



Wednesday 25 October 2017

To the Project Managers Office  
The Insurance in Superannuation Working Group

By e-mail: ISWG-PMO@kpmg.com.au

Dear Sir/Madam

**ANZ Submission – Consultation Paper: Insurance in Superannuation Code of Practice**

ANZ welcomes the opportunity to comment on the Consultation Paper. We strongly support the establishment of a Life Insurance in Superannuation Code of Practice ("Code").

We agree that the provision of group insurance on an opt-out basis has been a successful policy for Australia which has resulted in better risk protection for Australians from all walks of life.

Overall, ANZ supports the proposed requirements. We attach at Table A, feedback on the draft Code, and at Table B, responses to questions raised in the Consultation Paper.

Please do not hesitate to contact Li Chang on 02 8937 7738 or myself if you require any further assistance.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Peter Mullin', with a horizontal line extending to the right.

Peter Mullin  
Managing Director Pensions and Investments  
Wealth Australia, ANZ

**ANZ Comments - Insurance in Superannuation Code of Practice**

<b>Paragraphs</b>	<b>ANZ comments</b>
<b>Scope of the Code</b>	
<b>3.6</b>	<p>This section states that certain sections of the Code only apply to Automatic Insurance Members and that this will be made clear.</p> <p>ANZ feels that this was not always clear in the relevant sections of the Code and requests that further clarity be provided.</p>
<b>4. Appropriate and affordable cover</b>	
<b>Benefit design / Segments of our membership</b>	<p>ANZ supports the proposed requirement for premium limits for Automatic Insurance Members that do not exceed 1% of earnings for the Members, and that the premium limits do not exceed 0.5% of earnings for those Members under the age of 25.</p> <p>However paragraphs 4.11 to 4.19 should be clear the requirement applies to Automatic Insurance Members, and not to others.</p> <p>The Stronger Super Reforms require trustees of superannuation funds to provide default insurance cover and to establish an appropriate insurance strategy for the benefit of members. ANZ agrees with the view that insurance strategies for Automatic Insurance Members should be appropriate to the age of the member and on a 'needs basis' where cover adjusts over time in line with financial commitments.</p> <p>For example, we agree that the level of death cover required for younger members will, in most cases, be low. This is because younger members starting out in their careers are unlikely to have accumulated significant wealth or assets, they could have relatively lower earnings and fewer (if any) dependants, while the level of total and permanent disability cover for the same cohort may need to be higher given the member could have a longer period or requirement for financial support in the event of a permanent disability.</p> <p>Clearly, trustees should be aware that reducing the premiums for one cohort, say younger members, could have the corresponding effect of driving up premiums for others, say older members, and/or providing more restrictive terms for some or all members. Trustees and policy makers will need to understand the trade-offs and be able to determine the appropriate cover and premium levels for all.</p>
<b>Cancelling your insurance cover</b>	<p>We believe that the paragraphs in this section should apply to all insurance covers, not just those with automatic cover, and that the Code should make this clear.</p>
<b>4.20</b>	<p>Paragraph should clarify that the requirement for cancellation would be satisfied by linking directly to an insurer's website.</p>
<b>4.24</b>	<p>This paragraph prescribes the 20 business day cooling-off</p>

TABLE A

Paragraphs	ANZ comments
	<p>requirement for automatic cover. However, we understand the Life Code provides 30 calendar days.</p> <p>We recommend that the Insurance in Superannuation code should align with the Life Code.</p>
<p><b>Cessation of cover due to lack of contribution</b></p>	
<p><b>4.25</b></p>	<p>ANZ supports the proposed requirement for the cessation of cover if no eligible contributions have been received for 13 months. However, if a member requests to retain the cover despite contributions not being made to the account we recommend that the Code make it clear that the fund can record this against the member's account, and would not be required to send further correspondence to the member in relation to the lack of contributions.</p>
<p><b>Reinstatement and recommencement of cover</b></p>	
<p><b>4.28 – 4.29</b></p>	<p>Reinstatement of cover without a health assessment within 60 days may raise unintended consequences for insurers and may need their agreement.</p> <p>We would caution adopting the requirement as it is currently drafted and recommend further discussion about the possibility of requiring members to provide a Good Health Statement or complete a short form.</p> <p>Consideration should also be given to removing the 60 day reinstatement requirement and replacing the requirement with reinstatement without medical information within 30 days, and up to 60 days with a Statement of Good Health.</p>
<p><b>Duplicate insurance cover</b></p>	
<p><b>4.31</b></p>	<p>The requirement appears to be addressing an issue that is broader than duplicate insurance cover. The reason for duplicate insurance cover is often due to multiple superannuation accounts, which should also be appropriately addressed. Moreover, superannuation funds will need to be alert to the requirements relating to financial product advice.</p>
<p><b>5. Helping members to make informed decisions</b></p>	
<p><b>How will we provide you with information</b></p>	
<p><b>5.5</b></p>	<p>ANZ agrees that super funds should use best efforts to keep</p>

TABLE A

Paragraphs	ANZ comments
	<p>members' contact details current.</p> <p>We recommend that further engagement take place with the ATO to assess mechanisms by which member data can be kept up to date.</p>
<b>Communication of lack of contributions</b>	Communication relating to low or infrequent contributions should apply to Automatic Insurance Members only.
<b>5.25</b>	The cross reference to sections 4.25 and 4.27 as these do not appear to set out communication protocols.
<b>5.26</b>	We recommend a small drafting change at the end of the paragraph by adding the words 'in relation to the lack of contributions to the account'.
<b>Communication of low or infrequent contributions</b>	It should be clarified that this section applies to Automatic Insurance Members only. The requirement would not be appropriate for many retail insurance arrangements as insurers of these products would be unable to determine a member's level of superannuation contributions.
<b>5.28</b>	Communication of low and infrequent contributions is required once a year. The proposed requirement does not prescribe the communication delivery method. We welcome this as giving trustees the ability to leverage existing communication mechanisms, such as the delivery methods for Annual Statements.
<b>Claims handling</b>	
<b>6.13</b>	The review process in the Life Code allows for 10 business days. As per an earlier similar comment, wherever possible and where it makes sense, this Code and the Life Code should be aligned.
<b>6.20</b>	We suggest that the wording be updated to allow more flexibility such that either the insurer or the superannuation fund can provide the communication to the claimant.
<b>6.21</b>	We suggest that the wording be updated to allow more flexibility such that either the insurer or the superannuation fund can request the additional information.
<b>6.28</b>	Point c of this item is difficult to administer based on the current wording, particularly in determining documents claimants have "not yet received". We suggest providing a list of documents and the claimant can request a copy of any of the documents from the list that they require and have not yet received.
<b>9. Promoting our insurance cover</b>	
<b>9.3</b>	We recommend that paragraph 9.3 should state explicitly that it is aimed at ensuring additional cover may be provided only to those members that can suitably obtain the cover.

Paragraphs	ANZ comments
<b>13. Enquiries and complaints</b>	
<b>How to make an enquiry</b>	
<b>13.2</b>	<p>A requirement for an electronic version of a product disclosure statement relevant to the member's cover to be provided upon request may not be able to be satisfied in every case. For members who obtained cover some years ago under previous versions of a PDS, the PDS may no longer reflect the correct terms and conditions of the cover where subsequent changes have been made. Moreover, many members obtained cover at a time when product disclosure statements did not exist.</p> <p>We believe the appropriate document to describe the terms of the member's cover is the policy document. For this reason, we believe that subparagraph 13.2c should be amended.</p>
<b>Glossary</b>	
<b>Exceptional cases</b>	<p>Paragraphs 6.23 and 13.15 both contain a provision for "exceptional cases". Paragraph 6.23 refers to the "Review of insurer's decision". In contrast, paragraph 13.15 refers to the trustee's response to complaints. Both paragraphs advise that an appropriate response to members may be delayed, however the definition of "exceptional cases" may not be relevant to these situations.</p> <p>Paragraph 6.23 relates to activities that take place once the insurer has made a decision, whereas the exceptional cases definition refers to matters that would normally be relevant in arriving at a decision on a claim.</p> <p>In relation to paragraph 13.15, the matters that could delay the investigation of a complaint may not necessarily be the matters that are covered by the definition.</p> <p>We would welcome further consideration of the definition of "exceptional cases" with respect to these two sections. We note that the Life Code defines "Unexpected Circumstances", which could be adopted in relevant situations.</p>

## LIST OF CONSULTATION QUESTIONS

Questions	ANZ comments
<b>B.1 Feedback questions</b>	
<b>SCOPE OF THE CODE</b>	
1. How should the ISWG ensure that all trustees are bound by the Code?	All trustees would be bound by the code if APRA makes compliance with the code a condition of the Trustee's RSE licence.
2. What are the practical implications of the transition arrangements?	<p>We support the transitional arrangement that allows trustees to sign up by 1 July 2019, where some aspects of the code take effect on the day you sign up.</p> <p>This should enable superannuation funds to apply the code when they are practicably able to do so.</p>
3. What flags will be required to be built into a trustee's (or their administrator's) system as a result of the Code requirements (for example, whether a member is an Automatic Insurance Member, whether they have chosen to retain their cover even when not making contributions, whether they require assistance as a vulnerable consumer)?	<p>The following are some of the flags that we have identified:</p> <ul style="list-style-type: none"> <li>• Those members that are Automatic Insurance Member, and by extension, those that are not.</li> <li>• Members who have elected to retain their cover even though contributions are not being made to the account.</li> <li>• Date of the last contribution.</li> <li>• Insurance cooling off period.</li> <li>• Member segment classification.</li> <li>• Eligible contribution type classifications.</li> </ul>
<b>B.2 Feedback questions</b>	
<b>PREMIUM LIMITS</b>	
4. Are there alternative proposals for setting maximum premium levels that the ISWG should consider?	No further comment.
5. Are there particular measures of earnings that the ISWG should include in Good Practice Guidance?	No further comment.
6. For superannuation funds – how would you approach the design principles, including the premium limits? Do your current premiums fall within or outside of the maximum limits provided? (Note that this information will be treated confidentially).	<p>Please refer to our comments in Table A against the heading to "Benefit design / Segments of our membership".</p> <p>We are still assessing the impact of the premium limits to existing members and their cover.</p>

TABLE B

Questions	ANZ comments
7. What impacts are the premium limits likely to have on benefit design and premiums? Are there financial impacts that the ISWG should take into account?	Please refer to our comments in Table A against the heading to "Benefit design / Segments of our membership".
8. To what extent will the premium limits achieve the goal of targeting inappropriate account erosion for low income earners, particularly women and younger members?	<p>The premium limits seem likely to address some account erosion for younger members, but the impact for all members is unclear.</p> <p>While we support measures to address account erosion, we recognise that the lack of data available across the industry makes it difficult to ensure that the right balance is achieved between providing adequate cover to members and ensuring that the payment of premiums does not inappropriately erode a member's retirement savings.</p>
9. What are the likely impacts of a trustee reducing cover for some segments of its membership in order to reduce premiums? How would the trustee manage a member who wanted to retain their original cover? Could this member remain an Automatic Insurance Member?	For those who wish to retain their existing cover, we see the super fund offering members an opportunity to opt out of the new limits and apply to retain their previous level of cover, with the possibility of underwriting. Our products generally allow a member to apply for a higher level of cover.
<b>CANCELLATION AND CESSATION OF COVER</b>	
10. What are your views on the proposed cessation and reinstatement mechanisms?	<p>We support the 13 month no eligible contribution cessation rule.</p> <p>However, we are concerned that the 60 days insurance reinstatement requirement may be excessive. Refer to comments against paragraphs 4.28 – 4.29 in Table A.</p>
<b>DUPLICATE INSURANCE COVER</b>	
11. What more could the Code do to help members identify whether they have duplicate insurance, and determine whether this is appropriate for them?	<p>Duplicate insurance cover may also be attributable to the prevalence of multiple superannuation accounts.</p> <p>More can be done to address duplicate insurance by also addressing multiple superannuation accounts.</p> <p>For example, there may be opportunities for better interactions with the ATO so that super funds may access better contact details about members, or so that the design of Single Touch Payroll could be</p>

TABLE B

Questions	ANZ comments
	<p>more targeted at reducing duplicate insurance. The ATO could potentially provide more details to members via their MyGov accounts.</p> <p>Additionally, new reform initiatives could introduce additional SuperStream fields being mandatory for employers, and funds should be able with member's permission to search for existing insurances that an individual may already have.</p>
<b>B.3 Feedback questions</b>	
<b>HELPING MEMBERS TO MAKE INFORMED DECISIONS</b>	
12. Which parts of the Code require particular attention for consumer testing?	No further comment.
13. How could the Key Facts Sheet template better assist members to understand and compare their cover?	We support the proposed content and format of the key fact sheet.
14. Do the communication requirements in the Code achieve the right balance between prescription and trustee flexibility?	<p>Yes. We are of the view that the Code strikes the right balance between prescription and trustee flexibility, and we would look to leverage existing communication mechanisms to meet our Code obligations.</p> <p>We request, however, that the code clearly exempts trustees from any member communication requirement where the member is a lost member.</p>
15. What further steps could be taken to engage members who are making no contributions or low or infrequent contributions?	As mentioned in our answer to question 11, better interactions with the ATO so that superannuation funds can obtain better contact details for members would be useful.
<b>B.4 Feedback questions</b>	
<b>CLAIMS HANDLING</b>	
16. What are the practical implications of the obligations that are placed on trustees? How can any practical difficulties be overcome in a way that improves members' experience of the claims process?	We support the objectives of the proposed code relating to claims handling. As a general comment, we need to ensure alignment of the communications to claimants from the superannuation fund and the insurer.
17. Will the requirements at section 6.28	Point (c) of paragraph 6.28 requires all

TABLE B

Questions	ANZ comments
of the Code to provide a person claiming with information about a decline (including all documents obtained during the assessment) and the ability to provide further information in all cases cause delays and/or cost to the claims process? If there are concerns with these requirements, can specific examples be provided of the difficulties these requirements cause?	documents obtained during the claims assessment to be provided to the claimant.  We believe this may not be the most appropriate outcome in all cases given the potentially large volume of documents.  We recommend that the paragraph be amended so that a list of all documents be provided. The claimant can review the list and indicate which documents they wish to receive.
18. What are the implications of the requirements on trustees to oversee and review ongoing income protection payments?	Where this is not currently occurring, there will need to be agreed protocols to ensure appropriate notification and reporting to the trustee.
<b>B.5 Feedback questions</b>	
<b>VULNERABLE CONSUMERS</b>	
19. Does the Code require more prescription as to how trustees will support vulnerable consumers?	We do not believe that further prescription is required.
20. What more can be done to ensure that members who are granted release of funds for terminal illness do not lose their insurance cover?	We already notify members in cases where the insurance cover only allows a member to claim at a life expectancy that is shorter than the 24 month period for release of the member's account balance.
<b>B.6 Feedback questions</b>	
<b>PREMIUM ADJUSTMENTS</b>	
21. Are the premium adjustment arrangements sufficiently transparent?	No further comment.
22. What further detail could the Code include?	No further comment.
<b>B.7 Feedback question</b>	
<b>PROMOTING OUR INSURANCE COVER, CHANGES TO COVER</b>	
23. What are the practical implications of the Code obligations for trustees?	No further comment.
<b>B.8 Feedback questions</b>	
<b>REFUNDS</b>	

TABLE B

Questions	ANZ comments
24. What are the practical and administrative implications of the refund requirements provided?	No further comment.
25. Are there any issues with the maximum time limits for the duration of refunds?	No further comment.
26. For superannuation funds – what are your current practices for refunding premiums, and the duration of any refunds?	We refund premiums, however we may have slightly different practices in different products in relation to the date to which the refund is applied.
<b>B.9 Feedback questions</b>	
<b>STAFF AND INDEPENDENT SERVICE PROVIDERS</b>	
27. Do the standards for training and monitoring staff require further detail?	We do not believe that further detail is required.
28. What are the practical implications of requiring trustees to ensure Independent Service Providers comply with the Code?	No further comment.
<b>B.10 Feedback questions</b>	
<b>ENQUIRIES AND COMPLAINTS</b>	
29. Do the processes for making enquiries and making complaints require further detail?	No further comment.
<b>B.11 Feedback questions</b>	
<b>GOVERNANCE, ENFORCEMENT AND SANCTIONS</b>	
30. Is the governance framework appropriate, taking into account ASIC's requirements for approval of the Code, and the governance provided by existing financial services codes?	ANZ generally supports the code being an ASIC enforceable code.  Consideration should be given to any implications arising from proposals contained in the 'ASIC Enforcement Review - Position and Consultation Paper 4 Industry Codes in the Financial Sector'.