

Is your livelihood protected? Check your superannuation for TPD and IP insurance

It is important to check your total and permanent disability and income protection entitlements to ensure you are financially covered and can make a claim if you cannot work if you become ill or are injured.

Most superannuation policies have options to help protect your income in the event of sickness, disability, or death.

What is TPD?

Total and Permanent Disability (TPD) is a term used by insurers, superannuation funds and the legal profession to describe a sickness or injury that prevents a person from working in their occupation. For example, a surgeon who is no longer able to operate due to carpal tunnel.

TPD compensation is a lump sum payment for those who have sustained permanent disability and are unable to work. Most insurers have specific requirements that a person must meet to be able to claim TPD, and these requirements can vary between different insurers.

You will need to carefully read through your insurance policy to see what is and what is not included.

What is Income Protection insurance?

Income Protection insurance (IP) protects you and your family against financial hardship if you are incapacitated and unable to work due to an illness or accident.

Pros and cons of having your TPD or IP cover through your superannuation

If you obtain TPD or IP cover through your superannuation, the premiums for that insurance are deducted from your superannuation account balance. This can be a lesser financial burden than having to pay the premiums monthly from your income. Note, however, that the deduction of ongoing premiums from your fund will have an impact on your superannuation balance.

It is important to note that certain exclusions can prevent you from obtaining TPD and IP through your super. If you find your request for insurance through your super fund has been denied, we recommend you speak with one of our experienced lawyers as soon as possible.

TPD insurance and IP benefits may be directly transferred from one complying superannuation provider to another, subject to the rules of your provider. It is however, important to consider all relevant information before rolling over your super.

You should ask your provider about any fees and charges that may apply, the effect the transfer may have on any super benefits you have, and most importantly, whether the receiving super provider will accept a rollover of benefits. The preservation rules still apply to benefits that are to be rolled over to another complying super provider. This means that benefits can only be accessed once you meet a condition of release.

The average level of standard insurance cover provided through a superannuation fund may be low compared to other insurers. This is especially significant for a person who has dependents. It is always best to calculate an estimate of an insurance payout you would need to cover any debts you currently have, the cost of raising children, and the amount of money required to provide your family with their current standard of living for numerous years. If you do not believe the cover through your super fund would be sufficient, you can either apply for extra insurance cover, or consider an insurance policy available outside of your superannuation.

Another potential disadvantage is that there are sometimes longer delays in receiving death benefits paid out of superannuation funds than from policies held outside of superannuation.

If you are unsure as to what insurance policy is best for your situation, we recommend you speak to a professional.

Under what circumstances does insurance cover through superannuation cease?

IP and TPD cover obtained through your superannuation fund can potentially end if you change funds, stop making contributions to your superannuation, or reach a certain age. It is important to be aware of these possibilities.

For IP and TPD insurance policies obtained outside of super, your cover will generally continue as long as you keep paying your premiums.

To find out the different types of situations where your personal insurance cover can end, we recommend you go through your insurance policies terms and conditions with one of our experienced insurance lawyers.

You may also risk losing your TPD or IP insurance cover altogether for any pre-existing health conditions which a new insurer does not cover!

Under recent laws, a super account will become inactive if it has not received a contribution or a rollover for 16 months. If your super account has become inactive and you want TPD or IP insurance then you need to advise the new super fund that your account is inactive before rolling over your super to the new fund.

Conclusion

Having sufficient TPD and IP insurance to cover you in case you sustain a total permanent injury is very important.

If you are planning to roll over your super, it is important to understand the effect the transfer can place on any super benefits and pre-existing injuries you may have and most importantly, whether the receiving super provider will accept a rollover of benefits with the information you have provided them.

We recommend you speak to a professional if uncertain as to whether a new super provider will honour your current super fund policies.

If you or someone you know wants more information or needs help or advice, please contact us on 07 5538 2766 or email jeff@dwyerlaw.com.au today and please ask about our No Win No Fee policy.