



MEDIA RELEASE

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Insurance reforms carry risk

REFORM of insurance taken through superannuation should be undertaken carefully because of its role in protecting retirement income, according to one of the country's largest and most trusted superannuation funds.

QSuper has called for the federal government to give deeper consideration to reforms now before parliament and, at the very least, delay them to avoid an administrative scramble that could leave thousands inadvertently uninsured against death or disability.

Analysis by QSuper shows more than one-in-three members will access insurance taken to protect their income from loss of life, permanent disability or temporary disability.

The QSuper CEO, Mr Michael Pennisi, said the widespread use of benefits made easily available to superannuation fund members via their superannuation account should be considered in any reforms.

"People insure their homes, their cars and other belongings against fire, theft and accident. Insurance to guard against the financial consequences of death, illness or disability should be at least as important a consideration.

"Regardless of any legislative changes, QSuper will continue to advocate the value of the insurance we offer our members.

"The price our members pay for insurance is an investment for a lifetime of income security." QSuper's analysis shows 36.8% of members who spend their whole working lives with QSuper are expected to access their insurance benefits before retirement. This includes 2.6% who die, 11.5% who become totally and permanently disabled before the age of 65 and 22.7% who are temporarily disabled from working, for a significant period, at some stage.

The insurance payments are deducted from superannuation balances but members can opt out if they wish.

In the financial year ending 30 June 2019, QSuper paid 7760 income protection claims totalling \$188.8 million – an average of \$24,300.

Proposals currently before the parliament mean members younger than 25 years of age will have to actively opt in to insurance they now get automatically. Members with superannuation balances of less than \$6000 will also have to opt in.

Mr Pennisi said he was concerned this could leave some members inadvertently uncovered.

"The current system offers automatic access to protection for our members. Our responsibility to our members is to invest so they can have the resources to enjoy the best years of their lives. Insuring their income protects those resources."

“The purpose of insurance is to provide cover for the unexpected and whether it’s for property, health, accident, life or income it comes at a cost. Our commitment to members is to keep that cost as low as reasonable while providing reasonable coverage.”

“Peace of mind is valuable and this analysis shows that we can offer our members peace of mind at a reasonable price across their lifetimes in the same way they have peace of mind offered by insuring their home, car and other belongings.”

QSuper has its own insurance business, QInsure, created to serve the unique needs of its membership which includes large numbers of police and emergency workers.

Mr Pennisi said QSuper was concerned that the regulated deadlines to advise members of the proposed legislated changes cannot be met for an October 1 implementation.

To achieve this start date would require advice to the affected fund members (those with balances below \$6000) before August 1.

“Properly advising those members of the impact on them, allowing them time to make an informed decision and then putting it in place is a large administrative task which simply cannot be done in that time.

“The proposed changes and the haste to have them in place potentially removes automatic access to a benefit which may make a low-cost difference to members’ entire lives.”

QSuper has expressed its concerns to the Senate Committee which has one week to consider and report on the legislation.

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About QSuper

QSuper is one of Australia’s largest superannuation funds, with more than \$110 billion under administration. From humble beginnings over a century ago, today we manage the retirement savings of more than 585,000 members.

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