TPD in Super – what is it good for?

Attachment 1: Current TPD benefit designs are complex

TPD benefit design within superannuation can be confusing and difficult to understand for members. While most members receive TPD cover automatically through their super, the rules, definitions, and eligibility criteria vary greatly between funds and insurers. What “total and permanent disability” actually means can differ — for instance, some policies assess permanency and it is defined as ‘unlikely ever’ or ‘unable’ or ‘not capable ever’. These subtle distinctions can make a big difference in whether or not a claim is approved. On top of that, waiting periods, exclusions for pre-existing conditions and complex assessment processes can add further uncertainty at a time when members are already vulnerable. The interaction between superannuation law, insurance policy terms and tax rules also affects how and when members can access their benefits. As a result, many members find it difficult to understand the cover they have, how much value and whether it will actually protect them if they become permanently disabled — highlighting the need for clearer communication and more member-centric design across the super system.

Variety of TPD definition and components

Not only are there a variety of TPD definitions and components, different definitions can be applied to different member cohorts and there may also be circumstances where more than one TPD definition applies. Even seemingly minor differences in product design can have a significant impact on eligibility to claim. For example:

- Under medical care – some definitions require one medical practitioner, some require two medical practitioners, and some require a medical specialist in the field relevant to the claimant’s medical condition.
- For mental health claims, different definitions may require different test/requirements under the restricted definition, including for mental health, mental disorder, mental incapacity or severe cognitive impairment.
- In relation to rehabilitation and retraining requirements:
  - some do not include this as a requirement
  - some include it but only if IP cover is also provided
  - some definitions consider only rehabilitation currently under way
  - some consider potential future rehabilitation initiatives
  - some consider only the insurer’s rehabilitation program.

Further, some insurers will fund rehabilitation / retraining programs, but others do not. Different approaches to rehabilitation and retraining may apply for income protection and TPD respectively.

The table below illustrates examples of how TPD definitions and related requirements can vary across policies.

Type / Component of TPD definitions	Example wording
Legislative Definition (permanent incapacity) - SIS regulation 1.03C	The member's ill health (whether physical or mental) makes it unlikely that the member will engage in gainful employment for which the member is reasonably qualified by education, training or experience.
Own occupation	You're unable to work again in the job you were working in before your disability.
Any Occupation - ETE	You're unable to ever work again in any job suited to your education, training or experience.
Unlikely to work vs unable to work vs incapable	1. you are unlikely to work again in any job you're reasonably suited for based on your education, training and experience. 2. due to ill-health (physical or mental), you are permanently unable to engage in any gainful work or business for which you are reasonably suited by education, training, or experience 3. the Member has become incapable of ever engaging in or working for reward in any occupation which the member is reasonably qualified by education, training or experience
Waiting Period requirement – three months/six months / no reference	At the end of the three months in a row / at the end of the six consecutive month period.
Under Medical practitioner care - Medical Practitioner vs Specialist vs two medical practitioner sign off	Are under the care of a health professional whose educational qualifications and specialty are appropriate for your Illness or Injury, at a frequency that is appropriate for your medical condition, and you are complying with all reasonable advice and treatment given by that health professional.
Activities of Daily Living (ADL) - two or three	Permanent and irreversible inability to perform, without assistance, any two of the activities of daily living namely bathing, dressing, toileting, mobility, continence and feeding.
Activities of Daily Working (ADW) / Everyday Working Duties	You'll never be able to do at least two of the five everyday working activities (mobility, communicating, vision, lifting and manual dexterity), without physical help from another person, even with the use of medication and appropriate aids.
Mental health / Mental disorder definition	The insured Member's mental health condition has been diagnosed by a Specialist Medical Practitioner using criteria outlined in the Diagnostic and Statistical Manual of Mental Disorders (DSM); has been under the regular ongoing and appropriate care of a Psychiatrist for at least 12 months. Has been assessed by a Psychiatrist, approved by the Insurer under the Psychiatric Impairment Rating Scale as having an impairment of 19% or above. Not all funds have mental health defined separately from the main TPD definition. For some,even if they do, it is normally in the Part Two of definition for unemployed, for example.

Mental Incapacity / Severe Cognitive Impairment	Severe Cognitive Impairment,solely because of that Illness or Injury you: (i) have not been Gainfully Employed for at least 12 consecutive months from the Date of Disablement (unless the Insurer agrees otherwise); and (ii) you have been assessed by a suitably qualified Specialist Medical Practitioner, appointed by the Insurer, as having reached Severe Cognitive Impairment due to the Illness or Injury.
Loss of limbs - a couple of different variations	The total and permanent loss of use of two limbs; loss of use of one limb and loss of sight in one eye; or loss of sight.
Domestic duties	As being incapacitated to such an extent, solely because of a sickness or injury, as to deem you unable to ever carry out all normal household duties namely, cooking and preparing meals, cleaning the house, washing and drying clothes, shopping for groceries and looking after children.
Rehabilitation requirement	Any rehabilitation you've done already or any rehabilitation you reasonably could be expected to do.
Retraining requirement (current)	Unable to engage in gainful employment after re-skilling, retraining or voluntary work you've done already.
Retraining requirement (current and expected)	Unable to engage in gainful employment after re-skilling, retraining or voluntary work you've done already and any retraining or re-skilling you reasonably could be expected to do
TPD Assist/ By Instalment	Once you meet the TPD definition, you may receive up to six support payments over at least 5 years. payment can continue if you remain sick or injured and continue to meet the definition of TPD and is assesses at "new assessment date"

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