

Superannuation life insurance

Annual Report

Reporting period
1 July 2009 to 30 June 2010
Issued August 2010

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Important notes

ING Custodians Pty Limited (ABN 12 008 508 496, AFSL 238346, RSE L0000673) (ING Custodians or Trustee) is the trustee of the ING MasterFund (ABN 53 789 980 697, RSE R1001525, SFN 292 916 944) (Fund) and issuer of this Annual Report.

This Annual Report applies to members of the Fund who hold an insurance superannuation interest through the Fund (where an insurance policy is issued by ING Life Limited (ABN 33 009 657 176, AFSL 238341) (ING Life) to the Trustee, who holds this interest on behalf of members through the Fund).

The Trustee also issues another Annual Report for the Fund, tailored for members of other superannuation investment products within the Fund. If you would like more information about the financial management or performance of the Fund, the Fund's Annual Report is available from www.ing.com.au and free of charge on request.

ING Custodians and ING Life are subsidiaries of Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (ANZ). While we are owned by ANZ, we have a licence from the ING Group to continue using the ING brand for a period while we transition to a new brand.

ANZ is an authorised deposit taking institution (ADI) under the Banking Act 1959. The issuers are not ADIs and an investment in the Fund is neither a deposit nor liability of ANZ or any member of the ANZ Group, other than ING Life for any insurance policy it issues or ANZ in relation to any ANZ bank account. Neither ANZ nor any member of the ANZ Group stands behind or guarantees the issuers or the capital or performance of any securities issued to, or assets held by, you. Investment returns can go up and down. Past performance is not indicative of future performance.

This information is current as at 30 June 2010 and may be subject to change. This information is intended to only provide you with general information and, while the sources for the material are considered reliable, no responsibility is accepted for any inaccuracies, errors or omissions. This information must not be reproduced without the issuer's prior written permission. Before making a decision based on this information, you must consider its appropriateness having regard to your objectives, financial situation and needs and consider the relevant Policy or Product Disclosure Statement provided to you when you purchased the financial product or available by calling Customer Services on 133 667.

In this Annual Report, the terms 'we', 'us' and 'our' refer to ING Custodians or ING Life as the case may be.

A new direction for our brand

ING Australia is a leading provider of investment, superannuation and insurance solutions. From May 2002 until late 2009, ING Australia Limited (ING Australia) operated as a joint venture between Australia and New Zealand Banking Group Limited (ANZ) and the global ING Group (ING).

On 30 November 2009 ANZ purchased a 100% shareholding in ING Australia. We are now ANZ's Australian specialist wealth management and protection business.

Later this year we will operate under a distinct new name and brand, which is currently being developed. In the meantime, we will continue to use the ING brand under licence while we transition to our new brand.

During the transition there are likely to be changes to the names of companies, products and investments funds that are operated by ING Australia and its subsidiaries. Information about these changes and other transition updates will be made available in future investor communications and on our website www.ing.com.au. Your financial adviser may also notify you of these changes.

This change signals an exciting new era for ING Australia and ANZ.

About ANZ

ANZ is one of Australia's leading banks and has a history that dates back over 170 years. The bank operates in more than 32 countries including Australia, New Zealand, Asia, the Pacific, the Middle East, Europe and America.

ANZ provides a range of banking and financial products and services to more than 5.7 million retail customers worldwide and employs over 39,000 people.

ANZ aims to become a super regional bank. This involves growing in the Asia Pacific region while also remaining very focused on the business and opportunities that exist in Australia and New Zealand.

ANZ has a strong involvement in the community, leading the way with programs targeting financial literacy, indigenous inclusion, the environment, volunteering and sponsorship.

A message from the Trustee

This Annual Report has been prepared exclusively for you as a superannuation life insurance member who has a policy in the Fund, and provides information relevant to your membership for the year ending 30 June 2010.

ING MasterFund

The Fund is a public offer superannuation fund that has a range of products offering investments. These investments provide certain benefits to members at the time of their retirement, in the event they become permanently incapacitated or in the event of their death.

Your membership in the Fund provides insurance benefits only by way of policies issued to the Trustee by ING Life.

Trustee

The trustee of the Fund is ING Custodians. The Trustee has indemnity insurance cover in respect of its trusteeship of the Fund.

Trust Deed

The Fund is governed by a Trust Deed, a copy of which is available upon request by contacting Customer Services on 133 667.

Trustee's investment objectives and strategies

Through a superannuation arrangement, your policy provides insurance protection in the event of your death, total and permanent disablement, total or partial disablement or terminal illness (as applicable to your policy). Under a superannuation arrangement, you apply to become a member of the Fund and the Trustee takes out an insurance policy on your life which is issued by ING Life.

The premiums for the policy are paid by the contributions that you, your spouse, or your employer make to the Fund. It is important that you continue to pay your life insurance premiums. If you do not pay the premium, your policy will be cancelled and your insurance will cease.

Unlike some superannuation products, your policy is not an investment product and so the Fund's investment objectives, investment strategy and policy on the use of derivatives do not apply. The amount of your contributions will be equal to the premium paid by the Trustee to ING Life and you will not have an accumulation balance in the Fund. This will be the case, regardless of whether employer or personal contributions are used to purchase cover on your behalf.

Allocation of fees

All fees and charges are included in the premium you pay under your life insurance policy.

Financial reporting

Superannuation laws do not require financial reporting information in this Annual Report, as all investments in the Fund are provided under a master life insurance policy. If you would like a copy of the audited financial reports and Auditor's Reports, please visit www.ing.com.au from early November 2010.

Information about your policy

Each year we send you information about the benefits provided by your policy. Prior to the renewal date of your policy we send you a notice confirming the amount of your insurance cover as well as the premiums payable for the coming year. You should retain this notice as an up-to-date record of your policy benefits. We will also send you an annual statement of benefits as at 30 June each year.

If you have any questions about this Annual Report or require further information about your policy, please speak to your financial adviser or call Customer Services on 133 667.

Confirming transactions

You can request confirmation of your transactions and any other information about your life insurance policy in the following ways:

1. Call Customer Services on 133 667 and have your query answered over the phone or ask for written confirmation of your recent transactions to be sent to you.
2. Email us at customer@ing.com.au

Important information

OneCare policy upgrade

We are continually improving the benefits and features within your insurance policy and are pleased to notify you of the most recent improvements effective 1 March 2010.

Your OneCare policy includes a guarantee of upgrade which means that when we improve the terms and conditions of OneCare we pass the enhancements on to our existing OneCare customers at no extra cost.

When do these improvements apply from?

The improvements presented in this upgrade announcement were effective from 1 March 2010.

They apply only to claims for events or conditions which first occur, are first diagnosed, or for which symptoms first became reasonably apparent, on or after 1 March 2010. They do not apply to past or current claims, or any claims arising from events or conditions which first occurred or were first diagnosed, or for which symptoms first became reasonably apparent, before 1 March 2010.

Life Cover

The 13 month exclusion relating to a deliberate act or omission now relates only to the Death Benefit of this cover. It no longer relates to the Terminal Illness Benefit of this cover.

TPD Cover

TPD Any Occupation

The TPD Any Occupation definition has been upgraded to set a minimum benchmark of earnings that the occupation, for which the member is reasonably suited, must meet.

Any Occupation TPD definition (updated)

Any Occupation TPD means that, as a result of **illness** or **injury**, the member:

- (1) a) has been absent from and unable to work for three consecutive months and
- b) is disabled at the end of the period of three consecutive months, to such an extent that they are unlikely ever again to be able to engage in any occupation:

- for which they are reasonably suited by their education, training or experience, and
- which is likely to generate average **monthly earnings** of at least 25% of the member's average **monthly earnings** in the 12 months prior to claim.

TPD Own Occupation

There is also an improvement within the Own Occupation TPD definition such that the TPD definition no longer reverts to an Any Occupation definition if the period of unemployment is greater than 12 months.

Income Secure Cover

Partial Disability Benefit

There has been a change to the OneCare Policy Terms to clarify our approach to assessing Partial Disability when the member is partly or fully able to work, but not working to their full capacity.

Calculating the Partial Disability Benefit (updated)

The Partial Disability Benefit is calculated as follows:

$$\frac{(A - B)}{A} \times C$$

where:

A = the member's **pre-claim earnings**.

B = the member's **monthly earnings** for the month in which they are **partially disabled**. If the member is partially disabled and is not working to their capability as a result of causes other than illness or injury and this situation continues for at least 3 months, then 'B' will be calculated on what the member could reasonably be expected to earn if they were working to the extent of their capability.

In determining what the member could reasonably be expected to earn if they were working to the extent of their capability, we will take into account available medical evidence (including the opinion of the member's medical practitioner) and any other relevant considerations directly related to the member's medical condition (including information provided by you).

If we are making monthly payments and intend to adjust future payments due to a change in how we calculate 'B', we will notify you 30 days prior to this taking place.

'B' must be less than the amount of 'A'. If 'B' is negative in a month, we will treat 'B' as zero.

C = the monthly amount insured payable.

General provisions and conditions

Future Insurability

The ability to exercise Future Insurability is now available to lives insured with a medical loading of up to 50%. Previously it was unavailable if there were any medical loadings on the policy.

This improvement alters the policy terms for Future Insurability as follows.

Future Insurability availability... (updated)

Future Insurability increases are not available:

- after the policy anniversary when the member is age 55 or
- if the original cover was issued by us with a medical loading greater than 50% shown on the Policy Schedule.

There are also two new Future Insurability events:

- the member has a change in tax dependency status and their OneCare Life Cover or Accidental Death cover is under superannuation
- the policy is at its 3rd year anniversary (or any subsequent 3rd year) and there has not been a Future Insurability increase for the member in the previous three years.

Future Insurability for Life Cover, TPD Cover and Extra Care Cover (new items)

A new event has been added to the Future Insurability table for Personal events as follows.

Personal events (occurring after the cover start date)	Evidence required	Benefit
The member has a change in tax dependency status as a result of the member ceasing to have any tax dependants as defined by current law. ^{†‡}	<ul style="list-style-type: none"> • A completed Future Insurability Increase Application Form. • Statutory declaration that the member no longer has any tax dependants, and that this change in circumstance occurred within the previous 12 months. 	<p>The Life/Extra Care (Accidental Death) Cover amount may be increased by up to the lesser of:</p> <ul style="list-style-type: none"> • 25% of the Life/Extra Care Cover amount insured (as applicable) at the cover start date • \$200,000, or if an equivalent instalment benefit payment type applies, an equivalent instalment amount.

A new paragraph with an additional Future Insurability event follows the table prior to the footnotes:

If, during the first three years since the cover start date, and every three year period thereafter, you have not increased the Life/TPD/Extra Care Cover amount insured under Future Insurability as a result of a business event or personal event, you may increase cover by 25% of the amount insured at the cover start date to a maximum of \$200,000 at that third policy anniversary.*

* within the first six months of an increase to Life, TPD, and/or Extra Care amounts insured for this event, the increased amount insured is only payable for death or total and permanent disability (as applicable) which result from an accident.

† only available if the cover is taken out under superannuation.

‡ we will increase the amount insured under Future Insurability for this event only once during the period of the policy.

Incorrect tax file numbers

Each year, the ATO will notify us of any incorrect tax file numbers (TFNs) that we have recorded on our system. If your TFN is incorrect, we will endeavour to contact you or your employer for the correct TFN.

If we are unable to obtain a correct TFN for you:

- your incorrect TFN will be removed from our system
- you may be charged 'no TFN contributions tax' on concessional contributions (including employer contributions) received since 1 July 2007
- we will be required to refund any member contributions received since 1 July 2007
- any life or salary continuance insurance cover linked to your superannuation may be cancelled, as the reduced account balance may be insufficient to meet premium obligations.

You will also receive notification from the ATO, advising that we hold an incorrect TFN for you and what the tax consequences of this may be.

Federal Budget update – key changes to super

The Federal Budget for 2010/11, handed down 11 May, held no big surprises for super considering the Government's recent Henry Tax Review* announcements.

It is important to note that the changes are proposals unless it is stated otherwise and need to successfully pass through Parliament before becoming law. They may be subject to further changes during this process.

Government co-contribution matching rate and income thresholds

The Government has passed legislation for the superannuation co-contribution matching rate and income thresholds.

The current co-contribution rate for eligible personal non-concessional (after-tax) contributions up to \$1,000 will be permanently retained. The rate will remain at 100% and no longer increase to 125% in 2012/13 and 150% in 2014/15 as announced in the 2009/10 Federal Budget.

The co-contribution income thresholds will not be indexed for 2010/11 and 2011/12. The current lower threshold of \$31,920 and upper threshold of \$61,920 will be retained during these periods.

Discretion on excess contributions

The Government has proposed that the Commissioner of Taxation will have the power to exercise discretion for the purposes of excess contributions tax before an assessment is issued. The start date of this measure is from the 2010/11 income year.

Unclaimed super benefits

The Government has proposed to extend the reach of unclaimed superannuation administration by including benefits from State and Territory public sector funds. At present, only private sector superannuation funds transfer unclaimed super to the ATO. The start date of this measure is still to be advised.

* For further information about the Henry Tax Review visit www.futuretax.gov.au

Superannuation surcharge

The Federal Government abolished the superannuation surcharge payable on an individual's surchargeable contributions and relevant termination payments made from 1 July 2005. The following reflects how the surcharge applies to contributions received prior to 1 July 2005. Please consult your financial adviser for further information.

Current members

Where your policy is in force when we receive a surcharge assessment from the Australian Taxation Office (ATO) for contributions you have made to the Fund for your life insurance policy premium, the surcharge is paid by ING Life.

Former members

If your policy is no longer in force when we receive the surcharge assessment from the ATO, the surcharge will not be paid by ING Life. We are required to inform the ATO, who will then forward the surcharge assessment to you for payment. The ATO will send you a copy of the surcharge assessment so that you can check that the figures they have used in calculating the surcharge are correct.

Contributing to your superannuation

The rules surrounding contributions to superannuation can be quite complex. We suggest you speak to your financial adviser for clarification on who can contribute and the types of contributions accepted by the Fund.

Generally we are unable to accept rollovers in relation to life insurance policies arranged through the Fund. As a result, premiums must be paid by new contributions. If you are not eligible to make new contributions, you will not be able to maintain your policy through the Fund, but you may have an option to replace it with a non-superannuation policy. Your financial adviser can explain the options available to you.

Who can make contributions

When your life insurance policy is arranged through superannuation, contributions to the superannuation fund meet the cost of the insurance (the premium). Under current superannuation laws, a regulated superannuation fund may accept contributions from members as follows. Please ensure that any contributions made to the Fund are made in accordance with these rules.

Under 65

If you are under 65 years of age, you, your spouse and employer may make contributions into your superannuation account.

At least 65 but under 70

If you are at least 65 years of age but under 70, you, your spouse and your employer may make contributions into your superannuation account provided that you've met the 'Work Test', which means you've been gainfully employed* for at least 40 hours during any 30 consecutive day period in that financial year (1 July to 30 June).

If you are not gainfully employed* for at least 40 hours during any 30 consecutive day period in that financial year, then a contribution can only be accepted if it is a mandated employer contribution†.

At least 70 but under 75 (or contribution is received on or before the 28th day after the end of the month in which you turn age 75)

If you are at least 70 years of age but under 75, you and your employer may make contributions into your superannuation account provided that you've met the 'Work Test', which means you've been gainfully employed* for at least 40 hours during any 30 consecutive day period in that financial year (1 July to 30 June).

If you are not gainfully employed* for at least 40 hours during any 30 consecutive day period in that financial year, then a contribution can only be accepted if it is a mandated employer contribution†. After you turn 70, your employer is not mandated to make Superannuation Guarantee contributions (one kind of 'mandated employer contribution'), but may do so if the payment relates to a period when you were under age 70.

75 and over (and the contribution not received on or before the 28th day after the end of the month in which you turn age 75)

If you are 75 years of age and over, only mandated employer contributions† can be made.

To find out more, please speak to your financial adviser or call Customer Services on 133 667.

* 'Gainfully employed' means being employed or self-employed for gain or reward in any business, trade profession, vocation, calling, occupation or employment.

† A 'mandated employer contribution' is one by, or on behalf of, an employer which:
– reduces the employer's potential liability for the Superannuation Guarantee Charge
– is a payment of a shortfall component
– is a contribution to satisfy the employer's obligation under an agreement certified, or an award made, on or after 1 July 1986 by an industrial authority.

Other information

Change of personal details

It is important that we always have your current details on record so that we can keep you informed about your superannuation and pay any benefits directly to you.

Please notify Customer Services on 133 667 if you have moved or wish to change your beneficiary details.

If two items of written communication to you are returned to us as unclaimed mail from your last known address, we will classify you as a lost member and report this to the ATO.

In circumstances where you cease to be eligible to make contributions to superannuation (or have them made on your behalf) we may provide you with the option to continue insurance cover under a non-superannuation policy.

Customer concerns

If you have a complaint about the operation or management of your policy, you should contact your financial adviser. Alternatively, you may prefer to contact Customer Services on 133 667 or in writing to:

Complaints Resolution Officer
ING Life Limited
GPO Box 5306
Sydney NSW 2001

If you are not satisfied with our response, you may lodge a written complaint with the relevant organisation listed below but it is important that you contact us in the first instance so we can endeavour to resolve your complaint in accordance with our procedures. ING Custodians is a member of both the Superannuation Complaints Tribunal (SCT) and Financial Ombudsman Service Ltd (FOS).

The SCT is an independent body established by the Federal Government and can assist with the resolution of certain complaints with superannuation funds and life insurance companies.

Superannuation Complaints Tribunal
Locked Bag 3060
Melbourne VIC 3001
Phone 1300 884 114
Fax 03 8635 5588
www.sct.gov.au

The FOS provides accessible, fair and independent dispute resolution for consumers and financial services providers.

Financial Ombudsman Service Ltd

GPO Box 3

Melbourne VIC 3001

Phone 1300 780 808

Fax 03 9613 6399

www.fos.org.au

Contact details

Organisation	Responsibility	Contact
Trustee		
ING Custodians Pty Limited	<ul style="list-style-type: none"> Ensures the Fund is operated in accordance with the Trust Deed, the Superannuation Industry (Supervision) Act 1993, the Corporations Act 2001 and other relevant legislation. 	GPO Box 4148 Sydney NSW 2001 Phone 133 667
Insurer/Administrator		
ING Life Limited	<ul style="list-style-type: none"> Issues policies to the Trustee. Administers the Fund's policies on behalf of the Trustee. 	GPO Box 4148 Sydney NSW 2001 Phone 133 667
Auditor		
KPMG	<ul style="list-style-type: none"> Yearly audit of the Fund, certifying that assets exist and that certain requirements of the superannuation laws are met. 	

Customer Services

Phone 133 667

Fax 02 9262 5319

Email customer@ing.com.au

Postal address

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