

Income protection benefits in superannuation

AFCA can help resolve complaints about income protection benefits provided through a superannuation fund.

The purpose of this fact sheet is to answer some common questions AFCA encounters in handling those complaints.

What are income protection benefits?

Income protection benefits are income replacement payments provided by an insurer when the insured person is unable to work because of a disabling injury or illness. Benefits are usually paid monthly as a substitute for the insured person's pre-disability earnings, up to a maximum amount.

The maximum may be a fixed amount, or it may be a percentage of your pre-disability earnings, typically 75 per cent. Sometimes the policy will include a contribution to your superannuation fund, as well as a cash payment.

Income protection benefits are taxed as income, just as your earnings would be.

Superannuation law does not permit income protection benefits through superannuation to exceed your pre-disability earnings.

Do I have income protection cover through my superannuation fund?

Many superannuation funds have insurance policies that provide income protection cover for fund members. Some funds provide this cover automatically, but other funds require fund members to apply for the cover.

Your benefit statement from your fund will tell you whether you have income protection cover – sometimes called 'salary continuance' or 'temporary disability' cover.

Can I receive less than the amount shown on my benefit statement for income protection cover?

Yes. The amount shown on your benefit statement is usually the maximum amount you can receive. The actual amount you receive will be calculated by the insurer when you make a claim, based on your earnings in the period before your disability occurred.

Also, if you are receiving income-like payments from other sources (such as workers' compensation, Centrelink benefits or benefits from another insurer) your income protection benefits may be reduced. This will depend on the terms of the policy the trustee has in place with the insurer. The fund's insurance guide, usually available on its website, should tell you if this is the case.

What information will I have to provide to claim income protection benefits?

To claim income protection benefits, you must show the insurer that you are eligible under the policy. This means you need to be 'totally disabled' according to the policy definition. Typically, you will need to be:

- unable to do the important duties of your current job because of an illness or injury; and
- under the care of a doctor for your illness or injury; and
- not doing any other form of work.

Your fund's insurance guide should tell you what the relevant definition is for your fund's policy. You can also contact your fund for information.

Claim documents

At a minimum, you will usually have to complete a claim form and provide a statement from a doctor that you are unable to work because of disabling injury or illness. Some insurers will allow claims to be submitted through a telephone interview process.

Additional medical evidence

The insurer may also ask for additional medical evidence. This means the insurer may ask you to provide an authority for it to obtain your medical records from your doctor. The insurer may also ask for additional medical reports or send you to a doctor its chooses for assessment.

If your claim is accepted, regular medical evidence, usually monthly, may be requested to ensure you continue to be eligible for the income protection benefit.

Financial information

The insurer may ask for financial information to establish what your pre-disability earnings were.

When will I get paid?

The insurer will start your income protection payments once it accepts your claim. Your payments will usually be backdated to the end of the waiting period. The waiting period depends on the policy, but is usually 30, 60 or 90 days.

No payments are made for the waiting period. Your benefit statement may tell you the waiting period that applies to you. You can also check the fund's insurance guide.

How long will I be paid?

You will usually be paid for as long as your disability prevents you from working until the maximum benefit period is reached. The maximum benefit period depends on the policy, but is often two years. In some policies, you can choose a five-year benefit period, or a benefit period to age 65.

Your benefit statement may tell you the benefit period that applies to you. You can also check the fund's insurance guide.

Can I claim an income protection benefit because I am out of work due to the COVID-19 pandemic?

An income protection benefit is not the same as an unemployment benefit. Unless the reason you are not working is your disabling illness or injury, you will not be eligible for income protection benefits.

If you are unable to work because you are suffering from coronavirus, you may be eligible for income protection benefits if there is no exclusion for that type of illness in the policy.

You should ask your fund's trustee. If you are eligible, your fund will tell you what form of documents and medical evidence it will need in the current environment.

If you are eligible to claim, remember that you will need to satisfy the definition of 'total disability' and will not be paid for the waiting period. You will only be paid for as long as your illness prevents you from working. Once you are recovered, income protection benefits stop.

If you are dissatisfied with the way your claim for income protection benefits through your superannuation fund has been handled, you can make a complaint to AFCA. You should contact your fund first, as the fund trustee may be able to help you.