

13 November 2020

General Manager
Data Analytics & Insights
Cross-Industry Insights and Data Division
Australian Prudential Regulation Authority
GPO Box 9836
SYDNEY NSW 2001

Via email: superdatatransformation@apra.gov.au.

Dear Sir or Madam

CareSuper submission – APRA consultation draft Reporting Standard (SRS) 251.0 Insurance

Thank-you for the opportunity to provide a submission in relation to Topic Paper 6 which provides detail on draft “Reporting Standard (SRS) 251.0 Insurance” (SRS 251.0). CareSuper is fully supportive of the intent of draft reporting standard SRS 251.0 to enhance and clarify the insurance products being offered to members and the value of the insurance to members.

However, we would like to provide feedback specifically in relation to the practical considerations of meeting the proposed draft reporting standard.

Our feedback is provided in line with the relevant Consultation questions: Insurance Arrangements detailed in Question 5 of APRA’s Topic paper:

Consultation Question 1: Are there any issues with extending the data collection to all group policies and not to aggregate group policies as is currently done in SRS 250.0? If so, can you outline the issues and how they may be addressed?

We note that in the proposed reporting standard that CareSuper will now be required to report separately in relation to each of its nine Corporate arrangements. These arrangements are predominantly in line with our default arrangement with some differences in the formula basis for Death and TPD and in some instances for IP cover (which is not part of our default offering). In aggregate, these corporate arrangements account for less than 2% of CareSuper’s membership.

Accessing historical data in relation to these separate corporate arrangements over a ten year period will be problematic as our administration systems have not recorded this data on a separate basis. We would be required to rely on the records held by our current and previous insurers.

Our previous insurer CommInsure, has indicated that separate historical data for these corporate arrangements is currently not available in the fields that would need to be reported through the proposed draft SRS 251.0. As a result, the provision of this data on a retrospective basis will incur substantial costs for CareSuper. Given that these members only represent less than 2% of CareSuper’s membership, the Trustee is concerned that these additional costs will be significant given the size of the cohort relative to CareSuper’s overall membership.

Proposed change:

As a result, we would request that APRA consider an amendment to the proposed reporting standard to enable Trustees to report only on a prospective basis where an individual policy represents less than 1% of a fund’s overall membership. In addition, to avoid duplication where policies are marginally different, we would request that APRA considers a different mechanism to advise these differences rather than a duplication of predominantly the same information.

Consultation question 2 - Are there any data items requested that you believe are inappropriate or should not be considered? If so, can you provide a rationale for why they should not be captured and provide alternatives that could be used to provide similar insights?

CARESUPER MERGER WITH ASSETSUPER DURING THE 10 YEAR LOOK BACK PERIOD

We have noted APRA's comments in the FAQ's that: "In the case of merger, successor fund transfers or product restructures, APRA is open to discuss options available for affected entities on a case by case basis"

CareSuper merged with AssetSuper on 27 October 2012 and as would be the case with other funds that have merged, the possibility of obtaining the requested data is problematic.

As there is a significant number of funds that have merged in the last 10 years, we consider it would be more efficient to instead provide clear guidance in the final reporting standard rather for APRA to deal with funds on case by case basis.

Proposed change:

To assist funds such as CareSuper, we propose that in the final reporting standard, provision of data would be limited to the data held by the RSE and not by an RSE that is no longer in existence due to a merger.

CHANGE IN ADMINISTRATOR DURING THE 10 YEAR LOOK BACK PERIOD

CareSuper changed its outsourced administration from Link to Mercer in March 2019. Where funds have changed administrator, they will need to obtain data from a previous administrator with whom the fund has no current commercial arrangement. As the previous administrator's systems have not been set up to obtain this data, the Trustee is concerned about CareSuper's ability to obtain this data in a timely manner and at a reasonable cost.

Proposed change:

As result, we propose that the provision of data would be limited to the data held by the RSE with a current administrator.

EXISTENCE OF FLAGS IN CURRENT ADMINISTRATION SYSTEMS IN RELATION TO OLD DEFAULT ARRANGEMENTS

CareSuper's current administration systems are not configured to determine if each member's cover is currently on a default basis or if previous cover over the last 10 years was on a default basis. The determination of whether a member is on a default level of cover is further complicated by the grandfathering of old default arrangements that were transitioned to a new default arrangement most recently in 2019 and then previously as a result of product reviews in the last 10 years.

Proposed change:

To overcome the issues associated with grandfathering of past default arrangements, as a transitional measure, we propose that funds only be required to report how cover compared to the current default scale. While it will initially result in an over reporting of members with Decreased cover or the Increased cover – no underwriting, this will avoid funds incurring significant costs in unravelling past arrangements.

MEMBER INSURANCE CHOICE - PROPOSED 251.1 (ITEM 2)

We note that APRA has provided clarification in the FAQs in respect of the appropriate entry for column 3 of item 2 of proposed SRS 251.1 in relation to:

- Members who were not provided with cover upon joining, but now have cover after reaching PMIF age and balance thresholds; and
- Members who were provided cover on joining but have had cover subsequently removed through PYS.

In order to assist Trustees to interpret Column 3, would it be possible to provide clarification in respect of other cohorts which include:

- Members who opt-in to cover prior to reaching PMIF age and balance thresholds;
- Members who lose cover through PYS but have cover reinstated at the member's request; and
- Members whose cover lapses and who then have their cover reinstated.

In addition, the definition of “underwriting” can be broad. There is a difference in cover that is increased due to a trigger and subject only to a short form personal statement and increased cover that is subject to full underwriting.

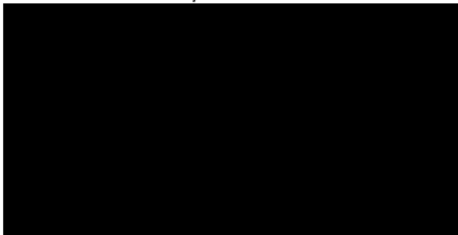
In our view, clear guidance should be provided in the final reporting standard regarding the reporting of cover which is increased subject to a short form personal statement as opposed to full underwriting.

Consultation Question 7 - Does your entity have any worker categories that cannot be attributed to one or more of the standard categories and how could these worker categories be categorised?

CareSuper has three occupational categories: General, Professional and Office. We consider that all these worker categories can be attributed to one or more of the proposed standard categories.

Thank-you once again for the opportunity to provide this submission. If you have any questions, please do not hesitate to contact me on [REDACTED]. We would also welcome the opportunity to meet with you to discuss this letter further.

Yours sincerely



Chief Risk Officer