

2015: Super Forever...



# **Crisis Point for Insurance in Superannuation?**

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Aim to answer the following questions

1. What is the future of Group Insurance in Super
2. What actions are being taken by the Super industry

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## Outline

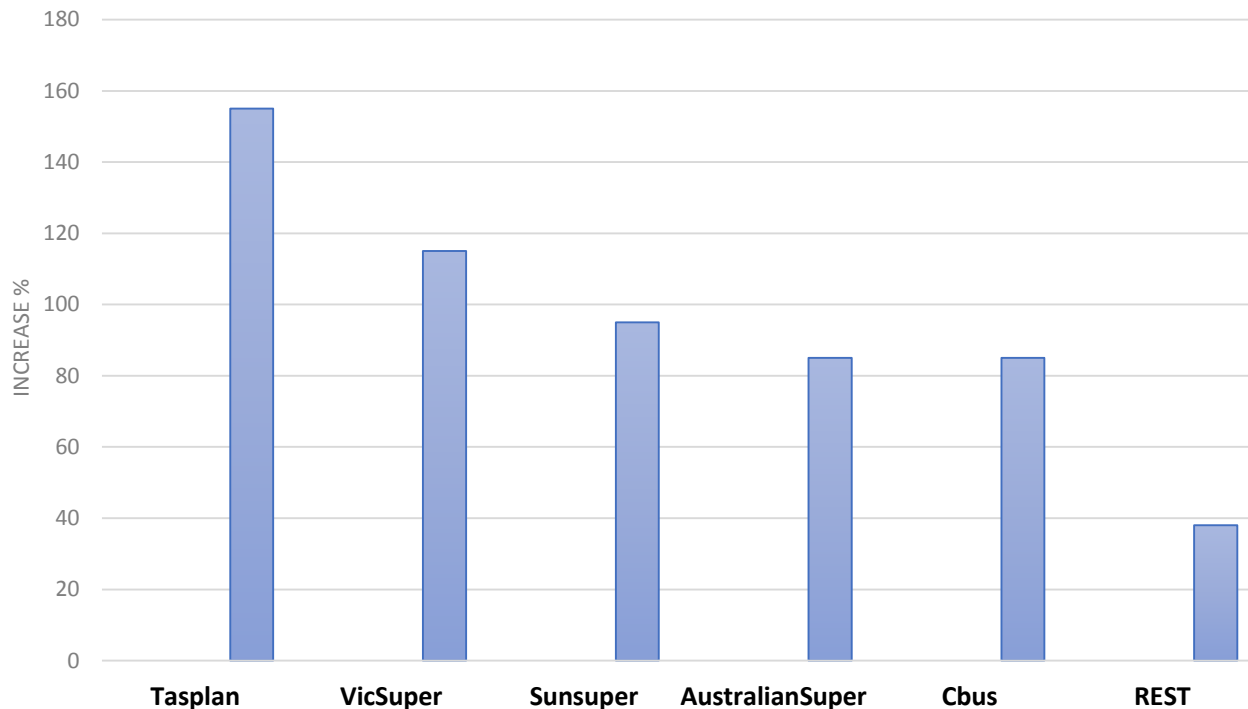
1. Update of the market
2. Key drivers of change
  1. Independent trustees
  2. Move to real competition
3. Speculation on the future

*Dramatic Changes Coming*

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**Illustrative D&TPD price increases 12 months July 2014**



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## The past

1. Trustees slow to act

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- Top 5 Master Trusts and Industry Funds now have similar insurance costs
- Industry Funds tend to have higher blue collar worker exposure
- MySuper has lead to Master Trusts removing commissions and more finely tuning their insurance offerings.



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## The past

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4. Past low premiums were unrealistic

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## The past

1. Trustees slow to act
2. Small funds look to big funds
3. NFP significantly larger increases than for profits
4. Past low premiums were unrealistic
5. Changes in benefit design
6. Reinsurers coming back into the market

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## The Future

### 1. Independent Trustees

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## The Future

1. Independent Trustees
2. Real Competition

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## Conclusions

Trustees need to decide

1. What a needs based disability benefit looks like
2. The balance between insurance costs and retirement
3. What an insurance strategy looks like

*Some funds will be squeezed out*

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## In answer to the questions

1. Insurance through super is still the optimal way of providing death and disability cover
2. Definitions will be tightened, AAL's reduced, cover more focused on needs, trustees will need to get their hands dirty.