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MEDIA RELEASE: Code of Practice holds life insurers to high standards

The Life Insurance Code of Practice has introduced high standards of practice in claims handling and means there is no need to enter another costly and time consuming process to introduce more regulation and legislation in the handling of claims by life insurers.

In its submission to the life insurance inquiry, ASIC has asked the government to give it greater powers to weigh in on claims handling disputes.

The life insurance industry recognises that certainty for consumers in the claims process is critical. That's why when the Life Insurance Code of Practice was developed clear time frames for claims management and communication updates were introduced. There are also requirements around decision timeframes to ensure claims are dealt with in a timely fashion.

There are also rules around the conditions under which insurers can make use of surveillance to verify the legitimacy of claims.

The Code, which becomes mandatory for all members of the Financial Services Council (FSC) on 1 July, is a significant part of the raft of reforms sweeping the \$44 billion life insurance sector which include reducing upfront commissions to advisers and extending bans on other volume based payments.

FSC CEO Sally Loane said: "Self-regulation can be implemented much faster than costly and time-consuming legislation. The Code has the capacity to evolve and change with consumer needs, and will deliver consumer benefits in a much more efficient and timely way than waiting for complex legislation.

"The life insurance industry has demonstrated it is committed to changes which benefit consumers. Two years ago the FSC engaged independent expert and former APRA member John Trowbridge to undertake a root and branch inquiry into life insurance. It has delivered the biggest shake up in the sector in decades and has demonstrated that the industry, with goodwill and determination, can deliver better outcomes for consumers.

"The Code, which ASIC has acknowledged should improve outcomes for consumers, will be continuously improved and developed. Further iterations of the Code, for instance, will directly deal with other stakeholders in life insurance including superannuation fund trustees."

ASIC's submission to the life insurance inquiry says it has also observed a bias in some distribution models towards the sale of in-house life insurance products over non-related products. The Best Interest

Duty was introduced by the Future of Financial Advice reforms to address potential conflicts of interest. Under the law advisers are required to place their clients' interests first in a situation of conflict. These reforms will be enhanced by the life insurance remuneration reforms which will reduce upfront commissions and includes an ASIC review in 2021.

Ms Loane added: "The FSC strongly believes further legislation would be unnecessary."

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For further information please contact FSC Media Manager Mark Smith on 0434 566 764 or msmith@fsc.org.au.

About the Financial Services Council

The Financial Services Council represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The Council has over 100 members who are responsible for investing more than \$2.7 trillion on behalf of 13 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.