

MEDIA RELEASE

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Private insurance can reduce Federal Budget pressure

- FSC Financial System Inquiry submission: Phase 2

The current structure of Australia's insurance framework is inhibiting product innovation, creating underinsurance and unnecessary public sector cost, the Financial Services Council said today.

In its phase two submission to the Financial System Inquiry, the FSC said: "Regulation must allow insurers to meet consumers' needs."

Andrew Bragg, Director of Policy for the FSC said: "Australia's insurance framework is too fragmented. It requires separate licences for individual products."

"This prevents insurers from offering multi-purpose products such as combined health and life insurance policies to meet the needs of Australian consumers."

"We are recommending to the Murray Review that the prudential framework be streamlined so the industry can develop innovative products that better meet the needs of consumers," Mr Bragg said.

The FSC also said private disability insurance could be leveraged to meet the ballooning costs of disability welfare in Australia and to reduce the increasing pressure on the Commonwealth Budget.

"Life insurance can be the private sector solution to the increasing budget costs of welfare, just as superannuation is to an aging population and private health insurance is to managing health care costs," said Mr Bragg.

"Modelling by Deloitte Access Economics shows if the government treated private disability insurance in a similar way to private health insurance, \$8.5 billion in net savings could be achieved."

"The costs of the National Disability Insurance Scheme and Disability Support Pension must be sustainable and should not be monopolised by the government."

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About the Financial Services Council

The Financial Services Council (FSC) represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The Council has over 125 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.