

**From:** [Peter Robertson](#)  
**To:** [AU-FMISwg-PMO](#)  
**Subject:** Maritime Super submission on ISWG Code of Practice  
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**Attachments:** [ISWG submission 201017.pdf](#)

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ISWG committee members

Attached for your information is Maritime Super's submission on the ISWG Code of Practice.

While we are generally supportive of the draft code, we believe the current draft lacks sufficient flexibility for many funds, including Maritime Super, to continue to provide the best possible default insurance cover, premiums and structure for our unique membership.

Kind regards  
Peter Robertson

**Peter Robertson** | Chief Executive Officer



**Phone:** 1800 757 607 | **Email:** [peterr@maritimesuper.com.au](mailto:peterr@maritimesuper.com.au) | **Web:** [www.maritimesuper.com.au](http://www.maritimesuper.com.au)  
**Address:** Level 16, 31 Market St, Sydney NSW 2000

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20 October 2017

Insurance in Superannuation Working Group  
Project Management Office

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

Dear ISWG members

## **ISWG CONSULTATION PAPER: INSURANCE IN SUPERANNUATION CODE OF PRACTICE**

Maritime Super is the largest industry fund for the maritime industry. With around 30,000 members and over \$5 billion in assets, our goal is to help members make the right decisions now to secure their financial freedom in the future.

A large part of a member's financial freedom is their insurance cover and the ability to access it when they need it.

Maritime Super supports the development of the Insurance Superannuation Code of Practice (the Code). In fact, a number of the matters covered by the Code are already considered in our insurance strategy and set out in our Insurance Management Framework.

We welcome the opportunity to make the following submission on the draft Code. Given the short timeframe to respond to the draft code, we will only address the key issues, and at a high level, with the view of submitting a more detailed response as soon as practicable, albeit after the closing date for submissions.

### **Prescription vs principles**

Firstly, Maritime Super notes that the code lacks sufficient flexibility to enable a trustee to manage the member experience in a way that suits the needs of its membership, and aligns with its own good governance model and wider business strategies. Currently, the code does not recognise the various governing and operating structures across the industry nor does it adequately take into account the role of the insurer.

We would welcome a less prescriptive model, in the manner of the Life Insurance Code of Practice, and move more towards a principles-based model. Less mandated requirements in the Code and more guidance in a 'good practice guide' would then support a principles-based code by addressing the more prescriptive standards currently detailed in the draft Code.

### **Account erosion**

Maritime Super recognises the need to monitor the effect of premiums on a member's retirement balance and already includes this factor in setting strategy for insurance cover levels. However, we do not support prescribing maximum premium limits for automatic insurance. In the event that premium limits are retained, we believe the premium limits of 1% of earnings (and 0.5% of earnings for members under 25 years of age) for automatic cover are too low and ultimately may not be in the best interest of members.

Further, the inclusion of Income Protection in the premium cap exacerbates the cover shortfall and would potentially result in members not receiving automatic cover. This is problematic for Maritime where Income Protection is compulsory for some members under the trust deed. We would prefer the caps to be a guide only. We would also prefer that Income Protection be dealt with separately to Death and TPD, and if necessary, have its own premium cap.

Maritime Super members are largely in high risk occupations and premiums would, in some cases, exceed the caps. We also note that default cover under the trust deed requires a premium greater than 1% of earnings for some groups of members. While we acknowledge that there is an exception process offered under provision 4.10, we do not accept that to rely on the provision the trustee needs to satisfy the code administrator in the manner required under the Code. We note that the materiality of premiums is already addressed in the trustee's Insurance Management Framework which is subject to prudential oversight.

In addition, we note that many funds do not collect salary information. While it is recognised that contributions offer a guide to salaries for a membership that receives SG only, this is not the case in funds where employers pay above the SG, in some cases well above the 9.5% SG.

We also suggest that a percentage of salary is not always the best measure of account erosion. But contribution data is clearly available. And a contribution measure offers a more direct correlation with account erosion. It is therefore suggested that contributions are often a better base for assessing materiality and we would recommend that it be able to be used as an alternative to the salary based approach. This is particularly relevant for many of Maritime Super's members who receive contributions well above SG.

Finally, we note that a direct percentage of account balance should also be able to be used as a measure, as that links directly to the issue being managed; account erosion.

### **Premium refunds**

Maritime Super recognises the inequity when a member has duplicate income protection cover and can claim against one policy only, although Maritime also acknowledges that members may have good reason to have more than one IP policy.

As noted above, under the trust deed, Income Protection cover is compulsory for some members. It would therefore be preferable that protocols are established within the insurance industry, for example, who is liable in the first instance.

Generally, Maritime Super does not support the refund of premiums for a maximum of 6 years but would accept a lesser time period of say 2 years.

### **Conclusion**

Maritime Super is generally supportive of the draft Code. However, the Code lacks sufficient flexibility. We would prefer a code that provides the principles by which a trustee is to govern its member insurance operations, rather than a code that attempts to govern the operations of a trustee without affording the trustee the necessary flexibility to operate in a manner that best suits its own membership.

Yours sincerely



**Peter Robertson**  
CEO