



20 January 2021

TO: ALL RSE LICENSEES

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

Following APRA's November 2019 consultation on proposed revisions to *Prudential Standard SPS 250 Insurance in Superannuation* (SPS 250), APRA is now releasing updated proposed revisions to SPS 250, accompanied by proposed revisions to *Prudential Practice Guide SPG 250 Insurance in Superannuation* (SPG 250).

Response to November 2019 consultation

Feedback from the November 2019 consultation, which closed on 3 February 2020, broadly supported the proposed amendments, which largely reflected recommendations of the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* and the findings of APRA's post-implementation review of the superannuation prudential framework.

In responding to the consultation, industry sought guidance on many of the proposed amendments, particularly in respect of the independent certification requirements and the meaning of priority and privilege in non-related party insurance arrangements. Eleven submissions were received in response to the consultation.

APRA has responded to this feedback by amending our proposals in revised draft SPS 250 and by issuing a proposed draft SPG 250, providing guidance on these new requirements. A detailed response to all submissions, including from this second consultation, will be provided as a Response Paper, expected to be issued in mid-2021.

Proposed changes to draft SPS 250

The revised draft SPS 250 includes the following key amendments since the November 2019 consultation (the recent amendments are shown in the marked-up standard in yellow):

- a revised commencement date of 1 January 2022;
- separating the independent certification requirements into two separate paragraphs – one for connected entities (related party insurers) and the other for 'priority and privilege' arrangements with non-related parties;
- recasting some of the independent certification requirements including 'the best interests of beneficiaries', the signoff of legal and regulatory requirements, and narrowing the requirements for 'priority and privilege' arrangements;
- clarifying the timing requirements for obtaining an independent certification and for providing it to APRA, and amending the requirement for the independent review cycle from a biennial requirement to a triennial requirement; and
- that related party arrangements already in force on the effective date of the revised SPS 250 must seek an independent certification within 12 months of the effective date.

Proposed changes to SPG 250

Draft SPG 250 includes the following key amendments (compared to the July 2013 published version):

- guidance related to the ease of opt-out of insurance, including communication regarding the benefits and cost of the insurance;
- guidance on expectations for maintenance of data including data to support member outcomes assessments;
- guidance on expectations for complying with the covenant '*to only offer or acquire insurance of a particular kind, or at a particular level, if the cost of the insurance does not inappropriately erode the retirement income of beneficiaries*', particularly from the view of default members;
- guidance on expectations for the independent certification requirements for related party insurers and priority and privilege arrangements, including examples of contractual terms that may constitute a priority or privilege; and
- guidance on expectations for the rules for attributing a particular status to a member, and that these rules must be fair and reasonable.

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

For arrangements already in force on commencement of the revised SPS 250, APRA proposes that RSE licensees with related party arrangements must seek an independent certification within 12 months of the effective date, i.e. by 1 January 2023. For priority and privilege arrangements with non-related parties that remain in force, APRA proposes that the first independent certification is required on a triennial basis, i.e. by 1 January 2025.

Consultation

APRA welcomes feedback on these proposals. Views are particularly sought on the independent certification requirements and contractual terms that provide a priority or privilege. The revised draft SPS 250 and draft SPG 250, details of the November 2019 consultation and the submissions received in response to this consultation are available [here](#).

Consultation on these proposals closes on 5 March 2021. Written submissions should be emailed to superannuation.policy@apra.gov.au and addressed to:

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Yours sincerely,

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