

MEDIA RELEASE

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Government reverts to seven year threshold for unclaimed life insurance

The Government's announcement today that it would amend the Life Insurance Act to revert to a seven year threshold for "lost" life insurance policies before they are deemed unclaimed monies is a welcome initiative which will save many Australians the unnecessary time and hassle in reclaiming their money.

Sally Loane, CEO of the Financial Services Council said: "Life insurance policies are currently deemed to be unclaimed monies and transferred to Government if they are inactive for three years."

This was changed in 2012 from a longstanding arrangement of seven years and was the most significant change since the introduction of the provisions in 1959.

"Under the three year rule there was no nexus between re-uniting people with unclaimed monies and the significant costs and administrative burden that were imposed on the industry," Ms Loane said.

"The decision to revert to seven years is backed by David Murray's Financial System Inquiry which found this would halve the number of claims.

At 31 December 2013 there was approximately \$710 million worth of unclaimed bank and life insurance monies held by the Commonwealth Government.

"Retail life insurance is a discretionary product which protects people's lives against unforeseen events, Ms Loane said."

"It is critical that government policies support access and retention of life insurance for all Australians."

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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, trustee companies and Public Trustees. The Council has over 130 members who are responsible for investing more than \$2.5 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.