# Members surveys

Technical supplement 1,Superannuation: Assessing Efficiency and Competitiveness, Productivity Commission Inquiry Report

Commonwealth of Australia 2018



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# 1 Technical supplement: members surveys

Two types of members surveys were conducted as part of this twin (stage 2 and 3) inquiry: the members choice survey (in stage 2); and the members survey (in stage 3).

Complementing the discussion of the members choice survey in appendix C, further details about that survey’s design (including the choice and list experiments) and its results were published online as a supplement to the stage 2 inquiry — *About the survey and the results* (PC 2017)*.* That publication along with the survey questionnaire, data and associated documentation can be downloaded from the Commission’s website at http://www.pc.gov.au/inquiries/completed/superannuation/alternative-default-models/draft.

This supplement provides further information on the (stage 3) members survey and should be read in conjunction with appendix C, which outlines the survey design, fieldwork, and the Commission’s approach to weighting the survey data. As noted in appendix C, de‑identified members survey data, and associated documentation, will be made available on the Commission’s website following the conclusion of the inquiry.

This supplement is divided into three sections. Section 1.1 presents selected descriptive statistics on the members survey (table 1.1). Following this, section 1.2 presents the relevant tables and figures that support the analysis in various chapters throughout this inquiry report, including a description of the process used to classify a member’s level of engagement and how informed they are. Section 1.3 concludes by outlining the econometric technique used to analyse the results of the choice experiment (which was conducted within the members survey) and presenting the results.

## 1.1 Selected descriptive statistics

| Table 1.1 Selected descriptive statistics: members survey |
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| | Selected demographic variables | Unit | Weighted valuea | | --- | --- | --- | | Gender |  |  | | Male | (%) | 50.3 | | Female | (%) | 49.7 | | Age |  |  | | 15–24 | (%) | 10.5 | | 25–34 | (%) | 22.2 | | 35–49 | (%) | 32.1 | | 50–64 | (%) | 23.9 | | 65+ | (%) | 11.3 | | Highest level of education |  |  | | Above secondary school | (%) | 80.1 | | Secondary school | (%) | 19.0 | | Below secondary school | (%) | 0.7 | | Prefer not to say | (%) | 0.2 | | Current employment situation |  |  | | Employed (full time or part time) | (%) | 62.1 | | Looking for work (full time or part time) | (%) | 5.26 | | Other (retired, student, non‑worker, home duties) | (%) | 23.1 | | Prefer not to say | (%) | 0.9 | | na | (%) | 8.6 | | Marital status |  |  | | Married or de facto | (%) | 62.7 | | Single, including separated, divorced or widowed | (%) | 35.6 | | Prefer not to say | (%) | 1.77 | | Total annual household income from all sources (income) |  |  | | Less than $6,000 a year | (%) | 1.3 | | $6 000 to $29 999 a year | (%) | 9.5 | | $30 000 to $49 999 a year | (%) | 13.4 | | $50 000 to $79 999 a year | (%) | 19.2 | | $80 000 to $129 999 a year | (%) | 24.8 | | $130 000 to $199 999 a year | (%) | 11.9 | | $200 000 or more a year | (%) | 6.3 | | Can’t say/Prefer not to say | (%) | 13.6 | | Superannuation phase |  |  | | Accumulation | (%) | 90.8 | | Accumulation and pension | (%) | 5.4 | | Pension only | (%) | 3.8 |   (continued next page) |
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| Table 1.1 (continued) |
| --- |
| | Selected demographic variables | Unit | Weighted valuea | | --- | --- | --- | | Choice of fund |  |  | | Default – acquired passively | (%) | 44.6 | | Actively selected (including default) | (%) | 51.6 | | None / can’t say | (%) | 3.8 | | Type of superannuation fund |  |  | | Corporate | (%) | 1.3 | | Public sector | (%) | 8.8 | | Industry | (%) | 36.2 | | Retail | (%) | 40.9 | | Self‑managed super fund (SMSF) in accumulation phase | (%) | 6.9 | | Don’t know / other | (%) | 2.5 | | na | (%) | 3.5 | | Type of retirement income productb |  |  | | Account‑based pension | (%) | 6.2 | | Annuity | (%) | 1.8 | | Transition to retirement (TTR) pension | (%) | 1.2 | | SMSF in retirement phase | (%) | 1.8 | | Other | (%) | 0.6 | | None / Can’t say | (%) | 91.0 | | Median balance in main superannuation |  |  | | Corporate | ($) | 50 000–99 999 | | Public sector | ($) | 50 000–99 999 | | Industry | ($) | 20 000–49 999 | | Retail | ($) | 50 000–99 999 | | SMSF | ($) | 250 000–349 999 | | Median balancec across all funds (for those in accumulation phase) | ($) | 50 000–99 999 | | Median balancec at retirement (for those in pension phase) | ($) | 350 000–499 999 | | Number of superannuation funds |  |  | | One | (%) | 76.7 | | Two | (%) | 17.0 | | Three | (%) | 4.2 | | Four or more | (%) | 2.1 | | Number of retirement income products |  |  | | One | (%) | 5.5 | | Two or more | (%) | 2.7 | |
| a Weighted using Commission weights. b Type of retirement income product does not sum to 100 per cent because some members have multiple types of retirement income products. c Median balance questions refer to the median category of balances and therefore cannot offer a precise figure. na represents not available. |
| Source: Members survey. |
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## 1.2 Supporting results

| Table 1.2 Members contacting their main funda,b  Per cent of accumulation members whose main fund is not an SMSF |
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| | Response | Visit | Website | App | Phone | Email | Online chat | | --- | --- | --- | --- | --- | --- | --- | | Have done this in the last 12 months | 6 | 49 | 9 | 20 | 13 | 8 | | Have done this in the past, but not in the last 12 months | 7 | 19 | 2 | 25 | 17 | 9 | | Never done this | 87 | 31 | 90 | 54 | 70 | 83 | |
| a Results weighted using Commission weights. b Derived from question Q15a of the members survey. |
| *Source*: Members survey. |
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| Table 1.3 Passive account monitoring among selected demographic groupsa,b |
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| | Grouping | Demographic group | Per cent | | --- | --- | --- | | Age | Under 30 | 43 | | 30–49 | 42 | | Over 50 | 43 | | Member typec | Default | 39 | | Choice | 46 | | Incomed | Over $130 000 | 54 | | $50 000 to $129 999 | 42 | | Under $50 000 | 40 | | Size of balanced | Over $350 000 | 61 | | $50 000 to $349 999 | 48 | | Under $50 000 | 39 | | Sex | Female | 41 | | Male | 44 | | Overall | All | 42 | |
| a Results weighted using Commission weights. b Derived from question Q15b of the members survey. SMSF members are not included in this sample as they were not asked this set of questions. Note that Q15b allows multiple responses. Passive account monitoring is defined as those who give at least one of the following responses: ‘To check my fund balance’, ‘To discuss a query I had regarding my superannuation statement’, ‘To check about the fees and charges that apply to my superannuation’, ‘To check about the tax rate that applies to my superannuation’, ‘To check about the rate of return on my super investments’, ‘To check about the risks involved in investing in superannuation’, or ‘Amending my details’. c In this context, choice members are defined as a member not in a default fund *plus* members who made an active decision to stay in their default fund. Unless stated otherwise, choice members also include SMSF members. d Responses of ‘Can’t say’ or ‘Prefer not to say’ are not reported for balance and income. |
| *Source*: Members survey. |
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| Table 1.4 Use of online calculators by member demographicsa,b  Per cent |
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| | Grouping | Demographic | No, never used it | Yes, have used it in the past, but not in the last 12 months | Yes, have used  it in the last 12 months | Can’t say | | --- | --- | --- | --- | --- | --- | | Age | Under 30 | 89 | 6 | 3 | 1 | | 30–49 | 85 | 8 | 5 | 1 | | Over 50 | 78 | 13 | 7 | 3 | | Member typec | Default | 89 | 7 | 3 | 1 | | Choice | 79 | 12 | 7 | 2 | | Income | Over $130 000 | 76 | 17 | 7 | 1 | | $50 000 to $129 999 | 85 | 8 | 6 | 1 | | Under $50 000 | 83 | 9 | 3 | 4 | | Balance | Over $350 000 | 60 | 23 | 13 | 4 | |  | $50 000 to $349 000 | 81 | 12 | 6 | 1 | |  | Under $50 000 | 89 | 6 | 3 | 2 | | Gender | Female | 86 | 8 | 4 | 2 | |  | Male | 81 | 11 | 7 | 2 | | Total | All | 83 | 10 | 5 | 2 | |
| a Results weighted using Commission weights. b Sample is of members with a superannuation fund (that is, members with an accumulation product). Derived from question 16b of the members survey. c In this context, choice members are defined as a member not in a default fund *plus* members who made an active decision to stay in their default fund. Unless stated otherwise, choice members also include SMSF members. |
| *Source*: Members survey. |
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| Table 1.5 Proportion of members making voluntary contributionsa,b,c  By fund type, for members and funds survey |
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| |  | Members survey (%) | Funds survey (%) | | --- | --- | --- | | Corporate | 24.9 | 15.2 | | Public sector | 32.4 | 15.0 | | Industry | 19.9 | 11.2 | | Retail | 21.1 | 9.2 | | SMSF | 45.9 | nad | | Total | 23.1 | na | | Total excluding SMSF | 21.4 | 11.0 | |
| a Members survey results weighted using Commission weights. Funds survey results weighted by the number of members. b No Retail – ERF funds responded to this question on the funds survey. Members with no accumulation products were not asked the question. Members who responded with ‘Don’t know / Other’ or otherwise gave inconsistent responses when asked about their main fund type are excluded. c Derived from question Q13a of the members survey and Q20 of the funds survey. Fund survey responses use data from 2016‑17. d SMSFs were not included in the scope of the funds survey. na represents not available. |
| *Sources*: Members survey and initial funds survey. |
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| Figure 1.1 Proportion of members making voluntary contributionsa,b,c  In the 12 months prior to the survey, by selected demographic groups |
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| | This figure compares the proportion of members making voluntary super contributions in the past year. Older and wealthier members, those with higher balances, females and those in the choice segment all are more likely to make voluntary contributions. | | --- | |
| a Data are weighted using Commission weights. b Choice members are defined as a member not in a default fund *plus* members who made an active decision to stay in their default fund. Unless stated otherwise, choice members also include SMSF members. c Based on question Q13a of the members survey. |
| *Source*: Members survey. |
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| Figure 1.2 Proportion of members contacting and being contacted by their main fund for intrafund advicea,b,c,d  In the 12 months prior to the survey, by selected demographic groups |
| --- |
| | This figure compares the proportion of members contacting or being contacted by their fund for intrafund advice in the past year. Older members, choice members and members with higher balances are more likely to have contact and for all these groups the contact is disproportionately likely to be initiated by the fund rather than the member. | | --- | |
| a Data are weighted using Commission weights. b Based on questions Q14a and Q14b. Respondents were able to select all that applied. c Choice members are defined as a member not in a default fund *plus* members who made an active decision to stay in their default fund. SMSF members were not asked these questions. d Intrafund advice is defined in the members survey as ‘relatively simple, non‑ongoing financial advice provided to superannuation members about things such as their superannuation account, insurance cover, and ability to increase contributions or change their investment option within a fund, for which the fund does not charge a fee‑for‑service. Intra‑fund advice can be provided over the phone, via email or face‑to‑face’. |
| *Source*: Members survey. |
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| Table 1.6 Most statements testing knowledge of some basic characteristics of superannuation were correctly identifieda  Per cent |
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| |  | True | False | Don’t know / Can’t say | | --- | --- | --- | --- | | Employers are required by law to make superannuation payments on behalf of their employees | **93.4** | 1.9 | 4.6 | | Employees cannot contribute into their own superannuation funds – only an employer can make contributions | 4.0 | **90.0** | 6.0 | | Superannuation is taxed at a lower rate than other investments (except for owner‑occupied housing) | **62.7** | 5.8 | 31.6 | | Members can’t change their investment options after joining a superannuation fund | 6.3 | **82.7** | 11.0 | | All new members of superannuation funds are automatically given cover for life insurance, and total and permanent disability insurance | 32.9 | **30.8** | 36.2 | | Employees can select a fund of their own choice (and need not stay with the employer’s default fund) | **85.5** | 7.2 | 7.3 | | Members can access their superannuation after reaching the age of 50 | 14.2 | **54.9** | 30.9 | | Employers can provide investment advice to employees on which super fund an employee should select | 20.6 | **45.9** | 33.6 | | The current rate of Superannuation Guarantee contributions (i.e. compulsory employer superannuation contributions) is 10% | 26.8 | **40.1** | 33.1 | |
| a Shaded cells denote the correct responses. |
| *Source*: Members survey. |
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| Table 1.7 Superannuation literacya,b,c  Average number of questions correct (out of eight) among different groups |
| --- |
| | Grouping | Demographic | Average number of  correct questions | | --- | --- | --- | | Age | Under 30 | 4.0 | | 30–49 | 5.5 | | Over 50 | 5.9 | | Member typed | Default | 5.0 | | Choice | 5.8 | | SMSF | 5.9 | | Income | Over $130 000 | 6.3 | | $50 000 to $129 999 | 5.6 | | Under $50 000 | 4.9 | | Balance | Over $350 000 | 6.5 | | $50 000 to $349 000 | 5.9 | | Under $50 000 | 5.1 | | Gender | Female | 5.4 | | Male | 5.5 | | Total | All | 5.5 | |
| a Results weighted using Commission weights. b Derived from question 15b of the members survey. c Responses of ‘Don’t know/Can’t say’ are treated as incorrect responses as this is similar to believing the incorrect answer. This table excludes members without accumulation products. d In this context, choice members are defined as a member not in a default fund *plus* members who made an active decision to stay in their default fund. Unless stated otherwise, choice members also include SMSF members. |
| *Source*: Members survey. |
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### Categorising members’ engagement levels and how informed they are

In box 5.3 (chapter 5), members with a superannuation fund are placed into one of five categories depending on how informed and engaged they are, based on their responses to the Commission’s members survey.

#### Categorising ‘well‑informed’, ‘moderately informed’ and ‘poorly informed’ members

A member is characterised as ‘well‑informed’ if they fulfil all of the following criteria:

* gave the correct response to at least six of the eight questions on superannuation literacy (Q1a)
* had had some sort of passive engagement/passive account monitoring with their fund in the 12 months prior to the survey (Q15b) (see below for the definition of passive engagement)
* gave the correct response to at least two of the three financial literacy questions (Q27, Q28 and Q29)
* had no more than one of the ten characteristics of being ‘poorly’ informed (see below).

A member is characterised as ‘poorly informed’ if they fulfil at least one of the following ten criteria. They:

* gave the correct response to two or fewer of the eight valid questions on superannuation literacy (Q1a)
* stated that they had ‘Superannuation, including self‑managed/DIY – EXCLUDING self‑managed/DIY in pension phase’ in question S2a but when asked what type of superannuation fund they had in question S3a they responded ‘None of these’ or ‘Can’t say’
* could not say what type of funds (for example, retail, industry) they had in questions S5a to S5e
* could not say which of their funds is their main fund (S7)
* responded with ‘Can’t Say/ Don’t Remember’ when asked the amount of money in their main fund (S8a) and when subsequently asked to choose between three categories ‘To the best of your knowledge’ (S8b) also responded that they ‘Can’t Say/ Don’t Remember’
* were retired and responded with ‘Can’t Say/ Don’t Remember’ when asked how old they were when they retired and accessed their superannuation (S8d)
* claimed to have never heard of MySuper before the day of the survey (Q2a)
* stated that they had no understanding ‘at all’ of their fees and charges in their main fund (Q3a)
* stated that they have no understanding ‘at all’ of how their money is invested by their main fund (Q3e)
* stated that they either do not read their superannuation statements or that they do not understand the statements ‘at all’ (Q5b).

A member is characterised as ‘moderately informed’ if they are not ‘well informed’ and not ‘poorly informed’.

#### Categorising active and passive engagement

A member is characterised as ‘actively engaged’ if, in the 12 months prior to the survey, they had done one of the following (from Q15b):

* joined their current main fund
* checked / changed the investment options within their superannuation fund
* checked / changed insurance options within their superannuation fund.

A member is characterised as ‘passively engaged’ or having engaged in ‘passive account monitoring’ if, in the 12 months prior to the survey, they had done one of the following (from Q15b):

* checked their fund balance
* discussed a query they had regarding their superannuation statement
* checked the fees and charges that apply to their superannuation
* checked the tax rate that applies to their superannuation
* checked the rate of return on their super investments
* checked the risks involved in investing in superannuation
* amended their details.

The categories in box 5.3 (chapter 5) are therefore defined as those who fulfil the following characteristics using the criteria above:

* the driver
* currently ‘actively engaged’ and ‘well‑informed’
* the front passenger
* currently not ‘actively engaged’ but are ‘well‑informed’
* the backseat driver
* currently ‘actively engaged’ but are either ‘moderately’ or ‘poorly informed’
* the backseat passenger
* not ‘actively engaged’ and ‘moderately informed’
* in the boot
* not ‘actively engaged’ and ‘poorly informed’.

Members without a superannuation fund, with no accumulation products or in the retirement phase are not included in box 5.3 (chapter 5).

| Table 1.8 Approximately how much time, in total, did you spend gathering information for changing your fund?a,b,c,d  Asked of members who had actively changed their fund in the 12 months prior to the survey |
| --- |
| | Time | No. of observations (n) | Weighted  n | Weighted per cent | | --- | --- | --- | --- | | Less than 1 hour | 8 | 95 | 29 | | 1 hour to less than 2 hours | 10 | 71 | 22 | | 2 hours to less than 4 hours | 16 | 83 | 26 | | 4 hours or more | 12 | 72 | 22 | |
| a Results weighted using Commission weights. b ‘Active’ changing means the change was not due to changing employer or their employer changing the default fund. This includes SMSF members who set up their SMSF in the 12 months prior to the survey. c Based on question Q24d of the members survey. ‘Can’t say’ responses are excluded as this would prevent numerical interpretation. However, a large proportion of those asked the question (16 members) responded with ‘Can’t say’. Only accumulation members were asked this question. d Due to the small sample size there is a high degree of uncertainty in these results. |
| *Source*: Members survey. |
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| Table 1.9 Were you charged an exit fee?a,b,c  Asked of members who had changed their fund in the 12 months prior to the survey |
| --- |
| | Response | No. of observations  (n) | Weighted  n | Weighted  per cent | | --- | --- | --- | --- | | No | 38 | 271 | 66 | | Yes | 12 | 70 | 17 | | Can’t say | 12 | 68 | 17 | |
| a Results weighted using Commission weights. b Based on question Q25a of the members survey. Asked of members who have an accumulation product and who have changed the provider of their main fund in the 12 months prior the survey and where this was not due to changing employer or their employer changing their default superannuation provider. This also includes SMSF members who set up their SMSF in the 12 months prior to the survey. c Due to the small sample size there is a high degree of uncertainty in these results. |
| *Source*: Members survey. |
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| Table 1.10 Demographics of members who switched fund in the 12 months prior to the surveya,b  Among members with an accumulation product |
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| | Grouping | Demographic | No. of observations (n) | Weighted  n | Weighted per cent | | --- | --- | --- | --- | --- | | Phase | Accumulation | 120 | 838 | 98 | |  | Transitionc | 12 | 21 | 2 | | Age | Under 50 | 102 | 692 | 81 | |  | 50 or over | 30 | 167 | 19 | | Current fund typed | SMSF | 14 | 55 | 7 | |  | Retail fund | 27 | 401 | 48 | |  | Public sector fund | 16 | 64 | 8 | |  | Corporate fund | 17 | 9 | 1 | |  | Industry fund | 53 | 311 | 37 | |
| a Results weighted using Commission weights. The weighted per cent for each grouping totals to 100 per cent. b Based on questions Q23b and Q23c of the members survey. Applies specifically to the respondents main fund. c Transition refers to members who hold both accumulation and pension products. Members with only pension products were not asked questions about their switching behaviour. d Members with an unclear current fund type are not listed. |
| *Source*: Members survey. |
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| Table 1.11 Why you changed to your current main superannuation funda,b  Of those who changed in the 12 months prior to the survey |
| --- |
| | Response | No. of observations  (n) | Weighted  n | Weighted  per cent | | --- | --- | --- | --- | | You changed employer | 51 | 373 | 46 | | Your employer changed to another superannuation provider | 19 | 77 | 10 | | None of the above (i.e. you yourself made a decision to change, or were advised by an adviser) | 48 | 354 | 44 | |
| a Results weighted using Commission weights. b Members who list their main fund as an SMSF are excluded. Based on question Q23bb of the members survey. |
| *Source*: Members survey. |
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| Table 1.12 Proportion of members switching investment options in the 12 months prior to the surveya,b,c  By selected demographic groups |
| --- |
| |  | Demographic | No. of observations (n) | Weighted  n | Weighted per cent | | --- | --- | --- | --- | --- | | Age | Under 30 | 14 | 47 | 3 | |  | 30‑49 | 87 | 473 | 7 | |  | Over 50 | 128 | 627 | 12 | | Member typed | Default | 72 | 333 | 5 | |  | Choice | 140 | 800 | 13 | | Income | $130 000 or more | 75 | 331 | 13 | |  | $50 000 to $129 999 | 115 | 585 | 10 | |  | Less than $50 000 | 32 | 209 | 7 | | Balance | Over $350 000 | 71 | 288 | 22 | |  | $50 000 to $349 000 | 115 | 610 | 12 | |  | Under $50 000 | 45 | 283 | 5 | | Gender | Female | 84 | 429 | 6 | |  | Male | 166 | 833 | 12 | | Current fund type | SMSF | 38 | 129 | 13 | |  | Retail fund | 69 | 652 | 11 | |  | Public sector fund | 30 | 119 | 9 | |  | Corporate fund | 27 | 15 | 8 | |  | Industry fund | 85 | 347 | 7 | |  | Don’t know/Other | 1 | 0.1 | 0 | |  | All | 250 | 1 262 | 9 | |
| a Results weighted using Commission weights. b Based on question Q23a of the members survey. c Due to the small sample size there is a high degree of uncertainty in some of these results. A response of ‘Don’t know/Can’t say’ is treated as No. d In this context, choice members are defined as a member not in a default fund *plus* members who made an active decision to stay in their default fund. Unless stated otherwise, choice members also include SMSF members. Derived from question 15b of the members survey. |
| *Source*: Members survey. |
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| Table 1.13 Movement between choice and default productsa,b |
| --- |
| | Old fund | Choice and default optionc | No. of observations (n) | Weighted  n | Weighted per centd | | --- | --- | --- | --- | --- | | Same fund I have now | Choice to choice | 99 | 621.6 | 56.3 | | Default to choice | 43 | 154.1 | 14.0 | | Choice to default | 6 | 4.1 | 0.4 | | Can’t say/Don’t remember | 5 | 15.7 | 1.4 | | Something else | 24 | 172.0 | 15.6 | | A different fund | Choice to choice | 13 | 49.4 | 4.5 | | Default to choice | 6 | 28.9 | 2.6 | | Choice to default | 7 | 26.9 | 2.4 | | Can’t say/Don’t remember | 2 | 7.9 | 0.7 | | Something else | 4 | 22.6 | 2.0 | |
| a Results weighted using Commission weights. b Based on questions Q23aa and Q23ab. c ‘Choice to choice’ means that the member was previously in a choice product and is now in a different choice product. Other names in the ‘Choice and default options status’ can be interpreted similarly. See Q23ab for the exact wording of the questions. d The total is calculated from members who responded to Q23ab (that is, those who have changed their investment option in 12 months prior to the survey, whose main fund is not an SMSF, who have a superannuation fund and who did not select ‘Don’t know/Can’t say’ in Q23aa, which is asking whether they moved fund). |
| *Source*: Members survey. |
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| Table 1.14 How members decided to change investment optionsa,b,c  What best describes how you made the decision? |
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| | Response | No. of observations  (n) | Weighted n | Weighted per cent | | --- | --- | --- | --- | | I did my own research or got independent advice | 112 | 599 | 72 | | Something else | 25 | 116 | 14 | | I was persuaded by my fund’s marketing or advice to switch to this investment product | 22 | 101 | 12 | | Can’t say/ Don’t remember | 2 | 13 | 2 | |
| a Results weighted using Commission weights. b Based on question Q23ac of the members survey, for changing investment option within the member’s main fund. All respondents are included. c Q23ac was asked of those who have switched investment options (or fund) in the 12 months prior to the survey, whose main fund is not an SMSF, who knew whether they switched within or between funds (though both groups are included) and chose a non‑default option for their current investment (this excludes those who say they were switching from ‘Something else’ or that they ‘Can’t say/ Don’t remember’). |
| *Source*: Members survey. |
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| Figure 1.3 Younger members tend to be less satisfied than older onesa,b  Net satisfactionc |
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| | This figure compares the satisfaction of members under 30 to members aged 50 to 69 across 13 fund characteristics such as fees charged, the ease of changing insurance options and the ease of getting information on risk. Younger members are less satisfied than older members in every regard except the ease of claiming insurance. | | --- | |
| a Data are weighted using Commission weights. b Based on question Q8 of the members survey. Note that some questions were not asked of members whose main fund is an SMSF. Members with no superannuation fund (that is, those only holding retirement products) were not asked these questions. c Net satisfaction is calculated as the proportion (excluding those giving ‘can’t say’ responses and those not asked) who stated they were ‘highly’ or ‘somewhat’ satisfied, less those who stated they were ‘highly’ or ‘somewhat’ dissatisfied. Therefore respondents who stated that they were ‘Neither satisfied nor dissatisfied’ are included in the total but not in either of the sets of bars. Responses of ‘Can’t say’ were removed from the total as they cannot be clearly interpreted on an ordinal scale. |
| *Source*: Members survey. |
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| Table 1.15 Only minor discrepancies between funds and members relative ranking of net satisfactiona,b,c  Ranking of net satisfaction of different products and services |
| --- |
| |  | Members survey (rank) | Funds survey (rank)d | | --- | --- | --- | | How easy it is to contact the fund | 1 | 1 | | How easy the statement is to understand | 2 | 4 | | How easy it is to make changes to your investment options | 3 | 6 | | Level of member support and advice services | 4 | 3 | | How easy it is to make changes to your insurance options | 5 | 9 | | Level of info you get on how your super money is being invested | 6 | 2 | | Getting the information you need about the features of your super fund so you can compare funds | 7 | 8 | | Level of net investment returns | 8 | na | | Getting the information you need on risks so you can compare funds | 9 | 10 | | Getting the info you need on fees and charges so you can compare funds | 10 | 8 | | How easy is it to make insurance claims | 11 | na | | How the fund engages with you to better understand your needs | 12 | na | | Level of fees charged (Members survey) | 13 | na | | Level of administration fees charged (Funds survey) | na | 7 | | Level of investment fees charged (Funds survey) | na | 11 | |
| a Members survey responses are weighted using Commission weights. Fund responses weighted by number of member accounts. b Based on question Q8 of the members survey and question Q10 of the funds survey. c Note that some questions were not asked of members whose main fund is an SMSF. Members with no superannuation fund (i.e. those only holding retirement products) were not asked these questions. Funds survey respondents were not asked to rate against four elements (marked ‘na’). Members were only asked about their satisfaction with fees while funds were asked separately about members’ satisfaction with investment and administration fees. Net satisfaction is calculated as the proportion (excluding those giving ‘can’t say’ responses and those not asked) who stated they were ‘highly’ or ‘somewhat’ satisfied, less those who stated they were ‘highly’ or ‘somewhat’ dissatisfied. d While between 25 and 35 per cent of funds indicated that they were unable to answer this question, the proportion of funds (weighted by the number of accounts) that did not provide a response ranged between 7 and 20 per cent. |
| *Sources*: Members survey and funds survey. |
|  |
|  |

| Table 1.16 On what aspects, if any, would you like more information from your main super fund?a,b |
| --- |
| | Sub‑question | No. of observations (n) | Weighted n | Proportionc | Confidence intervals | | --- | --- | --- | --- | --- | | The administration fees charged to my fund | 835 | 5 583 | 44 | (41.7, 46.2) | | The taxes that apply to my superannuation | 814 | 5 165 | 41 | (38.5, 42.9) | | The returns I get on my superannuation | 722 | 4 845 | 38 | (36, 40.3) | | The insurance cover included in my fund | 687 | 4 489 | 35 | (33.2, 37.5) | | The insurance premiums charged by my fund | 623 | 4 132 | 33 | (30.4, 34.6) | | The investments options of my fund | 611 | 3 940 | 31 | (29, 33.1) | | The types of assets invested within the different options | 599 | 3 910 | 31 | (28.7, 32.8) | | The risks involved in investing in superannuation | 497 | 3 286 | 26 | (23.9, 27.8) | | How to consolidate different superannuation funds into one fund | 298 | 2 069 | 16 | (14.6, 17.9) | | None of these | 397 | 2 473 | 19 | (17.7, 21.2) | | Don’t know | 204 | 1 542 | 12 | (10.7, 13.6) | |
| a Results weighted using Commission weights. b Based on question Q10 of the members survey. c Base = all with superannuation excluding SMSF. n = 1979 unweighted; 12 700 weighted. Note that all questions, including ‘none of these’ and ‘don’t know’ are non‑exclusive. |
| *Source*: Members survey. |
|  |
|  |

| Table 1.17 Number of accountsa,b,c |
| --- |
| | Number | No. of observations (n) | Weighted n | Weighted per cent | | --- | --- | --- | --- | | 1 | 1 581 | 9 817 | 77 | | 2 | 342 | 2 169 | 17 | | 3 | 93 | 538 | 4 | | 4 | 18 | 102 | 1 | | 5 to 10 | 21 | 145 | 1 | | More than 10 | 9 | 19 | – | |
| a Results weighted using Commission weights. b The number of accounts is based on the sum of the number of personal and employer default funds asked for in question S3b in addition to any SMSF in the accumulation phase (it is assumed that no members have more than one SMSF in the accumulation phase). c The following groups were excluded: Pension members who were not asked the question; members who responded to S3a (on what types of accumulation funds they have) with ‘None of these’ or ‘Can’t say’; and those who stated to have personal and/or default accumulation products but can’t say how many they have of this type/these types. The excluded population sums to 230 respondents of which 131 were non‑pension members. These constitute 6.5 per cent of the weighted population with accumulation products. – represents nil or rounded to zero. |
| *Source*: Members survey. |
|  |
|  |

| Table 1.18 What is the main reason you have more than one superannuation fund?a,b,c |
| --- |
| | Response | No. of observations (n) | Weighted n | Weighted per cent | | --- | --- | --- | --- | | The process of consolidating funds is too difficult | 60 | 370 | 11 | | I just never got around to consolidating them | 173 | 1 283 | 39 | | Keeping more than one fund was a deliberate decision to achieve better outcomes (for example, it gives me greater flexibility or allows me to spread investment risk) | 144 | 742 | 23d | | Something else | 135 | 812 | 25 | | Can’t say | 15 | 85 | 3 | |
| a Results weighted using Commission weights. b Based on question Q6 of the members survey. c Based on a sample of all members with multiple accumulation products. d This number has been used to derive the Commission’s estimate that 1 in 3 of all accounts are multiples (as described in note b, figure 6.2, chapter 6). |
| *Source*: Members survey. |
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| Table 1.19 Satisfaction with intrafund advicea,b,c  Asked of those who have received intrafund advice from their main fund in the 12 months prior to the survey |
| --- |
| | Response | No. of observations (n) | Weighted n | Weighted per cent | | --- | --- | --- | --- | | Completely satisfied | 129 | 514 | 37 | | Somewhat satisfied | 103 | 414 | 30 | | Neither satisfied nor dissatisfied | 57 | 336 | 24 | | Somewhat dissatisfied | 13 | 93 | 7 | | Completely dissatisfied | 6 | 27 | 2 | |
| a Results weighted using Commission weights. b Based on question Q14d of the members survey. c  Responses of ‘Can’t say’ are excluded from the total. |
| *Source*: Members survey. |
|  |
|  |

## 1.3 The choice experiment

The Commission’s choice experiment in stage 3 builds on the previous choice experiment undertaken as part of the stage 2 members choice survey. In the stage 2 members choice survey, the Commission found that members valued returns, fees and investment choice over member services. The choice experiment in stage 3 explores the relative value attached specifically to member services in the accumulation phase.

### Econometric model

Although some basic descriptive results from the choice experiment can be computed, econometric models are required to extract all the insights, particularly the willingness to pay (WTP) for product features from the choice experiment data. Discussion of this model closely follows that of Hensher et al. (2005).

Respondents are asked choice experiment questions. In each choice experiment question, respondents are faced with a choice between superannuation products. The utility that respondent obtains from option for choice experiment question is assumed to be of the form:

is a coefficient vector which represents the marginal utility derived from *observable* product features (including total fees) , in this case the product features presented to respondents. This model allows respondents to value different product features in different ways, rather than assuming that they value products in the same way.

For this analysis, is assumed to be multivariate normally distributed with mean and covariance matrix . are demographic variables obtained from other parts of the survey, and in this analysis includes age (in ranges), superannuation literacy and financial literacy, so are the associated coefficients. This model also allows for some systematic variation in respondent tastes across these demographic groups. The Commission has considered alternative distributional assumptions on , as described in the results section.

can be rewritten as where is the lower‑triangular Cholesky factor of (this means that satisfies ) and are the individual‑ and product‑specific unobserved shocks. Put another way, essentially contains the dispersion parameters for the valuation of each product feature. The dispersion parameters are not allowed to vary by respondent.

represents the utility derived from *unobserved* product features and is assumed to be extreme value independently and identically distributed (iid) across observations, independent of . In this case, may capture things such as individual respondent perceptions of the product.

In summary, the goal of this model is to estimate , which collectively describes for each product feature the level and distribution of marginal utilities across respondents.

Respondents are assumed to choose the product which delivers them the higher utility. Let denote the respondent’s sequence of choices across the choice experiment questions. Since the ’s are iid and extreme value distributed, the probability conditional on that the respondent chooses product in choice experiment question is of a standard logit form:

Since are independent over choice experiment questions, the likelihood for a respondent’s sequence of choices, conditional on their is just the product of logits:

Finally to form a likelihood as a function of , the likelihoods are integrated over all possible values of to form:

Where is the density for . Note that this likelihood does not have a closed form, so to maximise the likelihood, it must also be approximated numerically through simulation. The software used to estimate the model is from Sarrias and Daziano (2017) which further specifies the estimation and simulation procedures.

### Treatment of demographic variables

In the choice experiment analysis, the Commission considered three demographic variables: age; financial literacy; and superannuation literacy. The choice of these was based on two considerations: the demographic variables the Commission was interested in exploring; and a limit to how many demographic variables can enter the specification without incurring perfect multicollinearity issues.

For this analysis, age was bracketed into three groups (table 1.20). This is different from that used in other parts of the members survey results. Similarly, financial literacy and superannuation literacy were bracketed into three groups.

| Table 1.20 Bracketing of demographic variables for the choice experiment analysisa |
| --- |
| | Age | Financial literacy | Superannuation literacy | | --- | --- | --- | | The ‘young’: 15–34 | Low: scored 0–1 inclusive | Low: scored 0–4 inclusive | | The ‘middle‑aged’: 35–54 | Medium: scored 2 | Medium: scored 5–6 inclusive | | The ‘seniors’: 55+ | High: scored 3 | High: scored 7–9 inclusive | |
| a Financial and superannuation literacy brackets were chosen roughly on the basis of quantile groups formed from the number of correct answers. For financial literacy, questions 27–29 were considered (3 questions) and for superannuation literacy question 1a was considered (consisting of 9 components). The bottom quartile corresponds to the low bracket, the middle two quartiles correspond to the medium quartile and the top quartile corresponds to the high bracket. |
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### Results of the choice experiment analysis

It is useful to consider the proportion of those within groups choosing the cheapest product offered, as both a sense check on the results and in its own right. These are presented in table 1.21, split by the demographic variables which are used for the econometric analysis.

Broadly speaking, most groups have similar rates of respondents choosing the cheapest product. This should not necessarily be interpreted as members placing low value on product features. The randomisation of product features means that in many cases the cheaper product may have had more features which appealed to respondents more than the alternative offered. The econometric analysis presented below untangles this issue.

| Table 1.21 Proportion of respondents in each group choosing the cheapest product offered in the choice experiment |
| --- |
| | Group | Per cent | | --- | --- | | 15–34 age bracket | 69.8 | | 35–54 age bracket | 70.1 | | 55+ age bracket | 70.0 | | ‘Low’ super literacy | 64.2 | | ‘Medium’ super literacy | 70.7 | | ‘High’ super literacy | 72.6 | | ‘Low’ financial literacy | 65.9 | | ‘Medium’ financial literacy | 71.4 | | ‘High’ financial literacy | 72.5 | | All Respondents | 70.0 | |
| *Source*: Members survey. |
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The following tables (tables 1.22 to 1.33) present econometric estimates of the marginal utilities to the product features and their levels. To aid interpretability, it is standard practice to present these estimates as WTP estimates. Converting estimates of marginal utilities into estimates of WTP requires dividing the estimated coefficients by the fees coefficient and multiplying by minus one. In this analysis, the interpretation of a WTP estimate is how much is a respondent willing to pay for a product which has the same product feature levels as a ‘baseline’ product, except for the product feature level in question. Note that since the utility function itself is purely linear, the WTP between other product feature levels can be inferred by the differences between the two.

Further, as the demographic variables considered in the analysis are discrete groups, the estimates are also relative to the baseline demographic group. In this analysis the baseline demographic group is considered to be a respondent who is aged 35–54 years, with medium super literacy and medium financial literacy.

To aid interpreting the tables, consider table 1.28. In this table, for example:

* the mean marginal WTP estimate for a middle aged respondent with medium financial and super literacy is $869.18. This means that the average middled aged, medium financial and super literate respondent is willing to pay up to $869.18 for a superannuation product with the flexibility to choose underlying assets *relative* to a superannuation product without this flexibility. The standard deviation of the WTP distribution is $940.33. Since the marginal WTP distribution is normal, 68 per cent of the middled aged and medium financial and super literate population should lie between plus and minus one standard deviation from the mean estimate. This means that approximately 68 per cent of the respondent population have marginal WTP between ‑$71.15 (that is, you would have to pay such a respondent $71.15 for them to want to have the flexibility to choose underlying assets) and $1809.51
* the mean marginal WTP estimate for a young respondent with a medium level of financial and super literacy is $869.18 minus $88.03 which is $781.85. As the standard deviation is not allowed to vary from respondent to respondent, 68 per cent of the young aged with medium financial and super literacy population are estimated to have marginal WTP between ‑$158.48 and $1722.18
* the mean marginal WTP estimate for a senior respondent with a high level of financial and super literacy is $869.18 plus $438.54 plus $429.06 plus $690.56 which is $2427.34. Further, 68 per cent of the senior and highly financial and super literate population are estimated to have marginal WTP between 1487.01 and $3367.67.

Note that, as per Hensher et al. (2005), the fees coefficient is specified to be fixed across respondents. This is a restriction necessary for the model to be estimated. Note that this restriction does not mean that the response to fees must be the same for all respondents. The economically meaningful quantities are the WTP, and these vary by respondents due to variation in the product feature coefficients.

| Table 1.22 Willingness to pay for features |
| --- |
| | Feature | Estimate | Willingness to pay | Standard error | Significance | | --- | --- | --- | --- | --- | | Feesa | – | .. | – | \*\*\* | | Member extra promotions | ‑0.15 | ‑237.31 | 0.06 | \*\* | | Standard deviation of member extra promotions | 0.78 | 1 603.45 | 0.17 | \*\*\* | | Member multiple financial products | 0.04 | 90.48 | 0.05 |  | | Standard deviation of member multiple financial products | 0.05 | 97.11 | 0.24 |  | |
| a The fees coefficient is estimated to be -0.00048417 with standard error 0.000032091. \*\*\* represents significance at the 99 per cent level, \*\* represents significance at the 95 per cent level, \* represents significance at the 90 per cent level, – represents nil or rounded to zero. .. represents not applicable. |
| *Source*: Members survey. |
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| Table 1.23 Willingness to pay for communication — Option 5a,b  ‘Over the phone, email, online website including real time online support and smartphone app’ |
| --- |
| | Group | Estimate | Willingness to pay | Standard error | Significance | | --- | --- | --- | --- | --- | | Baseline | 0.44 | 904.10 | 0.20 | \*\* | | Young | ‑0.18 | ‑377.16 | 0.21 |  | | Senior | ‑0.23 | ‑477.66 | 0.21 |  | | Low super literacy | 0.16 | 338.74 | 0.23 |  | | High super literacy | 0.07 | 138.07 | 0.19 |  | | Low financial literacy | ‑0.04 | ‑89.50 | 0.21 |  | | High financial literacy | ‑0.22 | ‑460.33 | 0.21 |  | | Standard deviation | 0.41 | 843.98 | 0.37 |  | |
| a All options are described relative to ‘Option 1’: ‘Over the phone and email’. b The baseline respondent is someone who is middle aged and with a medium financial and super literacy. \*\*\* represents significance at the 99 per cent level, \*\* represents significance at the 95 per cent level, \* represents significance at the 90 per cent level. |
| *Source*: Members survey. |
|  |
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| Table 1.24 Willingness to pay for communication — Option 4a,b,c  ‘Over the phone, email, online website and smartphone app’ |
| --- |
| | Group | Estimate | Willingness to pay | Standard error | Significance | | --- | --- | --- | --- | --- | | Baseline | 0.49 | 1 020.16 | 0.20 | \*\* | | Young | ‑0.23 | ‑482.70 | 0.20 |  | | Senior | ‑0.15 | ‑319.95 | 0.20 |  | | Low super literacy | 0.44 | 907.45 | 0.22 | \* | | High super literacy | 0.01 | 25.58 | 0.19 |  | | Low financial literacy | ‑0.11 | ‑234.30 | 0.20 |  | | High financial literacy | ‑0.29 | ‑590.72 | 0.21 |  | | Standard deviation | 0.04 | 78.86 | 0.37 |  | |
| a All options are described relative to ‘Option 1’: ‘Over the phone and email’. b The baseline respondent is someone who is middle aged and with a medium financial and super literacy. \*\*\* represents significance at the 99 per cent level, \*\* represents significance at the 95 per cent level, \* represents significance at the 90 per cent level. |
| *Source*: Members survey. |
|  |
|  |

| Table 1.25 Willingness to pay for communication — Option 3a,b  ‘Over the phone, email, online website including real time online support’ |
| --- |
| | Group | Estimate | Willingness to pay | Standard error | Significance | | --- | --- | --- | --- | --- | | Baseline | 0.13 | 267.01 | 0.20 |  | | Young | 0.13 | 262.12 | 0.20 |  | | Senior | 0.05 | 100.73 | 0.20 |  | | Low super literacy | 0.25 | 511.47 | 0.22 |  | | High super literacy | 0.21 | 425.92 | 0.19 |  | | Low financial literacy | 0.03 | 54.97 | 0.20 |  | | High financial literacy | ‑0.21 | ‑436.13 | 0.20 |  | | Standard deviation | 0.01 | 20.98 | 0.38 |  | |
| a All options are described relative to ‘Option 1’: ‘Over the phone and email’. b The baseline respondent is someone who is middle aged and with a medium financial and super literacy. \*\*\* represents significance at the 99 per cent level, \*\* represents significance at the 95 per cent level, \* represents significance at the 90 per cent level. |
| *Source*: Members survey. |
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| Table 1.26 Willingness to pay for communication — Option 2a,b  ‘Over the phone, email and online website’ |
| --- |
| | Group | Estimate | Willingness to pay | Standard error | Significance | | --- | --- | --- | --- | --- | | Baseline | 0.51 | 1 049.63 | 0.20 | \*\* | | Young | ‑0.04 | ‑75.02 | 0.21 |  | | Senior | ‑0.26 | ‑540.84 | 0.21 |  | | Low super literacy | ‑0.14 | ‑297.44 | 0.23 |  | | High super literacy | ‑0.09 | ‑184.71 | 0.19 |  | | Low financial literacy | ‑0.01 | ‑24.93 | 0.21 |  | | High financial literacy | ‑0.18 | ‑367.16 | 0.21 |  | | Standard deviation | 0.47 | 973.52 | 0.34 |  | |
| a All options are described relative to ‘Option 1’: ‘Over the phone and email’. b The baseline respondent is someone who is middle aged and with a medium financial and super literacy. \*\*\* represents significance at the 99 per cent level, \*\* represents significance at the 95 per cent level, \* represents significance at the 90 per cent level. |
| *Source*: Members survey. |
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| Table 1.27 Willingness to pay for engagement — Option 3a,b  Engagement in the form of statements of account balances, obligated engagements, newsletters, surveys about members, education seminars and presence of local offices |
| --- |
| | Group | Estimate | Willingness to pay | Standard error | Significance | | --- | --- | --- | --- | --- | | Baseline | 0.29 | 598.86 | 0.15 | \* | | Young | ‑0.25 | ‑512.07 | 0.16 |  | | Senior | ‑0.04 | ‑84.04 | 0.16 |  | | Low super literacy | 0.05 | 95.27 | 0.18 |  | | High super literacy | ‑0.16 | ‑329.72 | 0.15 |  | | Low financial literacy | ‑0.07 | ‑144.03 | 0.16 |  | | High financial literacy | 0.03 | 65.36 | 0.16 |  | | Standard deviation | 0.01 | 29.16 | 0.19 |  | |
| a All options are described relative to ‘Option 1’: ‘Only statements of account balances and obligated engagements’. b The baseline respondent is someone who is middle aged and with a medium financial and super literacy. \*\*\* represents significance at the 99 per cent level, \*\* represents significance at the 95 per cent level, \* represents significance at the 90 per cent level. |
| *Source*: Members survey. |
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| Table 1.28 Willingness to pay for engagement — Option 2a,b  Engagement in the form of statements of account balances, obligated engagements, newsletters and surveys about members |
| --- |
| | Group | Estimate | Willingness to pay | Standard error | Significance | | --- | --- | --- | --- | --- | | Baseline | 0.17 | 340.83 | 0.15 |  | | Young | 0.00 | 8.27 | 0.16 |  | | Senior | ‑0.14 | ‑294.32 | 0.16 |  | | Low super literacy | 0.13 | 260.86 | 0.17 |  | | High super literacy | ‑0.21 | ‑430.20 | 0.15 |  | | Low financial literacy | ‑0.18 | ‑374.91 | 0.16 |  | | High financial literacy | 0.11 | 225.71 | 0.16 |  | | Standard deviation | 0.25 | 521.12 | 0.37 |  | |
| a All options are described relative to ‘Option 1’: ‘Only statements of account balances and obligated engagements’. b The baseline respondent is someone who is middle aged and with a medium financial and super literacy. \*\*\* represents significance at the 99 per cent level, \*\* represents significance at the 95 per cent level, \* represents significance at the 90 per cent level. |
| *Source*: Members survey. |
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| Table 1.29 Willingness to pay for asset control — Option 3a,b  Flexibility to choose underlying assets |
| --- |
| | Group | Estimate | Willingness to pay | Standard error | Significance | | --- | --- | --- | --- | --- | | Baseline | 0.42 | 869.18 | 0.15 | \*\*\* | | Young | ‑0.04 | ‑88.03 | 0.16 |  | | Senior | 0.21 | 438.54 | 0.16 |  | | Low super literacy | ‑0.26 | ‑529.07 | 0.18 |  | | High super literacy | 0.21 | 429.06 | 0.15 |  | | Low financial literacy | ‑0.03 | ‑72.13 | 0.16 |  | | High financial literacy | 0.33 | 690.56 | 0.16 | \*\* | | Standard deviation | 0.46 | 940.33 | 0.27 | \* | |
| a All options are described relative to ‘Option 1’: ‘No control over investments’. b The baseline respondent is someone who is middle aged and with a medium financial and super literacy. \*\*\* represents significance at the 99 per cent level, \*\* represents significance at the 95 per cent level, \* represents significance at the 90 per cent level. |
| *Source*: Members survey. |
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| Table 1.30 Willingness to pay for asset control — Option 2a,b  Flexibility to choose investment strategy |
| --- |
| | Group | Estimate | Willingness to pay | Standard error | Significance | | --- | --- | --- | --- | --- | | Baseline | 0.63 | 1 302.93 | 0.16 | \*\*\* | | Young | ‑0.26 | ‑537.41 | 0.16 |  | | Senior | 0.14 | 283.02 | 0.16 |  | | Low super literacy | ‑0.36 | ‑742.38 | 0.18 | \*\* | | High super literacy | 0.25 | 518.29 | 0.15 | \* | | Low financial literacy | ‑0.22 | ‑450.92 | 0.16 |  | | High financial literacy | 0.07 | 134.36 | 0.16 |  | | Standard deviation | 0.04 | 72.92 | 0.32 |  | |
| a All options are described relative to ‘Option 1’: ‘No control over investments’. b The baseline respondent is someone who is middle aged and with a medium financial and super literacy. \*\*\* represents significance at the 99 per cent level, \*\* represents significance at the 95 per cent level, \* represents significance at the 90 per cent level. |
| *Source*: Members survey. |
|  |
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Although the Commission set out life and total and permanent disability (TPD) insurance and income protection (IP) insurance as separate product features in the members survey, the econometric analysis suggests that respondents did not distinguish between life and TPD and IP insurance. This is due to the model being unable to identify the separate WTP (that is, the model encountered multicollinearity issues when both were included). For this reason, IP insurance is omitted from the model, and there are no tables on IP insurance.

| Table 1.31 Willingness to pay for bundles of life and TPD insurancea,b  High cover ($500 000) |
| --- |
| | Group | Estimate | Willingness to pay | Standard error | Significance | | --- | --- | --- | --- | --- | | Baseline | 0.02 | 44.42 | 0.23 |  | | Young | ‑0.14 | ‑282.40 | 0.24 |  | | Senior | ‑0.09 | ‑192.33 | 0.23 |  | | Low super literacy | 0.31 | 631.29 | 0.27 |  | | High super literacy | 0.07 | 151.21 | 0.21 |  | | Low financial literacy | 0.86 | 1 775.82 | 0.24 | \*\*\* | | High financial literacy | 0.01 | 26.10 | 0.23 |  | | Standard deviation | 1.83 | 3 778.22 | 0.21 | \*\*\* | |
| a All options are described relative to no cover. b The baseline respondent is someone who is middle aged and with a medium financial and super literacy. \*\*\* represents significance at the 99 per cent level, \*\* represents significance at the 95 per cent level, \* represents significance at the 90 per cent level. |
| *Source*: Members survey. |
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|  |

| Table 1.32 Willingness to pay for bundles of life and TPD insurancea,b  Medium cover ($200 000) |
| --- |
| | Group | Estimate | Willingness to pay | Standard error | Significance | | --- | --- | --- | --- | --- | | Baseline | 0.07 | 142.78 | 0.18 |  | | Young | ‑0.13 | ‑259.33 | 0.19 |  | | Senior | ‑0.08 | ‑165.72 | 0.18 |  | | Low super literacy | 0.22 | 457.75 | 0.21 |  | | High super literacy | ‑0.11 | ‑218.72 | 0.18 |  | | Low financial literacy | 0.52 | 1 075.88 | 0.19 | \*\*\* | | High financial literacy | 0.07 | 145.85 | 0.19 |  | | Standard deviation | 0.83 | 1 716.65 | 0.20 | \*\*\* | |
| a All options are described relative to no cover. b The baseline respondent is someone who is middle aged and with a medium financial and super literacy. \*\*\* represents significance at the 99 per cent level, \*\* represents significance at the 95 per cent level, \* represents significance at the 90 per cent level. |
| *Source*: Members survey. |
|  |
|  |

| Table 1.33 Willingness to pay for bundles of life and TPD insurancea,b  Low cover ($90 000) |
| --- |
| | Group | Estimate | Willingness to pay | Standard error | Significance | | --- | --- | --- | --- | --- | | Baseline | ‑0.12 | ‑241.46 | 0.16 |  | | Young | 0.04 | 75.23 | 0.17 |  | | Senior | ‑0.09 | ‑176.91 | 0.17 |  | | Low super literacy | 0.12 | 250.28 | 0.19 |  | | High super literacy | 0.32 | 650.70 | 0.16 | \*\* | | Low financial literacy | 0.36 | 753.23 | 0.17 | \*\* | | High financial literacy | 0.15 | 303.80 | 0.17 |  | | Standard deviation | 0.20 | 407.32 | 0.42 |  | |
| a All options are described relative to no cover. b The baseline respondent is someone who is middle aged and with a medium financial and super literacy. \*\*\* represents significance at the 99 per cent level, \*\* represents significance at the 95 per cent level, \* represents significance at the 90 per cent level. |
| *Source*: Members survey. |
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### Comments on robustness and how the results should be interpreted

The Commission has tested the model using a number of different specifications. This includes:

* testing for different distributional assumptions on the product‑feature coefficients, in particular for the triangular and uniform distributions
* conducting the analysis using subsets of demographics and product features in the analysis
* relaxing the independently and identically distributed assumption, by allowing for choices made by the same respondent to be correlated, and thus coefficients to be correlated
* ensuring that an appropriate number of simulation draws are used for computing the likelihood function, by estimating using different numbers of simulation draws.

The Commission settled on a specification using:

* normally distributed product feature coefficients
* all product features (except IP insurance), age, super and financial literacy demographics
* coefficients which are uncorrelated, for simplicity in the model
* 500 simulation draws.

Overall, the Commission’s assessment of the econometric analysis is that the broad results are informative. The signs and relative magnitudes of the mean WTP estimates are robust to different specifications. However, the dispersion (or standard deviation) estimates are less robust and can vary substantially. This assessment is reflected in the discussion within the inquiry report, which focuses on the estimates of the mean WTP coefficients.

That said, while many of the mean WTP estimates achieved statistical significance, some did not. This result is likely due to an insufficient sample size for the rich model considered. Further, this suggests that, while not all these estimates can be generalised outside of the choice experiment, the estimates are still a good representation of what happened in the context of the Commission’s choice experiment and many seem consistent with the broader body of evidence presented in chapter 4.

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