

INSURANCE IN SUPER VOLUNTARY CODE OF PRACTICE

TRANSITION PLAN GUIDANCE

1. About this Guidance

- 1.1 The Insurance in Superannuation Voluntary Code of Practice (Code) requires trustees who adopt the Code to publish a transition plan on their website by 31 December 2018 for how their funds will become compliant with the standards of the Code.
- 1.2 The purpose of this Guidance is to provide a framework for the development of a transition plan, that trustees may wish to take into account.
- 1.3 This Guidance has been developed by the Insurance in Super Code Owners (AIST, ASFA and FSC) in accordance with section 14.6 of the Code, in consultation with a Transition Committee made up of trustee, insurer and administrator representatives. This Guidance is not enforceable or binding but is intended to assist trustees in interpreting and meeting their commitments under the Code.

2. Purpose of transition plan

- 2.1 The transition plan is intended to give fund members information about when their fund's trustee will be compliant with the standards of the Code. The transition plan should be written in plain English, and should include a link to the full text of the Code, should a member wish to understand the details of the Code's requirements. Trustees should make their published transition plans easily accessible on their websites, to assist with understanding.
- 2.2 As the transition plan is required to be published on a trustee's website, it is likely to also be viewed by other stakeholders with an interest in the industry and the Code's development. A trustee may wish to provide as much detail as it can about its intentions for Code compliance, to assist with stakeholder understanding about its future products and services.

3. Transition plan requirements

- 3.1 At a minimum, the transition plan needs to state the dates by which the trustee will comply with the three groups of standards set out in section 3.6 of the Code (which can have different dates of compliance):
 - a) benefit design and premiums (sections 4.1 to 4.17)
 - b) automatic cessation of cover and reinstatement (sections 4.25(e) and (f), 4.27, 4.28 and 4.29)
 - c) the rest of the Code.
- 3.2 The standards do not have to be adopted in the order in which they are listed above.
- 3.3 Trustees may take until 30 June 2021 to comply with all of the standards of the Code but are encouraged to transition as early as their systems and contractual relationships allow. Trustees may stagger their compliance with each of the standards in the Code over a period of time, but should indicate the date by which they will be compliant with all of the standards.

- 3.4 The Code also requires trustees to state how they will comply with the standards of the Code. To the extent that this information is available by 31 December 2018, trustees may wish to provide detail about decisions they have made on Code compliance; for example, how a trustee intends to design its products in line with the Code's requirements. However, it is acknowledged that much of the detail regarding systems and processes and negotiations with insurers is unlikely to be settled by the date that transition plans are published.
- 3.5 If a trustee anticipates any challenges with transition or compliance that are specific to its products or its membership, it should note these in the transition plan as issues to be dealt with during the transition period. Specifically, if a trustee is aware when publishing its transition plan that it intends to set premiums that exceed 1% of salary in accordance with section 4.9(c) of the Code, or it intends to alter any of its Code commitments in accordance with section 3.11 of the Code, it should note these in the transition plan.
- 3.6 Once a trustee's transition plan has been published, any material changes it makes to its planning should be reflected in an updated transition plan on its website.

4. Matters for trustees to consider in preparing transition plan

- 4.1 The Transition Committee has prepared a table of its discussions regarding compliance with specific sections of the Code. The current version of this table is **attached**, and will continue to be built out in the coming months. Trustees who are not represented on the Transition Committee can request updated versions of the table from the Code Owners.
- 4.2 Trustees may wish to take into account the compliance guidance in the table, when carrying out transition planning.
- 4.3 In order for trustees to determine the dates by which they will be able to comply with each section of the Code, the following considerations may also assist (note that these detailed considerations do not need to be incorporated into the transition plan itself):

Code Section 3 – Scope of the Code

- Consider the fund(s) to which the Code applies
- Consider the products to which the Code applies
- Consider the contractual arrangements in place with insurers, and the timing and extent to which these will need to be renegotiated to take account of the Code's requirements
- Consider whether there are any requirements in the Code which are not in the best interests of beneficiaries, and the extent to which these may need to be altered

Code Section 4 – Appropriate and affordable cover

- Consider how to define and identify Automatic Insurance Members, and the Code standards that will apply only to AIMs
- Consider the extent to which existing insurance strategy obligations under SPS250 can be mirrored, in order to comply with the Code requirement at 4.3 to publish an insurance strategy
- Consider whether existing products meet the appropriate and affordable design tests, and the extent to which product design will need to change

- Consider how the premium limit test will be carried out, and the evidence base to be relied upon
- Consider how to define “younger members”, “low or infrequent contributions”, and “members nearing retirement”
- Consider the extent to which existing cancellation procedures and member communications meet the Code’s requirements for cancellation, automatic cessation and reinstatement

Code Section 5 – Helping members to make informed decisions

- Consider the extent to which current member communications comply with the requirements of the Code, and the changes that will need to be made
- Consider what information will be consumer-tested, and how this will be carried out
- Determine the changes that will need to be made to the standard Key Facts Sheet format in order to reflect the standard cover offered

Code Section 6 – Supporting vulnerable consumers

- Consider the processes that will need to be put in place to identify and support vulnerable consumers, including tailored staff training

Code Section 7 – Handling claims

- Consider the extent to which claims processes, claimant communications and agreements with insurers comply with the requirements of the Code, and the changes that will need to be made
- If there is a Service Provider involved in the claims process, such as a claims administrator, consider how the Service Provider will be made aware of their Code requirements, and what oversight processes are required

Code Section 8 – Premium adjustments

- Consider any premium adjustment mechanisms in place that are captured by the Code, and whether any amendments need to be made to the application of payments and reporting

Code Section 9 – Promoting our insurance cover

- Consider whether there are any agreements with financial advisers or dealer groups that will need to be renegotiated within two years to take account of the Code’s requirements

Code Section 10 – Changes to cover

- Consider the extent to which internal processes and underwriting arrangements with insurers comply with the Code’s requirements for members that wish to change their cover
- Consider the circumstances in which members are transferred between divisions, and the extent to which the process complies with the requirements of the Code

Code Section 11 – Refunds

- Consider the agreements in place with insurers, and how the requirement to refund a member to a maximum of six years under section 11.1 of the Code will be managed.

Code Section 12 – Staff and Service Providers

- Consider the extent to which staff will need to receive tailored training to meet the requirements of the Code, and how staff performance will be monitored and corrected.
- Consider the extent to which agreements with Service Providers will need to be renegotiated within two years to take account of the Code's requirements
- Consider how Service Providers will be made aware of their Code requirements, and how their activities will be monitored

Code Section 13 – Making enquiries and complaints

- Consider the current processes for providing information to members who make enquiries, and the extent to which these will need to be developed to meet the requirements of the Code
- Consider existing complaints handling processes and whether changes need to be made to better reflect the Code's processes.

Code Section 14 – Promoting, monitoring and reporting on the Code

- Consider how compliance with the Code will be monitored and reported (note that the Code Owners intend to publish further guidance on the expectations for annual Code compliance reports)

Example transition plan – please note this is an example only, and trustees are not required to include the below content or format in their published plans

Name of trustee:

We have adopted the Insurance in Superannuation Voluntary Code of Practice, which commenced on 1 July 2018.

This transition plan applies to the following funds:

The products that we offer that will be covered by the Code are:

We will transition to the particular standards of the Code on the following dates:

1 July 2019: Sections 5, 6, 7, 8, 9, 10, 12, 13 and 14

We will publish our Key Facts Sheet on our website by 1 July 2019.

We will undertake a process of consumer-testing our communications to members with a sample of our membership, ahead of 1 July 2019.

We will develop and roll out a staff and Service Provider training programme on the requirements of the Code during the first half of 2019.

1 Jan 2020: Automatic cessation of cover and reinstatement standards (Section 4) and Refunds (Section 11)

1 July 2020: Benefit design and premiums standards (Section 4)

In assessing the appropriateness of our automatic cover, we will segment our membership into members under the age of 21, members who contribute less than \$1,800 per annum, and members over the age of 60.

We will test the affordability of our premiums using the Australian Taxation Office's salary scale, calculated over a lifetime of membership.