

# TERM LIFE INSURANCE SUPER MEMBER OUTCOMES ASSESSMENT

## INTRODUCTION

In this report, Equity Trustees Superannuation Limited (**we, our, us**) publishes the results of our annual assessment of how well the Term Life Insurance Super product (the **Product**) issued from the Colonial Super Retirement Fund (the **Fund**) provides member outcomes and promotes members' financial interests. The assessment is based on information as at 30 June 2020.

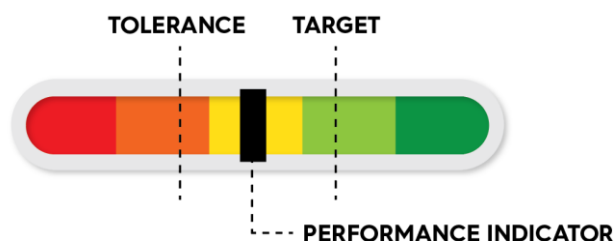
## METHODOLOGY AND STRUCTURE

In conducting this assessment, we compared the Product to other similar superannuation products using the criteria in Part 6 of the *Superannuation Industry (Supervision) Act 1993* and Prudential Standard SPS 515 *Strategic Planning and Member Outcomes*. This comparison includes outcomes related to insurance claims; and the options, benefits and facilities offered to members. These options, benefits and facilities include administration, sustainability (as a measure of the ability to deliver optimal member outcomes in the future) and liquidity.

This report also includes a dashboard that depicts our assessment of the Product's market-relative performance for each outcome we aim to provide members; a table summarising the key metrics that we relied on when making this assessment; and our commentary on this performance that includes action items to improve suboptimal performance.

For each member outcome, the dashboard presents the relevant segment of market performance. The width of each segment is based on the range of market performance for each outcome and is specific to each outcome. The positioning of the black performance indicator bar against the colour coding is our assessment of how well the outcome has been delivered.

*Example dashboard for illustrative purposes only*



The target is the average position of broadly similar products while the tolerance level is the trigger for us to consider any necessary actions to improve member outcomes.

## OVERALL ASSESSMENT

Having considered the information available to us at the time of writing, including comparing the Product with similar superannuation products, we have concluded that as a result of the following factors the Product is promoting members' financial interests:

1. having regard to member survey results and the achievement of service levels, the options, benefits and facilities offered in the Product are appropriate for members;
2. the insurance premiums charged for the Product are appropriate;
3. the insurance strategy for the Product is appropriate; and



4. although it is closed to new members and in outflow, the current scale of the Fund does not disadvantage members.

## DASHBOARD

### STRATEGIC CONTEXT

Together with the Fund’s Promoter, the Colonial Mutual Life Assurance Society (CMLA), we seek to enhance members’ retirement outcomes by providing products that allow them to protect their assets. Our objectives for the Fund are to continue member engagement and education, meet member service expectations, achieve investment returns in line with stated targets, deliver simplification initiatives, and monitor member outcomes to determine whether member interests are being promoted.

The Product is an insurance-only superannuation product.

### INSURANCE CLAIM MANAGEMENT

**Outcomes** Valid claims are accepted and paid in a timely manner.

The Product’s performance relative to other similar products



Metrics	Ref	Metric Label	Value	Tolerance	Target
	5.1	Insurer’s declined claims ratio - life cover	2.56%	3.69%	2.42%
	5.2	Insurer’s average time to decision - life cover	1.67	2.03	1.37
	5.3	Insurer’s declined claims ratio - TPD cover	8.67%	17.30%	12.27%
	5.4	Insurer’s average time to decision - TPD cover	3.46	5.80	5.01
	5.5	Insurer’s declined claims ratio - IP cover	5.84%	7.80%	5.59%
	5.6	Insurer’s average time to decision - IP cover	2.82	2.50	1.87
	5.7	Insurance-related EDR complaints	0.91	2.37	1.01

5.2, 5.4 and 5.6 The time to decision is measured in months.  
 5.3– 5.4 TPD means “Total and Permanent Disablement”.  
 5.5 – 5.6 IP means “Income Protection”.  
 5.7 EDR means “External Dispute Resolution”.  
 5.7 This is the annual number of insurance-related complaints to the Australian Financial Complaints Authority per 10,000 member accounts.

#### Commentary

The metrics in the table relate to the insurer’s management of claims for superannuation policies generally, rather than for the Product specifically.

We review all declined insurance claims to ensure the insurer has acted fairly and reasonably, and regularly monitor the time it takes in making decisions. Based on our analysis we consider that the insurer accepts and pays all valid claims in a reasonable timeframe, and that any outcomes that are outside our tolerance level are due to the circumstances of individual claims.



## MEMBER ENGAGEMENT AND EXPERIENCE

**Outcomes** Administration services satisfy member expectations.

The Product's performance relative to other similar products



Ref	Metric Label	Value	Tolerance	Target
7.1	Active member ratio	46.59%	68.18%	82.74%
7.2	Administration-related EDR complaints	3.46	4.82	2.07

7.1 The active member ratio is the portion of member accounts that in the last two years have received a contribution, rollover or transfer; or have made benefit payments.

7.2 EDR means "External Dispute Resolution".

7.2 This is the annual number of administration-related complaints to the Australian Financial Complaints Authority per 10,000 member accounts.

### Commentary

The metrics in the table relate to the Fund rather than the Product.

While administration-related complaints requiring external dispute resolution are within our tolerance level, the Fund is closed to new members which means the active member ratio is expectedly below our tolerance level.

While these measures have resulted in a rating of close to our tolerance level, we are aware that CMLA (as administrator) has consistently received above target feedback on service experience in member surveys and in most periods in 2020 has met expected service levels. Periods in which service levels were not met were the result of higher than average volumes following the COVID-19 early release of super program, which provided members with early access to their superannuation.

We will continue to work with CMLA to improve member engagement.

## SUSTAINABILITY

**Outcomes** The Product and Fund are sustainable and likely to deliver optimal outcomes in the future.

The Product and Fund's sustainability relative to other similar products



Ref	Metric Label	Value	Tolerance	Target
8.2	Movement in member accounts p.a.	-32.64%	-36.39%	-8.01%
8.3	Average member age	58.6	58.0	48.7

### Commentary

As the Fund is closed to new members, movements in member accounts and the average member age are expectedly below our targets. We expect these indicators will move further away from our targets as members move closer to retirement.

With total member benefits of \$3.0b and almost 55,000 members remaining, the Fund retains sufficient scale to deliver scale benefits and support member outcomes in the future that include tax advantages for premium payments. Nevertheless, we continue to monitor the impact that the expected reduction in Fund size may have on member outcomes.



## LIQUIDITY

**Outcomes** Benefit requests can be met in a timely manner from insurance policies.

The Product's performance relative to other similar products



**Metrics**

Ref	Metric Label	Value	Tolerance	Target
9.1	Insurer financial strength rating	AA-	BBB	AA

### Commentary

We regularly monitor whether the insurance policies would be able to meet cash requirements in extreme situations. Based on our analysis, we consider that benefits are supported by an insurer with a very strong capacity to meet its financial commitments to members. The Product was able to meet its cash requirements despite the impact that COVID-19 had on markets.