



## AUSTRALIA AIMS TO PROTECT DC PLANS FROM INSURANCE EROSION

*By Mercer's Paul Shallue, Fiona Webster and Stephanie Rosseau  
18 Jul 2019*

Members of defined contribution (DC) plans in Australia who join under age 25 or have low-balance accounts of less than AUD \$6,000 would have to opt in for insurance protection under the [Treasury Laws Amendment \(Putting Members' Interests First\) Bill 2019](#). As resubmitted by the Australian government, the proposals — which aim to avoid the erosion of retirement savings through inappropriate insurance — replace an earlier bill that lapsed due to the dissolution of parliament in April.

### HIGHLIGHTS OF THE BILL

**Opt-in requirements.** Trustees could no longer require certain members who fulfil the eligibility criteria to opt out if they don't want insurance coverage for a MySuper product or a Choice product. Under the bill:

- New members joining on or after 1 Oct 2019 would have to opt in for insurance coverage until the later of (i) they reach age 25, or (ii) their balance first reaches \$6,000 or more.
- Members joining before 1 Oct 2019 would have to opt in to maintain their insurance coverage if their balance has stayed below \$6,000 since 1 Jul 2019.
- Funds would have to notify their members with default coverage that their insurance will be cancelled if their balance is less than AUD \$6,000 from 1 Jul 2019 to 30 Sep 2019. Members then would have to opt in to maintain their coverage.
- Insurance coverage for accounts with a minimum AUD \$6,000 balance on or after 1 Jul 2019 wouldn't be cancelled if the balance later falls below the threshold.

**Default insurance.** Default insurance coverage would be required for a MySuper product or permitted for a Choice product for members who meet either of these conditions:

- Members of any age who join a plan before 1 Oct 2019, and whose account has had a minimum balance of AUD \$6,000 at any time after 1 July 2019 and has been active within the previous 16 months

- Members aged 25 or older who join a plan on or after 1 Oct 2019, and whose account has had a minimum balance of AUD \$6,000 at any time and has been active within the previous 16 months

**Other provisions.** The bill doesn't clarify how frequently a trustee must check members' balances to determine when they trigger the AUD \$6,000 threshold. A conditional exclusion applies for insurance fully purchased by the member's employer on top of Superannuation Guarantee contributions.

**Proposed effective date.** The proposed effective date is 1 Oct 2019, but the uncertain timing of the bill's passage and the preparatory work required to implement some provisions (for example, notifying relevant members by 1 Aug 2019) could postpone this deadline.

## RELATED RESOURCES

- [Treasury Laws Amendment \(Putting Members' Interests First\) Bill 2019](#) (Parliament of Australia)

*Note: Mercer is not engaged in the practice of law, accounting or medicine. Any commentary in this article does not constitute and is not a substitute for legal, tax or medical advice. Readers of this article should consult a legal, tax or medical expert for advice on those matters.*