

30 July 2018

Mr Mark Fitt
Committee Secretary
PO BOX 6100
Parliament House
CANBERRA ACT 2600

By email only: economics.sen@aph.gov.au

Dear Mr Fitt

**Response to Questions on Notice from the Senate Economics Legislation Committee
Inquiry into the Treasury Laws Amendment (Protecting Your Superannuation Package)
Bill 2018**

The FSC would like to thank the Committee for the opportunity to appear at the hearing on Friday 20 July 2018 and has provided the following response to the Questions taken on Notice.

Question 1:

Senator BUSHBY: There will always be individuals you can point out but, on the whole, it's people in the older cohort who tend to get the benefits from this. You can always point to exceptions; I don't argue against that.

Mr Krncevic : I think Rice Warner were clear in their comments earlier that certain cohorts and community groups benefit from having that insurance, because they may not have it elsewhere. I think it's unfair to categorize this as some people not benefiting at all. There are cohorts and community groups as well that will benefit from their insurance benefits more so than in retirement, because they may not reach the age of retirement. We have made those arguments previously in Productivity Commission submissions and we'd be happy to provide that information to this committee.

CHAIR: That'd be terrific.

Answer 1:

The FSC has previously provided evidence to the Productivity Commission of people who would lose out from changes to the provision of default life insurance in superannuation. The evidence can be found on pages 12-17 in our submission to the third stage of the Productivity Commission's inquiry into the competitiveness and efficiency of the superannuation system. The submission can be found [here](#).

Question 2:

Senator KETTER: Submissions from consumer groups say that the fee caps and ban on exit fees could be gamed? Do you have any response to that?

Mr Hansell : No, I don't believe we do. We could probably take that on notice.

Answer 2:

The FSC understands the concerns of some consumer groups around the potential for 'gaming' of fee caps and the exit fee ban.

The FSC argued in its submission to Treasury on the exposure draft legislation that there should be clarity around which fees are intended to be included in these measures, to ensure a consistent approach by industry and certainty for consumers.

We also support clear and transparent disclosure of fees and costs so that consumers are able to understand what they are being charged and effectively compare products.

We would expect regulators to be watching closely as these reforms come into effect to ensure compliance by all funds.

Clarification and correction

On Reviewing the Proof of the Hansard of the testimony given by FSC at the hearing into the Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2018 on Friday 20 July 2018, we find that some of the information provided to the Committee would benefit from clarification and correction. The following exchange occurred between FSC and the Committee Chair.

CHAIR: What does the FSC think the main purpose of superannuation is? Obviously, income in retirement is the recurring theme, but is it insurance cover also or is it both?

Mr Krncevic: The objective of superannuation is enshrined in law now. The ISWG did come up with a definition of what insurance in superannuation means. If the senators will indulge me: the objective of insurance in superannuation is to support the purpose of superannuation by providing a measure of financial support to members and/or their families if the member is prevented from working, either temporarily or permanently, to retirement age by death, terminal illness, injury or ill-health.

CHAIR: So you're suggesting that the purpose of super is both: income in retirement and insurance cover, or protection of that income—

Mr Krncevic: We do believe that insurance in super has an important part to play.

We would like to clarify that the Superannuation (Objective) Bill 2016 is before Parliament, but has not yet been passed into law.

We apologise for any inconvenience caused and ask that you alert other members of the Committee to this correction.

Yours sincerely

Allan Hansell
Director of Policy & Global Markets