



Workplace Insurance

Submission by the Australian Council of Trade Unions to the Treasury review of occupational exclusions in default insurance offered through MySuper products

ACTU Submission, 14 October 2021
ACTU D. No 53/2021

Since its formation in 1927, the Australian Council of Trade Unions (ACTU) has been the peak trade union body in Australia. There is no other national confederation representing unions. For more than 90 years, the ACTU has played the leading role in advocating in the Fair Work Commission, and its statutory predecessors, for the improvement of employment conditions of employees. It has consulted with governments in the development of almost every legislative measure concerning employment conditions and trade union regulation over that period.

The ACTU consists of affiliated unions and State and regional trades and labour councils. There are more than 30 ACTU affiliates. They have approximately 2 million members who are engaged across a broad spectrum of industries and occupations in the public and private sector.

The ACTU and its affiliated unions played a foundational role in winning superannuation as an industrial right for all working people, and with employers established and continue to be custodians of workers' retirement savings through industry superannuation funds. Living well after work is fundamental to the wellbeing of working people and attaining dignity and independence in retirement for all working people is a core goal of the union movement.

By opening this consultation, the Government have acknowledged a problem of their own making. In legislating for stapling the Government has, for many workers, severed a key protection in superannuation which is an occupationally appropriate fund. Since the campaigns to win superannuation entitlements for working people, workers and their unions have fought for workers to have their superannuation in a fund which reflects their diverse needs. Industry funds were founded in partnership with employer organisations to ensure that workers' retirement savings were stewarded with transparency, without profit, and with products and services which were underserved by financial services generally. It is with this objective that industry super funds developed specialised insurance policies to lower the cost of insurance while increasing the value, targeting group insurance at the predominant occupations in the fund.

The Government legislated for stapling with no care for the impact it would have on industrially appropriate insurance arrangements through superannuation. It ignored a policy principle which unions argued for in the *Protecting Your Superannuation Package*, and the *Putting Members Interests First* Bill that workers, especially those in high-risk industries, should by default have insurance provided through their super which is occupationally appropriate. The *Putting Members Interests First* Bill contained important concessions from Government which permitted the provision of default group insurance for workers the fund could identify were in high-risk industries. Stapling, however, upends this model and will leave many young workers at risk.

Young workers in high-risk industries are some of the most in need of insurance due their comparably higher rate of injury, and lower level of experience. This cohort will be underinsured as a result and they, and their families, will suffer. The Government should immediately abandon stapling which will tie workers to dud funds for life and break a highly functioning insurance model.

Despite this, occupational exclusions should not be permitted to remain in the system. No worker should hold an insurance policy they cannot claim on, and this should be the principal objective of legislation to rectify the Government's created problem. The consultation paper, however, confuses default insurance with default superannuation offering. A worker who joins a superannuation, either MySuper or Choice, rarely makes an election on the kind of insurance they are provided with by default. Making a choice of superannuation product does not imply a choice of insurance product, and the treatment of occupational exclusions should reflect that. Should a worker make a choice of a particular insurance product, however, they should be provided with the option to choose a product which is appropriate for them and that may have exclusions associated with it.

Recommendation

No worker should have an insurance policy they cannot claim. Legislation should be developed which substantively bans the exclusion of a claim based on occupation.

Legislation should prohibit clauses in insurance policies issued by default through MySuper or Choice Superannuation products to deny a claim based on:

- Occupation, engagement in education or training, unemployment, or lack participation in the labour force or education;
- Circumstances of employment including self-employment;
- Place of work, regular or not;
- Activity undertaken during education, vocational training, or participation in employment programs;
- Activity undertaken in work; or
- Type of employment, or regularity of work.

The prohibition should also ensure that insurers cannot consider the above factors when determining a claim, should the policy allow the insurer final discretion. Workers should have comfort knowing their insurance will look after them, and insurers should not be permitted to deny claims unfairly.

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