

24 October 2018

MEDIA RELEASE: Failure to adopt early intervention prevents thousands from getting extra help

The Financial Services Council (FSC) is deeply disappointed proposed life insurance industry reforms to help vulnerable Australians return to wellness have been rejected by the Parliamentary Joint Committee on Corporations and Financial Services.

The [PJC's report](#), released today, has recommended the Government not proceed with reforms proposed by the FSC which see up to 10,000 sick and injured people per year benefit from extra support to return to wellness.

Current rules mean life insurers are prevented from providing payments for treatment to Australians at risk of long-term incapacity where they are not covered by private health insurance or are languishing on public healthcare waiting lists.

“The industry proposed early intervention will allow insurers to fund a range of treatments to help sick and injured people return to wellness sooner,” FSC CEO Sally Loane said.

APRA is reported as stating the proposal does not raise any prudential concerns and, under careful design so as not to introduce unintended consequences, may improve the sustainability of the industry. This could in turn help keep premiums more affordable for customers, the regulator said.

The Committee itself has also acknowledged the sizable benefits of early intervention, stating:

***“... Early intervention can be very beneficial for worker rehabilitation. In addition, supporting an injured person to return to work can benefit their general health and wellbeing if done appropriately. It is promising that the proposal may allow more Australians to access these benefits.*”**

***“It would also be positive if, as claimed, the proposal caused flow-on benefits for the broader economy and the government’s budgetary position.”*”**

In rejecting the life insurers’ early intervention proposal, Ms Loane said the PJC has instead focused on cultural issues within the life insurance industry rather than considering consumers who need help today.

“We accept that there are a range of issues which the life insurance industry must address – and we are working to confront these problems – but the FSC believes that the PJC has not given due consideration to early intervention on its own merit,” she said.

“The industry is facing into community concerns, listening and acting on recommendations from the PJC’s previous inquiry into the life insurance industry. We are well underway with the second iteration of the Life Code of Practice, which addresses many of the issues raised by the PJC. People who need help want to get back on their feet now. For them reform to allow early intervention by life insurers to provide treatment cannot wait.”

[Research](#) undertaken for the FSC by Cadence Economics in May 2018 found that:

- An estimated 87 people per year could be prevented from becoming totally and permanently disabled by receiving additional healthcare intervention paid for by life insurers.
- Early intervention could provide benefits to a pool of up to 10,118 people per year. Of this pool, there are 1,379 for whom early intervention would be beneficial and cost effective, potentially rising to 3,600 under the researcher’s high-side scenario.

“The industry remains convinced of the benefits of early intervention for vulnerable Australians in need of medical treatment, for hospital waiting lists and for the Federal Budget bottom line. We will continue to advocate for this reform, which will assist Australians return to wellness faster, as well as being a policy which we believe is in the national interest,” Ms Loane said.

ENDS

For further information please contact FSC Media Manager Mark Smith on 0434 566 764 or msmith@fsc.org.au.

About the Financial Services Council

The Financial Services Council (FSC) is a leading peak body which sets mandatory Standards and develops policy for more than 100 member companies in Australia’s largest industry sector, financial services. Our Full Members represent Australia’s retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses. The financial services industry is responsible for investing almost \$3 trillion on behalf of more than 14.8 million Australians. The pool of funds under management is larger than Australia’s GDP and the capitalisation of the Australian Securities Exchange, and is the fourth largest pool of managed funds in the world.