



FINANCIAL  
SERVICES  
COUNCIL

## *Treasury Laws Amendment (Putting Members Interests First) Bill 2019*

Submission to Senate Economics Legislation Committee

16 July 2019



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## **1. About the Financial Services Council**

The FSC is a leading peak body which sets mandatory Standards and develops policy for more than 100 member companies in Australia's largest industry sector, financial services.

Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses.

The financial services industry is responsible for investing almost \$3 trillion on behalf of more than 14.8 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.

## 2. Introduction

The FSC continues to support the overall intent of the measures in the *Treasury Laws Amendment (Protecting Your Superannuation Package) Act 2019 (PYS)* and the *Treasury Laws Amendment (Putting Members Interests First) Bill 2019 (PMIF Bill)*.

However, while the PYS and PMIF measures are part of the same original package, the separation of the PMIF measures means that additional issues need to be considered. These include:

- the implications of implementing the PMIF measures separately from PYS, rather than concurrently as was originally intended;
- the lessons learned from the PYS implementation process, including those relating to legislative implementation issues and customer communication/engagement; and,
- the Government's stated intent to pursue amendments to PYS to address concerns with the original drafting (and the need to align PMIF with these amendments).

The FSC urges the Government to consider addressing issues identified with PMIF, and required amendments to the PYS measures, as part of the current Bill.

A rushed, inconsistent implementation of PMIF is likely to erode trust and confidence in superannuation and reduce the likelihood of ongoing consumer engagement with both superannuation and life insurance.

While the FSC recognises the importance of ensuring superannuation balances are not eroded, it is important to remember that life insurance plays a critical role in providing Australian households with financial security in the event of unexpected death, disease or disability.

Life insurance in superannuation, both for default members and those who choose to take out insurance cover through superannuation, provides a level of certainty in times of need, and provides supporting income for injured people above the Government's modest taxpayer-funded safety nets. Life insurers paid \$10.5 billion in claims in the year to March 2019.

Members under the age of 25 and those with low balances continue to benefit from the provision of default insurance in super. With 600,000 full-time workers under the age of 25 TPD and IP cover can provide vital support above their existing superannuation savings in the event of a serious illness or injury.

The FSC and its members are keen to work with the Government, Treasury and regulators to ensure PYS and PMIF are clear and workable, and we would welcome the opportunity to comment on proposed drafting changes to ensure they do not create further uncertainty and to ensure they provide better outcomes for members.

## 3. Key issues

### 3.1. Implementation timeframe

The current 1 October 2019 commencement date in the legislation does not provide sufficient time to implement the required changes. The dates specified in the legislation require amendment in order to allow time for members to be made aware of the changes, and funds to undertake the necessary operational changes to give effect to the legislation.

#### Consumer engagement

When determining an appropriate date, it is helpful to keep in mind that industry launched major communications campaigns in relation to the 1 July 2019 commencement of PYS changes. The intent of this campaign was to ensure as many members as possible engaged with and understood how they would be impacted by the reforms. Trends from superannuation fund call centres indicate that many members contacted their fund simply to find out if they were impacted, regardless of whether they had received a letter, and that the information campaign prompted engagement from many individuals who would not otherwise have been aware of PYS.

The feedback from the FSC's campaign demonstrated that the compressed timeframe for implementing the PYS changes caused confusion among consumers. Following soon after with similar changes may further undermine trust and confidence in the system, particularly given call centres are still receiving enquiries about PYS.

Commencing a new set of insurance changes which would require similar communications, potentially to some of the same members recently contacted regarding PYS, creates the risk of members not understanding the difference between the PYS and PMIF measures, failing to act, and inadvertently losing the benefit of their cover – which in some cases will not be able to be reinstated.

#### Operational risks

Even if the Bill is enacted before the end of July 2019, there will not be sufficient time for trustees and insurers to meet the current 1 October 2019 commencement date, which requires impacted members to be notified by 1 August 2019. Further, trustees will be in breach of the obligation to identify those members who have an account with a balance of less than \$6,000, which, under the PMIF Bill's current drafting, they must complete on 1 July 2019.

From an operational perspective, complying with PYS by 1 July 2019 required many trustees to implement manual solutions, with many system integration projects still underway. While it may be possible to comply manually, it significantly increases the risk of operational errors adversely impacting member accounts. A lack of time to implement PMIF is also likely to lead to further ambiguity and inconsistency across industry, as experienced during the PYS reforms.

As these measures affect the provision of default cover for members of employer plans, trustees will also need time to negotiate and agree with their insurance providers on the terms and conditions under which:

- default cover will be provided once these members turn 25 or accumulate an account balance of \$6,000; and
- reinstatement terms may be offered to members who lose cover because of the implementation of PMIF.

This is a material change in the basis for all default cover arrangements, and the outcome may significantly impact both existing and new insured members.

### **Proposed implementation timeframe**

To minimise the risks outlined above, the FSC proposes that, **at a minimum, nine months** would be required between the commencement of PYS and the commencement of PMIF.

We consider that this timeframe would be the minimum time within which to develop and implement associated regulation and guidance materials and for trustees to implement the change with a view to minimising member confusion.

However, the best outcomes could be achieved if the 1 October commencement date was moved to **1 July 2020**, to allow appropriate time for:

- drafting and consultation of required legislative amendments to support both PYS and PMIF;
- drafting of, and consultation on, regulations to support the changes and align with amended legislation;
- effective communication with impacted members; and,
- full systems implementation of the required changes for both PYS and PMIF, minimising transitional risks.

#### **FSC Recommendation 1**

The FSC recommends the PMIF Bill be amended to commence on 1 July 2020.

Other dates in the Bill, such as the 'stocktake' and communication dates in transitional provisions, should be updated accordingly, working backwards from the commencement date.

### 3.2. Alignment with Protecting Your Superannuation

On 28 June 2019, APRA advised industry that the Government intends to pursue certain amendments to PYS.

These changes relate to:

- allowing aggregation of multiple products held by a member, so that PYS can be applied at the account level; and,
- exemption of traditional style legacy products (including whole-of-life and endowment policies) that would result in significant member detriment if insurance was cancelled.

The FSC and its members welcome these changes, which will help PYS meet its policy intent without creating unreasonable outcomes for members.

However, additional legislative amendments are required to implement these proposed changes. Although APRA has noted that it “supports trustees proceeding on the basis that the amendments will become law in due course”, trustees complying with the Government’s proposed changes are technically in breach of the law, and will continue to be in breach until the legislation is amended.

It would make sense to use the PMIF Bill to make these amendments, and ensure alignment between the PYS and PMIF measures, to ensure trustees can implement PMIF in a way they are certain complies with the proposed legislative requirements.

#### **FSC Recommendation 2**

The FSC recommends the PMIF Bill be amended to:

- include proposed PYS amendments, including application at account level and exemption of traditional style products; and,
- align PMIF provisions with these proposed amendments.

### 3.3. Additional technical amendments

The implementation of PYS was complicated by a significant number of drafting issues in the legislation as passed, which resulted in significant uncertainty for industry – particularly in the context of a short implementation timeframe.

In addition to the changes listed in Section 3.4 above, technical amendments and drafting corrections should be incorporated into the PMIF Bill to ensure clear and consistent understanding of trustee obligations.

Providing a longer implementation period will also assist in minimising uncertainty experienced through the PYS transition, as it will provide sufficient time for any ambiguity to be addressed and will assist trustees in executing their statutory and general law duties to members.

### Choice insurance (including retail and risk-only)

The FSC notes that the PMIF Bill contains provisions intended to deem that individuals who have actively chosen to take out cover in a low-balance account have made an election for the purposes of s68AAB.

Section 8(5) of the Bill, which relates to notice provisions only, allows for a trustee to consider that a member has already made an election for the purpose of s68AAB(2) if the member has elected, before 1 July 2019, to take out or maintain insurance.

This is an important provision to ensure individuals who have opted into cover previously, including those with retail insurance in superannuation or risk-only accounts, do not inadvertently lose cover under PMIF. The FSC supports the inclusion of this provision.

Members who have actively chosen to have insurance in super, including individuals with retail insurance in superannuation or risk-only accounts, should not be in scope for PYS or PMIF as they have made an active choice (often involving going through the underwriting process), are often advised, and in the case of risk-only accounts do not generally have an insurance balance in their account to erode.

While the current drafting of the legislation may be adequate for trustees to rely on the provisions in relation to members who have actively chosen to hold particular insurance, an explicit exemption for these policies would provide more certainty for trustees and members.

The Explanatory Memorandum (**EM**) also provides examples which are likely to cause confusion and inconsistency in application across the industry.

While Examples 1.1 and 1.2 on pages 11-12 of the EM provide helpful context about the types of activities that would and would not constitute the trustee being able to demonstrate that a member has elected to hold cover, Example 1.3 on page 12 does not reflect information a trustee is likely to hold.

Even where an individual does take out insurance in superannuation after receiving advice, a trustee would generally not collect a Statement of Advice (particularly as this may include information on matters not relating to the trustee) and may not hold underwriting paperwork on file. These records would generally be held by the client's financial adviser.

In order to prevent confusion and align with the legislation as drafted, the second paragraph of Example 1.3 should be amended as follows:

Existing text	Recommended text
Fletcher's fund has maintained a file for Fletcher which includes the statement of advice and underwriting paperwork.	The trustee of Fletcher's fund is satisfied that Fletcher has actively chosen to take out insurance in his superannuation account, as the insurance benefits held in his account were not offered on automatic acceptance terms, nor could he have been defaulted into the product.



### **FSC Recommendation 3**

The FSC recommends the EM be updated to clarify Example 1.3 relating to elections.

Section 8.5 should be clarified to explicitly exempt relevant members from the requirements of s68AAB, rather than relying on an exemption from the notice requirements in s8(5).

The application of this provision should be broadened to apply to inactive accounts under the PYS measures.

### **Members on claim**

There is currently no exemption in either PYS or PMIF for members with an active claim.

Members currently receiving claims payments, or whose claim is being assessed, may not be making premium payments toward their insurance or contributions into their superannuation account.

Removing cover has no benefit for the member concerned. In fact, retaining cover may be to the individual's benefit if they are on claim, as their illness/injury may make it more difficult or expensive to gain cover in the future.

To simplify the application of both PYS and PMIF for consumers, an individual should be deemed to have made an election for the duration of their claim being active, to ensure they are not asked to make potentially confusing decisions about their insurance when they are unwell or injured. It is clear that a member who has claimed an insurance benefit is engaged with insurance in superannuation.

### **FSC Recommendation 4**

The FSC recommends that both PYS and PMIF be updated to so that making a claim for benefits is deemed to be an election for both inactive and low balance accounts.

The application of this provision should be broadened to apply to inactive accounts under the PYS measures.

### **Interpretation issues**

Differing interpretations are possible for a range of clauses in the PYS Act, and the EM often does not align with the legislation. This created significant risk of different interpretations being implemented across industry, where legal advice received by funds and insurers was not aligned. It also increased the risk of inadvertent breaches of the law by trustees, causing poor and inconsistent outcomes for consumers.

Ultimately, several key issues required clarification through an extensive FAQ originally published by APRA in April 2019.<sup>1</sup> The number of issues which required APRA clarification made it very difficult for industry to implement the changes within the legislated timeframes, but also made it difficult in many instances for trustees to effectively communicate with members about whether their accounts were impacted and negotiate updated policy terms with their insurers.

The implementation of PMIF separately from PYS creates further complexity, as it appears members who previously made an election in relation to PYS may be required to re-elect to retain their insurance if they also meet one of the PMIF criteria (for example, because they have an inactive account with a low balance).

A list of technical issues which would benefit from additional clarity in the legislation or explanatory materials is provided in Section 4 below. Many of these issues should also be addressed in respect of PYS to ensure consistency and clarity.

Industry should be consulted on any material changes to drafting, to ensure that the final text of the Bill is workable for members and industry while reflecting the Government's policy intent.

The FSC and its members are keen to work with the Government, Treasury and regulators to ensure PYS and PMIF are clear and workable, and we would welcome the opportunity to comment on proposed drafting changes to ensure they do not create further uncertainty and provide better outcomes for members.

#### **FSC Recommendation 5**

The FSC recommends that technical amendments across PMIF and PYS provisions indicated in Section 4 be included in the PMIF Bill to provide clarity for industry and improve member outcomes.

Sufficient time should be allowed for industry consultation in relation to any technical amendments that require significant drafting changes to ensure the proposals are workable and aligned with policy intent.

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<sup>1</sup> <https://www.apra.gov.au/protecting-your-super-package-frequently-asked-questions>

### 3.4. Simplifying insurance arrangements

The drafting of the Bill currently requires that insurance is provided on an opt-in basis to members with an account which has not reached a balance of \$6,000.

We understand the intent of this clause is to prevent erosion of savings in these low-balance accounts. However, adding the \$6,000 threshold for new, active members adds confusion and complexity for members.

This is because there is no set timeframe for when an account will reach \$6,000, so it is difficult for a member or trustee to understand when automatic insurance is likely to commence. This is made more difficult for younger members also subject to the under 25s measure. It also creates inequity between members, as members making larger contributions receive cover earlier than lower income workers.

The \$6,000 threshold creates an arbitrary, and often unpredictable, time period between when a new account is opened and the time insurance commences. The time period could be very short, if funds are rolled over from another account, or it could be a longer period based on the individual's income and corresponding Superannuation Guarantee contributions and the performance of their investments.

It also creates a barrier to entry for low income earners to obtain cover. Currently, there are generally very few restrictions placed on cover under group insurance policies. This is partly because cover generally commences when a person starts a new job, which is an indicator of good health. Opt-in requirements and uncertain timeframes may lead to underwriting being mandated in instances where cover would have previously been available by default. This may result in insurance no longer being available or affordable for some members.

It is clear that individuals with low balances benefit from insurance. One FSC member has estimated that over 70% of death benefits paid since 2016 have been in respect of members with balances of \$6,000 or less. Another member has estimated that up to 25-30% of total claims in some large funds over the last two years were made by members with balances below \$6000.

Where a new account is opened and begins receiving contributions, it makes more sense from the perspective of a member to provide insurance upfront (subject to age requirements and activity status), rather than commencing insurance at a particular balance level.

For clarity, the FSC does not propose that existing PYS requirements to cancel insurance for inactive accounts, or the transfer of inactive low-balance accounts to the ATO, should not apply.

However, allowing insurance to remain on an opt-out basis for members with active accounts regardless of balance will provide a simpler and more streamlined approach that prevents people from being inadvertently left without cover.

This approach would remain consistent with the policy intent of preventing account erosion, particularly when coupled with other measures being implemented. For example, the 1%

lifetime cap on premiums which will be implemented as part of the Insurance in Superannuation Code of Practice will help to ensure insurance benefits are designed to be affordable for younger members.

It also reflects the findings of the Productivity Commission that the under 25's provisions in PMIF and the existing inactivity requirements will substantially deal with the issue of account erosion (as would the introduction of a 'default once' framework). While explicitly recommending insurance become opt-out for inactive accounts and members under 25, the Productivity Commission noted that:

*...there is a high degree of overlap between members under 25 years of age and those with balances under \$6000. Low balance accounts are also likely to account for a disproportionately large share of inactive accounts (which account for approximately a quarter of all superannuation accounts with insurance).<sup>2</sup>*

#### **FSC Recommendation 6**

The FSC recommends that the low-balance insurance measures should be removed from the Bill, pending a review of the effectiveness of other PYS and PMIF measures. (see Recommendation 7).

### **3.5. Review of insurance outcomes**

The PYS and PMIF changes significantly alter the way insurance is offered as part of superannuation.

While this will result in better superannuation savings outcomes for many individuals, for others this may result in poorer outcomes where they do not have insurance cover they would have otherwise held in the case of death, illness or injury.

While individual funds and insurers will monitor the impact of the PYS and PMIF insurance changes on their members, it will be important to understand across the sector whether the changes are meeting their policy intent.

In order to assess the impact of these changes, the FSC proposes a review of the outcomes of the PYS and PMIF changes to insurance in superannuation be legislated to occur two years post-commencement.

This review should include collection of data relating to issues including:

- the changes in insurance coverage due to PYS and PMIF;
- opt-in levels;

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<sup>2</sup> Productivity Commission, *Superannuation: Assessing Efficiency and Effectiveness* 2019 p400

- the number of disputes and cost of litigation resulting from the PYS changes and associated ambiguity (these costs will ultimately be borne by other members in the fund);
- the number of individuals (particularly those under 25 and/or with low balances) with dependants who have died or become disabled without insurance in place; and
- the increases in social security spending due to reduced insurance claim payments.

**FSC Recommendation 7**

The FSC recommends the PMIF Bill be amended to include a review of the industry-wide member outcomes of PYS and PMIF.

This review should be scheduled for two years after the commencement of PMIF.

## 4. Detailed technical amendments

Issue	Suggested solution
<p><b>Commencement date</b></p> <p>Transition period required before implementation to ensure PMIF provisions do not conflict with PYS provisions, and to minimise member confusion from the volume and detail of communications.</p>	<p>Amend items 8 and 9 to specify that s68AAB and 68AAC commence on 1 July 2020.</p> <p>Other dates in the Bill, such as the ‘stocktake’ and communication dates in transitional provisions, should be updated accordingly, working backwards from the commencement date.</p> <p>See Section 3.1 above.</p>
<p><b>Account level application</b></p> <p>Measures apply at a product level, which does not align with Government commitment to amend PYS requirements to apply at account level.</p>	<p>Amend wording to apply requirements for PYS and PMIF at an account level, consistent with changes Government has committed to making to PYS.</p> <p>See Section 0 above.</p>
<p><b>Traditional legacy products</b></p> <p>Traditional and conventional style products (e.g. whole-of-life and endowment policies) should be exempt from the low-balance requirements to align with Government commitment to amend PYS.</p>	<p>Amend s68AAB(4) to explicitly exclude these products, consistent with changes Government has committed to making to PYS.</p> <p>See Section 0 above.</p>
<p><b>Low balance accounts</b></p> <p>An arbitrary \$6000 threshold creates inequity and complexity in relation to when and how default cover is provided, particularly for new accounts.</p> <p>This also results in the retirement benefit for new members being unprotected until the threshold has been reached.</p> <p>The proposal to cancel, or not offer, insurance for accounts with less than \$6,000 should only apply to inactive accounts, per current PYS requirements</p>	<p>The FSC recommends that the low-balance insurance measures should be removed from the Bill, pending a review of the effectiveness of other PYS and PMIF measures.</p> <p>See Section 0 above.</p>

Issue	Suggested solution
<p><b>Transition for choice insurance (including retail and risk-only)</b></p> <p>Individuals who have, by choice, taken out retail insurance in superannuation should be exempt.</p> <p>Additional clarity is required around transition arrangements for individuals who have previously stated their intentions in relation to insurance cover.</p> <p>This should apply to both PYS and PMIF provisions.</p>	<p>Clarify the example in the EM relating to s8(5) to specify that the trustee being satisfied that the member has actively chosen their insurance as sufficient evidence for the trustee to consider that the individual has made an election.</p> <p>For additional clarity, add an additional entry to s68AAB(4) and 68AAC(4), including people who have a retail life insurance risk-only account as being an exempt class.</p> <p>Extend this provision to inactive accounts (s68AAA).</p> <p>See Section 0 above.</p>
<p><b>Customers with active claims</b></p> <p>There is no protection within the current drafting for customers receiving claims payments, or whose claim is being assessed, and who may not presently be making premium payments towards their insurance policy or contributions into their superannuation account.</p> <p>Members should be deemed to have made an election for the duration of their claim being active, to ensure they are not asked to make potentially confusing decisions about their insurance when they are unwell or injured.</p>	<p>Exempt members on claim and receiving benefits, or being assessed for a claim, from insurance cancellation.</p> <p>Extend this provision to inactive accounts (s68AAA).</p> <p>See Section 0 above.</p>
<p><b>New members during transition</b></p> <p>As drafted, the Bill requires all members who begin to hold a product between 1 July and 1 October (the transition period) to be provided a notice that their insurance will be cancelled on 1 October unless their balance reaches \$6,000 or they make an election.</p> <p>This is unworkable for members who join close to the end of the transition, as the communication may not be provided before the fund takes action on 1 October.</p>	<p>Amend transition coverage and communication requirements in s8(5) to simplify member experience.</p>

Issue	Suggested solution
<p><b>Risk-only members</b></p> <p>Risk-only policies involve intentionally structuring insurance into superannuation. These members have usually received advice and been subject to underwriting, and do not have an accumulation balance in the same account as their insurance. These members should not be included in the scope of PYS or PMIF.</p>	<p>Amend the Bill and PYS measures to expressly exclude risk-only members from all measures.</p>
<p><b>Interaction between PYS and PMIF elections</b></p> <p>Requires clarification relating to whether an election made before 1 July 2019 for PYS provisions is also intended to apply for PMIF under s8(5).</p> <p>Trustees may not be able to rely on PYS elections as they were specific to inactivity.</p>	<p>A transition process should be put in place to manage PMIF communications to members who have recently been contacted about PYS (particularly for those members who have recently made an election).</p> <p>The transition provisions for 68AAB and 68AAC should explicitly state that:</p> <ul style="list-style-type: none"> <li>• An individual who has made an inactivity election prior to commencement of PMIF should be deemed to have made an election for the purpose of 68AAB and 68AAC; and</li> <li>• For these individuals, a trustee must communicate this and provide an opportunity to opt out of the broader election.</li> </ul> <p>After implementation of PMIF, it should be possible for individuals to make one election covering all PYS and PMIF cancellation scenarios.</p>
<p><b>Providing election notices electronically</b></p> <p>The Electronic Transactions Regulations currently exclude most notices under the SIS Act as being subject to the application of the Electronic Transactions Act.</p>	<p>Clarify method of election in PYS and PMIF to explicitly include electronic and phone elections by members.</p> <p>Amend Schedule 1 of Electronic Transactions Regulations 2000 so that notices for PYS and PMIF may be provided in electronic format.</p>



Issue	Suggested solution
<p><b>Default insurance</b></p> <p>There remains a lack of clarity around timings and processes for defaulting individuals into insurance once they reach a \$6000 balance or they turn 25 years old.</p>	<p>Provide clarification around processes for insurers and trustees when changing members' insurance arrangements.</p> <p>In addition, ensure appropriate associated changes to the Superannuation Guarantee (Administration) Act 1992 (specifically 32C (2)(d) and its associated regulations) which set out the requirements for the provision of death cover and the amount of it based on a member's age for 'default' funds.</p>
<p><b>Paid up to date</b></p> <p>Wording needs to be amended to ensure that members can continue to be covered up to the date to which they have already paid premiums. This ensures the drafting of the legislation matches the policy intent and leads to better outcomes for members. This should apply to section 68AAB(5) and the already legislated section 68AAA(7).</p>	<p>Amend wording in 68AAB(5) and 68AAA(7) to make clear the intent that a trustee is not required to cease to provide an insurance benefit until the date for which premiums have been paid.</p> <p>Suggested replacing these clauses with the following:</p> <p>"The prohibition in subsection (1) does not apply where it would affect the rights of a member of a regulated superannuation fund if:</p> <ul style="list-style-type: none"> <li>(a) The right relates to insurance cover; and</li> <li>(b) In compliance with this section, an insurance premium in relation to the member for that insurance cover will cease to be payable; and</li> <li>(c) The right exists because of insurance premiums paid in relation to the member before insurance premiums cease to be payable as mentioned in paragraph (b)." </li></ul>

Issue	Suggested solution
<p><b>Carry over elections and \$6,000 test</b></p> <p>Elections made in a fund where there is a successor fund transfer (<b>SFT</b>), or a trustee initiated intra-fund transfer (<b>IFT</b>) between products in the same fund (for example, where the trustee is rationalising their products or administration systems), should be permitted to be carried over to the new fund or product to minimise the possibility of members who have opted-in from unintentionally losing their insurance entitlement.</p> <p>The trustee record that an account/product has satisfied the condition that the balance has reached \$6,000 on or after the stocktake day should also be permitted to be carried over.</p>	<p>Specify in legislation that an account having reached \$6,000 and elections to obtain or maintain cover are considered to be enduring where SFT or IFT events occur.</p>
<p><b>Employer-sponsored exemption</b></p> <p>The wording of section 68AAE appears to require the employer to notify the fund in respect of each member covered by the premium payment arrangement on a quarterly basis. It would seem inefficient for an employer to provide the same notification each quarter in respect of each employee. Given the frequency of fund actuarial and other financial monitoring, we would not expect that it would undermine the integrity of the Bill if these notices were to be provided on a one-off or annual basis.</p> <p>Legislation also allows employer contributions to be met from reserves in some circumstances. For clarity, s68AAE should specifically allow for the cost of insurance premiums to be met by a transfer from a reserve rather than by an additional employer contribution.</p>	<p>Amend 68AAE to specify that employers have the option, if desired, to advise the fund that they will continue to fund the premiums in respect of applicable current and new members until further notice.</p> <p>Clarify that a trustee can rely on employer self-assessment in satisfying itself that the conditions of the exemption have been met.</p> <p>Clarify that it is acceptable under s68AAE for the cost of insurance premiums to be met by a transfer from a reserve.</p>

Issue	Suggested solution
<p><b>Overlap of inactivity notifications and notifications required to low balance account members.</b></p> <p>Due to the existing requirement in PYS to issue inactivity notifications to members once their account becomes inactive for 9, 12 or 15 months, some members may receive, or have already received, an inactivity notice in addition to requiring a notice to be sent to them under this Bill if their account balance is also under \$6,000 as at 1 July 2019.</p> <p>This is an unintended consequence which will confuse members, and may cause notifications to be misleading.</p>	<p>Transition provisions should exclude individuals who have already been provided an inactivity notice from low balance provisions, to prevent insurance cancellations <b>already notified</b> from being effectively brought forward.</p>
<p><b>Uncontactable members</b></p> <p>The Corporations Regulations provide exemptions for communications relating to accounts, including issuing periodic statements, where the trustee has no address or has an incorrect address for the member and after making reasonable attempts has been unable to contact the member.</p> <p>No similar exemption exists for notices relating to the PYS or PMIF notices.</p>	<p>Amend the application provisions for proposed section 68AAB of the Superannuation Industry (Supervision) Act (<b>SIS Act</b>) regulations as well as regulations 7.9.44B and 7.9.44C of the Corps Regs to include provisions similar to those that currently exist in relation to notification of material changes or significant events (Subsections 1017B(7A), (7B) and (7C) of the <i>Corporations Act</i>, as amended by Schedule 10A of the <i>Corporations Regulations</i>) and periodic statements (Subsections 1017D(8), (9) and (10) of the <i>Corporations Act</i>, as amended by Schedule 10A of the <i>Corporations Regulations</i>)</p>
<p><b>Insurance for existing members under 25</b></p> <p>The Bill proposes that members under 25 years old who take out insurance before 1 October are not subject to the proposed s68AAC (see item 9 of Schedule 1). However, the wording of 68AAC refers to “taking out or maintaining” insurance, which may inadvertently capture existing customers</p>	<p>Remove both instances of “or maintaining” from s68AAC.</p>

Issue	Suggested solution
<p><b>Early Intervention</b></p> <p>Current legislation prevents life insurers from providing payments for treatment for Australians at risk of long-term incapacity where they are not covered by private health insurance or are languishing on public healthcare waiting lists.</p> <p>Reports show that returning to work can play an important role in a person's recovery.</p> <p>Life insurers are not allowed to pay for medical support even if it is in the interest of the member and the life insurer.</p> <p>Early intervention services can speed up healthy return to work rates, which helps improve retirement savings balances as well as helping to avoid secondary (and sometimes long term) health issues. These services may be provided by Medicare, Health Insurers or WorkCover.</p> <p>Parliament should allow life insurers the option to pay for medical treatments on a voluntary basis where the insurer and the insured person agree. This would allow people to get back to work sooner.</p>	<p>Add the following to SIS Regulation 4.07D:</p> <p>“Or (c) amounts to cover the cost of medical treatment to assist in the rehabilitation of the member.”</p>