

# UNDERSTANDING NOMINATION OF BENEFICIARIES

December 2022



HEALTHIER, LONGER,  
BETTER LIVES

## Important notes

This information is for Priority Protection customers, Tailored Protection customers and 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 previously.

## Introduction

**When taking out a life insurance policy, it is important to nominate a beneficiary and understand the role they play in the event of your passing.**

Nominating a beneficiary goes a long way to ensuring that the money you have left behind will be distributed and shared in the way that you intended.

This guide covers what the nomination of a beneficiary means, who can be nominated, how different policy structures can affect your nomination of beneficiaries, as well as many other aspects worth considering.

## What is a nomination of beneficiary?

In the context of life insurance, making a nomination of beneficiary means to nominate the person (or people) that will receive the death benefits payment in the event of your passing. The person (or people) you nominate will then be referred to as the beneficiary (or beneficiaries if there are more than one).

Having a valid nomination in place means that all or part of your death benefits can be paid to your nominated beneficiary (or beneficiaries) in the proportions that you have allocated at the time of nomination. This information will be discussed in more detail throughout the rest of this document.

# 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 can be any person or entity like a family member, a company, or a trustee of a trust.

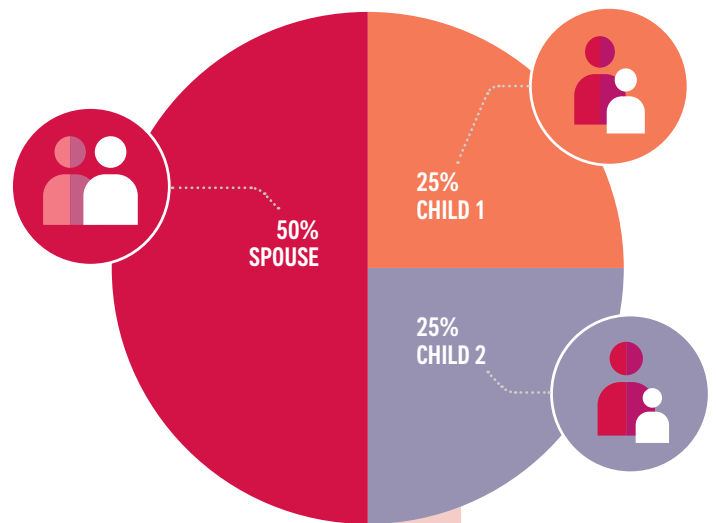
For policies held inside super, there are specific people who are eligible to be nominated as beneficiaries of your superannuation benefits in accordance with superannuation laws. See below:

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

## Important notes

- If a nominated beneficiary is under the age of 18 when you pass away, their benefits will be paid to a nominated trustee or legal guardian until they reach their 18th birthday.
- You can nominate one or multiple beneficiaries and specify the 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 a percentage of your benefits, the relevant portion 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 authority over the life insurance policy. They can only receive the death benefit and are not able to authorise 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. Having a valid nomination of beneficiary will ensure that the money will go to the people you intended to protect financially when they need it the most.

By completing a valid nomination, your loved ones will likely have quicker access to the money. It will provide you with peace of mind while easing the financial stress of unexpected expenses for your beneficiary/beneficiaries.

On the other hand, if you do not nominate a beneficiary, 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 the discretion to decide how to distribute the money. The process of determining the distribution of the death benefits can be a lengthy one, especially if a dispute occurs.



# What is the difference in nomination of beneficiaries for policies held inside and outside of super?

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

	Policy held outside super	Policy held inside super
<b>Who can be a beneficiary?</b>	They can be any person or entity who you would like your death benefits 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"> <li>• Dependents, 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</li> <li>• Your Legal Personal Representative.</li> </ul>
<b>Who will be paid the death benefits?</b>	The person, company or, trust that you have nominated as beneficiary/beneficiaries.	The trustee who may allocate the funds to your nominated beneficiary/beneficiaries, depending on the type of nomination of beneficiaries you have chosen and the governing rules of the super fund.
<b>What types of nomination of beneficiaries are available?</b>	Beneficiary/beneficiaries nomination, where death benefits will be paid directly to the nominated beneficiary/beneficiaries.	<ul style="list-style-type: none"> <li>• Binding nomination</li> <li>• Non-lapsing binding nomination</li> <li>• Non-binding nomination</li> </ul> <p>Please note that not all types of nomination are available for policies held inside super. Please seek further advice from your financial adviser.</p>

# What types of nomination of beneficiaries are there in super?

There are three types of nomination of beneficiaries. These include binding and non-lapsing binding nominations which are legally binding and bind trustees of the super fund to your decision about how to disperse the death benefits, and non-binding nominations which are not legally binding.



	Binding nomination	Non-lapsing binding nomination	Non-binding nomination
<b>Effective period</b>	<ul style="list-style-type: none"> <li>• Only valid for three years.</li> <li>• You must make a new nomination every three years.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Valid for the entire policy period unless a new valid nomination is made or the existing nomination is revoked.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Valid for the entire policy period unless a new valid nomination is made or the existing nomination is revoked.</li> <li>• If your circumstances change and the beneficiary is no longer an eligible beneficiary, your nomination will be invalid and will no longer apply.</li> </ul>
<b>Death benefit payment</b>	Trustee must pay benefit in accordance with your nomination if the nomination is valid at the time of claim.	Trustee must pay benefit in accordance with your nomination if the nomination is valid at the time of claim.	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 you do not make a valid nomination 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 to distribute the money how they see fit.

For policies held inside super, the death benefits will be paid to the trustee in the first instance. The trustee will then use their discretion when deciding how to distribute the money to your dependents and/or your estate in accordance with the superannuation fund rules.

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

## How can I make a nomination?

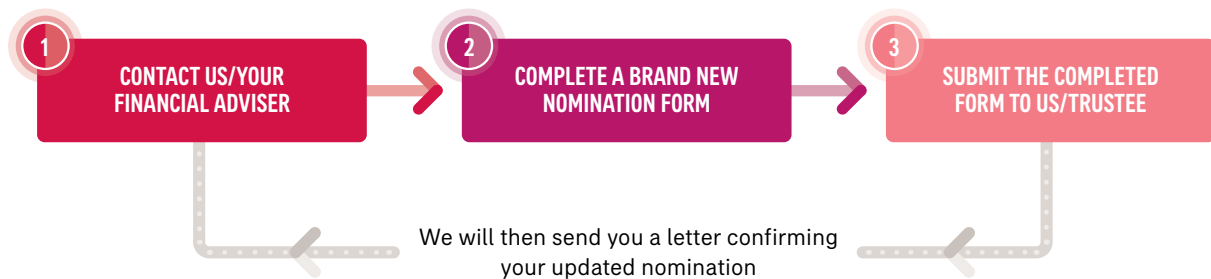
Before making your nomination, we recommend you obtain advice from your financial adviser who can help you determine and complete the correct nomination form based on your personal circumstances. It may also be prudent to obtain legal advice from an estate planning lawyer.

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.

## Keeping 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 replace any previous nomination. The forms can be obtained from us or your financial adviser.

Follow the simple steps below to update or revoke your nomination:



Before updating your nomination, it is important to discuss your needs with your financial adviser. They can help you ensure that the form is completed correctly, and that the resulting nomination is valid.

In general, you should review your life insurance beneficiary nominations if any significant life events occur or when there is a change in the ownership of the life insurance policy. These major life events include:

- getting married
- having children
- getting divorced or separated, and/or
- the loss of a loved one/nominated beneficiary.

**If you experienced a significant life event and did not update your nomination, the nomination could become invalid.**

For binding nominations (on policies held inside super) 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 distributed.

## 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 speak to 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](https://aia.com.au/life).

#### 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](https://aia.com.au/tailored-protection).

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The Priority Protection PDS is available from your financial adviser, by calling 1800 333 613 or from [aia.com.au/life](https://aia.com.au/life). For Tailored Protection the original PDS and Policy Document you were issued and any Significant Event Notices (SEN) you may have received communicating policy enhancements provided to you since that time, should be referred to. Alternatively, you can call us on 13 10 56 or go to [aia.com.au/tailored-protection](https://aia.com.au/tailored-protection).

AIA Australia has prepared a Target Market Determination which describes the class of consumers that comprise the target market for these products. The Target Market Determination can be sourced at [aia.com.au/tmds](https://aia.com.au/tmds).

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