



12 April 2018

Ms. Karen Chester  
Deputy Chairperson  
Productivity Commission

Attention: Daniel McDonald, Senior Research Economist  
(by email to: [daniel.mcdonald@pc.gov.au](mailto:daniel.mcdonald@pc.gov.au))

Dear Ms. Chester,

**Insurance in superannuation voluntary code of practice**

I am writing to you further to our recent discussions with Daniel McDonald in relation to the Productivity Commission's consideration of insurance in the third stage of your inquiry into the competitiveness and efficiency of the superannuation system.

Specifically, I am responding to your invitation to provide further information about the insurance in superannuation voluntary code of practice, an update on the implementation process and preliminary details on the approach to developing the next iteration of the Code.

**Insurance in super integral to AIST's member-first perspective**

The Australian Institute of Superannuation Trustees (AIST) is the principal advocate and peak representative body for the \$1.2 trillion profit-to-member superannuation sector. AIST plays a key role in superannuation policy development, including in relation to insurance.

The member-first culture unique to profit-to-member super funds drives and informs our policy platform.

Consistent with this, AIST has been heavily involved in the development of the Insurance Code through the Insurance in Superannuation Working Group. It is a strong step towards enhancing consumer outcomes and the understanding of insurance offered through superannuation.

**Insurance in Superannuation Voluntary Code of Practice**

The Insurance in Superannuation Working Group released the Insurance in Superannuation Voluntary Code of Practice in December 2017. The release was publicised by industry participants including AIST, the Association of Super Funds Australia (ASFA) and the Financial Services Council (FSC).

In summary, the Code provides:

- A framework that sets expectations about the maximum amount of superannuation contributions that should be used for automatically provided life insurance premiums
- Simpler and clearer processes for members to opt out of automatic life insurance
- Simplified disclosure and improved fund member communications about insurance

- Requirements to reduce multiple insurance policies by cancellation of some insurance cover, after funds contact members, in cases where member accounts are inactive and insurance exists
- Provision of better and more timely assistance to members during claims
- Standards for handling of premium adjustment amounts between insurers and trustees
- Requirements for trustees to publish plans for the Code implementation and when various aspects of it will be implemented.

### **Strong support for the Code from industry associations**

Although there have been other recent instances of cross-industry cooperation and collaboration (eg. Stronger Super reforms, MySuper, SuperStream and the Gateway Network Governance Body), this is the first example of a cross-industry code of practice. The Productivity Commission should recognise the significance of such an achievement and such developments in the interests of greater efficiency.

These industry associations have prominently displayed information about this process on their websites, including the Code, background and supporting materials. The AIST page about the Code can be viewed [here](#).

AIST, ASFA and the FSC are now the Insurance in Superannuation Code-Owners, and are responsible for the development of the Code. The three industry associations have superseded the Insurance in Superannuation Working Group, but continue to work closely with all industry stakeholders.

A transition committee of super funds, insurers, administrators and code owners (including AIST) is facilitating implementation by assisting trustees in interpreting and meeting their commitments under the Code and addressing practical matters of Code compliance and interpretation.

Guidance for adopting the code was developed by the transition committee and issued by code-owners on 28 March. This guidance is supplemented by a regularly updated spreadsheet on compliance and interpretation to assist with transition planning. The AIST page about the Guidance can be viewed [here](#).

Code owners will soon release a Key Fact Sheet in a standard format for funds to use to inform members about insurance in super in a simple, accurate and easy to understand format. The KFS has been drafted, subjected to legal review and member testing, and is currently undergoing final sign-off. When it is completed, this submission will be amended to include it as an attachment.

### **Super fund support for Insurance Code**

More than 40 AIST members - covering the overwhelming majority of the estimated 6 million plus profit-to-member super fund members - have stated their intention to adopt the Code, and are in the process of publishing a statement about this on their websites.

Attachment 1 to this submission is a list of many of these funds, together with a link to the relevant part of their websites. As the Code asked funds to make their statement of intent to adopt the Code by 31 March (Easter Saturday), the process of uploading this statement is still in progress by some funds.

The Code owners are committed to maintain and publish an up-to-date register of Code adopters. AIST will do this during April 2018.

The voluntary nature of the Code has resulted in super funds undertaking a significant and extensive review of their own insurance arrangements vis a vis the requirements of the Code. This gives greater weight to their implementation efforts than would have been the case with a mandatory code. In nearly all instances, the decision to make a statement of intent about the Code was made by Boards of AIST member funds.

Funds will publish their transition plans by 31 December 2018 and the transition committee will develop guidance on the minimum requirements for the content and format of the plans.

The transition committee is also developing a standard annual Code compliance report template for trustees to use.

### **Ensuring compliance with trustee duties**

Trustees have a fundamental legal obligation to ensure that their super fund acts consistently with their trustee duties and decision-making obligations. A trustee is required to act in members' best interests and cannot apply a provision in the Code where it would be inconsistent with this.

This is a test that will be applied by all trustees (and will form part of the processes involved in preparing fund transition plans). However, in most instances, AIST anticipates that funds will be able to apply all aspects of the Code without modification.

A fund that applies a provision of the Code in a modified form will need to be able to demonstrate that the modification is required in order to be able to meet their paramount members' best interests requirement.

Consistent with this, AIST expects the Code will result in most funds having premium costs below 1% of representative income. This will be achieved by the restructuring of pricing, level of cover and benefit design – or some combination of these. While funds will further develop Code-compliant solutions as a key part of their transition plan through the remainder of 2018, a consistent theme of our discussions with funds – and we have spoken to all of our members about this – is that this is recognised as a high priority and highly important piece of work for them.

In what we expect to be the small number of cases where premiums exceed 1%, it is anticipated that they will be exceeded for a limited cohort of the fund's membership, and that the higher level of premiums are specifically justified using the members best interests test in each case. For example, some funds have members involved in high risk occupations or otherwise have difficulty in obtaining group risk insurance.

### **AIST promotion of the Code**

AIST is actively promoting the Code to our members and in our communications:

- Our 2017 Insurance Ideas Exchange was largely devoted to Code-related sessions, and to promote increasing standards and a member-first perspective in the provision of insurance in super.
- The 2018 Conference of Major Superannuation Funds (CMSF) included sessions on the Code and improving member insurance outcomes.
- Our member newsletters have regularly included updates on the Code and its implementation and offered assistance to super funds.
- Our website includes information about the Code, guidance material, expectations and updates.
- The CEO and members of the Advocacy Team have had one-on-one discussions with the vast majority of our members about the Code.
- A professional development session on insurance and the Code will be delivered to AIST members across Australia during June.

### **Approach to next iteration of the Insurance Code**

There has been extensive collaboration between retail and profit-to-member superannuation funds in recent years that has tended to be overshadowed by areas of disagreement. The sectors have co-operated on the implementation of Stronger Super reforms. MySuper, and SuperStream, and the establishment of the Gateway Network Governance to oversight the Superannuation Transaction Network. However, working together on a cross-industry code of practice is a new development, and one that we believe the Commission should applaud.

Furthermore, the ISWG processes have involved, and will continue to involve, a commitment to deep and transformative change on the part of individual funds. The changes that will be brought about by the Code were developed in large part by funds and insurers working closely together, and their significance should not be underestimated. This has involved a significant cost, time and expert investment by funds, and included compromises by industry participants.

While the focus of super funds and their industry associations is on firstly, their statement of intent to adopt the Code, and secondly, the initial transition process, the industry associations have also commenced the process of considering next steps.

The Code owners have been meeting regularly. AIST and ASFA are planning to meet on Monday 16 April to discuss the scope of work, and consequent prioritisation and timetabling for further development of the Code, and are hopeful that the FSC will also attend. The agenda also includes accountability mechanisms for further progress, such as the Code compliance reporting process.

As the project has developed, the parties have been compiling a list of outstanding issues and ideas for future development. While these have not yet been approved by the Code owners, they give an indication of the approach being taken by the project.

A list of issues has been drafted by the Insurance in Superannuation Working Group for consideration of ongoing work. AIST anticipate that these will help guide the prioritisation process for the Code owners. AIST is happy to further discuss this with the Commission and welcomes any ideas the Commission has about priority matters for consideration.

Thank you for the opportunity to provide you with this further information. Please contact AIST Senior Policy Manager David Haynes if you would like to discuss or seek further information. Funds are moving quickly to implement the Code and there are regularly developments to report.

Yours sincerely,

Eva Scheerlinck  
Chief Executive Officer

## **Attachment 1: AIST member website statements of intent to adopt Insurance Code**

<b>FUND</b>	<b>LINK TO WEBPAGE</b>
ANZ Australian Staff Superannuation Scheme	<a href="https://www.anzstaffsuper.com/trustee-information.html">https://www.anzstaffsuper.com/trustee-information.html</a>
Australian Catholic Superannuation and Retirement Fund	<a href="https://www.catholicsuper.com.au/about-us/transparency/superannuation-voluntary-code-of-practice">https://www.catholicsuper.com.au/about-us/transparency/superannuation-voluntary-code-of-practice</a>
AustralianSuper	<a href="https://www.australiansuper.com/insurance">https://www.australiansuper.com/insurance</a>
AustSafe Super	<a href="https://www.austsafe.com.au/home/super/insurance/frequently-asked-questions-about-your-insurance/">https://www.austsafe.com.au/home/super/insurance/frequently-asked-questions-about-your-insurance/</a>
BUSSQ Building Super	<a href="https://www.bussq.com.au/insurance/insurance">https://www.bussq.com.au/insurance/insurance</a>
CareSuper	<a href="https://www.caresuper.com.au/news/insurance-superannuation-code-practice">https://www.caresuper.com.au/news/insurance-superannuation-code-practice</a>
Catholic Super	<a href="https://csf.com.au/insurance/insurance-through-super">https://csf.com.au/insurance/insurance-through-super</a>
Cbus	<a href="https://www.cbussuper.com.au/about-us/news/media-release/cbus-signing-up-to-insurance-in-super-code">https://www.cbussuper.com.au/about-us/news/media-release/cbus-signing-up-to-insurance-in-super-code</a>
Energy Industries Superannuation Scheme	<a href="https://www.eisuper.com.au/eiss-news/insurance-in-superannuation-voluntary-code-of-practice/">https://www.eisuper.com.au/eiss-news/insurance-in-superannuation-voluntary-code-of-practice/</a>
Energy Super	<a href="https://www.energysuper.com.au/managing-your-super/insurance">https://www.energysuper.com.au/managing-your-super/insurance</a>
Equip	<a href="https://www.equipsuper.com.au/super/insurance-for-peace-of-mind/voluntary-code-of-practice">https://www.equipsuper.com.au/super/insurance-for-peace-of-mind/voluntary-code-of-practice</a>
First State Super	<a href="https://firststatesuper.com.au/member/insurance">https://firststatesuper.com.au/member/insurance</a>
HESTA	<a href="https://www.hesta.com.au/stories/insurance-code.html">https://www.hesta.com.au/stories/insurance-code.html</a>
Hostplus	<a href="https://hostplus.com.au/insurance/code-of-practice">https://hostplus.com.au/insurance/code-of-practice</a>
legalsuper	<a href="https://www.legalsuper.com.au/content/insurance-code-practice">https://www.legalsuper.com.au/content/insurance-code-practice</a>
Local Government Super	<a href="https://www.lgsuper.com.au/about-us/latest-news/lgs-commits-to-new-insurance-superannuation-voluntary-code-of-practice-code/">https://www.lgsuper.com.au/about-us/latest-news/lgs-commits-to-new-insurance-superannuation-voluntary-code-of-practice-code/</a>

LUCRF Super	<a href="https://lucrf.com.au/news/2018-03-26/lucrf-super-welcomes-new-insurance-code-practice">https://lucrf.com.au/news/2018-03-26/lucrf-super-welcomes-new-insurance-code-practice</a>
Lutheran Super	<a href="https://secure.superfacts.com/public/lutheran/article.tpz?contentId=de98d8a-588c-463f-9540-617a6b56aa72">https://secure.superfacts.com/public/lutheran/article.tpz?contentId=de98d8a-588c-463f-9540-617a6b56aa72</a>
Media Super	<a href="https://www.mediasuper.com.au/about-our-operations/fund-governance">https://www.mediasuper.com.au/about-our-operations/fund-governance</a>
Mercy Super	<a href="https://secure.superfacts.com/public/mercysuper/article.tpz?contentId=4aa4a631-b986-4a5f-aa2c-1f8bf7132a0c">https://secure.superfacts.com/public/mercysuper/article.tpz?contentId=4aa4a631-b986-4a5f-aa2c-1f8bf7132a0c</a>
Mine Wealth + Wellbeing	<a href="https://www.mine.com.au/general/publications/news/news-article/2018/03/28/insurance-in-superannuation-voluntary-code-of-practice">https://www.mine.com.au/general/publications/news/news-article/2018/03/28/insurance-in-superannuation-voluntary-code-of-practice</a>
MTAA Super	<a href="https://mtaasuper.com.au/about-us/news-and-updates/mtaa-super-to-adopt-insurance-in-superannuation-voluntary-code-of-practice">https://mtaasuper.com.au/about-us/news-and-updates/mtaa-super-to-adopt-insurance-in-superannuation-voluntary-code-of-practice</a>
Nationwide Super	<a href="https://www.nationwidesuper.com.au/insurance-in-super-is-set-to-improve/">https://www.nationwidesuper.com.au/insurance-in-super-is-set-to-improve/</a>
REI Super	<a href="https://www.reisuper.com.au/super/insurance/why-have-insurance">https://www.reisuper.com.au/super/insurance/why-have-insurance</a>
Statewide Super	<a href="https://www.statewide.com.au/insurance/why-insure-with-statewide-super/superannuation-voluntary-code-of-practice/">https://www.statewide.com.au/insurance/why-insure-with-statewide-super/superannuation-voluntary-code-of-practice/</a>
Sunsuper	<a href="file:///C:/Users/tmills/Downloads/Sunsuper%20to%20be%20first%20of%20compliant%20with%20Insurance%20Code%20of%20Practice%20(4).pdf">file:///C:/Users/tmills/Downloads/Sunsuper%20to%20be%20first%20of%20compliant%20with%20Insurance%20Code%20of%20Practice%20(4).pdf</a>
Tasplan	<a href="https://www.tasplan.com.au/assets/Media-releases/Tasplan-targets-early-compliance-with-insurance-code.pdf">https://www.tasplan.com.au/assets/Media-releases/Tasplan-targets-early-compliance-with-insurance-code.pdf</a>
TelstraSuper	<a href="https://www.telstrasuper.com.au/products-and-services/insurance/insurance-in-superannuation-voluntary-code-of-practice">https://www.telstrasuper.com.au/products-and-services/insurance/insurance-in-superannuation-voluntary-code-of-practice</a>
TWUSUPER	<a href="https://www.twusuper.com.au/insurance/">https://www.twusuper.com.au/insurance/</a>
UniSuper	<a href="https://www.unisuper.com.au/news/2018/03/29/insurance-in-superannuation-voluntary-code-of-practice">https://www.unisuper.com.au/news/2018/03/29/insurance-in-superannuation-voluntary-code-of-practice</a>
VicSuper	<a href="https://www.vicsuper.com.au/about-us/news-and-media/vicsuper-to-adopt-insurance-code">https://www.vicsuper.com.au/about-us/news-and-media/vicsuper-to-adopt-insurance-code</a>

Vision Super <https://www.visionsuper.com.au/insurance>

WA Super <https://www.wasuper.com.au/learning-centre/insurance-choices/>

*The Australian Institute of Superannuation Trustees is a national not-for-profit organisation whose membership consists of the trustee directors and staff of industry, corporate and public-sector funds.*

*As the principal advocate and peak representative body for the \$1.2 trillion profit-to-members superannuation sector, AIST plays a key role in policy development and is a leading provider of research.*

*AIST provides professional training and support for trustees and fund staff to help them meet the challenges of managing superannuation funds and advancing the interests of their fund members. Each year, AIST hosts the Conference of Major Superannuation Funds (CMSF), in addition to numerous other industry conferences and events.*