



Insurance Council
of Australia

14 November 2022

Michelle Levy
Secretariat, Quality of Advice Review
Financial System Division
Treasury
Langton Cres
Parkes ACT 2600

Submitted via email: advicereview@treasury.gov.au

Dear Ms Levy,

Quality of Advice Review – Conflicted Remuneration Paper

The Insurance Council of Australia (**Insurance Council**)¹ appreciates the opportunity to provide a submission to the *Quality of Advice Review – Conflicted Remuneration Paper*. This letter provides an initial response to the Paper, noting further consideration will be required if the proposals were to be adopted.

The Insurance Council welcomes the conclusions and proposed recommendations put forward. We appreciate the recognition by the Review of a range of factors relevant to the sale of general insurance in considering the appropriateness of the conflicted remuneration regulatory settings. These include recent extensive regulatory reforms, the Review's proposals to reform the regulatory regime for advice, regulatory oversight and enforcement, and the role intermediaries play in providing access for customers to products and advice.

There has been extensive consideration of the current approach to distribution of general insurance products, including use of intermediated channels and remuneration of intermediaries, as well as the benefits to customers arising from intermediated distribution channels. Based on evidence, Proposal 1 recommends continuing the current exemption of general insurance from the ban on conflicted remuneration. The Insurance Council supports the recognition of customer benefits from intermediated distribution channels and the proposal to continue the exemption of general insurance from the ban on conflicted remuneration.

The Insurance Council also supports transparency. Transparency and disclosure, if operating effectively, are key to better informing customers about the quality of advice being received and to addressing any potential conflicts of interest. We acknowledge Proposal 1 seeks to enhance disclosure and requires positive customer consent, which we support.

The Insurance Council appreciates recognition of the varied types of intermediaries in the insurance value chain, and the different roles each type of intermediary plays in assisting consumers purchasing general insurance appropriate for their needs. We are pleased of the recognition of the distinction

¹ The ICA is the representative body of the general insurance industry in Australia and represents approximately 89% of private sector general insurers. As a foundational component of the Australian economy the general insurance industry employs approximately 60,000 people, generates gross written premium of \$59.2 billion per annum and on average pays out \$148.7 million in claims each working day (\$38.8 billion per year)

between intermediaries acting on behalf of a customer (for example, insurance brokers) and intermediaries acting on behalf of an insurer (for example, underwriting agencies and other distributors). It is important to consider the effect of intermediary remuneration arrangements in the context of providing advice.

We understand that the proposed customer consent obligation is intended to apply to all intermediaries who provide personal advice to retail clients. The proposed obligation would not therefore differentiate between types of intermediaries.

We would welcome further consideration by the Review of the differences between intermediaries to ensure the proposal does not have any unintended consequences and truly results in enhanced transparency as opposed to customer confusion. Consumers seeking advice on the most suitable product available across the insurance market would typically engage a broker, whilst the services of an insurer intermediary may be more focused on providing specialist products on behalf of a single insurer.

We look forward to engaging on these important reforms in more detail in due course.

Should you wish to discuss this response further, contact Ms Aparna Reddy, General Manager, Policy and Regulatory Affairs, at areddy@insurancecouncil.com.au or 0427 902 960.

Yours sincerely



Andrew Hall
Managing Director and Chief Executive Officer
Insurance Council of Australia