



**AIA Australia Limited**  
(ABN 79 004 837 861 AFSL 230043)  
PO Box 6111  
Melbourne VIC 3004  
Phone : 1800 333 613  
Fax : 1800 832 266  
AIA.COM.AU

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Committee Secretary  
Senate Standing Committees on Economics  
Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

Dear Committee Secretary

## **IMPROVING CONSUMER EXPERIENCES, CHOICE, AND OUTCOMES IN AUSTRALIA'S RETIREMENT SYSTEM**

Thank you for the opportunity to provide feedback to the Senate's inquiry. We are strongly supportive of the focus on improving Australians' retirement outcomes.

As one of Australia's leading life, health and wellbeing insurers, we are committed to helping people live healthier, longer, better lives, not only during their working years but also in retirement.

As the Australian population ages, the issue of accessing affordable and appropriate care both now and in the future is a real concern, and the financial burden on the Government will become onerous in due course.

We believe there is an important role that the private sector can play in transferring morbidity and mortality risk away from the Government through risk pooling, which reduces the burden on the public sector.

As one of the largest insurers of default group insurance in superannuation, we protect the lives of more than 3.5 million Australians and have built close relationships with our fund partners. As is noted in the Explanatory Memorandum of the *Superannuation (Objective) Bill 2023*, insurance in superannuation can help members achieve a dignified retirement; for example, when they cannot work to retirement due to incapacity or interrupted work patterns during their working life. We believe in the valuable safety net that default insurance provides to those who are not engaged with the need for life insurance, or who cannot afford or obtain insurance outside of superannuation.

There are several features of insurance in super that indicate its value for members:<sup>1</sup>

- high claims admission rates (up to 98%)
- high claims payout ratios (ranging from 79% to 95%)
- low cost, due to risk pooling and low distribution and administration costs.

In 2023, we paid \$1.3bn to our insurance in super members, for just under 27,000 claims. 89% of these claims (and 70% of the claim cost) were for disability – both income protection and total and permanent disablement. We paid out \$292m for mental health claims alone.

We see ourselves as more than simply a payer of claims. We invest significant resources into the health and wellbeing of those we protect. We have created a holistic wellbeing ecosystem of world-class partners, programs and services that provide value for our members through the stages of health prevention, promotion, diagnosis, treatment and recovery. For working Australians who suffer a temporary or permanent disablement,

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<sup>1</sup> *The future of insurance through superannuation*, Deloitte Access Economics and the Association of Superannuation Funds of Australia (2022).

we have a number of programs designed to help them get back to wellbeing and to work where appropriate, allowing those who rejoin the workforce to continue saving for retirement.

This has flow-on benefits for the Australian economy, as ill-health directly affects social and economic participation. Poor health status represents one of the largest brakes on an economy's labour supply, meaning that a focus on health prevention and recovery can potentially have significant positive economic impacts and improve productivity of those in the workforce. If more Australians are able to work to retirement age and save for their own retirement, this reduces the pressure on Government support services.

#### **Case study**

Ian\* is a 33-year-old male who was working as a machine operator prior to ceasing work in April 2018 due to lumbar spine (lower back) chronic pain, and in 2021 underwent an L4-5 disc replacement, L5-S1 Fuse.

Ian commenced the AIA Pain Coach program in January 2023, and from participating he reduced his pain by 40% and improved his function by 63%. Ian was supported with a pain-specialised Exercise Physiologist and received support from a Rehabilitation Counsellor on how to safely return to suitable and sustainable employment. Ian is now working full time as a tipper truck driver and reports that the Pain Coach Program made a big impact on his life being able to move and live and work again.

\*Name changed for privacy reasons.

Just as we partner with superannuation funds in the accumulation phase, so too do we wish to be a partner post-retirement. We believe superannuation funds are best placed to determine the right retirement solutions for their membership, and we are seeking to partner with them to deliver these solutions.

Our focus on health and wellbeing extends into the transition to retirement. We have commenced education sessions with some of our partner funds' members, to assist them to anticipate and overcome the challenges that can be faced in retirement – for example, in fostering social connections and finding a sense of purpose.

High-quality financial advice is an important requirement for many who are planning for their retirement or nearing retirement. We believe that the Government's Delivering Better Financial Outcomes package (in response to the Quality of Advice Review) will assist more Australians to better understand their financial situation and the financial products that are available to them in retirement. We are strongly supportive of Australians having greater access to financial advice and look forward to working with the Government this year on the detail of the reforms.

We are also interested in how Government and the private sector can collaborate to maximise health outcomes for Australians, including whether there are new areas in which the private sector can take on more risk in the retirement phase. We have started looking at this internally and would welcome continued discussion.

If you would like to discuss the contents of this submission or the focus areas of the inquiry in more detail, please contact Sarah Phillips, GM Corporate Affairs and CEO Office in the first instance, at

or

Yours faithfully

Damien Mu  
CEO and Managing Director