

## **INSURANCE IN SUPERANNUATION VOLUNTARY CODE OF PRACTICE**

### **Annual Code Compliance Report – year ending 30 June 2020**

#### **1. Executive Summary**

BUSSQ is pleased to report that it is operating in compliance with the majority of the obligations in the *Insurance in Superannuation Voluntary Code of Practice* (Code).

We are currently operating in compliance with all of the obligations in section 6, 7, 8, 9, 10, 12, 13, and 14 of the Code. In addition, we are operating in compliance with the majority of the obligations in section 5 of the Code and are on track to comply with sections 4, 5, and 11 of the Code by the dates set out in our transition plan (refer table below).

#### **2. Application of Code**

This report covers our arrangements for Automatic (Default) Insurance Members under the following products for which we are the trustee:

- BUSSQ My Super; and
- BUSSQ Premium Choice.

#### **3. Code transition\***

There are a number of significant tasks that have either been completed, or are underway, which together form our action plan and roadmap for our transition to the Code. These are:

- we are undertaking a full review of our benefit design and insurance products; and
- we are undertaking an insurance tender.

The review of our benefit design and the insurance tender have been deferred as a result of the current pandemic situation with COVID-19. Insurers are not willing to participate in a tender process at this stage.

In accordance with our published transition plan, we commenced transition to the Code on 1 July 2018. This report summarises our compliance with sections of the Code.

The dates on which we intend to transition to the remaining Code sections are shown in the table below, which was first published on our website in 2018, and we have updated the table to show our progress to date:

<b>1 July 2018</b>	<b>Section 4.10 Categories of our membership</b> BUSSQ already complies with Section 4.10 of the Code, as we have in place affordable default insurance cover specifically designed for younger members aged under 21.  <b>Section 8: Premium adjustments</b> BUSSQ does not currently participate in Premium Adjustment Mechanisms, such as profit share schemes with our insurer.
<b>1 July 2020</b>	<b>Section 4: Appropriate &amp; affordable cover except 4.1 to 4.13</b>

	<p><b>Section 5: Helping members to make informed decisions</b> except 5.12 to 5.16</p> <p><b>Section 6: Supporting vulnerable consumers</b></p> <p><b>Section 7: Handling claims</b></p> <p><b>Section 9: Promoting our insurance cover</b></p> <p><b>Section 10: Changes to cover</b> except 10.15 to 10.17 which do not apply</p> <p><b>Section 11: Refunds</b> except 11.1</p> <p><b>Section 12: Staff and Service Providers Section</b></p> <p><b>Section 13: Making enquiries and complaints</b></p> <p><b>Section 14: Promoting, monitoring, and reporting on the Code</b></p> <p>We will publish our Key Facts Sheet on our website by 1 July 2020. We will develop and roll out a staff and Service Provider training programme on the requirements of the Code during the first half of 2020.</p>
<b>30 June 2021</b>	<p><b>Section 4: Appropriate and affordable cover</b> BUSSQ will review the overall insurance benefit design and make any necessary changes in the members' best interests at the end of the current insurance contract. If this can be achieved at an earlier date, we will endeavour to take this opportunity.</p> <p><b>Sections 5.12 to 5.16: Explaining our definitions</b> As part of its review of insurance benefit design, BUSSQ will review the interpretation and application of its definitions to ensure they are consistent with any changes in policy terms, and our insurer's approach.</p> <p>If our Total and Permanent Disablement definition differs from the relevant standard definition under legislation, we will explain the differences in plain language.</p> <p><b>Section 11.1: Refunds</b></p>

\*BUSSQ may update its transition plan from time to time if it is in the best interests of members.

#### 4. Summary of Code compliance

A summary of the sections and occurrences where we comply with the Code, is set out in this report.

##### Section 4: Appropriate and affordable cover

The Code requires our benefit design for our Automatic Insurance Members to be appropriate and affordable. Our activities to date include the following:

As noted in the transition plan table, we already comply with section 4.10 of the Code, as we provide affordable default insurance cover specifically designed for members under the age 21. In addition, we intend to make affordable insurance cover available to members under the age of 25, when we next review our insurance contract arrangements.

As part of determining affordability when designing benefits for our Automatic Insurance members, one of the Code's obligations is that premiums are to be set at a level that does not exceed 1% of salary for the membership generally.

Our membership has special characteristics, including that it comprises mostly blue-collar workers working in high risk occupations, with high claims experience. We aim to keep premiums as low as possible, however new premiums are yet to be negotiated with the insurer. Our present position is that based on our knowledge of our membership's characteristics, we are likely to only partially comply with the Code obligations relating to the 1% salary threshold for premiums.

The Code also contains an obligation about the super fund not automatically including a member in a division of the fund that is higher risk than the membership generally due to smoker status or occupation without relevant evidence. We will only partially comply with the obligation, for the reasons given below.

On 1 July 2019, the Putting Members Interests First (PMIF) legislation came into effect. The PMIF reforms aim to ensure that members are not paying for insurance in super that they do not know about, or premiums that may unnecessarily erode their super savings.

From 1 April 2020, the PMIF legislation prevents super funds from providing insurance to members:

- who are under 25 and begin to hold a new super account from 1 April 2020, and/or
- whose account balance is less than \$6,000, and on or after 1 November 2019 the account balance has not been \$6,000 or more,

unless the member is employed in a dangerous occupation.

The dangerous occupation exception recognises that some occupations carry a high degree of risk, which is a reason for retaining default insurance for these members. The dangerous occupation exception allows super funds to elect that members employed in certain high-risk occupations will be provided with insurance cover even if they are under 25 and/or have an account balance that is less than \$6,000.

Recognising the types of occupations our members are employed in and the importance of insurance cover, BUSSQ has **elected** that members are covered by the dangerous occupation exception if they are employed in one of the following occupations:

- Automotive and Engineering Trade Workers
- Construction Trades Workers
- Machinery and Stationary Plant Operators
- Mobile Plant Operators
- Road and Rail Drivers
- Store persons
- Construction and Mining Labourers
- Factory Process Workers
- Farm, Forestry and Garden Workers
- Other Labourers

Unless a member advises us that they are not employed in a dangerous occupation or they opt out of insurance cover, we will apply the dangerous occupation exception and provide the member with default insurance cover and confirm this in writing within 28 days. Members may retain, change or cancel the cover. If they change their cover to lower-risk cover which has a lower premium within 14 days, we will refund any excess premiums they paid for the period they were in the high-risk category.

The PMIF law applies only to members who have not made an insurance election in the past. Members who have applied for and been granted increased insurance units, fixed cover, or life events cover, are not subject to insurance cancellations under this legislation.

The Code also has obligations requiring reinstatement of cover within 60 days at the member's request, where a member's cover has automatically ceased due to lack of contributions and certain conditions are satisfied.

Under Protecting Your Super (PYS) law we are unable to continue a member's insurance cover when an account has been inactive for more than 16 months. An account is considered "inactive" where:

- no rollover or contribution has been made to the account within the last 16 months; and
- the member has not made an election in writing to maintain their insurance cover.

We have put in place reinstatement arrangements for members who are affected by the above PYS law change and wish to reinstate their cover. Those reinstatement arrangements are:

- If a member loses cover due to PYS from 1 July 2019 onwards, they will have 2 months from the date they lost cover to request that it be reinstated. The member will need to complete a form with four eligibility questions. Providing the member satisfies the eligibility criteria the cover will be reinstated from when it ceased and appropriate premiums will be deducted – there will be no gap in cover.
- If a member loses cover due to PYS and they do not request the reinstatement within the guidelines above, the member will be required to go through full underwriting in order to have cover and there will be no backdating of the cover – a gap in cover will apply.

We comply with the following requirements:

- cancelling your insurance cover – sections 4.14 to 4.18
- communicating to you when we are required to cancel your cover – all sections
- restarting your cover when we are required to cancel your cover – all sections

## **Section 5: Helping members to make informed decisions**

The Code requires us to provide members with appropriate and easy to understand information, when we provide them with cover and on an ongoing basis, and that we understand our membership's characteristics so we can tailor our communications.

We have a deep understanding of our membership, the language they use and understand, and we tailor our communications to suit the members. There is a strong focus on using plain language in our communications.

Aside from our written communications, we have extensive member-facing activities through which we communicate insurance matters of interest, and through these activities we obtain member feedback on insurance and other super matters.

We comply with all of the requirements except 5.12 to 5.16

### **Section 6. Supporting vulnerable consumers**

The Code requires us to better identify and support people who may have a particular vulnerability that may impact on their ability to access insurance, make a claim, make an enquiry or complaint, or communicate with us.

Some of the initiatives we have put in place to support vulnerable consumers are:

BUSSQ has a dedicated Member Response Solutions team to deal with people in financial distress. With a member's permission, the team may refer them to people or services with specialist training to support them.

We clearly explain on our website, the process for a member to make a financial hardship claim and the conditions that apply. Refer to [Can I claim on financial hardship?](#) and [Accessing my super](#)

If we grant a member release of their super account balance, we let them know the impact on any insurance cover they still have at the time and how much money they need to leave their account to pay the premiums for their cover.

In addition, our insurer and our administrator have processes in place to support vulnerable customers.

We comply with all the requirements of section 6.

### **Section 7. Handling claims**

The Code obligations include making the claims process as straight-forward as possible for members, and helping members navigate the process.

Our practice is to make the claims process as simple as possible for our members. Some features of our practices include:

- we have a dedicated inhouse insurance team that assists members with their claims and provides them with progress updates;
- we have member representatives who will visit members to assist with forms if members are unable to get to the BUSSQ office;
- if a claim is declined by the insurer, there is a process for review of the decision which includes a review by senior management. If there is any doubt about the insurer's decision, we request the insurer to undertake a further assessment.

We comply with all the requirements of section 7

### **Section 9: Promoting our insurance cover**

The Code obligations relating to the promotion of our insurance cover focus on providing members with clear, upfront and accurate communications that are consistent with the insurance policy's features and take into consideration the target audience.

Our practices comply with the Code obligations, in particular, we are mindful of using plain language when dealing with our members, who are mostly blue collar workers, by adopting a 'making the difficult, easy' approach to all communications, and providing explanations of industry lingo in our Insurance Handbook, which is on our website.

We comply with all four requirements in section 9.

#### **Section 10. Changes to cover**

We focus on providing the information a member needs in order to make fully informed decisions about their insurance arrangements.

The obligations relating to Transfers between divisions in our fund do not apply to the BUSSQ Fund's insurance arrangements.

We comply with the following requirements: changes to cover- sections 10.1 to 10.14  
The transfer between divisions in our fund requirements (sections 10.15 to 10.17) are not applicable to the BUSSQ Fund.

#### **Section 11. Refunds**

Most of our practices comply with the obligations in the Code, for example, if we identify that a member was not eligible to claim against their automatic insurance cover for a period, our practice is to refund the premiums for the period when they were ineligible for cover.

We comply with the requirements in sections 11.2 and 11.3.

#### **Section 12. Staff and service providers**

We comply with all of the obligations relating to staff and service providers, for example:

- There are training and competence requirements for Insurance claims handling staff, and our Member Response team has training to deal with members suffering from financial distress; and
- Our remuneration practices for staff reflect the ethical behaviours expected under the Code obligations.

#### **Section 13. Making enquiries and complaints**

We comply with all of the obligations relating to making enquiries and complaints, except we only partially comply with external determination of complaints, section 13.20 as we do not encourage members to get external legal advice unless it is in their best interests to do so.

#### **Section 14. Promoting, monitoring and reporting on the Code**

We promote the Code on our website and insurance communications.

We monitor and report on our service providers' compliance with service standards and have sophisticated methods to measure compliance.

We have regular monthly meetings with our insurer to review service levels and a quarterly meeting with the insurer to review the Profit and Loss. In addition, on a monthly basis we receive reporting on outstanding claims, claims that have been paid and claims that are in progress.

We comply with all applicable requirements.