

## **MEDIA RELEASE**

15 February 2014

### **Private sector can reduce Government's welfare costs – FSC Federal Budget submission**

The private sector must take on a larger portion of the welfare costs associated with Australia's ageing population the Financial Services Council (FSC) said today.

In its submission to the Federal Budget the FSC said: "Private disability life insurance that protects against the economic risks of disability is an underused policy device in Australia."

Sally Loane, FSC CEO said: "It is timely to consider how the significant costs of the Disability Support Pension and the National Disability Insurance Scheme could be reduced through personal disability insurance. These are costs that will continue to grow over the next decade and will continuously increase the pressure on the public purse."

The Commission of Audit report released in 2014 said the NDIS is "expected to grow rapidly". The report projects that by 2023-24 "NDIS spending by the Commonwealth alone will be around \$11 billion."<sup>1</sup>

The FSC has proposed a model for private disability insurance which is similar to private health insurance.

"It is a simple policy solution which engages the private sector and is based on the private health insurance model. We strongly believe it can be used to ensure the long-term sustainability of social insurance schemes," Ms Loane said.

Modelling by Deloitte Access Economics for the FSC shows that by using incentives and disincentives similar to the private health insurance scheme, increased private disability coverage over five years to 2019 could generate net savings to governments of \$8.5 billion.

Ms Loane also said: "There is an opportunity for the government to share the financial risk and budget expense associated with acquired disabilities to the private insurance sector under the right policy settings."

"Based on current means testing for the DSP every dollar received from private insurance could reduce the cost of the DSP by 50 cents due to fewer people seeking DSP payments."

"We urge the government to seriously consider using private disability insurance to reduce the costs associated with the DSP and the NDIS," Ms Loane said.

**[ENDS]**

For further information contact: Robyn Tolhurst, Director of Communication T: 0411 177 773 E: [rtolhurst@fsc.org.au](mailto:rtolhurst@fsc.org.au)

### **About the Financial Services Council**

The Financial Services Council represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, trustee companies and Public Trustees. The Council has over 130 members who are responsible for investing more than \$2.4 trillion on behalf of 11 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. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

---

<sup>1</sup> Commonwealth Government, National Commission of Audit, pp. vii, 2014