

APRA's intervention in the individual disability income insurance market

On 2 December 2019, APRA announced sustainability measures for individual disability income insurance (IDII). With effect from 1 April 2020, APRA expects that life companies discontinue writing IDII contracts where insurance benefits are not based on income at time of claim.

For advisers, this means that after 31 March 2020, we'll no longer be able to accept submissions for NEOS Protection Agreed Value or Guaranteed Agreed Value Income Protection (IP) benefits. Any Agreed Value or Guaranteed Agreed Value applications submitted before the deadline, must be in force on or before 30 June 2020.

Frequently asked questions

Q. What are the deadlines for submissions and completions?

Submissions for new Agreed Value or Guaranteed Agreed Value benefits must be received by 9pm on Tuesday the 31st of March 2020.

Any submitted Agreed Value or Guaranteed Agreed Value application must be completed and in force by Tuesday the 30th of June 2020.

Q. If I don't get a plan in force before the deadline, can this be put in force after the deadline and backdated?

No. The 30 June 2020 deadline was specified by APRA. Any IP Agreed Value or Guaranteed Agreed Value benefits issued after this date, even if backdated, would not be consistent with APRA's expectations.

For any plans that are not in force before the deadline, a member of our team will contact you to let you know that we cannot accept the current application for IP, and you can request a new quote with IP offered on an Indemnity basis.

Q. What happens if my client currently has a plan with an IP Agreed Value or Guaranteed Agreed Value benefit and wishes to make changes in the future?

In force plans that currently have IP Agreed Value or Guaranteed Agreed Value benefits can retain those benefits and will not lose them. Alterations and increases to sums insured are permitted on in force plans.

Q. What happens if my client cancels their plan with an IP Agreed Value or Guaranteed Agreed Value benefit?

Should your client cancel their plan with an IP Agreed Value or Guaranteed Agreed Value benefit and later request to have either benefit again, this will not be possible. The client will only be able to apply for IP on the terms offered at the time for new applications.

Q. Can plans with IP Agreed Value or Guaranteed Agreed Value benefits be reinstated after lapse?

Where your client wishes to reinstate a lapsed plan that included an IP Agreed Value or Guaranteed Agreed Value benefit, the plan will be reinstated under existing terms, subject to any other reinstatement conditions.

Q. Are there any issues for claims?

No. Your client's plan will be assessed as per their plan structure in place.