

Private Member Submission to Productivity Commission inquiry into the efficiency and competitiveness of Australia's superannuation system.

Submitted by: Rod Rogers

ISSUE: Strategic/opportunistic bundling of Insurance products.

Summary of submission proposals:-

- (i) superannuation funds be compelled to offer the option of unbundled insurance products, in particular disability insurance not bundled with death insurance; and
- (ii) a regulatory regime/mechanism be designed to ensure adequate competition in provision of such single insurance products.

Discussion

A substantial and growing demographic is middle aged single persons with no dependents. Other things being equal it is arguable that they are less advantaged than couples in acquiring a domicile and saving for retirement. As they have no dependents many of them are not interested in death cover insurance. They would prefer that the contributions funding death cover premiums be allocated to their superannuation accumulation fund so as to increase their retirement benefit. This would reduce the incidence of government pension support..

Nevertheless, many would opt to take out disability insurance if that was available as a separate product. However, typically death cover is bundled with disability insurance in many main stream superannuation funds with no ability to take only one. It is likely that such bundling, which is advantageous to the insurer, allows the funds to acquire the product at discount rates.

I submit that super funds which offer insurance should be compelled to offer the products both in a bundled and unbundled manner and that a regulatory regime/mechanism be designed to ensure adequate competition in provision of such single insurance products. For instance, insurance companies and super funds could encourage purchase of bundled products through high premiums on single unemployment/disability insurance products.

Alignment with Government objectives.

To the extent that these suggestions would increase superannuation retirement benefits they align with the Australian Government objective of superannuation being *'to provide income in retirement to substitute or supplement the Age Pension'*

Alignment with the Enquiry's System Level Objectives.

Furthermore, they meet the elements listed hereunder from the following system level objectives set by the Productivity Commission.

System-level objective #1:

E2 Are costs incurred by funds and fees charged to members being minimized, taking account of service features provided to members?

E5. Are other leakages from members' accounts being minimized?

System-level objective #2:

E8. Are principal-agent problems being minimized?

System-level objective #4:

E11. Do funds offer value for money insurance products to members?

E12. Are the costs of insurance being minimized for the level and quality of cover?

END OF SUBMISSION