



CONSULTATION PAPER 212: LICENSING: TRAINING OF FINANCIAL
PRODUCT ADVISERS—UPDATE TO RG 146

FEEDBACK FROM THE NATIONAL INSURANCE BROKERS ASSOCIATION

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INTRODUCTION

NIBA welcomes the opportunity to provide comments on CP212 which outlines ASIC's proposed amendments to RG146.

Overall, NIBA considers that a number of the proposed upgrades in skills and knowledge are appropriate and fill gaps in the current RG146 information provided in Appendices A (Knowledge requirements) and B (Skills requirements).

We believe it is important, however, to recognise that the advice and assistance provided by insurance brokers is different to that provided by financial planners, investment advisers, and other advisers working in the financial services sector. It is important that any modification to RG146 operates to improve outcomes for customers of insurance brokers, and does not merely add undue complexity or expense to the operation of the brokers' business.

The feedback from NIBA's members (licensed insurance brokerages) and our own experience as a training body working with RG146 is that greater structural modification is required in this regulatory guide. NIBA considers that certain modifications would make the implementation of the skills and knowledge enhancements outlined in CP212 work more effectively for licensees and training providers. We believe that our suggestions will streamline the training guidelines and will not be costly to implement. We expect that they will also deal effectively with the problems that inevitably arise from mandating a single set of training requirements for the disparate range of retail product sectors for which ASIC must regulate across the financial services industry.

NIBA's suggestion for structural changes in RG146 address the questions posed throughout CP212.

NIBA COMMENTS ON CP212 SECTION B ADDITIONAL KNOWLEDGE REQUIREMENTS

B1Q1. NIBA does not consider that the approach taken by ASIC in classifying knowledge requirements is suitable for all sectors of the industry. While some of the new generic topics may be required for those advisors providing financial planning advice, they are not applicable to those in the risk insurance sector.

Rather than comment on the individual questions, NIBA proposes an alternative approach whereby *RG146 Appendix A: Knowledge requirements* is modified from its current format. The modification would:

1. Only specify product knowledge requirements that were based on a new categorisation of product information; and
2. Only include product specialties. This would mean that advisory activities such as insurance broking and financial planning that are based on a specific set of advisory skills would be moved to *RG146 Appendix B: Skill requirements*.

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SPECIFY PRODUCT KNOWLEDGE REQUIREMENTS BASED ON A NEW CATEGORISATION OF PRODUCT INFORMATION

Rather than maintain the distinction between generic and specialist knowledge in *RG146 Appendix A*, NIBA proposes a new way to classify product knowledge. We consider that this will provide more detailed guidance to licensees and training providers. It will avoid the duplication of knowledge topics found in both the generic and specialist listings and make a clearer distinction between product related knowledge and advice skills.

The focus of Appendix A should be product knowledge which is factual and can be readily stated for each speciality. It is an essential subset of the knowledge that a person needs to provide information or general or personal advice. We suggest that only the generic knowledge relevant to the product characteristic is listed in Appendix A within the product speciality to which it relates. All other generic knowledge that is part of the advisory process is best included in an expanded Appendix B.

The suggested classification of product information is shown in the table below.

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TABLE 1. NEW PRODUCT KNOWLEDGE CLASSIFICATION

CLASSIFICATION	EXAMPLES OF THE TYPE OF INFORMATION THIS MAY INCLUDE:
1. Type of products in the sector and the purpose of each	Types of products would be completed for each of the following product specialities only: <ul style="list-style-type: none"> • Securities • Derivatives • Managed investments • Superannuation • General insurance • Life insurance • Deposit products and non-cash payment products • Foreign exchange • First Home Saver Accounts • Margin lending facilities • Regulated emissions units
2. Characteristics of products:	<ul style="list-style-type: none"> • Terms and conditions • Strengths and weaknesses • Fees • Taxation issues • Flexibility • Time limits • Transferability • Interest rate etc.
3. Function of the product and the customer needs it satisfies.	<ul style="list-style-type: none"> • Ability to change products • Age considerations • Amount of savings and income • Flexibility of the product • Family concerns • Risk transfer
4. Customer characteristics that best suit each product	<ul style="list-style-type: none"> • Age • Marital status • Income • Geographic location • Profession/occupation • Risk profile
5. Compliance implications of the product	<ul style="list-style-type: none"> • AFSL requirements • Industry code of practice requirements or rules • Other relevant Acts and regulation • Customer information eg. Product disclosure statement

To illustrate this approach NIBA has listed the topics that currently appear in RG146 for each product specialisation under these new categories. We have added the additional topics that ASIC proposes for Regime B and C where they relate specifically to products within the relevant sector.

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NIBA considers that this approach will enhance and make more relevant the knowledge lists for each specialisation. However, in order to finalise the listings some reworking and additional information is required to the current content.

MOVE INSURANCE BROKING AND FINANCIAL PLANNING TO APPENDIX B: SKILL REQUIREMENTS

NIBA's other suggestion to improve Appendix A: Knowledge requirements is to only include product specialisations in this section of RG146.

Financial planning and insurance broking have many specialist knowledge components but they are not products. Rather they are advisory processes that involve a specific set of skills oriented towards providing personal advice. These activities can involve recommendations from more than one product specialty in Appendix A or may not involve a financial product recommendation at all. For example, a broker may provide a risk management recommendation rather than an insurance product solution for a client.

NIBA considers that these two advisory services be moved from Appendix A and be placed into an expanded Appendix B: Skill requirements. Appendix A would look more like the following:

Appendix A: Financial Product Knowledge requirements

RG 146.133 The following list of ASIC's knowledge requirements applies to a range of financial products ~~and activities~~ relevant to the financial services sectors regulated by ASIC.

~~RG 146.134~~ The **specialist product knowledge** requirements are grouped under:

~~A1 Generic knowledge~~

~~A2 Specialist knowledge, covering~~

~~A2.1 Financial planning~~

A2.2 Securities

A2.3 Derivatives

A2.4 Managed investments

A2.5 Superannuation

A2.6 Insurance—general, life ~~and broking~~

A2.7 Deposit products and non-cash payment products

A2.8 Foreign exchange

A2.9 First Home Saver Accounts

A2.10 Margin lending facilities

A2.11 Regulated emissions units

RG 146.135 4 All advisers should demonstrate that they have met the ~~generic~~ knowledge requirements ~~and specialist knowledge requirements~~ relevant to their activities. We recognise that, depending on the nature of the activities undertaken, the extent and scope of the knowledge requirements to be met may vary (and may not be listed above).

NIBA COMMENTS ON CP212 SECTION C ADDITIONAL SKILL REQUIREMENTS

NIBA considers that CP212 does not sufficiently take into account the range of advice and product contexts covered by RG146. In particular, the rationales for the proposed changes continually refer to issues with the financial planning sector which are not necessarily relevant to advisers working in the risk insurance sector.

NIBA agrees that RG146 needs to provide greater focus on the advisory process. However, we do not consider that the current description of advisory skills in RG146, or the proposed changes, effectively achieves this objective.

NIBA recommends that ASIC expand RG146 Appendix B: Skill requirements to:

1. Provide detailed guidance on the skills required for each **level of advice** and to include the underlying knowledge requirements of the advisory process in this sector including those for advisory specialisations such as insurance broking and financial planning;
2. Link the ASIC training standards to levels of advice rather than product tier (Tier 1 or Tier 2); and
3. Ensure that the training standards are suitable for each product specialisation.

APPENDIX B SHOULD PROVIDE DETAILED GUIDANCE ON THE SKILLS REQUIRED FOR EACH LEVEL OF ADVICE

Level of Advice

The levels of advice outlined in RG146 are:

- a) Provision of information only (i.e. no advice);
- b) General advice; and
- c) Personal advice.

Scope of training

NIBA suggests that for each level of advice the scope of training should be sufficient to enable the following capabilities to be developed:

1) Advisory competency consisting of:

- a) Advisor skills appropriate to the level (a. b or c above). Both financial planning and insurance broking are specialist areas of advisory services; and
- b) Product knowledge as specified in RG146 Appendix A.

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ASIC's training standards specifically cover the advisor skills appropriate to the level of advice and this type of training is typically provided by a training organisation (RTO or SOA). Most product training is generic and covers the key aspects of the product classes.

2) Product knowledge on particular products provided by the organisation.

Training in the particular products is provided by the licensee and is generally covered in the work environment. The licensee usually provides this training once the base advisor skills have been attained.

Ongoing training is likely to include updates in product characteristics and marketing, advisor skills and compliance matters affecting the product or advisory process. This training is covered in annual training plans for advisers.

NIBA's approach is for ASIC's generic knowledge to become part of the underlying knowledge component for a particular type of adviser. This may require some changes to training programs provided by RTOs and SOAs. However, the timetable suggested by ASIC for the introduction of its new regimes would be sufficient lead time for program content changes if NIBA's approach were adopted as most training providers already upgrade program content on a regular basis.

The skills set to be covered in the advisor competencies can be readily defined for each level of advice. The basis of developing the list of skills already exists within the competency units for each sector in the Financial Services Training Package. There are also generic adviser skills for general and personal advice that can readily be customised to fit to the way skills requirements represented in RG146 Appendix B.

Level of training

The level of training required for provision of information and general advice across all product classes is generally Certificate III or IV as this type of advice is very limited and can be "pre-packaged" into scripts or is delivered under supervision.

Personal advice requires the higher level skills currently described as "Tier 1" level. This includes insurance broking and financial planning specialisations. Depending on the sector the most appropriate level may be at Diploma or at a higher level. NIBA recommends that this level for insurance brokers is at the Diploma level. Our reasons for this are outlined in Section D.

The following table shows how the above proposals work in practice. It is unlikely that there would need to be much change in the training practices of licensees.

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TABLE 2. TRAINING STANDARDS BASED ON LEVEL OF ADVICE

LEVEL OF ADVICE	TRAINING REQUIREMENTS	SCOPE OF TRAINING	LEVEL OF TRAINING
Provide information only: <ul style="list-style-type: none"> • Customer service • Assistant advisers 	1) Advisor competency: <ul style="list-style-type: none"> a) Customer service skills b) Product knowledge as specified in Appendix A. 2) Particular product knowledge	Licensee to accredit their own training in line with product knowledge and skills outlined provided in Appendices A & B.	<i>Certificate III or IV</i>
General advice	1) Advisor competency: <ul style="list-style-type: none"> a) General advice skills b) Product knowledge as specified in Appendix A. 2) Particular product knowledge	Deposit products licensee to accredit their own training in line with product knowledge and skills outlined provided in Appendices A & B. Other products require statement of attainment/completion for appropriate general advice skills and relevant product knowledge program with an RTO or SOA	<i>Certificate III or IV</i>
Personal advice	1. Advisory competency: <ul style="list-style-type: none"> a) Generic personal advice skills or, financial planning or insurance broking b) Generic knowledge depending on adviser specialty c) Product knowledge as specified in Appendix A. 2. Particular product knowledge	All advisers require statement of attainment/completion for appropriate general advice skills and relevant product knowledge program with an RTO or SOA	<i>Certificate to degree level depending on sector and advisory speciality</i>

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SPECIFYING SPECIFIC SKILLS AND KNOWLEDGE FOR INSURANCE BROKING

Both insurance broking and financial planning are complex skills that require higher level training. NIBA's particular interest is insurance broking and irrespective of any other changes that ASIC adopt from this paper, we seek to have a change in how broking specialist knowledge and skills are outlined in a revised RG146. NIBA members wish to undertake training that is relevant, practical and beneficial to the brokerage business and the clients it services. The key issues are:

- NIBA does not consider that the activity of broking is appropriately categorised under the insurance product knowledge category in Appendix A as it is not a product but a specific advisory service.
- This is recognised in the AFS licensing process that provides for insurance broking licenses to retain the legal definition of a broker as the client's representative. Pro Forma 209 sets out the standard licence conditions that authorise licensees to provide financial services under Australian financial services (AFS) licence. Authority to use the terms life insurance broker, general insurance broker or insurance broker or insurance broking are part of the license conditions. This rests on the ability of licensees to have employees or representatives competent to provide insurance broking services.
- The current RG146 requirements for broking do not adequately reflect the role of brokers or broking knowledge in the advisory process. For example, currently there is little difference in the knowledge requirements across the insurance categories in Appendix A.

Brokers have identified a specific set of unique skills and knowledge that are required to provide a competent, personal service to retail clients seeking general and/or life risk products as an insurance broker. As the peak body, NIBA has ensured that these skills are included in the qualifications in the Financial Services Training Package and are regularly updated.

NIBA has refined these standards to fit into a new RG146 Appendix A or B as shown in the table below. Our preference is that this table would fit within RG146 Appendix B: Skills requirements as e Personal Advice Skills for an Insurance Broking Specialist.

This would consist of an outline of the skills and the underlying knowledge that are linked to these skills.

NIBA believes that the same approach can be applied to the proposed changes to generic knowledge and skills for financial planning outlined in CP212. We have provided an example in the appendix to this paper to illustrate NIBA's approach.

TABLE 3. SPECIALIST INSURANCE BROKING SKILLS AND KNOWLEDGE

INSURANCE BROKING SKILLS REQUIREMENTS	WHAT THIS WILL INCLUDE:
Determine client's needs	<ul style="list-style-type: none"> • Identify nature and type of client enquiry using appropriate communication techniques • Explain broker's role and nature of advice and services provided • Collect and review relevant information on client in order to assess risks • Maintain accurate and complete records of risks assessed and action taken.
Identify required insurance program	<ul style="list-style-type: none"> • Identify required insurances fully identified using appropriate checklist or questionnaire. • Determine alternative risk management strategies to provide client with viable options. • Review current insurance program to determine whether existing cover(s) can be endorsed or whether new cover(s) are required. • Seek advice from the client on required changes without delay.
Negotiate change with insurers	<ul style="list-style-type: none"> • Establish availability of a market with suitable terms for the client requirements. • Negotiate terms required for insurance renewals/changes with insurance suppliers to provide the most beneficial outcome for the client.
Communicate options for changes to client	<ul style="list-style-type: none"> • Advise client of outcomes of negotiations with insurer's to enable an informed decision to be made. • Identify options that specify benefits and disadvantages for the client. • Make fully justified recommendations and clarify with the client • Obtain client instructions to enable precise action to be taken. • Forward renewal notices to client at least fourteen days before policy expiry, where appropriate
Obtain confirmation of interim cover	<ul style="list-style-type: none"> • Notify insurer of details of cover required immediately instructions are received from client. • Seek formal evidence of interim cover within relevant legislative, underwriting and business policy requirements. • Check interim cover details for accuracy and completeness.
Confirm insurance cover with client	<ul style="list-style-type: none"> • Forward confirmation of correct interim cover to insurers. • Complete required documentation accurately • Monitor and collect fees and premiums • Provide client with original documentary evidence of cover

INSURANCE BROKING SKILLS REQUIREMENTS	WHAT THIS WILL INCLUDE:
Complete required documentation	<ul style="list-style-type: none"> • Arrange for documentation to be completed where required prior to expiry of interim cover. • Check client documentation for omissions and errors and ensure adjusted by client where necessary. • Calculate premium and statutory imposts accurately calculated as required. • Provide instructions for completion of cover to insurer within required timeframes to ensure policy can be issued.
Obtain and record documentary evidence of insurance cover	<ul style="list-style-type: none"> • Check received documentation to ensure timely delivery to meet client requirements. • Check insurers documentation for omissions and errors and record upon receipt
Complete transaction	<ul style="list-style-type: none"> • Remit premiums to insurers in compliance with legislative requirements and arrangements in place with the insurer. • Update relevant files and records
Establish ongoing service is required	<ul style="list-style-type: none"> • Determine level of client contact required based on client’s needs and business guidelines. • Formalise communication with client for an on-going review of risk requirements as required • Explain any fees and costs for ongoing services

UNDERLYING KNOWLEDGE REQUIREMENTS FOR BROKERS:
<p>Risk management skills include:</p> <ul style="list-style-type: none"> • Defining the risk context • Reviewing industry trends, reports or surveys • Risk identification using appropriate tools • Assessing risks • Developing risk strategies • Monitoring and reviewing control measures and risk issues <p>Industry /product knowledge for life or general insurance include:</p> <ul style="list-style-type: none"> • Terms of insurance program including: <ul style="list-style-type: none"> ○ company/industry policy wording ○ scope of cover ○ price ○ deductibles/excesses ○ Product illustrations or PDS • industry developments and trends • security of insurance carriers • level of supplier service <p>Customer service skills include the ability to:</p> <ul style="list-style-type: none"> • determine the time required to service inquiries and prioritise responses • identify need for expert information • identify information and research to satisfy inquiry • refer client to a qualified adviser

UNDERLYING KNOWLEDGE REQUIREMENTS FOR BROKERS:

- Record responses given to clients to ensure consistency in further provision of information
- Collate and evaluate information on the nature and frequency of inquiries.

Communication skills include the ability to:

- Prepare responses to consumer inquiries that are compliant with legislative requirements and business guidelines.
- Use listening and verbal and written communication methods to provide clear, concise and comprehensive information
- Identify the best form of response by correctly assessing of the need for written or verbal communication
- Prepare written responses to inquiries in clear and simple language so that it is easily understood and minimises the need for follow up action.
- Present verbal responses accurately and in a courteous manner so that the need for follow up is minimised.

Research skills related to preparing advice include the ability to:

- Determine information relevant to client requirements.
- Clarify purpose of information and timelines
- Identify sources of information required to meet research objective.
- Ensure information is up to date, comprehensive and sufficiently detailed to meet identified needs
- Select and filter information in an efficient manner
- Collate and process relevant data produce information in a useable form.
- Analyse information and determine action
- Assess the significance and implications of relevant factors.
- Draw deductions and inference from the information available.
- Reach conclusions that can be used as the basis for action.
- Collate information to enable preparation of a suitable response that satisfies the nature and type of the client's needs.
- Translate information accurately into appropriate format.
- Check information completeness

Compliant handling skills include the ability to:

- Establish the nature of complaint by listening, questioning and confirming needs of customer.
- Establish rapport with customer by displaying empathy towards customer's needs.
- Record the complaint accurately and in simple language using appropriate documentation.
- Prepare any further documentation support complaint.
- Verify the complaint with customer to ensure it has been recorded accurately.
- Identify complaints that require referral to other personnel or external body.
- Forward all documentation and the investigation report promptly.
- • Undertaken follow-up with appropriate personnel to gain a prompt decision

NIBA COMMENTS ON CP212 SECTION D INCREASING THE EDUCATIONAL LEVEL REQUIREMENTS

D1Q1. NIBA does not consider that increasing the educational level requirements for all Tier 1 products is appropriate. NIBA does not consider the education standards should be based on the product category. We consider that it is preferable to identify the correct educational level based on the advice level for the following reasons:

- The product tiers are useful indicators of product complexity and likely knowledge requirements. However, it is not the complexity of the product that is an issue but the ability of the adviser to apply the knowledge of the product to the consumer's individual circumstances that is important. Most of the problems arise because of an inability to apply product knowledge in the personal advice context.
- In reality general advice skills for any product can be adequately covered at the Certificate III or IV level of training. Products like general retail insurance, some life insurance and retail banking products are often only provided in a general advice context.
- Generally, complex products and simple products that have a number of options are provided in a personal advice context. The personal advice skills for any product are usually covered at the Diploma level of training. However, for some advisory situations different levels of training may need to be set.
- NIBA does not consider that a single level should be set based around whether a product is Tier 1 or Tier 2. For some advisers such as financial planners, there may be additional underlying advisory knowledge required. Given the complexity of the process it may be desirable to train a financial planner to advanced diploma/degree level.
- This is not the case for advisers giving personal advice in life or general risk insurance. While general insurance brokers complete adviser skills training at the Advanced Diploma and Graduate diploma level, the focus is on managing wholesale clients with complex business risks and not retail consumers. For the latter group personal advice in general and life insurance is adequately provided by a broker educated to diploma level.

The table below shows the current educational requirements and the proposed changes outlined in CP212 for insurance advisers working in the retail sector. The shaded area shows the scope of work that is undertaken by insurance brokers with retail clients.

It is NIBA's recommendation that all risk insurance products in the private retail classes should be classified at Tier 2. In the industry personal advice for these products can be handled by assistant brokers trained at the Certificate III or IV level. In practice, insurance brokers only provide personal advice for those seeking home and contents and income protection products (PAS). All other products require general advice only.

Those providing advice at this level would not be able to be called insurance brokers until they had completed the training outlined above which would be delivered at the Diploma level. This training is currently the first part of a Diploma qualification. The remaining skills are more suitable to wholesale clients.

NIBA is arguing for the status quo in this case because it would be no advantage to the consumer to require the higher level of training by 2019 for these products and the advice context for risk insurance.

TABLE 4. BROKER TRAINING FOR INSURANCE CLASSES

ROLE	STUDY	CURRENT	ASIC 2015	ASIC 2019	NIBA COMMENTS
Broker Assistant	In training	Not required – under supervision			Retain
Assistant Broker 1 – 2 years (personal lines)	Certificate III or IV General insurance advice and foundation broking skills	Tier 2 general insurance advice including CCI	Certificate IV	Diploma	Certificate IV in Insurance Broking to cover all private retail classes at Tier 2 including PAS Adviser: General insurance adviser only
Account executive 2 – 4 years	Diploma of insurance broking (Part 1)	Tier 1 accreditation including advice on PAS	Advanced Diploma	Bachelor degree	As currently. Able to use term insurance broker
Account executive 3 - 5 years plus	Complete Diploma of insurance broking: (Part 2)	RG 146 not applicable	RG 146 not applicable	RG 146 not applicable	As currently – Tier 1 qualified but working with commercial clients
Senior account executive, practice manager	Advanced diploma of insurance broking	Responsible manager			
Senior account executive/ practice manager/ specialist (compliance, management, schemes, risk management)	Graduate diploma of financial services or insurance broking	Responsible manager			

NIBA COMMENTS ON CP212 SECTION F RECLASSIFICATION OF CERTAIN INSURANCE PRODUCTS

In this section NIBA will address the issue of the classification of Personal Accident and Sickness (PAS) product from tier 1 to tier 2.

NIBA members have advised that general insurance brokers provide general advice to retail clients for most general insurance retail classes.

The two classes where personal advice is provided are:

- Home and contents insurance (Tier 2 classified); and
- Personal accident and sickness (Tier 1 classified)

PAS is classified as Tier 2 products in the following cases:

- In travel insurance where the product covers losses arising due to sickness or accident while travelling ; and
- In a consumer credit insurance policy even where the product covers consumer credit liabilities that cannot be paid due to sickness or accident.

Historically, ASIC treated the PAS product like Salary Continuance and therefore aligned it to life risk products placing it in the Tier 1 product area. However, ASIC's information about how the product is provided was based on the incorrect assumption that an adviser needed to do a financial risk assessment and undertake a risk evaluation that led to providing personal advice.

NIBA's recommendation is that given this background and the existing exemption for PAS cover in travel and consumer credit insurance it is a simple matter for ASIC to reassign all PAS policies to Tier 2 rather than Tier 1.

NIBA has recently consulted with a senior brokers and underwriters working in the PAS area to provide a more detailed explanation to support our recommendation.

FEATURES OF THE PAS PRODUCT

It is consistent for ASIC to treat PAS products like other general insurance classes and which are classified as Tier 2.

This is because these products have a relatively low level of underwriting assessment. Overall, the most brokers and underwriters dealing in this area consider the general insurance PAS product is similar to a travel policy but with a few more exclusions and deductibles

For ASIC to understand NIBA's argument it is useful to consider the differences between PAS and Salary Continuance.

- a) PAS policies are underwritten by general insurers; and
- b) Salary continuance or income protection policies are underwritten by life insurers.

Generally, the key differences are that:

- a) The life insurance based salary continuance policy is the preferred product because it is initially a non-cancellable policy that goes to age 65+.
- b) The general Insurance PAS product is for people that cannot afford salary continuance or will not be accepted by the insurer.

Table 5 below shows the distinctive features of the salary continuance and the PAS policy.

TABLE 5. FEATURES OF PAS AND SALARY CONTINUANCE PRODUCTS

TYPE OF PRODUCT	INSURER TYPE	TIME FRAME	CANCELLABLE BY THE INSURER	UNDERWRITING APPROACH	INVESTMENT COMPONENT	DEDUCTIBLE	VARIATIONS	COMMISSIONS	ADVICE NEEDS
<p>SALARY CONTINUANCE Benefit: Weekly income but also lump sum (death by any cause- accident or sickness)</p>	Life	Long term – age 65+	Non-cancellable	Community rated Intensive underwriting More information required on medical history etc. required to lift the tier of the premium	No	About 60 – 90 days	Often purchased through super policy but dependent on health disclosures and medical checks	Higher than GI product 100% – 120% of premium	Higher than Gen. Ins. PAS product
<p>PAS Benefit: Sickness - weekly income - no lump sum Lump sum benefit on accident only Limited indemnity period - generally up to 2 year No more than 104 weeks cover – otherwise falls within the Life Insurance legislation</p>	General General insurers cannot offer salary continuance insurance	Yearly renewable	Can be non-renewed by insurer; or waivers applied at renewal based on claims history of the insured. Eg. If a claim for bad back, back injury may be excluded on renewal.	Low level of underwriting assessment based on the following risk information: occupation; level of cover; geographic scope; and claim’s performance.	No	Lower than life product Limited to 7 – 14 days		Lower than life product 25% of premium	Less complex - underwriting questions on the proposal form Broker works out: Income of the insured to get the right sum insured (Most difficult aspect of this product); Correct occupation.

THE ADVISORY PROCESS FOR PAS

Many brokers provide both products but equally, many general brokers do not deal with the life version of the product. An example of a typical consumer for the general insurance product is a tradesman who would find the life version too expensive.

The product advice situation is different for salary continuance and PAS:

- 1) The salary continuance product requires a lengthier advice process as there are more details to be collected in terms of medical information and the broker is providing a long term benefit to the consumer – to the age of 65 or 70.
- 2) The general insurance PAS product involves a simpler advice process particularly because the indemnity period is a much shorter term (maximum 2 year benefit period which can be reduced due to age and occupation); and the insurer can cancel the policy at renewal.
 - a) As noted above the typical situation for the broker would be dealing with a tradesperson who can't afford salary continuance. However, in many cases such consumers have access to the product because it is made available as part of an industry insurance scheme.
 - b) The broker would generally say something like the following in the advising someone of the PAS:

“This policy is covering x% of your income up to the sum insured. If you are injured or get sick in the term of the insurance the insurer could exclude that illness or injury in the following term.

While you must disclose information affecting the cover like any other insurance cover, generally the insurer will not require a medical but you will be informed if this is the case.

There are 4 or 5 exclusions that apply to this policy which are xxxx.”

- c) The PAS product is also covered as part of the general insurance code. The consumer can make the choice of purchasing just personal accident or personal sickness and accident

BENEFITS OF THE NIBA PROPOSAL

In line with the material outlined above, NIBA believes the change of classification of PAS from a Tier 1 to a Tier 2 product will improve productivity in the broking and advice sector.

NIBA's past survey results show that a large percentage of general brokers provide some combination of travel/ PAS insurance. However, the main work of brokers is in the retail and non-retail products that fit within the Tier 2 area. Brokers undertake extensive training to gain the skills and knowledge to provide broking advice in the full range of general insurance classes that they provide to clients.

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Although outside the area of RG 146 requirements, the vast majority of brokers undertake training on the business products that brokers are most likely to be involved in with their commercial and corporate clients.

The personal accident product protects someone's ability to sustain a loss in the same way as other general insurance products. It is an income protection product where. The basic differences in terms and conditions and the advisers questioning about the person's risk and capability are relatively easy to understand and use someone whether the product is underwritten by a general or life insurer. Personal sickness as a policy does not exist as a standalone product.

Table 4 above shows the inappropriate outcome for brokers should the PAS product be retained as Tier 1 and implements the proposals in CP212 without any of the changes outlined by NIBA.

FURTHER CONTACT RE THIS SUBMISSION

For details about any comments in this paper please contact:

Linda Evans at NIBA on:



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APPENDIX

1) REVISED CLASSIFICATION OF KNOWLEDGE REQUIREMENTS

SECURITIES	
CLASSIFICATION	TYPE OF INFORMATION MAY INCLUDE:
1. Type of products in the sector and the purpose of each	<p>Market participants Range of securities Associated risks Investment options using securities product Alternative products (e.g. Derivatives) (where relevant)</p> <p>ADDITIONAL TOPICS (REGIME B AND REGIME C) Portfolio construction</p>
2. Characteristics of products:	Taxation issues relating to securities
3. Function of the product and the customer needs it satisfies.	<p>Investment concepts Investment strategies</p>
4. Customer characteristics that best suit each product	<p>Identification of types of risk Client risk profile</p>
5. Compliance implications of the product	<p>ASX Operating Rules (where relevant) ASIC market integrity rule</p> <p>Common</p> <ul style="list-style-type: none"> • The role of the representative/adviser • Relevant legal principles (e.g. Corporations act, ASIC Act, privacy amendment (private sector) act) • The relationship between ethics and regulatory requirements (e.g. Good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation) • Relevant industry standards and codes of conduct • Regulators' guidelines including our requirements in this policy • Complaints resolution procedures (external and, if relevant, internal)

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DERIVATIVES	
CLASSIFICATION	TYPE OF INFORMATION MAY INCLUDE:
1. Type of products in the sector and the purpose of each	<ul style="list-style-type: none"> • Market participants • Inter-relationships within and between the securities/derivatives sectors • Range of derivatives • Associated risks • Investment options using derivatives products
2. Characteristics of products:	<ul style="list-style-type: none"> • Taxation issues relating to derivatives
3. Function of the product and the customer needs it satisfies.	<ul style="list-style-type: none"> • Investment concepts • Investment strategies
4. Customer characteristics that best suit each product	<ul style="list-style-type: none"> • Identification of types of risk • Client risk profile
5. Compliance implications of the product	<ul style="list-style-type: none"> • ASIC market integrity rules • ASX 24 Operating Rules <p>Common to all specialities</p> <ul style="list-style-type: none"> • The role of the representative/adviser • Relevant legal principles (e.g. Corporations act, ASIC Act, privacy amendment (private sector) act) • The relationship between ethics and regulatory requirements (e.g. Good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser’s recommendation) • Relevant industry standards and codes of conduct • Regulators’ guidelines including our requirements in this policy • Complaints resolution procedures (external and, if relevant, internal)

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MANAGED INVESTMENTS	
CLASSIFICATION	TYPE OF INFORMATION MAY INCLUDE:
1. Type of products in the sector and the purpose of each	
2. Characteristics of products:	<ul style="list-style-type: none"> • Concept of managed investments • Specialist knowledge of the range of products offered under managed investment schemes, or a specific product offered under a scheme (e.g. <ul style="list-style-type: none"> ○ Property trusts, real estate investment strategies, valuation techniques, property management ○ Equity trusts, fixed interest trusts ○ Serviced strata schemes ○ Primary production schemes ○ Film schemes ○ Time-sharing schemes) • Identification of types of risks
3. Function of the product and the customer needs it satisfies.	
4. Customer characteristics that best suit each product	<ul style="list-style-type: none"> • Identification of types of risk • Client risk profile
5. Compliance implications of the product	<p>Common to all specialities</p> <ul style="list-style-type: none"> • The role of the representative/adviser • Relevant legal principles (e.g. Corporations act, ASIC Act, privacy amendment (private sector) act) • The relationship between ethics and regulatory requirements (e.g. Good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser’s recommendation) • Relevant industry standards and codes of conduct • Regulators’ guidelines including our requirements in this policy • Complaints resolution procedures (external and, if relevant, internal)

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SUPERANNUATION	
CLASSIFICATION	TYPE OF INFORMATION MAY INCLUDE:
1. Type of products in the sector and the purpose of each	<ul style="list-style-type: none"> • Types of superannuation products • Additional topics (regime b and regime c) • Transition-to-retirement products
2. Characteristics of products:	<ul style="list-style-type: none"> • Characteristics and structure of a superannuation product • Roles played by intermediaries and issuers • Fee structures/administration and management costs • Types of contribution • Annuities/pensions, allocated pensions and income stream products • Associated risks • Structure of superannuation plans, management and administration of superannuation products • Preservation rules • Investment strategies within superannuation funds (i.e. Investment concepts and strategies) • Restrictions on investment strategies <ul style="list-style-type: none"> • Impact of tax on investment earnings • Employer and employee contributions • Benefit payments and expenses • Tax deductions • Capital gains tax treatment • Roll-overs • Reasonable benefit limits • Superannuation surcharge • Social security pension eligibility • Retirement planning • Death benefits • Franking credits
3. Function of the product and the customer needs it satisfies.	<p>Additional topics (regime B and regime C)</p> <ul style="list-style-type: none"> • Structuring for superannuation (not just related to products)—for example, in a sale of a business • Defined contribution and defined benefit funds/arrangements
4. Customer characteristics that best suit each product	<p>Additional topics (regime B and regime C)</p> <ul style="list-style-type: none"> • Benefits and risks of certain superannuation structures (i.e. Client suitability)
5. Compliance implications of the product	<ul style="list-style-type: none"> • Trustee rules • Superannuation Industry (Supervision) Act <p>Common to all specialities:</p> <ul style="list-style-type: none"> • The role of the representative/adviser • Relevant legal principles (e.g. Corporations act, ASIC Act, privacy amendment (private sector) act) • The relationship between ethics and regulatory requirements (e.g. Good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may

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SUPERANNUATION	
	<p>influence the adviser's recommendation)</p> <ul style="list-style-type: none">• Relevant industry standards and codes of conduct• Regulators' guidelines including our requirements in this policy• Complaints resolution procedures (external and, if relevant, internal)

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GENERAL INSURANCE	
CLASSIFICATION	TYPE OF INFORMATION MAY INCLUDE:
1. Type of products in the sector and the purpose of each	<ul style="list-style-type: none"> • Participants of the Australian insurance market • Types of insurance products (e.g. Risk insurance products, investment life insurance products and general insurance products) <ul style="list-style-type: none"> a) Conditions b) Exclusions c) Levels of coverage of risk transfer products d) Pricing
2. Characteristics of products:	<ul style="list-style-type: none"> • Standard cover (and deviations) • Policy wordings • Taxes and charges • Premium rating/risk selection underwriting • Insurance claims
3. Function of the product and the customer needs it satisfies.	
4. Customer characteristics that best suit each product	
5. Compliance implications of the product	<p>Common to all specialities</p> <ul style="list-style-type: none"> • The role of the representative/adviser • Relevant legal principles (e.g. Corporations act, ASIC Act, privacy amendment (private sector) act) • The relationship between ethics and regulatory requirements (e.g. Good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation) • Relevant industry standards and codes of conduct • Regulators' guidelines including our requirements in this policy • Complaints resolution procedures (external and, if relevant, internal) •

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LIFE INSURANCE	
CLASSIFICATION	TYPE OF INFORMATION MAY INCLUDE:
1. Type of products in the sector and the purpose of each	<ul style="list-style-type: none"> • Participants of the Australian insurance market • Types of insurance products (e.g. Risk insurance products, investment life insurance products and general insurance products) <ul style="list-style-type: none"> a) Conditions b) Exclusions c) Levels of coverage of risk transfer products d) Pricing
2. Characteristics of products:	<ul style="list-style-type: none"> • Standard cover (and deviations) • Policy wordings • Taxes and charges • Premium rating/risk selection • Investment component of life insurance products • Insurance claims
3. Function of the product and the customer needs it satisfies.	
4. Customer characteristics that best suit each product	
5. Compliance implications of the product	<p>Common to all specialities</p> <ul style="list-style-type: none"> • The role of the representative/adviser • Relevant legal principles (e.g. Corporations act, ASIC Act, privacy amendment (private sector) act) • The relationship between ethics and regulatory requirements (e.g. Good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation) • Relevant industry standards and codes of conduct • Regulators' guidelines including our requirements in this policy • Complaints resolution procedures (external and, if relevant, internal) •

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DEPOSIT PRODUCTS AND NON-CASH PAYMENT PRODUCTS	
CLASSIFICATION	TYPE OF INFORMATION MAY INCLUDE:
1. Type of products in the sector and the purpose of each	
2. Characteristics of products:	
3. Function of the product and the customer needs it satisfies.	
4. Customer characteristics that best suit each product	
5. Compliance implications of the product	Common to all specialities <ul style="list-style-type: none"> • The role of the representative/adviser • Relevant legal principles (e.g. Corporations act, ASIC Act, privacy amendment (private sector) act) • The relationship between ethics and regulatory requirements (e.g. Good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation) • Relevant industry standards and codes of conduct • Regulators' guidelines including our requirements in this policy • Complaints resolution procedures (external and, if relevant, internal)

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FOREIGN EXCHANGE	
CLASSIFICATION	TYPE OF INFORMATION MAY INCLUDE:
1. Type of products in the sector and the purpose of each	<ul style="list-style-type: none"> • Market participants • Range of foreign exchange products • Associated risks • Alternative products (e.g. Derivatives) (where relevant)
2. Characteristics of products:	<ul style="list-style-type: none"> • Taxation issues relating to foreign exchange products
3. Function of the product and the customer needs it satisfies.	
4. Customer characteristics that best suit each product	<ul style="list-style-type: none"> • Identification of types of risk • Client risk profile
5. Compliance implications of the product	<p>Common to all specialities</p> <ul style="list-style-type: none"> • The role of the representative/adviser • Relevant legal principles (e.g. Corporations act, ASIC Act, privacy amendment (private sector) act) • The relationship between ethics and regulatory requirements (e.g. Good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation) • Relevant industry standards and codes of conduct • Regulators' guidelines including our requirements in this policy • Complaints resolution procedures (external and, if relevant, internal)

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FIRST HOME SAVER ACCOUNTS	
CLASSIFICATION	TYPE OF INFORMATION MAY INCLUDE:
1. Type of products in the sector and the purpose of each	<ul style="list-style-type: none"> • Range of First Home Saver Accounts • Associated risks • Alternative products (e.g. managed investments, life insurance, deposit products) (where relevant)
2. Characteristics of products:	<ul style="list-style-type: none"> • Eligibility requirements • Withdrawal conditions • Government contributions
3. Function of the product and the customer needs it satisfies.	
4. Customer characteristics that best suit each product	
5. Compliance implications of the product	<p>Common to all specialities</p> <ul style="list-style-type: none"> • The role of the representative/adviser • Relevant legal principles (e.g. Corporations act, ASIC Act, privacy amendment (private sector) act) • The relationship between ethics and regulatory requirements (e.g. Good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation) • Relevant industry standards and codes of conduct • Regulators' guidelines including our requirements in this policy • Complaints resolution procedures (external and, if relevant, internal)

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MARGIN LENDING FACILITIES	
CLASSIFICATION	TYPE OF INFORMATION MAY INCLUDE:
1. Type of products in the sector and the purpose of each	<ul style="list-style-type: none"> Types of margin lending facility products (encompassing standard margin lending facilities and non-standard margin lending facilities) Associated risks
2. Characteristics of products:	<ul style="list-style-type: none"> How the various types of margin lending facility products operate Providers' and clients' rights and responsibilities Effect of provider taking security over clients' assets Effect of provider receiving a transfer of the clients' assets Calculating loan-to-value ratios of both individual products and the overall portfolio, and the consequences of issuers altering the loan-to-value ratio of individual products Margin calls—ways of making a margin call, consequences of margin calls, and how they may be resolved, strategies by which the borrower may avoid margin calls Approved product list—consequences of removing a product from the approved products list Taxation issues relating to margin lending facilities Deductibility of costs associated with margin lending (e.g. Interest payments) Liability for capital gains tax
3. Function of the product and the customer needs it satisfies.	<ul style="list-style-type: none"> Investment concepts Investment strategies for margin lending, including the role of cash flow, and alternative investment strategies investment options using a margin lending facility
4. Customer characteristics that best suit each product	<ul style="list-style-type: none"> Identification of types of risk, including an awareness of the sensitivity of margin lending strategies to changes in interest rates and investment returns Client risk profile, including an awareness of the source and stability of clients' income source, the source of funding for the investment, risk profiles unsuited to margin lending facility products Stress testing of proposed client portfolio Understanding of risks associated with gearing—the relationship between levels of gearing and risks, risks associated with double gearing
5. Compliance implications of the product	<ul style="list-style-type: none"> Common to all specialities The role of the representative/adviser Relevant legal principles (e.g. Corporations act, ASIC Act, privacy amendment (private sector) act) The relationship between ethics and regulatory requirements (e.g. Good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation) Relevant industry standards and codes of conduct

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MARGIN LENDING FACILITIES	
	<ul style="list-style-type: none">• Regulators' guidelines including our requirements in this policy• Complaints resolution procedures (external and, if relevant, internal)

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REGULATED EMISSIONS UNITS	
CLASSIFICATION	TYPE OF INFORMATION MAY INCLUDE:
1. Type of products in the sector and the purpose of each	<ul style="list-style-type: none"> • Geopolitical context of carbon markets • Main participants in carbon markets, and their key objectives and participation behaviours as factors influencing market activity • Emissions unit supply and demand factors and regulated price factors influencing market activity and prices • Issue of carbon units via auction, and auction types • Types of transactions in carbon markets, including transactions relating to the carbon pricing mechanism and in voluntary markets, and the function of financial markets facilitating such trading (including internationally) • Potential trading strategies and their implementation in carbon markets (e.g. Hedging and investment strategies) • Risks associated with carbon markets, including liquidity, pricing, credit, operational, and regulatory risks • Carbon market transaction documentation, including the types used for different types of counterparties and transactions, their key terms and conditions and advantages and disadvantages
2. Characteristics of products:	<ul style="list-style-type: none"> • Taxation treatment of emissions units and taxation issues relating to regulated emissions units • deductibility of costs associated with regulated emissions units
3. Function of the product and the customer needs it satisfies.	
4. Customer characteristics that best suit each product	
5. Compliance implications of the product	<ul style="list-style-type: none"> • Domestic regulatory framework for the carbon pricing mechanism, including the role of the Clean Energy Regulator and the Australian National Registry of Emissions Units • Domestic regulatory framework for the Carbon Farming Initiative, including the role of the Clean Energy Regulator and the Australian National Registry of Emissions Units • International regulatory framework for carbon trading, including the Clean Development Mechanism <p>Common to all specialities</p> <ul style="list-style-type: none"> • The role of the representative/adviser • Relevant legal principles (e.g. Corporations act, ASIC Act, privacy amendment (private sector) act) • The relationship between ethics and regulatory requirements (e.g. Good faith, utmost good faith, full disclosure of remuneration/fees and any other conflicts of interest which may influence the adviser's recommendation) • Relevant industry standards and codes of conduct

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REGULATED EMISSIONS UNITS	
	<ul style="list-style-type: none">• Regulators' guidelines including our requirements in this policy• Complaints resolution procedures (external and, if relevant, internal)

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EXAMPLE OF REVISED APPENDIX B. PERSONAL ADVICE SKILLS - FINANCIAL PLANNING

The following is based on the information provided by ASIC in CS212 and mirrors the approach suggested by NIBA for the insurance broking sector.

ADVISORY SKILLS	PERFORMANCE LEVEL REQUIRED
1. Establish relationship rapport with client	This may include: <ul style="list-style-type: none"> • explaining the adviser’s role • explaining the advice process in a manner that the client understands • making sure the client understands the advice they are receiving • establishing the knowledge level of the client and tailoring advice and communication to this knowledge level • listening and empathy skills • awareness of potential behavioural biases when interacting with the client
2. Identify client objectives, needs and financial situation	This may include collection of the following types of information from the client or gaining an understanding of the following: <ul style="list-style-type: none"> • relevant personal, financial and business details • client objectives and goals, including the ability to help refine these with the client using judgement • identifying the subject matter of the advice • defining and managing the client’s expectations • the risk profile/risk tolerance of the client at the time of implementing the plan and ongoing • cash flows (required and projected) • relevant taxation obligations and social security considerations and other potential legal obligations (e.g. Trustee obligations for self-managed superannuation funds)
3. Analyse client objectives, needs, financial situation and risk profile/risk tolerance	This includes the required skills to do the following: <ul style="list-style-type: none"> • analysing all relevant information related to the client and the needs created by their circumstances • budgeting/budget analysis • analysing the client’s spending patterns based on bank statements, credit card statements, spending diaries and other tools • explaining the implications of current spending patterns on the client’s long-term goals and explaining the implications in language that the client understands • assessing if specialist advice is required • assessing the client’s risk profile/risk tolerance against their objectives, financial situation and needs • if recommending a financial product, appropriate investigation of financial products that meet the client’s objectives, financial situation and needs
4. Develop appropriate strategies	This may include:

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ADVISORY SKILLS	PERFORMANCE LEVEL REQUIRED
and solutions	<ul style="list-style-type: none"> • identifying and assessing available options via the above analysis • aligning the client’s risk profile/risk tolerance to their objectives, financial situation and needs • conducting relevant research/analysis/modelling (both strategy and, if appropriate, products) • developing a range of alternative strategies where applicable • drafting plan/policy/transaction advice for presentation to the client • ability to underwrite and accept the transfer of risk • identifying any conflicts of interest and how to manage them
5. Present appropriate strategies and solutions to the client	<p>This may include:</p> <ul style="list-style-type: none"> • explaining the concepts in a manner that the client can understand • making sure the client understands the advice they are receiving • where relevant, explaining the benefits and disadvantages of different strategies and how they relate to risk and reward and the client’s risk profile/risk tolerance • explaining in plain language the proposed transaction(s) • explaining the nature of the underlying recommended financial products, if any • explaining the possible risks and ensuring the client understands those risks • providing written supporting documentation to explain the advice and why it is appropriate (including documentation required by law) and ensuring that the client understands this documentation
6. Negotiate financial plan/policy/transaction with the client	<p>This may include:</p> <ul style="list-style-type: none"> • discussing any concerns/issues of the client regarding the proposed advice plan/policy/transaction • confirming with the client the preferred plan/policy/transaction
7. Coordinate implementation of agreed plan/policy/transaction	<p>This may include:</p> <ul style="list-style-type: none"> • ensuring the client understands the plan/policy/transaction • gaining agreement on the proposed plan/policy/transaction • explaining associated fee and cost structures for both the advice and any financial products recommended • explaining the timeframe for execution
8. Complete and maintain necessary documentation	<p>This may include:</p> <ul style="list-style-type: none"> • signing a formal agreement • exchanging a signed agreement • maintaining good records, including file notes and other record-keeping documentation
9. Provide ongoing service (if appropriate optional at discretion of client)	<p>This may include:</p> <ul style="list-style-type: none"> • explaining ongoing fees and costs for ongoing and specifically defined services • providing ongoing service to the client as required and agreed

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ADVISORY SKILLS	PERFORMANCE LEVEL REQUIRED
	<ul style="list-style-type: none"> • providing the client with reports regarding performance of the plan/policy/transaction • conducting a review of the plan/policy/transaction with the client if the parameters change

ADDITIONAL UNDERLYING KNOWLEDGE REQUIREMENTS:

Product knowledge for any products advised in	<ul style="list-style-type: none"> • See appendix A
Estate planning	<ul style="list-style-type: none"> • Theory of estate planning (i.e. Allowable investments, enduring and non-enduring powers of attorney, share purchase agreements) • Management and investment strategies • Relevant taxation laws and regulations
Financial structures and their taxation implications	<ul style="list-style-type: none"> • Common investment structures and their taxation implications, such as superannuation (retail, corporate and self-managed superannuation funds), trusts, companies, individual holdings, industry funds and defined benefit funds • How to choose an appropriate structure to meet the needs of a client
Demographic trends and their impact on markets over the long term	<ul style="list-style-type: none"> • Demographic changes affecting Australian society • Understanding of the impact of increasing longevity on individual financial needs • How to apply this knowledge when providing advice for an individual client
Concepts in behavioural economics	<ul style="list-style-type: none"> • Common cognitive biases (e.g. Overconfidence, confirmation, anchoring) and their impact on financial thinking • Understanding the effect of framing on responses to questions • An awareness of potential behavioural biases in understanding a client's situation and eliciting information from a client • An awareness of this knowledge when providing advice to clients
Budgeting	<ul style="list-style-type: none"> • How to work with clients to accurately identify their spending patterns • How to analyse a client's current spending patterns based on bank statements, credit card statements, spending diaries and other tools • How to understand the implications of a client's current spending patterns on their long-term goals • How to explain the implications to a client in language that the client understands • Knowledge of effective individual change models and effective goal-setting approaches to assist the client to manage their spending • How to implement these changes and goal-setting approaches with clients in real situations
Risk profiling/risk tolerance	<ul style="list-style-type: none"> • Understanding of risk assessment tools to help understand the risk profile/risk tolerance of the client • How to use other information, including non-verbal information, to check the result provided by the risk assessment

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	<ul style="list-style-type: none"> tool How to construct examples to test a client’s risk appetite (e.g. Large or sustained falls in the value of an asset) How to explain implications of risk appetite for achieving goals How to relate the risks of specific products or portfolios to the client’s risk appetite How to use modelling tools to assess the effect on the client’s objectives, financial situation and needs if the foreseeable risk eventuates Understanding that risk profile/risk tolerance is dynamic rather than static and should therefore be checked regularly
Life stages and their characteristics	<ul style="list-style-type: none"> Knowledge of the common needs of clients when life events occur (e.g. Divorce, sale of a business, inheritance, retirement) How to describe these common needs to clients to assist the client to determine their goals
Awareness of taxation	<ul style="list-style-type: none"> Capital gains tax Company tax Income tax Superannuation tax arrangements (including self-managed superannuation funds)
Ethics	<ul style="list-style-type: none"> The ethics of financial advice The responsibilities of financial advisers to their clients Resolving ethical dilemmas
High-level knowledge of social security regulations, provisions and legislation	<ul style="list-style-type: none"> Aged care entitlements and arrangements (e.g. Accommodation bonds) Centrelink benefits such as aged pensions and family benefits (including relevant concession and health care cards) The processes for engaging with Centrelink Implications of assets and income for eligibility to Centrelink benefits
High-level knowledge of the relevant legislation as it applies to trusts and self-managed superannuation funds	<ul style="list-style-type: none"> Types of trusts Obligations of trustees of self-managed superannuation funds Role of directors and director responsibilities
Complaint processes and agencies	<ul style="list-style-type: none"> How to inform clients of their rights and the processes and mechanisms to handle complaints or disputes