

18 December, 2018

## **NIBA responds to the ACCC Interim Report on Northern Australia Insurance**

### **Recognition of the important role of insurance brokers is welcomed, concerns about the role of commissions are not well founded**

The National Insurance Brokers Association of Australia has welcomed the ACCC's Interim Report findings about the important role insurance brokers play in the very difficult insurance markets across Northern Australia, and in Northern Queensland, in particular.

NIBA CEO Dallas Booth said that it is not surprising there is greater usage of insurance brokers in Northern Queensland, as it is the most difficult insurance market in the country, with often very little choice available to property owners or other consumers. Both terms and conditions of cover, and price, are extremely difficult in that market, and only insurance brokers have the skills and experience to obtain appropriate cover for their clients, when it is available, Mr Booth said.

However, NIBA seriously questions the basis on which the ACCC has recommended the FOFA ban on conflicted remuneration be extended to insurance brokers.

"NIBA acknowledges that in theory there can be a potential conflict of interest between commission income and the interests of the client. However, there is no evidence of any widespread or systemic poor client outcomes that are being incentivised by broker commissions."

Insurance brokers were within the scope of the Royal Commission on Misconduct in the Banking, Superannuation and Financial Services Industry. There was no indication of insurance broker misconduct in either the hearings of the Royal Commission, or in the material published by the

Royal Commission. Insurance brokers were excluded from the FOFA ban on conflicted remuneration following a careful review by the Government of the day, and there has been no evidence of any issues or concerns since the FOFA laws have been in place that would justify any change in this area.

Currently, insurance brokers have very strong statutory, common law and contractual duties to act in the best interests of their clients. This is what they do each and every day.

NIBA's position is that before any decision is made on the issue of commissions –

1. There must be clear evidence of detriment being suffered by clients of insurance brokers as a result of the remuneration arrangements that currently exist – no evidence of this activity has been drawn to the attention of NIBA to date; and
2. There must be very careful analysis of any proposed alternative position, in order to ensure that the benefits the community receives from current arrangements will not be destroyed, that there will be genuine benefits from reform, and that those benefits will outweigh any actual and unintended costs likely to arise from the change.

NIBA seriously questions the ACCC statement that “a clear, fee for service model to consumers is preferred to the remuneration arrangements described above”. There is no analysis as to whether the community would continue to receive access to advice, both when taking out insurance policies and when making claims, that the current remuneration structure supports.

NIBA will be making a strong submission to the Federal Government and to the ACCC indicating there is no basis for implementing the ACCC recommendation on broker commissions.

**Dallas Booth**

**Chief Executive Officer**

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## **About NIBA**

NIBA is an independent industry association representing approximately 320 firms and more than 3500 individual intermediaries, who handle almost 90 per cent of the commercial insurance transacted in Australia. Brokers play a major role in insurance distribution, handling \$20 billion in premiums annually and placing around half of Australia's total insurance business.