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MEDIA RELEASE - Insurance within superannuation provides critical economic and social benefits

Group insurance like the kind offered through super funds gives more than nine out of 10 working Australians cover many wouldn't otherwise have while also saving taxpayers more than \$400 million a year.

In its submission to the Parliamentary Joint Committee inquiry into life insurance, the Financial Services Council says the superannuation system is an efficient and effective means of providing an affordable level of insurance cover to almost all working Australians, with 92% of the working population afforded some type of insurance cover that would not otherwise be in place.

Key statistics

- In 2015, Australian super fund members received \$4.4 billion in insurance claims benefits through their group insurance cover;
- In the five years between 2011 and 2016, 81 cents of every dollar received by group insurers was paid out in claims. This is confirmation that the group insurance industry continues to return a high proportion of premiums to members through claim payments.
- Underinsurance in Australia costs the government – and taxpayers – almost \$2 billion annually as it has to step in to plug the gap with welfare benefits for those people who have nil or not enough insurance.

The current system, where workers who contribute to a mandatory workplace super fund get insurance cover automatically, unless they choose to opt out, provides important social and economic benefits.

In 2016-17 alone the government's welfare bill is estimated to be \$158.6 billion, or 35% of all government spending in 2016-17. Group insurance, which provides insurance cover in the case of death or total and permanent disability (TPD) and in some cases income protection reduces this annual cost by about \$403 million, according to Rice Warner.

FSC CEO Sally Loane said: "Group insurance, the cover most people get through their workplace super fund, provides a vital safety net for millions of Australians, many of whom may not have otherwise even thought about getting insurance cover.

"We need to preserve insurance inside group superannuation, and we need to preserve the current opt-out mechanism. Without this people would slip through the net. It would also make insurance more expensive, potentially pricing out many Australians who receive cover today.

"Worse than that, many Australians, for example those working in heavy industry or suffering from a pre-existing medical condition, may not be given access to any cover at all if it wasn't provided in their workplace fund."

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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 and licensed trustee companies. The Council has over 100 members who are responsible for investing more than \$2.7 trillion on behalf of 13 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 third 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.