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9 July 2018

████████████████████
Chair
Senate Economics Legislation Committee
via email: economics.sen@aph.gov.au

Dear Senator,

Re: Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2018

The Financial Rights Legal Centre (**Financial Rights**) and the Consumer Action Law Centre (**Consumer Action**) strongly support the *Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2018 (the Bill)*. For too long, the design of the superannuation regime has led to a proliferation of accounts and serious erosion of people's retirement savings. The Bill takes important steps to address the issues and represents a significant improvement on the status quo.

We note that the Bill has not changed very much from the Exposure Draft consultation run by Treasury last month. For that reason we attach our original submission and recommendations to the Treasury for the Senate Economics Legislation Committee for consider and review.

General Comments

We strongly support and endorse the comments made by CHOICE in the original Treasury consultation.¹ They state:

Reuniting people with their inactive superannuation accounts will help to fix one of the costliest problems facing Australians in saving for their retirement.

The proposed improvements to life insurance targeting will deliver big benefits to younger people and people on low incomes. From inception the policy of default opt-out life insurance in superannuation has lacked a well-developed purpose. As a result, we have seen many people paying for insurance they do not know they have and in some cases do not require. We maintain that there is still work to do to ensure members are getting value for money and properly targeted protection for when they are unable to work due to disability.

This sector has proven itself incapable of meaningful self-regulation and therefore we welcome the Federal Government's intervention to protect the best interests of consumers.

While we endorse the policy solutions as a whole throughout we have made recommendations on improvements to design to ensure it meets the intent without leading to unintended consequences.

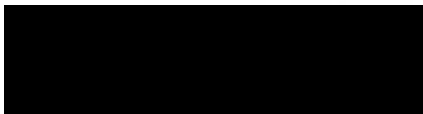
¹ CHOICE, Protecting Your Super Package, Submission to The Treasury on superannuation measures announced in the 2018/19 Federal Budget, June 2018, <https://static.treasury.gov.au/uploads/sites/1/2018/06/c2018-t286292-CHOICE.pdf>

Financial Rights and Consumer Action support the grand majority of recommendations found in the CHOICE submission. We do however believe the removal of default insurance for accounts with balances below \$6,000 should only apply to inactive accounts. We also believe the exemption of buy-sell spread fees from the ban on exit fees should be removed.

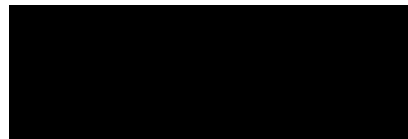
We do support the other recommendations

- The appropriate regulator should monitor fee levels after the cap is introduced to ensure compliance and report on unintended consequences.
- The appropriate regulator should monitor fee levels after the exit fee ban is introduced to ensure compliance and report on unintended consequences.
- The Federal Government should conduct a review of this policy alongside a review of alternative models for providing protection for people who are unable to work due to disability.
- A community rating system should be introduced to life insurance to prevent discrimination.
- The Federal Government should conduct a review of this policy of default insurance in superannuation in four years' time, including analysis of how effective it has been in balancing the needs and costs of insurance for young people.
- The Federal Government should conduct a review of available data across industry and government to develop more targeted insurance offers.
- Clearer obligations should be placed on trustees about what constitutes 'inappropriate erosion' under the *Superannuation Industry (Supervision) Act 1993*.
- Industry should conduct consumer testing of all member communications to ensure people are informed of the implications of their decisions with regard to life insurance.
- The Australian Tax Office should be given adequate resources to consolidate accounts, deadlines for consolidation where an active account exists and a requirement to publically report against this metric.
- The Federal Government should put processes in place to allow appeal rights on beneficiary payments to be made through the Australian Financial Complaints Authority.
- The exemption of buy-sell spread fees from the ban on exit fees should be removed.
- Alternatively, if buy-sell spread fees continue, they must be:
 - cost-reflective across all types of superannuation funds; and
 - clear, transparent and available to all fund members; and
 - identified in the Product Disclosure Statement and other documents and communications as a cost of exiting the fund.
- The removal of default insurance for accounts with balances below \$6,000 should only apply to inactive accounts.

Yours sincerely



Karen Cox
Coordinator
Financial Rights Legal Centre



Gerard Brody
CEO
Consumer Action Law Centre

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Attachments

1. Joint Financial Rights and Consumer Action submission to Treasury
2. CHOICE Submission to Treasury