



25 November 2019

TO: ALL RSE LICENSEES

CONSULTATION: PROPOSED REVISIONS TO PRUDENTIAL STANDARD SPS 250 INSURANCE IN SUPERANNUATION

APRA is releasing for consultation proposed revisions to *Prudential Standard SPS 250 Insurance in Superannuation* (SPS 250). The release of the proposed revisions is the first step in implementing the enhancements identified in APRA's Post-Implementation review of the superannuation prudential framework (post-implementation review).¹ It also addresses relevant recommendations of the Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Final Report), as outlined below.

Proposed revisions to SPS 250

Revised SPS 250 proposes a new independent certification requirement for RSE licensees, where an insurance arrangement is with a related party insurer or gives a priority or privilege to an insurer, to give effect to recommendation 4.14 – Additional scrutiny for related party engagements – in the Final Report, which states:

“APRA should amend Prudential Standard SPS 250 to require RSE licensees that engage a related party to provide group life insurance, or who enter into a contract, arrangement or understanding with a life insurer by which the insurer is given a priority or privilege in connection with the provision of life insurance, to obtain and provide to APRA within a fixed time, independent certification that the arrangements and policies entered into are in the best interests of members and otherwise satisfy legal and regulatory requirements.”²

An RSE licensee will need to provide the independent certification to APRA within five business days of its receipt, and no later than one calendar month prior to the RSE licensee entering into a new insurance arrangement or renewing an existing insurance arrangement. Where an insurance arrangement is for a term of, or exceeding, three years, the certification must be provided to APRA on a biennial basis.

APRA would particularly welcome feedback on aspects of insurance arrangements that may give “priority or privilege” to an insurer, and other areas related to this proposed requirement where guidance in SPG 250 would be helpful.

The revised SPS 250 also proposes a new requirement to give effect to recommendation 4.15 – Status attribution to be fair and reasonable – in the Final Report, which states:

“APRA should amend Prudential Standard SPS 250 to require RSE licensees to be satisfied that the rules by which a particular status is attributed to a member in connection with insurance are fair and reasonable.”³

¹ [APRA – Information Paper – Review of APRA's 2013 superannuation prudential framework, p.7.](#)

² [Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry Final Report, Volume 1, Recommendation 4.14 p.34.](#)

³ [Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry Final Report, Volume 1, Recommendation 4.14 p.34.](#)

These proposed amendments seek to strengthen the processes undertaken by RSE licensees in engaging related parties to provide insurance arrangements, with a view to ensuring appropriate consideration of the outcomes provided for members under those arrangements. They also address concerns highlighted by cases considered by the Royal Commission where members were adversely impacted by being inappropriately attributed with a particular employment status under insurance arrangements.

In addition, APRA has proposed two further changes to SPS 250 in relation to ease of opt out of insurance cover and the cost of insurance not inappropriately eroding the retirement income of beneficiaries. The latter re-emphasises the existing SIS Act requirement in response to APRA's concern that some RSE licensees have not been giving adequate consideration to it. Processes for making opt-out of insurance easier has also been identified as an area where improvement in practices by some RSE licensees are needed.

APRA requests that all interested stakeholders use this consultation opportunity to provide information on the compliance impact of the proposed changes and any other substantive costs associated with the changes. Compliance costs are defined as direct costs to businesses of performing activities associated with complying with government regulation. Specifically, information is sought on any increases or decreases to the compliance costs incurred by businesses as a result of APRA's proposal.

Commencement

APRA proposes that certain transitional requirements will commence on the date of registration of the Revised SPS 250 (anticipated to be in July 2020), with the remaining requirements to commence on 1 January 2021.

Consultation

APRA welcomes feedback on whether the proposed revisions to SPS 250 achieve the stated policy intent and other areas where the standard could be improved. Proposed revised SPS 250 is available at: [Link here](#)

Following consideration of submissions, in the first quarter of 2020 APRA will consult on a revised Prudential Practice Guide SPG 250 *Insurance in Superannuation* (SPG 250).

Written submissions should be emailed to superannuation.policy@apra.gov.au by 3 February 2020, and addressed to:

Ms Katrina Squires
Acting General Manager, Policy Development
Australian Prudential Regulation Authority
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SYDNEY NSW 2001

Yours sincerely,

Helen Rowell
Deputy Chairman

Important disclosure notice – publication of submissions

All information in submissions will be made available to the public on the APRA website unless a respondent expressly requests that all or part of the submission is to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as confidential in a separate attachment.

Submissions may be the subject of a request for access made under the *Freedom of Information Act 1982* (FOIA). APRA will determine such requests, if any, in accordance with the provisions of the FOIA. Information in the submission about any APRA-regulated entity that is not in the public domain and that is identified as confidential will be protected by section 56 of the *Australian Prudential Regulation Authority Act 1998* and will therefore be exempt from production under the FOIA.