

Resolution to the collapse of the Youpla Group

Impact Analysis

National Indigenous Australians Agency, Department of the Treasury

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Introduction

The Youpla Group (formerly the Aboriginal Community Benefits Fund) was a funeral expenses insurer that primarily marketed its products to First Nations people. The Youpla Group entered liquidation in March 2022, leaving its policy holders without cover, inflicting significant cultural, emotional and financial harm on many First Nations people and communities.

In the immediate aftermath of the Youpla Group's collapse, the Government established the interim Youpla Group Funeral Benefits Program (YGFBP). The Program pays a grant in place of a funeral benefit that would otherwise have been paid by the Youpla Group before its collapse. To be eligible, the person who has passed away must have been covered by a policy that was active on or after 1 April 2020. The YGFBP is currently scheduled to end on 30 June 2024, leaving the vast majority of former Youpla Group policy holders without support from this date.

For both the interim YGFBP and enduring resolution options outlined in this paper, the Government's intent is to recognise the importance of Sorry Business and to support the capacity of former Youpla Group policy holders to conduct their funeral affairs with dignity.

This Impact Analysis explores the reasons and the options for further Government action. These options include: offering former Youpla Group policy holders a choice between cash payment or funeral bonds; encouraging former Youpla Group policy holders to accept funeral bonds as a default option, while preserving cash payments as an option; or mandating funeral bonds with limited exceptions for certain cases.

1. What is the problem you are trying to solve?

Problem definition

The Aboriginal Community Benefit Fund, also known as the Youpla Group, sold insurance products to cover funeral costs. The products were targeted at First Nations communities and sold through misleading and deceptive practices.¹ The Youpla Group comprises four active funeral contribution funds:

- The Aboriginal Community Benefit Fund (Fund No. 1) – issued by The Aboriginal Community Benefit Fund Pty Limited (entered liquidation on 11 March 2022) (ACBF 1)
- Aboriginal Community Benefit Fund No 2 (Fund No. 2) – issued by Aboriginal Community Benefit Fund No 2 Pty Ltd (entered liquidation on 2 March 2022) (ACBF 2)
- Aboriginal Community Funeral Plan (Fund No. 3) – issued by ACBF Funeral Plans Pty Ltd (entered liquidation on 11 March 2022) (ACBF Plan)
- Community Funeral Plans (Fund No. 4) – issued by Community Funeral Plans Pty Ltd. (entered liquidation on 11 March 2022) (ACBF Community).

The Youpla Group was unable to take on new customers from 1 April 2020 when it was not able to meet new Government requirements to hold an Australian Financial Services Licence. The Youpla Group's four benefit funds went into liquidation between 2 and 11 March 2022, leaving policy holders without the ability to meet costs for funeral expenses.

As a general principle, the Australian Government has a limited role in supporting people negatively impacted by the collapse of private business. For example:

- the Australian Prudential Regulatory Authority (APRA) seeks to limit the risk of collapse of financial institutions collapsing, and also administers the Financial Claims Scheme to provide depositors or policyholders access to their funds where an APRA-regulated general insurer or bank fails.²
- the Australian Securities and Investments Commission (ASIC) administers laws that determine how any money remaining in a business should be paid out to businesses and people owed money.³

There have been isolated incidences where the Australian Government has stepped in due to extenuating circumstances, however there are key differences when compared to the Government's response to the Youpla collapse. One notable example is the response to the collapse of the HIH Insurance Group in 2001. The Australian Government established the HIH Claims Support Scheme to restore confidence in the market and to protect a large number of HIH policy holders from potential financial hardship.

A key difference is that the HIH response only supported people that had current claims with HIH at the time it collapsed. The enduring resolution for Youpla customers proposes to provide redress for the contributions they made to the Youpla Group. Other differences are:

- The Government's response to the HIH was delivered through a company established by the insurance industry. The enduring resolution for Youpla customers will be primarily delivered by Government agencies, but may involve corporate entities.

¹ [23-244MR ACBF Funeral Plans penalised \\$1.2 million by Federal Court | ASIC](#)

² [About APRA | APRA](#)

³ [When a business goes bust | ACCC](#)

- Unlike the Government’s response to HIH which did not include options for financial counselling, victims of the Youpla Group will have access to support services to inform financial decisions. This in part recognises the vulnerability of this cohort after a significant economic loss, but also to support First Nations Australians make informed decisions regarding their own financial wellbeing, consistent with Closing the Gap Target 17.

Consistent with pre-election commitments, the Government announced in May 2022 that it would provide immediate financial support for Youpla Group policy holders. In July 2022, a formal announcement provided further detail:⁴

- The Government would pay a grant in place of a funeral benefit that would otherwise have been paid by the Youpla Group before its collapse through an interim measure known as Youpla Group Funeral Benefits Program (YGFBP). To be eligible the person who passed away must be covered by Youpla Group policy that was active on or after 1 April 2020. This program would operate up to 30 November 2023.⁵
- The Government committed to undertake further steps to bring a “resolution in relation to the Youpla Group Collapse.”

Further action is required because:

- There is strong community expectation that the Australian Government will honour its commitment to a “resolution”.
- The interim measure, the YGFBP provides a partial response in that it only pays benefits where a policy holder has passed away before the program’s end date (30 June 2024). Without replacing or extending the program, the vast majority of people impacted will be left without coverage when the YGFBP expires.

Extenuating circumstances requiring Government intervention

- The collapse of the Youpla Group, and the loss of financial assistance for funeral costs had a particularly egregious impact on those involved.
 - Sorry Business is a tradition of mourning with deep cultural importance for First Nations peoples involving ceremonies, practices and funerals held around the loss of family members and people with kinship or community ties. For many communities, the expectation is that Sorry Business will involve the whole community and may last for weeks.
 - The economic stress, and social and emotional trauma caused has been well documented, including reports of people resorting to crowd sourcing funds to pay for funerals, or bodies being left in morgues for extended periods of time.
- The collapse of the Youpla Group can impact consumer confidence in financial products, particularly within the First Nations population. Causing a reduced willingness to take up financial products, including the benefits that generally come with them, reduces financial resilience, inhibits intergenerational wealth and undermines the Government’s efforts to support economic development.
- The collapse of the Youpla Group negatively effects this outcome by creating undue psychological and financial distress for this vulnerable cohort.
- Prior to April 2020, funeral expense policies provided by the Youpla Group were exempt from regulation as a ‘financial product’ under the *Corporations Act 2001* (Cth) (Corporations Act). This allowed the Youpla Group to operate up to April 2020 without an Australian Financial Services Licence. During this period, the Youpla Group reportedly:

⁴ [Help for Youpla Group collapse families | Treasury Ministers](#)

⁵ This has now been extended until June 2024.

- sold policies using aggressive, predatory practices that were over-priced, poor value and not suitable for the policy holder’s needs (e.g. policies sold for children)⁶
- did not take appropriate steps to ensure rights and obligations (including the need for ongoing payment to remain eligible for benefits) were fully explained⁷
- falsely marketed itself as a First Nations organisation.⁸

Ongoing financial risks

While First Nations people are not the only people targeted and impacted by predatory and deceptive financial practices, the scale of the Youpla Group collapse highlights a particular vulnerability within this cohort. Various measures are in place to support First Nations communities develop financial literacy, but challenges including the lack of, or poor access to, culturally appropriate services (such as Product Disclosure Information not being provided in language) increases the risk of First Nations people making financial decisions without being fully informed.⁹

Market Failure

The take-up of the Youpla Group products demonstrates a strong demand for financial products to support funeral costs (including insurance and bonds) for First Nations Australians, particularly services with the cultural capability required to support family and community conduct Sorry Business with dignity. However, consultation with industry participants demonstrated that much greater levels of cultural capability and accessibility are needed to ensure that First Nations people across Australia can easily access appropriate financial services to enable them to conduct Sorry Business with dignity.

Regulatory action

Between 1999 and 2004, ASIC took multiple actions against the Youpla Group for various breaches of financial services laws relating to its advertising and direct selling practices. While those actions resulted in restrictions on the Youpla Group’s operations, it was still able to sell funeral insurance.

In 2020, ASIC began new legal action against the Youpla Group, accusing the company of engaging in misleading and deceptive conduct.

Following the Financial Services Royal Commission, the Youpla Group were required to secure a financial services licence. The Youpla Group was unable to obtain a licence and went into liquidation in March 2022:

- ACBF 2 entered liquidation on 2 March 2022
- ACBF 1, ACBF Plan and ACBF Community entered liquidation on 11 March 2022

ASIC and NSW Fair Trading are dual regulators of the Youpla Group (including the winding up of the funeral contribution funds) and are committed to working together with the liquidator of the funds to ensure the best possible outcome for affected consumers.

In September 2023, responding to ASIC’s 2020 legal action above, the Federal Court ordered a \$1.2 million penalty against Aboriginal Community Benefits Funeral (ACBF) Plans for misrepresenting the sale and promotion of funeral expense insurance to Aboriginal people. ASIC has since filed an appeal in relation to part of this judgement, namely ACBF’s claims that it was owned or managed by First Nations persons.

⁶ See for example, [‘Employee at collapsed Youpla funeral fund allegedly used racial slur about Aboriginal clients’ | Australia news | The Guardian](#)

⁷ See for example, [‘Aboriginal people stung by funeral scheme the watchdog ruled ‘deceptive’ may not get a cent back’ | Australia news | The Guardian](#)

⁸ See for example, [‘Youpla directors pursued by ASIC over collapsed funeral fund that hurt Aboriginal families’ | Australia news | The Guardian](#)

⁹ [Indigenous financial resilience research \(csi.edu.au\)](#)

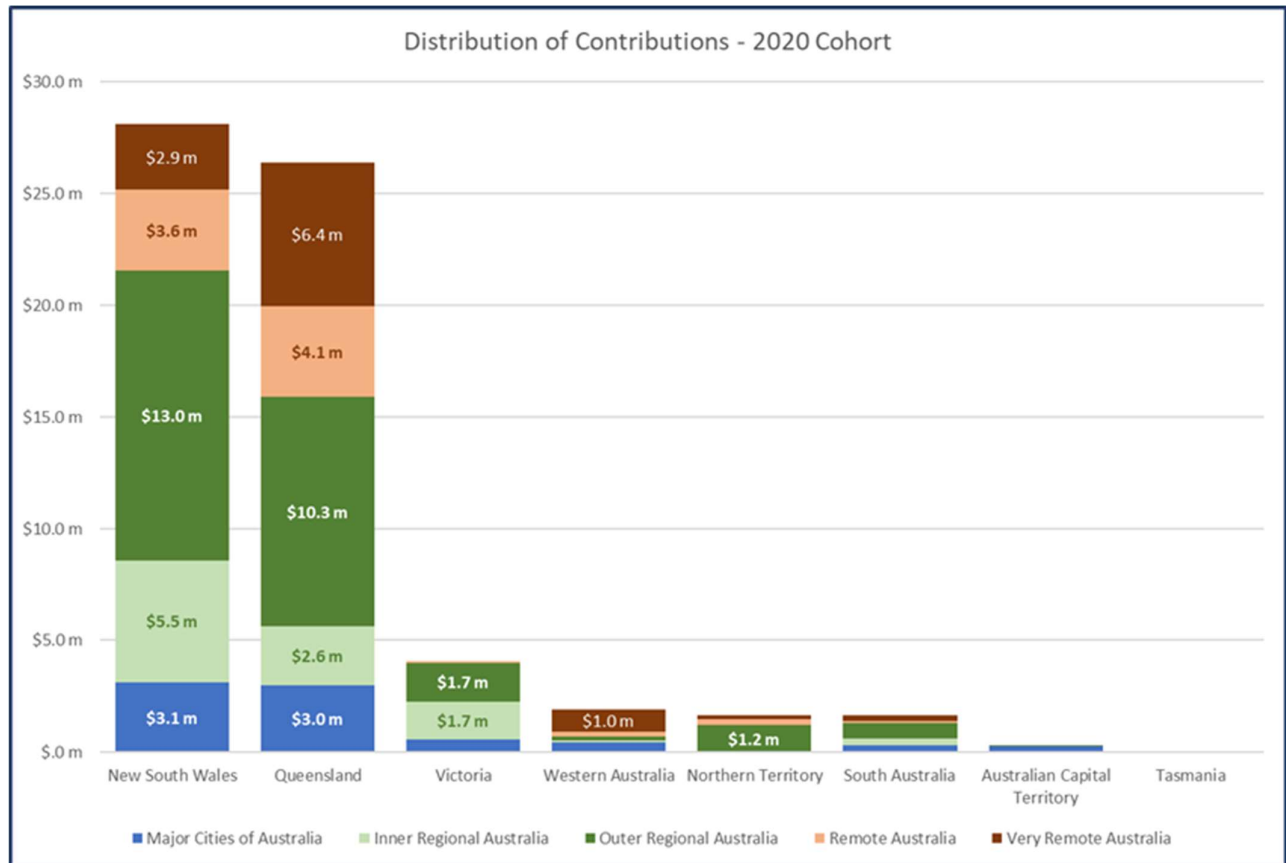
Affected people and available evidence

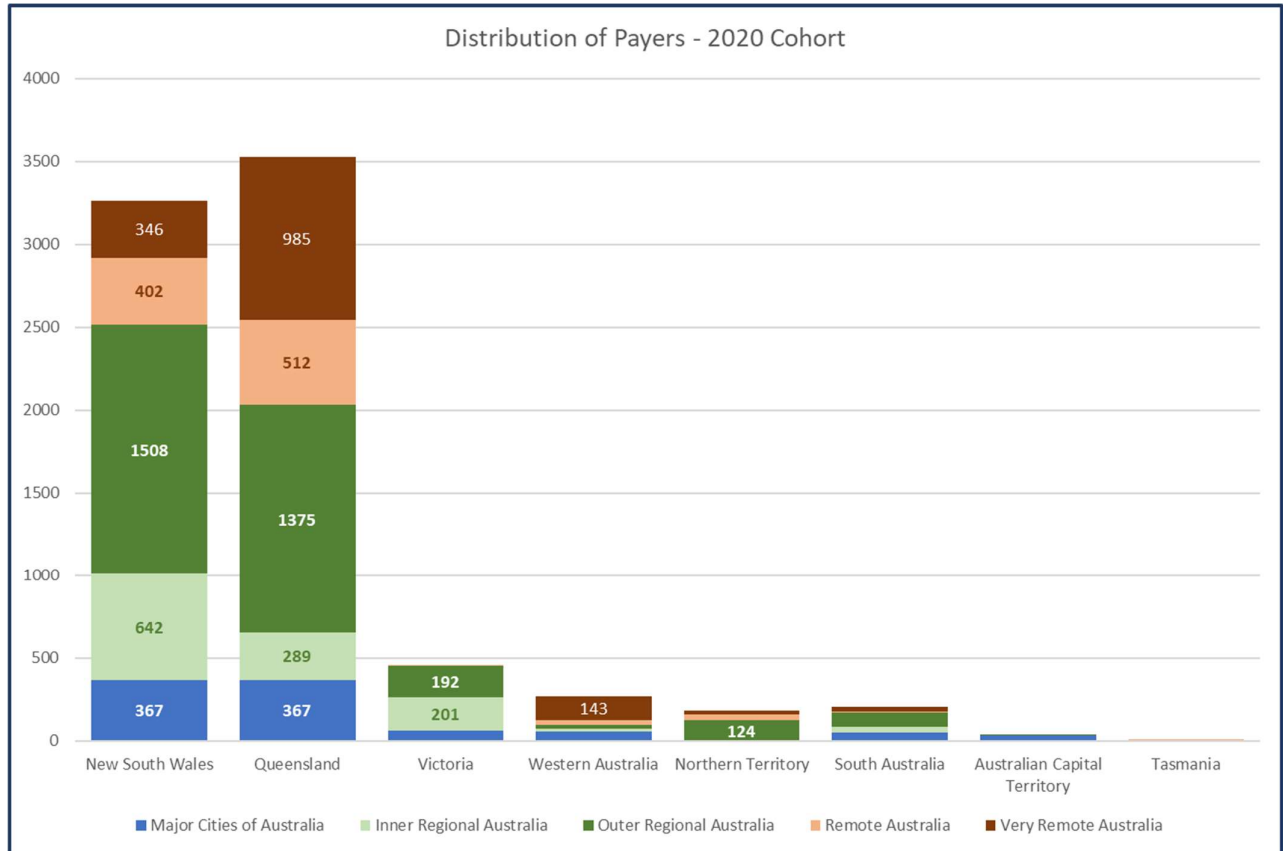
In April 2022, approximately 130 major community and First Nations organisations supported an open letter to the then Government calling for urgent action to prevent First Nations Youpla Group policy holders from being left without support to conduct Sorry Business. Since 2001, approximately 130,619 policies were issued by the Youpla Group worth approximately \$169.2 million in premiums. The Youpla Group received and processed an average of approximately 250 funeral expenses claims per year, with the standard policy value usually ranging between \$8,000 and \$12,000.

Data provided by the Youpla Group Liquidators shows approximately 15,306 Youpla Group policies were in place at the time of liquidation (March 2022), with \$71.1 million paid in premiums.

Geographical distribution

The following analysis is based on data supplied by the Youpla liquidator, on policies held on or after 1 April 2020.





Demographics

Data on policies held as at 1 April 2020 indicate that most members at that time were under the age of 50 (60%). The remainder were between the ages of 50 and 70 (30%) and over 70 year of age (10%). Despite this, the total value of premiums were higher for the over 50 cohort: approximately \$27.8 million for those between the ages of 50 and 70 and \$18.6 million for those over 70 years of age compared to \$24.7 million for policy holders under the age of 50 years.

There is no data regarding the gender of the Youpla Group policy holders. While there is no data on client's Indigeneity, it is understood that most if not all clients were First Nations as the Youpla Group specifically targeted this population.

A loss of funeral expenses will present a more immediate impact on former Youpla Group policy holders in the two higher age brackets due to the greater likelihood of death with age.¹⁰ This cohort of people, and their families and communities are most likely to be impacted by this event due to having less time to accumulate further funds to cover Sorry Business expenses. Specifically, there is a greater prospect of families and communities:

- Experiencing significant trauma if the funeral cannot be conducted in a manner deemed culturally appropriate by the community causing lasting detrimental effects on the health, emotional and social wellbeing of the family and community as a whole
- Inheriting debt that will be passed onto future generations.

Incidences of this occurring have been reported in the media.¹¹

¹⁰ [Deaths in Australia, Age at death - Australian Institute of Health and Welfare \(aihw.gov.au\)](https://www.aihw.gov.au/deaths-in-australia)

¹¹ See for example, [‘A kick in the guts’: ACBF-Youpla victims still waiting for millions in compensation | Australia news | The Guardian](https://www.theguardian.com/australia-news/2020/04/29/a-kick-in-the-guts-acbf-youpla-victims-still-waiting-for-millions-in-compensation)

It is not uncommon for families and/or communities to be experiencing Sorry Business for several family and/or community members at once, or one after the other. This places a significant financial burden on these families and/or communities at once, adding to intergenerational debt, stress and exacerbating social and emotional harm.

Some Youpla Group policy holders paid sums of premiums well above the cost of a funeral and their policy cover limit in the belief that they were taking positive steps to reduce the emotional trauma and intergenerational debt for their families resulting from the event of their passing. Similarly, there have been reports of strong anger and embarrassment at being defrauded.

Stakeholders

Between May and November 2022, the Save Sorry Business Coalition (SSBC) undertook a survey of 414 people affected by the Youpla Group collapse. In November 2022, it published the following results:

When asked what they wanted Government to do

- 70 per cent of people surveyed wanted repayment of the premiums paid.
- 16 per cent of people surveyed wanted a funeral savings plan
- 13 per cent of people surveyed wanted a pre-paid funeral

When asked what they would do if they did not receive financial support

- 53 per cent of people surveyed said they would not be able to conduct a culturally appropriate funeral
- 40 per cent of people surveyed said they would get a loan and go into debt
- 36 per cent of people surveyed said they would borrow from family and community
- 29 per cent of people surveyed said they would start a crowdsourcing approach (e.g. Go Fund Me)
- 25 per cent of people surveyed said they would try to access their superannuation early.¹²

Regulatory, legislative and other Government action

Regulatory and legislative action

ASIC and NSW Fair Trading are currently pursuing legal action.¹³

- In October 2020, ASIC commenced proceedings in the Federal Court against the Youpla Group and its funeral funds for alleged contraventions of the Corporations law.
- In October 2022, ASIC and NSW Fair Trading jointly applied to the Supreme Court of NSW for orders appointing special purpose liquidators to investigate recovery actions that might be available to the Youpla Group entities, with the Supreme Court granting the orders in December 2022. The Youpla Group included four entities offering a range of funeral benefit or insurance products: the Aboriginal Community Benefit Fund (ACBF) Pty Limited, the Aboriginal Community Benefit Fund No 2 Pty Ltd, the ACBF Funeral Plans Pty Ltd and the Community Funeral Plans Pty Ltd. In December 2022, ASIC commenced injunctive proceedings seeking to preserve a property part-owned by a former director of the Youpla Group. The purpose of ASIC's action is to protect the interests of aggrieved persons, namely the Youpla Group entities, and preserve the asset for their benefit.

The Government has taken steps to strengthen the regulatory framework to reduce the likelihood of similar events.

The *Corporations Act* regulates the provision of financial products and financial services in relation to such products.

Before 1 April 2020, facilities that provided certain benefits relating to funeral, burial and cremation services were exempt from being regulated as a 'financial product'. Two kinds of facilities were exempted:

¹² *Save Sorry Business Briefing – November 2022*, Save Sorry Business Coalition (November 2022)

¹³ [Youpla Group \(formerly Aboriginal Community Benefit Fund\) | ASIC](#)

- 'funeral benefits' (see section 765A(1)(w)), and
- 'funeral expenses policies' (see regulation 7.1.07D).

Regulation 7.1.07D has now been repealed under the Treasury Laws Amendment (Financial Services Improved Consumer Protection) (Funeral Expenses Facilities) Regulations 2019. This means that facilities previously operating with the benefit of this exemption may now be a 'financial product' if the facility meets the general definition (section 763A) or specific definition (section 764A) of a 'financial product' in the Corporations Act. Anyone who provides, gives advice about, distributes, deals in or issues those facilities is now providing a 'financial service' that is regulated under the Corporations Act.

From 1 April 2020, unlicensed funeral expenses facility providers are required to obtain an Australian Financial Services Licence before they can issue new facilities (unless an exception applies).

Other Government Action

The YGFBP commenced on 7 September 2022 and will expire on 30 June 2024. This Program is not a compensation scheme. It will only pay a funeral benefit for a Youpla Group policy holder who has passed away.¹⁴

The YGFBP will only pay a funeral benefit for a person who has passed away that was a Youpla Group policy holder on or after 1 April 2020. Applications can be made retrospectively if the funeral has already been paid.

As at 31 October 2023, the YGFBP has approved 340 applications for a total value of \$2,707,491.

Ineffectiveness of current action

No further changes are proposed to the regulatory or legislative framework at this time.

The remaining measure – the YGFBP – is not viable as an ongoing response.

The YGFBP was announced on 25 July 2022 as an interim measure to allow time for the Government to develop an “enduring solution”.¹⁵

The YGFBP commenced on 7 September 2022 and will expire on 30 June 2024. Based on the current trajectory,¹⁶ the vast majority of policy holders would be left without cover if the program expired without replacement or extension. This is arguably an unfair outcome, as policy holders’ eligibility for financial assistance would be determined by date of death.

Failure to deliver a more permanent response will:

- Result in further cases of First Nations peoples not having access to financial assistance to conduct Sorry Business with dignity and in a culturally appropriate way, causing further social and emotional trauma and harm; and/or families incurring debt.
- Be perceived as a breach of the Australian Government’s commitment to deliver a “resolution”.

Extending the YGFBP indefinitely is not viable as, given its eligibility, the Australian Government would need to administer the program until all policy holders passed away. Noting that policies were sold to parents for their children, it would be difficult to determine the exact duration, but could exceed 50 years.

Liquidation

The liquidators, SV Partners advised on 5 October 2023 that: “distribution to members of Funds 2, 3 & 4 is unlikely. This is because these funds did not have any significant assets at the time of Liquidation to distribute to members”. An application is being made to benefit members from Fund 1 through a distribution of remaining assets in this fund.¹⁷ Given this, it is highly

¹⁴ [Youpla Group Funeral Benefits Program | Treasury.gov.au](https://www.treasury.gov.au/youpla-funeral-benefits-program)

¹⁵ [Joint media conference, Canberra | Treasury Ministers](https://www.treasury.gov.au/youpla-funeral-benefits-program)

¹⁶ Assuming 14,874 potential claimants, and only 320 recipients received benefits as at 30 September 2023.

¹⁷ [Statement-No-13-from-SV-Partners-Youpla-ACBF-Group-1.pdf \(svpartners.com.au\)](https://www.svpartners.com.au/statement-no-13-from-sv-partners-youpla-acbf-group-1.pdf)

unlikely that any Youpla Group policy holder will receive financial assistance to conduct Sorry Business through the liquidation process.

2. Why is Government action needed?

Capacity for Government intervention

The scope of Government intervention through this measure has been limited to establishing an enduring resolution.

Specifically, the scope of intervention is to provide targeted financial assistance to Youpla Group policy holders to address the significant financial, emotional and social harm caused.

Other types of Government intervention, including further regulatory changes, are outside the scope.

Objectives

Objectives of government intervention

- To deliver a culturally appropriate resolution that reduces financial stress relating to Sorry Business and provides closure on this matter for former Youpla Group policy holders and Government.
 - The Government's urgent establishment of the YGFBP recognises the importance of allowing First Nations peoples traditional mourning practises to continue.

Success criteria

- Empowerment: Successful Government action would support the capacity of former Youpla Group policy holders to conduct Sorry Business in a manner deemed culturally appropriate by the community.
- Social and emotional wellbeing: Implementing a resolution payment program that provides redress for the funeral cover lost after the collapse of the Youpla Group would lessen the financial and psychological burden faced by former policy holders. Further, where former Youpla Group policy holders respond positively to resolution payments, relationships between the Australian Government and First Nations peoples and communities would likely be strengthened.
- Economic participation: A resolution payment program, possibly complemented by the provision of financial counselling services, reduces the likelihood of further financial loss and increases the likelihood of future financial literacy for Youpla Group policy holders. These factors also allow former Youpla Group policy holders to make informed decisions in the future.
- Closure for former policy holders: Implementing a resolution payment program, as opposed to maintaining the status quo, provides a resolution to the issues caused by the Youpla Group's collapse. Former Youpla Group policy holders are able to recoup a significant portion of the losses they incurred and conduct Sorry Business once required, as originally intended when engaging the Youpla Group's services. This negates the need for further Government intervention.

Success will be measured by the engagement of Youpla Group policy holders and take up in the resolution payment scheme. Specific targets reflecting the success of the resolution payments scheme will be determined through the final eligibility and expected outcomes of the resolution payment scheme. This will be supplemented by feedback from Youpla Group policy holders, which will be gathered through the representative body (Save Sorry Business Coalition) and reported back to Government.

Constraints

Funeral Bond Markets

The Government has identified reinvestment of financial assistance in a funeral bond product as one of the primary options. This seeks to maximise former Youpla Group policy holders' access to funding for funeral services and improve their ability to conduct Sorry Business in a manner deemed culturally appropriate by the community.

However, consultation with industry participants demonstrated that much greater levels of cultural capability and accessibility are needed to ensure that First Nations people across Australia can easily access an appropriate funeral bond product to enable them to conduct Sorry Business with dignity. NIAA and Treasury have worked with regulators to identify six providers of generic funeral bond products, and have consulted with them on steps required to deliver an appropriate product in a culturally appropriate and accessible way. This work will continue to be informed with consultation with Youpla Group policy holders.

Cohorts

In announcing its decision to support former Youpla Group policy holders, the Australian Government stated it would provide financial assistance to Youpla Group policy holders who held an active policy on or after 1 April 2020. This aligns with the date of enhanced regulation of the sector when the exemption for funeral financial products was removed, requiring providers to hold an Australian Financial Services Licence (see below). As the Youpla Group did not obtain a licence, it effectively ceased operating.

Excluding people that have already received financial assistance under the YGFBP, this is estimated to include 7,850 people with total premiums paid of \$66.5m. This is referred to in the analysis below as Cohort A (2020).

A second option to be considered would provide support to the Youpla Group policy holders who held an active policy on or after 1 August 2015. This coincides with the date the Australian Government introduced changes which would effectively remove providers like the Youpla Group from Centrepay, however due to court challenges, Youpla was still able to access the Centrepay system until February 2017.

Community advocates have argued that it was around this time (2015-2017) that there was a significant increase (300 per cent) in the number of policy cancellations, which was part of a broader program of alleged exploitative behaviour involving "churning sign-ups and cancellations to maximise profits and reduce potential liabilities for policy holders".¹⁸ On 4 July 2018, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry heard testimony that 6,000 policies were cancelled once premiums were no longer being collected through Centrepay for customers Youpla Group deemed "uncontactable".¹⁹

The Australian Government maintains that registration means that the entity has met the obligations of the Centrepay program. It should not be read as endorsement or guarantee of that entity's services.

Youpla Group policy holders who held an active policy on or after 1 August 2015 and who have not received financial assistance under the YGFBP is estimated to impact 13,700 people. Payments could be pro-rated, if required, to meet a specific budget allocation. This is referred to in the analysis below as Cohort B (2015).

A third and final option to be considered would provide support to the Youpla Group policy holders who held an active policy on or after 1 January 2001. This is the date advocated by First Nations stakeholders on the basis that this was when Youpla was registered on the Centrepay system. The Australian Government maintains that registration means that the entity has met the obligations of the Centrepay program. It should not be read as endorsement or guarantee of that entity's services.

¹⁸ [New data reveals 'targeted exploitation' of First Nations communities through Centrepay system - Financial Counselling Australia](#)

¹⁹ [TranscriptCreator \(archive.org.au\)](#)

Youpla Group policy holders who held an active policy on or after 1 January 2001 and who have not received financial assistance under the YGFBP is estimated to impact 31,400 people. Payments could be pro-rated, if required, to meet a specific budget allocation. This is referred to in the analysis below as Cohort C (2001).

Capacity for non-government actors to intervene

There is no capacity for non-government actors to intervene to assist Youpla Group policy holders recover from the financial loss given the quantum of funds in question.

While there is an existing market for funeral savings products (including insurance and bonds), no other entity (corporate, NGO or state government) has demonstrated an appetite to meaningfully support the capacity of former Youpla Group policy holders to conduct Sorry Business into the future or meet Government minimum requirements. The Government understands that this reluctance is a continuation of providers' historical failure to provide funeral products to remote and First Nations communities – a factor that allowed the Youpla Group to occupy a large portion of that market. In response to the collapse of the Youpla Group, the Government is prepared to facilitate new funeral bond arrangements between providers and those effected by the collapse. This involves proactively reaching out to former Youpla Group policy holders and connecting them with funeral product providers with the appropriate cultural and financial capabilities. By facilitating such arrangements, the Government can give providers confidence to enter the market and members' confidence that new, prudentially regulated bodies can occupy the space left by the Youpla Group.

Regulation of the Funeral Bond sector

Funeral bonds provide a secure investment option that ties the withdrawal of funds invested to the passing of an individual. Funeral bonds can be capital protected, but can also be adjusted to different risk levels if that is the consumer's preference.

Unlike the products offered by Youpla Group, funeral bond products are subject to regulation by the Australian Securities and Investments Commission (ASIC). Moreover, unlike the Youpla Group, the providers of funeral bond products are regulated by the Australian Prudential Regulation Authority (APRA).

Funeral bonds are a 'financial product'.²⁰ Anyone who provides, gives advice about, distributes, deals in or issues those facilities is providing a 'financial service' that is regulated under the Corporations Act.

Anyone providing a 'financial product' as defined in section 763A of the Corporations Act, must hold an AFS licence authorising them to provide these facilities. Licensees have a range of obligations, including:

- general obligations outlined in section 912A–912B of the Corporations Act
- obligations that relate to your dealings with ASIC (see section 912C–912DB)
- obligations that relate to the provision of financial product advice and giving clients information about the financial services you provide (see Parts 7.7–7.7A)
- other specific obligations relating to matters such as dealing with client money and restrictions on hawking financial products (see Part 7.8), and
- obligations to provide important information about the financial product in a Product Disclosure Statement (see Part 7.9).

Licensees need to demonstrate that they can meet these obligations when applying for an AFS licence or variation to an existing licence. It is an offence to provide a financial product without an AFS licence or relief. Penalties apply for unlicensed conduct.

ASIC can take enforcement action if a licensee breaches their obligations. This includes cancelling or suspending the licence or imposing conditions on the licence, as well as civil penalties.

²⁰ if the facility meets the general definition (section 763A) or a specific definition of a 'financial product' in the Corporations Act, see <https://asic.gov.au/for-finance-professionals/afs-licensees/applying-for-and-managing-an-afs-licence/licensing-certain-service-providers/licensing-requirements-for-providers-of-funeral-expenses-facilities/#what>

APRA is the prudential regulator of life insurers, including the member owned life insurers that provide funeral bond products. Prudential regulation focuses on maintaining the safety and soundness of a life insurer, so that its customers can have confidence that it will honour its financial commitments (such as the promise to pay out a funeral bond upon an individual's passing many years into the future) under all reasonable circumstances.

Capital protected funeral bond

The lowest risk option is a capital protected funeral bond. This is a non-unitised bond that protects the contributions made by customers through the imposition of higher capital reserve requirements under APRA's prudential regulation framework.

Funeral bonds can also include conservative, balanced and growth investment options. These mean that the funeral bond is unitised and, as such, comprises a higher level of risk. Unitised funeral bonds take into account the daily value of the unit, are sensitive to economic variables (such as interest rates), and have a higher risk of capital loss than capital protected funeral bonds.

In general, for the older eligible person, it is more likely that the product that would best enable them to achieve their goal is either a capital guaranteed or very low-risk (unitised) funeral bond, or an (appropriately regulated) pre-paid funeral. For a younger person, the product that best enables them to achieve their goal may be a moderate risk (unitised) funeral bond. They may wish to also consider capital protected products.

3. What policy options are you considering?

Status quo option

The Youpla Group Funeral Benefits Program (YGFBP) was jointly announced by the Minister for Indigenous Australians and the Assistant Treasurer on 25 July 2022. The YGFBP pays a grant in place of a funeral benefit that would otherwise have been paid by the Youpla Group before its collapse. The YGFBP commenced on 7 September 2022 and was due to close on 30 November 2023, but has been extended to accept applications until 30 June 2024.

The YGFBP was announced as an interim program while the Government considered the details of an enduring resolution to further support former Youpla Group policy holders. To be eligible for the YGFBP, the person who passes away must have been covered by a Youpla Group funeral policy that was being paid for on or after 1 April 2020.

Under the YGFBP, financial assistance to help pay for a funeral and Sorry Business is only available if the Youpla Group policy holder passes away and an application is received while the program is open. Once the program closes, Youpla Group policy holders and their families will no longer be able to apply.

To apply for a payment under the YGFBP an application form is completed, and supporting documents are provided to verify the applicant's identity and the passing of the person covered by the Youpla Group policy. Applications are assessed in accordance with Grant Opportunity Guidelines. Payments are to be used to assist in meeting the costs of the deceased person's funeral, burial or cremation and for related Sorry Business. The applicant can choose whether a payment is received only by them, is paid directly to a funeral director, or is split between the applicant and a funeral director. Payments under the YGFBP are capped at the former Youpla Group policy holder's policy benefit limit.

As at 31 October 2023, the YGFBP has approved 340 applications for a total value of \$2,707,491. Without the interim program being established these 340 families would not have been supported in undertaking Sorry Business.

Cohorts

Cohort A – 2020 Policy Holders

This option impacts people who held a policy with the former Youpla Group on or after 1 April 2020 and have not already received financial assistance under the YGFBP. This is estimated at 7,850 policy holders with total premiums paid of \$66m. This option is considered the default as it aligns with the Government initial decision to support the 2020 cohort under the YGFBP.

Cohort B – 2015 Policy Holders

This option impacts people who held a policy with the former Youpla Group on or after 1 August 2015 and have not already received financial assistance under the YGFBP. This is estimated to impact 13,700 people with total premiums paid of \$106m. This option is presented as an alternative option to Cohort A to expand eligibility to a broader group of Youpla Group policy holders.

Cohort C – 2001 Policy Holders

This option impacts people who held a policy with the former Youpla Group on or after 1 January 2001 and have not already received financial assistance under the YGFBP. This is estimated to impact 31,400 people with total premiums paid of \$164m.

This option is presented as an alternative option to Cohort A and B to expand eligibility to the broadest group of Youpla Group policy holders.

Forms of financial assistance

Alternative options (see below) will provide financial assistance upfront which is not conditional on the passing of the policy holder. The value of assistance will be the lesser of the total sum of premiums paid or the maximum benefit payable by the relevant policy. The financial assistance will be administered by Services Australia and will be supported by financial counselling to assist Youpla Group policy holders make an informed choice.

Two forms of financial assistance are considered:

Cash Payment

- Policy holders will receive financial assistance through direct payment to their nominated bank account.

Funeral Bond

- Policy holders will be assisted to purchase a funeral bond, with financial assistance to be paid directly into the bond. Any funds contributed to the funeral bond become available to the policy holder's family at the time they pass.
- Unlike the products offered by Youpla Group, funeral bond products are subject to regulation by the Australian Securities and Investments Commission (ASIC) and providers of funeral bond products are regulated by the Australian Prudential Regulation Authority (APRA).

Options considered but discounted

Extending the existing program:

Extending the YGFBP indefinitely is not viable as eligibility for financial assistance under the program is subject to the policy holder passing away. It would be difficult to determine exactly how long the Australian Government would need to continue to administering the program so that all Youpla Group policy holders received their benefit, but noting that policies were sold to children, it could exceed 50 years. Maintaining the YGFBP for this amount of time is both administratively complex and costly.

Pre-paid funerals:

Prepaid funerals are exempted from being regulated as a "financial product" under the Corporations Act. This means that prepaid funeral agreements between consumers and funeral service providers are not financial products and are not regulated by ASIC, and the providers of prepaid funerals are not regulated by APRA.

All states regulate the requirements for prepaid funeral contracts but they are less regulated in the ACT and NT. State regulation generally requires the money paid by the client to the funeral provider to be held in an account with a friendly society or other registered organisation, however there is still a risk of financial loss if the funeral provider becomes insolvent.²¹ As there are fewer protections, and a lack of nationally consistent regulatory framework, this option is not considered viable due to the heightened risk of further financial loss for an already highly vulnerable cohort.

Further, the prepayment is estimated on the estimated cost of the funeral at a given point of time. The value of this prepayment diminishes over time, and therefore would not be suitable for all age cohorts. This also makes the product unviable as the Youpla Group policy holders cover a range of age groups.

²¹ [Australian Funeral Directors Association, "Distinguishing funeral bonds and prepaid funerals from funeral insurance", p4](#)

Funeral Insurance:

As above, insurance policies will not be suitable due to the range of age groups within this cohort.

Insurance policies only remain valid while insurance premiums are paid. Reinvesting in an insurance product will require the policy holder to continue paying the premium until their passing. For younger people, this is likely to result in premium payments exceeding the policy value. This option also presents a higher risk of loss of benefit if, for example, the client stops paying the insurance premium.

Resolution payment scheme options

These options have been identified as they are capable of directly supporting the capacity of former Youpla Group policy holders to conduct Sorry Business into the future. They are mutually exclusive and are not measures which form a single option.

Option 1: Choice between cash payment or funeral bonds

Policy holders will receive advice that they are eligible for financial assistance, and given the option to receive this assistance in the form of cash payment or funeral bond. Policy holders will be offered the opportunity to receive financial counselling before they make their choice.

Option 2: Funeral bonds set as default; option to receive cash payment

Policy holders will receive advice that they are eligible for financial assistance, and that this assistance will be provided in the form of a Funeral Bond, but receive advice on how to opt out and receive it as cash payment instead. Policy holders will be offered the opportunity to receive financial counselling before they make their choice.

Option 3: Funeral bonds are mandated, with specific exemptions

Policy holders are advised that they will receive financial assistance in the form of a bond, however may be entitled to receive it as a cash payment if they meet specific criteria, specifically that they have already purchased a pre-paid funeral, funeral insurance or a funeral bond. Policy holders will be offered the opportunity to receive financial counselling to explain the funeral bond works.

Policy Options and alignment with Government objectives

Status Quo

The status quo does not meet Government objectives.

The YGFBP was announced as an interim measure to allow time for the Government to develop an enduring solution.²²

The YGFBP is scheduled to expire on 30 June 2024. Based on the current trajectory,²³ the vast majority of policy holders would be left without cover if the program expired without replacement or extension. This is arguably an unfair outcome, as policy holders' eligibility for financial assistance would be determined by date of death.

Failure to deliver a more permanent response will:

²² [Joint media conference, Canberra | Treasury Ministers](#)

²³ Assuming 14,874 potential claimants, and only 320 recipients received benefits as at 30 September 2023.

- Result in further cases of First Nations peoples not having access to financial assistance to conduct Sorry Business with dignity and in a culturally appropriate way, causing further social and emotional trauma and harm; and/or families incurring debt.
- Be perceived as a breach of the Australian Government’s commitment to deliver a “resolution”

This option does not provide for services, such as financial counselling and reinvestment into another funeral bond product.

This option does not meet the Government objectives of supporting the capacity for former Youpla Group policy holders to conduct Sorry Business into the future. This is due to the YGFBP only providing an interim and short term avenue of support.

Option 1: Choice between cash payment or funeral bonds

This aligns with the Government’s objectives to respect the cultural significance of Sorry Business and limit the cultural damage and community grief caused by the Youpla Group financial collapse.²⁴

Providing direct payment is both immediate and tangible evidence of Government meeting its stated objective to resolve uncertainty.

Providing choice aligns with the Government’s stated objectives to give First Nations Australians greater choice on matters that affect them. Combined with the offer of financial counselling, this option best aligns with the Closing the Gap Target 17, “People have access to information and services enabling participation in informed decision-making regarding their own lives.

Conversely, by providing choice, Youpla Group policy holders may choose to receive a cash payment and use it for a purpose other than Sorry Business. This does not clearly align with the Government’s objective of supporting First Nations Australians conduct Sorry Business with dignity. As it is less liquid, investment in a regulated financial product also provides greater security and assurance that the money will be available when required for Sorry Business.

Option 2: Funeral bonds set as default; option to receive cash payment

This aligns with the Government’s objectives to respect the cultural significance of Sorry Business and limit the cultural damage and community grief caused by the Youpla Group financial collapse.

This option seeks a balance between providing choice and maximising potential for financial assistance to support First Nations Australian conduct Sorry Business with dignity. While encouraging Youpla Group policy holders to reinvest in a regulated financial product, it also respects choice and is consistent with commitments under Closing the Gap Target 17.

Option 2 presents greater risk than Option 3 that, if Youpla Group policy holders opt for a cash payment, there is a greater risk of financial loss, however as reinvestment in a regulated financial product is being actively encouraged, this risk is lower than Option 1.

Option 3: Funeral bonds are mandated, with specific exemptions

This aligns with the Government’s objectives to respect the cultural significance of Sorry Business and limit the cultural damage and community grief caused by the Youpla Group financial collapse.

Mandating reinvestment maximises the likelihood that financial assistance will be made available through a regulated financial product, thereby providing the greatest assurance that this assistance will be available to assist First Nations Australians conduct Sorry Business when required. It also reduces the prospect of financial loss.

Restricting choice does not align with the Government’s objectives to give First Nations Australians greater choice on matters that affect them.

²⁴ [Help for Youpla Group collapse families | Treasury Ministers](#)

Cohort A, Cohort B and Cohort C

All cohorts align with the Government’s objective to provide financial assistance to conduct Sorry Business with dignity and in a culturally appropriate way, without causing further social and emotional trauma and harm; and/or families incurring debt.

Resolving payments for Cohort A (2020) is consistent with the direction announced by the Government when the YGFBP was released, however the Government also committed to investigate “what further steps are required to bring resolution to the Youpla Group collapse”.²⁵

Extending access to other cohorts increases the number of people potentially eligible for financial assistance. Youpla Group for approximately 6,000 policy holders at the time it was removed from Centrepay in August 2015. Extending access to Cohort C is consistent with community views advocated by stakeholders.

²⁵ [Help for Youpla Group collapse families | Treasury Ministers](#)

4. What is the likely net benefit of each option?

Options providing resolution payments to former Youpla Group policy holders with options to encourage the adoption of alternatives to cash payments, will have the greatest positive impact on individual former Youpla Group policy holders.

Any regulatory or other costs borne by individuals, businesses (in particular funeral bond product providers) and communities will be outweighed by the positive economic impacts of a resolution payments scheme, in addition to the positive social and cultural impacts achieved.

In determining the preferred approach, the analysis below applies the following factors:

- Addressing Government commitments to resolve the situation for Youpla Group policy holders: Statements by the Government highlight the need for an “enduring solution” to replace the interim measure.²⁶ The response should resolve this situation to provide greater certainty for the people affected.
- Balancing the need for choice while encouraging reinvestment to supporting capacity to conduct Sorry Business. The importance of choice is consistent with the insights gathered from community (through the Save Sorry Business Coalition). The Government also recognises the deep cultural significance of Sorry Business to First Nations people.
- Minimising risk of further financial loss and social and emotional harm: Evidence provided by First Nations stakeholders demonstrate the economic, social and emotional vulnerability of Youpla Group policy holders. Any financial assistance, especially a financial product provided by a third party, must minimise risk of further harm.

Status quo option

Summary

The YGFBP was announced on 22 July 2022. It commenced on 7 September 2022 and will expire on 30 June 2024.

Under the status quo option, the YGFBP will:

- continue to only pay benefits when a policy holder passes away
- expire as planned on 30 June 2024.

As at 31 October 2023, 340 claims against former policies have been paid. Treasury modelling estimates another 155 claims will be processed during the life of the program. On this basis, it is evident that most policies will not provide financial assistance for the holder or their family under the current approach.²⁷

Under this option, there is no net benefit.

These options will likely lead to former Youpla Group policy holders accessing other means to conduct Sorry Business, including the purchase of additional and/or inadequate funeral products, accessing loans, accessing superannuation and other savings funds. This runs the risk of further exacerbating the economic disadvantage and intergenerational debt for these former Youpla Group policy holders and their communities.

A commitment has been demonstrated by former Youpla Group policy holders and/or communities to facilitate a means of ensuring that cultural practices were being honoured and protected into the future. These options are likely to leave these

²⁶ [Joint media conference, Canberra | Treasury Ministers](#)

²⁷ Individuals may hold more than one policy

cohorts of former policy holders with a sense of disempowerment and loss of self-determination in regard to their own personal and/or circumstances of their communities.

Individuals

Currently, individuals need to apply to access the YGFBP using a 16 page form on the Treasury website.

Once the YGFBP expires in June 2024, there will be a negligible reduction in regulatory cost resulting from the removal of the requirement to complete an application, however this is significantly outweighed by the loss of access to potential financial assistance.

This reduction will also be offset by the likelihood that Youpla Group policy holders will still incur regulatory costs if they seek financial assistance elsewhere. In a survey conducted by the SSBC,²⁸ 40 per cent of respondents indicated that they would apply for a loan, 29 per cent would start a crowdsourcing venture, and 25 per cent would try to access early superannuation. In turn, this behaviour is likely to increase financial stress, including creation of intergenerational debt.

Noting that the Government has committed to resolving the matter, allowing the YGFBP to lapse without a replacement program is likely to result in increased uncertainty and distrust in Government.

Businesses

Some businesses, such as funeral directors, are directly benefiting from the YGFBP, in the form of payment received upon the provision of services and/or before the provision of these services. Funeral providers can currently deliver services for more bereaved families knowing that at least partial costs will be met by the YGFBP.

Although these businesses will more than likely still benefit after the current YGFBP ceases, payments to these businesses will more than likely be affected and/or delayed and may need to be negotiated if possible, with services reduced to a minimum.

Communities

Communities who share cultural and financial Sorry Business responsibilities and obligations will continue to be supported to conduct this important cultural practice under the YGFBP until it expires in June 2024. Communities will face uncertainty going forward on how to meet their cultural obligations for members who held Youpla Group policies after this time.

Resolution payments scheme options

Option 1: Choice between cash payment or funeral bonds

Summary

Like the other two options, this option:

- impacts approximately 7,850 payers under for Cohort A (2020) or 13,700 payers for Cohort B (2015) or 31,400 payers for Cohort C (2001) who have not already received financial assistance under the YGFBP.
- will be complemented by access to financial counselling to assist Youpla Group policy holders to make an informed choice, and
- provides Youpla Group policy holders with the opportunity to reinvest the premiums paid (up to the policy limit) into a Funeral Bond - a simple, low-risk investment option offered by a member owned life insurer who is able to deliver the product in a culturally appropriate manner.

²⁸ Sample size = 414, undertaken May to November 2022.

Unlike the other options, this option:

- presents the easiest pathway for Youpla Group policy holder to select cash payment instead of the Funeral Bond. This is consistent with insights on this group's first preference.
- benefits the individual by providing the broadest scope for them to make a decision on financial matters that impact them, but increases the likelihood that the financial assistance will not directly contribute towards costs associated with Sorry Business.
- is likely to reduce the uptake of funeral bonds, reducing market opportunity and making it more difficult for providers to predict demand and target their business activities.

Individuals

This option represents the simplest approach to resolution for former Youpla Group policy holders and the first preference among stakeholders. This option supports the independence and autonomy of former Youpla Group policy holders as it allows for individuals to select cash or a funeral bond in line with their personal circumstances.

However, it should be noted that the choice between cash and funeral bonds offers benefits over alternatives like pre-paid funerals. Regulators have outlined that pre-paid funeral products do not offer the same prudential or regulatory protections. As such, funeral bond products can offer security while cash payments can offer autonomy compared to alternatives.

Financial counselling is likely to be used by a minority of people. These people will benefit from assistance in relation to estate planning and saving for future goals, supporting increased fiscal education. Younger people are likely to see long-term benefits due to their increased financial education.

Funeral costs (including for a funeral director) for individuals may vary depending on location due to potentially increased input costs and limited choices in remote locations.

Individuals need to apply for the program, which takes approximately four hours. Claims and enquiries are able to be made via telephone, email and through lodging paper claims.

For Cohort A (2020), costs for individuals have been estimated at:

- \$282,600 to apply for the resolution payment scheme, and
- \$169,560 for applicants applying for the funeral bond.

For Cohort B (2015), costs for individuals have been estimated at:

- \$493,200 to apply for the resolution payment scheme, and a
- \$295,920 for applicants applying for the funeral bond

Regulatory costs are higher for Cohort B due to the greater number of people expected to apply for financial assistance, however this is offset by the fact that more people (up to 13,700 under Cohort B compared to up to 7,850 under Cohort A) will be eligible for financial assistance.

For Cohort C (2001), costs for individuals have been estimated at:

- \$1,130,400 to apply for the resolution payment scheme, and a
- \$678,240 for applicants applying for the funeral bond

Regulatory costs are higher for Cohort C due to the greater number of people expected to apply for financial assistance, however this is offset by the fact that more people (up to 31,400 compared to up to 7,850 under Cohort A and 13,700 under Cohort B) will be eligible for financial assistance.

Businesses

Funeral bond product providers will be given the opportunity to participate in a single/panel arrangement. Six funeral bond provider businesses have already expressed interest in meeting Government regulations and providing funeral bonds to former Youpla Group policy holders. It is likely that these businesses will receive a small number of new clients resulting in increased economic activity in a small market. Financial counsellors may also benefit as there may be some ongoing relationships that develop post the initial counselling.

The successful funeral bond provider who meets a range of minimum standards will be eligible to provide services to the resolution payments scheme claimants, obtaining financial benefit in the process. Referrals will be made to funeral bond provider through Services Australia. Funeral bond providers and financial counsellors will incur costs throughout the tender process, which have been outlined later in this document.

Some funeral providers will benefit as individuals look to purchase their products. Businesses in regional and remote locations are likely to benefit as cash payments in these areas will increase economic activity.

As outlined earlier, a majority of participants are expected to opt for cash payments over funeral bonds. This is likely to reduce market opportunity, make it more difficult for providers to predict demand and target their business activities.

For clarity, unlike the Youpla Group, businesses participating in this program will be ASIC and APRA regulated. This will minimise the likelihood of a repeat collapse.

For Cohort A (2020), Cohort B (2015) and Cohort C (2001), costs have been estimated for businesses at

- \$71,667 for bond providers tendering and
- \$119,445 for financial counselling providers tendering

Communities

This option benefits communities through the immediate payment of cash. If Youpla Group policy holders decide to not reinvest in a funeral bond product, it could contribute to the broader economy of the community.

Communities that share cultural and financial Sorry Business responsibilities and obligations are likely to receive less support to conduct this important cultural practice into the future as a whole, as there is increased likelihood that the financial assistance will be used for purposes other than assisting with funeral costs.

Option 2: Funeral bonds set as default; option to receive cash payment

Summary

Like the other two options, this option:

- impacts approximately 7,850 payers under for Cohort A (2020) or 13,700 payers for Cohort B (2015) or 31,400 payers for Cohort C (2001).
- will be complemented by access to financial counselling to assist Youpla Group policy holders make an informed choice; and
- provides Youpla Group policy holders with the opportunity to reinvest the premiums paid (up to the policy limit) into a Funeral Bond - a simple, low-risk investment option offered by a funeral bond provider who is able to deliver the product in a culturally appropriate manner.

Unlike the other two options, this option:

- still allows Youpla Group policy holders to select cash payment instead of the Funeral Bond, but applies a default effect bias to encourage participation in the Funeral Bond product. This is still consistent with insights on this group's first preferences, but requires individuals to take further action to select their preferred option.
- provides a benefit to the individual by providing choice, but balances this with the broader objective of supporting First Nations people to conduct Sorry Business with dignity in a culturally appropriate manner.
- will increase the uptake of funeral bonds and therefore market opportunity (relative to Option 1) but still result in some uncertainty, making it more difficult for providers to predict demand and target their business activities.

Individuals

Compared to Option 1, this option represents a similarly simple approach to resolution for former Youpla Group policy holders. Under this option, a smaller majority of participants are anticipated to choose cash over a funeral product. This option still supports the independence and autonomy of former Youpla Group policy holders as it allows for individuals to select cash or a funeral bond in line with their personal circumstances, while also increasing the uptake of funeral bonds and maximizing participants' ability to conduct Sorry Business when the need arises.

A significant number of former Youpla Group policy holders may have lost the confidence to invest in a funeral bond product. However, if a simple low-risk option through one provider is available, where the benefits and regulatory oversight of the provider are explained to former Youpla Group policy holders in a culturally appropriate manner, this is likely to encourage former Youpla Group policy holders to purchase these products.

Again, it should be noted that the choice between cash and funeral bonds offers benefits over alternatives like pre-paid funerals. Regulators have outlined that pre-paid funeral products do not offer the same prudential or regulatory protections. As such, funeral bond products can offer security while cash payments can offer autonomy compared to alternatives.

Financial counselling is likely to be used by a minority of people. These people will benefit from assistance in relation to estate planning and income management, supporting increased fiscal education. Younger people are likely to see long-term benefits due to their increased financial education.

Funeral costs (including for funeral director) for individuals may vary depending on location due to potentially increased input costs and limited choices in remote locations. Individuals need to apply for the program, which takes approximately four hours. Claims and enquiries able to be made via telephone, email and through lodging paper claims.

For Cohort A (2020), costs for individuals have been estimated at:

- \$282,600 to apply for the resolution payment scheme, and a
- \$169,560 for applicants applying for the funeral bond.

For Cohort B (2015), costs for individuals have been estimated at:

- \$493,200 to apply for the resolution payment scheme, and a
- \$591,840 for applicants applying for the funeral bond

Regulatory costs are higher for Cohort B due to the greater number of people expected to apply for financial assistance, however this is offset by the fact that more people (up to 13,700 under Cohort B compared to up to 7,850 under Cohort A) will be eligible for financial assistance.

For Cohort C (2001), costs for individuals have been estimated at:

- \$1,130,400 to apply for the resolution payment scheme, and a
- \$1,356,480 for applicants applying for the funeral bond

Regulatory costs are higher for Cohort C due to the greater number of people expected to apply for financial assistance, however this is offset by the fact that more people (up to 31,400 under Cohort C compared to up to 7,850 under Cohort A and 13,700 under Cohort B) will be eligible for financial assistance.

Businesses

Funeral bond product providers will be given the opportunity to participate in a single/panel arrangement. Six funeral bond provider businesses have expressed interest in meeting Government regulations and providing funeral bonds to former Youpla Group policy holders. It is likely that these businesses will receive a small number of new clients resulting in increased economic activity in a small market. Financial counsellors may also benefit as there may be some ongoing relationships that develop post the initial counselling.

The successful funeral bond provider who meets a range of minimum standards will be eligible to provide services to the resolution payments scheme claimants, obtaining financial benefit in the process. Referrals will be made to funeral bond provider through Services Australia. Funeral bond providers and financial counsellors will incur costs throughout the tender process, which have been outlined later in this document.

Some funeral providers will benefit as individuals look to purchase their products. Businesses in regional and remote locations are likely to benefit as cash payments in these areas will receive increased economic activity.

As outlined earlier, a majority of participants are expected to opt for cash payments over funeral bonds. This is likely to reducing market opportunity, make it more difficult for providers to predict demand and target their business activities. However, compared to Option 1, this option is more likely to allow providers to predict demand for services and target their business activities.

For clarity, unlike the Youpla Group, businesses participating in this program will be ASIC and APRA regulated. This will minimise the likelihood of a repeat collapse.

For Cohort A (2020), Cohort B (2015) and Cohort C (2001), costs have been estimated for businesses at

- \$71,667 for bond providers tendering and
- \$119,445 for financial counselling providers tendering

Communities

Similar to Option 1, this still presents an increased opportunity for economic activity in community if individuals use payments for reasons other than financial products. This benefit is lessened as we expect more of the resolution payments to be directed toward Funeral Bonds than under Option 1 (due to the default effect bias). Similarly, the risks of market distortion and predatory behaviour (see above) are reduced for the same reason.

Communities that share cultural and financial Sorry Business responsibilities and obligations are likely to receive greater support to conduct this important cultural practice than under Option 1 for the same reason.

As this option most closely aligns with the insights gathered by individuals through SSBC, providing support under this option is most likely to reinforce messaging that the Government is committed to self-determination of First Nations peoples and respects policy holders' preference for choice.

Option 3: Funeral bonds are mandated, with specific exemptions

Summary

Like the other two options, this option:

- impacts approximately 7,850 payers under for Cohort A (2020) or 13,700 payers for Cohort B (2015) or 31,400 payers for Cohort C (2001)
- will be complemented by access to financial counselling to assist Youpla Group policy holders make an informed choice, and
- provides Youpla Group policy holders with the opportunity to reinvest the premiums paid (up to the policy limit) into a Funeral Bond - a simple, low-risk investment option offered by a funeral services provider who is able to deliver the product in a culturally appropriate manner.

Unlike the other two options, this option:

- substantially limits the option to select cash payment instead of the Funeral Bond. This is inconsistent with insights on this group's first preference.
- substantially limits choice, but maximises the likelihood that financial assistance will directly contribute toward the broader objective of supporting First Nations people to conduct Sorry Business with dignity and in a culturally appropriate manner.
- will maximise the uptake of funeral bonds and therefore market opportunity (relative to Option 1), and minimize market uncertainty, making it easier for providers to predict demand and target their business activities.

Individuals

Most participants will receive their resolution payment in the form of a funeral bond. This will effectively maximise the likelihood that financial assistance will directly contribute toward the broader objective of supporting First Nations people to conduct Sorry Business with dignity and in a culturally appropriate manner.

Financial counselling will be provided to assist with understanding options and planning for the future.

Funeral costs (including for a funeral director) for individuals may vary depending on location due to potentially increased input costs and limited choices in remote locations. Individuals need to apply for the program, which takes approximately four hours. Claims and enquiries able to be made via telephone, email and through lodging paper claims.

For Cohort A (2020), costs for individuals have been estimated at:

- \$282,600 to apply for the resolution payment scheme, and
- \$720,630 for applicants applying for the funeral bond.

For Cohort B (2015), costs for individuals have been estimated at:

- \$493,200 to apply for the resolution payment scheme, and a
- \$1,257,660 for applicants applying for the funeral bond

Regulatory costs are higher for Cohort B due to the greater number of people expected to apply for financial assistance, however this is offset by the fact that more people (up to 13,700 under Cohort B compared to up to 7,850 under Cohort A) will be eligible for financial assistance.

For Cohort C (2001), costs for individuals have been estimated at:

- \$1,130,400 to apply for the resolution payment scheme, and a
- \$2,882,520 for applicants applying for the funeral bond

Regulatory costs are higher for Cohort C are the highest due to the greater number of people expected to apply for financial assistance, however this is offset by the fact that more people (up to 31,400 under Cohort C compared to up to 7,850 under Cohort A and 13,700 under Cohort B) will be eligible for financial assistance.

Businesses

Funeral bond product providers will be given the opportunity to participate in a single/panel arrangement. Six funeral bond provider businesses have already expressed interest in meeting Government regulations and providing funeral bonds to former Youpla Group policy holders. It is highly likely that the successful tendering businesses will receive a greater number of new clients (as opposed to Option 1 or 2), resulting in increased economic activity in a small market.

The successful funeral bond provider who meets a range of minimum standards, including cultural competency, will be eligible to provide services to the resolution payments scheme claimants, obtaining financial benefit in the process. Referrals will be made to funeral bond provider through Services Australia. Funeral bond and financial counsellors will incur costs throughout the tender process, which have been outlined later in this document.

Fewer funeral providers will benefit immediately as fewer individuals look to purchase their products. Fewer businesses in regional and remote locations are likely to benefit immediately as there will be little in the way of cash payments in these areas to generate immediate increased economic activity.

This option will allow providers to predict demand for services and target their business activities.

For clarity, unlike the Youpla Group, businesses participating in this program will be ASIC and APRA regulated. This will minimise the likelihood of a repeat collapse.

For Cohort A (2020), Cohort B (2015) and Cohort C (2001), costs have been estimated for businesses at

- \$71,667 for bond providers tendering and
- \$119,445 for financial counselling providers tendering

Communities

This option is most likely to benefit communities that share cultural and financial Sorry Business responsibilities as it maximises the likelihood that the resolution payments will be redirected into a funeral bond, providing the greatest amount of assurance that financial support will be available when required.

As it limits opportunities for individuals to receive cash payments, it will have significantly less impact on communities' economic activity.

This options is least consistent with the insights gathered by individuals through SSBC, and does not clearly align with messaging that the Government is committed to self-determination of First Nations peoples and respects policy holders' preference for choice.

Regulatory burden estimate (RBE) tables

The regulatory costs have been calculated as per below. The hours taken to apply and to set up a funeral bond has been calculated based on information and assumptions provided by Treasury and funeral bond providers. The below tables estimate the total regulatory burden as a function of the size of the effected cohort, the number of hours needed to comply with the requirement and the cost per hour of said compliance.

Cohort A (2020)

Option 1A: Choice between cash payment or funeral bonds (2020 Cohort)

Regulatory cost for people applying	\$282,600	\$36 per hour for regulatory burden and 1 hour of time taken to apply for each applicant
Regulatory cost for applicant applying for funeral bond	\$169,560	\$36 per hour for regulatory burden, 3 hours required to set up funeral bond, and 20% take up rate for bonds
Regulatory cost for bond providers tendering	\$71,667	Number of businesses expected to apply 6 x no of hours 150 x \$79.63 per hour
Regulatory cost for financial counselling providers tendering	\$119,445	Number of businesses expected to apply 10 x no of hours 150 x \$79.63 per hour
Total regulatory costs	\$643,272	

Average annual regulatory costs (from business as usual)

Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$191,112	\$0	\$452,160	\$643,272

Figures based on an estimated 7,850 payers who have not already received financial assistance under the YGFBP. The total benefit to individuals equates to up to \$66m with a total regulatory cost of \$0.6m.

Option 2A: Funeral bonds set as default; option to receive cash payment (2020 Cohort)

Regulatory cost for people applying	\$282,600	\$36 per hour for regulatory burden and 1 hour of time taken to apply for each applicant ²⁹
Regulatory cost for applicant applying for funeral bond	\$339,120	\$36 per hour for regulatory burden, 3 hours required to set up funeral bond, and 20% take up rate for bonds ³⁰
Regulatory cost for bond providers tendering	\$71,667	Number of businesses expected to apply 6 x no of hours 150 x \$79.63 per hour
Regulatory cost for financial counselling providers tendering	\$119,445	Number of businesses expected to apply 10 x no of hours 150 x \$79.63 per hour
Total regulatory costs	\$812,832	

Average annual regulatory costs (from business as usual)

Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$191,112	\$0	\$621,720	\$812,832

Figures based on an estimated 7,850 payers who have not already received financial assistance under the YGFBP. The total benefit to individuals equates to up to \$66m with a total regulatory cost of \$0.8m.

²⁹ 1 hour estimate is based on indicative advice from Services Australia that time taken to process claims will be between 25 minutes and 45 minutes.

³⁰ 3 hour estimate is based on online review of application forms for funeral bond products, noting that most were approximately 2 to 4 pages in length. Additional time (1 hour) allowed for people to seek financial advice if required.

Option 3A: Funeral bonds are mandated, with specific exemptions (2020 cohort)

Regulatory cost for people applying	\$282,600	\$36 per hour for regulatory burden and 1 hour of time taken to apply for each applicant
Regulatory cost for applicant applying for funeral bond	\$720,630	\$36 per hour for regulatory burden, 3 hours required to set up funeral bond, and 20% take up rate for bonds
Regulatory cost for bond providers tendering	\$71,667	Number of businesses expected to apply 6 x no of hours 150 x \$79.63 per hour
Regulatory cost for financial counselling providers tendering	\$119,445	Number of businesses expected to apply 10 x no of hours 150 x \$79.63 per hour
Total regulatory costs	\$1,194,342	

Average annual regulatory costs (from business as usual)

Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$191,112	\$0	\$1,003,230	\$1,194,342

Figures based on an estimated 7,850 payers who have not already received financial assistance under the YGFBP. The total benefit to individuals equates to up to \$66m with a total regulatory cost of \$1.2m.

Cohort B (2015)

Option 1B: Choice between cash payment or funeral bonds (2015 Cohort)

Regulatory cost for people applying	\$493,200	\$36 per hour for regulatory burden and 1 hour of time taken to apply for each applicant
Regulatory cost for applicant applying for funeral bond	\$295,920	\$36 per hour for regulatory burden, 3 hours required to set up funeral bond, and 20% take up rate for bonds
Regulatory cost for bond providers tendering	\$71,667	Number of businesses expected to apply 6 x no of hours 150 x \$79.63 per hour
Regulatory cost for financial counselling providers tendering	\$119,445	Number of businesses expected to apply 10 x no of hours 150 x \$79.63 per hour
Total regulatory costs	\$980,232	

Average annual regulatory costs (from business as usual)

Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$191,112	\$0	\$789,120	\$980,232

Figures based on an estimated 13,700 payers who have not already received financial assistance under the YGFBP. The total benefit to individuals equates to up to \$111m with a total regulatory cost of \$1.0m.

Option 2b: Funeral bonds set as default; option to receive cash payment (2015 cohort)

Regulatory cost for people applying	\$493,200	\$36 per hour for regulatory burden and 1 hour of time taken to apply for each applicant
Regulatory cost for applicant applying for funeral bond	\$591,840	\$36 per hour for regulatory burden, 3 hours required to set up funeral bond, and 20% take up rate for bonds

Regulatory cost for bond providers tendering	\$71,667	Number of businesses expected to apply 6 x no of hours 150 x \$79.63 per hour
Regulatory cost for financial counselling providers tendering	\$119,445	Number of businesses expected to apply 10 x no of hours 150 x \$79.63 per hour
Total regulatory costs	\$1,276,152	

Average annual regulatory costs (from business as usual)

Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$191,112	\$0	\$1,085,040	\$1,276,152

Figures based on an estimated 13,700 payers who have not already received financial assistance under the YGFBP. The total benefit to individuals equates to up to \$111m with a total regulatory cost of \$1.3m

Option 3B: Funeral bonds are mandated, with specific exemptions (2015 cohort)

Regulatory cost for people applying	\$493,200	\$36 per hour for regulatory burden and 1 hour of time taken to apply for each applicant
Regulatory cost for applicant applying for funeral bond	\$1,257,660	\$36 per hour for regulatory burden, 3 hours required to set up funeral bond, and 20% take up rate for bonds
Regulatory cost for bond providers tendering	\$71,667	Number of businesses expected to apply 6 x no of hours 150 x \$79.63 per hour
Regulatory cost for financial counselling providers tendering	\$119,445	Number of businesses expected to apply 10 x no of hours 150 x \$79.63 per hour
Total regulatory costs	\$1,941,972	

Average annual regulatory costs (from business as usual)

Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$191,112	\$0	\$1,750,860	\$1,941,972

Figures based on an estimated 13,700 payers who have not already received financial assistance under the YGFBP. The total benefit to individuals equates to up to \$111m with a total regulatory cost of \$1.9m

Cohort C (2001)

Option 1C: Choice between cash payment or funeral bonds (2001 Cohort)

Regulatory cost for people applying	\$1,130,400	\$36 per hour for regulatory burden and 1 hour of time taken to apply for each applicant
Regulatory cost for applicant applying for funeral bond	\$678,240	\$36 per hour for regulatory burden, 3 hours required to set up funeral bond, and 20% take up rate for bonds
Regulatory cost for bond providers tendering	\$71,667	Number of businesses expected to apply 6 x no of hours 150 x \$79.63 per hour
Regulatory cost for financial counselling providers tendering	\$119,445	Number of businesses expected to apply 10 x no of hours 150 x \$79.63 per hour
Total regulatory costs	\$1,999,752	

Average annual regulatory costs (from business as usual)

Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$191,112	\$0	\$1,808,640	\$1,999,752

Figures based on an estimated 31,400 payers who have not already received financial assistance under the YGFBP. The total benefit to individuals equates to \$164m with a total regulatory cost of \$2.0m.

Option 2C: Funeral bonds set as default; option to receive cash payment (2001 Cohort)

Regulatory cost for people applying	\$1,130,400	\$36 per hour for regulatory burden and 1 hour of time taken to apply for each applicant
Regulatory cost for applicant applying for funeral bond	\$1,356,480	\$36 per hour for regulatory burden, 3 hours required to set up funeral bond, and 20% take up rate for bonds
Regulatory cost for bond providers tendering	\$71,667	Number of businesses expected to apply 6 x no of hours 150 x \$79.63 per hour
Regulatory cost for financial counselling providers tendering	\$119,445	Number of businesses expected to apply 10 x no of hours 150 x \$79.63 per hour
Total regulatory costs	\$2,677,992	

Average annual regulatory costs (from business as usual)

Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$191,112	\$0	\$2,486,880	\$2,677,992

Figures based on an estimated 31,400 payers who have not already received financial assistance under the YGFBP. The total benefit to individuals equates to \$164m with a total regulatory cost of \$2.7m.

Option 3C: Funeral bonds are mandated, with specific exemptions (2001 cohort)

Regulatory cost for people applying	\$1,130,400	\$36 per hour for regulatory burden and 1 hour of time taken to apply for each applicant
Regulatory cost for applicant applying for funeral bond	\$2,882,520	\$36 per hour for regulatory burden, 3 hours required to set up funeral bond, and 20% take up rate for bonds
Regulatory cost for bond providers tendering	\$71,667	Number of businesses expected to apply 6 x no of hours 150 x \$79.63 per hour
Regulatory cost for financial counselling providers tendering	\$119,445	Number of businesses expected to apply 10 x no of hours 150 x \$79.63 per hour
Total regulatory costs	\$4,204,032	

Average annual regulatory costs (from business as usual)

Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$191,112	\$0	\$4,012,920	\$4,204,032

Figures based on an estimated 31,400 payers who have not already received financial assistance under the YGFBP. The total benefit to individuals equates to \$164m with a total regulatory cost of \$4.2m.

5. Who did you consult and how did you incorporate their feedback?

Purpose and plan

Under the National Agreement on Closing the Gap, the Commonwealth Government has committed to working in full and genuine partnership with First Nations peoples, communities and organisations on policy-making that affects them.

A genuine consultation process ensures that the real-world impact of policy options have been considered, particularly among stakeholders who may be adversely affected by the policy. The purpose and objectives of the consultation plan was to ensure that all stakeholders, particularly First Nations stakeholders in this instance, were provided with the opportunity to share their advice, expertise, professional and personal experience, and to inform the structure of the final resolution payments scheme.

In mid-December 2022, the Ministers for Indigenous Australians and Financial Services agreed a format and parameters for consultations to inform the Government's investigation of an enduring resolution to the Youpla Group collapse.

It was agreed by Ministers that officials from the National Indigenous Australians Agency (NIAA) and the Treasury lead consultation with First Nations stakeholders, who were consulted closely in developing the claims assessment processes of the YGFBP and many of their recommendations were implemented.

The targeted approach to consultations was driven by timing and resourcing constraints leading into the 2023-24 Budget and the sensitivity and traumatic nature of the topic. Other stakeholders that may have been consulted if time permitted include the Yarrabah and Palm Island communities as well as communities in the more heavily affected areas in NSW.

Views

First Nations Stakeholders (including former Youpla members)

Consultations have revealed strong cultural sensitivities and clear preferences around the scope and delivery of an enduring resolution policy proposal. Stakeholders strongly demonstrated a preference that all former Youpla Group policy holders for which their policy was current as at 2001, to be paid at \$12,000 per policy or full reimbursement of premiums paid.

The rationale for expanding eligibility to policy holders from 2001 onwards cohort is this was when the Youpla Group entered the Centrepay system. In response, the Government obtained data from the Youpla Group's liquidator and thoroughly analysed and costed this option.

Some stakeholders have expressed that any culturally appropriate response would include cash payments as an option, allowing freedom of choice, for former Youpla Group policy holders.

Industry (Funeral Bond providers)

Regulators noted that the financial bond sector is small, but identified six providers to assist with consultation.

Initial contacts with the funeral bond product providers largely indicated a willingness to participate in the proposed panel arrangement. Secondary contacts reflected that only a limited number of funeral savings product providers may be able to provide a simple low-risk product that could be delivered in an accessible and culturally appropriate manner.

Throughout these consultations, assessment of the cultural competency of the providers consisted of identifying whether they had any First Nations staff, Reconciliation Action Plans (RAP), cultural awareness training, or any other measures that indicated a commitment to increasing cultural competence within the organisation. Cultural competence of providers throughout discussions was also assessed by monitoring general levels of awareness around First Nations issues, as reflected in their use of language or expression of views.

Regulators

Consultations with NSW and QLD state regulators identified that pre-paid funeral products were less suitable than funeral bonds. While there are obligations placed on providers of pre-paid funerals to hold money in trusts or to invest with registered funds and to have annual audits, they are not subject to a strong regulatory model. There is also no prudential regulation or protection for these funds, unlike funeral bonds. As such, pre-paid funerals would not provide recipients with the same level of protection as a funeral bond product. Regulators also identified that there are insufficient regulations around business failings. As such, recipients of the product would be at a higher risk of losing their funds than those with a funeral bond product.

6. What is the best option from those you have considered?

Overall

All three options are the same in terms of potential financial benefit for the key stakeholder, Youpla Group policy holders of up to \$71.1m. By providing the same quantity of financial assistance to those affected, all three options have been assessed the same in terms of demonstrating the Government’s respect for the cultural significance of Sorry Business and limit the cultural damage and community grief caused by the Youpla Group financial collapse.

In terms of Regulatory Burden Estimates, the three options have been assessed with a very similar total regulatory cost, with Option 1 and Option 2 grading slightly better than Option 3.

	Option 1	Option 2	Option 3
Cohort A (2020)	\$643,272	\$812,832	\$1,194,342
Cohort B (2015)	\$980,232	\$1,276,152	\$1,941,972
Cohort C (2001)	\$1,999,752	\$2,677,992	\$4,204,032

The key difference is that Option 3 (and to a lesser extent, Option 2) incur a higher cost due to the increased likelihood that applicants will need to apply for a funeral bond, and the additional impost associated with that application process.

Despite having slightly higher regulatory costs than Option 1, Option 2 is the best option as it balances risk with choice.

Defaulting the form of financial assistance to a Funeral Bond actively encourages claimants to retain their benefit in a regulated financial product, the benefits from which can only be used for funeral expenses. This is consistent with the Government’s objectives (informed by consultation) to support First Nations people to conduct Sorry Business with dignity in a culturally appropriate way.

Option 2 also provides choice, in that the claimant can opt to receive the financial assistance as cash payment instead. This, combined with the offer of financial counselling, aligns with the Government’s objectives to ensure First Nations peoples have a greater say in decisions that affect them, and supports efforts under Closing the Gap target 17: providing Aboriginal and Torres Strait Islander peoples access to information and services enabling participation in informed decision-making regarding their own lives.

Cohort B (2015) is preferred. It incurs higher costs relative to Cohort A (2020) as it requires more people to apply for financial assistance. However, this approach is recommended as it extends the benefit to a wider cohort. This is more closely aligned with the views of stakeholders consulted. It also extends support to those impacted by the Youpla Group’s decision to cancel policies when payments through Centrepay ceased.

7. How will you implement and evaluate your chosen option?

Delivery phase

The scheme will be largely administrative, with minimal evidentiary burden on claimants, incorporating learnings from the interim YGFBP and the Territories Stolen Generations Redress Scheme (TSGRS).

Services Australia will be leading the implementation and service delivery of the resolution payments scheme with policy oversight by NIAA. Delivery by Services Australia recognises its experience, client information/database and relevant infrastructure (such as phone lines, experienced and culturally competent staff, and a nationwide presence). This includes similar emergency and crisis payment program structures already in place with Services Australia. This will ensure a comprehensive service response for former Youpla Group policy holders.

Services Australia will contact all former Youpla Group policy holders as per data provided from the liquidators in the relevant cohort encouraging them to test their eligibility for payment and/or to claim. Once a claim is received and depending on the claimant's circumstances, they will be taken through the appropriate service delivery channel. Where former Youpla Group policy holders do not respond to the initial letter, NIAA will reinforce Services Australia's direct contact efforts with contact details from liquidator records. Further, Services Australia's letters and direct contact efforts will be supplemented by an NIAA-led communications strategy involving a targeted media campaign and the dissemination of factsheets through existing Indigenous organisations. The intent of this approach is to increase community awareness and access to resolution. A proposed process map is at [Attachment A](#), however this will need to be further tested and developed in consultation with key stakeholders.

This communications strategy will be particularly important for former Youpla Group policy holders who live in regional or remote areas. Limited access to phone, internet and postal services in regional and remote communities creates the risk that a lower proportion of former policy holders will be able to access resolution and a greater likelihood of those that do access resolution will experience delays and difficulty in navigating the program. In tandem, the strategies outlined above will increase the likelihood that remote and regional customers will be reached through alternate means, despite less reliable access to mobile, internet and postal services and significant postal delays and challenges.

Referral

Services Australia will use a case-management style of service delivery so former Youpla Group policy holders will not have to relay their circumstances to various staff members on numerous occasions. If relevant, referrals to financial counsellors and funeral bond service provider/s will be made in the first instance before funds are disbursed to the relevant payment accounts. These referrals will be made as a "warm transfer" to the relevant providers.³¹ The claimants will then need to contact Services Australia to advise of the outcome of the relevant referral and/or the funeral bond details and the claims reimbursed accordingly. If a claimant has not contacted Services Australia within a reasonable time frame, Services Australia will contact the claimant to follow up the outcomes of these referrals. If a claimant is found to be ineligible, they will be able to request an internal review of their application.

Claimants with entitlements of less than \$1,000 will be automatically paid a cash payment with information on reinvestment provided. The \$1000 threshold was set based on an assessment that the administrative cost of reinvestment exceeded the likely benefit. Similarly, reinvestment of sums of \$1,000 or less is considered unreasonable due to the limited benefit to

³¹ A "warm transfer" is when one employee answers a call and then transfers the call to a different employee but passes on any relevant information so that the caller doesn't have to repeat themselves.

former members. Claimants with an eligibility of under \$1,000 will be provided with the financial counselling information and will need to initiate contact with the services.

The risks of Services Australia leading the service delivery of the resolution payments scheme is minimal. Completion of an interim report has been included within the evaluation plan. This report will focus on the administration of the resolution payments scheme, identifying areas for improvement ensuring that changes can be incorporated (if required) in a timely manner.

First Nations stakeholders will continue to be consulted to help ensure the scheme is delivered in a trauma-informed and culturally sensitive manner. This will provide an avenue for those working closely with impacted communities to inform design and delivery while ensuring community groups and stakeholders have an accurate understanding of the parameters and operation of the proposed resolution payments scheme. Continued consultation and the extensive First Nations cultural expertise provided by relevant Services Australia and NIAA employees will replace the need for the implementation of an expert First Nations advisory board as previously considered.

It is proposed that the resolution payments scheme commence on 1 July 2024, the day after the YGFBP ends (30 June 2024), therefore there will be no transitional arrangements required for prospective claimants. It was initially considered that the two programs run concurrently for a short period of time to ensure that there were no disruptions in coverage for applicants. However, some former Youpla Group policy holders may not want to accept resolution payments when they may be eligible for a larger payment by waiting and having their policy paid out under the YGFBP. That is, most policy holders' premium totals are substantially less than the value of their policy paid should they pass away. There may also be some confusion as to eligibility and a greater risk of overpayments.

The resolution payments scheme will accept claims over two years, coupled with financial counselling. The NIAA would procure (through specific arrangements with external providers) financial counselling for former Youpla Group policy holders.

Acknowledging the importance of maximising reach to ensure that the resolution payments scheme achieves its intended objectives, Services Australia will work alongside NIAA in the implementation of an extensive communications plan led by NIAA. The use of First Nations media and tailored First Nations communication preferences will be the focus of this awareness campaign. As part of the proposal's wider implementation, Youpla Group stakeholders will be advised of the Services Australia's role in the resolution payments scheme.

Evaluation

Evaluation of the resolution payments scheme will focus on assessing implementation and short-term outcomes. The metrics for the evaluation will be determined in line with the Government's decision on the preferred option.

The key measures of success will be based on the level of uptake of a resolution outcome. It is likely that there will be a secondary focus on the timeliness of processes. The key performance indication to be negotiated between NIAA and Services Australia are likely to include measures of average speed to answer calls, length of time to resolve an inquiry once a customer is engaged, completion stages reached, customer complaints received, payment accuracy and the proportion of customers reached through the communication strategy.

The evaluation of the resolution payments scheme will involve engaging with claimants to establish whether the scheme is being delivered in a trauma-informed and culturally sensitive manner, and assessing whether the scheme has been effective in supporting the capacity of former Youpla Group policy holders to conduct Sorry Business. Interviewees would include APS staff administering the resolution payments scheme, financial counsellors and claimants.

An ethics clearance from a Human Research Ethics Committee is required for surveying and interviewing claimants which may take between four and six months to complete. We estimate an evaluation would take 12 months to complete. Engaging an evaluator early in the implementation of the resolution payments scheme will be critical to ensure that the findings are representative and timely.

As mentioned previously, completion of an interim report has been included within the evaluation plan. This report will focus on the administration of the resolution payments scheme, identifying areas for improvement ensuring that changes can be incorporated (if required) in a timely manner.

Challenges

Implementing a resolution payments scheme of this scope is a significant undertaking that requires careful design to be cost-effective and meet the needs of First Nations people. Forecasted spending for each financial year may not align with the number of applications received (e.g. if a lack of awareness of the scheme results in a slower take-up). NIAA will work with Services Australia to prepare standard communications (e.g. Frequently Asked Questions) to support conversations with eligible Youpla Group policy holders and respond to questions concerning timing and amount of payment (including where the sum of premiums paid exceeds the total policy amount).

Some former Youpla Group policy holders may be difficult to contact or verify due to outdated contact details. However, the data reliably shows whether a person held an active policy on or after a particular date, which is the critical factor in maintaining the integrity of the scheme. Government resolution payments schemes of this nature may also face fraud and corruption risks, including risks of scams and identity theft. NIAA will work with the Commonwealth Fraud Prevention Centre within AGD to undertake risk assessments, introduce pressure testing and effective countermeasures.

Former policy holders in remote or regional areas may also be difficult to contact. Regional and remote areas have reduced access to internet and mobile services and may use alternatives to street-address mailing, such as community post-office pick-up. This may result in insignificant delivery and reply delays. The potential consequences of these challenges are a lower proportion of former Youpla Group policy holders accessing resolution and a greater likelihood of those that do access resolution experiencing delays and difficulty in navigating the program and communicating with Services Australia.

To mitigate these issues, implementation will include a national communications strategy over the full duration of the program's life. The strategy will focus on reinforcing Service Australia's direct communications efforts with a targeted and culturally tailored media campaign to reach outstanding members and factsheets distributed to First Nations organisations outlining eligibility and the application process. The strategy will also employ existing networks, including NIAA's regional offices throughout Australia, to raise awareness amongst the target cohorts.

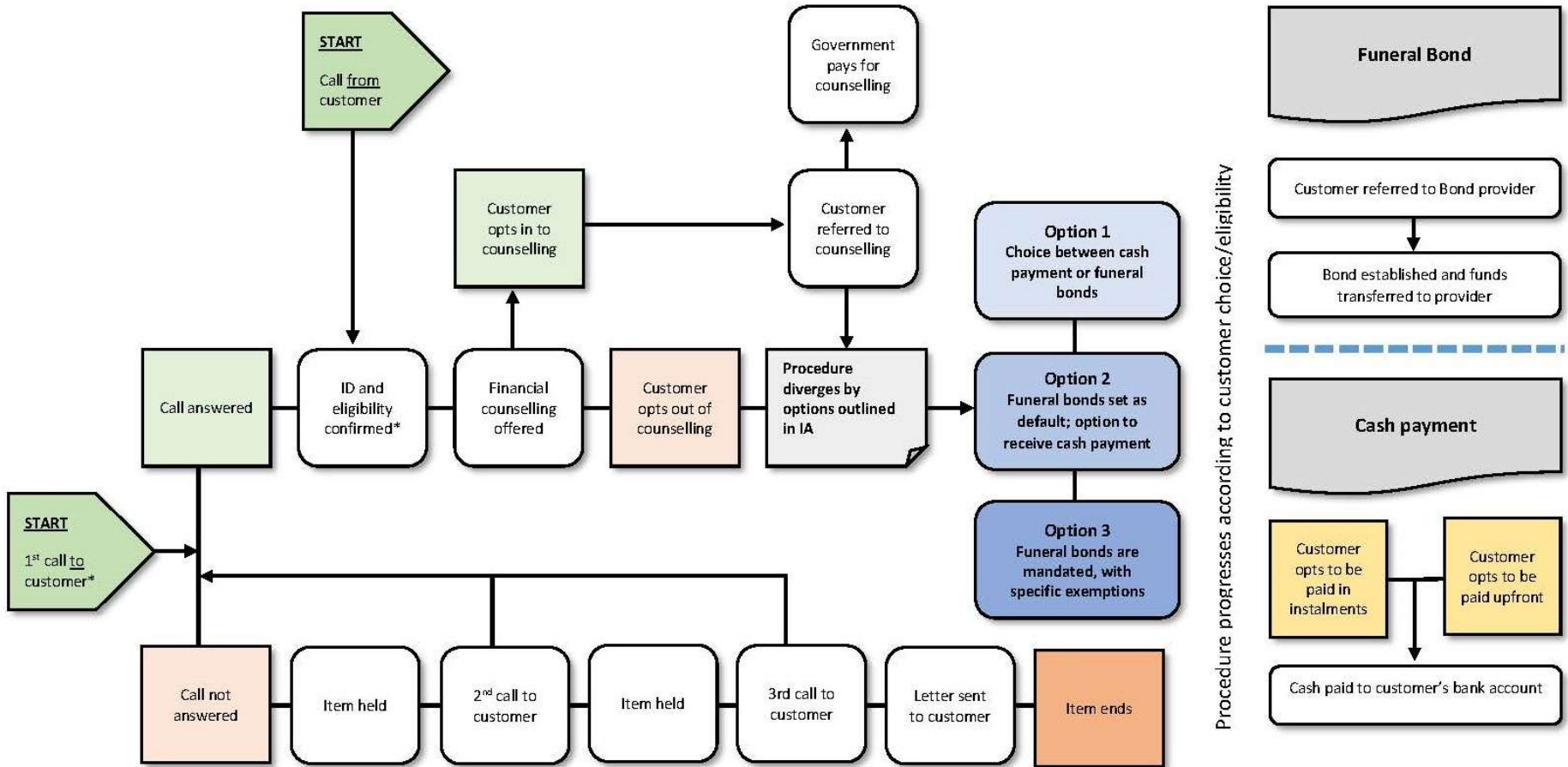
In addition, the program will be implemented over a two year period. This will allow time for the Government to monitor take-up, and adapt communication methods to locate and target former Youpla Group policy holders which have not been contacted. Together, the extended duration of the program and the targeted nature of the communications efforts will maximise the likelihood that former policy holders will have access to a resolution.

At a minimum, funeral bond providers must be licensed by APRA and ASIC and, separately, must be able to provide funeral bond products in a way that addresses any relevant cultural sensitivities. Industry bodies and First Nations consumer advocates were consulted on these standards to ensure that they are effective but not onerous.

Consultation with a range of funeral bond providers has reflected that there may be an extremely limited number of bond providers that are able to meet all Government minimum requirements. For example, one provider requested assistance from the Government in acquiring First Nations employees and in covering establishment costs.

Consideration of funeral bond providers' capabilities would mitigate risk and ensure alignment with Government objectives in the provision of a resolution payment scheme. The appropriate financial capacity, security and cultural capabilities of the bond providers would encourage reinvestment in another, more reliable funeral bond product.

Proposed service procedure for the Resolution to the collapse of the Youpla Group[^]



[^] This is a draft process map and may require revision following consultation with key stakeholders.

* Eligible customers will be initially identified through data on policies supplied by the liquidator.