



fact sheet

phone: 1800 007 007
www.debtselphelp.org.au

Published 2013.

This document is for
general information and is
not legal advice.

Insurance

Overview

Sometimes people have take out insurance that will pay their debts if their circumstances change. The most common types of insurance are:

- Consumer Credit Insurance and
- Income protection or disability insurance

If people have taken out mortgage insurance with their home loan, they often wonder whether this covers them if they have trouble with their mortgage payments. Although you pay the premium for mortgage insurance, it is there to cover your lender if you default. You can't access mortgage insurance to help with mortgage payments.

What is consumer credit insurance?

Consumer Credit Insurance (CCI) usually covers situations of unemployment, illness, involvement in an accident, and death. in the case of job loss, CCI insurance will usually only cover your loan repayments for a period of three months.

Do you have consumer credit insurance?

You should check all your loan agreements to see if you have consumer credit insurance. You may have taken a policy at the time you signed your loan contract, and the premium may even have been included in the loan. You can request information from your lender about this. Your policy will only be valid if you are paid up on all due premiums.

If you do have CCI, you should lodge a claim with your insurance company as soon as possible after the event that is covered, or as soon as you realise you will not be able to pay your loan because of your loss of income.

How do you lodge a claim for consumer credit insurance?

When you lodge a claim for consumer credit insurance you'll need to provide copies of all documents that prove your change of circumstances, including your letter of separation from your former employer and your termination payment advice.

You should keep a record of all phone contact and a copy of all correspondence you have with your lender and the insurance company and the claim for you submit. Don't let your lender discourage you from lodging an insurance claim if you think it might apply to your circumstances.



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What can you do while your claim is being processed?

If you can't afford to make your loan repayments while you wait to hear the outcome of your insurance claim you should write to the lender saying:

- Your circumstances have changed and what that change is
- You are unable to make a payment that is due; and
- You have lodged a claim on your consumer credit insurance.

You should ask the lender not to take any enforcement action until your claim is processed, and ask them to confirm this writing. If they do not agree, lodge a complaint immediately with your lender's external dispute resolution scheme. (See "Disputes" fact sheet on the Legal Action page.)

If you have not heard from the insurance company about your claim after two weeks, phone to check they received your claim and ask when they expect to make a decision. The insurer must provide you with a progress report on your claim every 20 business days. The insurer is required to notify your lender that you have submitted a claim. This notification should mean no steps will be taken to enforce the loan until the claim has been processed.

What if you need your claim paid out urgently?

If you can show urgent financial need of the benefits of the claim, your insurer should:

- Fast track the claim assessment and decision, and
- Make an advance payment to alleviate your immediate financial difficulties within five business days of you satisfactorily demonstrating financial need; and
- Notify any financial institution you have told them has an interest in your claim.

What if your claim is refused?

If your claim is refused, and you don't think it should have been, you should immediately lodge a complaint with the insurer's Internal Dispute Resolution department requesting that the matter be reconsidered. If you are still not satisfied with their decision you can lodge a dispute with the insurer's External Dispute Resolution Scheme (EDR). (See the "Disputes" fact sheet on the Legal Action page.)

Keep in mind that insurance policies do not cover consumers against all losses. Typically, there will be exclusion or limitation clauses restricting the circumstances when the insurer pays out on claims. For instance, a policy for protection against job loss may not be valid if you're simply working reduced hours and not completely out of the workforce. It may also not apply if your work is in a contract or temporary position. You can get legal advice about your rights under an insurance policy.



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What other insurance might cover me?

Sometimes people take out insurance to cover them if they are not able to work due to illness, injury. You might have:

- Income protection insurance that pays a portion of your income if you are not able to work
- Trauma insurance that pays you a lump sum you if you suffer an illness or injury covered by the policy or
- Total and permanent disability insurance that pays out if you are never able to return to work due to an illness or injury covered by the policy.

These insurance policies can be complex. You should contact your insurance company or the broker who sold you the policy to find out about the extent of the cover and how to make a claim. Sometimes this sort of insurance cover is linked to your superannuation, so it is worth checking with your superannuation fund to see if you have cover that way.