



LIFE INSURANCE

29 September 2023

Director
Superannuation Insurance and Governance Unit
Retirement, Advice, and Investment Division
Treasury
Langton Cres
Parkes ACT 2600

Dear Director,

Legislating the objective of superannuation

MLC Life Insurance welcomes the opportunity to respond to Treasury's consultation on draft legislation and explanatory materials relating to the proposed objective of superannuation.

About MLC Life Insurance

MLC Life Insurance was founded in Australia in 1886, has nearly 1.1 million customers and continually seeks to fulfill its purpose of 'a promise for life'. In 2016, Nippon Life Insurance Company (**Nippon Life**) acquired an 80% interest in MLC Limited (**MLC Life Insurance**).

Nippon Life, founded in 1889 and based in Osaka, Japan, has 14 million customers worldwide and has a mission to help create a secure future for its customers.

Discussion

MLC Life Insurance supports the Government's proposed objective of superannuation and welcomes the inclusion of life insurance in the explanatory materials accompanying the draft *Superannuation (Objective) Bill 2023* and *Superannuation (Objective) (Consequential and Transitional Provisions) Bill 2023*.

The Objective Bill enshrines the objective of superannuation in legislation and includes key principles which are intended to operate in conjunction with each other rather than in isolation. This is a positive approach that gives certainty about the policy intent of superannuation, and provides a guiding framework for policymakers, regulators, and key stakeholders.

The explanatory materials recognise that insurance can help deliver income and preserve savings via insurance payments when an individual has retired early due to injury or illness. We are pleased to see insurance recognised as a critical component of Australia's world class superannuation system, not only as a benefit of the system but an integral part that helps *deliver* on the objective.

This is crucial as we believe the role of insurance in superannuation can go further in helping deliver the objective, particularly as a larger number of members reach retirement. This means helping to protect retirement savings from being diminished during the accumulation phase due to permanent incapacity or interrupted work patterns because of injury or illness. It also means helping retirees optimise income in retirement.

Delivering income

Superannuation policy is intrinsically about retirement, and the proposed objective crystallises this notion by enabling a more holistic approach to retirement policy than Australia has otherwise seen.

The proposed legislation makes it clear that delivering income for a dignified retirement is the purpose of the objective. This should lead to public policy that enables innovation in the retirement space,

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particularly as key reforms to retirement such as the Retirement Income Covenant (**RIC**) and pending reforms around financial advice come through the system.

Thinking about the retirement needs of superannuation members, the strategies or product solutions that may be appropriate, and what is in their best financial interests requires ongoing consideration of superannuation as part of the broader retirement system. The accumulation of savings is a key driver of retirement outcomes, but more needs to be done to enable members who are reaching, or are in, the retirement phase to optimise their income post-accumulation.

The best financial interest of members does not stop at retirement, and policy reform should encourage innovation of retirement strategies and solutions to help members manage income throughout their retirement. Behavioural biases continue to impact how retirees see superannuation: as a 'nest egg' rather than a key source to fund their income throughout retirement, and although the objective of superannuation is not prescriptive of how retirees may access their retirement saving, which we are supportive of, we believe that there is still a need to ensure that member engagement and education is present throughout the accumulation phase to support members' understanding of this purpose.

Reforms like the RIC have helped to progress the thinking within the industry on the needs of retirees and what strategies or product solutions may be appropriate to meet these needs, but more needs to be done to help members achieve financial security in retirement. We believe the objective of superannuation should enable public policy that will help address this gap.

CALI submission

MLC Life Insurance has had the opportunity to contribute to the submission by the Council of Australian Life Insurers (**CALI**). We support and endorse the recommendations raised in the CALI submission.

If you require further information, please contact Mark Powell, General Manager of Sustainability and Corporate Affairs, on 0477 706 922 or by email at Mark.Powell@mlcinsurance.com.au.

Yours sincerely



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