

26th April 2024

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Via Upload

NIBA Submission: Treasury Laws Amendment (Delivering Better Financial Outcomes and Other Measures) Bill 2024

The National Insurance Brokers Association (NIBA) and its members welcome the opportunity to provide feedback to the Senate Economics Legislation Committee's inquiry into the provisions of the Treasury Laws Amendment (Delivering Better Financial Outcomes and Other Measures) Bill 2024 (the Bill).

NIBA is the peak representative body for the general intermediated insurance industry. NIBA serves as the collective voice of approximately 450 member firms and 12,000 individual brokers. Our membership encompasses a diverse range of entities, including large multinational insurance brokers, Australian broker networks, as well as small and medium-sized businesses located in cities and regional areas around Australia.

NIBA aims to promote insurance brokers and their role in supporting and advising clients on risk management and insurance matters. NIBA provides this knowledge and expertise to governments and government agencies to facilitate understanding of the operation of general insurance markets.

NIBA supports the introduction of the Bill to support the provision of general risk advice. As Australian communities face more frequent and severe natural disasters and hardening insurance markets, advice from a trusted risk adviser must remain accessible to consumers and small businesses.

NIBA notes the recent announcement by Treasury of their intention to rectify a drafting error that inadvertently removed the conflicted remuneration exemption for certain types of general advice. It is vital that this issue is addressed to ensure general risk advice remains accessible and affordable.

Limiting of provisions to personal advice

The Quality of Advice Review initially recommended a significant expansion of the definition of personal advice. Under the proposed new definition most of the advice

provided by advisers would have been considered to be personal advice. Therefore, subsequent recommendations that applied only to personal advice would have applied to a much greater portion of advice.

While NIBA understands that the government has decided not to proceed with this recommendation, limiting accepted recommendations to personal advice as currently defined in the Corporations Act will significantly reduce their impact on both consumer protections and reducing administrative burden. In NIBA's view, recommendations that initially applied solely to personal advice should be expanded to include general advice.

Financial Services Guide

The Bill introduces increased flexibility for the provision of Financial Service Guides (FSG). However, this increased flexibility only applies when the adviser is providing personal advice. Limiting this provision to personal advice will significantly limit the impact of the changes as they are unlikely to be taken up by brokers who provide both personal and general advice.

Expanding the FSG provisions to both personal and general advice is unlikely to have a negative impact on general advice clients and would enable advice providers to provide important information to consumers in a manner that suits them rather than a prescriptive document that is rarely viewed.

NIBA recommendation: Remove sections 5A(a) "the financial service provided to the client is personal advice" and 941F(1)(b)(i) "provides personal advice to the client".

Commission disclosure and consent

NIBA supports the introduction of commission disclosure and client consent for general insurance and consumer credit insurance. NIBA notes that these provisions currently only apply to personal advice. In NIBA's view this is unlikely to achieve the desired policy outcomes as general advice is more commonly provided than personal advice.

Expanding these provisions to include general advice would significantly increase consumer protections and more closely align the provisions with the original intent of the Quality of Advice recommendations.

This change would align the Bill with the industry's commitment to improving client outcomes through the introduction of commission disclosure for all Retail Clients in the 2022 Insurance Brokers Code of Practice.

NIBA recommendation: Commission disclosure and consent provisions should be expanded to include general advice provided to Retail Clients.

S963BB Conflicted remuneration exemption for general advice

NIBA, like a number of key stakeholders, was alarmed at the apparent removal of the current exemption to conflicted remuneration provisions for general insurance, consumer credit insurance, and life insurance products when advisers offer general advice. While we note Treasury has announced that the removal of this exemption was not intentional and will be addressed, NIBA strongly recommends that the exemption be reinstated as soon as practicable.

If unchanged, this departure from the recommendations of the Quality of Advice Review raises concerns about the potential impact on the affordability and accessibility of advice for Australian consumers and small businesses.

We have liaised with other industry bodies and understand the majority, if not all, are aligned on the need to redraft s963BB to ensure the conflicted remuneration exemption for general advice is retained.

Thank you for the opportunity to provide this feedback. If you have any further questions please feel free to contact Allyssa Hextell, Head of Policy and Advocacy at ahextell@niba.com.au.

Yours sincerely,



Philip Kewin
Chief Executive Officer
National Insurance Brokers Association