



Group Insurance in 2006 and beyond

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Super and Self-Insurance

APRA & Self Insurance:

- Restricted when funds can self insure
- A decision to Self Insure must be made with due diligence.

APRA to closely monitor self-insurance:

- Under licensing, Risk Management Plans to cover self-insurance
- Self Insurance Management must include:
 - DB funds: ongoing actuarial oversight
 - for DC funds: adequate, segregated insurance reserves subject to actuarial oversight



Super and Self-Insurance

Self-Insurance Professional Standard

- Applies to all SI funds - not just regulated funds
- Careful treatment of self-insurance arising from:
 - DB funding levels
 - Unintended/unavoidable self-insurance
- Outlines issues that must be considered, allows actuarial discretion as to how they are considered
- Definition of “Insurable Benefit” is detailed and specific



Super and Self-Insurance

Actuarial oversight :

- quantify extent of self insurance
- Identify potential risk to benefits and funding
- Identify self insurance costs
- Analyse/assess impact of claims experience
- Advice/recommendations re the adequacy of reserves

The Actuary must also consider:

- funding obligations underlying the self insurance
- risks associated with the funding obligations
- the need, if any, for conservatism
- the need for protection against potential catastrophe

Group Insurance

Recently all funds & insurers have needed to consider these aspects of insurance cover:

- Choice
 - Commencement of cover
 - Participation levels for AAL
 - Termination of cover
- Portability
- Possible Future Impacts
- Possible Solutions
- Other Topical Issues



Choice of Fund & Group Insurance

Commencement of Cover

- Automatic cover on joining employer
- Must confirm within 120 days
- Premiums must be backdated to joining employer
- Those outside eligibility must be underwritten before cover applies
- Sometimes limited cover (pre-existing condition exclusion) may apply on joining outside eligibility
- Some Industry/Retail funds: cover commences on receipt of first contribution



Choice of Fund & Group Insurance

Automatic acceptance

- Fund must generally be the default fund for automatic acceptance to apply
- Usually 75% of eligible employees must have cover in corporate fund or master trust for automatic acceptance to apply
- 75% measure usually does not apply to industry funds
- Problems on voluntary group transfers
- Some industry funds use “transfer of cover” forms



Choice of Fund & Group Insurance

Termination of Cover on leaving due to choice

- Corporate usually off risk when contribution paid to another fund
 - Unless retained members have cover; or
 - Employer pays for cover in the fund for all employees
- Extended cover of 1 or 2 months after leaving usually requires premiums for this period
- Many industry funds continue cover provided balance is retained in fund (possibly only death cover)
- Continuation options generally not available

Portability & Group Insurance

Additional Considerations

- Impact of portability
- Which benefit designs are more durable

Choice of Fund & Group Insurance

Future Impacts

- Lowering or loss of AAL's
- Loss of continuation options
- Tightening of disablement definitions
- Offset of other benefits (as for SCI)
- Minimum insurance in 2008

Choice of Fund & Group Insurance

Possible Solutions

- Development of transfer protocols / personal underwriting transfer
- Taking insurance outside superannuation



Group Insurance

Other Topical Issues

- Changing workforce practices
 - Hours
 - Flexibility
 - Contracts
- Overseas cover
- Terminal illness benefits
- ASIC communication requirements
- Procedural Fairness
- SCT rulings



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