



## APPLYING FOR INSURANCE

When you apply for insurance, the insurer will assess and price the risk of you making a claim – this process is called 'underwriting'. Underwriting relies on assessing information, such as historical statistical data, industry estimates, changes in medical practice and your personal information.

The insurer will ask you to complete an application or 'proposal' form and a personal statement. It is important that you answer these questions truthfully because the insurer will use the information they have collected from you to assess your application and decide whether they will insure you, and what premium you will pay. Your statements may only be checked when you make a claim and if they are incorrect (even if this was unintentional) the insurer may be entitled to reject your claim.

### Example 1

When you apply for home contents insurance the insurer will ask you questions about your home, such as what type of locks the doors and windows have, whether your home has security screens, your postcode and so on. The insurer asks this information so they can assess the risk of theft.

### Example 2

When you apply for income protection insurance the insurer will ask you questions about your health and social activities, such as whether there is a history of illness in your family or whether you are a smoker and so on. The insurer asks these questions so they can assess your risk of illness.

### WHEN SHOULD YOU REVIEW OR RENEW YOUR INSURANCE?

Insurance usually works on a pay-as-you-go basis, where you pay for the policy by making regular premium payments. Cover continues as long as you continue to pay the premiums.

Many general insurance policies are renewed each year. Your insurer will send you a renewal notice, or if they choose not to renew, they must notify you in writing before the policy expires. When you renew your insurance this is a new insurance contract. Life insurance is 'guaranteed renewable' and will only cease if you stop paying the premium when it is due for payment.

You should review your insurance cover either when the policy needs to be renewed or every 2 years, just to make sure that it continues to meet your needs.

Some triggers for reviewing your insurance include:

- your earning capacity or living expenses change
- you buy a property and enter into a mortgage
- you make renovations to your home
- you purchase new assets
- you have a child
- your liabilities change, such as a personal loan
- your policy is due for renewal for general insurance

## TIP

### THINGS TO DO WHEN YOU APPLY FOR INSURANCE

1. Make sure you have done your homework
  - shop around for the right insurance product for you
2. Check out the inclusions, exclusions, any optional extras or restrictions
3. Ask if there are any discounts
4. Remember price is not the only thing to consider; the insurers' reputation and support if a claim arises is equally important
5. Make sure the insurer, broker or adviser is licensed by ASIC
6. Have your information handy
7. Answer all the questions in the application form fully and correctly
8. If you aren't sure - ask questions
9. Don't get cover you don't need
  - avoid being underinsured or overinsured
10. Read your policy document carefully to make sure you get the insurance you applied for