

15 April 2021

Mr Dallas Booth  
Chief Executive Officer  
National Insurance Brokers Association  
Level 11, 20 Berry Street  
NORTH SYDNEY NSW 2060  
Email: [Dbooth@niba.com.au](mailto:Dbooth@niba.com.au)

Dear Mr Booth

## **NATIONAL INSURANCE BROKERS CODE OF PRACTICE REVIEW**

The Australian Finance Industry Association (AFIA) is the peak body for the insurance premium funding (IPF) industry. We believe that industry standards that support clear, transparent, and upfront disclosure promotes choice in and access to consumer and business finance. This is an important element of ensuring the industry contributes to Australia's economic recovery, drives best practices, and meets community expectations.

To set those standards, AFIA and its IPF members,<sup>1</sup> have developed a Code of Practice that will be released later this year. As IPF products are primarily made available to customers through brokers, it is important that our industry codes align. This ensures that our members' mutual customers are well supported when seeking IPF products through brokers at the point of sale.

As you are aware, AFIA continues to consult closely with NIBA on our IPF Code. We understand that it will be important for our IPF Code and NIBA's Code of Practice to operate alongside each other, and therefore, we appreciate the opportunity to give feedback on your Code.

AFIA and its members support the proposed changes to the NIBA Code of Practice. However, we believe that there is an opportunity to further align our codes. First, disclosure in instances where a broker receives remuneration to promote or sell a product. Second, banning conflicted remuneration arrangements between brokers and funders.

We provide further detail of our recommendations below.

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<sup>1</sup> Hunter Premium Funding, IQumulate, BOQ Finance, Principal Finance, Attvest, Premium Funding, Elantis and Westpac

## RECOMMENDATION 1: INCLUDE SPECIFIC REFERENCE TO PREMIUM FUNDING ARRANGEMENTS IN THE NIBA CODE IN SECTION 6 DISCLOSURE REQUIREMENTS

Under the NIBA Code, brokers are required to make disclosures to customers when providing certain services. These disclosures include how much the broker is paid (or any other benefits received) to provide those services. Similarly, the IPF Code requires funders to disclose to customers how much brokers are paid to refer customers to insurance premium funding products as well as any arrangements in place between funders and brokers.

In our view, there is no difference between a broker referring a customer to an insurance product and a broker referring a customer to an insurance premium funding product. Therefore, we recommend the disclosure requirements for brokers referring customers to those products should be the same.

Section 6 of the NIBA Code is currently structured in such a way that it can be read as placing on brokers different disclosure requirements for the provision of services associated with insurance products and the provision of services associated with premium funding products.

We propose the following changes to section 6:

1. In part one of section 6, include specific examples of where there is an obligation on brokers to make disclosures of remuneration or benefits in relation to the distribution of insurance premium funding products. For example, with respect to dot point 1 adding the words premium funding product as follows:  
*'We will, before (or if this is not practicable, at the time) we provide our Covered Services clearly tell you the type(s) of remuneration or other benefits that we are to receive in respect of, or that is attributable to, the provision of any of our Covered Services (e.g commission/brokerage forming part of the premium or premium funding product, fees or a combination of both etc).'*
2. In part two of section 6, extend the specific requirements with respect to insurance services to insurance premium funding services e.g. requiring specific disclosure of all forms of commission received for those services including those based on volume, retention of business or profitability of a portfolio.

These recommendations, if implemented, will ensure that the codes align with respect to disclosure at the point of sale. Furthermore, it highlights the importance of these codes working seamlessly together to ensure better customer outcomes.

## RECOMMENDATION 2: CONSIDER BANNING CONFLICTED REMUNERATION ARRANGEMENTS

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry took the view that certain remuneration arrangements were conflicted and did not meet community expectations. Legislation to prohibit those types of conflicted remuneration by mortgage brokers came into effect 1 January 2021<sup>2</sup> with specific bans on volume-based and campaign-based

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<sup>2</sup> [Financial Sector Reform \(Hayne Royal Commission Response—Protecting Consumers \(2019 Measures\)\) Act 2020 \(legislation.gov.au\)](https://www.legislation.gov.au)

benefits. We note the approach taken to conflicted remuneration for financial advisers as well as the review to be conducted in 2022 by the Council of Financial Regulators and Australian Competition and Consumer Commission (ACCC), which may make findings with respect to applying similar standards across the industry.

The IPF Code has taken a long term, customer-centric view, and therefore, commits our members to progressively removing conflicted remuneration arrangements as part of raising conduct and disclosure standards to deliver better customer outcomes.

The approach taken by the NIBA Code in disclosing conflicts of interest and obtaining informed consent from customers is a good step forward. We encourage NIBA to go a step further to commit brokers to removing conflicted remuneration arrangements, such as volume-based incentives within the industry.

### CLOSING COMMENTS

I would appreciate the opportunity to discuss our recommendations and to continue to work with NIBA on the development of the IPF Code. We also look forward to receiving NIBA's written feedback in relation to the IPF Code.

Should you wish to discuss our submission or require additional information, please contact me Naveen Ahluwalia, Director of Regulatory Affairs & Policy [naveen@afia.asn.au](mailto:naveen@afia.asn.au) or 02 9231 5877.

Yours sincerely

A handwritten signature in black ink that reads "Diane Tate". The signature is written in a cursive style with a large initial 'D' and a long horizontal stroke at the end.

Diane Tate  
**Chief Executive Officer**