

UNDERSTANDING NOMINATION OF BENEFICIARIES

October 2022



HEALTHIER, LONGER,
BETTER LIVES

Important notes

This information is for Priority Protection customers, Professional Insurance Portfolio customers and for policyholders whose life insurance policies were issued by Colonial Mutual Limited Assurance Society (CMLA).

The information contained in this document is a summary only and does not replace your policy terms.

To understand more about nomination of beneficiaries, please refer to your PDS, Policy Schedule and any Significant Event Notices we have sent you.

Introduction

Whilst it is not a comfortable topic to discuss, you need to understand how to financially support your loved ones if you pass away.

You have made a decision to protect your loved ones with life insurance. Now let's think about why it is important to make sure your money will be distributed the way you want by making a nomination of beneficiary.

What is a nomination of beneficiary?

A beneficiary is a person you nominate to receive life insurance benefits in the event of your passing away.

For a life insurance policy, you can nominate the person/people you wish to receive the insurance benefits when you pass away. By doing so, you are making a nomination of beneficiary or beneficiaries (if more than one).

Having a valid nomination in place means all or part of your death benefits will be paid to your nominated beneficiary/ies and in the proportion you allocated when you made your nomination.

Who can you nominate?

Who you can nominate depends on whether your cover is held inside or outside super.

For policies held outside super, there are fewer rules about who you can nominate. They could be someone or an entity who depends on you financially like a family member, a company or a trustee of a trust.

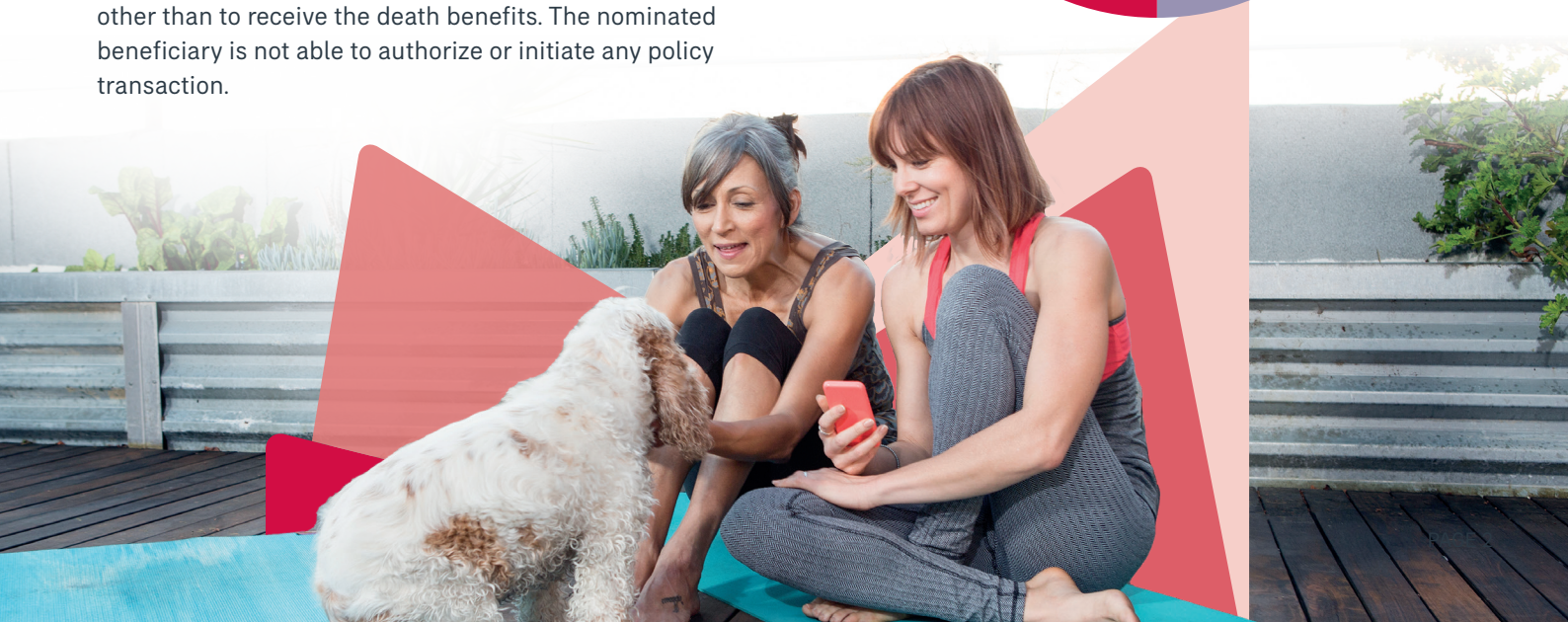
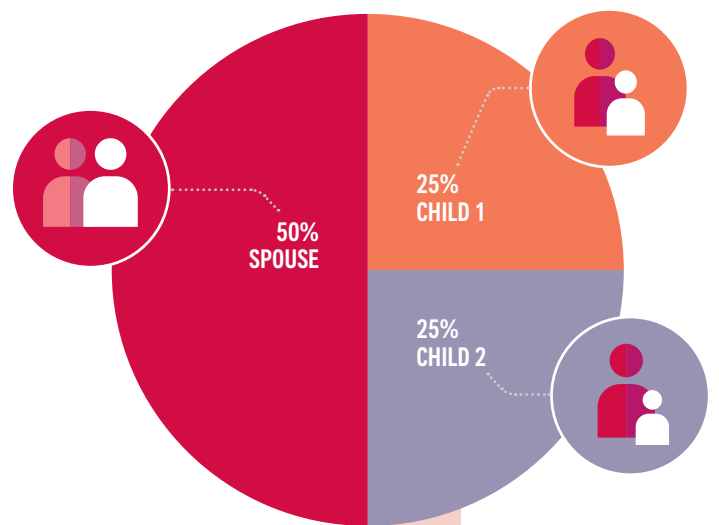
For policies held inside super, there are specific people who are eligible to be a beneficiary of your superannuation benefits, in accordance with the superannuation laws. See below:

Who can you nominate?	Description
Dependants (defined under superannuation law)	<ul style="list-style-type: none"> • Spouse - including a legally married spouse, de facto spouse or same sex partner. • Children (of any age) within the meaning of the <i>Family Law Act 1975</i>. • Any person who is financially dependent on you. • A person who is in an interdependency relationship with you (defined below).
Interdependency relationship (does not need to be a family member)	A person you have a close personal relationship with while living together and one (or both) of you provides financial support, domestic support and personal care.
Legal Personal Representative	Known as executor of your estate, who will distribute your death benefits according to your will or to state-based intestacy laws if no will in place or the will is not valid.

Important notes

- If a nominated beneficiary is under the age of 18 when you pass away, their benefit will be paid to a nominated trustee or legal guardian until they reach their 18th birthday.
- You can nominate one or multiple beneficiaries and you can choose a specific percentage of the death benefits to be allocated to each beneficiary. The total nomination, however, must add up to 100%. Beside is an example of how you might allocate your life insurance if you have three beneficiaries.
- If anyone you nominate is not entitled to receive a share of your benefit, the relevant share will be paid at the discretion of:
 - The estate (for policies held outside super), or
 - The trustee (for policies held inside super).
- A nominated beneficiary (unless they are also the policy owner) has no rights under the life insurance policy, other than to receive the death benefits. The nominated beneficiary is not able to authorize or initiate any policy transaction.

EXAMPLE OF ALLOCATED LIFE INSURANCE BENEFICIARIES



Why is it important to make a nomination of beneficiary?

Let's say you have obtained a life insurance benefit of \$500,000. That is a lot of money that you would not want it to go to anyone but the loved ones you intend to financially protect at the event of your passing away.

By completing a valid nomination with the specific percentage each beneficiary is to receive, your loved ones will likely have quicker access to the money. It will provide you with peace of mind and ease the stress financially for your beneficiary/ies when you pass away, especially for those unexpected expenses.

On the other hand, if no beneficiaries are nominated, the death benefits may be paid to your estate (for policies held outside super) or to the superannuation trustee (for policies held inside super), who will have all the discretion on how to distribute the money. The process determining the distribution of the death benefits can be a lengthy process, especially if a dispute occurs, for example, among the family members.



What is the difference in Nomination of Beneficiaries of policies held inside and outside of super?

The key differences between nomination of beneficiaries of policies held inside and outside super are outlined below:

	Policy held outside super	Policy held inside super
Who can be a beneficiary?	They can be any person or entity who you would like your insurance proceeds to go to. It may be a spouse, a child, a company or a trustee of a trust.	Must be one of the following types of dependants: <ul style="list-style-type: none"> • Dependants, such as your spouse, or your children, any person who is financially dependent on you or a person that is in an interdependency relationship with you, or • Your Legal Personal Representative.
Who will be paid the death benefits?	The person, company or trust that you have nominated as beneficiary/ies.	The trustee who may allocate the funds to your nominated beneficiary/ies, depending on type of nomination of beneficiaries you have chosen.
What types of nomination of beneficiaries are available?	Beneficiary/ies nomination, where death benefits will be paid directly to the nominated beneficiary/ies.	<ul style="list-style-type: none"> • Binding nomination • Non-lapsing binding nomination • Non-binding nomination Please note that not all types of nominations are available for policies held inside super. Please seek further advice from your financial adviser.

What types of Nomination of Beneficiaries are there in super?

There are three types of nomination of beneficiaries, in which binding and non-lapsing binding nomination are a legal binding nomination that binds trustees of the super fund to your decision about how to disperse the death benefits. A non-binding nomination, on the other hand, is not a legal binding nomination.



Binding nomination



Non-lapsing binding nomination



Non-binding nomination

Effective period	<ul style="list-style-type: none"> • Only valid for three years. • You must make a new nomination every three years. • If you do not make a new nomination after three years, your nomination will be invalid and will automatically convert to a non-binding nomination. 	<ul style="list-style-type: none"> • Valid for entire policy period unless a new valid nomination is made or if the existing nomination is revoked. • If your circumstances change and the beneficiary is no longer an eligible beneficiary, your nomination will be invalid and will automatically convert to a non-binding nomination. 	<ul style="list-style-type: none"> • Valid for entire policy period unless a new valid nomination is made or if the existing nomination is revoked. • If your circumstances change and the beneficiary is no longer an eligible beneficiary, your nomination will no longer be valid and will no longer apply.
Death benefit payment	The trustee must pay the benefit in accordance with your nomination if the nomination was still valid at the time of claim.	The trustee must pay the benefit in accordance with your nomination if the nomination was still valid at the time of claim.	The trustee will take your wishes into account, along with all other available information, but has discretion to decide how to distribute the money.

What happens if I do not make a nomination?

If no valid nomination is made and your policy is held outside super, the death benefits will be paid to the surviving policy owner or to your estate, who will then have discretion on how to distribute the money.

For a policy held inside super, the death benefit will be paid to the trustee if no valid nomination is made. The trustee will then use the discretion when deciding how to distribute the money to your dependants and/or to your estate in accordance with the superannuation fund rules.

If the death benefits are paid to your estate, your Legal Personal Representative will disperse the money according to your will or the state-based intestacy laws. This means that the distribution can be challenged if someone disputes your will or the decision of your estate.

Making a nomination of beneficiary will help ensure your death claim benefits are paid to your loved ones you intended to financially protect.

How can I make a nomination?

Before making your nomination, we recommend you first seek advice from your financial adviser as they can help you determine and complete the appropriate nomination form based on your current circumstances.

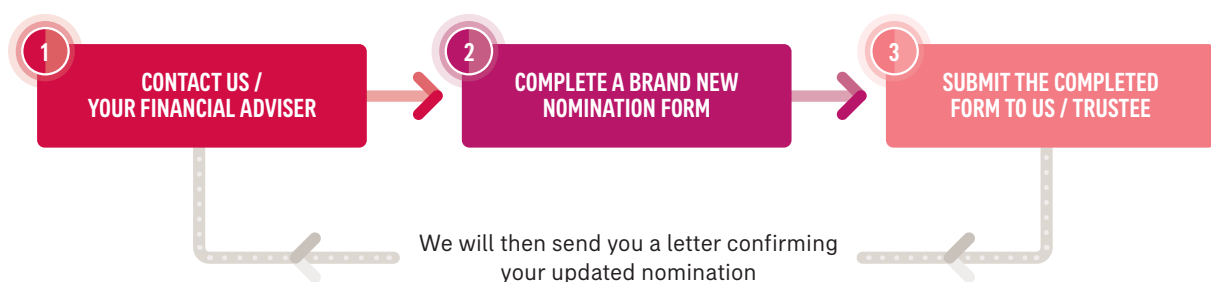
However, we also recommend that you should obtain legal advice from an estate planning lawyer as the financial adviser cannot implement estate planning advice.

Your nomination needs to be completed in writing as part of your initial insurance application or by sending us a separate completed nomination form at a later date.

How do you keep your Nomination of Beneficiaries up to date?

You can make a change or revoke a previous nomination at any time. Your new valid nomination will override any previous nomination made. The forms can be obtained through us or your financial adviser.

In order to update or revoke your nomination, simple steps can be followed as below:



Before updating your nomination, it is important to discuss your needs with your financial adviser. They can help you to ensure the form is filled in accurately and prevent the nomination being invalid.

For all type of nominations, in general, you should consider updating any life insurance beneficiary list as soon as any significant life change occurs or when there is a change in the ownership of the life insurance policy. These major life events can be: getting married, having children, getting divorced or separated, and the loss of a loved one/nominated beneficiary.

If you have had one of the above changes but did not update your nomination, the nomination could become invalid.

For binding nominations which expire after three years, you will need to schedule an update before the nomination expires. If not, it will be treated as a non-binding nomination and the trustee will have discretion as to how the superannuation benefit is dispersed.

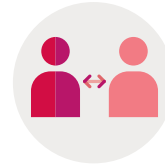
SIGNIFICANT LIFE CHANGES



Getting married



Having children



Getting divorced or separated



The loss of a loved one/nominated beneficiary.

Do beneficiaries pay tax on life insurance death benefits?

For policies held outside super, receiving a death benefit is generally tax free. Conversely for policies held inside super, there can be tax implications. Please refer to your financial adviser and tax adviser for further details.

We're always here to help.

For more information, please refer to the PDS that your financial adviser has provided you.

If you have any further questions about your cover, you can contact your financial adviser or contact us via:

Priority Protection:

Call us on 1800 333 613 between 8am-6pm (AEST/AEDT), Monday to Friday, excluding public holidays, or visit aia.com.au/life.

Professional Insurance Portfolio:

Inside super: call us on (03) 9621 7272 between 8.30am-5pm (AEST/AEDT), Monday to Friday, excluding public holidays, or email to pip@mypip.com.au.

Outside super: email to enquiries@iasas.com.au.

Tailored Protection:

Call us on 13 10 56 between 9am-5pm (AEST/AEDT), Monday to Friday, excluding public holidays, or visit aia.com.au/tailored-protection.

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