

Law & Policy Group

GRIST

Australia issues Superannuation insurance standard and guidance

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Finalized Prudential Standard (SPS 250) on Insurance in Superannuation and associated Prudential Practice Guide (SPG 250) will take effect on 1 Jul 2022 and aims to improve member outcomes through enhanced requirements for trustees to select, manage, and monitor members' insurance arrangements. The Australian Prudential Regulatory Authority (APRA) has urged trustees to assess their insurance arrangements.

Highlights

- Independent certification will be required prior to entering into, or renewing, related party arrangements, or if they change materially and periodically thereafter. The certification will be limited to confirming "it is reasonable for the RSE [registrable superannuation entity] licensee to form the view that the insurance arrangement is in the best financial interests of the beneficiaries." APRA must be notified promptly about certification, or if it cannot be obtained. Transitional rules will apply to existing arrangements.
- The scope of the comprehensive review of the insurance management framework has been broadened to consider if any conflicts of interest or duty may affect the "arm's length" nature of the insurance arrangement, and if the beneficiaries' best financial interests have been prioritized.
- Trustees must be satisfied and able to demonstrate to APRA that rules are fair and reasonable for attributing an insurance status to a beneficiary (such as occupational category for a premium insurance rating).
- Fund processes must allow beneficiaries to easily opt out of insurance coverage and include how this information will be communicated to beneficiaries.
- Sufficient data must be maintained to enable an appropriate level of cohort analysis when conducting member outcomes assessments.

Related resource

- [APRA releases finalized prudential framework for insurance in superannuation](#) (Australian Prudential Regulation Authority, 12 Nov 2021)
- [Consultation on Prudential Standard SPS 250 Insurance in Superannuation](#) (Australian Prudential Regulation Authority, 12 Nov 2021)

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