

# Putting Members' Interests First – Low balance accounts and insurance

The Putting Members' Interests First (PMIF) Package will take effect on 1 April 2020 and is designed to protect members' superannuation balances from erosion by unwanted insurance. We answer some questions you may have about the PMIF changes.

## What's changing?

All super funds are required to write to impacted members by 1 December 2019 who have an account balance under \$6,000 on 1 November 2019:

- For members with insurance, the letter warns that cover is at risk of being cancelled on 1 April 2020 unless the member takes action (see 'How do the PMIF rules affect you?').
- For members without insurance, the letter outlines the new rules for taking out cover in the future.

In addition, from 1 April 2020, super funds can no longer automatically provide default insurance to members on joining. Insurance can only be provided when the member reaches age 25 and their balance reaches \$6,000. Alternatively, members can elect to receive default cover (subject to conditions), or apply for insurance if they are not part of an employer plan (see 'Can you make the election as part of an insurance or account application?').

## How do the PMIF rules affect you?

If your super account has insurance and has not reached \$6,000 at any time after 1 November 2019, we're required to cancel your cover on 1 April 2020 unless you make an election.

If you've made certain actions on your insurance prior to 1 November 2019, your cover is exempted from cancellation (see 'Who is exempt from the new PMIF rules?').

We'll write to you by 1 December 2019 if you're impacted and your balance was under \$6,000 on 1 November 2019.

## Who is exempt from the new PMIF rules?

If you've taken any of the following actions before 1 November 2019, you are considered to have made an 'active choice' to maintain your cover and are not required to make an election:

- completed an application form for insurance (ie you did not receive default insurance)

- applied for an increase in your insurance cover
- told us about a change in your smoker status or occupation to keep your insurance cover up to date
- transferred insurance from another super account
- opted in under Protecting Your Super (PYS) to keep your insurance even if you are not contributing to the fund.

This means only members with 'default' insurance will be at risk of having their cover cancelled on 1 April 2020.

In addition, you are exempt from the new PMIF rules if you fall into any of the following categories:

- your employer pays the insurance premiums for all your insurance and your employer provides us with a complying notice
- your occupation is classified under the 'dangerous occupation exemption'
- you're a defined benefit member.

## What actions do not exempt you from the PMIF rules?

- simply calling to enquire about your account or your insurance
- adding or amending your death benefit nomination
- adding or amending an insurance-related advice fee
- amending any commissions on your existing insurance policy.

## What is default insurance?

Default insurance is cover that is automatically provided to you on an opt-out basis by a super fund (normally as part of joining an employer's super plan), and you were not required to complete an application form, undergo any medical assessment or provide any other details.

## What happens if your account exceeds \$6,000 after 1 November 2019 but is below \$6,000 on 1 April 2020?

Your cover won't be cancelled. PMIF only requires your account to exceed \$6,000 at any time between 1 November 2019 and 1 April 2020.

## What if you have multiple insurances on your account?

Each type of insurance benefit (eg total & permanent disablement (TPD), death or income protection) is assessed individually. You may have one 'default' and one 'non-default' insurance benefit. If you haven't elected to retain your insurance and your balance has not reached \$6,000, we will cancel the 'default' insurance effective 1 April 2020, but we won't cancel the 'non-default' insurance. Our notification letter sent in November 2019 will outline which of your insurance cover(s) is at risk of cancellation.

## What insurances are impacted?

All insurance provided within super is impacted, including:

- Death
- TPD
- Income protection.

## What happens if you're receiving an income protection benefit claim?

If you're receiving an income protection benefit claim and your balance is below \$6,000, you're still required to elect to maintain your insurance.

Members on income protection claim won't have their payments affected under the new rules, however, any other default insurance on their account is at risk of cancellation unless an election to maintain cover is received.

## What if you're being assessed for an income protection or TPD claim?

If you're undergoing a claim assessment you will still be required to complete an election to maintain your insurance.

## Who will receive notifications from us?

If your account balance is below \$6,000 on 1 November 2019 and you have default insurance (and are not otherwise exempt), we'll write to you by 1 December 2019 to let you know:

- the amount of insurance you hold
- your current annual premium
- which insurances will be cancelled at 1 April 2020 if you don't take action (see 'Your options?')
- instructions on how to cancel (or change) your insurance, and
- instructions on how to retain your insurance.

If you don't take action, we'll write to you again after 1 April 2020 to let you know if your insurance has been cancelled.

## What if you're contributing to your super account?

Simply receiving contributions does not exclude your insurance from cancellation on 1 April 2020. If your contributions increase your account balance to at least \$6,000 before 1 April 2020, your cover won't be cancelled. If your balance doesn't reach \$6,000 by 1 April 2020 and you'd like to retain your insurance, you'll need to make this election.

## What happens if your employer pays your insurance premiums?

Some employers pay for their employees' insurance premiums by making additional contributions.

For these employers, new regulations require them to make a quarterly, formal declaration in advance confirming they are contributing to pay for insurance. This is on top of standard superannuation guarantee (SG) obligations. We are working with employers to arrange this declaration.

All members with account balances under \$6,000 as at 1 November 2019 will receive a letter in November 2019, even if their employer pays for their insurance premiums.

We recommend you make an election if you would like to retain your cover. Electing to retain your insurance will ensure your insurance cover continues even if:

- your employer fails to make the necessary declaration
- your employer ceases to make these additional contributions, or
- you cease working for your employer.

If your employer only pays for part of your insurance cover (for example, they only pay for your income protection but not death and TPD cover), only the insurance that is paid by your employer is exempt from PMIF.

Any non-employer-funded default insurance will be cancelled on 1 April 2020 if your balance has not reached \$6,000 from 1 November 2019 or you have not elected to maintain your cover.

## What happens if I join my employer's plan after 1 November 2019 but before 1 April 2020?

If you're eligible, you'll receive default insurance, regardless of your account balance. However, if your balance does not reach \$6,000 at any time before 1 April 2020 or you do not elect to retain your insurance, your cover will be cancelled effective 1 April 2020.

You may receive default cover again in the future, if you are still employed by your employer, when your account reaches \$6,000.

## Your options

### How can you keep your insurance?

- You can elect to retain your insurance by
  - completing and returning the form included with your notification letter, or
  - logging in to your account and completing the online election (excludes LifeTrack and IOOF Portfolio Service accounts).
- Increase your account balance to at least \$6,000 at any time until 31 March 2020.

## How long does the election last?

The PMIF low-balance election is enduring, and you don't need to take any further action.

If you haven't opted in under Protecting Your Super (PYS) laws for inactive members, your insurance may be cancelled in the future if your account balance becomes inactive (ie a contribution is not received for a period of 16 months). You can make the PYS election at the same time as completing PMIF low-balance election.

## Can you make the election as part of an insurance or account application?

Yes. Insurance forms available from our website include the PMIF declaration as part of the application.

If you're applying for external insurance through a retail provider, you can complete the 'Election for low balance accounts' form and submit it to us with your application for retail insurance (see 'What if you have retail insurance?'). For more information, please contact us or your financial adviser.

## Does the election apply to all your super accounts?

An election is required for each super account you hold. However, the election covers all insurance arrangements within that account.

## Can you still cancel your cover after you've elected to maintain your cover?

Yes. You can change or cancel your insurance at any time by completing the 'Application for insurance' form available on our website, or by contacting us.

## Can you reinstate your insurance if cancelled?

Yes. However, you can only apply to reinstate your insurance without a medical assessment within the first 60 days of your cancellation date. You can access the 'Reinstate insurance' form on our website from 1 April 2020.

If more than 60 days has passed since the cancellation date, a full medical assessment is required. Please contact us or your financial adviser for the application form.

## How can I increase my account balance?

- Make a personal contribution using BPAY®
- Redirect your employer contributions by providing them with a 'Choice of fund' form available from our website or the 'Account details' from your online account (excludes LifeTrack and IOOF Portfolio Service accounts).
- Transfer super from another fund by logging into your account online (excludes LifeTrack and IOOF Portfolio Service accounts), by completing the 'Request to transfer' form available from our website, or logging into your myGov account.

Please note: making contributions or consolidating your super accounts is a complex area and you may wish to seek financial advice before taking action.

## Reviewing your insurance needs

Please review your insurances and take appropriate action if you do not want to lose your insurance by 1 April 2020. You should consider seeking financial advice which takes into account your personal situation, needs and objectives. If you do not have an adviser, we can put you in touch with one.

## How do the changes impact default insurance arrangements from 1 April 2020?

From 1 April 2020, super funds can no longer automatically provide default insurance to members on joining. Insurance can only be provided when the member reaches age 25 and their balance reaches \$6,000. Alternatively, members can elect to receive default cover (subject to conditions) or apply for insurance if they are not part of an employer plan.

If you join your employer after 1 April 2020 and your employer covers your insurance premiums, you will have the relevant insurance added to your account even if you're under age 25 and/or your balance is less than \$6,000 (provided your employer continues to make the relevant declaration). If you don't elect to maintain this cover, it will cease if you leave employment or your employer no longer pays for your insurance (see 'What happens to employer super arrangements if an employer pays the premium for insurance?').

## What happens if you have retail insurance?

Retail insurance (where the member and not the trustee is the policy holder) taken out prior to 1 November 2019 is excluded and is not at risk of being cancelled on 1 April 2020. If you add retail insurance between 1 November 2019 and 1 April 2020 and your balance is under \$6,000, you'll need to elect to keep your cover.

You can complete the 'Insurance election for low balances' form and submit to us with your application for retail insurance.

We're working with our insurers to provide an election option as part of their application process. We'll attempt to contact any members who may not have elected to maintain their cover before 1 April 2020 to minimise the risk of cover being inadvertently cancelled.

## Adviser-specific FAQs

### Can advisers access PMIF reports to impacted clients?

No, however advisers can run reports from Portfolio Online and IOOF Online which show insured members' insurance details and balances.

Note: these reports won't show if the member has opted in for PMIF purposes, if their balance has ever reached \$6,000, or if their insurance is 'default' or 'non-default'. Advisers should contact their Client Solutions Manager, Workplace Super Manager or ClientFirst on 1800 931 792 to obtain a listing of impacted members.

## How do advisers access the Insurance report?

### IOOF Online

- login to IOOF Online
- click on 'Advanced search' and select the 'Insurance' tab
- select the insurance type required, and
- download the search result to a CSV file.

### IOOF Portfolio Online

- login to IOOF Portfolio Online
- click on the 'Bulk client reporting' tab
- run the 'Segmentation Tool'
- tick the 'Account Balance' box
- enter \$0 to \$6,000
- tick the 'Insurance' box
- select 'With insurance'
- click 'Generate list based on criteria', and
- generate a mail listing from these results.

Advisers can generate the Insurance opt in report to view their clients' last contribution and future insurance cancellation dates to help with inactive members under Protecting Your Super (PYS).

## Employer-specific FAQs

### When will default cover be provided to your employees?

Prior to 1 April 2020, eligible new employer super members will continue to receive default insurance when their account is established.

From 1 April 2020, default insurance for employer super plans will generally only be provided when a member reaches age 25 and their balance reaches \$6,000.

We'll write to members when they meet both these conditions to provide them with the:

- start date of their cover, which will generally be 30 days from the date of the notice
- amount of cover to be provided, and
- insurance premiums.

When members receive this letter, they can contact us to opt-out of this default cover.

Members can elect to receive default insurance prior to reaching age 25 and/or their balance reaching \$6,000 by completing the 'Default insurance election form' included with their Welcome letter or available online.

### What happens to employer super arrangements if an employer pays the premium for insurance?

Employers who cover the cost of insurance premiums for their employees will need to provide a notice to the super fund confirming the members they are making contributions for in excess of their superannuation guarantee (SG) entitlements, and which meet the insurance premiums for their employees. Members covered by this notice can continue to receive default insurance after 1 April 2020.

Our Workplace Solutions Managers will contact employers who pay premiums for their staff.

## For more information please contact Shadforth ClientFirst on 1800 931 792.

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