

3 February 2020

[REDACTED]  
Acting General Manager, Policy Development  
Australian Prudential Regulation Authority  
GPO Box 9836  
SYDNEY NSW 2001

By email: [superannuation.policy@apra.gov.au](mailto:superannuation.policy@apra.gov.au)

## Re: Proposed changes to SPS 250

AustralianSuper is pleased to make a submission to APRA on its proposed changes to SPS 250.

### About AustralianSuper

As you know, AustralianSuper is Australia's largest superannuation fund and is run only to benefit its members. The fund has over 2.1 million members and manages over \$180 billion of members' assets. Our sole focus is to provide the best possible retirement outcomes for our members. AustralianSuper is responsible for the superannuation of more than 10% of Australia's workforce, and we take seriously our responsibility to act in the best interests of our members in this process.

AustralianSuper works hard to maintain appropriate, value for money insurance for members, aligned with their needs and ensuring their retirement outcomes are not compromised. We make no profit from insurance – the premiums we charge members are used entirely to benefit insured members of the Fund.

### Key points

**New requirement in paragraph 16(a):** *The insurance strategy must document how it has confirmed that the level and type of cover will not inappropriately erode the retirement income of beneficiaries.*

We strongly support this principle and its formal inclusion in SPS 250.

**New paragraph 19:** *Any status attributed to a beneficiary (including a class or cohort of beneficiaries) in connection with the provision of insurance must be fair and reasonable.*

Much of the recent discussion on this issue has related to assignment of occupational status. Many funds do not know their members' occupational statuses and, until such time as members respond to questions on occupational status, they may be placed in a heterogeneous risk pool.

- We are **supportive** of the change to paragraph 19 of SPS 250 and the underlying Royal Commission analysis and recommendation.
- We would **welcome the occupation field on SuperStream being standardised and made compulsory** to allow members to be assigned an accurate occupational status from the time they join the fund.

**New paragraph 24:**

*An RSE licensee must obtain independent certification that an insurance arrangement, or any other arrangement entered into in relation to the provision of group insurance:*

- (a) is in the best interests of the beneficiaries; and*
- (b) otherwise satisfies all applicable legal and regulatory requirements, where the insurance arrangement or other arrangement:*
- (c) is with a related party insurer; or*
- (d) gives priority or privilege to an insurer*

In principle we **support** the change to paragraph 24 and **support** the underlying recommendation 4.14 from the Royal Commission.

We believe it would be valuable for APRA to consider the following points, from a principled perspective of achieving the outcomes sought by the Royal Commission.

(1) 'Priority or privilege'

The reference to 'gives priority or privilege to an insurer' is very general. It would be beneficial for APRA to provide clarification on the intended scope of 'priority or privilege', either in the standard or as guidance, based on the case studies and commentary leading to the Royal Commissioner's recommendation 4.14. Guidance on possible inclusions and exclusions would be helpful.

(2) Clarification of 'independent'

We believe clarity is required regarding who would be suitable or qualified to provide the 'independent certification' on the matters contemplated in paragraph 24. For example, does APRA envisage such certification to be provided by an auditor, lawyer or actuary and if so, what constitutes 'independent' in this regard?

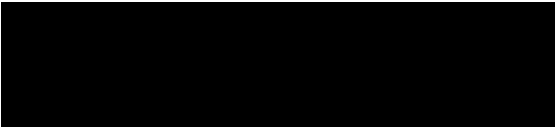
(3) Scope of 'satisfies all applicable legal and regulatory requirements'

The requirement to provide certification that the insurance arrangement "otherwise satisfies all applicable legal and regulatory requirements" is broad. A potential independent signatory has indicated that he believes the work needed to certify that the arrangement 'otherwise satisfies all applicable legal and regulatory requirements' would be onerous (akin to an audit of insurance arrangements) and costly.

It would therefore be helpful if APRA could clarify the scope of this requirement, including guidance on possible inclusions and exclusions.



Yours sincerely,



Head of Insurance Product and Pricing  
Strategy Brand & Reputation  
2 Lonsdale Street, Melbourne 3000

