

MEDIA RELEASE

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Statement on Life Insurance from Sally Loane – CEO of the Financial Services Council

Life insurance plays an important role in helping Australians protect their most valuable assets – their lives and their livelihoods.

The industry paid out approximately \$5 billion in claims across trauma, total and permanent disability, income protection and life insurance in 2014, taking the total amount paid out in claims in the past eight years to \$27 billion.

Research by KPMG for the FSC shows for 2008-2010 there were a total of *630,000* Trauma policies in force across the industry. Over this period heart attack claims made up eight per cent of Trauma claims, with 455 industry claims for heart attack from a total of 5,862 Trauma claims.

The Financial Services Council commissioned a review into life insurance advice in 2014/15 led by John Trowbridge after insurance was largely exempted from the Future of Financial Advice reforms and to address issues raised in the ASIC review of retail life insurance advice in 2014.

The FSC supports the reforms to life insurance advice, which followed the Trowbridge review, designed to improve advised life insurance. These reforms are a step in the right direction in removing conflicts from the industry.

The relevant legislation has bipartisan support and is currently before the parliament. We urge swift passage in the sitting week beginning 13 March.

As part of the reform package, the FSC will introduce a Code of Practice between life insurers and consumers. The Life Insurance Code of Practice will introduce new binding standards for life insurance companies and will be implemented in July 2016.

The Code, which is still under development, has involved working closely with regulators, consumer advocates and the industry to set standards for selling insurance, claims handling and assisting vulnerable customers.

The life insurance reforms are also being supported by separate, but important reform, which will increase adviser education and professional standards.

Under the proposals, new advisers will be required to complete a university degree, an exam, a professional year and be subject to a code of ethics and undertake continuing professional development. This will serve to strengthen advisers and the advice profession.

The relevant legislation is expected to be introduced in parliament in the coming months.

The FSC also recognises the rising number of claims for mental health related conditions. In July 2014 we introduced a new Mental Health Training Standard which requires our members to provide training for all front-line staff to ensure they have a suitable understanding about mental health conditions to support them with their work in underwriting and claims processes.

This is a very complex area that will require considerable work to arrive at an outcome that creates positive change for those with a mental illness while ensuring the overall sustainability of the life insurance industry.

The entire life insurance sector is currently undergoing significant change and reform which is resulting in increasing protection for consumers. Overwhelmingly, the industry plays a positive role in protecting livelihoods of millions of Australians.

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About the Financial Services Council

The Financial Services Council (FSC) has over 115 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, licensed trustee companies and public trustees. The industry is responsible for investing more than \$2.6 trillion on behalf of 11.5 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 third largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.