

19/09/2018

Mr Noel Butland
[REDACTED]

To The Commissioner,

I have only come across this matter only recently but I suspect that it appears likely to be a practice spread across all Superannuation Product Companies.

This matter relates to the default Life Insurance and TPD policy attached to any superannuation policy held with any industry or private commercial superannuation company.

In my own personal situation I have 2 current superannuation accounts. One being a work based industry fund with [REDACTED]. The second one is with [REDACTED] a private superannuation company.

I transferred 3 separate superannuation accounts to [REDACTED] of which had an existing substantial default Life Insurance/TPD policy attached to my account. Fees are paid via the balance held in the individual superannuation account. At present I have over \$200,000.00 of current cover with [REDACTED] and around \$30,000.00 with [REDACTED].

What has been revealed to me from recent discussions with both [REDACTED] and my advisor from [REDACTED] is that both these default Life Insurance/TPD policies have an expiry date at 70 years of age. The policies also over time to the age of 70 years slowly reduce in value to a zero balance. My Current benefit with [REDACTED] for Life is \$230,500.00 and the TPD value being \$133,500.00 with the premium being around \$2,500.00 per year. The value of Life and TPD with [REDACTED] is around \$30,000.00 with this premium being just over \$300.00 per year.

The following are matters that I will to put before the Royal Commission in relation to this matter:

- Generally the life expectancy in Australia for both males and females is far greater than the age of 70.
- The majority of Australians do live beyond the age of 70 as compared to death prior to this age.
- In my case it is conceivable that I will pay over the since I transferred my private super to [REDACTED] if I do not die until after age 70 I will approximately \$30,000.00 for no benefit after this age. A person only gains a benefit payout before this age. Therefore given the majority of people in Australia live beyond 70 years it is a substantial payment to any superannuation company for no benefit.
- I also submit this as a consideration in relation to the statement above. It is conceivable that if a person is unaware of this clause in their default Life Insurance/TPD policy offered at the time they take out their superannuation premium fees could exceed \$100,000.00 to \$150,000.00 of which no payment out most likely not be paid. Therefore I suggest that these superannuation

companies are making easy money at no risk of having to make any payout in most circumstance.

- I therefore make this assumption the about of money gained at no risk to the superannuation company, if the money was to remain in the individual members account it would make a significant difference it would make in terms of retirement funds and related pressure taken of the government and aged pension.
- This is not an isolated matter as a fellow work college has also reported the same circumstance with her superannuation policy. She is a much younger person than me and stated that she has recognised the amount she would pay in fees and that given there is no longer term benefit that the saved fees are better off remaining in her superannuation.

In my case I can clearly say that it is not discussion I have had with various advisors and is not a specific point raised directly with me. Have held previous policies with [REDACTED] and [REDACTED] Again it is not a subject that has been discusses or pointed out to me.

In closing I raise this as a matter of importance in particular as I believe may Australian Superannuation Policy holders may not be aware of this condition of any default Life Insurance and TPD policy attached to any superannuation policy.

This submission provided for your attention and consideration.

Regards,

NOEL BUTLAND