

12 July 2013

**SUBMISSION in response to the Discussion Paper on Reform to deductions for education expenses**

The National Insurance Brokers Association (NIBA) represents over 3,000 insurance brokers providing advice and assistance to individuals, small and large businesses, and multinational corporations, on risk, insurance and related matters.

NIBA also operates a registered training organisation for insurance brokers – NIBA College.

During calendar 2012, NIBA members invoiced insurance premiums exceeding \$17.2 billion, around half of all insurance premiums paid during that year. NIBA members place over 90% of all commercial insurance, into the Australian, UK and international insurance markets.

We appreciate the opportunity to make the following brief points in relation to the proposed limitation on deductions for self-education expenses.

1. Insurance brokers operate under Australian financial services licences, issued by ASIC. It is an ASIC requirement (under Regulatory Guide 146) that licensees be appropriately trained for the nature of service and advice they are providing to their clients, and that their level of knowledge and competence is maintained during the course of their career.
2. NIBA has long promoted the need for high levels of professionalism among insurance brokers.
3. One way in which professionalism is exhibited is by the industry recognized qualification “Qualified Practising Insurance Broker”, or QPIB. QPIB status requires both formal education requirements and ongoing professional development.
4. Insurance brokers undertake four types of professional education during the course of their careers.
5. Initial education is required to meet ASIC Tier 2 and Tier 1 education requirements. Tier 2 is at the level of a Certificate III course, and Tier 1 is partial completion of a Diploma course. These courses would invariably be funded by the employer in order to ensure the staff member is properly trained in accordance with regulatory requirements.

6. The NIBA College Diploma is the industry recognized qualification for insurance broking in Australia. Many employers support their staff in the completion of a Diploma, as this qualification, combined with industry experience and ongoing professional development, qualify the staff member for the QPIB status mentioned above. Some employers do not support completion of the Diploma course, on the basis that it is not mandatory for ASIC requirements. In such circumstances, it is a matter for the staff member to determine whether they fund the course themselves. The cost of the Diploma is around \$4,000, and tax deductibility would no doubt be a factor in considering whether to complete a Diploma course.
7. All insurance brokers in Australia are required to maintain their professional knowledge and competence. This is mandated by ASIC Regulatory Guide 146, and is also a mandatory requirement to maintain QPIB status. Most continuing professional development would be funded by the employer.
8. NIBA College also offers Advanced Diploma and Graduate Diploma courses. These courses cost in excess of \$5,000, and while some employers fund these course, mostly it would be only on the basis of a refund of course fees if successful. Tax deductibility for the staff member would be a major consideration in determining whether to proceed with these course.

## Conclusion

NIBA believes that the proposed reform to deductions for self education expenses are likely to have little impact on the basis training requirements for insurance brokers in Australia.

However, NIBA is strongly concerned that the proposed changes will have a major impact on the amount of higher level education and training undertaken within the sector. We strongly believe this would be a detrimental step for the insurance industry in this country.

There have been many comments to the effect that Government concerns could be addressed by limiting or removing factors such as the cost of overseas travel for conferences and events. NIBA would support reforms of that nature, rather than reforms which may well act as a discouragement to further technical training and professional development.

If you require further information in relation to any of these matters, please do not hesitate to contact me.

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