



National Insurance Brokers Association.



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Dear Chloe

Compensation requirements for credit licensees: Further consultation

This submission from the National Insurance Brokers Association (NIBA) is responding to ASIC's Consultation Paper 125, *Compensation requirements for credit licensees: Further consultation*.

All NIBA members are required to be an Australian Financial Services Licensee (AFSL) but only a small proportion of members are likely to become a Credit Licensee (CL).

In order to satisfy their AFSL obligations NIBA members meet the requirements of Regulatory Guide 126 *Compensation and insurance arrangements for AFS Licensees* by having PI insurance.

It is important that there is consistency in the terms and conditions of the PI insurance requirements for both AFSLs and CLs. Any inconsistency is likely to mean insurance brokers and any other AFSLs that are also CLs would need to have two PI insurance policies; one for each licence. This would involve costly duplication and is opposed by NIBA.

NIBA believes that there should be consistency in requirements relating to the terms and conditions for PI insurance for both AFSLs and CLs. There may not be a need for consistency in relation to the amount of cover required but there is in relation to terms and conditions.

NIBA is particularly concerned with the proposed requirement for a CL's PI insurance policy to cover claims that come to light after either the policy expires or the credit licensee ceases business i.e. run-off cover. NIBA's experience is that such insurance cover is not readily available in the Australian insurance market at present and that licensees will generally not be able to satisfy the requirement.

Even if availability of "run-off" cover for CLs was not an issue, NIBA would still oppose its inclusion as a requirement for CLs while it was not required for AFSs.

If there is any further information please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Noel Pettersen', written in a cursive style.

Noel Pettersen
Chief Executive Officer