

Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
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Parliament House
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Australia
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21 December 2011

Dear Sir/Madam

CORPORATIONS AMENDMENT (FUTURE OF FINANCIAL ADVICE) BILL 2011

**CORPORATIONS AMENDMENT (FURTHER FUTURE OF FINANCIAL ADVICE
MEASURES) BILL 2011**

The Insurance Council of Australia¹ (Insurance Council) welcomes the opportunity to provide this submission to the inquiry into the Corporations Amendment (Future of Financial Advice) Bill 2011 (the FOFA Bill) and the Corporations Amendment (Further Future of Financial Advice Measures) Bill 2011 (the Further FOFA Bill) being undertaken by the Joint Committee on Corporations and Financial Services. The Insurance Council has no issues that it wishes to raise in relation to the first Bill but will focus its comments of the Further FOFA Bill.

Improving the quality of and access to financial advice will benefit both insurance policyholders and insurers and improve understanding of general insurance products throughout the Australian community. The Insurance Council and its members therefore strongly support the policy goals of the FOFA reforms. The current requirements of the Corporations Act 2001 regarding financial services advice and uncertainty regarding their application to general insurance have encouraged a focus on strict legislative compliance rather than maximising beneficial customer interactions.

The Future of Financial Advice reforms present an opportunity for the Commonwealth Government to correct this imbalance.

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. June 2011 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$34.3 billion per annum and has total assets of \$114.9 billion. The industry employs approx 60,000 people and on average pays out about \$95 million in claims each working day.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

The Best Interests Duty

The Insurance Council welcomes the Government's decision to limit the application of the best interests duty to general insurance to paragraphs (a), (b) and (c) of section 961B subsection 2 of the Further FOFA Bill. We submit that these arrangements for basic banking products and general insurance products are appropriate and support the statements made in the Explanatory Memorandum that general insurance products are more widely understood by customers, leading to a lower risk of customer detriment.

The Insurance Council has consistently argued that the current requirements of the Corporations Act have resulted in the general insurance industry being generally unwilling to provide personal advice and often even general advice on its products. Currently there is uncertainty in relation to the boundary between personal advice and general advice and the means by which personal advice can be scaled. We therefore welcome the explicit acknowledgement that the process in paragraph 961B(2)(b)(i) has been designed to accommodate the provision of scaled advice which focuses on a specific issue.

Carve-outs from Conflicted Remuneration: Definition of General Insurance

We note that the ban on conflicted remuneration (in both monetary and non-monetary forms) does not apply to general insurance² and that the Bill is not intended to prohibit the payment of monetary commissions in the general insurance industry. The Insurance Council is strongly supportive of this approach and welcomes the acknowledgement that a one size fits all approach to financial services regulation is not suitable.

If you require any further information, please contact Mr Anning

Yours sincerely

Robert Whelan
Executive Director & CEO

² Corporations Amendment (Further Future of Financial Advice Measures) Bill 2011 Explanatory Memorandum; p6