



Michelle Levy
Secretariat, Quality of Advice Review
Financial System Division
The Treasury
Langton Crescent
Parkes ACT 2600
Submitted via email: advicereview@treasury.gov.au

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Dear Ms Levy

Quality of Advice Review – Proposals Paper

The Insurance Council of Australia¹ (**Insurance Council**) welcomes the opportunity to provide a submission to the *Quality of Advice Review – Proposals Paper*. This letter provides an initial response to the paper, noting overall support and drawing attention to some matters that will require further consideration if the proposals were to be adopted.

We are in-principle supportive of this proposal, which has the potential to enhance the quality of interactions between insurers and consumers. Our experience is that the current regulatory regime unnecessarily constrains the ability of licensees to provide product advice tailored to a customer's specific query or circumstances.

General insurance has a critical role in the economy, insulating individuals and businesses from the financial impact of loss or damage to their insured assets. It is increasingly important to support less constrained customer interactions, particularly given customers' unique needs. Such as, considering what may affect a customer when considering home and contents insurance. This could include natural disaster risk (current and future) and working arrangements that would affect insurance, for example if a person is a gig economy worker² or the percentage of time spent a person spends working from home.

The difference between information that is personal advice, general advice and factual information can be minor in some circumstances. Compliance with the financial product advice regime therefore inevitably focuses training for employees and agents on phrasing information to allow them to remain within the definition of the model they are operating under, rather than on delivering information that is of the most assistance to the consumer's inquiry.

Most customer interactions involve guidance on the types and levels of cover provided by products to help customers consider whether particular products are suitable for their needs. Due to the current obligations associated with personal advice, most general insurance products are issued with no advice or with general advice. While consumers would benefit from personal advice, the type of

¹ The ICA is the representative body of the general insurance industry in Australia and represents approximately 89% of private sector general insurers. As a foundational component of the Australian economy the general insurance industry employs approximately 60,000 people, generates gross written premium of \$59.2 billion per annum and on average pays out \$148.7 million in claims each working day (\$38.8 billion per year).

² The rise of the gig economy and its impact on the Australian workforce, Actuaries Institute paper ([link](#))

personal advice they would need in most cases would be simple compared with investment type products.

It would be important for the proposed “good advice duty” to be calibrated so that it is fit for purpose and simple to comply with for advice at the less complex end of the spectrum. A key consideration is what kind of information an insurer should rely on to meet the good advice duty. Unlike other types of financial services, not all information held by an insurer would be accessible or relevant at the time the advice is provided. For example, a call centre operator may not have reasonable access to a claims database at the time the advice is provided. Further, an insurer may already have information about a non-customer in one of their systems, for example, where a customer was a party (claimant or defendant) in a previous insurance incident.

Consideration should be given to appropriate legislative parameters so that only relevant information and information that is reasonable for the advisor to hold is required in considering whether the good advice duty has been met and legislative parameters to ensure there is no unintended confusion between factual information and advice.

Our view is that record keeping should be technologically neutral so that telephone recordings and other accessible recordings can be used. The specific requirements around records required to be retained also pose challenges that require discussion, for example, consideration to the outputs required if a customer requests the record of advice.

It will be important that there is a clear demarcation between personal advice and factual information, and we recommend that the definition of personal advice under the new regime be consistent with the current definition of advice under s766B of the Corporations Act. An adequate period for transition would also be required.

We look forward to engaging on these important reforms in more detail as consultation progresses.

Should you wish to discuss this response further, contact Ms Aparna Reddy, General Manager, Policy and Regulatory Affairs, at areddy@insurancecouncil.com.au or 0427 902 960.

Yours sincerely



Andrew Hall
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