

**ASFA Conference**  
**Gold Coast 9<sup>th</sup> November 2016**

**Oration by Jim Minto**

It is a great honour to be asked to deliver this Oration today.

We perhaps take for granted the reality that we work in an area of enormous policy importance and practical value for the people of Australia. We help most people attain a better retirement lifestyle than they would otherwise have been able to achieve and, along the way as a secondary purpose, the insurance benefits we deliver help give people dignity and choice in times of illness and bereavement. Be proud of what you do. It is a noble purpose.

**Objective of Superannuation**

ASFA were very pleased when the government announced that it intended to enshrine the objective of superannuation into legislation but as you know we don't believe the proposed objective that superannuation merely exists to supplement or replace the Age Pension is sufficient.

We desperately need more aspiration in this great country and surely the objective should be that we want more people to be able to have a comfortable lifestyle in retirement? Today, only 20% of Australians achieve a comfortable or higher retirement standard and ASFA has suggested that we should strive to achieve 50% by 2050. I am sure our parents would have hoped this objective would be achievable for us. So too we want that for our children and the generations coming through.

We also need as much self-determination in people as possible. We need all those who can to take more control and responsibility for their personal risks and reduce the fiscal burden on the taxpayer. Ten years out the trajectory of the current Federal Government fiscal impasse will be dire if action is not taken, particularly given increases in the costs of health care and aged care. There seems little appetite to address fundamental issues and this is being left for some future crisis event. We can only expect governments will be able to afford to be there for those who really need support.

I was so disappointed to see the Chair of the FSI Mr David Murray quoted as saying we shouldn't set a more aspirational objective because politicians will argue over it for years to come. People in the street care very little about what politicians want to argue about. They care about themselves, their families and friends and in my experience they do tend to think about what is best for the country. Yes we do need real aspiration and in setting such an objective we can also galvanise efforts towards helping people prioritise and plan personally to help deliver a comfortable standard of living in retirement.

**Partnering with government**

Superannuation exists in a private/public partnership with government to deliver good public policy outcomes. As we grow and develop it is absolutely certain future governments will want to see that this system is efficient, transparent, delivers with integrity as promised to its members, invests appropriately and manages its long term sustainability. At the core governments will continue to expect us to win the

trust of members. Nobody should ever doubt for a minute that we are here to best serve the people of Australia.

Somebody once said to me that if we were building this system afresh we wouldn't start here. They meant with all the history and complexity we have from generations of products, distribution models and rule changes that impede efficient administration, we find it difficult to make real progress sometimes. We are the envy of the world with our superannuation system and we can't change history. We have to work through it, simplify our models and always strive to deliver better outcomes for members.

### **Conduct Risk**

Public expectations of us loom enormously high. Absolutely any action or proposal that looks on its face to be unfair will be called out publicly. There is no protection here behind brands and product rules. We have to be open and transparent and fix what is wrong. Our culture needs to see us fix these sorts of issues whenever we identify them, not when someone raises it publicly. Of course we also need to be pro-active in putting the right systems, processes and people in place to identify issues as early as possible.

Our industry benefits from compulsory participation through superannuation together with tax and product benefits for these structures.

When the Government and APRA talk today about our Social Licence I do not dismiss these comments. This industry only exists in the way it does through government and community partnership. If through our conduct we breach this trust, then we don't deserve our partnership to be allowed to continue as before.

This breakdown is the collective failure of our industry leaders to set the right tone and culture. We have failed to always reinforce through our conduct every day these basic principles. Our customers and people must always come first. If our customers trust us, are well served and our people work in constructive positive environments, then the owners of our businesses will earn appropriate rewards.

The community starts today from a place of distrust of institutions.

This is so simple really. Let's apply the "front page" test. If any action or outcome looks on the front page of a newspaper, or TV screen to be unfair to the customer, then it is unfair and we will be held to account.

Leaders in financial services need to talk to their people about these issues constantly, giving examples as to what is desirable and what is unacceptable. They need to build the right cultures that will self reinforce the right behaviours and keep customer and staff trust as high as possible.

This is very simply good leadership and strong risk management in play. It is part of our every day jobs.

### **How we invest**

Another wave of scrutiny is upon us and it flows from shareholder activism especially at AGM time for listed companies. The public and shareholders today actively call out unacceptable behaviour around director and management actions, remuneration proposals and performance failures.

The same people increasingly call out investors who don't want to exercise proper control relative to their shareholdings. The expectation is we will exercise control through voting and our collective voting influence is enormous. Superannuation funds could in effect enforce new standards of corporate conduct and behaviour.

Super funds want to invest members' funds in long term sustainable and well managed assets and businesses. It is a logical step to set governance expectations for that.

Is this so radical? In the last three ASFA CEO surveys conducted in partnership with PwC the CEOs called this out as an area of high concern for them. This issue has well and truly arrived.

### **Life Insurance**

I just love superannuation and life insurance in terms of how they help Australians to enjoy a better retirement and for life insurance how we really help people at times of illness and bereavement. It is very rewarding and a true social good. We have lost some community trust in life insurance generally and we must address the concerns.

Some positives -

Today 70% of all life insurance benefits are provided through superannuation.

Benefit coverage levels and claims payouts are at all time record levels.

The efficiency of delivery of life insurance in terms of the percentage of premiums that are paid back by claims has never been higher in our history. This is a very powerful point in a nation where productivity has stalled. There have been huge productivity benefits in the life insurance area in the past ten years. In life insurance design and delivery overall it has improved remarkably.

The superannuation system delivery of life insurance benefits to members in Australia is the most efficient model in the world when we assess claims relative to premiums paid.

The remarkable thing I have observed is people have in many cases proactively added to their default covers and prefer to have their coverage in their fund, easily accessible and generally very reliably delivered.

I am not saying this is all good. I am saying there are parts that are very good and global best practice.

Some weeks ago we saw the FSC launch the new Life Insurance Code of Practice. This was a very good step forward and was some years in discussion.

Last week five major superannuation industry organisations ASFA, AIST, FSC, IFF and ISA announced a Life Insurance in Superannuation Industry Working Group. The first meetings were on Monday.

The superannuation sector will now develop a tailored Code of Practice for its life insurance benefits. The industry will also systematically address various concerns and issues that have arisen in the past few years around practice and design. This is all about bringing better design and practice as well as more consistency and clarity for members as well as enhancing consumer protections.

Life Insurance must all be here to pay claims for decades to come, when people need them. We must make sure we have the best long term assurance here for our members.

Claims increased sharply a few years ago. Premiums increased accordingly. To make covers more sustainable benefits were redesigned, sensibly in most cases, cover levels were reduced and lump sum payments turned to more of an income stream which aligns to how most people financially manage today. Cover levels have been adjusted in many cases to make sure over-insurance is minimised.

These steps towards sustainability have created media interest and some have said it is harder to claim following the changes. It is of course important that we get the balance of affordability versus restrictive terms right and even more important that we communicate effectively with members so that they understand the necessary trade-off.

The superannuation sector has now become the largest volume provider of life insurance benefits to people across Australia and yes it must be sustainable and deliver value as intended.

The challenge for the superannuation industry now is to rebuild confidence in those benefits.

70% of all life benefits are now structured through superannuation because the model has worked so well and is efficient and effective. People have actively moved towards the model. So too must we now make sure it is fully trusted and can be relied on.

To close, for the superannuation industry to be able to operate for many decades to come it must be sustainable in all it does and it must maintain trust and confidence in its partnership with the public and governments.

As part of this we must actively build and maintain internal cultures to make sure we always design and deliver for people in the right way. We must truly put the interests of our members first in all we do.

I know we can make the required changes and rebuild confidence.

Let's "measure up" and deliver these improvements.

Thank you very much.