

Protecting your Super – Inactive accounts and insurance

The Protecting Your Superannuation (PYS) Package was passed by Parliament to take effect on 1 July 2019 and is designed to protect member balances from certain fees and costs. The package introduced a number of changes, including a complete ban on exit fees, a cap on fees for low balance accounts, insurance cancellation for inactive accounts, and transferring inactive low balance accounts to the Australian Taxation Office (ATO). We answer some questions you may have regarding the insurance and inactive accounts portion of the PYS changes.

How do the PYS rules affect me if I have insurance in my super account?

If your account has insurance and hasn't received a contribution for 16 continuous months or you haven't opted in to retain your insurance, we'll need to cancel your cover. We'll write to you if we haven't received a contribution after 9 months or if you haven't opted in to retain your insurance.

What is defined as inactivity?

An account is inactive if we haven't received a contribution or rollover for that account for 16 months or more. When an account receives a contribution, it is deemed to be active for the next 16 months.

What types of contributions are defined as activity?

- Employer contributions (including compulsory super guarantee, salary sacrifice and voluntary employer contributions).
- Any member contributions, including concessional (tax deductible personal contributions) and non-concessional (after tax).
- Spouse contributions.
- Internal transfers from non-super products.
- Government co contributions.
- Low income superannuation tax offset (LISTO) contributions.
- Rollovers from other super funds.
- Contributions made to a previous employer super account, if your super was automatically transferred to a new personal account when you left employment.

Is there a minimum contribution amount?

No. It doesn't matter how large or small the contribution is. As long as your account receives a contribution it will be treated as active.

What happens if my account receives a contribution before 16 months of inactivity?

Your cover won't be cancelled. The 16-month inactivity period is reset and we'll continue to review account contribution activity.

What insurances are impacted?

All insurances are included in the PYS rules. This includes any default employer sponsored insurance and insurance where a member has undergone a full medical assessment (underwritten) for group and/or retail insurance. However, you can opt into insurance when you apply for new cover or apply to increase your cover.

What if I'm receiving income protection benefits?

Under the PYS rules, if you're receiving an income protection benefit, you're still deemed inactive if you don't receive a contribution for 16 months. You're still required to opt-in to maintain your insurance.

Members on income protection claim won't have their payments affected under the new rules.

What if I'm being assessed for an income protection or TPD claim?

If you're undergoing a claim assessment you are still deemed inactive if no contributions were received in the prior 16 months. In this scenario you will still be required to opt-in to maintain your insurance.

If my account is deemed inactive, what information will I receive?

We'll write to you to let you know:

- the amount of insurance that you hold;
- your current annual premium and the premium you paid last financial year;

- the date your insurance will be cancelled if you don't take action; instructions on how to maintain your insurance; and
- instructions on how to cancel (or change) your insurance.

When will I lose my insurance?

If you have not opted in to retain your insurance, your insurance cover will cease.

- If, on 1 July 2019, you have 16 months' of inactivity on that date; or
- If after 1 July 2019, 16 months has passed from the last contribution into your account.

You will receive confirmation of the cancellation of your insurance.

What if I have a small balance?

Your account balance is not considered as part of the PYS rules. If you are deemed inactive, you will receive these communications regardless of your balance.

What are my options?

How can I continue to keep my insurance?

You can either opt-in to retain your insurance or make a contribution.

How do I make a contribution?

- You can make a personal contribution by using BPAY.
- You can also direct your employer to make contributions by providing them with the 'Choice of fund' form, available by logging in and downloading it from the 'Account details' page of your secure Online portal.

How do I opt-in to keep my insurance?

You can opt-in using the form included with the letter (returned by mail or scanned and attached to an email) or by logging on to and using the opt-in functionality in your Online portal.

How long does my opt-in last?

Forever, if you have opted in you will not be contacted again about any inactivity on your account.

Can I opt-in as part of my insurance or account application?

Yes. You can opt-in upfront when you apply for new cover or to top-up to existing cover.

Does the opt-in apply to all my accounts?

An opt-in is required for each account you hold, the opt-in applies to all insurance arrangements within that account.

Can I still cancel my cover once I've opted in?

Yes. You can change or cancel your insurance at any time.

Can I reinstate my insurance if cancellation occurred due to inactivity?

For Insurance Cancellation dates from 1 August 2019

Yes, if your insurance is cancelled on or after 1 August 2019 (as a result of the PYS rules), you can apply within the first 60 days of your cancellation date to reinstate your insurance with reduced medical assessment. [Click here](#) for the 'Reinstate insurance and health declaration' form.

After 60 days have elapsed a full medical assessment is required. Please contact your adviser or Shadforth ClientFirst on 1800 931 792 for the necessary application.

Was I sent any communications?

All super funds were required to review their membership on 1 April 2019 and write to all insured members during April 2019 who haven't had a contribution made in the last six months. The letter warns members they'll lose their insurance if they don't act.

From 1 July 2019, all super funds are required to write to members after 9, 12 and 15 months of inactivity. If no contributions or an opt-in has been received in 16 months, insurance will cease, and confirmation will be made in writing after the insurance cancellation.

Can advisers access reports to ascertain clients' opt in status?

Advisers can run 'opt-in' reports from the online portal which will show insured members' insurance details, their opt in status and their insurance cancellation date.

Accessing the Insurance opt in report:

- Login to the **online portal**
- click on 'Advanced search' functionality and select the 'Insurance' tab;
- under the 'PYS insurance opt in' tick the 'Opt in not received' box; and
- download the search result to a CSV file.

Advisers and clients can also see the cancellation date in the message box on the Insurance page.

What should I do next?

Please review your insurances and take appropriate action to ensure you do not lose your insurance due to inactivity. You should consider seeking financial advice and take into account your personal situation and future obligations.

What happens if I have retail insurance?

What's the difference between how PYS impacts my retail insurance cover and group insurance cover?

In most cases, unlike group insurance, any retail insurance policy you have will not cancel on your 16-month inactivity date. PYS rules state that we need to cease paying your retail insurance policy's premiums, however, this policy will not cancel until your premiums (often paid in advance) are no longer paid up-to-date.

You need to contact the retail insurer to find out when your premiums are paid up to on any retail insurance policy you have.

Who do I send my retail insurance opt-in to?

You need to send your opt-in to us as the policy owner and trustee.

Will I be able to reinstate a retail insurance policy?

AIA Australia Limited (ABN 79 004 837 861, AFSL 230043)

You may reinstate a policy up to 60 days after the date that your premiums are paid to with no health declaration being required.

TAL Life Limited (ABN 70 050 109 450, AFSL 237848)

You may reinstate a policy up to 60 days after the date that your premiums are paid to with no health declaration being required.

Zurich Australia Limited (ABN 92 000 010 195, AFSL 232510)

You may reinstate a policy up to 30 days after the date that your premiums are paid to with no health declaration being required.

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

Issued by IOOF Investment Management Limited (IIML) ABN 53 006 695 021, AFS Licence No. 230524. IIML is the Trustee of the IOOF Portfolio Service Superannuation Fund (Fund), ABN 70 815 369 818. The Shadforth Portfolio Service consists of the Shadforth Portfolio Service – Super and the Shadforth Portfolio Service – Pension which are superannuation and pension products forming part of the Fund. This is general advice only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this document, you should assess your own circumstances or seek advice from a financial adviser and seek tax advice from a registered tax agent. Information is current at the date of issue and may change.