



# Income Protection and Workers' Compensation

*Employees may not have sufficient cover if they believe their Workers' Compensation cover alone is sufficient.*

The reality is that income protection and Workers' Compensation are separate and very different types of cover. Workers' Compensation payments may not meet people's financial needs in a number of events.

Workers' Compensation cover is designed to protect employers from workplace claims from employees. It's not an income protection cover as:

1. most illness and injuries occur outside the workplace, and
2. the coverage may not be adequate.

And with recent reforms to Workers' Compensation legislation, particularly the changes in NSW, the way Workers' Compensation claims are assessed and benefits paid means there is an even greater need to educate clients on the differences on the two types of cover.

## Income Protection versus Workers' Compensation

Workers' Compensation has different benefit amounts and laws in each state, but the key differences between the two types of cover are as follows:

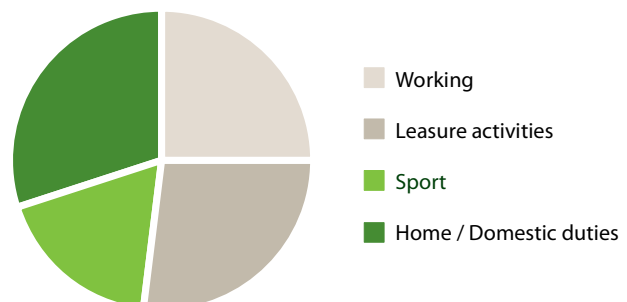
	Workers' Compensation+	Income Protection+
<b>Purpose</b>	Compulsory insurance designed to protect employers from employee workplace related claims	Protects what may be a person's most important asset – their income. A replacement of up to 75% of income can allow a person's lifestyle to be maintained through providing cover for bills and other day-to-day expenses.
<b>Cover provided</b>	Covers employees for work related injuries or illnesses. NOTE: The recent legislative changes in NSW mean cover in relation to a journey to and from work is no longer covered, unless there is a substantial connection between the person's employment and the incident in which an injury arose.	Provides cover 24 hours a day, 365 days a year, anywhere in the world.

	<b>Workers' Compensation+</b>	<b>Income Protection+</b>
<b>How does it work</b>	There are generally four types of payments if injured at work: <ul style="list-style-type: none"> <li>• Income replacement</li> <li>• Permanent impairment</li> <li>• Death benefits</li> <li>• Medical expenses.</li> </ul>	If sick or injured and unable to work, income protection provides up to 75% of their pre-disability salary.
<b>Benefit Period</b>	There is generally a capping of the benefit period after 130 weeks unless the person is totally incapacitated, or if partially fit to work – they are working at least 15 hours per week.	Client selects the benefit period that can be right through to age 70 and there is usually no tapering of benefits unless a claim begins after the age of 65.
<b>Benefit Payments</b>	Payments generally vary depending on length of time on claim and whether client is totally unfit to work or meets partial incapacity. Generally the amount reduces after 13 weeks on claim.	No maximum payment amount. Payments continue while unable to work through to the end of the benefit period, up to 75% of their pre-disability salary.
<b>Impacted by legislative change</b>	Changes to legislation have impacted and will continue to change employees cover.	Guaranteed Renewable.
<b>Price</b>	No cost. Included for employees.	Premiums are tax deductible and costs as little as \$4 per day.
<b>Sole Traders and Partnerships</b>	Workers' Compensation does not generally apply.	Income Protection is available.

\* The above table is a general overview of cover under workers' compensation insurance and an overview of income protection policies provided by TAL. Cover varies under different worker's compensation insurance and income protection insurance products. For information on the cover provided by a particular product, please consult the Product Disclosure Statement (PDS). The information contained in this table is based on information believed to be accurate and reliable at the time of publication and our current understanding of the Workers' Compensation Act 1987 (NSW) and the amendments not yet commenced in the Workers' Compensation Legislation Amendment Act 2012 (NSW)

## Key Facts:

- 75% of Australians that were injured between 2005 – 2006, suffered the injury outside of work<sup>^</sup>
- Less than 36% of people receiving financial assistance following a work-related injury, received financial assistance through Workers' Compensation\*
- Over 2.6 million Australians aged under 65 are living with a physical disability<sup>#</sup>, including conditions like cancer, stroke, heart disease and depression, that in many cases will not be covered by Workers' Compensation.



## Recent Legislation Changes

Those relying on Workers' Compensation may be impacted by legislative changes. A summary of the recent reforms announced in NSW, that impacted both new and existing claimants, can be found in the following NSW Work Cover Fact Sheet:

<http://www.workcover.nsw.gov.au/formspublications/publications/documents/wc-changes-fact-sheet-overview-3795.pdf>

Employees may be confused about the purpose of workers' compensation. It is therefore important to make sure your clients understand the differences between income protection and workers' compensation. The risk to the individual may be significant if they believe workers' compensation cover alone will be adequate as an all-purpose replacement for income protection cover.

# AIHW (2008) Australia's Health 2008, Cat. no. AUS 99, Canberra

\* Australian Bureau of Statistics, Work-Related injuries 2009 – 2010.

^ <http://www.abs.gov.au/ausstats/abs@.nsf/mf/4825.0.55.001/> accessed on 30 August 2012.



For more information on Income Protection or any other type of personal insurance, please see your Adviser at Liddell Financial Solutions Mackay.



*Liddell Financial Solutions - Providing Simple Solutions To Your Insurance Needs.*

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