



Protecting Your Super Package

Submission by First Super

29 May 2018

About First Super

First Super¹ welcomes **all** Australians regardless of their occupation or location but we have particularly strong links to people working in Australia's timber, pulp and paper, and furniture and joinery sectors. We have approximately 63,000 members and around \$2.8 billion in assets under management and are the largest fund catering for employees in these industries.

First Super offers three types of insurance cover:

1. Death (including terminal illness);
2. Total and Permanent disablement (**TPD**); and
3. Income protection.

Death cover provides a lump sum payment in the event of a member's death or on diagnosis of a terminal illness.

TPD cover provides a lump sum payment if you become totally and permanently disabled.

Income protection cover provides members with an ongoing payment if they cannot work for a period because the member is sick or injured.

Death and TPD insurances are provided on a default, opt out basis and income protection is fully underwritten, at competitive rates.

First Super Pty Ltd would welcome the opportunity to discuss the submission further and to provide additional information in respect of the comments made in this submission. Should you have further queries, please contact Maxine Jacona on (03) 8663 2127 or maxine.jacona@firstsuper.com.au

¹ This submission has been prepared by First Super Pty Ltd (ABN 42 053 498 472), which acts as the Trustee for the First Super Fund (ABN 56 286 625 181).

Overview

First Super has a history of providing strong returns and prides itself on having a simple, low-cost superannuation offering and the option of flexible retirement income stream products for retiring members. We are run for the benefit of our members.

We would like to advise that we recognise and adopt the submission of Industry Super Australia, however we would like to address a couple of particular areas.

First Super understands that there is a clear need for change in some areas in relation to insurance, we are concerned that these changes are seeping in nature and do not provide protection for certain groups, namely insured members working in our high risk industries which are made up of timber, forestry, pulp and paper and joinery.

Our members are predominantly in blue collar occupations categorised as high risk and a significant proportion of our members live in rural areas with tight knit communities dependent on primary industries such as forestry. Other members use those raw materials in the manufacture of paper products or fashion them into furniture, for instance.

Insurance within superannuation

First Super is of the opinion generally that insurance that is provided to members through default cover arrangements should be appropriate and should not disproportionately erode the member's retirement benefits. The changes proposed in the *Treasury Laws Amendment (Protecting Superannuation) Bill 2018* would be better directed to remove insurance from those members who are very unlikely to have insurable risks.

First Super has analysed its membership and has looked at claims data since the inception of the merged Fund, 1 July 2008, and has come to the conclusion that many of our members (who would lose insurance under the proposal) had dependents and insurable risks. First Super feels that the proposal does not give sufficient regard to workers in high risk occupations and/or members with dependents and mortgages, especially those in blue collar occupations.

I have put together some material to try to demonstrate my assertion that ordinary workers (and their families), members of our Fund would be detrimentally affected by the measures proposed, that is to remove default insurance for members 25 years and under; those with account balances under \$6,000 and inactive members.

Table 1 - total and permanent disability claims Members aged 25 years and under with a small account balance

Member Number	Date of Birth	Date of TPD	Account Balance \$	Group Life Amount \$	Cause of TPD	Age at Date of Event
4063719	07-05-93	23-04-12	126.16	200,000.00	Hypoxic brain injury following self-hanging	19
4071722	10-09-93	17-07-13	1,954.89	200,000.00	Brain injury	20
4070610	17-10-91	30-10-13	0.00	200,000.00	Chronic Fatigue Syndrome	22
4032691	02-09-85	07-09-09	663.02	200,000.00	Schizophrenia, Bipolar	24

Table 2 - death claims Members 25 years of age and under (with a mixture of account balances and activity)

Member Number	Date of Birth	Date of Death and Age at Date of Event	Account Balance \$	Group Life Amount \$	Payee Type	Cause of Death
4076074	09-06-95	15-05-17 22	1,961.65	200,000.00	Spouse	Head injury in motor vehicle accident
4065268	26-04-93	26-09-15 22	6,127.54	200,000.00	Spouse & Mother	Hanging
4066898	23-01-93	19-11-16 24	21,341.39	200,000.00	Spouse	Subject to coronial inquiry – motor vehicle accident
4068564	26-05-91	27-11-15 25	5,230.12	200,000.00	Child	Stab wound to chest
8332738	03-02-89	01-12-13 25	4,360.48	200,000.00	Child	Hanging
4052263	14-05-91	23-02-17 25	49,543.95	200,000.00	Spouse	Effects of fire in the setting of a motor vehicle collision (driver)
4069718	19-05-89	25-05-14 25	546.09	200,000.00	Spouse	Coronial inquiry
4050891	15-12-87	22-02-13 25	634.06	200,000.00	Spouse	Coronial Inquiry

Some of the Member's occupation involved were: truck driver, lumberjack, frame and truss builder, labourer, store manager and cabinet maker.

These members resided in a mixture of areas and States but the country areas were represented as expected: country areas in Victoria, Queensland, New South Wales and Western Australia.

As you can ascertain from Table 2, the payees were their spouse (often there were very young children) and at times to the child (in trust).

Removing default insurance for members in the categories discussed would leave cohorts of members vulnerable and the outcomes would be poor for them and their families.

First Super is proud of the quality of the insurance it offers its members, for instance our definition of TPD is whether it is 'unlikely' a member will return to work again, a lower hurdle for injured workers to overcome to be paid an insured benefit.

First Super's insurance is value for money, valued by Members and provides a financial buffer, protecting those members in high risk occupations, and blue collar occupations when accident or illness occurs.

In conclusion, First Super's members need default cover, default cover that has been carefully negotiated by First Super's Directors to serve our particular membership to provide cover that delivers real benefits to pay mortgages, debts, ongoing medical bills, and funeral expenses (if necessary), in other words to provide a measure of dignity to our injured and ill members and to provide financial support for their dependents.