



3 September 2021

Blake Briggs
Deputy CEO
FSC
Email: policy@fsc.org.au

Dear Blake

Re: Consultation Paper – Stapling and Group Life Insurance Policies in Superannuation

Key points

- AIST supports initiatives to address poor consumer outcomes arising from occupational exclusions in default MySuper life insurance offerings
- We are concerned that the FSC proposed solution would only apply where a member's occupational classification changes.
- We also have concerns about the interaction of stapling and 'unaffordable cover'

AIST welcomes the opportunity to provide input into the FSC's thinking about how to address poor member outcomes resulting from occupational exclusions. We recognise that some funds have occupational exclusions which can result in members in certain occupations not being able to claim for insurance they have paid for.

Default insurance within superannuation plays a pivotal role in protecting working Australians and their beneficiaries, providing critical financial support to them if they are seriously injured or die. In addition, there are high risk occupations which if not insured under certain group policies, would be uninsurable if required to be underwritten outside the group offering.

AIST has concerns about the proposed FSC solution that would only apply where a member's occupational classification changes. This will not address the existing issue of a member that works in an excluded occupation holding a MySuper product being unable to claim for the default insurance for which they have been paying premiums. This is because a fund and their insurer have no mandated data on an individual member's occupation.

AIST also has concerns about the interaction of stapling, FSC's proposed solution and 'unaffordable cover'. For example, a member who starts working in a call centre and is a member of Fund A, then joins the police force in their state. The member's new employer has opted into stapling and the member remains in Fund A unless they chose otherwise. Fund A has an exclusion for default life insurance for those in the police force. Under the FSC proposal, would this be 'out of scope' or would it fall under the proposed solution of "*prohibition on the*

use of any terms in MySuper group life policies that would cause a claim to be declined in default group life insurance in superannuation on the basis of a change in the occupational classification of the member”?

Whatever the solution, members in high risk occupations that can be insured via certain group policies in superannuation, should be, and it should not rely on an individual working out whether they are covered or not.

A fundamental challenge that super funds and insurers face in group insurance is the lack of data on the member’s occupation. This data is not mandated as part of superannuation, is not collected systematically by any Government agency, and employers do not use consistently applied occupational classifications.

AIST notes that while occupational exclusions are an area that can be improved in group insurance, there are other areas that also need to be addressed to ensure all members in default insurance receive cover that is fair, equitable and affordable.

We thank the FSC for the opportunity to provide feedback on this important issue.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mel Birks', with a long horizontal flourish extending to the right.

Mel Birks

General Manager, Advocacy