

**INSURANCE IN SUPERANNUATION CODE OF PRACTICE**

**Background for the revisions made to the 1 March 2020 Code**

References are to the numbering in the previous version of the Code

Additions to the Code are marked as tracked changes, deletions are struck through

CODE STANDARDS	Background
<b>1. Introduction</b>	
1.3 “You” are members of our fund who are insured through cover that we arrange, and your beneficiaries. <del>This includes Automatic Insurance Members and members who have chosen specific cover.</del>	Deletes second sentence, redundant due to reference to Automatic Insurance Members
<b>2. Objectives</b>	
<b>3. Scope of the Code</b>	
<b>4. Appropriate and affordable cover</b>	
4.1 <del>For the purposes of sections 4.2 to 4.17, “you” refers to Automatic Insurance Members only.</del>  For the purposes of sections 4.2 to 4.17, “you” refers to members who have been provided automatic insurance cover but does not include you if: <ul style="list-style-type: none"> <li>• you have voluntarily selected your level of cover;</li> <li>• you have varied your automatic insurance cover;</li> <li>• you are a defined benefit member; or</li> <li>• your insurance premiums are wholly paid for by your employer (whether through contributions to your superannuation account or otherwise) or not paid by deduction from your account</li> </ul>	This section has been revised to make it clear that members are eligible for the automatic insurance protections who opt to maintain their automatic insurance when it is due to lapse because the account has become inactive or because the account is low balance, or who opt to take out automatic insurance, if eligible, on joining a fund while under 25 or with a low balance account.  Members are not eligible for the automatic insurance protections if they take out voluntary cover, vary cover, have a defined benefit account, or are a member of a wholly sponsored employer scheme.

<p>Automatic insurance cover or default cover is cover that we provide on behalf of our membership to provide members with automatic protection against unexpected events, illness or accidents. Automatic insurance cover is not tailored to individual needs and circumstances.</p> <p>You are considered to have automatic insurance cover in circumstances where you elect to take out or maintain the default insurance cover that we provide automatically even if:</p> <ul style="list-style-type: none"> <li>• you are under the age of 25 years;</li> <li>• you have a super account balance that is less than \$6,000; or</li> <li>• your account has become inactive.</li> </ul>	
<p><b>Benefit design</b></p>	
<p>4.2 Insurance in superannuation is often provided automatically. We will design automatic insurance cover with the objectives that they are appropriate and affordable for our membership.</p>	<p>Amended to replace AIM with automatic insurance</p>
<p>4.3 We will publish our insurance strategy on our website. This will include an explanation of how we have designed our automatic insurance cover including the types and levels of cover, to help <b>you</b> decide whether the automatic insurance cover is appropriate for <b>you</b>.</p>	<p>Amended to refine the requirement to publish the insurance strategy to specify that it will include the types and levels of cover.</p> <p>Replaces references to AIM with 'you'.</p>
<p>4.5 When we design insurance benefits for our <del>Automatic Insurance Members</del>, we will assess our members' likely insurance needs, including considering the following characteristics of our membership where we know them and believe them to be relevant:</p>	<p>Delete reference to AIMs.</p>
<p>a) age distribution</p>	
<p>b) gender</p>	
<p>c) industry and occupation</p>	

d) work status (for example, full-time, part-time, contract, casual)	
e) salary	
f) employer contribution levels	
g) claims history	
h) insurability outside automatic arrangements	
i) member feedback based on member research and attitudes to insurance.	
<del>4.6 We will assess the appropriateness of our benefit design, including types and levels of automatic insurance cover, for our membership generally, and for the particular categories of members described below at 4.10 to 4.12.</del>	The deleted sections of 4.6 and 4.7 have been superseded by legislative and regulatory developments such as the legislated outcomes assessment and the business performance reviews in SPG 516. Any further detail on these topics would be better placed in Code guidance.
4.7 As well as determining the automatic insurance needs of our membership, we will design cover that is affordable and does not <b>inappropriately erode</b> the retirement savings income of our <b>Automatic Insurance Members</b> . We will specifically consider the impact on the categories of members described below at 4.10 to 4.12.	Replaces AIM with 'membership' or automatic insurance.  Replaces 'income' with 'savings'.

<p>4.9 <del>As part of determining affordability when we design automatic insurance benefits</del> As part of determining affordability, premiums for <del>this benefit design</del> automatic insurance cover will be set at a level that does not exceed 1% of an estimated level of salary for our membership generally, and/or for segments within the membership, subject to 4.9(c) below.</p> <p>We will document and publish:</p> <ul style="list-style-type: none"> <li>a) our basis for determining an affordable level of cover within the 1% of salary limit(s) for our membership generally and/or for segments within the membership</li> <li>b) the measures of salary and timeframes we have used to apply the 1% of salary limit for our membership, <del>including the specific measures we have used for insurance provided to our younger members</del></li> <li>c) the rationale for instances in which premiums for automatic insurance cover <del>has been provided to</del> <b>Automatic Insurance Members</b> with premiums that exceed 1% due to <del>the identification of</del> particular circumstances relating to the membership generally and/or segments within the membership.</li> </ul>	<p>Deletes references to AIM and replaces with references to automatic insurance.</p> <p>Amendments place additional emphasis on affordability.</p> <p>In (b) deletes the section referring to younger members as this has been overtaken by the opt-in threshold for under 25s.</p> <p>In (c) the wording has been tightened to remove reference to ‘provided’ given the potential for confusion with the use of provided in the PYS and PMIF legislation and ‘identification’ because it is redundant.</p>
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<b>Categories of our membership</b>	
<p>4.10 — For <del>younger</del> members, when designing benefits we will consider:</p> <ul style="list-style-type: none"> <li><del>a) appropriate types and levels of cover, given that <b>younger</b> people are less likely to have children and other dependants or significant debt, and are more likely to require total and permanent disability or income protection, rather than death cover</del></li> <li><del>b) the impact of premiums on members who typically have low account balances</del></li> <li><del>c) the likelihood that <b>younger</b> members will be earning significantly lower salaries than older members</del></li> <li><del>d) working patterns, which may be casual or part-time</del></li> <li><del>e) fair treatment of <b>younger</b> members, taking into account whether there is any cross-subsidisation by premium with older members of the fund,</del></li> </ul> <p>and as a consequence of the above considerations, it is expected that levels of cover or premiums will be lower for <b>younger</b> members than for the membership generally.</p>	<p>Deleted as this section has largely been overtaken by the PMIF under 25 threshold, and the SPG 516 comparison and cohort requirements.</p>
<p>4.11 — For members with low or infrequent contributions, when designing benefits we will consider:</p> <ul style="list-style-type: none"> <li><del>a) the characteristics of these members, which may include people who have taken leave for substantial lengths of time and members who are casual or part-time workers</del></li> <li><del>a) the impact of premiums on members who have low or infrequent contributions</del></li> <li><del>b) fair treatment, taking into account whether there is any cross-subsidisation between different groups of members, for example members at different ages.</del></li> </ul>	<p>See 4.10.</p>

<p>4.12 — <del>For members nearing retirement, when designing benefits we will consider:</del></p> <ul style="list-style-type: none"> <li><del>a) appropriate types of cover given they will generally have higher superannuation balances, which may reduce the amount of cover needed</del></li> <li><del>b) the impact of high premiums associated with their higher likelihood of claiming</del></li> <li><del>c) the greater emphasis members at these ages typically place on building savings for retirement as opposed to life insurance protection.</del></li> </ul>	<p>See 4.10.</p>
<p>4.13 We will not automatically include you in a division of our fund that is higher risk than the membership generally due to smoker status or occupation (where such a designation exists) without relevant evidence. We will set out and publish the basis for determining any such default setting in a manner that is easily accessible to <b>you</b>.</p>	<p>Updates with an explicit obligation that a trustee should set out and publish the basis for determining the default setting.</p> <p>As in section 4.9 there is a requirement to publish but the location for the publication is not defined as this may vary depending on the various scenarios that may apply to the application of defaults.</p>
<p><b>Reviews and changes to benefit design</b></p>	
<p>4.14 We will review and update as necessary the benefits we offer and the policy details at each insurance contract renewal (and our review will occur no later than every 3 years), to ensure they remain appropriate and affordable <del>for the categories of members described in sections 4.10 to 4.12 above.</del></p>	<p>Deleted text after affordable as this is no longer relevant.</p>
<p>4.15 We will assess the premiums <del>for our Automatic Insurance Members</del> <b>that apply to automatic insurance cover</b> at each policy renewal (and no later than every 3 years) to ensure premiums remain consistent with section 4.9 above.</p>	<p>Replaces AIM.</p>

<p><b>Communicating to you about your lack of contributions</b></p> <p><b>Communicating to you when we are required to cancel your cover</b></p>	<p>Amends the heading to indicate the various options relating to cancellation rather than just lack of contributions.</p>
<p>4.23 <del>It is important that you do not pay for insurance that you do not need, for too much insurance or insurance that you cannot claim on, as this will erode your superannuation account balance.</del> We are required by law to cancel your insurance cover in some circumstances, unless you tell us in writing that you want to keep it<sup>1</sup>.</p>	<p>Deletes and replaces with 'We are required by law to cancel your insurance cover in some circumstances, unless you tell us in writing that you want to keep it<sup>2</sup>.'</p> <p>The existing section has been largely overtaken by PYS and PMIF. While sections 68AAA, 68AAb, 68AAC and 68AAD of the SIS Act are most relevant here it is acknowledged that other legislation, regulation and potentially prudential standards may also be relevant.</p>
<p>4.24 <del>If we stop receiving contributions to your account, we will contact you no later than 6 months after receipt of your last eligible contribution.</del><sup>3</sup></p> <p>If we stop providing your cover because we are required to by law, <b>in addition to the notification that the law requires us to provide to you prior to this change</b>, we will confirm this <b>in writing</b> within two weeks of the date on which your cover stopped. This communication will include the following:</p> <ul style="list-style-type: none"> <li>a) details about the insurance cover that has stopped (sum insured, premium, etc)</li> <li>b) the date the cover stopped</li> <li>c) your options to restart your cover, including any terms or conditions which may apply if your cover is reinstated</li> <li>d) confirmation that you may still claim insured benefits for any events or conditions that occurred before your cover was stopped</li> </ul>	<p>Deletes 4.24 to 4.27 as no longer relevant due to the PYS and PMIF measures.</p> <p>Replaces sections 4.24 to 4.27 with</p> <p>.</p> <p>If we stop providing your cover because we are required to by law, we will confirm this <b>in writing</b> within two weeks of the date on which your cover stopped. This communication will include the following:</p> <ul style="list-style-type: none"> <li>g) Details about the insurance cover that has stopped (sum insured, premium, etc)</li> <li>h) The date the cover stopped</li> <li>i) Your options to restart your cover, including any terms or conditions which may apply if your cover is reinstated</li> <li>j) Confirmation that you may still claim insured benefits for any events or conditions that occurred before your cover was stopped</li> <li>k) general information that you can get independent financial advice to help you to make a decision</li> </ul>

<sup>1</sup> These circumstances are explained in the Superannuation Industry (Supervision) Act 1993 (principally Ss:68AAA,68AAB, 68AAC and 68AAD)

<sup>2</sup> ~~These circumstances are explained in the Superannuation Industry (Supervision) Act 1993~~

<sup>3</sup> ~~Contribution inactivity is measured from the later of the date we transition to the relevant standards of the Code, or the date of the most recent eligible contribution we receive for you. Where we are aware that the contribution we receive covers an earlier period, we will measure contribution inactivity from the end of that period.~~

<ul style="list-style-type: none"> <li>e) general information that you can get independent financial advice to help you to make a decision</li> <li>f) general information about the impact of insurance premiums on retirement savings, should you choose to reinstate or recommence your cover</li> </ul>	<ul style="list-style-type: none"> <li>l) general information about the impact of insurance premiums on retirement savings, should you choose to reinstate or recommence your cover</li> </ul> <p>It is not necessary to repeat the PYS inactivity notice requirements.</p>
<p>4.25 <del>The communication will be <b>in writing</b> and will include:</del></p> <ul style="list-style-type: none"> <li><del>a) general information about the impact of insurance premiums on retirement savings when there are no longer contributions</del></li> <li><del>b) an explanation that if you have started contributing to another fund, you may be over insured, and that if you hold multiple income protection covers, you may be unable to claim on more than one benefit</del></li> <li><del>c) information about the impact of losing cover</del></li> <li><del>d) a request for your consent to cancel your cover in order to avoid eroding your account balance</del></li> <li><del>e) for <b>Automatic Insurance Members</b> who hold income protection cover, our intention to automatically cease your income protection cover 13 months from the date of your last <b>eligible contribution</b>, unless you advise us you wish to keep this cover</del></li> <li><del>f) for <b>Automatic Insurance Members</b>, if we determine that you are likely to have an account balance of less than \$6,000 13 months from the date of your last <b>eligible contribution</b>, our intention to automatically cease your death and total and permanent disability cover at this time, unless you advise us you wish to keep this cover</del></li> <li><del>g) your options to cancel your cover immediately, reduce your cover, or keep your cover.</del></li> </ul>	<p>Deleted</p> <p>See 4.24</p>
<p>4.26 If you tell us that you want to keep your cover even though you are not making any contributions, we will record this and stop sending you communications about your lack of</p>	<p>Deleted</p> <p>See 4.24</p>

<p>contributions. If you are an <b>Automatic Insurance Member</b> and you tell us you want to keep your insurance cover, we will tell you that you will no longer be an <b>Automatic Insurance Member</b>, but that you will still receive any updates we make to our automatic insurance cover.</p>	
<p>4.27 For <b>Automatic Insurance Members</b>, we will write to you again within nine months of your last <del>eligible contribution</del> with the information required above at 4.25. If we receive no response from you, and have not received any <del>eligible contributions</del>, we will write again after 13 months:</p> <ul style="list-style-type: none"> <li>a) <del>if you hold income protection cover, to confirm that we have automatically ceased it</del></li> <li>b) <del>if your account balance is \$6,000 or under, to confirm that we have automatically ceased your death and total and permanent disability cover</del></li> <li>c) <del>if your account balance is more than \$6,000, a request for your consent to cancel your death and total and permanent disability cover in order to avoid eroding your account balance.</del></li> </ul>	<p>Delete See 4.24</p>

<b>Reinstatement of cover (under review)<sup>4</sup></b>	This section (clauses 4.28 – 4.30) is under review and compliance is not required with this section until the review is complete. There are different interpretations of the applicability of these measures and this requires further clarification.
<p>4.28 If your cover has automatically ceased due to a lack of contributions,<sup>5</sup> it can be reinstated if you tell us within 60 calendar days, if both of the following apply:</p> <ul style="list-style-type: none"> <li>a) you meet our requirements for new <b>Automatic Insurance Members</b> choosing to join our fund</li> <li>b) your account has enough funds to pay the premium owed for the intervening period.</li> </ul>	
<p>4.29 If you tell us that you wish to reinstate your cover within 60 calendar days of the cessation date but your account balance cannot cover your premium, we will allow you to make contributions to your account within the 60-day period to top up the balance if you wish.</p>	
<p>4.30 In addition, we will explain our process and the circumstances for members to apply to restart cover after if it has automatically ceased or you have cancelled it, when we confirm that the cover has ended.<sup>6</sup></p>	
<b>Duplicate insurance cover</b>	
<b>5. Helping members to make informed decisions</b>	
<b>Communication during the term of your cover<sup>7</sup></b>	
5.8 The purpose of the insurance welcome pack is to give you greater awareness and better information about the	Amended to ensure consistency with other references to automatic insurance.

<sup>4</sup> This section (clauses 4.28 – 4.30) is under review and compliance is not required with this section until the review is complete. There are different interpretations of the applicability of these measures and the operation of these measures is under discussion with the Government and the regulators.

<sup>5</sup> For members of employer funds, **we** may offer a continuation option when employment ceases.

<sup>6</sup> This process may differ between trustees and may involve a health assessment.

<sup>7</sup> For defined benefits members, the requirements for communication during the term of the cover will be tailored as appropriate to the insurance arrangements in place.

	automatic insurance cover that you receive automatically from us.	
5.17	We will provide you with an annual statement which includes the following information:	
	a) the types of cover you hold and how much you are insured for	
	b) your current premium	
	c) an explanation for any change in your premiums	
	d) the policy's standard exclusions and benefit limitation terms that may impact your entitlement to insurance benefits	
	e) <del>if we have not received any eligible contributions in the previous year, or if your eligible contributions are less than \$1,800 for the previous year, a warning that your premiums may be inappropriately eroding your account balance</del> information about the impact of insurance premiums on retirement savings	Deletes first phrase due to PYS inactivity test.  The second part of the sentence has been redrafted to provide a broader statement around impacts of premiums on retirement savings  The \$1,800 threshold was intended to be a low balance/low income protection, particularly for income protection where the low contributions might indicate a level of income not worth protecting, but it has been superseded by the low balance and inactivity protections in PYS/PMIF.
	f) information about how to contact us to discuss options if you want to change the terms of your cover	
	g) how you can increase, decrease or cancel your cover based on your individual needs;	
	h) information about the Code	
	i) our rules for automatic cessation of cover	
	j) what to do in the event of a claim.	
5.18	We will contact you about your insurance cover if we become aware that:	
	a) a change in your employment arrangements may impact your cover	

<p>b) <del>you have stopped contributing for 6 months (or a shorter period as determined by us) in line with section 4.25</del></p>	<p>Deletes as no longer relevant due to PYS inactivity notice requirements.</p>
<p>c) you are no longer covered due to the terms of the policy.</p>	
<p><b>6. Supporting vulnerable consumers</b></p>	
<p>6.1 We recognise that some people may have unique needs, such as older persons, people with mental health conditions, people with a disability, people from non-English speaking backgrounds, people with low levels of literacy, people in financial distress, people in abusive relationships and Indigenous Australians, when accessing insurance, making an enquiry, claiming on their cover, making a complaint and communicating with us.</p>	<p>Adds 'people in abusive relationships' to the list of vulnerable members</p>
<p>6.2</p>	
<p>6.3 Where you tell us that you require support or where we identify that you require assistance from us, we will provide support or assistance to the best of our ability. We will ask for your permission to keep a record of the support or assistance you require.</p>	<p>Changes 'where you tell us that you require support' to 'where you tell us that you require support or that we identify that you require support' or similar.</p> <p>Note that there may be some considerations under the Privacy Act which may restrict the type of data that can be collected and how that data can be used.</p> <p>This broadens the scope of the vulnerable consumer definition so that trustees may include members who do not self-identify as vulnerable.</p>
<p><b>7 Handling claims</b></p>	<p>This section may be subject to further change once the Royal Commission claims handling draft legislation is released.</p>
<p>7.24 If the insurer informs us that it has decided not to pay the claim, we will carry out a review within 15 <b>business days</b> of receiving notification from the insurer. As part of our review, we will determine whether the insurer has provided you with the below, and we will provide you with any of the below that you have not yet received:</p>	<p>Clarifies when the 15 business day timeframe starts.</p> <p>It is currently unclear whether the timing of the review is 15 days from receipt of the information or from the start of the review.</p>
<p>a) an explanation in plain language to enable you to understand the reasons for the insurer's view</p>	

b) an outline of the evidence relied upon in forming that view	
c) a list of all documents obtained by the insurer and us during the assessment, and an opportunity to receive any documents on request	
d) an opportunity to make further representations and submissions or provide further information about your claim.	
7.27 If we obtain new information or assessments, or you make further representations and submissions or provide further information, we will have another 15 <b>business days</b> from the receipt of the new information to review that information.	Clarify when the 15 business day timeframe starts.  It is currently unclear what the trigger for the 15 business day deadline is.
<b>8. Premium adjustments</b>	
<b>9. Promoting our insurance cover</b>	
<b>10. Changes to cover</b>	
<b>Transfer between divisions in our fund</b>	
10.15 There are circumstances in which we will transfer you between different divisions of our fund. For example, if you leave an employer, you may be automatically transferred from the employer's plan to a different division. This may change the type and/or the terms of the insurance cover you receive from us or could result in cancellation of your cover for example due to legislation or fund rules.	Add 'or could result in cancellation of your cover for example due to legislation or fund rules' to the second sentence.  This reflects the fact that a transfer may result in the member moving from an opt-out to an opt-in arrangement where as a result of the transfer the member moves from a fully employer-sponsored scheme to a non-exempt employer or personal division.
10.16 If you have been transferred to another division which changes the type or terms of the cover you receive from us, we will contact you in writing within 30 days of the transfer to explain the changes and <del>you</del> any options for changing or cancelling this cover.	Changes 'your options' to 'any options'.  This covers scenarios where the member may not have the option to change or cancel the cover.  Adds a time limit and the manner for contact with the member to ensure consistency.

10.17 We may also transfer a group of members to a different division, for example if your employer restructures its insurance. If this occurs, we will let you know <b>in writing</b> 30 calendar days before the transfer if circumstances permit. We will confirm to you any changes to your insurance cover and your options for changing or cancelling this cover.	This amendment reflects the fact that some funds may not to be able to issue a pre-notice depending on the change of division trigger, eg late notice of termination of employment from the employer.
<b>11. Refunds</b>	
11.2 If we identify that you were not eligible to claim against your automatic insurance cover for any event from the start of the cover, we will refund your premiums to your account for the period you were ineligible. <sup>8</sup>	It is proposed that the current footnote is replaced with the guidance wording provided to Trustees. This wording is as follows:  It is intended that this applies to blanket exclusions where a member can never claim for any event, such as “if you have ever been paid a TPD benefit, you will not be eligible to claim for TPD.” It is not intended that this applies to pre-existing exclusion limitations (as per the footnote 14 below) where the claimant could be eligible for a benefit in some circumstances.
<b>12. Staff and Service Providers</b>	
<b>13. Making enquiries and complaints</b>	
<b>14. Promoting, monitoring and reporting on the Code</b>	
<b>Definitions</b>	
Definition of <del>Automatic Insurance Member.</del>	Deleted as the definition has been transferred to section 4.
Definition of <del>Eligible contributions</del>	Deleted as it has been superseded by PYS.
Definition of <del>inactive</del>	Deleted as it has been superseded by PYS.

<sup>8</sup> ~~Refunds will not be provided if you have an illness or injury that means you are not covered due to a limited cover or pre-existing condition exclusion or limitation, because you may still be eligible for cover for any new or other illnesses or injuries.~~ It is intended that this applies to blanket exclusions where a member can never claim for any event, such as “if you have ever been paid a TPD benefit, you will not be eligible to claim for TPD.” It is not intended that this applies to pre-existing exclusion limitations where the claimant could be eligible for a benefit in some circumstances.

