B.1 Feedback questions
SCOPE OF THE CODE

1. How should the ISWG ensure that all trustees are bound by the Code

   In order for the Code to be binding (and enforceable) it needs to be legislated or included within APRA Prudential Standards.

2. What are the practical implications of the transition arrangements?

   The practical implications of implementing the Code are wide ranging and significant. The Code impacts numerous participants including Funds, Insurers, Administrators, Consultants and ultimately Members.

   The cost of implementation will be very high with changes required to administration systems, additional reporting requirements, operational processes, workflow systems, communications to Members (SENs, insurance guides, web services etc), insurance policies, operational costs increase for Funds, Administrators, Insurers and potentially Employers and their SuperStream requirements.

   It is unclear that there will be reductions in overall Fund premiums (due to lower levels of cover) and therefore fewer members having insurance cover, the percentage of premiums allocated to operational requirements will also increase. The costs of the Code implementation and ongoing maintenance will ultimately be a cost that is passed on to the Member. Whilst it is likely that the majority of Members will see a premium and sum insured reduction their ongoing administration fees may increase – as a direct result of increased regulatory obligations.

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)?

   Numerous flags will need to be added to operating systems to manage the various regime requirements (e.g. contributions lapsing monitoring, reinstatement protocols, claims tracking, reporting and workflow management for escalations (i.e. where is the claim and how long has it been with the entity and how long do they have to perform their task), changes to SuperStream and employer reporting, flags to define an AIM (Automatic Insurance Member), flags to ensure that a Member's cover is not lapsed if they elect not to retain) and ongoing monitoring of premium to Ordinary Time Earnings (OTE) ratios to ensure compliance.

   Given the complex system and policy changes required to implement the Code, there may be impacts on resource requirements of insurers and administrators (i.e. many funds working with a few insurers and fewer administrators to make changes within a prescribed timeframe).

B.2 Feedback questions
PREMIUM LIMITS

4. Are there alternative proposals for setting maximum premium levels that the ISWG should consider?

   Whilst CareSuper considers the Maximum Premiums Levels (MPLs) to be generally appropriate, to have a doubling of premium maximums from 0.5% of OTE at ages 25 to 26 seems arbitrary and perhaps a staged approach could be considered (acknowledging this adds another degree of complexity to the Code). Funds could of course choose to stagger premiums within their product offerings on the proviso they do not exceed the 0.5% and 1% maximums.

   Other considerations could include the calculation methodology for casual workers – Funds should be able to apply the MPL test to the entire eligible Membership based upon consistent and reliable SG payments.

   The Code must also clearly define what an Automatic Insurance Member is – the definition provided goes some way towards doing this but perhaps this should be broadened to ensure better Member protections and clarity.

5. Are there particular measures of earnings that the ISWG should include in Good Practice Guidance?

   Any measure of earnings that is agreed needs to be measurable based upon the data that Funds have and utilised by all Funds.

   As earnings are not required by SuperStream they have to be extrapolated. Funds are also not aware of a member's employment status and stability of SG contributions.

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).

   CareSuper is currently undertaking a review of Default insurance for Members and is working towards a revised design – the thinking that has been undertaken to date is within much of the Code.

   The considerable work undertaken by CareSuper has considered Members' OTE (extrapolated from SG contributions) and defined the purpose of default insurance (to ensure that accounts are not inappropriately eroded in particular for younger Members). The CareSuper insurance redesign has also considered contribution based lapsing.

   The current CareSuper default insurance premium cost fits within the MPLs suggested within the Code. Younger Members sums insured however do need to be reviewed and work has commenced on this with various models being considered in conjunction with account erosion issues.

As mentioned above, the increase (i.e. doubling) in MPLs at 25 to 26 does have a vast impact on allowable premium levels and is out of step with Australian wages (i.e. salaries and therefore SG payments do not double between these ages).

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?

   Whilst supportive of the overall principles of the Code, CareSuper has concerns as to the cost of implementation and maintenance of all aspects of the Code (including the cost to establish and maintain a "Body" to monitor Code compliance).

   Whilst the overall premiums paid to insurers will likely reduce, the percentage cost to provide insurance to Members will increase. This increase will not only be for insurers during the implementation phase of the Code but also there will be costs associated with the ongoing communications regime, systems and data monitoring, continual product enhancements and potentially additional Trustee expenses.

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?

   The Code will go along away towards negating the effects of insurance premiums for younger Members and also assist in mitigating what can be a very negative first interaction with superannuation (i.e. a casual job where all the young Member's superannuation is eroded by insurance premiums).

   As a Fund that does not offer default IP, CareSuper believes that the Code does not go far enough to protect Members who receive default IP which they (for various reasons) may never be able to claim on. The Code goes some way towards addressing this but not far enough. The Code does not provide protections for Members who receive default Income Protection (and cannot claim) but then after a number of years leave the fund.

   The Code could consider looking to cease members' IP coverage when the Fund has evidence of no income (or SG being paid to another Fund). This step would go a long way towards mitigating account erosion.

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?

   This is a complex question that will have to be addressed over the coming months as the decision will have ongoing experience / premium, administration, communication and ethical implications.

   Reducing cover even if accompanied by a premium reduction could have serious consequences for members and funds in managing members' expectations in the event that a claim is made after the reduction when the member has been paying premiums for higher cover for several years. Will there be any guidelines on opt out or in strategies?

CANCELLATION AND CESSATION OF COVER

10. What are your views on the proposed cessation and reinstatement mechanisms?

CareSuper agrees with the high level proposed cessation/reinstatement regime, however, further consideration needs to be given to the nuances associated with any proposal.

DUPLICATE INSURANCE COVER

11. What more could the Code do more to help Members identify whether they have duplicate insurance, and determine whether this is appropriate for them?

    The Australian Government (e.g. the Australian Taxation Office [ATO]) could become more proactive in letting Members know when they have multiple accounts and that there may be a benefit to consolidation, however this would rely on the ATO having access to accurate and up to date account information.

    We don't believe it is the responsibility of the member's fund to determine this. If the cancellation of cover is 13 months after the last contribution period is enforced this will determine the maximum duplication period.

B.3 Feedback questions
HELPING MEMBERS TO MAKE INFORMED DECISIONS

12. Which parts of the Code require particular attention for consumer testing?

    CareSuper considers consumer testing to be a very important part of this process with particular importance being placed upon the MPL and cessations rules.

13. How could the Key Facts Sheet template better assist Members to understand and compare their cover?

    Any concise plain language communications would assist greatly in Members' understanding of their insurance and rights. However, CareSuper does not believe that 'Key facts' statement regarding the obtaining of legal advice is accurate or helpful to members. The Code should clearly state that it is the responsibility of Trustees to do everything that they can to advocate on behalf of members where the member's claim has a reasonable prospect of success and the key facts statement should reflect this obligation.

14. Do the communication requirements in the Code achieve the right balance between prescription and trustee flexibility?

    The changes to the code go some way towards improving insurance communication to Members. It should be noted that there is no singular communications regime that will suit all Members. For example, over simplification of technical information may not be appropriate for a more engaged, sophisticated member.

15. What further steps could be taken to engage Members who are making no contributions or low or infrequent contributions?

    CareSuper currently operates a robust low balance and Member reactivation program which encompasses various mediums of communication (e.g. out bound calls, electronical direct mailouts and direct mail).

B.4 Feedback questions
CLAIMS HANDLING

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' experiences of the claims process?

    CareSuper currently has a very robust claims review process which ensures that Members' interests are served and that the Insurer's decisions are appropriate.

    CareSuper holds the view that the proposed prescribed timelines for claims assessment, review and decision making do not allow for the uniqueness, complexity and ultimate importance that should be placed on each claim interaction (with particular importance on the role played by the Trustee Office and Directors in reviewing adverse decisions of the Insurer). CareSuper is aware that Funds have different approaches to the review of declined claims (for example internally by management and staff only, or by Directors) and holds that the 15-day period is not practical where Directors are involved and very possibily not in the best interests of members inasmuch as it may not allow for proper consideration of the reasons for the decline. The Code review process does not emphasise the responsibilities of the Trustees in regard to each and every claim and it appears to provide only a checklist approach rather than an independent consideration of an insurer's decision to decline.

    Further, it is not clear what the term 'review' means in the context of declined claims and how this is understood and applied may render the goal of reaching proper and timely decisions unachievable.

17. Will the requirements at section 6.28 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?

    CareSuper in conjunction with its current insurer, MetLife, and its prior insurers ensures that Members receive detailed (Procedural Fairness) correspondence which outlines all pertinent information prior to any decision to decline being made and affords Members the ability to provide further information about their claim. The Code suggests that this process will occur after a decision to decline is made. CareSuper is strongly of the view that procedural fairness should be implemented prior to any decision being made.

Members with declined claims are provided with detailed correspondence outlining why their claim is being declined and allows the Member to provide further information and / or make a formal complaint to the Trustee should they choose to.

It is CareSuper's view that whilst providing this information adds time to a claim duration that it is an important component of the process.

18. What are the implications of the requirements on trustees to oversee and review ongoing income protection payments?

    Further involvement in the Income Protection payment process risks delaying the payment of benefits to Members and therefore could be detrimental to the overall process. The Trustee could however undertake a retrospective examination of the Income Protection payment to ensure robustness.

B.5 Feedback questions
VULNERABLE CONSUMERS

19. Does the Code require more prescription as to how trustees will support vulnerable consumers?

    CareSuper maintains the view that all partners involved in dealing with vulnerable Members / consumers should act with the utmost good faith and ensure appropriate support is provided.

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?

    Funds should be required to inform Members of the insurance component to their benefit and where possible (within the Advice Regulations) encourage terminally ill Members to maintain a balance within the Fund for insurance purposes.

B.6 Feedback questions
PREMIUM ADJUSTMENTS

21. Are the premium adjustment arrangements sufficiently transparent?

    CareSuper does not operate a Premium Adjustments facility but feels transparency is important, ensuring confidence in the market.

22. What further detail could the Code include?

    N/A

B.7 Feedback questions
PROMOTING OUR INSURANCE COVER, CHANGES TO COVER

23. What are the practical implications of the Code obligations for trustees?

    It is important that Trustees ensure that the appropriate information is being conveyed to members at the correct time.

B.8 Feedback questions
REFUNDS

24. What are the practical and administrative implications of the refund requirements provided?

    The refund of premiums is most pertinent for IP insurance. A member appropriately could be paid multiple Death and TPD benefits by multiple funds. CareSuper maintains the view that Members should not have to pay for insurance cover (i.e. Income Protection) that they did not apply for nor can they ever actually claim on. How this would work in practice is unclear – which fund would pay the benefit and which would refund the premiums?

    The operational implications are many and varied in particular when there is are multiple insurers involved in any refund period. There may also be implications as to how and when refunds are made (i.e. backdated / investment earnings) and in relation to closed accounts.

25. Are there any issues with the maximum time limits for the duration of refunds?

    CareSuper does not see any issues with the limits suggested in the Code.

26. For superannuation funds – what are your current practices for refunding premiums, and the duration of any refunds?

    CareSuper does not offer default Income Protection and therefore does not have issues in this space.

    In the case of refunding premiums for Members being paid a Death or TPD benefit, CareSuper currently refunds premiums to the Date of Event (in some cases this goes back several years).

B.9 Feedback questions
STAFF AND INDEPENDENT SERVICE PROVIDERS

27. Do the standards for training and monitoring staff require further detail?

    In order to avoid any doubt what is required by participants it is suggested that further detail be provided.

28. What are the practical implications of requiring trustees to ensure Independent Service Providers comply with the Code?

Ensuring service providers comply with the code adds additional impost on Trustees. CareSuper currently undertakes reviews of Members' interactions by service providers to ensure appropriate interactions are occurring.

B.10 Feedback questions
ENQUIRIES AND COMPLAINTS

29. Do the processes for making enquiries and making complaints require further detail?

    Given the often complex nature of insurance complaints and enquiries, CareSuper has the view that dictating a short timeframe to resolve the issue is not necessarily in the Member's / beneficiaries best interests and that the implementation of some degree of flexibility is required.

B.11 Feedback questions
GOVERNANCE, ENFORCEMENT AND SANCTIONS

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?

    All participants in the sector (e.g. Government, Regulators, Funds and other participants) will need to ensure that there is no conflict with other codes (e.g. Life Insurance Code of Practice) as this would lead to confusion, ineffectiveness in the code and ultimately dispute.