Brian Jones, Managing Director

MAKE A DIFFERENCE insurance

Income Protection

Indemnity Value versus Agreed Value

Your income is one of your most valuable assets. When choosing to insure your income you'll need to decide whether an Agreed Value or Indemnity Value Policy is best for you.

Your income is one of your most valuable assets. It supports your family, pays your bills today and sets up your tomorrows. Without it, your bills will keep coming despite the fact that your means of paying them has lessened or ceased altogether.

Many people put this troubling thought to the back of their heads and always assume that nothing will happen to them.

Luckily, there are Income Protection policies (sometimes called Salary Continuance Insurance) available to help you to protect this important asset.

There are two types of Income Protection policy - Indemnity Value Coverage and Agreed Value Coverage.

Indemnity Value Coverage Income Protection

Indemnity Value policies are usually attract lower premium prices when compared to Agreed Value Policies.

If you choose this option, you will need to have the financial documents necessary in order to prove your income in the event that you make a claim. The value of payments that you receive each month with be restricted to 75% of your gross monthly income or the amount that is insured, whichever is less.

In addition, if you have a drop come in your income in the period in which you have been covered, the insurance company will be able to reduce the amounts of benefits that you will be able to receive when it comes time to claim.

Agreed Value Coverage Income Protection

With Agreed Value Coverage, you will not have to prove how much you are making at the time of claiming. You do, however, need to show proof of your income at the beginning when you apply. Even if you have a reduction in your income during the insurance policy, you will still get the amount that was agreed upon at the beginning.

Because of this, you will often find that an Agreed Value Income Protection Policy will be more expensive than Indemnity Value Income Protection. Those who often choose this policy are employees who see a fluctuating income, such as those who are self-employed.

Many women choose to take this kind of policy because it can help to protect them if they go on a maternity leave or other unpaid leave while they are working for a business.

Compare the premium cost per month of each type of Income Protection Policy below, based on a 41 year old female non smoker.

Choosing the Right Income Protection

The right option for you depends upon your personal and professional circumstances.

Many people will choose the indemnity value coverage because it is less expensive and can fit into their monthly budget a little bit easier.
On the other hand, Agreed Value coverage is a great option if you want the reassurance that you are going to be paid out a certain amount regardless of your income at the time of the claim.

Making the decision on which type of coverage you would like to have will depend on your situation and financial commitments.

Make A Difference are the Income Protection specialists, with particular expertise in the area of small business owners and self employed workers. Contact Us to discuss your personal insurance and Income Protection needs.

Indemnity Value Coverage	Agreed Value Coverage
$115.11	$137.08

Tel: 1300 799 839

www.madinsurance.com.au

Make A Difference Insurance Pty Ltd ABN 67 120 665 750

Hallmark Business Park, Unit 18, 328 Reserve Road

Cheltenham Vic 3192

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