



MEDIA RELEASE

3 April 2014

## **FSC Annual Life Insurance Conference 2014 – Sustainability and consumers are at the heart of life industry changes**

Sustainability and increased consumerism are at the heart of the changes taking place in the life insurance industry, John Brogden CEO of the Financial Services Council said today.

“The FSC is taking a lead in how the industry is responding to these issues,” Mr Brogden told delegates at the opening of the fifth annual FSC Life Conference in Sydney.

“We engaged Milliman consultants to conduct research on the sustainability of the life industry with a particular emphasis on the retail and group markets,” he said.

The research categorised issues for the life insurance industry into three key areas of:

- Market – for individual companies to address;
- Industry – may require an industry response and would benefit from an industry-coordinated approach, but do not involve competition; and
- Regulatory – areas where regulatory intervention may be required by government.

Mr Brogden emphasised that the FSC and its members were strongly of the view that challenges driven by market factors should be left to the market to resolve.

“However, there is a role for the FSC in coordinating and leading responses to industry-wide issues and in advocating for regulatory and legislative reforms,” he said.

The FSC is advocating for proactive legislative changes.

The first will be to introduce a seven year limit on group insurance disability claims to help the industry manage pricing with more certainty and to ensure the long term sustainability of premiums. The second will be to change the Private Health Insurance Act so insurers can fund medical treatment for claimants to improve return to work rates.

“This is an important change which will deliver better outcomes for claimants and will help to manage increasing claims costs for insurers,” Mr Brogden said.

“It will also help to improve the welfare of individuals by allowing them to remain engaged in the workforce and ultimately contribute to economic growth through higher labour force participation.”

The FSC is leading the response to non-regulatory issues that must be dealt with by the industry/ These include:

- Improving the quality and consistency of data shared by the industry, particularly for group insurance;

- Considering an industry fraud bureau similar to that used by the general insurance industry and in other countries such as Canada and South Korea; and
- Establishing a medical impairment bureau.

Mr Brogden also said financial services industry can increase its already significant role in supporting the sustainability of the Federal Budget.

“Life insurance needs to be seen in the context of its capacity to reduce government outlays,” he said.

“Underinsurance has a significant impact on the Federal Budget as many of those with insufficient insurance ultimately draw on the government through various pensions.”

“The potential for life insurance to reduce welfare costs has not been considered.”

The FSC is examining how the industry can help reduce the future costs of the National Disability Insurance Scheme and the Disability Support Pension to the government.

“Life insurance can be the private sector solution to the increasing budget costs of welfare just as superannuation is the private sector solution to the costs of an ageing population and private health insurance is a private sector solution to managing health care cost.

Mr Brogden said the FSC’s Financial System Inquiry submission will include modelling by Deloitte on the potential benefit of privatising some elements of the NDIS and DSP to the Federal Budget.

**[ENDS]**

For further information contact: Robyn Tolhurst, FSC Director of Communication, on 0411 177 773 or [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 \$2.3 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 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.