Our insurance strategy

Our insurance strategy is to offer cover that can help members build a secure future for themselves and their families. We know that affordable cover is important for members and believe that, for most people, this can be achieved by having insurance through their super fund.

Here you'll find more information on:

- our insurance principles
- cover design considerations, and
- our claims management approach and philosophy.

Our insurance principles

At the heart of AustralianSuper's insurance strategy are our ten insurance principles.

1. Balance a minimum level of cover with costs

The basic level of cover provided automatically to eligible members (also referred to as default cover) should be aimed at providing a minimum affordable cover which:

- can help in providing for the basic needs of members or their dependants, and
- should not absorb a material proportion of a member's superannuation guarantee contributions.

The principle is that the cost of insurance (premiums) for basic cover should not exceed 1% of salary over the member's lifetime (in super) to retirement or erode the ultimate retirement balance by more than 10%. However, to address individual needs, members can apply to increase their cover anytime and have the ability to reduce or cancel any part of their basic cover.

2. No cover if it's not needed or affordable

The basic level of cover may not be provided automatically to younger members who typically have less need for insurance and those on relatively low incomes who can least afford to pay for insurance (subject to regulatory compliance). These members may be better served by devoting all of their super savings to their retirement and having the option to apply for cover if they need it.

3. Income Protection is the primary disability benefit

Total & Permanent Disablement (TPD) cover is for those with significant total and permanent disabilities. Income Protection should be the primary default disability product as it can usually be assessed more readily than permanent disability and can provide support to a member in their time of need, even when the disability is less significant or temporary.

4. Maintain price competitiveness

Insurance is a competitive market and we'll act through pricing and/or product design to ensure that the risk pool, and pricing, does not deteriorate to the disadvantage of members.

5. Maintain a member-centric claims experience

The claims management experience is a critical moment of truth for members. Members will be treated empathetically at all times.

6. Focus on rehabilitation

For those with disabilities, the primary purpose of insurance is to provide members with both financial support and assistance in returning to work. As such, the claim service and the rehabilitation service in particular represent a core offer to members.

7. A sustainable insurance offer

Our insurance program should be sustainable with the costs being borne by the insured members or relevant contributing businesses.

8. Minimise cross subsidies

We'll act through pricing and product design to minimise cross subsidies where they result in poor value for money for a particular group of members or threaten price stability.

9. Strong and transparent relationships

Insurer and reinsurer relationships should be managed to maintain and increase capacity, reduce concentration risk, improve transparency and maintain competitive tension.

10. Protecting all members by managing insurance risk

Insurance risk will be passed to selected insurer/s.

Cover design considerations

We consider every aspect of our insurance product and service with a view to achieving the best possible outcome for members.

Basic insurance cover levels are set to reflect three key considerations – underlying insurance needs, member views and preferences (expressed through member feedback) and affordability.

Underlying insurance needs

AustralianSuper conducts quantitative research into the insurance needs of members and determines insurance needs for different member segments reflecting:

- family characteristics – single, with partner, number of dependent children
- living expenses, including the cost of raising children
- housing costs (mortgage or rent)
- income levels
- age and ages of family members.

These underlying needs are factored in when designing our basic cover. We also believe that it's in the interests of members to provide an insurance design that supports the management of claimants' conditions, enabling them to return to the workforce or to return to work sooner so that they can continue to grow their super for retirement.

Member views and preferences

From time to time we conduct member level research. Our research typically explores:

- preferences for different types of cover (Death, TPD and Income Protection)
- preferences for different levels of cover unconditionally and when related to the cost of insurance and resulting impact on retirement savings.

The research is given appropriate weight in determining basic cover levels.

Affordability

The cover levels we provide automatically to members are primarily driven by considerations of affordability and our guiding principle that the cost of basic cover should be no more than 1% of salary over the member's lifetime (in super) to retirement and should not erode the ultimate retirement balance by more than 10%.

The basis for this limit is it provides a reasonable balance between a minimum level of insurance cover and the cost of that cover. The 1% of salary is also the limit specified by the Insurance in Super Voluntary Code of Practice which AustralianSuper strongly supports. Some members will have lower or higher costs of cover, as the 1% limit applies on average. Broadly we apply this limit across the membership as a whole but also specifically consider various member segments, including those below.

- Younger members are less likely to have children or other dependants or significant debt. They generally have lower super balances and working patterns may be casual or part time. There is also the likelihood that younger members will earn significantly lower salaries than older members. We believe members under the age of 25 are at greater risk of account balance erosion and generally have lesser insurance needs and as such basic cover will generally not be provided.
- Members with low or infrequent contributions may include those who have taken leave for substantial lengths of time or whose working patterns are casual, part time or seasonal. We aim to provide fair treatment and to minimise cross-subsidisation. We recently introduced our Super Only product available to certain employers with employees who are employed under the Supported Employment Service Award, short term, seasonal or intermittent workers. It offers insurance on an opt-in basis only to minimise erosion of account balances.
- Members nearing retirement generally place greater emphasis on building their retirement savings than on life insurance. The cost of cover is greater for older members however insurance needs are typically lower as many financial commitments have been discharged.

We would expect the 1% of salary limit to be achieved at all times, but in the event of a sudden increase in premiums as a result of poor claims experience or an external pricing shock, we would adjust the benefit design in a measured time frame or consider other means of achieving a return to affordability within 1% of salary.

So that we can provide the best possible value to members, we have balanced typical insurance needs with the cost of cover and the impact of insurance costs on retirement balances. That's why our basic automatic cover provides members with only a minimum level of cover.

We do not suggest that the basic cover levels meet the entire insurance needs of members. We recognise that insurance needs differ from one member to another, as does their income and super balance. That's why we provide members with the flexibility to adjust their levels of cover to suit their individual circumstances. Members have the important ability to apply to increase their cover to the level they need, and to reduce or cancel if appropriate. Members who apply for new or higher levels of cover under certain conditions may be required to provide detailed health information to the insurer for assessment.

Claims management approach

Our guiding principle is to ensure that all claims are managed in the best interest of our claimants and consistent with the terms of the relevant insurance policy.

If the insurer's decision is to decline or defer a claim, it's referred to our Insurance Claims Committee (ICC). Our ICC reviews all the information the insurer has relied on to make their decision and determines whether we agree with the insurer's decision. If we don't agree, we'll advocate on the claimant's behalf and return the claim to the insurer to consider further.

Our claims philosophy

Our claims philosophy reflects our company values and aligns to our member first approach. We understand this is a stressful time for our members and claimants and our aim is to provide a service that is fair, ethical and transparent for all parties.

Our philosophy is to manage claims in the following way:

- Handling claims with empathy, professionalism and in a timely manner. Our objective is to make the claims process as quick as possible within a caring and supportive environment for our claimants.

- Treating claimants with respect and understanding.
- Providing service in a thoughtful and proactive manner, collaborating to meet claimant needs, solve any problems as they arise and adopt a continuous improvement approach.
- Advocating on a claimant's behalf if we don't agree with the insurer's decision.
- Supporting those with Income Protection claims to return to the workforce through our rehabilitation service.

Expectations of claimants (including burden of proof on claimants)

We have a duty to our members to thoroughly evaluate each claim based on the terms and conditions of the policy and the information provided and disclosed at the time of acceptance of cover and claim. Our aim is to provide service that is fair, ethical and transparent to members.

Support provided to claimants

We understand that making a claim can be physically, socially and financially difficult for claimants and their beneficiaries and with this in mind we:

- interact with our claimants with compassion and empathy
- provide practical solutions that recognise individual situations, and
- aim to resolve claims as quickly as possible.

Disability claim considerations

The definition of TPD includes a requirement that the claimant be incapable of ever working in any job that they are suited to, based on their previous education, training or experience, or any job that they may reasonably become suited to with further education, training or experience.

This will be decided by considering things such as:

- what re-skilling, training or voluntary work they have done already
- any retraining or reskilling they reasonably could be expected to do, and
- any rehabilitation they have done already or any rehabilitation they reasonably could be expected to do.

Rehabilitation service

Consistent with our insurance principles (see page 1), we believe that the best outcome for Income Protection claimants is to return to the workforce. This allows them to return to earn an ongoing income which is likely to exceed any insurance benefit in the long term. It's also the best outcome for a claimant in terms of psychological wellbeing, self-esteem and longer term health, all of which are demonstrated in research.

Under the Income Protection product, a member is not considered to be disabled if they refuse to accept:

- any reasonable modification or substitution of their work duties, or
- the use of any appropriate assistive aids, including those available to them through the rehabilitation service.

To support these product terms, a rehabilitation service is provided as part of the claim management model. We're supporting more members to return to good work (work that is a source of productive engagement, economic stability and personal interaction) from the start of an Income Protection claim rather than ad hoc and at various stages of a claim, which reduces likelihood of success. This has occurred by developing the capability of our claims assessors and managers. So at the same time a member is receiving their Income Protection claim payments, we're supporting a return to work.

The model has these four key elements:

- identification of suitable claims
- application of claims to a triage stream to enable appropriate allocation of resources
- rehabilitation assessment, which includes working together with rehabilitation consultants (as applicable) and other stakeholders (including the member, their doctor and employer), to develop a suitable plan to assist the member in returning to the workforce, and
- management of the rehabilitation plan.

Process to be followed by and communication with the claimant

Our aim is to assist our members to understand the claims process by explaining it in simple and clear language and maintaining regular contact with our claimants through one person ownership of claim files.

We'll always explain the reasons for our decisions and will treat all personal and medical and financial information with the utmost confidentiality.

As part of our commitment to the Insurance in Superannuation Voluntary Code of Practice, we'll update this fact sheet with more information about how we design insurance benefits for members who receive cover automatically when they join. This will be available from 1 June 2020.

If you have any questions, we're here to help

Call 1300 667 387
(8.30am to 5.00pm AEST/AEDT weekdays)

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