

2 June 2017

The Insurance in Superannuation Working Group
Project Managers Office

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Discussion Paper: Member communication and engagement

Thank you for the opportunity to comment on this discussion paper. We look forward to seeing your later drafts of this paper and the other papers that are to follow.

We consider your questions in turn below.

B.1. Questions

Incorporate plain language and consumer testing

1. Should the current policy design and disclosure standards (plain language and consumer testing principles) in the FSC Life Insurance Code of Practice be extended to insurance in superannuation communications?

It would be logical to seek a large degree of consistency.

2. Should the current policy design and disclosure standards (plain language and consumer testing principles) in the FSC Life Insurance Code of Practice be extended to all superannuation fund communications?

This could be a longer term aim. It may be more practical in the short term to limit it to the PDS and KFS (as in Q3 below) but to apply the knowledge gained from applying it to these documents to the production of other documents.

3. Should these requirements apply just to the PDS and Key Facts Sheet (KFS) only, or to all material containing insurance related information?

See Q2 above.

4. Should all insurance in superannuation communications be consumer tested?

Again, a good longer term aim but probably more practical initially to limit it to the PDS and KFS. If there is budget for some additional testing, it may be best to apply this to modern technology tools that may increase the level of engagement of younger members.

B.2 Questions

Develop a standard Key Fact Sheets

5. Would consumers benefit from a simplified statement about the insurance offering a superannuation fund provides, and if so, when should it be provided to them?

Yes – for people with a limited knowledge of insurance/financial affairs, it would be less daunting and easier to understand than a comparable two to three pages of text.

In theory, including a link to the document (along with the other links) in members' 'welcome letters,' would be a good idea. It would not, however address the issue of members not reading their welcome letters.

It could also be:

- Included in a key features document for the whole fund using a similar format and language as that in the draft insurance key features document.
- Available on the website and through other communication technology available to fund members.
- Included in the PDS as a document likely to be more easily understood by readers than the current fund insurance material.

6. Would the introduction of a KFS assist consumers in comparing the insurance offerings between superannuation funds?

It would help.

7. How can funds encourage members to consider the full PDS when making a decision relating to their insurance?

This is a challenge and it is unlikely most members will consider the full PDS. Including links to appropriate sections of the PDS in the KFS and providing access to advice may offer some encouragement.

8. What key pieces of summarised information should be contained in the KFS? Should the KFS be consistent with respect to content and format across the industry? If so, what sections should be consistent?

The current prototype with its examples of superimposed fund specific notes would be a good start. In soft copy, no doubt it would contain links to the PDS, fund insurance tools and the member records containing the member's insurance details. It would be worthwhile including other details on eligibility for cover where they exist such as minimum working hours per week.

Consistency of the content and format of the whole KFS document across the industry would be beneficial.

9. Should the KFS include *member specific* information or be limited to *fund specific* information?

A document with member specific information would be more powerful than one limited to fund specific information.

Maybe a member specific version can be a longer term aim. It is noted that if member specific documents are available, it may be desirable to have a fund specific version to give prospective new members a snapshot of the cover offered without the requirement to provide additional details required for a member specific document.

B.3 Questions

Introduction of an insurance welcome pack

10. Will an Insurance Welcome Pack increase member engagement and improve understanding of their insurance cover?

Unfortunately, anything that increases the volume of ‘welcome’ material runs a significant risk of decreasing the number of new members reading any of the material.

A focus on having appropriate insurance material, or links to appropriate material, in the welcome pack is the best approach.

Intuitively it would be appealing to have a link to a key features summary of the whole fund – this summary would have links for the other material such as:

- The insurance key features documents and associated tools.
- The investment key features documents and associated tools etc.

These links would ideally offer various delivery options to allow the new members to choose their preferred communication channel.

11. Should the Insurance Welcome Pack be sent with or separately to the Superannuation Welcome Pack

Welcome material should be kept together to avoid confusion.

12. In what format should the Insurance Welcome Pack be delivered to members?

Part of the superannuation welcome pack as detailed above.

13. How can superannuation funds ensure the Insurance Welcome Pack is delivered to members via their preferred communication channel?

See Q10 above.

B.4 Questions

Introduction of standardised language and terminology

14. Should the industry develop standard language and terminology to assist members to better compare products?

Yes – the current variation in terms is confusing for members assessing the features of different funds.

15. Would standardised terminology reduce the risk of members failing to understand a product or policy’s key features and limitations?

Yes, if used in conjunction a standard KFS.

16. What are the main terms and language that industry should focus on to lift consumer understanding?

These would include

- Active employment/at work/gainfully employed etc.
- Active service
- Additional/voluntary cover
- Default cover
- IP/SCI/GSC/TSC etc.
- Limited cover/new events cover/PEC exclusion etc.
- Cover/sum insured/ sum assured etc.

17. What period of time should the industry be given to implement changes?

Some will need a reasonable lead time – aim for completion by 30 June 2018.

18. Should the standard terminology only apply for insurance terms and benefits available to automatic insurance members or should it apply to all insurance products offered through superannuation?

Logically it should apply to all products.

B.5 Questions

Develop a member education website and/or develop minimum education requirements for superannuation fund websites

19. Do you support the development of online member education tools focused on improving financial literacy, including education on insurance?

Many funds already have some of these tools in place – this has been a positive move and further enhancements would be welcomed.

20. Who would be the best provider of information? Should government sites such as ASIC’s MoneySmart be further developed? Should existing superannuation fund websites be further enhanced or developed?

The member’s first port of call will often be their own fund’s website – emphasis should be placed on enhancing these sites. A focus at fund level should allow the messages to be tailored to suit the members and the insurance program of the fund.

It would be good if ASIC’s site could also be further developed but this is a lower priority.

21. What tool would be useful to give you confidence in understanding and evaluating your insurance and the options available to you?

The ‘essential tools’ would include:

- A quality KFS.
- A further tool that provided the member’s cover (and premiums) in the context of the KFS.
- An insurance needs calculator and associated premium quote tool.

- Possibly a budget tool to assist in determining the level of insurance premiums that can be afforded.
- Generation of generic warning messages to members on the occurrence of particular events such as:
 - > Events leading to cessation of some/all cover.
 - > Events leading to changes in applicable policy definitions.

B.6 Questions

Develop standard, member focused event based communication guidance or rules

22. Should the industry define the key events that will trigger the requirement for superannuation funds to actively communicate with members about their insurance arrangements?

This is highly desirable.

23. If so, what should these key events be (e.g. entry into the superannuation fund, exit, when employer SG contributions cease or other events)?

They would include:

- Joining the fund.
- Applying for extra cover or applying to reduce cover.
- 'Automatic' increases in cover that result in a requirement for evidence of health.
- Increases in premium (due to age, salary increase, change in rates/rating structure) that cause premiums to exceed a fund/category specific affordability threshold.
- Events leading to cessation of some/all cover.
- Events leading to changes in applicable policy definitions.

24. Do you foresee any other challenges with requiring superannuation funds to communicate to members following certain key events?

This could be a challenge for some funds due to systems and/or data constraints.

25. Should minimum standards apply across multi-channel communication or should they be limited to paper only initially?

Applying it to paper only is the minimum standard that has been adopted in the two earlier ISWG papers.

Given the importance of communications and improving communications it would be reasonable to:

- Be consistent with the previous ISWG papers and apply the standards to paper communications.
- Where more modern technology is used, apply similar standards to those communications within reason. For example, we would expect an initial text notification to be briefer than an e-mail or hard copy letter but the total quality of the communication should be the same. In one case, it may be a hard copy letter and in another it may be a text followed by an e-mail or letter.

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Yours sincerely



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