

# SHORT TOPIC PAPER FIVE

## Insurance in superannuation

### Introduction

APRA is currently conducting a post-implementation review of the prudential framework for superannuation. As described in APRA's discussion paper released in May 2018, this is the fifth paper in a series of short topic papers covering six specific areas of the prudential framework.<sup>1</sup>

This paper, as with the other papers, provides:

- the objectives and key requirements of the prudential and reporting standards (including guidance material) that fall within the relevant topic area;
- links to the final prudential and reporting standards; and
- a series of questions aimed at determining whether the prudential standards (including guidance material) and reporting standards have achieved their objectives and continue to remain fit for purpose.

The short topic papers seek to facilitate discussion and consideration of key elements of the prudential framework, and the provision of feedback from stakeholders that will:

- enable appropriate consideration of differing views on the effectiveness of the current prudential framework;

---

<sup>1</sup> APRA, *Post-implementation review of APRA's superannuation prudential framework*, 23 May 2018.

- provide a greater insight into the practical impact of the prudential framework;
- identify areas where improvements may be warranted;
- identify areas that could be streamlined to reduce compliance costs or improve outcomes; and
- ensure that full and appropriate consideration of the relevant areas and topics covered by the prudential and reporting standards is achieved.

APRA is undertaking this comprehensive post-implementation review to determine whether the prudential and reporting standards (and related guidance material) have achieved their objectives and remain fit for purpose. The review is not intended to revisit the original policy intent or objectives of the reforms, and is not seeking to either weaken or strengthen the prudential framework. Rather, APRA wishes to assess whether the prudential framework is operating effectively and efficiently, and to identify and seek to address any unintended consequences or areas for improvement in the framework.

Consultation on this and the other short topic papers will form part of APRA's industry engagement over the course of the review process, which will also comprise roundtables, small group discussions and bilateral meetings.

While formal written submissions close on 26 September 2018, written submissions (formal or informal) on any aspect of the review can be submitted at any time throughout the review process.

## Insurance in superannuation

### Scope

In the context of this review, the insurance elements of the prudential framework cover:

- *Prudential Standard SPS 250 Insurance in Superannuation* ([SPS 250](#)) and related guidance material which can be found on APRA's website.
- reporting standards – *Reporting Standard SRS 161.0 Self-Insurance* ([SRS 161.0](#)) and *Reporting Standard SRS 250.0 Acquired Insurance* ([SRS 250.0](#)).

### SPS 250 and its associated guidance material

#### *Objectives and key requirements*

The objective of SPS 250 is to ensure that RSE licensees have a sound insurance management framework with respect to making insured benefits available to beneficiaries.

The board of an RSE licensee is responsible for having an insurance management framework that reflects the risks associated with making available insured benefits appropriate to the size, business mix and complexity of the RSE licensee's business operations. The insurance management framework must include the insurance strategies for each registrable superannuation entity, as required in the *Superannuation Industry (Supervision) Act 1993*.

The key requirements of SPS 250 are that an RSE licensee must also formulate and give effect to appropriate selection processes for, and due diligence of, insurers and monitor relationships with insurers on an ongoing basis.

APRA has issued *Prudential Practice Guide SPG 250 Insurance in Superannuation* (SPG 250) to assist RSE licensees in complying with the requirements in SPS 250.

SPG 250 provides RSE licensees with guidance in complying with their requirements in relation to the development and implementation of an insurance management framework and insurance strategy including insurer selection, management and monitoring of insurance arrangements.

### Prudential Standard and Prudential Practice Guide Questions

#### Questions

- 1) What outcomes have resulted from the implementation of the prudential standards and are these outcomes in line with their objectives?
- 2) Have the requirements in the prudential standards been embedded in RSE licensees' decision-making processes and practices?
- 3) Have the prudential standards achieved their stated objectives? If so, do they continue to remain fit for purpose given developments within the industry?
- 4) Have the prudential practice guides achieved their stated objectives? If so, do they continue to remain fit for purpose given developments within the industry?

- 5) Do the prudential standards, when read in conjunction with their relevant prudential practice guides, provide sufficient:
  - a) Clarity and certainty for RSE licensees in relation to their obligations as trustees of superannuation entities?
  - b) Flexibility for RSE licensees to achieve the objectives in a manner best suited to their business?
- 6) Are any of the requirements or principles contained in the prudential standards or prudential practice guides no longer applicable? Why?
- 7) Are there any aspects of the prudential standards or prudential practice guides that could be improved to:
  - a) Achieve better risk management outcomes?
  - b) Reduce compliance costs?
  - c) Facilitate better supervision by APRA?
- 8) Are there any additional areas that should be addressed?
- 9) What are the ongoing compliance costs associated with the prudential standards and their related prudential practice guides?

## Reporting Standards

The following reporting standards relate to the insurance arrangements of RSE licensees. The reporting standards can be used by APRA for its prudential supervision and publication purposes, and provide benefits for other interested stakeholders.

### SRS 250.0

#### *Objective and key requirements*

The objective of SRS 250.0 is to capture data in respect of the acquired insurance arrangements within RSEs.

The information required to be reported under SRS 250.0 includes:

- detail on insurance agreements;
- previous insurers;
- claims reported; and
- claims paid.

### SRS 161.0

#### *Objective and key requirements*

The objective of SRS 161.0 is to capture data relating to self-insurance arrangements within RSEs. This reporting standard is primarily relevant for RSE licensees permitted to self-insure benefits, such as defined benefit RSEs.

The information required to be reported under SRS 161.0 includes:

- detail on self-insurance arrangements;
- claims reported;
- claims paid;
- detail on reinsurance agreements; and
- previous reinsurers.

## Reporting Standard Questions

### Questions

- 1) Are the objectives of the reporting standards and reported information well understood?
- 2) Do the current reporting requirements in the reporting standards capture:
  - a) All relevant data relating to the insurance arrangements of RSE licensees?
  - b) Sufficient data to enable appropriate analysis of RSE licensees?
  - c) Data at an appropriate level of granularity?

- 3) Is the information captured under the reporting standards accurate, relevant and useful for policymakers, regulators, trustees and the community?
- 4) What are the ongoing compliance costs associated with the collection of data required under the reporting standards?
- 5) Are there any aspects of the reporting standards that could be improved to:
  - a) Reduce ongoing compliance costs?
  - b) Improve the usefulness of the reported data?
  - c) Improve the accuracy of the reported data or clarity of definitions and other instructions?
  - d) Facilitate better supervision by APRA?
- 6) Are any of the current requirements in the reporting standards no longer applicable? Why?