Explainer Insurance and Superannuation

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As a member of an industry fund, you probably have insurance associated with the membership of your fund. Most people have life insurance, total and permanent disability insurance and sometimes income protection insurance. Insurance can be highly valuable to you and your family; it can get you through a tough time due to injury and illness and looks after your family should the worst happen.

How your account balance affects insurance in super

Recently, the Government passed a law which disallows funds from offering default insurance to those under the age of 25 or with less than $6,000 in their super fund unless they're in a high-risk job, like policing, construction or transport. It also cancels the insurance of 'inactive' members; those who haven't had a contribution in 16 months.

Some funds have policies in addition to this. Some funds will not offer insurance unless the member has at least $1,000 in their account or some other minimum threshold. The easiest way to find out what the minimum balance is, is to check your fund's website or call them.

No super fund will offer you insurance if you do not have money in the fund. If you do not have a super balance you are essentially not a member, therefore you are not eligible to be insured.

Temporary early access to superannuation

The Government has recently legislated to allow the unemployed, those who have had their hours reduced by 20% or more, sole traders who have lost 20% of their revenue or more, or those who have recently been made redundant access to their super. Those eligible can access $10,000 before 1 July and an additional $10,000 after 1 July.

The ACTU has produced a fact sheet on this linked here.

How drawing down on your super might affect your insurance

If you draw down on too much of your super, you might lose your insurance. This can happen in two ways:

1. You withdraw your entire super balance, essentially exiting the fund,
2. You withdraw beyond the minimum account balance needed to maintain an insurance policy.

Your insurance status could be affected if you are an inactive member for too long. If you don't make contributions to the fund for at least 16 months, the fund will cancel your insurance unless you ask them not to. The clock on the 16 months starts from your fund received your last contribution.

Most younger workers are at risk of losing their insurance if they withdraw their super. The average balance for younger workers is understandably lower, and given the latest downturn, will be more likely to empty their funds than older workers.

Age	Median Super Balance - Men	Median Super Balance - Women
20-24	$5,924	$5,022
25-29	***$23,712***	***$19,107***
30-34	$43,583	$33,748
35-39	$64,590	$48,874
40-44	$99,959	$61,922
45-49	$145,076	$87,543
50-54	$172,126	$99,520
55-59	$237,022	$123,642
60-64	$270,710	$157,049

Cameos

Mai, 30, 18,000 in super, no longer employed	Omar, 27, $20,000 in super, no longer employed
Mai is a member of an industry super fund and has $18,000 in her fund. Mai has life insurance and TPD insurance with her fund. On 1 June, Mai withdraws $10,000 of her super. Mai will retain her insurance up until this point. On 15 July, Mai withdraws the remaining $8,000 of her fund and as she is not making contributions, she is no longer insurable by the fund and her policies are cancelled.	Omar is a member of an industry super fund and has $20,0000 in his fund. Omar has life, TPD and income protection insurance from his fund. On 15 June, Omar withdraws $9,500 of his super. Omar will retain his insurance up until this point. On 1 August, Omar withdraws $10,000 from his fund. Omar has just $500 in his super fund – and under his fund's policy is no longer offered insurance.