

Factsheet: Total & Permanent Disability Insurance

This factsheet explains Total and Permanent Disability (TPD) insurance.

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Introduction

If you develop an injury or illness that prevents you from working, Total and Permanent Disability (TPD) cover or insurance may provide financial support for you and your family.

What is TPD?

TPD includes serious injury or illness that may render you **totally** and **permanently** disabled, making it difficult or impossible for you to work. Different TPD cover providers have different definitions as to what constitutes a Total & Permanent Disability. A permanent disability may include the following:

- Loss of limbs, such as arms or legs;
- Permanent loss of vision;
- Permanent loss of hearing;

- Illness or injury that causes a prolonged (usually at least 3 consecutive months) absence from your primary occupation, with no expectation of ever returning to work in your normal capacity. This can include mental illness.

You may not be able to carry on your usual occupation due to TPD. However, an TPD provider might consider it appropriate for you to engage in another occupation, rather than not working at all.

If you are unemployed at the time of disability or illness, the TPD assessment can be based on your last occupation before becoming TPD, or your capacity to perform full-time home duties such as cleaning, cooking, grocery shopping and child raising.

Do I need TPD cover?

TPD insurance helps cover the costs of rehabilitation, debt repayments and the future costs of living. When considering whether you need TPD cover, you should consider:

- Your current level of private health insurance;
- Other cover you may have, including superannuation, government benefits and workers compensation;
- Your current income and anticipated future income;
- The total cost of living for you and your family if you can't work for an indefinite amount of time;

- The number of dependants you have or will have;
- Any debts that you currently owe;
- The help or assistance already available to you;
- Savings you want for retirement; and
- Other financial assets or opportunities, such as downsizing.

It is important to read your current superannuation and life insurance policies to determine whether you are already covered for TPD. Contact your TPD provider or superannuation fund and read the Product Disclosure Statement to understand the policy.

Most workers are also covered by workers' compensation, which is a form of insurance payment to employees for injuries generally sustained at work while performing work duties. If you are self-employed or have suffered an injury outside the work environment or have a disability not covered by workers compensation, you may want to consider obtaining additional TPD cover.

What type of TPD cover should I choose?

TPD cover can be obtained as a stand-alone TPD policy or bundled into your existing life insurance or superannuation policy. Different TPD cover providers have different definitions, terms and conditions for TPD and it is important to consider the different options in relation to your individual circumstances. You should ensure that you have read the Product Disclosure Statement for each policy and are aware of any potentially misleading TPD offers, such as limited cover with no medical checks.

You can choose one of two types of cover:

- **Own Occupation** – this applies when you suffer an injury that makes you unable to work in your *own* occupation; or
- **Any Occupation** – this applies when you suffer an injury that makes you unable to work in *any* occupation. If you suffer an injury or illness that affects your ability to work in your usual occupation but you can still work in another occupation, you may not be eligible for TPD benefit payments under this type of cover.

You should decide how much cover you may need, considering any cover from your existing insurance or superannuation providers. You should also consider whether you would prefer a lump sum (one-off) or income stream payment. Some providers also provide a Partial Disablement option where you can obtain cover for serious illness or injury that causes you to work in a reduced capacity. This can be defined based on hours of partial disablement or duties of partial disablement.

TPD cover can be provided in a number of ways:

- **Stand-alone cover:** Stand-alone cover provides a benefit payment that is not conditional upon any other policy. A benefit may be paid when the policy's TPD definition is fulfilled.
 - > **Stepped Premiums:** stepped premiums are cheaper in the first few years of cover and gradually get more expensive as the cover goes on.
 - > **Level Premiums:** level premiums are more expensive at the start of the policy but generally do not change price until you turn 65.

It is important to note that both stepped and level premiums will generally increase significantly after you turn 65.

- **Life Insurance** provides financial support for your dependants in the event of your death. TPD cover can be packaged with your life insurance, but the life insurance benefit may reduce if an amount is paid towards a TPD claim.
- **Superannuation** funds typically provide default TPD cover. You can increase, decrease, add or cancel the TPD cover. Choosing TPD through your superannuation may be cheaper and more likely to be accepted without requiring a health check. Sometimes such cover can be more limited and may end when changing superfunds.

How do I obtain TPD cover?

You can purchase TPD cover from an insurance company directly or a broker, financial planner, bank or superannuation fund. Many people already have it through their superannuation fund – make sure that you check! It is important to be honest with your TPD provider and disclose all financial and medical details to ensure that you receive full cover.

What is the process for making a claim?

When making a TPD claim, it is important to continue to act honestly with your provider. The process for making a claim is usually as follows:

1. Contact your TPD provider for information on claiming and the relevant claim form.
2. Submit your claim with any medical evidence that identifies the serious illness or injury you have suffered and financial information that identifies your financial circumstances.
3. A case manager will be allocated to assess your claim.

4. The provider may require assessment of your illness or injury by appointing their own medical professional. Your evidence and the evidence from their own medical professional will be assessed when considering whether to accept or deny your claim. If your provider's medical professional does not think your illness or injury meets the TPD requirements of your cover, they may decline your claim.
5. After considering all medical evidence, the provider may choose to accept, decline or defer your claim.

What if my TPD provider denies my claim?

You can appeal the decision on your claim by making an Internal Dispute Resolution (IDR) complaint to the TPD provider.

If your TPD provider is a member of the Financial Services Council (FSC) or adopts the Life Insurance Code of Practice, you can also make a complaint to the FSC. Alternatively, you could make an external dispute resolution (EDR) complaint to the Australian Financial Complaints Authority (AFCA) within applicable time limits.

Always obtain legal advice before making a TPD claim, EDR complaint or obtaining TPD cover.

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