

Actuaries Institute releases its pre-budget submission to the Federal Government

February 7, 2017

The Actuaries Institute today released its pre-budget submission to the Federal Government, with a focus on maintaining the sustainability and efficiency of the superannuation and life insurance sectors.

In its 2017 Treasury submission, the Institute urged policymakers to focus on the speedy introduction of a Comprehensive Income Products in Retirement (CIPR) framework to deliver retirees greater income protection and security throughout their retirement; to facilitate the rationalisation of legacy life insurance products; and to review the decision not to fund the Disaster Resilience Fund.

The President of the Institute, Jenny Lyon, said its recommendations were consistent with the Government's goal "to sensibly and responsibly restrain government expenditure whilst continuing to provide the services the community needs and expects".

"In terms of meeting community expectations, the Institute strongly encourages the Government to review its recent decision to decline financial backing for the disaster resilience fund proposed by the Productivity Commission.

"The Institute's view is that a timely investment to mitigate the potential impacts of climate change will protect future budgets from significant adverse effects to revenue," Ms Lyon said.

The Institute recommends

- ▲ The Government should move quickly to establish a Comprehensive Income Products in Retirement (CIPR) framework and remove any social security means testing and taxation policy settings that constrain CIPR product development and consumer take up. The introduction of CIPR-style products should deliver greater income security and protection throughout retirement.
- ▲ The FSI had recommended that a mechanism be introduced to facilitate the rationalisation of life insurance legacy products, which has been an issue for some time. The Institute agrees with APRA that the Government should pursue legacy product rationalisation more vigorously, instilling greater public confidence in the life insurance sector will potentially boost demand for risk products with the consequent effect of reducing social service payments.
- ▲ Based on expert scientific findings, the Actuaries Institute recognises that climate change is expected to have major environmental, economic and social impacts and poses a serious risk to the industries that actuaries advise. Its Natural Disasters Working Group estimated that natural peril cost to Australia stands at \$11 billion per annum, of which only 40% is insured. The Institute is disappointed with the decision not to go ahead with the \$200m per annum disaster resilience fund proposed by the Productivity Commission in its 2015 final report and recommends the Government review the decision.

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- ▲ In addition the Institute encourages the Government to include estimates of the future costs of natural disasters to its budget in its Statement of Risks. The "Statement of Risks" should include both expected costs and also costs at different annual return intervals. This provides transparency and encourages planning for the expected cost of natural disasters.

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