



INSURANCE STRATEGY

Colonial Super Retirement Fund **ABN 40 328 908 469**

[OVERVIEW]

BACKGROUND

Equity Trustees Superannuation Limited (the 'Trustee') is the Registrable Superannuation Entity Licensee for the following Colonial Super Retirement Fund products:

- Colonial Personal Superannuation Portfolio
- Colonial Select Personal Superannuation
- Commonwealth Personal Super & Rollover Plan
- Commonwealth SuperSelect
- CPSL Master Fund Superannuation
- Cypros – Super
- Managed Investment Super Plan
- Retirement Saver
- Retirement Saver Plus
- Super Money Plan
- Supercare, Superlink, Superunit
- Superwise (version 4 & 5)
- Umbrella Financial Plan
- Umbrella Investment Plan
- Term Life Insurance Super
- Income Protection Super
- Cycle Term Assurance
- Cycle Umbrella Term Plan
- Umbrella Term Plan
- Super Term Life

Collectively referred to in this document as the Fund.

This document sets out the objectives and strategy of the Trustee in respect of insurance cover provided for members of the Fund.

[INSURANCE OBJECTIVES & DESIGN]

INSURANCE OBJECTIVE

The Fund offers a range of voluntary insurance options enabling members to tailor their insurance benefits to their individual needs. The Fund contains a range of personal super, pension, traditional whole of life, endowment and risk only. Several of the legacy products have unique benefits and structures no longer available in the contemporary marketplace. All of the Fund's products are now closed.

There is no default level of insurance cover within the Fund.

INSURANCE OFFER DESIGN PRINCIPLES

The Trustee has determined the Fund's insurance offer must provide the opportunity for members to change their existing cover as their financial circumstances and insurance needs change, subject to underwriting if applicable.

As the insurance cover is voluntary, it is expected that members have determined the level and types of insurance appropriate to their needs and in consultation with their adviser, if applicable.

[INSURANCE BENEFIT OFFER]

INTRODUCTION

While insurance remains available to existing members of the Fund, new cover is no longer offered.

As part of its governance and oversight, the Trustee will review the arrangements with the Insurer and assess the adequacy of insurance offered by accessing market or product research, advice from subject matter experts (e.g. independent third-party review), relevant member enquiry information, and feedback from stakeholder groups including financial advisers.

KINDS OF INSURANCE

The kinds of insurance available are:

- Death and Terminal Illness cover
- Total and Permanent Disablement (TPD) cover
- Income Protection cover – with a range of options for waiting and benefit periods appropriate to their needs

LEVEL OF INSURANCE

The insurance value will generally be:

- a fixed amount of insurance for each member, or
- a variation of the above with an allowance made for future increases in the benefits by indexation and / or change for the value of accumulated retirement benefits.



In some cases, the level of insurance may be limited due to the nature of the product, the period that the product has been or was open to new members and the terms of the insurance policy.

The Trustee will seek to give existing insured members the opportunity to request to increase (subject to underwriting) or decrease the level of their insurance cover.

COST OF INSURANCE

The Trustee recognises that the Insurer may charge different insurance premiums to members within and across the various products, which in general would be based on the following:

- Occupation
- Gender
- Smoker Status
- Health Status
- Hazardous Pursuits
- Date acquired or amended
- Terms and conditions

As the insurance cover is voluntary, it is expected that members have determined the level and types of insurance appropriate to their needs and budget at the time of choosing their cover. The funds regular communication and disclosures ensure that each member, along with their adviser, can monitor and maintain cover that is suitable, and which will not inappropriately erode their retirement savings.

INSURANCE GOVERNANCE

CONFLICTS MANAGEMENT

The Trustee's approach to conflicts that may arise through making available insured benefits in the Fund is that any actual, perceived or potential conflict must be declared, evaluated, recorded, and the management of the conflict must be fair transparent, accountable and free from bias.

In managing conflicts, the Trustee seeks to:

- control the conflict so that it does not affect the quality of the services provided to members.
- avoid the conflict where it has a service impact, is adverse to the best interests of the members of the Fund, or is illegal;
- disclose the conflict by taking reasonable steps to inform members of the conflict before any service to them is provided – this disclosure would be in writing, timely, prominent and specific.

Any actual or potential conflicts in the offering of insurance shall be managed in line with the Trustee's Conflicts Management Framework.

MONITORING, REVIEWING AND REPORTING OF INSURED BENEFITS

The monitoring processes of the trustee include the following:

- Maintaining appropriate levels of regular contact with the Insurer and the Fund Administrator. This will range from operational contact to senior management involvement.
- Quarterly insurer reporting
- Monitoring of:
 - Profitability analysis of premiums against claims
 - Processes and control environment
 - Underwriting and claims philosophy
 - Data control, adequacy, accuracy and integrity
 - Risk and compliance controls
 - Compliance with any relevant code of practice
 - Financial stability and balance sheet strength
 - Market competitiveness
 - Half-yearly insurer compliance attestations.

Whilst the performance against agreed service standards is monitored on a quarterly basis, there are certain "trigger" events which may necessitate review of the insurance arrangements.

Where performance is outside the agreed performance levels, the Fund Administrator, Insurer and Trustee will investigate to understand any underlying issues, before liaising with the relevant parties to ensure the correct controls are in place to prevent the issue recurring.

CLAIMS MANAGEMENT & DISPUTE PROCESS

The Trustee's Claims Philosophy aligns with its fiduciary obligations to look after members' best interest by:

- assessing the Insurer's claims philosophy and approach to claims management. The insurer must have the ability and willingness to assess and pay claims expeditiously.
- pursuing genuine claims where there is a reasonable prospect of success.
- reviewing every declined claim through a Claims and Insurance Committee to ensure that the insurer's decisions are fair and reasonable.
- supporting rehabilitation initiatives to help members improve their condition.

The Trustee ensures that all complaints related to claims and underwriting are dealt with in accordance with the Trustee's Complaints Handling Policy and relevant complaints handling protocols and procedures. If the complaint relates



to the actions or decisions of the Insurer or Administrator, the Trustee will ensure:

- That the complaint has been referred to the Insurer or Administrator as applicable for consideration and response; and
- Satisfy itself that the Insurer or Administrator has acted in utmost good faith.

However, if any issue remains unresolved, the Trustee may pursue the decision that has been made by the insurer if there is a reasonable prospect of achieving the desired outcome for the member or one that is in the best interests of the fund members.

INSURANCE REVIEW

The Trustee will regularly review the current offering in terms of cover options, reasonableness of cost, claims experience and the insurer’s service standards. The insurance arrangements would be evaluated to determine whether a benchmarking or full remarket against several comparable insurers (at least two) or an independent third-party review is appropriate. A report is produced upon which recommendations would be made to the Trustee Board.

Annual review of the insurance arrangements will be completed by the Superannuation Trustee Office (STO) and the scope will include an assessment of the performance of the insurer under the insurance arrangements against agreed service standards.

The results of the annual review of the insurance arrangements, including performance against the agreed service standards, will be reported through to the Trustee Board. It is envisaged that certain circumstances identified in the regular monitoring processes may trigger the need for an ad-hoc review of the insurance arrangements to be completed. The STO may initiate a review if it is found that there has been a significant level of poor service or performance by the insurer, a significant increase in the cost of the insurance or if there has been a significant change in the quantity and/or demographics of the membership base.

Market benchmarking is undertaken on a regular basis to ensure premium rates are competitive relative to comparable (non-related party) products in the market.

As part of the benchmarking, the Trustee will also monitor product developments (including terms and conditions) in the market and engage the insurer to understand the impact on premium rates of any potential changes to product design.

Claims experience will also be monitored. For this purpose, key metrics will be requested from the insurer which may include:

- loss ratios
- incidence rates
- average size of claim amounts
- decline rates
- reported claim volumes and
- trend analysis

SELECTION OF INSURER

The due diligence process includes consideration of various listed selection criteria, which would themselves be reviewed for relevance having regard to the complexity of the Fund’s insurance requirements, legislative change and emerging claims experience.

In considering the insurance review and any recommendations received, the Trustee will ensure that the engagement of any insurer is:

- fair and transparent,
- at arms-length and
- in the best interests of members.

In the event that the current insurer does not continue to meet the needs of the Trustee and the members (including meeting the minimum requirements in the table below), a replacement or additional insurer may be selected using the Trustee’s standard procedure for Selection of Insurer which is documented separately within its Insurance Standard Procedures.

In selecting the insurer(s), the following minimum criteria are considered:

Criteria	Minimum requirement
Financial Strength Rating	S&P – ‘A’
Solvency reserves	Life Insurance (Prudential Standard) LPS 100 Solvency Standard
Current Business Continuity Plan	A business continuity plan needs to be made available to the Trustee and the Trustee must be satisfied with the processes the insurer has in place
Number of similar sized clients	Evidence of managing sufficient scale in group life and income protection (if applicable)
Decisions made in Australia	Geographical presence within Australia
Other	▪ Evidence of sufficient resources (human, IT,



Criteria	Minimum requirement
	<p>systems etc.) to effectively provide insurance services.</p> <ul style="list-style-type: none"> Effective risk and compliance framework. Strong brand and good market reputation (determined by reference to external benchmarking results) Required to comply with the Financial Services Council Life Insurance Code of Practice from 1 July 2017

Criteria	Minimum requirement
	<ul style="list-style-type: none"> Must be an APRA registered Life Insurer

The current Insurer is The Colonial Mutual Life Assurance Society Ltd ABN 12 004 021 809 AFSL 235035

Insured benefits made available to Fund members are undertaken via written legally binding agreements between the Trustee and the Insurer. The Trustee carries out due diligence on these Insurance Policies (which in some instances are incorporated with the Product Disclosure Statements), the Insurance Service Agreements and accompanying procedures with the Insurer (the Agreements)