

FSC Standard No. 27

Removal of Occupational Exclusions and Occupation Based Restrictive Disability Definitions in Default Cover

10 December 2021

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FSC Membership this Standard is most relevant to:	This Standard is relevant to FSC Members broadly. However, it is of particular relevance and binding upon FSC Members who are “FSC Trustee (s)” and “FSC Life Insurance Company(ies)”
Date of this version (and commencement):	This Standard will commence on 10 December 2021 subject to a twelve (12)-month transition period and applies to an insurance claim with a Date of Loss occurring on or after this date.
Main Purposes of this Standard:	To ensure people who have Default Cover in superannuation who would otherwise be able to claim are not prevented from making a valid claim due to the nature of their occupation. The standard does this by removing the use of occupational exclusions and occupation based restrictive disability definitions by FSC Trustees and FSC Life Insurance Company(ies).
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1. Explanatory Memorandum

The *Treasury Laws Amendment (Your Future, Your Super) Act 2021* implemented the Royal Commission's recommendation to 'staple' a member to their existing superannuation product. Via stapling, an Insured Member is also attached to the Default Cover available within that superannuation product. This may mean that where the Default Cover is subject to an Occupational Exclusion or an Occupation Based Restrictive Disability Definition, an Insured Member may be unable to claim because of their Occupational Duties. Additionally, as Default Cover is received by the Insured Member automatically, the Insured Member may be unaware an Occupational Exclusion or an Occupation Based Restrictive Disability Definition applies until the point of claim. By then, it is too late and an Insured Member who would otherwise be entitled to claim may be unable to access Life Insurance Benefits.

To address this issue, this enforceable standard requires the removal of Occupational Exclusions and Occupation Based Restrictive Disability Definitions in the design of Default Cover in superannuation arrangements for Life Insurance Benefits.

The standard will apply to both FSC Trustee(s) in the Default Cover arrangements they design for Insured Member(s), and to FSC Life Insurance Company(ies) in the Group Policy they offer to Trustee(s).

2. Definitions

Date of Loss

The date an Insured Member becomes eligible to claim as defined in the Group Policy between the Trustee and the FSC Life Insurance Company.

Default Cover

Life Insurance Benefits that automatically cover Insured Members under a Group Policy when they join, or first become eligible and receive that Default Cover from their superannuation fund. It is not considered Default Cover where a person is underwritten to obtain that cover.

FSC Life Insurance Company

A Life Insurance Company which is a member of the FSC.

FSC Trustee

A Trustee that operates a Registrable Superannuation Entity (RSE) under the provisions of the Act¹ and is a member of the Financial Services Council (FSC).

Group Policy

The policy between a Trustee and a FSC Life Insurance Company that provides Default Cover for a group of members rather than for an individual member.

Insured Member

A person who has Life Insurance Benefits in superannuation.

Life Insurance Benefits

Life cover, terminal illness cover, total and permanent disability cover and income protection cover as provided to an Insured Member.

Life Insurance Company

As defined in *FSC Guidance Note 5 Industry Terms and Definitions*.

¹ Superannuation Industry (Supervision) Act 1993 (SIS Act)

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Occupation Based Restrictive Disability Definitions

A term within a Group Policy that prevents an Insured Member from claiming under certain definitions of disability due to one or more of the Insured Member's current or previous Occupational Duties.

Occupational Duties

The duties or responsibilities of an Insured Member's occupation. It does not include the employment status of the Insured Member or the hours worked by an Insured Member.

Occupational Exclusions

A term within a Group Policy that precludes payment of a claim for default Life Insurance Benefits for an Insured Member due to one or more of the Insured Member's current or previous Occupational Duties.

Trustee

As defined in *FSC Guidance Note 5 Industry Terms and Definitions*.

3. Application of this Standard

- 3.1 This Standard applies to FSC Trustee(s) and FSC Life Insurance Company(ies).
- 3.2 All Trustee(s) and Life Insurance Company(ies) regulated by APRA that are not FSC Members are encouraged to follow this Standard.
- 3.3 Where there is a conflict between the requirements of this Standard and any applicable legislation, the requirements of this Standard should, having regard to the purpose of the Standard, be modified appropriately so that, as far as is practicable, a registered FSC Life Insurance Company and FSC Trustee can comply with the requirements of this Standard.
- 3.4 This standard only creates obligations between the entities bound by it and the FSC. It does not create rights for any other parties.
- 3.5 The FSC will undertake a review of this Standard 3 years after it commences.
- 3.6 None of the provisions in this Standard can apply to proceedings in a court or tribunal.

4. Removal of Occupational Exclusions and Occupation Based Restrictive Disability Definitions for FSC Trustee(s)

- 4.1 This Standard requires:
 - 4.1.1 FSC Trustee(s) to request removal of Occupational Exclusions or Occupation Based Restrictive Disability Definitions for Default Cover, subject to section 6 of this Standard; and
 - 4.1.2 FSC Trustee(s) not to request Occupational Exclusions or Occupation Based Restrictive Disability Definitions from a Life Insurance Company for Default Cover, subject to section 6 of this Standard.

5. Removal of Occupational Exclusions and Occupation Based Restrictive Disability Definitions for Life Insurance Company(ies)

- 5.1 This Standard requires FSC Life Insurance Company(ies) to not proactively offer Occupational Exclusions or Occupation Based Restrictive Disability Definitions to Trustee(s) for use in Default Cover in a Group Policy.
- 5.2 This Standard does not preclude FSC Life Insurance Company(ies) from providing a Trustee with Default Cover in a Group Policy that contains Occupational Exclusions or Occupation Based

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Restrictive Disability Definitions if that Trustee requests them for their Group Policy where the Trustee considers them to be in the best interests of Insured Members.

6. Coverage

- 6.1 This Standard has the intended effect of only applying to Insured Members who have Life Insurance Benefits, as Default Cover in their superannuation account.
- 6.2 This Standard does not apply to:
 - 6.2.1 A member of a defined benefit superannuation scheme;
 - 6.2.2 an ADF Super member (within the meaning of the *Australian Defence Force Superannuation Act 2015*) who is:
 - 6.2.2.1 A member of the armed forces (within the meaning of that Act); or
 - 6.2.2.2 A continuous full-time reservist (within the meaning of that Act);
 - 6.2.3 A person who would be an ADF Super member covered by section 6.2.2 of this Part apart from the fact that the Trustee is or was a chosen fund for contributions for the person's superannuation;
 - 6.2.4 A person who is a member of any armed forces of any other country, territory, foreign international or terrorist organisation; or
 - 6.2.5 Insured Member(s) who misrepresent their occupation to receive Default Cover.
- 6.3 For the avoidance of doubt, a person's occupation can be asked for and used by a Trustee to determine whether it will offer Default Cover to that person.

7. Non-occupational exclusions and restrictive disability definitions

This Standard will not limit an FSC Trustee or a FSC Life Insurance Company from applying exclusions other than Occupational Exclusions or restrictive disability definitions which are not Occupation Based Restrictive Disability Definitions.