

# AIA calls for further engagement on insurance reforms

Insurance giant AIA Australia has called for further engagement between the industry and the government on the specific recommendations about life insurance arising from both the Ripoll and Cooper reviews.

"I would like to see further engagement on a number of the key issues, and believe this should be pursued in a constructive and positive manner," AIA Australia CEO, Damien Green said.

"If we're serious about the importance of life insurance to Australians it's time to take a more sophisticated approach to engagement with the Government of the day, to help them truly understand the economic cost of underinsurance and the importance of personal financial protection," he said.

The FSC has "an absolutely crucial role" in ensuring this conversation with the Federal Government takes place, and I'm confident that it will," Green encouraged.

"As a starting point I believe we should be building on some of the positive aspects of these reviews that are supportive of life insurance," he said.

"For example the role of group insurance within superannuation has actually been confirmed and embraced in the Cooper recommendations, albeit indirectly.



Damien Green

And the Ripoll recommendations have specifically sought not to disturb the current advisor remuneration structures on retail life insurance."

Green said that whilst the Cooper and Ripoll recommendations dealt with entirely different areas of community interest and should be looked at separately, there was in an important message in both that showed some understanding of the underinsurance issue and of the importance of getting more life insurance cover to Australians.

"The approach taken to advisor remuneration in the Ripoll recommendations shows an element of caution around the potential to make the underinsurance issue worse," he said.

"Now we need to engage with the Government to build on this positive signal with a view to changing regulatory settings to enable the industry to operate more

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efficiently so it can increase the penetration of financial protection in the Australian community.

"This will in turn ease the burden on tax-payers associated with having to provide subsistence to underinsured Australian families which lose their primary income."

Green pointed out that there were frequent government inquiries into industries such as energy and health to ensure that access and distribution was fair and relatively inexpensive. "We must lobby for an inquiry into making insurance more widely and easily available – and the FSC is uniquely placed to assist with this," he said.

The FSC could be encouraging incentives for people to take up insurance, Green said. "It's time to discuss the possibility of tax-deductibility measures outside of super for insurance premiums," he advocated.

Green said that it was critical that the Cooper recommendation

to ban commission on group risk was clarified.

It was 'fair and reasonable' for group insurers to pay the legitimate costs incurred by super funds for developing, administering, servicing and promoting group risk benefits to their members.

"If the ability to pay these legitimate costs is removed it would undermine the viability of group insurance and would be incongruous with Cooper's general acceptance of the importance of trustees' rights to provide such benefits to their members," he said. "It follows that if a trustee has this right, then they must be able to fund the service and infrastructure costs associated with it."

According to market researcher Plan for Life, the Australian Life Risk sector generated \$8.4 billion in annual premium in the year ending 31 March 2010.

Almost one-third of Australian life insurance policies are sold through superannuation funds, according to data from Plan for Life, and this constitutes about \$2.6 billion worth of annual premium revenue.

AIA Australia is an independent life risk specialist and is Australia's largest provider of disability and income protection and the country's largest Group Insurer insuring over 2.1 million lives in total. ■

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