

More claim for your buck

ACC and Private Insurance - article by Neil Schroeder, Share NZ

A recent TV news announcement caught my ear..."ACC premiums are set to drop"... Yeah Right! It would appear in reality that the new premiums have increased across the board.

The driving force behind the proposed decrease is the drastic reduction in ACC claims. This is the result of ACC tightening their claims criteria, people part paying for treatments and others not claiming in fear of losing their jobs during financially challenging times.

Our main understanding of an ACC claim revolves around accidental injury. Recently ACC have targeted 'wear and tear' claims as the area not to pay out on. And you don't have to go far to find disgruntled people who have been turned down by ACC for their dicky knee, the old rugby injury or hernia etc. if there is any hint of general wear and tear.

The bright note is that you do have a choice and often the resulting premiums are a lot cheaper and provide more comprehensive cover... especially for those who are on ACC Cover Plus Extra (CPX).

If you are on standard ACC Cover Plus (CP) the 80% of last year's income rule generally applies at claims time. Within CPX you have a choice to take cover on income up to 120% at the high end or either of 40% or \$21,216 (whichever is the higher) at the lower end. The beauty of this is that you can dial down your ACC premium and save the money or use it to source more comprehensive covers through insurance.

All the main life insurance providers now have Key Person and Specific Farmer related products. Depending on age the premiums are generally less than ACC and claims are not restricted to accidental injury but cover anything stopping you from working including illnesses which make up the majority of those off work. These products will also pay out fully if you are receiving payments from ACC. And unlike ACC you don't get taxed on the claims payments. Here is how it worked for a recent

CooperAitken client I was working with... Bob is a 40 year old 50:50 sharemilker paying \$3,016 per annum (pa) for \$40,000 cover on his ACC CPX. This means that if Bob can't work due to accidental injury he can hire a replacement manager on \$40,000. Bob's cashflow will be affected as Bob will need to fund PAYE on these wages, bearing in mind your CPX payment is taxed.

However, we did find that Bob was entitled to the minimum CPX cover of \$21,216 because the last few seasons haven't been that flash. Bob's new premium came down to \$1,599 pa saving him \$1,417. We were able to insure Bob for \$60,000 tax-free cover for \$1,712 per annum covering him for both accident and illness. So in the event of an accidental injury Bob will be paid ACC \$21,216 (taxed) plus \$60,000 (tax free). If he is unable to work for any other reason then Bob will receive nothing from ACC and \$60,000 tax-free from his insurer.

Where would you put your money?

While this scenario has been simplified for this article, it gives you an idea of the options available to you and as specialists in the rural insurance market in conjunction with CooperAitken's ACC gurus, we are coming up with some great initiatives for our clients. It is however important that you really understand the cover you have. ACC provides cover for accidental death, but this is not the case with private insurance arrangements as people tend to have life insurance policies to cover death. Private Insurance Premiums are not tax deductible, whereas ACC premiums are.

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