

20th October 2017

By email: ISWG-PMO@kpmg.com.au

Dear Sir/Madam,

Re: Consultation Paper - Insurance in Superannuation Code of Practice

AustralianSuper is pleased to take the opportunity to make a submission in response to the consultation paper on the Insurance in Superannuation Code of Practice (the Code).

AustralianSuper agrees with and supports the overarching objective of the Insurance in Superannuation Working Group (ISWG) in developing the Code, being to improve the insurance in superannuation offered to fund members, as well as trustees' processes in providing insurance.

About AustralianSuper

AustralianSuper is Australian's largest single superannuation fund and is run only to benefit its members. The fund has over 2.2 million members and manages over \$120 billion of members' assets. Our sole focus is to provide the best possible retirement outcomes for our members.

AustralianSuper bears the responsibility of stewarding more than 10% of Australia's current workforce investing in retirement, and we take seriously our responsibility to act in the best interests of our members in this process.

We are concerned to ensure that any insurance offering made within superannuation to our members on a default basis must be appropriate and affordable, and must not inappropriately erode member's retirement income.

With this in mind AustralianSuper has decided to make insurance an "opt-in" for younger workers rather than an automatic inclusion, potentially saving them thousands of dollars over the life of their superannuation account. AustralianSuper has made this decision because of concerns that default insurance premiums are sometimes working against the long term interests of young workers.

Scope of the Code

i) Code enforceability

AustralianSuper is of the view that the Code would only be effective if trustees of superannuation funds are bound by the Code. We therefore suggest that ISWG should consider regulatory solutions that involve Code approval by the Australian

Securities and Investments Commission (ASIC), which would ensure that the Code has appropriate regulatory sanction.

ii) Automatic Insurance Members

AustralianSuper suggests that the definition for Automatic Insurance Members (AIMs) within the Code be clarified to ensure that it covers all those who obtain insurance under automatic acceptance limits within superannuation funds. Cover can be applied for, and varied under, automatic acceptance limits – it is assumed that it is intended to cover these members as ‘AIMs’ and not to exclude them.

Appropriate and affordable cover

i) Maximum premium limits based on % of earnings

AustralianSuper supports the Code using the 1% design test, that is, premiums for automatic cover will be set a level that does not exceed 1% of ordinary times earnings, rather than be calculated based on Superannuation Guarantee contributions. More guidance on use of member segments being used in this calculation is required.

ii) Cessation of cover after 13 months without contributions (inactive accounts)

AustralianSuper supports the cessation of cover after 13 months without contributions.

We support the cessation mechanisms and would support a continuation mechanism that provides members with an opportunity for cover to continue *before* it would cease under provision 4.25 of the draft Code. This would serve to minimise adverse impacts on insurance pricing for all Fund members.

Communication with Members

We acknowledge that each of the requirements to communicate with members is helpful when considered in isolation. However, we urge the ISWG to consider them holistically as in our view the Code in this form runs the risk of members having information overload and missing the important messages.

For example, the combination of the Key Fact Sheet, the TPD intention statement, the TPD comprehension statement and enhancements to the Welcome pack would mean a large volume of overlapping information. A more streamlined approach is to be preferred.

Claims Handling

AustralianSuper supports the timeframes proposed in the draft Code but notes that there are circumstances where a 15 day period for trustees to review an insurer's intention to decline a claim are insufficient. ASFA has suggested a remedy to extend the circumstances upon which a longer period of review is reasonable. Amendment to 6.29 of the draft Code could achieve this.

Enquiries and Complaints

More precision is required regarding the Code's interaction with the internal dispute resolution process requirements under s101 of the *Superannuation Industry (Supervision) Act 1993*, and it must be cognisant of key aspects of the *Superannuation (Resolution of Complaints) Act 1994*.

Any reference to new external resolution processes needs to be more specific and cognisant of legislative changes in this area.

If you have any questions of us or would like further information please do not hesitate to contact me on 03 8648 3847 or lduprealba@australiansuper.com in the first instance.

Yours sincerely



Louise du Pre-Alba
Strategic Policy Advocate