

**INDUSTRY NEWS**

# Budget will make significant changes to Insurance in Super

The Government's Protecting Your Super package – announced in the 2018-19 Budget – includes reforms intended to protect members' superannuation savings from erosion.

The Government appears to have accepted that this requires protecting certain categories of superannuation members from fees and insurance premiums by requiring the fund to provide those members with insurance cover on an "opt in" basis only.

Many superannuation trustees currently automatically provide death and total and permanent disablement cover to members upon joining the fund. Indeed, the MySuper settings generally mandates the provision of death and Total and Permanent Disability (TPD) cover to MySuper members on an "opt out" basis.

Income protection cover may also be offered on an "opt out" basis at the trustee's discretion.

The Government has released for public consultation exposure draft legislation which will prevent trustees of superannuation funds from providing default insurance cover to the following membership categories:

1. members with balances below \$6,000,
2. new members who are under 25 years old, or
3. all accounts which have not received a contribution for 13 months or longer unless the member has directed otherwise.

Under the proposed legislation insurance cover can only be provided for members in these situations if the member has made a positive election that the fund provides it.

The changes will take effect from 1 July 2019 and trustees must notify the affected members on or before 1 May 2019 of the changes.

The rationale for these changes, as set out in the exposure draft explanatory materials, is that the changes "will better target default insurance cover and prevent inappropriate erosion of retirement savings caused by insurance premiums".

Some commentary has already appeared in the media which is critical of the changes and highlights the risk that younger members will now face and the overall impact on premiums of removing younger lives from the insured pool.

The legislation also makes other significant changes, such as the disallowance of exit fees. Submissions on the exposure draft legislation are due by 29 May 2018.

The exposure draft legislation – the Treasury Laws Amendment (Protecting Superannuation) Bill 2018 can be accessed by [clicking here](#).