your recovery.

If you find yourself in this position, just a few of the things you may need to consider are:

- Can I really afford to sit on the public waiting list while my health deteriorates or should I have treatment straight away and so reduce my recovery time?
- Will we need to make long-term changes to the way we live?
- Will that mean modifications to the house, car etc.?
- Is this likely to leave me unable to fully do my job?

For options on how you can meet these costs ***please refer to the Alternate Solutions section.***

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If you are unable to ever work again

If you are “unable to ever work again” it is likely to be the result of either;

- An **illness**

or

- An **injury**

This is generally referred to as **Total & Permanent Disability**.

However, there are levels of “unable to work again” and it is important to understand these from an Insurable Event aspect.

Your adviser will be able to discuss the implications of the different definitions so you can make an informed decision on what is best for you.

Obviously the financial ramifications of being unable to work again can be very significant but a discussion with your adviser will ensure these are fully discovered and assessed so you can make an informed decision.

Many of the things to consider are the same as in the “suffer a major health condition”.

For options on how these can be funded, ***please refer to the Alternate Solutions section.***

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If you die or are terminally ill

If you are currently employed or self-employed, death or being diagnosed with a terminal illness could mean the end of your ability to earn an income.

Alternatively, if your responsibility is maintaining the household, you may need to pay someone to do this work.

Aside from the loss of ongoing income, there may be other things you would like taken care of such as:

- a mortgage
- other debts
- funeral & legal costs
- inheritance
- a bequest to a favourite charity or...

If you are self-employed there could be additional accounting and legal costs.

To provide the necessary funds, you may require a lump sum or a regular monthly amount. ***Please refer to the Alternate Solutions section.***

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By discussing the implications of the financial impact with your adviser, you will be able make an informed decision on the solution that best suits your individual circumstances. Alternatives to be considered are:

- A **lump sum amount** which has various names such as **Trauma**, **Critical Illness** or **Living Assurance**. (You must qualify under one of the conditions listed in the contract and to the extent defined).

OR

- A **regular monthly payment** while you cannot return to work referred to as **Income Protection**.

OR

- A **combination of both**.

Alternatively, you may just want to ensure your mortgage is taken care of. **Mortgage Repayment Insurance** would be an option for this.

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Medical Insurance

Private Medical Insurance is designed to provide treatment without having to wait on the public hospital system. The treatment would be carried out at private clinics/hospitals without the delays you could experience on the public system.

Medical insurances vary greatly between the different insurance companies.

Common costs covered include;

- **Surgery**, including related specialist consultations and tests usually up to 6 months either side of surgery.
- **Treatment in a private hospital that doesn't require surgery**, including related specialist consultations and tests usually up to 6 months either side of diagnosis.
- **Major diagnostic procedures** including, but not limited to, MRI & CT scans, Colonoscopy, Gastroscopy, Hysteroscopy, Angiograms etc.
- **Home nursing care** following return from hospital.

Major points to consider

- **An excess on your medical insurance to reduce the costs**. Excesses generally range from Nil to $10,000. Does the insurance company apply the excess per procedure or per policy year?
- **Do you want your cover to include other benefits** such as the cost of Specialist consultations & Tests; GP Visits; Dental and Optical
- Some insurance companies will **cover the cost of all drugs approved for use in New Zealand while others restrict to those subsidised by PHARMAC**. Which would you choose?
- Do you want your **medical insurance provider to be allowed to change the terms and conditions of your cover** or would you prefer guaranteed policy wordings so that the wording of the **contract will remain unchanged throughout its entire life**.

Income Protection Insurance

Income Protection protects your most valuable asset – your future income. It pays you a monthly benefit to help replace income you lose due to illness or injury.

Standard Benefits

- The maximum monthly amount you can receive is **a percentage of your income** – not the full amount.
- **You can choose how long you are off work before payments start**. The longer the period, the cheaper the premium. You can choose between 2, 4, 8, 13, 26, 52 or 104 weeks.
- **Payments** are made either **at the start of each month or at the end**, depending on which insurance company the contract is with.
- **You can choose to receive payment** for 2 or 5 years per condition or until you reach a specified age such as 60, 65 or even 70.
- **Payments stop when you are able to fully return to work** but lower payments will usually be available while you are transitioning back.
- You could be **reimbursed for retraining and necessary costs** (e.g. wheelchair) - maximums apply.
- **Usually you will not be required to pay the premium on your policy while you are 'on claim'**. However, this is an optional extra with some insurance companies.

There are 4 ways that you can choose to have your benefit calculated.

1. Based on your income at the time you take out your policy and this amount will not be changed no matter what happens to your income between then and when you make a claim. This is known as Agreed Value.
2. Based on your income in the period (often 3 years) immediately before your claim. This is known as Indemnity Value cover.
3. Based on your loss of income. In other words, you will be paid out up to 75% of this loss.
4. A combination of the 1st & 3rd methods. Where you set an agreed value at the start and then are paid the greater of this and the loss of earnings calculated in the 3rd method.

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Trauma Insurance

This is also known as Critical Illness or Living Insurance

Trauma cover provides a lump sum payment should you suffer one of the specified conditions and survive for at least 14 days. The specified conditions are not necessarily immediately life threatening but can have a significant financial impact. For example, you may be unable to work but still need to fund for day to day living.

Trauma Cover is designed to help alleviate this financial impact. **The lump sum can help reduce debt, purchase specialised equipment, pay for home modifications and/or provide additional care, create an investment fund or generate on going income**. The purpose of the funds is entirely yours to decide.

Each insurer has its own set of specified conditions and the definitions of each condition can vary significantly between companies. It is very important to ask your adviser what the implications of these are.

Some conditions are excluded in the first three months. In addition, some conditions only attract a partial payment on diagnosis. Your adviser can explain all these options to you.

Trauma cover can be an 'accelerated' payment against your Life cover. This means that, in the event of a claim, your Life Cover is reduced by the amount of your Trauma payout. Most companies offer the option to increase your Life cover back to its original amount.

Alternatively your Trauma cover can be totally independent of your Life cover.

Some companies allow you to increase your Trauma Cover back to its full level following a claim so you can claim again in the future. However, you will not be covered for the condition you claimed for nor on related conditions. Your adviser can explain the details to you.

Total & Permanent Disability Insurance

Total Permanent Disablement insurance (TPD) provides a lump sum payment should you completely lose your ability to ever work again (or carry on your normal tasks) as a result of illness or injury.

TPD cover is designed to help alleviate the significant financial impact that permanently losing an income would likely cause. The lump sum can help reduce debt, purchase specialist equipment, pay for home modifications, provide additional care or create an investment fund to generate on going income etc. The purpose of the funds is entirely yours to decide.

There are essentially two types of cover, one based on your being unable to work in your own occupation, the other unable to work in any occupation you are qualified for.

Total & Permanent Disability Cover can be an ‘accelerated’ payment against your Life Cover. This means that, in the event of a claim, your Life Cover is reduced by the amount of your TPD payout. Most companies offer the option to reinstate the life cover up to its full amount after 12 months either as a standard part of the contract or as an optional extra.

Alternatively TPD can be totally independent of your Life Cover.

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Life insurance protects the lifestyle and future of your family and loved ones if you die. It does this by paying a lump sum of money which can be used, for example, to pay off your mortgage and/or other debt, cover funeral expenses and provide a lump sum safety net for your surviving dependants.

Most life insurance has a Terminal Illness benefit which provides an early payment of your benefit if you are diagnosed as being terminally ill. Most benefits are paid once diagnosed as having less than 12 months to live.

You may also be able to receive an additional payment for financial advice and, with some companies, legal advice or grief counselling. The amount varies from company to company. Your adviser will know how much this is for the different companies they deal with.

You are able to increase your cover no matter what has happened to your health whenever a special event occurs in your life such as getting married or having a child, increasing or getting a mortgage or getting a pay rise. For the full list of eligible events please ask your adviser.

Premiums can either vary each year based on your age or you can select to have the premiums remain level through to age 65, 70, 80 or, in some cases, right through to age 100. Please ask your adviser to explain the ramifications of these options.

Life Income Insurance

This is paid out under the **same conditions as Life & Terminal Illness Insurance**, i.e. death or on diagnosis of terminal illness but is paid as a regular monthly amount.

When you take the policy out you can elect to have these paid for a specific time up to 30 years or paid until you would have reached a selected age such as 65. **There are only a few insurance companies that offer this type of contract** and your adviser can explain the differences in payment terms to you.

Mortgage Protection Insurance

Mortgage Repayment insurance is designed to cover your mortgage payments if you are unable to work due to accident or sickness. For most of us, our mortgage payments are our biggest outgoing.

Major points to consider are:

- You can generally **cover up to 115% of your mortgage payments**
- You can **choose how long you are off work before payments start**. The longer the period, the cheaper the premium. You can generally choose between 4, 8 and 13 weeks although some companies offer longer wait periods.
- You can **choose to receive payment for a maximum period of 2 years or 5 years per condition or until you reach a specified age** such as 65.
- Some companies will allow you to **cover up to 40% of your income so you can use this cover even if you do not have a mortgage**
- Some companies offer **a redundancy option** so you can receive a payment (for up to 6 months) in the event of redundancy
- Some companies will **only** allow you to have **mortgage repayment insurance on your main residence**; **others will allow cover on investment properties**

Generally speaking, if you are protecting your mortgage repayments, in the event of an accident any income benefit you receive from ACC will not impact your mortgage repayment benefit. Your adviser can explain this to you in greater detail.

Some companies will make benefit payments direct to the lender rather than to you so it is important for you to discuss this with your adviser.

Our Promise:

An Insurance Protection Plan to ensure you have:

- the right amount of money
- in the hands of the right people
- at the right time

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