

A New Zealand Income Insurance Scheme

AA Insurance Submission

Social Unemployment Insurance Tripartite Working Group
Ministry of Business, Innovation and Employment

April 26, 2022

Introduction

1. AA Insurance welcomes the opportunity to submit on the Government, Business New Zealand, and the New Zealand Council of Trade Unions' proposal for a New Zealand Income Insurance scheme.
2. AA Insurance is a New Zealand-based joint venture between the New Zealand Automobile Association (NZAA) and Suncorp New Zealand. We have trusted expertise in home, contents, and car insurance - underwriting our own policies and selling direct to New Zealanders.
3. We have been consistently recognised by Reader's Digest Most Trusted Brands (since 2011), IBM Kenexa Best Workplaces Survey (since 2008), Canstar Blue Most Satisfied Customers (2011-2016), NZ Insurance Industry Awards (since 2012), and the Colmar Brunton Corporate Reputation Index (since 2015).
4. As New Zealand's third largest general insurer, AA Insurance plays a critical role in protecting Aotearoa New Zealand's communities. We employ more than 1000 employees who together with our Commercial customers prepare for and recover from disaster and misfortune. Information
5. Protecting people is in our DNA, and we know our capacity to support strong and resilient Kiwi communities starts and ends with how well we look after, develop, and protect our own people.

Supporting communities and industry to transition through change

6. AA Insurance supports the direction of the New Zealand Income Insurance scheme. We agree a revised approach for better protecting Kiwi workers and the economy is necessary to support communities and industries to transition through economic changes.
7. We are grateful for the opportunity to provide our perspective on the proposal in its current form, with specific regard to the concern our employees may be disadvantaged by the scheme.
8. We offer policy suggestions to be considered to avoid such an outcome – both for AA Insurance and other similar organisations whose employee support measures, and future of work strategies, are already well advanced.

Safeguarding our people against the impacts of trauma and illness

9. It is AA Insurance's view that businesses have a responsibility to safeguard their people against the impacts of illness. It is worth noting that AA Insurance does not retail or underwrite Life Insurance products, so has no financial incentive in this area, instead, our employee offering is aligned with the Suncorp NZ Life Insurance Plan.
10. By providing our people with free Life, Income Protection and Trauma insurance cover, we offer them additional security and peace of mind should they ever fall ill or require medical intervention. This investment has had a positive impact on workplace productivity, retention, and our reputation as a preferred employer.
11. AA Insurance meets the full cost of insurance premiums for our employees' Life, Trauma, and Income Protection cover, which is offered to all permanent employees working at least 13.5 hours per week. Cover remains in place for 12 months if an employee is absent on parental leave, sabbatical leave, or

leave without pay.

12. We have outlined the top-line benefits as follows:

- **Life Cover** payment equates to a lump sum equal to two times an employee's annual salary. In the event an employee is given less than 12 months to live, their Life Cover is paid straight away to support immediate care.
- **Trauma Cover** pays a lump sum of money to help an employee recover physically and financially from a serious illness, such as heart disease, stroke, and cancer. A onetime \$10,000 payment is made to our employee upon diagnosis.
- **Income Protection Cover** pays our employee a regular monthly payment of 75% of their salary if they are unable to work because they are sick or injured. The benefit is also paid if our employee continues to be disabled and unable to work after a predetermined period. The monthly benefit commences after a disability occurs and is payable for two years after the commencement, or until our employee recovers and can work to at least 75% of their pre-disability capacity.

13. A primary motivation for submitting on this proposal relates to our concern that our staff have quality health and disability cover in place already, at no cost to them. This cover is comparable, and, in most cases, preferential to the cover offered by the proposed Income Insurance scheme. In addition to this free health and disability insurance cover, AA Insurance's inhouse Wellbeing team works with private occupational therapists and ACC to provide bespoke rehabilitation programmes for individuals, should they support to return to work after an accident or medical matter. These programmes ensure, wherever possible, that we are rehabilitating our people to return to work at AA Insurance.

14. We estimate the cost of our business covering the 1.39% levy per employee would make keeping and/or adapting (i.e., topping up) our existing Life Insurance cover uneconomic. As a result, many of our 1000-strong workforce will be worse off for health and disability financial support, and at greater expense to them after their personal levy contribution has been deducted from their wages.

Preparing our business and people for the future of work

15. Commercial Information

_____ To
_____ achieve our growth ambition, investment in our people is critical.

16. AA Insurance's commitment to fostering an industry-leading company culture is reflected in our consistently high employee engagement scores and tenure. We have consistently received 80% and higher employee engagement over the past twelve years, as measured through our annual Culture Amp employee engagement survey.

17. While we have carried out more than ten restructures over the past five years, we have made a total of four people redundant in that time (representing less than 1% of all leavers) – all of whom chose redundancy over an offer of role redeployment. We note that for any employees who choose to discontinue their career with AA Insurance because of role changes and restructures, we have a generous redundancy provision in place. At a minimum, employees are entitled to:

- a. Three weeks salary for the first year of current service or part thereof; plus
- b. Three weeks salary for each subsequent year of service, or part thereof. This redundancy provision has no maximum cap.

18. As our business continues to grow, our intention is to strengthen our focus and investment to develop our employees in line with our current and future workforce needs. Commercial Information

19. Commercial Information we have carried out research to identify key skills required for our entire future workforce. We are investing in programmes to identify, upskill and reskill as many of our people as possible. This includes our Elevate leadership programme and planned 'Skills Pathways' work being developed by our Organisational Development teams. Commercial Information

20. AA Insurance is of the view that business must continue to play a leading role in preparing its workforce for the future. Business is best placed to identify the types of skills necessary to meet disruptive forces head on. The onus should be on the business to target innovation, investment, and adaptation measures to ensure their people capability can evolve in step.

21. AA Insurance is already investing in developing our employees' skill sets to prepare them for the future. For any employee who chooses redundancy over redeployment, there are generous provisions in place to enable them time to seek alternative employment. We are concerned that our ability to deliver these professional development programmes and benefits will be diminished if funding for them is diluted and/or diverted to cover the redundancy component of the Income Insurance Scheme levy.

An exemption regime – a potential solution for consideration

22. Given AA Insurance's ongoing commitment to providing support to employees that exceeds or matches the current proposal, we recommend that an exemption regime is available to those organisations that can prove suitable investment is already in place. This may include the potential for some firms to be fully or partially exempt from the Income Insurance scheme levy, if they can demonstrate suitable investment is already in place to address the challenges, and to support their employees at - or above - the current proposal. The option of an exemption may also extend to employees if their employer can demonstrate suitable protections are in place for them.

23. We are happy to engage further with officials to provide information that could be used to form the basis of an exemption regime where appropriate employee protections by an employer are already in place.

We welcome an opportunity for further discussion

24. AA Insurance would like to reiterate our support for the direction the proposed Income Insurance scheme is taking. We agree a revised approach for better protecting Kiwi workers and the economy is necessary to support communities and industries to transition through economic changes.

25. We think an exemption regime where equivalent or greater employee protections are already in place would be a valuable addition to the policy, and greatly reduce the risk of unintended disadvantage for some employees.

26. We welcome further discussion on the best way to target and direct the New Zealand Income scheme to workers and businesses that are in most need of this level of intervention.

ENDS.

For more information please contact:

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