

4<sup>th</sup> February 2022

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## **NIBA Submission: Review of the Quality of Financial Advice Draft Terms of Reference.**

As the peak representative body for the intermediated insurance industry, NIBA represents more than 15,000 general insurance brokers all around Australia. Our members include major international broking firms, large Australian-owned firms and over 400 medium and small insurance broking firms operating in the cities, towns and regions across the length and breadth of the country.

Insurance brokers are trusted advisors to their clients and perform a number of valuable services including;

- Supporting consumers and businesses to understand, manage and minimise their risk exposure.
- Identifying and arranging appropriate insurance products or other risk financing mechanisms from both the domestic and international markets which are often inaccessible to direct consumers.
- Helping clients navigate changes in insurers risk appetite and regional commitment.
- Managing claims and acting as the clients' advocate throughout the claims process.

Brokers also maintain a unique relationship with insurers and underwriters and help drive competition that often leads to broader product design and pricing options. Their presence in many locations ensures they can provide quality face to face care for clients outside of the insurers' footprint. The ability to reach customers all over Australia is vitally important to facilitate different aspects of the insurance process, such as claims management and location-based risk advice.

In performing these services, insurance brokers act as agents of their client and have statutory, common law and professional obligations to act in the best interests of their client at all times.

Insurance brokers overwhelmingly represent the interests of policyholders and not those of insurance companies. Consequently, comments made by NIBA in this submission are made on behalf of its members and the public that purchases insurance, not on behalf of insurance companies.

### **Introduction**

The National Insurance Brokers Association (**NIBA**) welcomes the opportunity to provide feedback on the Review of the Quality of Financial Advice (Quality of Advice Review) Draft Terms of Reference.

Since the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry were handed down in early 2019, NIBA has

looked forward to the opportunity to provide feedback to better allow insurance intermediaries to serve the needs of the clients and their communities.

#### Draft Terms of Reference

After review and consultation with our members, NIBA has identified no significant issues with the Draft Terms of Reference. In NIBA's view the proposed Terms of Reference are broad enough so as to allow for a holistic review of the financial advice industry.

It is important to note, that previous inquiries into various aspects of the provision of financial advice have neglected to consider issues relating to the provision of insurance and risk management advice. Given the increase in the rate of under-insurance in many parts of Australia and the difficulties consumers face when trying to obtain appropriate insurance, it is vital that risk advice is considered under the general umbrella of Financial Advice, not just in relation to recommendation 2.6.

NIBA notes the review will be conducted at the same time as the Australian Law Reform Commission (ALRC) inquiry into the simplification of the legislative framework for corporations and financial services regulation. The ALRC has already released Interim Report A (Report 137, 2021) which discussed issues related to financial product advice and makes various proposals.

Coordination between the two reviews will be important. It is NIBA's view that this Review must lead policy discussions on advice related issues raised by the ALRC for further discussion.

NIBA notes for example, that the ALRC report did not identify the important fact that different rules are applied for very good reasons relevant to personal advice between "relevant providers" (financial advisers) on "relevant financial products" and those who only provide personal advice in relation to general insurance products (general insurance brokers).

NIBA looks forward to working closely with the Treasury and ASIC teams and providing a submission to the review in due course. Should NIBA be able to provide any assistance to the review, please contact us on (02) 9459 4300.

Yours sincerely,



**Philip Kewin**  
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National Insurance Brokers Association