Media Statement

AIA STATEMENT ON SENATE COMMITTEE REPORT INTO
'PUTTING MEMBERS' INTERESTS FIRST' BILL

Committee report fails to defend the interests of millions of young and vulnerable Australians

Melbourne, 24 July 2019 – AIA Australia is disappointed that the Senate Economics Legislative Committee has today failed to defend the interests of millions of young and vulnerable Australians who would be negatively impacted by the introduction of the Government's '*Putting Members' Interests First*' Bill (PMIF), and urges the Government to carefully consider the unintended consequences of these measures.

The Committee has failed to address the fundamental social and economic consequences of the reforms, with millions of Australians currently having access to insurance despite their age or wealth, and in particular those working in high-risk occupations, living in rural or regional areas or suffering from a mental illness who are at the greatest risk. The legislation will also leave an estimated $450 million gap in annual claims that will no longer be paid to members.

AIA Australia CEO, Damien Mu said: "The Senate Committee has today missed a major opportunity to protect the interests of the nation's most vulnerable people and the integrity of group insurance, which is undoubtedly the most efficient, cost-effective and valuable life insurance offering in Australia. We urge the Government to carefully consider the unintended consequences of these measures.

"The industry is already going through major changes to implementing *Protecting Your Super*, which is having a significant impact on Australians. The full extent of these changes is not yet well understood, and the Committee's recommended two-month delay to the Bill's commencement is not nearly long enough to properly implement the significant changes required.

"The Government is putting at risk the futures of the quiet Australians living in regional areas, with lower incomes, poorer health outcomes and a greater likelihood of unemployment as a result of being unwell or injured, evidenced by the claims we receive and pay.

"We acknowledge the ALP's recommended amendments, to protect high-risk workers and to review the scheme in one year to determine the extent of the unintended consequences. However, we believe this is too little, too late.

"Every Australian has insurance needs and the social and economic consequences of these reforms will be felt by those that need it most.

"The system is affordable and efficient because it provides cover to all. Of every dollar collected in group insurance premiums, 84 cents was paid back in claims to members. By comparison, insurance sold directly to consumers paid out only 41 cents in the dollar.

"There is no logical reason to take away affordable and efficient insurance cover from those who are most likely to rely on it when they suffer an illness or disability. Young people and those in high-risk occupations are the people who we know are most unlikely to be able to access life insurance cover on the same terms outside of super. Those with lower account balances are just as likely to have an injury or illness as those with higher account balances, and will not necessarily have the resources to financially protect themselves and their families, if they don't have group insurance in place."

The value of life insurance in superannuation for young and vulnerable Australians

Mental illness is now the largest claim cause for TPD for AIA members under 25. AIA continues to see a rising trend in the number of mental illness claims, which are the most prevalent for professional and white collar workers – being more than twice as common compared to heavy blue collar or other hazardous occupations.

This aligns with the Australian Institute of Health and Welfare's report on Australia's Health 2018, which outlines that persons aged 16 to 24 have the highest prevalence of mental disorders. The report also found that suicide and self-inflicted injuries and anxiety disorders were the leading causes of burden in young people aged 15–24.

Industry data also reveals that people in lower socioeconomic groups are at greater risk of poor health.

At AIA, on a per capita basis, there are more claims in regional areas relative to metro areas in NSW, Victoria and Queensland. AIA pays more group insurance claims in Queensland than in any other State, and for disability claims, there is a noticeable skew towards higher claim numbers in regional Queensland.

On employment, more than 600,000 young workers under 25 do so on a full-time basis, which is 42 per cent of the under 25 working population. Of those, almost half are full-time workers in blue collar jobs.

For young Australians from 2013 to 2017, 20% of births were to a mother under 25, and more than 10% to fathers under 25. More than two-thirds of households are also headed up by a person under 25 with debt, with a quarter of under 25s classified are 'over-indebted', meaning they have debt worth at least 75% of their assets.

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About AIA Australia
AIA Australia is a leading independent life insurance specialist with over 45 years' experience. With a unique customer value proposition focused on life, health and wellbeing, our purpose is to make a difference in people's lives.

AIA Australia offers a range of products that protect and enhance the lives of more than 3.5 million Australians. Our vision is to embrace shared value in championing Australia and New Zealand to be the healthiest and most protected nations in the world. With AIA Vitality – the world's leading scientifically-backed health and wellbeing program – we help members to live healthier, longer, better lives.

AIA Australia has been recognised with multiple awards, including being named ANZIIF Life Insurance Company of the Year (2017, 2015, 2013, 2012).

Further information at www.aia.com.au.