

# Factsheet No. 11

## Total Permanent Disability Insurance



*This factsheet looks at total permanent disability cover.*

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### Introduction

In the event that you develop an injury or illness that prevents you from working, total 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;
- Loss of vision; or
- Illness or injury that causes a prolonged (more than 6 month) absence from your primary occupation, with no expectation of ever returning to work in your normal capacity. This can include mental illness.

It is important to note that you may not be able to carry on your usual occupation due to TPD. However, a provider of insurance may consider it appropriate to engage in another occupation, rather than not working at all.

### Do you 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 the following factors:

- 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; 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 insurer or superfund and read the Product Disclosure Statement to understand the policy.

Most workers are also covered by WorkCover, which provides for injuries sustained at work while performing work duties. If you are self-employed, 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's 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** – where the individual has suffered an injury that makes them unable to work in their *own* occupation; or
- **Any Occupation** - where the individual has suffered an injury that makes them 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 any occupation, you may not be eligible for TPD benefit payments under this type of cover.

You should consider how much cover you may need, taking into account any cover from existing insurance or superannuation providers. You should also consider whether you prefer a lump sum or income stream style payment. Some providers also provide a Partial Disablement option where an individual can obtain cover for serious illness or injury that causes them to work in a reduced capacity. This can be defined based on hours of partial disablement or duties of partial disablement.

The following options are available for TPD cover:

**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 but 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:** Life insurance provides financial support for your dependants in the event of your death. TPD cover linked to life insurance often provides an *either/or* option in relation to TPD and life insurance. Often, insurers allow for a maximum, joint TPD *and* life insurance benefit payment, which can reduce the benefit for life insurance if the maximum TPD payment has already been reached.

**Superannuation:** Superannuation funds can often include additional cover, where you can increase, decrease, add or cancel the TPD cover of your existing fund. Choosing TPD through your superannuation may be more suitable as it can be cheaper and more easily managed. Individuals are also more likely to be accepted for superannuation TPD cover 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 default TPD insurance through their superannuation fund – 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 as follows:

1. Contact your TPD provider for information on claiming and the relevant claim form.
1. 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.
2. A case manager will be allocated to your claim and your claim will be assessed.
3. The provider may require assessment of your illness or injury by appointing their own medical professional. Your evidence and the evidence obtained from their own medical professional will be considered when considering whether to accept or deny your claim. It is important to note that if a providers medical professional does not think your illness or injury meets the TPD requirements of your cover, this may amount to grounds for denial.
4. After considering all medical evidence, the provider may choose to accept, decline or defer your claim.
5. You can appeal the claim by submitting a complaint to the TPD provider or by undergoing an Internal Dispute Resolution with the provider.
6. Contact the Financial Ombudsman Service if you are not pleased with the response from the TPD provider.

Always obtain legal advice before pursuing a TPD claim or obtaining TPD cover.

*Produced by Redfern Legal Centre.*

*This factsheet is a guide to the law in New South Wales, Australia. It is not a substitute for legal advice. If you have a legal problem seek legal advice from your local community legal centre.*