Response by the Association of Superannuation Funds of Australia (ASFA)

Senate Economics Legislation Committee

Inquiry into the Protecting Your Superannuation Package

30 July 2018

Questions taken on notice – 20 July 2018

Subject:

Evidence to support the proposition that age 21 is a more appropriate point than age 25 for superannuation fund members remaining in the current "opt-out" framework for insurance.

Question:

From the Chair of the Committee Senator Hume:

"I'm just interested in the age based cohorts that you're talking about. I'd be interested to see some data that supported that, whether it be from the ABS or whether it be ASFA generated".

Answer:

In the two submissions ASFA provided in relation to the Protecting Your Super Package, a number of data sources were considered and/or referred to that support age 21 being the appropriate point to move younger people to an "opt-in" insurance in superannuation framework.

This data supports the view that people between 21 and 24 years of age have a need for the types of insurances currently provided to them: death, terminal illness, total and permanent and/or temporary disability cover. Additionally, it shows that premiums for this cohort are affordable for the majority who are in the workforce receiving contributions to a single superannuation account.

A. In 2015-16 there were nearly 300,000 households in Australia containing around 450,000 employed persons with the household head less than 25 years of age.

There were nearly 60,000 dependent children in such households and in around 100,000 of such households the household head had a spouse.

Source ABS – Household Income and Wealth survey 2015-16.

B. For the majority of young people current arrangements provide a modest level of insurance at an affordable price. Average default insurance premiums for a 25 year old were approximately $240 pa in 2016.

Source Willis Towers Watson – Default Insurance Design – September 2016.

C. The average cost for default life insurance in superannuation has been estimated to be $3 per week and half that amount for younger members.

Source Rainmaker - 2018.

D. Employment to population ratio is 47.0 per cent for those aged 15 to 19 (698,900 people employed), 70.7 per cent for those aged 20 to 24 (1.236 million employed) and 81.1 per cent for those aged 25 to 29 (1.514 million employed). This shows that workforce participation is not that dissimilar for those aged between 20 and 24 compared with those 25 and over.

Source ABS - 6291.0 Labour Force, Australia, Detailed

E. Forty per cent of employees under 25 are working on a full time basis – approximately 585,000 individuals. Of those working full-time, 45 per cent also work in high-risk or blue collar industries such as mining and construction.

Source ABS - Census 2016.

F. The majority of young people do not have duplicate accounts hence they are likely to hold only one insurance policy in superannuation. Approximately 5 per cent of individuals aged below 18 have more than one account and for those between 18 and 25, 30 per cent have more than one account. The majority of accounts held by young people are also receiving contributions – in 2015/16 a total of approximately 1.7 million accounts for those under 25 received employer contributions out of a total number of accounts of approximately 2.9 million.

Source ATO – Super Accounts Data Overview 30/6/17 and Annual Individual Income Tax Statistics 2015/16.

The Committee will also find attached the ASFA research paper – “The experience of individuals with insurance in superannuation” that was referred to by Mr Whitton at the hearing.