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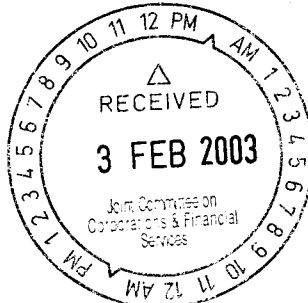
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The Secretary
The Parliament Joint Committee
On Corporations and Financial Services
Room SG.64
Parliament House
CANBERRA ACT 2600



Dear Sir/Madam

I am concerned that proposed changes to the Federal Government Financial Services Legislation regarding disclosure of commission on retail insurance may have a negative affect on the number of insurers and brokers operating in country areas. Insurance Companies are passing more responsibilities on to Brokers for administration and processing. They as a result are negotiating a higher fee for service that will I believe lead to clients misunderstanding why the commissions charged are so high.

Compliance to the Financial Services Reform Act and the necessary training is already placing a financial burden on small Brokers and I have been advised that as a result a large number of insurance companies no longer operate in country regions. A dwindling number of brokers are left to offer insurance coverage to our farming and rural communities. Withdrawal of insurance services from country regions not only means a lack of competition, it also results in job losses and confidence in our regional areas.

I understand that the Insurance (Agent and Brokers) Act 1984 already provides disclosure requirements to protect the insuring public. I therefore ask why it is necessary to have another lot of legislation and request that consideration be given to withdrawing at least the section relating to disclosure of commission on retail insurance that is now being proposed.

Yours sincerely,

Mrs. Liz Penfold MP





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JRG:fsra.comm.gov.au MGA INSURANCE BROKERS PTY LTD A.C.N. 008 096 277 A.B.N. 29 008 096 277

13 January 2003

The Secretary
 The Parliamentary Joint Committee
 On Corporations and Financial Services
 Room SG.64
 Parliament House
 CANBERRA ACT 2600

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Dear Sir/Madam

The Disclosure of Commissions on Risk Products and Outsourcing of Services by Underwriters

MGA Insurance Brokers Pty Ltd is one of Australia's larger insurance broking houses. Our Group will turn over this year approximately \$95M in premiums and currently employs some 140 personnel within our network of 17 offices, which includes regional and rural areas throughout Australia.

We feel that commission disclosure on stand-alone risks (retail products) has been very much misunderstood within the environment in which it has and is being discussed. It would appear to us that not enough research has been conducted to determine the substantial operational differences between the General Insurance and 'Life' Industry, its functions, operations and requirements.

The Changing Nature of the General Insurance Industry in Australia

Since the early 80's the majority of Australian insurers (due to shortages of qualified personnel and an unwillingness to provide direct customer service due to costs) have preferred to pass distribution and administration of their various products to intermediaries. In the ensuing years Brokers have shouldered more and more of Insurers functions and responsibilities.

Among these:

- Direct client contact.
- Product advice.
- Placing and monitoring of risks.
- Follow up and audit (including policy documentation check).
- Collection of premiums and reconciliation.
- Administration issues during policy currency.
- Payment of claims under Insurers authority.
- Maintenance of Insurers database.

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The Disclosure of Commissions on Risk Products and Outsourcing of Services by Underwriters

It is our contention that these services are recognised by Insurers as a transfer of their own responsibilities and as an acknowledgment to intermediaries, our remuneration has been adjusted to compensate accordingly.

Following September 11 and with diminishing industry capacity and consolidations we can only see these responsibilities increasing.

In these circumstances we cannot see why this 'component' is required to be disclosed as part of our remuneration. It is per-se a fee for service by the underwriter.

The Impact of the Disclosure Regime

Our industry is already struggling with the implementation of FSRA. There is serious doubt as to whether we will be able to continue to service retail clients with the additional ramifications of the proposed disclosure regime. It will hurt those it sets out to protect and will lead to a reduction of services, particularly in rural and regional areas.

Until recently we were unaware that a Joint Committee on Corporations and Financial Services had been formed by Parliament. Having now had the opportunity to scrutinise the recommendations in respect of 'retail products', we are at a loss to understand why they were not incorporated in the draft legislation.

We believe that the current disclosure regime contained within the Insurance (Agent and Brokers) Act 1984 provides more than adequate disclosure to the insuring public. These disclosure provisions should be continued within the new legislation.

To any members of the Committee I would invite you to come to our premises and see for yourselves the tasks that are being undertaken by our professional and support staff. You will also witness the results of the significant capital works that we have undertaken on technology to improve our services to the insurers and our customers.

I am available at any time to discuss issues in respect to this subject and/or answer any questions.

Yours faithfully



John R. George
Managing Director