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Product Fact Sheet – Personal Accident and Illness Insurance

What is Personal Accident and Illness Insurance?

Personal Accident and Illness Insurance is designed to cover a person's lost wages resulting from being unable to work, as well as lump sum payments for certain types of permanent incapacity. It can also cover a single lump sum payment in the event of death (generally referred to as a Capital Benefit).

The inability to work must result from an accident or illness. Cover is provided to an individual person, not a business, so in the event of a claim, any money paid by the insurer is paid directly to the individual insured.

Personal Accident and Illness Insurance can be tailored to a person's individual requirements. The policy offers the option to cover accident only or accident and illness cover combined. The insured person can select an excess period from nil days to 90 days. The excess period is the period after an accident or illness that must pass, before the insured person is entitled to any payments.

How are premiums calculated?

Insurance premiums for Personal Accident and Illness Insurance are calculated based on a number of ratable factors:

1. Age and occupation of Insured Person
2. Amount of weekly benefit selected
3. Length of excess period – i.e. for a nil period, the premium is dearer than for a 30 day period as the insurance company would have to payment weekly benefits from day one of the claim for a nil period, whereas for a 30 day period, the insurer pays nothing for the first 30 days – thus saving money.
4. Whether cover is selected for Accident only or Accident and Illness
5. Whether Capital Benefits are selected.
6. The length of the Benefit period.

How are claims payments calculated?

Payments for lost wages (referred to as weekly benefits) are normally limited to a maximum of: -

- 85% of the insured person's average weekly wage or the sum insured they selected (whichever is the lesser) for a benefit period up to 104 weeks (smaller benefit periods can be selected).

Payments for Capital Benefits (in the event of death), are paid to the full amount selected by the insured. Payment is made to the estate of the deceased insured person or to a dependant who was originally nominated in the policy.

Payments for lump sum benefits for permanent incapacity, are paid to the insured person. These lump sum benefits are listed in the policy for set amounts. The insured person cannot vary these amounts.

Can a Personal Accident and Illness Insurance policy be cancelled by the Insurance Company?

Yes, an Insurance Company can cancel a personal accident and illness insurance policy under the same terms and conditions and rules as any other form of general insurance. These may include:

1. The Insured Person's health has deteriorated and the Insurance Company may cancel the policy on its expiry date and refuse to offer a renewal.
2. The Insured Person's occupation or sporting pursuits have changed to a higher risk so again the Insurance Company may cancel the policy on its expiry date and refuse to offer a renewal.
3. The Insured Person has misled the Insurance Company about their health, age, occupation or sporting pursuits – in this case the Insurance Company can cancel the policy before it reaches its expiry date.

What is the difference between a Personal Accident and Illness Insurance policy and an Income Protection Insurance policy?

This is an excellent question because there is much confusion between the two types of policies.

1. Income Protection Insurance policies are issued by Life Insurance Companies whereas Personal Accident and Illness policies are issued mainly by General Insurance Companies (although recently some Life Insurers have started to issue a cut-down form of this cover too).
2. Personal Accident and Illness policies can be cancelled or renewal refused (as detailed above). With an Income Protection Insurance policy, provided the insured person has not misled the Insurer, then once the policy is in place and accepted by the Insurer, the Insurer cannot ever cancel the policy, regardless of what happens to the Insured person's health condition, or regardless of any change in occupation or sporting pursuits.
3. A Personal Accident and Illness policy can exclude cover for certain health conditions or occupation or sporting pursuits. An Income Protection policy cannot do this – however, the Insurer will increase the premium if it considers the Insured person's health or occupation or sporting pursuits create a higher risk of a claim.
4. Income Protection Insurance policies do not include any cover for death benefit or any lump sum payments for permanent disability.
5. Not all people can qualify for an Income Protection insurance policy. Those who have been self-employed with less than 12 months or who have claimed on an income protection policy in the past, may not be able to purchase Income Protection Insurance but may still be able to purchase Personal Accident and Illness Insurance.

What happens if my claim occurs at work?

In the event an accident or illness is work-related, the Insured person must first claim on their Employer's workers compensation policy. If the workers compensation policy does not fully compensate the Insured person for their lost wages, it is possible to claim any difference under the Personal Accident and Illness policy.