From:	Heidi Elliott
To:	AU-FMIswg-PMO
Subject:	ISWG Consultation Paper – September 2017
Date:	Friday, 20 October 2017 8:39:30 PM
Attachments:	image012.png

Good Evening,

Please find below a submission in regards to the ISWG Consultation Paper for your consideration.

This submission is made by:

- Independent Fund Administrators & Advisers Pty Ltd (IFAA), a Brisbane based administrator of industry superannuation funds and managed investment schemes;
- QIEC Super – a profit for members industry fund established specifically for the benefit of all participants in the non-Government education sector, child and other care and community services in Queensland.

This submission is in response to the draft Insurance in Superannuation Code of Practice.

It is acknowledged that the Code's intention is to improve the insurance in superannuation offered to fund members, as well as trustees' processes in providing insurance.

A representative of QIEC Super has been attending meetings of a number of ,Queensland superannuation funds in regards to the Insurance in Superannuation Working Group (ISWG) and the intention of this submission is to only address Section 4 of the Code's objectives.

It is recognised that one of the Code's objectives called out in Section 4 is that insurance offered on an automatic basis must be appropriate and affordable, and must not inappropriately erode members' retirement income. At a high level, the proposal has merit. However, we have significant concerns in relation to the proposed premium caps.

Members with automatic Income Protection would not be treated equitably under the proposed premium caps compared to those that offer Death and Total and Permanent Disablement only. As highlighted in KPMG's report commissioned by the ISWG, a relatively low proportion of MySuper accounts have Income Protection insurance. As Income Protection is not mandatory for MySuper members and Income Protection cover is difficult to compare (due to differing benefit and waiting periods and coverage) we believe that Income Protection should be excluded from the proposed premium caps.

We note that the initial commentary from ISWG was critical of insurance for younger members whom don't have the balance to support insurance premiums. However, the analysis prepared by KPMG shows that a member's salary is a greater factor than age in determining retirement outcomes. QIEC Super has conducted an analysis of our membership base which supports KPMG's assessment. Therefore, we believe that further consideration should be given to the appropriateness of age based premium caps.

We further note KPMG's report suggests removing cover for members under age 30 will increase insurance premiums across the industry between 5% – 15%. QIEC Super's own analysis supports that there would be a significant deleterious impact on premiums for all members as a result of the proposed changes. This would put upward pressure on premiums for all members. QIEC Super believes further consideration needs to be given to whether this is in the best interests of members and whether there will be broader social implications by reducing cover for members.

From discussions with other Queensland based Funds and ISWG participants we understand that there is some confusion in relation to how the premium cap changes apply. The latest draft of the Code seems to suggest that the premium caps should apply to all members. This implies that cover for existing members would need to be altered and potentially reduced if a member were to exceed the cap. This should be clarified to confirm that the benefit design should only apply to new members entering the scheme.

Lastly, QIEC Super believes that sufficient time has not been provided to allow Funds to assess the impact of these proposed changes. We suggest that this deadline be extended to allow Funds to conduct sufficient analysis and to provide detailed feedback.

Kind Regards

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