

Super hit by life insurance

ANTHONY KEANE

Soaring premiums could sting you

LARGE increases in life insurance fees are eating into Australians' nest eggs and many are failing to notice.

Soaring mental health claims caused by Covid have contributed to higher insurance costs in both industry and retail super funds, but financial planners say people can save money by checking their cover.

Some income protection premiums have surged by 50 per cent; death and disability cover costs have climbed, and regulator APRA has raised its concerns with life insurers.

While super funds do not deliberately hide the rises, Australians' general lack of interest in super means they may have gone unnoticed and are reducing people's retirement savings growth.

JBS Financial Strategists chief executive Jenny Brown said "premiums have jumped incredibly", sometimes more than 70 per cent as insurers tried to recover rising costs.

"Mental health claims are through the roof and a lot of that is Covid-related," Ms Brown said.

Advisers say people who cancel their cover may risk their financial future. Instead, people should check it annually because as they age their assets expand and their children grow up, and they do not need as much insurance.

Sparking interest in super remains a challenge.

"A lot of people don't read what they get from their super fund," Ms Brown said.

"A lot of the correspondence gets deleted or thrown out, so a lot of people don't realise when it does go up."

Australian Institute of Superannuation Trustees chief executive Eva Scheerlinck said funds worked hard to engage but "many members have low engagement with their super and the default insurance offered by their fund".

Government changes in 2019 resulted in many younger Australians with low-balance and inactive super accounts losing their life insurance, in a move to protect their savings.

"Given that the remaining members with insurance are generally older and more likely to make a claim, a consequence of these changes has been higher average premiums," Ms Scheerlinck said.

"Insurance is almost always more cost-effective when provided through your super fund."

Financial strategist Theo Marinis said he expected insurance premiums to continue rising as low interest rates kept insurance companies' investment returns low.

Mr Marinis said people should not jump to cancel cover.

"Unless you are at that stage in life where your debt has reduced and your assets are sufficient to support you, now is not the time to cancel your life insurance," he said.

Financial Strategies (SA) Pty Ltd trading as Marinis Financial Group

T 08 8130 5130 | F 08 8331 9161 | A 49 Beulah Road, NORWOOD SA 5067

E admin@marinisgroup.com.au | W marinisgroup.com.au

ABN 54 083 005 930 5067 | AFSL No: 326403

Reproduced with the permission of Anthony Keane

Disclaimer:

Performance data quoted represents past performance and does not guarantee future results.

The information in this article is general information only. It is not intended as financial advice and should not be relied upon as such. The information is not, nor is intended to be comprehensive or a substitute for professional advice on specific circumstances. Before making any decision in respect to a financial product, you should seek advice from an appropriately qualified professional on whether the information is appropriate for your particular needs, financial situation and investment objectives.

The information provided is correct at the time of its creation and may not be up to date; please contact Marinis Financial Group for the most up to date information.