

MEDIA RELEASE

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LIFE INSURANCE REMUNERATION REFORMS

The Financial Services Council (FSC) welcomes the reintroduction of the Corporations Amendment (Life Insurance Remuneration Arrangements) Bill.

These legislative provisions are on track to limit upfront commissions to advisers and ban conflicted remuneration provisions on life insurance products.

The life insurance remuneration bill is part of a raft of reforms sweeping the life insurance industry. One of the significant reforms, the Life Insurance Code of Practice for consumers, was launched by the FSC earlier this week.

Sally Loane, CEO of the FSC said: “Life insurance is a valuable investment for Australians – arguably the most important financial protection people can obtain because it helps protect people against the adverse economic impacts of premature death, illness, injury or disability.”

“It is important that quality financial advice is not adversely impacted by remuneration structures that can lead to poor consumer outcomes.”

Issues in life insurance remuneration were a catalyst for the 2015 Trowbridge Review of life insurance, which followed an ASIC Review of Retail Life Insurance and Advice. The ASIC Review in late 2014 found that 45 per cent of cases reviewed did not meet required advice standards where high upfront commissions were used.

John Trowbridge presented a blueprint for reform which included recommendations to lower upfront commissions and ban conflicted payments which would help deliver better outcomes for consumers.

The life insurance remuneration bill will reduce conflicts and misaligned incentives by significantly reducing upfront commissions, extending the responsibility period to two years and prohibiting conflicted remuneration across life insurance. These reforms apply across life insurance and apply to all advisers equally.

These reforms are supported by the FSC’s Life Insurance Code of Practice which covers every Australian with a life insurance policy, and places obligations on all life insurers providing insurance through retail, direct or group superannuation. The Code significantly lifts insurer practices and obligations to better meet consumer needs and expectations.

The Code is governed by an independent body which will ensure compliance. The Code is mandatory for FSC Members, who must be fully compliant by 1 July 2017.

The Code is a landmark piece of self-regulation which reflects the life insurance industry’s commitment to high standards of service to customers and a commitment to continuous improvement.

For more comprehensive information about the Life Insurance Code of Practice and life insurance in general, please go to the FSC website www.fsc.org.au.

For further information contact the FSC on 0418420949 or via FSCMediaOffice@fsc.org.au