



Australian Government  
The Treasury

## Ministerial Submission

MS25-000598

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### **FOR ACTION - Mandatory member service standards for the superannuation industry**

**TO:** Assistant Treasurer and Minister for Financial Services - The Hon Daniel Mulino MP

**CC:** Treasurer - The Hon Jim Chalmers MP

#### **TIMING**

By 4 July to allow Treasury to organise targeted stakeholder roundtables in July.

#### **Recommendation**

- That you agree to Treasury undertaking targeted public consultation on the draft member service standards (**Attachments A and B**).

**Agreed / Not agreed**

- That you note following consultation Treasury will seek your agreement to bring forward a Cabinet Submission with final details of the standards and the proposed mechanism to implement them as mandatory.

**Noted / Please discuss**

- That you note Treasury alongside regulators will meet with industry and set our expectations on cyber resilience, and work with your office to set up a future meeting where industry can update you on progress.

**Noted / Please discuss**

Signature	Date: / /2025
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## KEY POINTS

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- On 28 January 2025, the Government announced mandatory and enforceable service standards for the superannuation industry. The scope of these standards covers general member communications, as well as death benefit and insurance claims handling. See **Attachment C** for background.
- In line with this announcement, Treasury has developed draft member service standards (**Attachment A**) informed by feedback from initial consultations with consumer advocates, regulators and industry stakeholders.
- We are seeking your agreement to undertake targeted public consultation on the draft member service standards to allow for the preparation of the service standards with a view to having legislation ready for introduction by the end of 2025.
  - We propose four roundtables with industry associations, a selection of superannuation funds who spoke to us in the initial consultation phase, administration providers, and consumer groups who can speak to the experiences of vulnerable members (**Attachment B**). We anticipate that industry associations will also organise roundtables of their members (e.g. s 47E(d)). We will also accept written feedback.
  - This would be a non-confidential consultation to understand if the standards will have the desired policy effects and any unintended consequences. s 47E(d)

### Initial stakeholder consultation

- Treasury undertook initial consultation with consumer advocates, regulators and industry stakeholders to gather input to inform a first draft of the standards (**Attachment D**).
  - Treasury has held 24 meetings with key stakeholders, including a workshop with the Australian Securities and Investments Commission (ASIC), the Australian Prudential Regulation Authority (APRA), and the Australian Financial Complaints Authority (AFCA) (**Attachment D**).
- Stakeholders were broadly supportive of service standards, including the initial scope, with several key themes emerging:
  - Stakeholders noted that standard timeframes for death benefits and insurance claims handling should be clear, but flexible in their approach, acknowledging that some aspects are complex or outside the trustee's control. There were differing views on whether timeframes should be measured from initial notification of a claim or upon receipt of enough information to begin processing a claim.
  - Poor communication by funds often led to mismatched expectations between members and funds and subsequent delays or complaints.
  - Individuals tend to be in vulnerable circumstances when making death benefit or insurance claims. Funds need to find ways of identifying this and other aspects of vulnerability and having processes in place to support those individuals.

- There needs to be an incentive for funds to strive beyond minimum standards towards best practice. In particular, standardised reporting of key performance measures will sharpen funds' focus on the things that are important to members, as well as increase transparency and comparability.
- The standards should have regard to the Life Insurance Code of Practice and Association of Superannuation Funds of Australia guidance where relevant and avoid duplicate or conflicting obligations

#### **Draft service standards**

s 47E(d)

### **Other legislative and regulatory blockers**

- As part of targeted consultation Treasury will also continue to seek stakeholder views on potential law reform priorities, raised during initial consultation, to remove barriers to better quality services and complement the service standards.

s 47E(d)

### **Next steps**

- We recommend a targeted public consultation in July. Treasury will work with your office to finalise a consultation product including the standards and settle timing.

s 47E(d)

s 34(2)

s 47E(d)

Clearance Officer

s 22

A/g Assistant Secretary

Member Outcomes and Governance Branch

20 June 2025

Contact Officer

s 22

A/g Director

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## **CONSULTATION**

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Law Division, ASIC, APRA.

## **ATTACHMENTS**

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- A: Draft Service Standards
- B: Proposed timeline and targeted consultation plan
- C: Background on service issues
- D: Key themes from consultation



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### Attachment B - Proposed timeline and targeted consultation plan

- Table 1 contains an indicative process and timeline for implementing the member service standards, subject to dependencies.

**Table 1: Indicative timeline for implementation**

Timing	Process
June	Agreement to targeted consultation
July	Targeted consultation

s 47E(d)

- We propose to engage in targeted consultation with the key stakeholders (Table 2) in either roundtable or bilateral meeting formats. We will invite regulators to these meetings.
- We will work with your Office to develop a consultation product and settle timing.

s 47E(d)

- We also anticipate the peak superannuation fund bodies will use existing working groups they have established on member services to test the standards and will use these groups as further sources of feedback.



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### Attachment C – Background

#### Service standards announcement

- On 28 January 2025, the Government [announced](#) the introduction of mandatory and enforceable service standards for all large Australian Prudential Regulation Authority (APRA) regulated superannuation funds to improve member services and outcomes in the superannuation system.
- The standards will initially target critical areas where complaints data shows the greatest need for improvement, such as:
  - The timely and compassionate handling of death benefit claims;
  - Fair and efficient processing of insurance claims; and
  - Clear, respectful and accessible communications with members.
- The Government noted that Treasury will work closely with consumer advocates, regulators and industry stakeholders to develop the standards and that draft standards will be released for public consultation.

#### Concerns relating to member services

- In 2022-23, the Australian Financial Complaints Authority (AFCA) received 6,957 super complaints, a 32 per cent increase on the previous year. Within this was a 136 per cent rise in complaints about claim delays (including insurance). In 2023-24, AFCA received 7,325 super complaints, a 5 per cent increase on the previous year.
- The former AT put the industry on notice with the announcement of mandatory and enforceable service standards on January 28, 2025.
- The Australian Securities and Investments Commission (ASIC) has undertaken several activities that have also highlighted member services failures in recent years.
  - In 2024, ASIC added a focus on member services failures as an enforcement priority for super.
  - ASIC has commenced civil penalty proceedings against several funds for member services failures. For example, there was action against AustralianSuper for failing to merge multiple member accounts (September 2023) and delays in paying death

benefit claims (March 2025); Telstra Super for internal dispute resolution failures (November 2023); and Cbus Super for failing to act efficiently, honestly and fairly in the handling of claims for death benefits and TPD insurance (November 2024).

- In March 2025, ASIC released '*Taking ownership of death benefits*', a report highlighting inadequacies of death benefits claims handling by a selection of super funds and calling for broadly improved services.
- ASIC reported that service issues made up more than half of all complaints to super trustees (internal dispute resolution) since the beginning of 2023. Delays in claim handling was the top complaint related to superannuation death benefits and total and permanent disability products, based on ASIC's inaugural internal dispute resolution data reporting for 2023-24.
- There continues to be steady media scrutiny about poor member services that can erode confidence in the superannuation system. This includes reports of significant delays in death benefit claims handling, rollover delays or rejections, IT outages and a subsequent delay to pension payments, and failure to communicate a shutdown in account access during a merger.

s 47E(d)

- ASIC announced on June 11, 2025, that their next steps to improve superannuation member services is to push trustee boards to analyse complaints data. ASIC is interested in how trustees learn from and respond to complaints they receive. They have welcomed the Government's proposed standards to improve trustee conduct.

### **Existing regulatory obligations**

- Trustees must satisfy regulators that they are complying with many obligations to ensure proper standards of member services across insurance claims, payment standards, complaints resolution, pension entitlements and administrative processes.
  - *Superannuation Industry (Supervision) Act 1993* – sets out overarching regulatory structure for superannuation funds with the primary objective to ensure prudent management of member funds with provisions for governing rules of superannuation funds, annual performance testing, duplicate accounts, and sets penalties for directors on trustee boards. APRA, ASIC, and the Commissioner of Taxation share regulatory responsibilities.
  - The Financial Accountability Regime imposes stronger responsibilities and an accountability framework for super trustees (15 March 2025). It captures persons with senior executive responsibility of the trustee's interactions with members (MS23001607).
  - APRA Prudential standard CPS 230 Operational Risk Management will require trustees to strengthen operational and third-party risk management (from 1 July 2025).

- The Parliamentary Joint Committee on Corporations and Financial Services undertook an Inquiry into the Financial Services Regulatory Framework in Relation to Financial Abuse. The report, released in December 2024, recommended that the Australian Government consider the implementation of minimum mandatory service standards.
- AFCA guidance released on 16 May 2025, clarified their approach towards:
  - Delayed insurance claims in Superannuation; and
  - Superannuation death benefits complaints

#### **Industry activities related to member services**

s 47E(d)

- ASFA, the Financial Services Council (FSC), and the Council of Australian Life Insurers (CALI) have developed standards for their respective member bases.
  - ASFA published a Guidance Note on Death Benefit Payments and complementary Policy Proposals in September 2024. The Note provides trustees with best practice guidelines to enhance communication, service and support for members and potential beneficiaries during the death benefit process.
  - FSC published Standard No. 28 on Claims Handling for Superannuation Funds which contains guidance surrounding claims handling and support towards vulnerable members.
  - In July 2023, the current version of the Life Insurance Code of Practice LICOP came into force. It included mandatory compliance for FSC members who are registered life insurance companies issuing life insurance policies (MS23-001607). The LICOP is being reviewed and updated in October this year.

s 47E(d)

- In February 2024, Super Members Council (SMC) hosted a roundtable with the former Assistant Treasurer, the Hon Stephen Jones to discuss steps that super funds are taking to improve member services. SMC also identified law reform priorities for Government to consider that would reduce barriers to quality service provision. For example, standardizing the binding death nomination form and identification requirements.
- Prior to the Government announcing standards in January 2025, industry efforts failed to coalesce around an approach for a set of consistent minimum service standards for funds, despite similar Codes being led by industry in other financial sectors, such as banking and insurance. Some industry associations suggested increasing transparency as an effort to improve service quality, but this was not a unanimous approach and lacks enforceability.
- The inability for the sector to self-regulate was an important precursor to the Government's announcement to develop mandatory and enforceable member service standards to apply across the entire industry.



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### Attachment D – Key themes from consultation

- From January to June 2025, Treasury held targeted consultations to understand and consider elements to be included in the member service standards.
- These targeted consultations included 24 meetings stakeholder organisations including trustees, peak bodies, administration providers and regulators.
- Table 1 lists stakeholders that Treasury has met with in devising the draft standards.
- The key themes from the consultation include:
  - Some funds noted that they are starting to report on their service provision. However, each fund chooses its own metrics to report;
  - Broad support for setting out clear expectations for the minimum standard of superannuation member services;
  - Stakeholders flagged that having clear timeframes around death benefit and insurance claims handling should not penalize them for factors that are outside of the trustee's control, such as a member's response time; and
  - Processes will vary from fund to fund depending on whether claims are handled in house, giving the trustee greater oversight and control, or outsourced. Best practices involve tailored and timely communications, with evolved processes to obtain and screen information in a timely manner.
- Table 2 provides further detailed feedback obtained in consultation on member service standards.

**Table 2 – Feedback obtained during targeted consultation**

<b>Claims handling</b>
<ul style="list-style-type: none"> <li>Stakeholders noted that standard timeframes for death benefits and insurance claims handling need to acknowledge that some aspects are complex or outside the trustee's control.</li> <li>Successful implementation of service standards would be helped by legislative reform. For example, this includes the ability to make binding death benefit nominations (BDBNs) online.</li> <li>There are variations in the number of trustees who manage claims in-house, or outsource this function. For example, most insurance is managed by a third party. Therefore, it will be important to apply the same standards to funds, regardless of whether they insource or outsource.</li> <li>Some stakeholders suggested that funds should recognise and fast track uncomplicated claims or claims below a certain threshold. Regulators added a caveat that any threshold should not be disclosed publicly to avoid fraud.</li> <li>In the case of death benefit claims, regulators noted that it's important to recognise that funds are not communicating with a member, but a nominee of that member to receive the benefit/payout.</li> </ul>
<b>Nominations</b>
<ul style="list-style-type: none"> <li>Trustees should pre-screen nominations to identify issues that may invalidate it, and nudge members to make nominations.</li> <li>Binding death nominations expedite the death claims process but are not as widely used as the process is cumbersome to complete, and if not completed correctly, are invalid;</li> <li>Some funds pre-screen death nominations to identify issues to avoid invalid nominations at the time of claim. One fund has changed their trust deed to allow for non-lapsing binding death nominations that allow forms to be completed electronically; and</li> <li>Some stakeholders raised the benefits of nudging members to increase the take up of binding death nominations.</li> </ul>
<b>Communication</b>
<ul style="list-style-type: none"> <li>Trustees should make communications clear and direct. Timely updates should be provided on the progression of claims to members.</li> <li>Consumer groups advocated for claims packs to be tailored towards members seeking advice on lodging claims. Regulators echoed this as a measure consistent with the spirit of original service expectations.</li> </ul>
<b>People experiencing vulnerability</b>
<ul style="list-style-type: none"> <li>Stakeholders emphasized that the approach to supporting people experiencing vulnerability should be broad and not defined by grouping members into cohorts.</li> <li>Instead funds need to consider the circumstances when individuals experience vulnerability and consider ways to identify and support those individuals.</li> </ul>

**Table 2 – Feedback obtained during targeted consultation**

- Stakeholders acknowledged that anyone who is approaching a super fund trustee for a death benefit or insurance claim is likely to be situationally vulnerable.
- Some stakeholders noted that interactions with a claimant require extended care and empathy, alongside tailored communication and support by the trustee.

#### **Data and Reporting measurements**

- It is important for trustees to collect and reporting data on key standardised metrics. This serves as the basis for continual improvement/the aspirational portion of standards.
- Funds can self-improve with mandatory reporting that is disclosed publicly. This will create an industry incentive to commit towards better service towards members; and
- Regulators highlighted that these metrics should be easily accessible, such as on a trustee's website for maximum impact.

#### **Evolution of the standards and further stakeholder engagement**

- Having a baseline standard is needed, but this must be balanced against room for the standards to evolve based on the experiences of trustees.
- Importance of continued engagement with consulted bodies.
- Stakeholders noted the importance of trustees being able to talk with regulators on what is and isn't working in practice.