

9 July 2018

Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

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

To whom it may concern

Submission for inquiry into Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2018

This response has been prepared in response to a call for submissions from the Senate Economic Legislation Committee regarding the Treasury Laws Amendment (Protecting Your Super Package) Bill 2018.

Rice Warner supports the objectives of the package, and we have identified several issues that we believe the Government should consider addressing. We attach a copy of our earlier submission to Treasury based on this package¹. Some of the issues we raised previously have been addressed, however we consider the package could still be improved.

The major issue we believe need addressing is that of “Opt-in” only cover for active members with balances under \$6,000. We consider this has significant consequences for members, funds, insurers and administrators and is not needed (Page 7 of previous submission).

In addition to the practical difficulties of implementation, this change will mean that almost all members will have no insurance cover on joining a fund unless they Opt-in. For many, they will have no life insurance until their balance is transferred from another fund. If the member dies or becomes disabled during this time, the member and their family could be severely disadvantaged.

We further note that this rule will not be needed once the changes to transfer of inactive accounts to the Australian Taxation Office are implemented as the new threshold will be \$6,000. The majority of members captured by this rule in the longer term will therefore be captured by the under age 25 or inactive member rules.

We strongly recommend that this requirement be removed.

We also highlight two further issues with the package and make the following recommendations:

- Timing of implementation of insurance design changes – we recommend deferral of commencement (Page 7 of our previous submission).
- Inability of some high-risk occupations to obtain cover, other than via the default insurance arrangements in superannuation (Page 3 of previous submission).

¹ <http://www.ricewarner.com/protecting-your-super/>

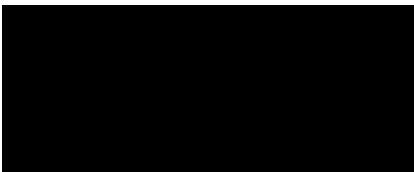
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In order to resolve this issue and other unintended consequences which may not yet have been identified, we recommend APRA be given powers to exempt (or modify) some funds from certain requirements (Page 7 of previous submission).

We would also note that the drafting of the section of the legislation that is intended to ensure accounts with insurance policies are not considered as inactive low balance superannuation accounts to be transferred to the ATO is particularly complex (identified as Schedule 3, item 30, subparagraph 20QA(1)(a)(ix) of the *Superannuation (Unclaimed Money and Lost Members) Act 1999* in section 4.23 of the explanatory memorandum). We would suggest reviewing this section of the legislation to clarify the policy intent.

We trust the information the information we have provided here is useful as you review conduct your review.

Yours sincerely



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