

Dear Professor Ramsay and other members of the independent expert panel,

NIBA has not had the capacity to provide a detailed response to the inquiry's Issues Paper published on 9 September 2016, and we acknowledge the time for submissions in response to the Issues Paper has now closed.

We would like to take this opportunity to make some short comments on issues pertaining to this review, which we believe should be taken into account during the preparation of the Inquiry's interim report.

1. The Australian financial system is very broad and diverse, with a wide range of products and services which fulfil a wide range of purposes. The breadth of the recommendations and observations of the Financial System Inquiry confirm this position.
2. Each of the sectors operating within the overall financial system has its own specific issues and challenges, as well as long standing rules, regulations, statutory and case law, and operating practices and procedures. To give just one example, insurance brokers, mortgage brokers and stockbrokers provide very different services and advice to their customers and clients, for very different purposes, and with very different outcomes and objectives in mind when the advice is being given and the services are being provided to clients.
3. Even within the area of general insurance (which is where the great majority of NIBA members operate) there are very different approaches as between direct insurers (who deal directly with customers on all matters relating to product and claims) and the intermediated insurance market (where insurance brokers, underwriting agencies and other parties play important roles).
4. All insurance brokers operating in Australia are members of the Financial Ombudsman Service.
5. It is crucial that FOS, and any future external dispute resolution service operating in the area of general insurance, has expertise on practice and procedures, rights and obligations, relating to insurance contracts and the operation of the general insurance industry. This knowledge and expertise is particularly relevant at the very initial stages of the examination of the dispute, as the EDR service must determine (1) is the dispute actually within the scheme's Terms of Reference, and (2) who are the correct parties to the dispute.
6. NIBA generally supports (with some reservations) the way in which FOS is funded at the present time. FOS operates largely on a "user pays" basis, with the financial services providers who are involved in disputes paying the bulk of FOS fees and charges. NIBA would be very concerned if any changes to the operation of EDR schemes resulted in insurance brokers contributing more than at present to the cost of operating EDR schemes.
7. NIBA sees no serious issues or concerns with the operation of FOS in relation to general insurance disputes at the present time. If the inquiry is minded to make recommendations relating to the resolution of general insurance disputes that involve insurance brokers, we would appreciate the opportunity to discuss the issues and concerns and the proposed recommendations in detail, prior to the release of the Interim Report.

Please do not hesitate to contact me if you would like to discuss any of these matters, or any other matter relating to the Inquiry's terms of reference so far as they relate to general insurance disputes.

Yours sincerely,

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