

Breast Cancer Network Australia

Submission to the Productivity Commission on the effectiveness and competitiveness of the superannuation system

August 2017

About Breast Cancer Network Australia

Established in 1998, Breast Cancer Network Australia (BCNA) is the peak national consumer organisation for Australians personally affected by breast cancer. We support, inform, represent and connect people whose lives have been affected by breast cancer. We work to ensure that Australians diagnosed with breast cancer receive the very best support, information, treatment and care appropriate to their individual needs.

BCNA represents more than 120,000 individual members and 300 member groups across Australia.

Breast Cancer Network Australia (BCNA) welcomes the opportunity to provide a submission to the Productivity Commission on the effectiveness and competitiveness of the superannuation system. Our submission follows on from concerns around the life insurance industry raised in our March 2017 submission to the Parliamentary Joint Committee on corporations and financial services inquiry into the life insurance industry.

BCNA's submission focuses on the following Terms of Reference items:

- Insurance in superannuation

BCNA recommendations

1. That group insurance attached to superannuation remains an opt out model for all Australians.
2. The decoupling of death cover and terminal illness cover under group insurance schemes.
3. Protection of opt out disability insurance models for young people within compulsory employer superannuation schemes.
4. Establishment of limits on premiums deducted from superannuation balances for insurance cover to prevent young people's accounts from being drained while providing them with vital protection should they become ill.

Submission

Financial impact of breast cancer and the importance of group insurance

Australia has the fourth highest rate of breast cancer in the world¹ and breast cancer is the most common cancer in Australian women.² In 2017, it is estimated that 17,586 women and 144 men will be diagnosed with breast cancer³.

While the mortality rate is falling, breast cancer is the second most common cause of death from cancer in women after lung cancer.⁴ Approximately 3,100 people are expected to die from breast cancer this year⁵. Although we do not have accurate statistics around how many Australians are living with metastatic (terminal) breast cancer, it has been estimated to be around 9,000 at any one time.⁶

People diagnosed with early breast cancer can face up to twelve months of treatment including surgery, chemotherapy, targeted therapy and radiotherapy. Many of these treatments cause debilitating side effects which can impact on their ability to remain in the workforce, causing significant reduction in household income.

In 2016, BCNA commissioned Deloitte Access Economics to conduct research into the financial impact of breast cancer. Findings from this report showed that household income dropped by 50% in the first year after a breast cancer diagnosis. People who have paid sick leave can use this provision to help maintain their household income, however, many Australians do not have access to paid sick leave. The Australian Bureau of Statistics reports 38 per cent of Australian employees do not have paid sick leave benefits.⁷ The lengthy treatment period for breast cancer can also mean that workers with paid sick leave entitlements may not have enough sick leave stored to cover the full period of time that they are unable to work, leading to financial vulnerability even for those who do have sick leave.

Our survey findings showed that the top three ways people pay for their breast cancer related expenses are to draw on savings (67%), claim on their income protection insurance (12%) and borrow money (11%)⁸. Considering that as many as 27% of Australian households have \$1,000 or less in savings for emergencies⁹, and that 20% of middle income earners have no room in their budget for unexpected expenses,¹⁰ it is little wonder that women frequently report the financial impact of breast cancer as their highest unmet need.

¹ Australian Institute of Health and Welfare, *Breast Cancer in Australia: an overview*, October 2012

² Australian Institute of Health and Welfare & Australasian Association of Cancer Registries, *Cancer in Australia: an overview 2014*

³ Australian Institute of Health & Welfare 2017, *Cancer in Australia 2017*. Cancer series no 101. Cat no. CAN 100. Canberra: AIHW.

⁴ Australian Institute of Health and Welfare & Australasian Association of Cancer Registries, *Cancer in Australia: an overview 2014*

⁵ Australian Institute of Health & Welfare 2017, *Cancer in Australia 2017*. Cancer series no 101. Cat no. CAN 100. Canberra: AIHW

⁶ Clements, M.S., Roder, D, Yu, Z.Q., O'Connell, D., L. (2012). *Estimating prevalence of distant metastatic breast cancer: a means of filling a data gap* *Cancer Causes Control*, 23, 1625-1634.

⁷ Australian Bureau of Statistics, 2016. *Characteristics of Employment, Australia, August 2016*. <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6333.0>. Accessed 17 July 2017.

⁸ Data from Deloitte internal report to BCNA, based on survey run with 1,919 BCNA members in 2016.

⁹ ME, Household Financial Comfort Report, 2017.

¹⁰ Data from Digital Finance Analytics, quoted in an article by David Taylor, *Are Australian households on the edge of a debt crisis?* <http://www.abc.net.au/news>

For those living with metastatic breast cancer, treatment is lifelong. Like many other Australians diagnosed with life limiting illnesses, people with metastatic breast cancer must often rely on disability and life insurance cover to meet their needs when their working lives are interrupted or permanently cut short. It is well known however that the majority of Australians are underinsured. Only 31% of Australians have income protection and only 23% have trauma/critical injury insurance¹¹. For the majority of Australians, the only means of obtaining death and disability insurance is through group insurance within compulsory employer superannuation.

It is therefore vitally important to the wellbeing of average Australians who may develop serious illnesses that group insurance attached to superannuation remains an opt out model. Any movement away from this would have huge implications for average Australians to access affordable life and disability insurance to meet their and their family's daily needs should they become ill and/or die. A change to an opt in insurance model would create a significant economic burden on Australian taxpayers through increased reliance on social welfare. Sickness benefits through Centrelink are significantly less than other safety net payments such as the aged and disability pensions. Without disability insurance many people would not be able to make ends meet should they be diagnosed with breast cancer.

*I felt even worse, it was like I was being penalised for having cancer... It just adds insult to injury to only have that {sickness benefit} paid at \$250 a week. I tried – you can't live on that.
- Georgie*

Those seeking to opt in for insurance cover would also likely face increased health underwriting which would create significant problems for people with previous cancer diagnoses, including those who are in remission.

Specific concerns for young people affected by cancer

BCNA is very concerned to learn that there continues to be discussion around a move to opt in insurance for young people who may not have dependants and do not need death cover. Whilst the statistics around young people being diagnosed with serious and life threatening illnesses are much lower than the older population, the reality remains that some people will be affected. Accordingly, it is vitally important that disability cover attached to superannuation is protected as an opt out model and that young working people are not left disadvantaged should they become ill. Young working people are amongst the most unlikely members of society to have any other income protection means and would be left reliant on Centrelink payments should they become ill and be unable to work. It is our view that setting limits on premiums that can be deducted from superannuation balances for insurance cover would prevent young people's accounts from being drained while providing them with vital protection should they become ill.

BCNA is also concerned that there has been no discussion around how removal of death cover for under 25s will impact on terminal illness cover and pre-payment of death cover.

¹¹ TNS/IFSA, Investigating Income Protection Insurance in Australia, July 2006, cited in IFSA 2007, *Life Insurance Headland Statement - Securing Australians' Financial Wellbeing 2007 – 2010*.

This cover can make a huge difference to the quality of life of a young person diagnosed with less than 12 or 24 months to live. It will be essential that death cover and terminal illness cover are decoupled in any changes to opt out death cover.

We are also concerned that processes to ensure people are automatically opted into life insurance after the age of 25 will be at the discretion of the provider and will be lost in the fine print. If a young person is diagnosed with breast cancer or any other cancer or serious illness, it is likely that their ability to obtain direct insurance post diagnosis will be severely compromised due to exclusion clauses around pre-existing conditions. It is unknown how any move to an opt in group insurance model would affect people with pre-existing conditions. The potential for young people to be exposed to a lifetime of no protection may be a dire consequence of such a change.

To overcome these problems, BCNA recommends group insurance policies include capped death cover benefits for young adults that automatically increase once they reach their twenty fifth year.

Conclusions

BCNA hopes that the Productivity Commission will consider the consumer perspective in its review of the effectiveness and competitiveness of the superannuation industry. We believe it is vital that the Commission does not just focus on economic factors in its analysis and that it uses the review as an opportunity to protect all Australian workers, including young Australians.

BCNA has advanced four recommendations outlined on page one of our submission. In addition, BCNA is supportive of any changes to the superannuation system that would increase transparency so that Australians can make fully informed choices about managing their money and entitlements.

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