



NATIONAL INSURANCE BROKERS ASSOCIATION OF AUSTRALIA (NIBA)

AUSTRALIA IN THE ASIAN CENTURY

COUNTRY STRATEGIES

ABOUT NIBA

NIBA is the voice of the insurance broking industry in Australia. NIBA represents 400 member firms and over 3,000 individual Qualified Practising Insurance Brokers (QPIBS) throughout Australia.

Brokers handle almost 90% of the commercial insurance transacted in Australia, and play a major role in insurance distribution, handling an estimated \$16 billion in premiums annually and placing around half of Australia's total insurance business. Insurance brokers also place substantial insurance business into overseas markets for large and special risks.

Over a number of years NIBA has been a driving force for change in the Australian insurance broking industry. It has supported financial services reforms, encouraged higher educational standards for insurance brokers and introduced a strong independently administered and monitored code of practice for members. The 400 member firms all hold an Australian financial services (AFS) licence under the Corporations Act that enables them to deal in or advise on Risk Insurance products.

NIBA appreciates the opportunity to be able to provide comments and suggestions regarding the development of strategies for Australia in the Asian Century.

ABOUT INSURANCE BROKERS

The traditional role of insurance brokers is to:

- assist customers to assess and manage their risks, and provide advice on what insurance is appropriate for the customer's needs;
- assist customers to arrange and acquire insurance; and
- assist the customer in relation to any claim that may be made by them under the insurance.

Insurance brokers act for individuals, small and medium size businesses, large national and multi-national corporations, governments and other organisations. Australian based insurance brokers advise and assist clients with risk management and risk financing for businesses located in Australia and around the world, including across Asia.



In doing the above the insurance broker acts on behalf of the customer as their agent. Insurance brokers offer many benefits to their clients:

- assistance with selecting and arranging appropriate, tailored insurance policies and packages
- detailed technical expertise including knowledge of prices, terms and conditions, benefits and pitfalls of the wide range of insurance policies on the market;
- assistance in interpreting, arranging and completing insurance documentation;
- experience in predicting, managing and reducing risks;
- for larger corporations, assistance and advice on alternative risk transfer options, including captive insurance and other arrangements; and
- assistance with claims negotiation and resolution.

In limited cases insurance brokers may act as agent of the insurer not the insured but where such a relationship exists the customer is clearly advised up front.

SUBMISSION

Australia has a very sophisticated insurance market, with insurance brokers able to provide expert advice and assistance on complex risks, including risks that occur across borders. Australian insurance brokers have access to the world wide insurance markets, either via Australian representatives or directly via representatives in London, Singapore, Bermuda, New York, Zurich and Munich.

Asia has a developing insurance market, especially in Singapore and Hong Kong. Lloyd's has opened their only trading operation outside London in Singapore.

While there is extensive knowledge and insurance expertise across Asia, Asian markets do look to Australia as a source of knowledge and experience. Australia also has some world leading regulatory practices, in relation to the prudential regulation of insurers (via the Australian Prudential Regulation Authority) and the regulation of insurance markets (via the Australian Securities and Investments Commission).

Australia has a generally open insurance market. So long as the insurance broker or the insurance company complies with APRA or ASIC regulatory requirements, they can participate in the Australian insurance market, regardless of (overseas) ownership.

Importantly, Australian risks can be insured in the world markets where it is appropriate and economical to do so. Significant insurance is placed into the world markets by Australian brokers for large or special risks – see the APRA Intermediated General Insurance Statistics report, issued on 6 March 2013.

Australian based insurance brokers generally engage with Asia in two ways.



Collaboration and Liaison

A number of Australian brokers have commercial relationships with Asian based insurance broker firms, so that they can jointly service clients with properties and risks in two or more countries. In most cases, the Australian broker would act in a cooperative and collaborative manner with their Asian associates. In this way, Asian brokers have access to Australian insurance broking expertise, and the Australian insurance market. They are also able to service clients with property or risks in Australia. Similarly, Australian brokers are able to liaise with Asian colleagues to arrange cover for clients who have property or risks located in Asian countries.

Broking across borders

A number of large international insurance brokers operate in Australia, and these firms provide risk management and risk financing advice for large Australian and international clients who often have businesses, property and risks across a number of countries, including Asia.

The experience of these firms is that a number of Asian countries have local regulatory requirements which –

- limits or restricts foreign ownership of insurance operations (both insurance brokers and insurance underwriters); and
- requires insurance cover to be underwritten by locally based and owned insurers. This can be a major concern for clients, if the local insurance market does not have the capacity to provide sufficient cover for large or specialist risks, or where the local insurance underwriters do not have the financial security usually required by major international clients.

As noted above, neither of these issues arise in relation to risks located in Australia (subject to compliance with Australian regulatory requirements), as overseas owned companies operate both insurance broker firms and insurance companies, and Australian risks can be readily insured on the world markets if needed.

NIBA therefore respectfully submits –

1. General Insurance is an area of business that may be suitable for inclusion in the development of Country Strategies as part of the Asian Century policy initiative;
2. Barriers to entry into Asian markets currently exist, and this may well be an item suitable for inclusion on any agenda for bi-lateral or multilateral discussions between Australia and Asian partners;



3. The obligation to place insurance with local underwriters is another item that may be suitable for discussions between Australia and Asian countries; and
4. Australia's involvement in and contribution to trade and commerce with the developing Asian countries (particularly trade and commerce on risk, risk financing and insurance) needs to be carefully considered in the context of the proposed Asian economic zone.

If you would like to discuss any aspect of this matter further do not hesitate to contact us.

Dallas Booth

Chief Executive Officer

Direct: +61 (0)2 9459 4305

Email: dbooth@niba.com.au

National Insurance Brokers' Association of Australia