



Enhancing Mortgage and Living Cover

A Case Study

Protecting income has become even easier

We introduced Mortgage and Living Cover in 2018 and you've given us great feedback. You've also suggested ways to make it even better, particularly for self-employed customers. So, we've made some changes.

Disability definitions more closely aligned

We've updated the Mortgage and Living disablement definition to also include the customer's ability to perform income producing duties.

“You do not have the capacity to perform one or more of the **important income-producing duties*** of your **usual occupation**”

This aligns better with our Income Protection definitions.

It also provides more options including

- Allowing you to offer a combination of Mortgage and Living cover and Income Protection cover to better meet some customers' needs.
- Enabling self-employed customers to get the best of both worlds:
 - claiming the tax on their Income Protection premiums and
 - having cover that won't be affected by other accident or sickness benefits in the event of a claim with Mortgage and Living Cover – Agreed Value Plus

Ten-hour benefit – keep business moving while on claim

Mortgage and Living cover offers two cover types – Agreed Value with offsets and Agreed Value Plus without offsets. With an hours-based definition, any time you spend at work while on claim reduces the benefit payment. This might be suitable for salaried employees but we understand many self-employed customers want the flexibility to be at their place of work to keep oversight of what's happening.

Our new 'Ten-hour benefit' provides that flexibility. It's an optional benefit which allows customers to work up to ten hours in their usual occupation without it affecting their benefit payment.

You can add this optional benefit to existing MLC policies by using our Cover Alteration form. No additional underwriting is required, any existing loading on the base benefit will be applied to the rider and customers can claim on the benefit six months after it has been added to their policy.

*Means those duties that generate 25% or more of your *pre-disability income*.

Meet Nick

Nick (29) was a builder working for a large building firm. He and his wife Sarah owned their own home which they were doing up. They had a mortgage of \$520,000. They weren't keen to spend too much of their income on insurance so took out:

Mortgage and Living cover – **Agreed Value** to cover their mortgage and some of their bills.



INSURABLE INCOME

Mortgage & Living – AV at 45% Income

- Stepped premium
- 30-day wait period

2 years later

Nick (31) decided to start his own business. He had good prospects but no earnings history. He converted his **MLC Agree Value** to **Agreed Value Plus**, given the nature of his work he saw the value in not having any ACC payments impacting how much he could receive through insurance. Nick also added the **ten-hour benefit** which meant that if he was on claim, he could quote jobs, pay invoices and manage his team for up to ten hours a week without it impacting his benefit.

His business projections gave him confidence that he'd be able to afford a bit extra on insurance so added the **Specific injury benefit** as well.

INSURABLE INCOME

Mortgage & Living – AV Plus (45%)

- Stepped premium
- 30-day wait period
- **Specific Injury benefit**
- **10-hour benefit**

3 years later

Now aged 34, his business is living up to expectations so he now wants to protect his higher income as best as he can especially as he and Sarah now have two young children at home.

He tops up his MLC with **Loss of Earnings Plus** (LOE Plus) as the 'agreed value' aspect of this cover provides another level of certainty for him. This part of his premium is also tax deductible.

With the business going well and some savings in the bank, he extends his waiting period which also helps pay for the extra cover. He has seen how premiums are increasing with age and takes his Adviser's recommendation to **start transferring to level premium**. He converts the MLC portion first, so the increase is not too great in one hit. He will look to convert his LOE Plus to level premium in a few years' time.

Nick also has business overheads to protect now, such as his small office rent, insurances, phone costs, lease costs etc. so he also takes out **Business Expenses Cover**.

INSURABLE INCOME

Mortgage & Living – AV Plus (45%)

LOE Plus

- | | |
|---|--|
| <ul style="list-style-type: none"> • Level premium • 60-day wait period • Specific Injury benefit • 10-hour benefit | <ul style="list-style-type: none"> • Stepped premium • 60-day wait period • Specific Injury benefit |
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