

Does my superannuation policy have life insurance?

Whilst most Australians have superannuation funds, many have no idea about the insurance coverage that their superannuation policy offers. One common insurance is a form of life insurance, also called ‘death benefits’.

Do all superannuation policies

include death benefits?

The individual superannuation policy dictates the intricacies of the specific death benefit, including the amount of the benefit and whether any exclusions exist; for example, some policies will not pay out the death benefit amount in the case of suicide or for pre-existing conditions. If you die due to accident or illness, your death does not have to be work related to make a claim on your superannuation death benefit (unlike worker's compensation).

Some policies have very extensive and generous death benefits, ranging in the hundreds of thousands of dollars. Other benefits might only provide a nominal benefit or even no benefit at all. Some funds have life insurance to a set amount automatically when you join and some require you to "opt-in" or "opt-out". With many superannuation funds, you can also buy a higher amount of life insurance.

Does age impact on the amount of death benefits?

The amount of the benefit is often also impacted by the age of the policy-holder at the time of their death. For example, in situations where age is a relevant factor, one might expect that the amount payable if someone dies at the age of 25 will be vastly greater than the benefit paid if someone dies at the age of 55.

This might seem unfair and a form of age discrimination, but it is based on the fact that someone dying at the age of 25 has likely lost several more decades of potential life compared with someone who dies at the age of 55. Some funds however have a fixed benefit which is not impacted by the age of the policy-holder upon death.

In addition, many policies have an expiration date regarding payment of any death benefit. For example, a policy might stipulate that no death benefit is payable after the age of 60.

Why is it important to check if your superannuation policy includes life

insurance?

Checking if your superannuation policy includes life insurance is important for you and your family. When someone passes away, the difficulty and hardship associated with that death is often worsened if the deceased was the primary source of income for their children, spouse and dependents.

Who is eligible to claim death benefits?

Generally, a dependent, spouse, de-facto and children are able to claim a death benefit. A ‘binding nomination’ allows a policy-holder to nominate the recipient of their death benefit, with the superannuation fund trustee having no choice but to make the payment to that individual. Death benefits do not usually form part of the deceased estate like other assets, but in some instances, the binding nomination could direct the death benefit to be paid to the deceased estate. This can be difficult, and you should seek legal advice if you are considering this option.

Can death benefits be paid to someone who is still alive?

In some situations, death benefits may be payable if someone is still alive. This may sound unusual, but this situation is generally reserved for when a policy-holder is suffering from a terminal illness and a doctor has only given them a short time to live. Paying out the death benefit early will allow the policy-holder to get their financial affairs in order before they pass away.

If a loved one passes away and you wish to inquire about any potential death benefit through their superannuation fund, you should seek legal advice immediately.

> Whilst most Australians have super funds, many are unaware if their policy has insurance coverage.

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