



16 April 2021

Mr Mark Fitt
Committee Secretary, Senate Economics Legislation Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

VIC and National Office
L22, 130 Lonsdale St
Melbourne 3000
PO Box 24231
MELBOURNE VIC 3001
P: (03) 9910 0200
F: 1300 228 739

Dear Mr Fitt,

Cbus' response to Question on Notice – Inquiry into Treasury Laws Amendment (Your Future, Your Super) Bill 2021

During an appearance before the Committee on Thursday 8 April 2020, the Chair asked Cbus:

On notice, could you give us a list of super funds that would not allow a person with default insurance to claim because they moved into, say, the construction industry or work on a building site? Is that possible?

We provide the below and attached in response.

In April 2021, Cbus commissioned Rice Warner to review the approach taken by the approximate top twenty MySuper funds regarding:

- Exclusions or restrictions in cover for Occupational risk
- Default cover for high risk industry regarding the dangerous occupation exemptions for under 25-year olds
- Death, Terminal Illness and Total and Permanent Disability (TPD) definitions

Cbus and Rice Warner agreed upon a peer group of 20 funds, which accounts for approximately 11.5 million MySuper accounts at 30 June 2020. This is equivalent to 82% of all MySuper accounts and therefore represents a good majority of the segment. We note that these funds hail from both the industry and retail sectors.

The key findings of this review were:

Exclusions for workers in building and construction and other hazardous occupations

Building and construction occupations are excluded and restricted by a number of funds in the peer group.

Common restrictions and exclusions include those who work at heights above 10 or 15 metres, those who work around high voltage, and at some funds, exclusions based on risk factors are determined on a case by case basis, at the insurer's discretion.

Some funds maintain restricted benefit periods for workers in hazardous occupations and also restrict maximum monthly benefits to those workers.

Commonly excluded occupations include:

- Boilermaker
- Bricklayer
- Carpenter

ACT
2 Badham St
Canberra 2600
P: (02) 6143 6046

NSW
L25, 44 Market St
Sydney 2000
P: (02) 8027 3515

NT
L1/29 Daly St
Darwin 0800
P: 0419 555 261

QLD
L3A, 300 Adelaide St
Brisbane 4000
P: (07) 3638 6123

NORTH QLD
448 Flinders St
Townsville 4810
P: 07 4772 761

SA
Ground Floor,
50 Flinders St
Adelaide 5000
P: (08) 7223 2125

TAS
PO Box 2001
North Hobart 7002
P: (03) 9910 0309

WA
L1, 82 Royal St
East Perth 6004
P: (08) 6430 4201

- Concreter
- Dogman
- Fitter and turner
- Labourer
- Painter
- Plasterer
- Plumber
- Electrician
- Rigger
- Scaffolder
- Welder

Case study: Fund A

Fund A provides a list of excluded occupations where members are not eligible to receive TPD or IP cover. Some occupations in the heavy blue-collar category are only eligible for Death cover.

Fund A also provides a list of occupations which have restricted benefit periods for listed occupations and restricted maximum monthly benefits.

Fund A's excluded building and construction occupations (for TPD and IP cover):

For TPD: Bricklayer – unqualified, Carpenter – qualified (greater than 15m height), Concreter, Dogman, Labourer, Painter (over 15m/not qualified, min 3 yrs exp), Plumber – roofs (trade qualified, greater than 15 m), Rigger, Scaffolder, Welder (other, pipeline).

For IP: Bricklayer – unqualified, Carpenter – qualified (greater than 15m height), Dogman, Labourer, Painter (over 15m/not qualified, min 3 yrs exp), Plumber – roofs (trade qualified, greater than 15 m), Rigger – greater than 15 m, Scaffolder – greater than 15m, Welder (other, pipeline).

If a member was stapled to Fund A and was commencing a role as a Concreter, Dogman¹ or Labourer, while paying premiums, they would not be able to make a claim on TPD cover due to the policy's occupational exclusions.

Cbus default cover

Cbus offers default cover to all members working in hazardous occupations from day 1 on site. There are approximately 34,800 new entrants to the construction workforce annually. Building and construction is the third-highest sector for fatalities in the workplace. Most workplace accidents occur among workers new to the industry, typically young men.

Putting Members' Interests First – Dangerous Occupation Exception

Under the dangerous occupation exception super funds can elect that members employed in high risk occupations can be provided with insurance cover even if they do not meet the age (over age 25) or account balance (over \$6,000) requirement of the Putting Members Interests' First (PMIF) legislation.

¹ WorkSafe Victoria describes dogging and dogmen as: "Workers who need to exercise judgement to sling loads or who direct crane movement from outside the crane operator's full view (such as with whistle signals or radio)."
<https://content.api.worksafe.vic.gov.au/sites/default/files/2018-06/ISBN-Certification-licensing-and-qualifications-checklist-2006-03.pdf>

The following funds opted to provide default insurance cover to high risk occupation members under the dangerous occupation exception. All other funds have now switched off default cover for new members under 25s.

- Cbus
- BUSSQ - Automotive and Engineering Trade Workers, Construction Trades Workers, Machinery and Stationary Plant Operators, Mobile Plant Operators, Road and Rail Drivers, Store persons, Construction and Mining Labourers, Factory Process Workers, Farm, Forestry and Garden Workers and Other Labourers.
- MIESF - Construction and Mining Labourers, Other Labourers, Construction Trades Workers, Electrotechnology and Telecommunications Trades Workers, Automotive and Engineering Trades Workers, Machine and Stationary Plant Operators, Mobile Plant Operators, Road and Rail Drivers, Skilled Animal and Horticultural Workers, Farm, Forestry and Garden Workers, Farmers and Farm Managers, Protective Service Workers, Factory Process Workers and Health and Welfare Support Workers.
- TWUSUPER – Road and Rail Drivers, Machinery and Stationary Plant Operators, Mobile Plant Operators, Store persons, Other Labourers, Factory Process Workers.
- First State Super – Police and Ambulance officers.
- QSuper – Police, Ambulance officers and Fire and Emergency services.
- ANZ - Road and Rail Drivers, Farmers and Farm Managers, Farm, Forestry and Garden Workers, Other Labourers, Construction and Mining Labourers, Mobile Plant Operators, Machine and Stationary Plant Operators, Construction Trade Workers, Design, Engineering, Science and Transport Professionals, Electrotechnology and Telecommunications Trade Workers, Sports and Personal Service Workers and Emergency Services Workers.

TPD definitions

A majority of funds, including Cbus, require the member to be “unlikely” to work again in their suited occupation. One product in the peer group requires the member to be “*unable ever to be able to engage in any occupation, whether or not for reward*”. This sets a very high bar, which serves to effectively significantly reduce the claims acceptance rate. One fund requires the member to be unable to work again in their suited occupation. This also sets a high bar which serves to effectively significantly reduce the claims acceptance rate.

Most funds use an ‘activity of daily living’ test to determine claims for total and permanent disability. Cbus uses a different test: the ‘everyday work activities’ test. ASIC Report 633 *Holes in the safety net: A review of TPD insurance claims* identified poor member outcomes arising from funds which offer ‘Activity of Daily Living’ test definitions.

Cbus was praised for its generous terms in ASIC’s report (p40):

Not all ADL claims had a high declined rate

126 One policy we reviewed demonstrated positive consumer outcomes for ADL claims. The product issued by TAL to Cbus had an accepted claim rate of 86% under its ‘everyday work activities’ definition (30 out of 35 claims).

127 The following factors may explain the high acceptance rate for TAL’s Cbus ‘everyday work activities’ claims:

(a) The eligibility criteria in the policy are more generous than those of many other policies, allowing people who have been unemployed for up to 12 months to claim under the broader TPD definition (compared to the more common barrier of only six months of unemployment before you lose access to the broader TPD definition). As building industry workers may work intermittently on project contracts, the 12-month period ensures that this time between contracts is sufficiently accounted for.

(b) The disability criteria in the policy are based on an inability to do two rather than three 'everyday work activities'.

(c) The disability criteria in the policy are clearer, more concise and more effective than other definitions we reviewed, setting out specifically and in plain language what the consumer will be assessed against—for example, 'you can't read ordinary newsprint and pass the standard eye test for a car licence (even with glasses or contact lenses)'. This not only makes the criteria easier for consumers to understand but also reduces subjectivity in the claim assessment process.

Recommendation based on the above evidence

The Productivity Commission recommended a mechanism to prevent adverse outcomes from stapling, including being stuck with unsuitable insurance. Without one, workers in the building and construction industries and their families are at risk of being left high and dry when tragedy strikes.

Workers in the top quintile of hazardous occupations, including building and construction workers, should not be stapled to their first fund, but rather continue to default into the appropriate industry-specific fund which offers insurance suited to their needs. This will ensure that they are covered by high quality, industry-specific insurance from their first day on site. The Parliament recognised this imperative as part of the Putting Members Interests First changes to insurance. Cbus recommends a consistent approach here.

Yours faithfully,

Justin Arter
Chief Executive Officer
Cbus Super

Cbus' Tailor-made Default Insurance Offering for Workers in Hazardous Occupations

Cbus is a high performing fund with an excellent record of benefit provision to members, with \$298 million in claims paid for the 2019/2020 financial year (and \$248 million in the prior year) for close to 3,000 claims (and 2,550 in the prior year). Claim acceptance rates have been very good over the last 3 years (to 30 June 2020), with around 96% of all insurance claims accepted, and 94% of total and permanent disablement claims accepted.

In October 2019, **ASIC singled out the positive aspects of the Cbus TPD policy in an otherwise scathing report into TPD insurance market** (REP 633, Holes in the Safety Net). Generosity in the eligibility criteria and high levels of engagement with its members throughout the claims process are identified as the superior features of Cbus insurance product.

APRA's latest Life Insurance Claims and Disputes Statistics report (released 20 October 2020) found that the claims paid ratio (being the dollar amount of claims paid out in the reporting period as a percentage of the annual premiums receivable in the same period) for the 12 months to June 2020 was **Death:** 42% individual advised, 40% individual non-advised, 85% group super, and **TPD:** 49% individual advised, 35% individual non-advised, 95% group super – noting the vast majority of these policies (including group policies offered by superannuation funds) would contain exclusions rendering many building and construction workers effectively un-insured.

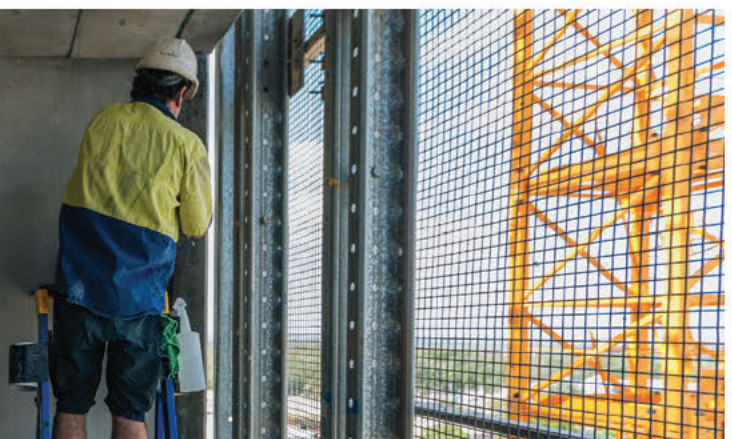
Building and construction is the third highest sector for fatalities in the workplace, sharing a top quintile risk rating with emergency services, including policing and paramedicine and ambulance work.

For building and construction workers, being stapled to an inappropriate fund could detrimentally impact their access to and ability to claim against insurance if tragedy strikes.

An election to rely upon the **PMIF 'Dangerous Occupation Exception'**, based on actuarial certification of the risk rating of occupations within the building and construction industry (top quintile of risk) and supervised by APRA, has meant that Cbus is one of a handful of funds who could continue to offer all members who work in a dangerous occupation access to automatic insurance cover. **Cbus has continued to provide universal opt-out cover for all 'manual occupation' workers, including apprentices, from the first day of work, without each member having to go through full health checks with the insurer.**

"I pay more to insure my car, and it's a piece of tin. This is my life we're talking about."

Cbus Member



Cbus' default insurance offering – value-adding differentiators

Death cover

“Workers in the construction industry face a significantly higher risk of suicide than the general population.”

(National Coronial Information System, December 2014).

Many funds' Death cover has exclusions for suicide – being either an extended waiting period or simply no cover. Building and construction workers are at a higher risk of suicide. Cbus provides death cover for all insured members for suicide with no waiting period.

Case study: A male member was 22 years old at date of death from suicide and employed in a manual occupation. The member was single but was survived by a toddler who was living with their Legal Guardian. The insurance cover was 4 Units of Death & TPD cover with a sum insured of \$208,000. The benefit was paid to the Legal Guardian as trustee for the child.

Many funds do not provide death and TPD cover for suicide or self-inflicted acts. Unfortunately, rates of suicide and self-inflicted acts among those employed in blue collar occupations such as construction are higher than those in other occupational groups. Suicide is one of the highest causes of death amongst Cbus members.

For this reason, Cbus is one of the few funds that provides death and TPD cover for suicide and self-inflicted acts, and without any conditions (such as a 12 or 24 month waiting period).

Cbus has paid out more than \$60 million in death and TPD claims to 373 members or their beneficiaries who have died by suicide or had self-inflicted acts over the past five years to 30 June 2020.

TPD cover

- Cbus has a fair definition for TPD 'Unlikely to ever work again (better than 'Unable or Incapable of ever working again') in an occupation suited by education, training and experience' (better than 'any occupation');
- Where a member has been unemployed for more than 24 months (better than a lesser period, which is often only 6 months) members are tested against 'Everyday Work Activities' (better than 'Activities of Daily Living');
- Under the Everyday Work Activities test of the TPD definition, Cbus has a 'Psychiatric Impairment' assessment for cases where the member has a specified medical condition or mental disorder.
- From 1 February 2020, Cbus has increased the 'unlikely to return to work' assessment test timeframe. It applies even if members have been out of work for up to 24 months, an improvement on what was previously a 12 month rule.

Most funds exclude or modify cover for Total and Permanent Disablement. For example:

- BT Super will assess a Labourer against Activities of Daily Living – a practice ASIC concluded amounted to 'junk insurance'. This would pay out only in the most catastrophic circumstances.
- AMP, Hostplus, REST, Colonial First State and MLC explicitly don't insure workers for TPD if they work in high risk occupations.
- Individual retail insurance policies require building and construction workers to incur significant premium loading, making these policies far less affordable – and still likely less comprehensive – than Cbus' offering.

Case study: A male Cbus member, 49 years old and a sheet metal worker fell from height in the course of work while installing air conditioning ducting. The member received a TPD benefit after suffering a traumatic brain injury.

Most funds do not provide TPD cover for workers in higher risk heavy blue collar occupations. In building and construction, this can include Boilermakers, Bricklayers, Carpenters, Concreters, Dogmen, Fitter and Turners, Labourers, Painters, Plasterers, Plumbers, Electricians, Riggers, Scaffolders and Welders. For example, some funds don't provide cover for people working above 15 metres and with heavy machinery.

Cbus is one of the only funds that provides TPD cover for all of the above occupations and workplace environments.

Cbus has paid out \$506 million in TPD claims to 6,653 members who have been permanently disabled and in the manual occupation category over the past five years to 30 June 2020.



Cbus
Locked Bag 5056
PARRAMATTA NSW 2124



1300 361 784
8am to 8pm (AEST/AEDT)
Monday to Friday



cbusenq@cbussuper.com.au
cbussuper.com.au



Visit Cbus in person in Adelaide,
Brisbane, Melbourne, Perth and Sydney.
Details: cbussuper.com.au/contact

Cbus' Trustee is United Super Pty Ltd. ABN 46 006 261 623 AFSL 233792 Cbus ABN 75 493 363 262

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