

MEDIA RELEASE

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Private disability insurance can relieve the public purse – FSC 2014-15 Federal Budget submission

Life insurance can play a major role in reducing government welfare expenditure on the Disability Support Pension (DSP) and National Disability Insurance Scheme (NDIS) according to the Financial Services Council.

In its pre-budget submission to the Federal Government, the FSC says it is timely to consider whether the costs of the DSP and NDIS could be partially defrayed through personal disability insurance thereby transferring the risk to the private sector.

John Brogden, CEO of the Financial Services Council said: “The DSP is increasingly eating into the federal budget. In the current financial year the DSP cost the government \$15.5 billion and this will increase to \$18 billion by 2016-17.”

New research conducted for the FSC by KPMG shows 9.5 million Australians – 44 per cent of the population – could mitigate the economic risks of disability through personal disability insurance.

There were more than 50,000 new DSP claims in 2012-13. If working Australians were adequately insured for disability, the government would save \$340 million in the first year for new recipients of the DSP. In the tenth year this would equate to annual savings of \$2.5 billion.

“The contribution of superannuation and life insurance will be critical for the Australian economy in the medium to long term,” Mr Brogden 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,” Mr Brogden said.

He said a higher take up of private disability insurance would reduce pressure on public finances and will be likely to deliver a higher standard of living for disabled Australians.

The FSC’s pre-budget submission has recommended the government considers tax incentives and disincentives to increase the level disability coverage through private insurance and that the McClure Review of welfare payments considers how private insurance for disability could reduce the increasing use of the DSP.

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For further information contact: FSC Director of Communication, Robyn Tolhurst T: 0411 177 773
E: 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 \$2.2 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.