What you should know about the changes to automatic insurance cover

Simon Gilbert-Kent

South Australia State Litigation

Leader Maurice Blackburn Lawyers

Phone: (08) 7109 2710

Email: sgilbert kent@mauriceblackburn.com.au

There have been recent legislative changes that impact the insurance held by Australian workers through their superannuation accounts. It is important to understand how these changes will impact you now and in the future.

Automatic insurance in super, particularly total and permanent disability (TPD) insurance, has been very successful in providing millions of Australians with cover when they would otherwise have none. It's also particularly valuable for people with pre-existing medical conditions who may have difficulties in accessing or affording private insurance.

However the banking Royal Commission showed that many bank-owned super funds were deducting excessive fees from account balances, despite providing substandard services.

Recent legislative changes are designed to protect Australians' super savings from unnecessary erosion by fees and insurance costs, as well as reduce unintended multiple low balance accounts.

What are the new laws?

The name of the new law is the *Treasury Laws Amendment (Putting Members' Interests First) Act 2019* (PMIF).

Passed in September 2019, the PMIF laws that from 1 April 2020, members of choice super products and MySuper funds will no longer be provided with automatic death and disability insurance if:

- their account balance has not been $6,000 or more on or after 1 November 2019; or
- they are a new member after 1 April 2020 and are under the age of 25.

Fund trustees may elect to adopt a 'dangerous occupation' exception which will exempt certain members from these reforms. We recommend you contact your Super Fund if you are not sure whether you're covered by this exemption.

The PMIF reforms build on the March 2019 *Treasury Laws Amendment (Protecting Your Superannuation) Act 2019* (PYSP) which caused a member's death and disability insurance to cease if their account is inactive (does not receive a contribution for more than 16 months).

There are, however, concerns for people who have injuries or illnesses and have not yet made claims.

Important things to know

If you cease work due to illness or injury, and you lose your cover due to these legal reforms, you will still be able to pursue your TPD entitlements as long as you had insurance when you became ill or injured.

If you stop work after your cover ceases, you will only be eligible to claim your super insurance if you have cover when you stop work.

For those with injuries or other medical conditions who are still employed because you are 'soldiering on' or waiting for your condition to stabilise before deciding whether to permanently cease work, you may lose your cover if you fall within the above changes.

If you want to avoid losing your automatic insurance cover, it is possible - you must elect in writing that you want to keep your insurance cover, even if your super account balance is less than $6,000. This must be done by 31 March 2020.

We encourage members who are unsure about their insurance needs to seek independent financial advice about what cover is right for you before taking any of these steps. We can refer you to a reputable financial adviser if you don't have one.

Our superannuation insurance team provide a free check for cover and you can contact them by calling 1800 305 568.