

Mr Luke Spear
Director
Superannuation Insurance and Governance Unit
Retirement, Advice and Investment Division
The Treasury
Langton Crescent
PARKES ACT 2600

28 September 2023

Dear Mr Spear,

Legislating the objective of superannuation

The Council of Australian Life Insurers (CALI) is the trusted voice of life insurance in Australia. We support Australians to make informed choices about their future and help them live in a healthy, confident, and secure way over their lifetime.

Our mission is to ensure Australians view life insurance and the industry as accessible, understandable, and trusted. We do this by supporting our members to deliver the protection and certainty Australians need on their best and worst days. This includes advocating for national policy settings that expand their access to the life insurance protection that suits them when they need it most.

The life insurance industry supports the proposed approach to legislating the objective of superannuation. We welcome the strong recognition in the Explanatory Materials of the important benefits provided by insurance in superannuation and confirmation that access to affordable group insurance in superannuation would be within the objective.

Around 8 million Australians have life insurance provided through their superannuation in the form of death cover, total and permanent disability (TPD) cover and/or income protection (IP) cover. For many people, the life insurance they hold in superannuation is the only life insurance protection that they have, and therefore a critical financial safety net.

Insurance in superannuation can take a number of forms including: default group insurance; a voluntary increase in insurance cover either through group insurance or a retail insurance product recommended by a financial adviser and paid for from superannuation; and insurance products purchased by the trustee of a self-managed superannuation fund. We believe the benefits of insurance in superannuation apply in all these circumstances. The Explanatory Materials should clarify that, as well as group insurance, all insurance permitted in superannuation is within the objective.

There is also an opportunity to further recognise the important role of insurance in superannuation and how it supports the objective. This has been included as part of the key concepts of 'preserve savings' and 'deliver income'. Consideration could also be given to including further recognition of the role of insurance in superannuation in the key concepts of 'equitable' and 'sustainable':

- **Equitable:** insurance in superannuation contributes to delivering equitable outcomes by ensuring that those people who leave the workforce early as a result of major illness or disability can receive financial assistance without having to draw down early from their retirement savings if they do not want to. This

is important when considering that insurance in superannuation is typically the only form of life insurance held by most Australians.

- Sustainable: benefits paid from life insurance mean that Australians are less reliant on, or can supplement, Federal Government social security support when they are no longer able to work prior to retirement age due to loss of income caused by disability. As a result, insurance in superannuation helps reduce social security costs associated with supporting underinsured people, which contributes to the sustainability of the system. Making life insurance available through superannuation is also an efficient way to meet members' needs at a low cost, and without underwriting for default levels of cover.

The life insurance industry will continue to contribute to the united effort to create a more sustainable superannuation system. It is in the best interests of superannuation members and the national economy.

Thank you for the opportunity to contribute to this consultation. To discuss our views further, please contact Michael Johnston, Director of Policy and Advocacy, at michael.johnston@cali.org.au.

Kind regards,



Christine Cupitt
Chief Executive Officer
Council of Australian Life Insurers