

MEDIA RELEASE

For Immediate Release

LIFE INSURANCE INDUSTRY BEGINS REBUILD WITH NEW CONSUMER CODE

A radical overhaul of the code governing the conduct and practices of Australian life insurers which belong to the Financial Services Council (FSC) has been released for public consultation today.

The draft FSC Life Insurance Code of Practice builds upon the original code in force since 2017 and is designed to lift standards in product design, sales, underwriting, customer service, complaints and claims handling.

In all, more than 30 significant changes have been made to practices that govern the way FSC member life insurers will treat customers under the new Code, which will take effect next July.

“Every aspect of the life insurance industry is under the microscope following the poor behaviour brought to light during the Royal Commission,” FSC CEO Sally Loane said.

“We owe it to consumers to do a better job. Today with the release of the consultation draft of the second iteration of the Code the life insurance industry is demonstrating it is serious about improving products, practices and governance to rebuild the standing of the sector.”

The author of the majority of the proposed changes affecting life insurers, FSC Senior Policy Manager Nick Kirwan, will present an overview of the new draft Code at a briefing in Sydney today.

“The FSC has been working with ASIC and consumer advocates, and has met with mental health groups, GPs and geneticists during the past 18 months to develop the new draft Code,” Mr Kirwan said.

“We have worked with the overriding aim of making a positive difference to how consumers are treated when choosing and claiming on life insurance.”

Proposed changes to the new Code include:

- Banning pressure selling of products and coercive retention tactics.
- Banning medical disclosure checking without reasonable grounds.
- Ensuring customers are no better or worse off at claim time (excluding fraud).
- Improving Funeral insurance to ensure people understand what they are buying.
- Separating Consumer Credit Insurance (CCI) from credit product sales.
- Binding trustees of Superannuation funds to the Code.
- Extending coverage of the Code to include all life insurance distributors.

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1. Reforms to underwriting, claims and mental health, including:
 - Taking individual circumstances of mental health conditions (including history and severity) into account in underwriting.
 - Including people with a mental health condition as “vulnerable”.
 - Greater protection for customers during claims interviews.
 - Plain language explanations of the reasons for non-standard terms, such as exclusions.
 - Clearer questions on application forms.

Ms Loane said the FSC would be undertaking public consultation on the new draft Code to enable the community to share their views.

“Beginning tomorrow, the FSC will hold three public meetings in Melbourne, Brisbane and Sydney where anyone with an interest in the Code can attend, ask questions and provide feedback, and the public can also make written submissions on the draft Code,” Ms Loane said.

“In addition to the public forums, we will hold consultations to engage with the mental health community, indigenous groups, religious support agencies and the broader consumer movement. We will ask ASIC to participate in these stakeholder consultations, to provide their perspectives and to ensure the engagement is effective” she said.

“The FSC is committed to ultimately have the Code registered with ASIC.”

Mr Kirwan said the draft Code also included the recently announced moratorium on genetics testing in life insurance.

“From 1 July 2019, the life insurance industry plans to introduce a moratorium so that every Australian can get up to \$500,000 of life cover without having to disclose an adverse genetic test result,” Mr Kirwan said.

“The moratorium will mean that people can take part in genetic research, or take a test individually, without fear that the result will stop them taking out life insurance.”

The draft Code will be open for consultation until 12 January 2019. The industry plans to have the updated Chapter 1 enacted from 1 July 2019 and Chapter 2 by 30 June 2021. The Code will be independently reviewed every three years from 2022.

The Life Insurance Code of Practice is mandatory for all FSC member life insurers. The Code is enforced by the independent Life Code Compliance Committee which is administered by the new consumer complaints body, the Australian Financial Complaints Authority (AFCA). To download a copy of the Draft Code and the Consultation Questionnaire, please visit the FSC website.

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About the Financial Services Council

The Financial Services Council (FSC) is a leading peak body which sets mandatory Standards and develops policy for more than 100 member companies in Australia's largest industry sector, financial services. Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses. The financial services industry is responsible for investing almost \$3 trillion on behalf of more than 14.8 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange, and is the fourth largest pool of managed funds in the world