

30 January 2026

Ms Philippa Brown
First Assistant Secretary
Budget Policy Division, Treasury
Langton Crescent
PARKES ACT 2600

By email: prebudgetsubmissions@treasury.gov.au

Dear Ms Brown

2026 -2027 Pre-Budget Submissions

The Council of Australian Life Insurers (**CALI**) welcomes the opportunity to make a pre-budget submission for the 2026-2027 Budget. This submission spotlights issues relating mental health in Australia and its consequent impacts on the economy and productivity. Mental health is one of CALI's key policy priorities because life insurers are an essential provider of financial support for Australians who are unable to work due to mental ill-health.

Recommendations

1. Government should expand the Individual Placement and Support (**IPS**) pilot program to help Australians with mental ill-health to get the support they need to return to work.
2. Government should permit Disability Support Payment (**DSP**) recipients to work up to 38 hours up from 29 hours per week, and the work-related suspension period for the DSP should be extended from two to four years.
3. Government should invest in programs for early detection of mental health challenges, particularly targeting anxiety and depression in young people. This could also include Government incentives for workplace mental health programs, reducing stress and burn-out for working age Australians.
4. Government should act quickly to legislate the Delivering Better Financial Outcomes reforms. We support the introduction of a new class of advisers which can offer limited advice on life insurance products, when and where it's needed.
5. Government should commit to continuing to reduce barriers to entry via simplified pathways to access mental health services through the MMHC model for example, making them more inclusive and easier to navigate for all individuals and promote universal access to affordable mental health services, reducing cost as a barrier.

More information

We welcome the opportunity to discuss this matter further. For any queries, please contact Luke Hyde (General Manager, Policy) at luke.hyde@cali.org.au

This submission is made on a non-confidential basis.

Kind regards



Christine Cupitt
Chief Executive Officer
Council of Australian Life Insurers

About CALI

CALI is the leading voice of life insurance in Australia. We support Australians to make informed choices about their future and help them live in a healthy, confident and secure way over their lifetime.

Our members' products and services give people peace of mind when making important decisions and provide a financial safety net during life's biggest challenges.

We advocate for national policy settings that expand Australians' access to the life insurance protection that suits them when they need it most.

CALI 2026-2027 Pre-Budget Submission

Australia's life insurance industry

Life insurers play an important role in our nation's financial safety net. Having access to life insurance protection can reduce a person's reliance on social welfare support, and injury and disability schemes. It also complements those schemes to help maintain the lifestyle and financial wellbeing of the insured person and their family.

For instance, life insurers provide cover for total and permanent disability and income protection, products that are designed to provide support for people and their families when they cannot work.

Australia's life insurance industry employs more than 11,000 people, with 15 per cent of employees working in claims and rehabilitation roles¹. We provide protection to 15 million Australians every day and over the last year we paid \$13.4 billion in claims to more than 95,000 people.² Our industry holds \$130.0 billion in assets with \$96.8 billion of investments largely in Australian debt and equities³ and as long term investors, we provide a stabilising element in the nation's financial system.

As well as paying claims, Australian life insurers invest in both in-house and external rehabilitation support to improve health, recovery and return to work outcomes for customers experiencing temporary incapacity due to mental health. Life insurers provide in-house rehabilitation support to almost half of claimants with return-to-work rates of between 42% to 48%⁴.

Our work uniquely places us in a position where we can partner and collaborate with government, regulators, other industry bodies, customer and community groups to ensure life insurers continue to play an essential role in our nation's health, disability and social safety net.

Spotlighting mental health in Australia

Given the reach of our products and our role in providing a safety net for millions of Australians, we have insights we believe could be leveraged for critical public policy considerations.

Our members have been active in considering new approaches to ensure the industry is meeting contemporary community and customer expectations. In 2024 and 2025, CALI undertook a listening tour, taking on board the views and insights from mental health organisations and advocates across the nation. This thinking has informed many of our recommendations in this submission.

In addition, the [Life Insurance Code of Practice \(Life Code\)](#) establishes enforceable standards that life insurers agree to uphold to guarantee that customers can confidently purchase life

¹ Based on data collected from 15 of CALI's 19 members in 2023

² APRA life insurance statistics December 2024

³ Adviser Ratings 2024 Australian Financial Advice Landscape Report

⁴ Swiss Re, Rehabilitation Watch 2022: Australia

insurance. There are specific commitments in the Life Code relating to mental health or that can apply to people who are affected by mental ill health, including that life insurers will:

- adhere to specific requirements in assessing whether to offer cover to people with a past or current mental health condition; and
- take extra care to provide support to people experiencing vulnerability due to a mental health condition.

CALI has partnered with 89 Degrees East on consumer research to produce a report on *The State of Australia's Safety Net* exploring the needs and wellbeing of Australians in 2025 with an emphasis on mental health. We have also partnered with KPMG on a life industry data collection to produce a report relating to *Australia's Mental Health Check Up* based on data collected between 2013 and 2022. Our submission draws on data presented in these reports.

Over the last decade we have seen a significant rise in mental health claims for disability insurance, which is now a top cause of claim.

There are increasing costs to mental ill health in the community and younger Australians are contributing to this trend

Our aggregated data in the 10 years to 2021-22 shows higher levels of mental ill-health in the community, and in particular, increasingly affecting younger Australians. For example:

- People became permanently unable to work due to a mental health condition at an earlier age of 46.5 years compared with 48.8 years old 10 years prior. The average age for physical causes of claim remain stable at 49.3 years old.⁵
- Most alarming is the unprecedented 732% increase in TPD claims for mental health for 30-40 year olds over the past decade which represents the biggest spike across all age-groups.
- The cost to insurers have increased. The cost of mental health permanent disability claims increased by \$169.2m (433.3%) between 2014 and 2022, compared to a \$385m (199.7%) increase for physical causes of claim.
- The cost of mental health temporary disability claims increased by \$226.0m (129%) between 2014 and 2022, compared to a \$357.21m (60.8%) increase for physical causes of claim.

Mental ill-health is one of the most significant drivers of workforce disengagement and it's holding Australia back, costing the economy up to \$220 billion⁶ each year. Close to one in two Australians will experience a mental health condition in their lifetime⁷ and more Australians are leaving the workforce for mental health reasons than ever before.

The rising cost of mental health claims to life insurers is one of the most significant factors placing upward pressure on premiums and adversely impacting the accessibility and affordability of life insurance.

⁵ Page 6, Australia's Mental Health Check Up by KPMG

⁶ Speech to the Mental Health Coordinating Council, 6 May 2021 Stephen King, Commissioner

⁷ Australian Institute of Health and Welfare. (n.d.). Summary – Mental health. Australian Government. Retrieved August 24, 2025, from <https://www.aihw.gov.au/mental-health/topic-areas/summary>

More can be done to support workforce participation through expanding the IPS program

Fortunately, Australia has a good foundation for understanding the drivers and potential solutions to the national mental health crisis. The Productivity Commission Mental Health Inquiry Report⁸ made 24 recommendations which we believe provide a strong starting point.

CALI is especially encouraged to see policy initiatives in recent years to establish income and employment support programs such as the IPS program. This is in line with a recommendation of the Productivity Commission which found that “*employment is beneficial to mental health*”.⁹ In the 2021-22 Budget, the Government funded a pilot program supported by the Western Australian Association for Mental Health through two Medicare Mental Health Centres (**MMHC**), one in Perth and one in Darwin. The intended outcome of the pilot has been to assist adults with mental ill-health to achieve and maintain sustainable participation in vocational education and competitive employment.

Similar IPS programs have been expanded in the United Kingdom (**UK**) through the National Health Service (**NHS**), a publicly funded government-run healthcare system. Like IPS in Australia, UK programs help people with health problems and complex barriers to get and sustain work. In a report by Shaw Trust, Britain’s largest provider of IPS apart from the NHS, in February 2025, IPS programs have been found to improve employment and wellbeing for people receiving support. They have supported over 19,000 unemployed people with mental health conditions. In 2024, more than 7,000 people in the UK completed the IPS program and 44% of those found or sustained work and 59% reported improved mental health.¹⁰

International evidence supported by Australian evaluations¹¹ show IPS:

- achieves around twice the employment outcomes of traditional employment programs, with faster job entry, higher earnings and longer job tenure; and ^{12, 13}
- improves recovery outcomes more effectively than clinical services alone.¹⁴

CALI has been exploring opportunities to work with mental health stakeholders such as Mental Health Australia and the Western Australian Association for Mental Health. Given the Productivity Commission recommendation, compelling overseas outcomes and strong support from mental health stakeholders in Australia, we consider that IPS programs should also be expanded in Australia in line with our recommendation 1.

Critically, CALI is strongly supportive of any government initiative, such as the IPS program, which enables people to remain in the workforce, or return to the workforce sooner, following injury or illness. Such interventions not only support a robust and resilient labour market but

⁸ [Productivity Commission Inquiry Report, Mental health \(2020\)](#)

⁹ Chapter 19, Productivity Commission Mental Health Inquiry Report, Volume 3.

¹⁰ Individual Placement and Support: Impact beyond jobs. See [link](#)

¹¹ KMPG (2019) [Evaluation of the Individual Placement and Support Trial](#); KPMG (2020), [Report on value for money of the IPS Trial](#). Both reports prepared for the Department of Social Services.

¹² M Modini et al. [Supported employment for people with severe mental illness: systematic review and meta-analysis of the international evidence](#). *British Journal of Psychiatry*, 209(1), 14–22.

¹³ H Bruggeman et al. (2024) [The relationship between mental health and employment: a systematic review of cohort studies](#), *European Journal of Public Health*, Volume 34, Issue Supplement_3, November 2024, ckae144.1106

¹⁴ N Telford et al (2024) [Mental Health Outcomes for Young People Accessing Individual Placement Support Services: A Cohort Study](#). *Journal of Primary Care & Community Health*. 2024;15. doi:[10.1177/21501319241296786](#)

they also place downward pressure on life insurance premiums. This, in turn, ensures that life insurers can provide the important cover that everyday Australians rely on in an accessible, affordable and sustainable way over the long term.

Recommendation 1

Government should expand on the IPS program – Adult Mental Health pilot and commit to delivering the program through 10 MMHC over the next three years.

IPS integrates employment specialists into mental health services and fosters rapid placement into study and work alongside support to sustain participation as part of recovery focused care.¹⁵

Employing two IPS specialists in each MMHC would help approximately 1,800 Australians aged 26 and over with mental ill-health to get the support they need to return to work based on proven best practice caseloads.¹⁶

In addition, CALI recommends the expansion of the IPS program from 50 to 70 headspace centres across Australia. It is estimated this would assist an additional 1,000+ young Australians (under 25s) with mental ill-health to enter or re-enter the workforce.

The IPS program has proven success both in Australia and internationally to support people with mental ill-health who are also long-term unemployed back into work, with evidence of people returning to and staying in work for six months or longer.

Recommendation 2

Alongside the IPS program, Government should also incentivise return to work through the government payment system while retaining support for those recovering from mental health conditions, as follows:

- Allow DSP recipients to work up to 38 hours a week without losing access to the payment (currently the cut off is 29 hours).
- Extend the work-related suspension period for the DSP from two years to four years to allow people to return to work.

¹⁵ OECD [Mental Health and Work](#); Bond, G et al. (2020). [Individual Placement and Support \(IPS\): An evidence-based approach to supported employment](#). *World Psychiatry*, 19(3), 390–391.

¹⁶ June 2019, Department of Social Security, [Final Report](#) for the Evaluation of the Individual Placement and Support Trial

Australians leaving the workforce due to mental ill-health are getting younger

The proportion of insured working Australians who are permanently disabled due to a mental health condition has more than doubled which means more Australians are leaving the workforce permanently due to mental ill-health than ever before.¹⁷

Concerningly, there is a sharp increase in claims due by Australians in their 30s. Data shows Australians are leaving the workforce for good because of mental ill-health at a younger age than ever before, with the average age of people who claim now 46 years old.

By comparison the average age for other physical causes of permanent disability claim has remained stable at 49 years of age over the same timeframe.

Most alarming is the unprecedented 732% increase in TPD claims for mental health for 30-40 year olds over the past decade. It is the biggest spike across all age groups.

SuperFriend's *Indicators of a Thriving Workplace* survey, found young Australians are entering the workforce with heightened psychological vulnerability, with Gen Z and Gen Y reporting the highest levels of burnout, consistent with elevated psychological distress.

Recommendation 3

Government should invest in programs for early detection of mental health challenges, particularly targeting anxiety and depression in young people. This could also include Government incentives for workplace mental health programs, reducing stress and burn-out for working age Australians.

Australians want to take more responsibility for their own protection

Australians want advice, but they can't access it. One in three working Australians have considered or sought financial advice on life insurance, yet only eight per cent have received it.

Just under half of working Australians are looking for personalised information to help them decide on life insurance coverage and suitable products¹⁸. One in three (30%) of working who have life insurance are seeking comprehensive financial advice while 24% just want basic information.

Although more than three in ten working Australians have considered seeking advice about life insurance, less than one in ten have received any advice. This puts people at risk of making misinformed decisions and having inadequate coverage, or no coverage at all.

People value expert guidance when determining the life insurance they need — financial advisers remain the leading and most trusted source of advice for those who do manage to obtain it.

¹⁷ Australia's Mental Health Check Up by KPMG

¹⁸ Page 16. The State of Australia's Safety Net. Exploring the needs and wellbeing of Australians in 2025.

Currently, there are less than 600 financial advisers who focus on life insurance in their business, with just 185 pure risk advisers currently operating in Australia.¹⁹ This limited supply of advisers underscores the urgent need for reform to make it easier for advisers to support their clients, and to allow product issuers to provide limited advice to their customers.

As formal advice becomes harder to access due to accessibility and affordability barriers, working Australians are increasingly turning to informal sources.

While these channels offer convenience, they carry the risk of misinformation and misunderstanding, potentially resulting in underinsurance, or inappropriate cover.

But in the absence of this professional guidance, working Australians are increasingly turning to informal channels including friends and family, social media, and their own online research to fill the advice gap.

Further to this, when thinking about who is responsible for financially supporting them and to what extent, working Australians believe they themselves are the most responsible for making ends meet should a mental health render them unable to work for an extended period.

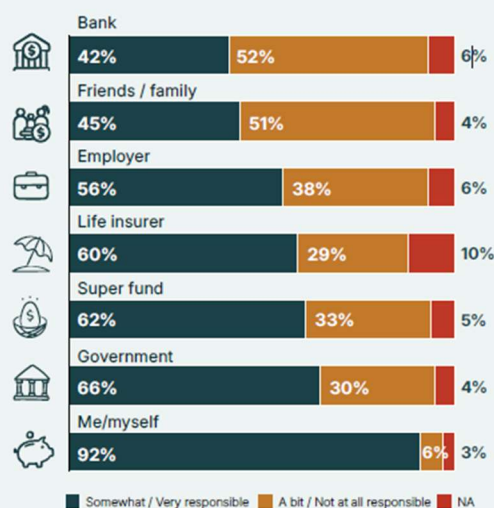
Our research²⁰ also found working Australians hold high expectations of government support, with 66% believing it should be somewhat or very responsible for providing financial assistance.

Without an appropriate level of engagement with the accessibility of life insurance, expectations for the provision of financial support is likely to place ongoing pressure on the budget.

Where people considered accessing advice



Perceived responsibility for providing financial support (top line summary)



Recommendation 4

Action is required to address the persistent nation-wide gap in understanding life insurance and how to access it. We consider that this gap can be addressed through reforms of the financial advice regime.

Our industry has strongly supported the Government's Delivering Better Financial Outcome reforms for this reason, which includes the introduction of a new class of advisers who can offer limited advice on life insurance products when and where they are needed, at no cost to customers. We recommend that the Government act quickly to legislate the reforms.

¹⁹ 67th Annual Australian Financial Advice Landscape Report – 2025, Adviser Ratings.

²⁰ CALI Customer Sentiment Survey Aggregate Report 2024/25 National Aggregate sample base n=2,023.

Other issues

The Safety Net and KPMG reports underscore the urgent need for targeted government action to address the growing mental health crisis. The findings reveal trends in mental ill-health related disabilities and workforce attrition, emphasising gaps in early intervention, access to care and workforce capacity.

CALI acknowledges the expertise of other stakeholders in addressing mental health challenges and we support their focus on critical areas such as workforce expansion, improved access to affordable services, early intervention programs, sustainable funding models, and enhanced data collection. We believe these priorities align with addressing the critical challenges outlined here and should be central to government efforts. We provide other observations and recommendations below.

Improving access to treatment

The Mental Health Check-up report showed that 80% of the increase in life insurance claims over the past 10 years suggests there are barriers to accessing care such as long wait times, high costs, and workforce shortages. Higher claim numbers can serve as a signal of a reactive system where individuals seek financial support through life insurance due to barriers preventing proactive and accessible mental health care. In short, barriers to access mean people aren't getting the timely support they need to stay in the workforce.

Recommendation 5

Government should commit to continuing to reduce barriers to entry via simplified pathways to access mental health services through the MMHC model for example, making them more inclusive and easier to navigate for all individuals and promote universal access to affordable mental health services, reducing cost as a barrier.