



MEDIA RELEASE

Monday 11 October 2021

FSC TO BAN OCCUPATIONAL EXCLUSIONS IN DEFAULT GROUP LIFE INSURANCE IN SUPERANNUATION

The Financial Services Council (FSC) has today announced it will be introducing an enforceable FSC Standard to prohibit the use of exclusions and restrictive disability definitions because a member is employed in a high-risk occupation. It will apply to all default group life insurance in superannuation amongst FSC members.

The Standard will apply to both FSC superannuation and life insurance members. This announcement follows a period of public consultation with retail and industry superannuation funds, life insurers and consumer advocates.

The Government's 'Your Future, Your Super' reforms introduced an important consumer protection to 'staple' superannuation members to their fund, so that they take their superannuation account with them from job to job. Stapling was a recommendation of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and the Productivity Commission's report into the efficiency and competitiveness of the superannuation system.

Recognising that under the new stapling regime some consumers may be unable to claim on life insurance cover because their fund has occupational exclusions in its default group life insurance, the FSC initiated a process to achieve structural change to better protect consumers.

The enforceable FSC Standard will:

- Apply to all default cover for Life Insurance, Total and Permanent Disability and Income Protection insurance in MySuper and Choice products; and
- Prohibit the use of exclusions and restrictive disability definitions because a member is employed in a high-risk occupation.

The FSC and its members recognise that Australians must be able to claim on the default cover that they have been paying for through their superannuation.

The FSC will not, however, prevent trustees from choosing not to offer cover to a new member based on their occupation when the member joins the fund. In these circumstances a member will not be charged insurance premiums. The Standard will also not apply to individually underwritten life insurance in superannuation.

The FSC will soon finalise the Standard with the target date of requiring trustees to remove their occupational exclusions and restrictive disability definitions for members in high-risk occupations by 1 January 2023, subject to further consultation with regulators, including the ACCC. This twelve-month transition period is designed to

enable trustees and life insurers to re-negotiate existing group life policies that are currently in place, and for trustees to engage with members.

The success of the FSC initiative will be dependent on the Government facilitating better data sharing between trustees, insurers and Government agencies, particularly the ATO, to improve the quality of data on members' occupational classifications. This will be a key FSC recommendation to the ongoing Treasury review of occupational classifications. The FSC will also work with other superannuation associations to support adoption of consistent guidance.

Submissions to the FSC's consultation process are available here:
<https://fsc.org.au/policy/superannuation/occupational-exclusions>

- Ends

Contact: Esther Jago on 0421 102 944 or ejago@fsc.org.au

About the Financial Services Council

The Financial Services Council (FSC) has over 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The industry is responsible for investing almost \$3 trillion on behalf of more than 15.6 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world.