

PO Box 508  
Collins Street West  
MELBOURNE VIC 8007  
Tel: 03 8319 4075  
Email: [corpsuper@netspace.net.au](mailto:corpsuper@netspace.net.au)  
Website: [www.corsuper.com.au](http://www.corsuper.com.au)

20 February 2014

Ms Helen Rowell  
Member  
Australian Prudential Regulation Authority  
GPO Box 9836  
Sydney NSW 2001

Email: [superannuationpolicy@apra.gov.au](mailto:superannuationpolicy@apra.gov.au)

Dear Ms Rowell

## **Comment on Proposed Modification Declaration - Regulation 4.07E(8) Superannuation Industry (Supervision) Regulations 1994**

Thank you for the opportunity to comment on the proposed Modification Declaration.

The Corporate Superannuation Association provides comment as follows.

### **BACKGROUND: THE CORPORATE SUPERANNUATION ASSOCIATION**

Established in 1997, the Association is the representative body for large corporate not-for-profit superannuation funds and their employer-sponsors. The Association represents a total of 27 funds controlling \$75 billion in member funds.

A number of our funds have long provided self-insurance including in relation to defined benefits. A number of these defined benefit divisions are closed, but some remain open to new members.

A number of our member funds are looking to outsource and merge their funds into successor funds. These include at least one fund which remains open to new members.

### **ISSUE**

#### **Insured benefits not covered by outsourced arrangements**

A situation which is not uncommon in our member funds arises when insurance arrangements are outsourced, but the insurer does not provide full coverage of the benefits defined in the trust deed. There may be a gap between the insured amount and the actual defined death benefit, even for one or two members. An example given is as follows:

*When we outsourced insurance in 2003, the insurer wanted to do a full underwriting for DB division members who already had a medical when they joined the fund decades earlier.*

## CORPORATE SUPER ASSOCIATION

*We agreed with the insurer that they would insure for the amount of Death/TPD cover at the date we took out external insurance but would not cover any increase, which of course can occur because of salary increase, thus we have two members effectively self insured for a small part of their death/TPD benefit.*

This kind of situation effectively means that the funds involved, including any successor fund, are thrown willy-nilly into the "self-insurance" regime.

The Association's member funds have asked whether APRA could provide relief under the proposed Modification Declaration if funds have low member numbers who have part of their DB division death benefit effectively self insured? This might remove a number of legacy issues. Relief for funds with, say, up to 200 members in this category would be of assistance.

In such a situation, exemption from the "sunset" is needed for funds and their successor funds, if the numbers and amount of cover is low, as there is really no insurance risk in these circumstances – hence the idea of relief for funds with small numbers, which are generally corporate funds.

Please contact me if you wish to discuss this further.

Yours sincerely



**Mark N Cerché**  
Chairman  
Corporate Superannuation Association