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HOODSWEENEY

Massive Shakeup Pending for Income Protection

Changes mooted for 2020.

An overhaul of Income Protection insurance has been proposed, to stem the billions of dollars being lost by insurers each year and it could have enormous implications for anyone considering a policy.

Some of the mooted changes could come into effect as soon as April 2020 and would affect all new Income Protection contracts.

This type of insurance, also known as disability income insurance, can provide policy holders with replacement income when they are unable to work due to illness or injury.

As it currently stands, it can protect a family financially in the event of debilitating injury or illness, providing a replacement income of up to 85% and allowing time for recovery without the added stress of mounting bills.

One of the most radical proposed changes would restrict the benefit payment period to a maximum of five years - from the existing benefit period up to age 65.

After five years, where would an income come from for people still recovering from an injury or illness? How would they pay a mortgage, school their children, or put food on the table?

The Australian Government's statutory authority, the Australian Prudential Regulation Authority (APRA) has called on the life insurance industry to urgently address concerns about the sustainability of individual Income Protection insurance, also known as disability income insurance.

APRA has been concerned about income protection insurance sold to individuals due to the leniency of claims. The industry has collectively lost \$2.5 billion through this product offering over the past five years, with no signs of improvement.

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APRA set a deadline for life insurers to commence a range of steps, including formulating a strategy to address the issues identified by the review, and reviewing income protection insurance product design and pricing practices to enhance its sustainability.

Some of the potential changes are listed here:

Current Income Protection Contracts	Proposed Income Protection Changes
Income based at time of application or time of claim	Income based at time of claim only
Benefit period up to age 65	Benefit period restricted to five years
Up to 85% of Income insured	Maximum 75% of income insured
Guaranteed Renewable contract	Initial contract term not exceeding five years (with option to extend based on contract at the time of extension)

If your policy needs a review, or you are considering an Income Protection policy to protect your most valuable asset, your income, please contact us and together we can explore your needs.

Hood Sweeney's Financial Planning team helps with a full range of services, including:

- creating a financial strategy for your life's journey
- advising you on how to accumulate wealth
- managing your investment portfolio
- advising trustees of self-managed superannuation funds
- planning for retirement
- protecting you and your family.

For further information on income protection, please contact:



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