

Senate Finance and Public Administration Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Finance and Administration Portfolio

CSS & PSS Boards

Additional Budget Estimates Hearings – 14 February 2006

Question: F18

Outcome: CSS & PSS Boards

Topic: PSSAP Death and Disability Insurance

Hansard Page: F&PA 48

Senator Sherry asked:

What is the cost of the death and disability insurance?

Answer:

The cost of death and disability insurance for PSSAP members is set out in the following two tables:

Table 1 – Cost of Death and TPD Cover for Permanent and Non-Ongoing (Contract) Employees

Annual rates per \$'000 sum insured (deducted from member accounts at the end of each calendar month)							
Age next birthday	Death & TPD ('\$)	Age next birthday	Death & TPD ('\$)	Age next birthday	Death & TPD ('\$)	Age next birthday	Death & TPD ('\$)
16	0.58	30	0.63	44	1.68	58	7.23
17	0.58	31	0.63	45	1.87	59	7.81
18	0.58	32	0.66	46	2.09	60	8.44
19	0.58	33	0.70	47	2.34	61	9.14
20	0.58	34	0.73	48	2.64	62	9.88
21	0.58	35	0.78	49	2.92	63	10.69
22	0.58	36	0.84	50	3.24	64	11.72
23	0.58	37	0.90	51	3.59	65	12.84
24	0.58	38	0.98	52	3.99	66	13.48
25	0.58	39	1.06	53	4.44	67	14.83
26	0.58	40	1.16	54	4.89	68	16.31
27	0.58	41	1.25	55	5.40	69	17.95
28	0.58	42	1.38	56	5.94	70	19.74
29	0.58	43	1.51	57	6.55		

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An example of how to calculate a member's premium is as follows:

Bridget is a permanent employee, aged 35 years. Her default cover is 15% of her base salary. Her base annual salary is \$60,000. She has 30 more years to go, before she reaches the standard retirement ages of 65.

Bridget's sum insured is $15\% \times \$60,000 \times 30 \text{ years until retirement} = \$270,000$.

The premium Bridget pays for her cover is, according to age next birthday, $0.84 \times 270,000 = \$226,800 / \$1,000 = 226.80 \text{ annual premium} / 12 \text{ months} = \18.90 per month .

Table 2 - Cost of Death and TPD Cover for Casuals

Sum insured for 1 unit @ \$2 per unit (deducted from your account at the end of each calendar month)							
Age next birthday	Death & TPD (\$)	Age next birthday	Death & TPD (\$)	Age next birthday	Death & TPD (\$)	Age next birthday	Death & TPD (\$)
16	178,300	30	166,200	44	62,100	58	14,400
17	178,300	31	166,200	45	55,700	59	13,300
18	178,300	32	158,200	46	49,800	60	12,300
19	178,300	33	148,600	47	44,400	61	11,400
20	178,300	34	142,100	48	39,400	62	10,500
21	178,300	35	132,500	49	35,700	63	9,700
22	178,300	36	124,200	50	32,100	64	8,900
23	178,300	37	115,400	51	28,900	65	8,100
24	178,300	38	106,600	52	26,100	66	7,700
25	178,300	39	98,100	53	23,400	67	7,000
26	178,300	40	90,000	54	21,300	68	6,400
27	178,300	41	83,100	55	19,300	69	5,800
28	178,300	42	75,400	56	17,500	70	5,300
29	178,300	43	69,100	57	15,900		

An example of how to calculate a member's premium is as follows:

Mark is a casual employee, aged 35 years. His default cover is 1 unit @\$2. His base annual salary is \$60,000.

Mark's sum insured is, based on his next birthday = \$124,200.

The premium Mark pays for his cover is, according to the number of units he has, $\$2 \times 52 \text{ weeks} = \$104 \text{ annual premium} / 12 \text{ months} = \8.67 per month .