

For immediate release: Thursday, August 28, 2014

## **Avoid unnecessary regulation and complexity insurance brokers tell FSI**

Insurance brokers should not be burdened by regulatory reforms that are being developed for other sectors of the financial services industry, the National Insurance Brokers Association (NIBA) has said in its response to the Interim Report of the Financial System Inquiry.

NIBA argues that each of the key sectors in the financial services industry is different and the nature of the products and services is different. In particular there is a significant difference between an insurance product which provides protection for a person or their property, and an investment product.

The submission warns against a "one size fits all" approach that created problems when both the Financial Services Reform Act and the Future of Financial Advice reforms were introduced and which led to repeated tinkering via exemptions and class relief orders.

"Of real concern to NIBA is that there appears to be the common use of the catch all term 'financial advisers' when discussing reform that in reality, is only needed in the financial planning space. The use of the term catches both types of adviser. There should be a clear distinction made between general and life insurance risk insurance advisers and financial planners who advise in the investment space."

Despite the parliamentary committee report which led to the FOFA package looking almost exclusively at financial planners and investment advisers, initially insurance brokers were swept up in the regulations despite there being no concerns identified with their performance or quality of advice.

"There are major issues and concerns with certain sectors of the Australian financial system at the present time. Those issues and concerns apply to specific sectors of the system only. Regulatory responses to those issues and concerns should not apply to other sectors of the system unless and until a clear cost/benefit analysis has been undertaken, and it can be clearly demonstrated that the proposed regulation will have a net benefit for the community," the submission says.

NIBA CEO, Dallas Booth, said the insurance industry had suffered from a lack of understanding by those conducting previous regulatory reviews. "Hopefully this time around we will be able to explain the characteristics which make our industry different from other parts of financial services," he said.

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The Financial System Inquiry interim report also flagged a bigger role for aggregators and comparison websites. However, NIBA argues that these sites provide no clear consumer benefit because the basis of their comparisons leads consumers to focus on price rather than coverage and ASIC has expressed concerns about misleading conduct in this area.

NIBA supports the recommendation to rename general advice as "sales", "marketing" or "product information" and to mandate that "advice" can only be used in relation to personal advice.

However NIBA questions whether to allow single product or single issuer limited personal advice services. If it is allowed, special disclosure obligations should be imposed to ensure consumers are properly informed of the clear conflict of interest that arises in such cases.

The full submission can be viewed here:

[www.niba.com.au/resource/140826NIBA\\_Supplementary\\_Submission\\_FSI.pdf](http://www.niba.com.au/resource/140826NIBA_Supplementary_Submission_FSI.pdf)

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*NIBA is a not-for-profit, independent industry association representing 360 firms and more than 2000 individual Qualified Practising Insurance Brokers (QPIBs), who handle almost 90% of the commercial insurance transacted in Australia. Brokers play a major role in insurance distribution, handling around \$17 billion in premiums annually and placing around half of Australia's total insurance business.*