

EXPOSURE DRAFT

2013-2014-2015

The Parliament of the
Commonwealth of Australia

HOUSE OF REPRESENTATIVES/THE SENATE

EXPOSURE DRAFT (24/11/2015)

Corporations Amendment (Life Insurance Remuneration Arrangements) Bill 2015

No. , 2015

(Treasury)

**A Bill for an Act to amend the law in relation to
financial products that relate to insurance, and for
related purposes**

EXPOSURE DRAFT

EXPOSURE DRAFT

Contents

1	Short title.....	1
2	Commencement.....	1
3	Schedules.....	2
	Schedule 1—Amendments	3
	<i>Corporations Act 2001</i>	3

EXPOSURE DRAFT

1
2 **A Bill for an Act to amend the law in relation to**
3 **financial products that relate to insurance, and for**
4 **related purposes**

5 The Parliament of Australia enacts:

6 **1 Short title**

7 This Act may be cited as the *Corporations Amendment (Life*
8 *Insurance Remuneration Arrangements) Act 2015.*

9 **2 Commencement**

- 10 (1) Each provision of this Act specified in column 1 of the table
11 commences, or is taken to have commenced, in accordance with
12 column 2 of the table. Any other statement in column 2 has effect
13 according to its terms.
14

Commencement information		
Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1. Sections 1 to 3 and anything in this Act not elsewhere covered by this table	The day this Act receives the Royal Assent.	
2. Schedule 1	1 July 2016.	1 July 2016

15 Note: This table relates only to the provisions of this Act as originally
16 enacted. It will not be amended to deal with any later amendments of
17 this Act.

- 18 (2) Any information in column 3 of the table is not part of this Act.
19 Information may be inserted in this column, or information in it
20 may be edited, in any published version of this Act.

Schedule 1—Amendments

Corporations Act 2001

1 At the end of subsection 912C(1A)

Add:

; and (e) may require a statement containing information to be given in a specified manner (including in electronic form).

2 Paragraph 963B(1)(b)

Repeal the paragraph, substitute:

(b) each of the following is satisfied in relation to the benefit:

(i) the benefit is given to the licensee or representative in relation to a life risk insurance product or life risk insurance products;

(ii) none of the products is a group life policy for members of a superannuation entity (see subsection (2)) or a life policy for a member of a default superannuation fund (see subsection (3));

(iii) either:

(A) the ratio between the benefit and the relevant amount payable for the product or products, or that part of the relevant amount payable for the product or products to which the benefit relates, is the same for the year in which the product or products are issued as it is for each year in which the product or products are renewed; or

(B) the benefit ratio requirements and clawback requirements in section 963BA are satisfied in relation to the benefit;

3 After subsection 963B(3) (after the note)

Insert:

(3A) The *relevant amount* for a life risk insurance product, or products, for a period is the sum of:

EXPOSURE DRAFT

Schedule 1 Amendments

- 1 (a) the premiums payable for the product, or products, for that
2 period; and
3 (b) any fees payable for the issue of the product, or products, for
4 that period; and
5 (c) any additional fees payable because the premium for the
6 product, or products, is paid periodically rather than in a
7 lump sum; and
8 (d) any other prescribed amount;
9 but does not include any taxes imposed by the Commonwealth, or
10 a State or Territory, in respect of the product, or products.

11 **4 After section 963B**

12 Insert:

13 **963BA Benefit ratio and clawback requirements**

14 *Benefit ratio requirements*

- 15 (1) The ***benefit ratio requirements*** are satisfied in relation to a benefit
16 given to a financial services licensee, or a representative of a
17 financial services licensee, who provides financial product advice
18 in relation to a life risk insurance product, or life risk insurance
19 products, if the ratio between:
20 (a) the benefit; and
21 (b) the relevant amount payable for the product or products, or
22 that part of the relevant amount payable for the product or
23 products to which the benefit relates, for the period to which
24 the benefit relates;
25 is equal to or less than that determined by ASIC under
26 subsection (2) as an acceptable ratio.
- 27 (2) ASIC may, by legislative instrument, determine an acceptable
28 ratio, or a way of working out an acceptable ratio, between:
29 (a) the benefit payable to a financial services licensee, or a
30 representative of a financial services licensee, who provides
31 financial product advice in relation to a life risk insurance
32 product, or products; and

EXPOSURE DRAFT

Amendments **Schedule 1**

1 (b) the relevant amount payable for the product or products, or
2 that part of the relevant amount payable for the product or
3 products to which the benefit relates, for the period to which
4 the benefit relates.

5 *Clawback requirements*

6 (3) The *clawback requirements* are satisfied in relation to a benefit
7 given to a financial services licensee, or a representative of a
8 financial services licensee, who provides financial product advice
9 in relation to a life risk insurance product, or life risk insurance
10 products, if:

11 (a) the arrangement under which the benefit is payable includes
12 an obligation to repay all or part of the benefit if:

13 (i) the product, or one of the products, is cancelled or is not
14 renewed (other than because of suicide, self-harm or in
15 other prescribed circumstances); or

16 (ii) the relevant amount for the product, or one of the
17 products, for a period is reduced (other than in
18 prescribed circumstances);

19 within 2 years after it is first issued to a retail client; and

20 (b) the amount to be repaid under the obligation is equal to or
21 greater than the amount determined by ASIC under
22 subsection (4) as an acceptable repayment.

23 (4) ASIC may, by legislative instrument, determine the amount, or a
24 way of working out the amount, that is an acceptable repayment for
25 the purposes of paragraph (3)(b).

26 (5) In this section:

27 *relevant amount* has the same meaning as in section 963B.

28 **5 At the end of Chapter 10**

29 Add:

EXPOSURE DRAFT

Schedule 1 Amendments

1 **Part 10.27—Transitional provisions relating to the**
2 **Corporations Amendment (Life Insurance**
3 **Remuneration Arrangements) Act 2015**
4

5 **1701 Definitions**

6 In this Part:

7 *amending Act* means the *Corporations Amendment (Life Insurance*
8 *Remuneration Arrangements) Act 2015*.

9 *commencement day* means the day on which Schedule 1 to the
10 amending Act commences.

11 **1702 Applications of amendments relating to life risk insurance**
12 **products**

13 (1) The amendments made by Schedule 1 to the amending Act apply
14 to a benefit given to a financial services licensee, or a
15 representative of a financial services licensee:

16 (a) under an arrangement entered into on or after the
17 commencement day; and

18 (b) under an arrangement entered into before the commencement
19 day, but only in relation to life risk insurance products issued
20 after the commencement day.

21 (2) Despite subsection (1), the amendments made by Schedule 1 to the
22 amending Act do not apply to a benefit given to a financial services
23 licensee, or a representative of a financial services licensee, to the
24 extent that the operation of those amendments would result in an
25 acquisition of property (within the meaning of paragraph 51(xxxi)
26 of the Constitution) from a person otherwise than on just terms
27 (within the meaning of that paragraph of the Constitution).