

Tuesday October 20, 2015

General insurers pleased with Federal Government's FSI response

The Insurance Council of Australia (ICA) is pleased today's Federal Government response to the Financial System Inquiry accepts that the overall regulatory settings for general insurance are satisfactory and require little intervention.

ICA CEO Rob Whelan said the FSI recognised the vital role insurance played in a strong and vibrant economy by helping businesses and individuals manage financial risk.

He said the government's response was testament to the efficiency and performance of the insurance sector, and the close working relationship between insurers, regulatory agencies (including APRA, ASIC and Treasury) and relevant ministers.

Though there was only one matter specific to general insurance in today's report, Mr Whelan said several recommendations could have significant implications for insurers and their customers.

Recommendation 26 (Improve guidance and disclosure in general insurance)

Mr Whelan said: "The Government's response supports industry-led initiatives. It recognises the work the ICA and its member companies are undertaking to explore potential improvements to disclosure that could help consumers make better informed decisions about their insurance.

"In July the ICA established its Effective Disclosure Taskforce, which is examining the role of disclosure documents in the context of the broader consumer experience. This includes guidance, sum insured calculators and advice provided by insurers when consumers are purchasing products.

"It's timely that the Taskforce, chaired by leading insurance lawyer Michael Gill, will soon advise the ICA Board on initiatives that increase the effectiveness of insurance disclosure documents."

Recommendation 21 (Strengthen product issuer and distribution accountability)

"The ICA supports the broad policy goals but does not believe such an obligation is necessary for general insurers, nor would it provide practical consumer benefit. The ICA welcomes further consultation on this measure," said Mr Whelan.

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Recommendation 22 (Introduce product intervention power)

“The ICA remains concerned about the implementation of this recommendation, given that ASIC and the general insurance industry already have a cooperative and constructive dialogue in relation to compliance issues.

“The ICA is pleased further consultation will take place and will seek to ensure any intervention measures are restricted to exceptional circumstances and significant breaches of the law.”

Recommendation 23 (Facilitate innovative disclosure)

Mr Whelan said: “The ICA is pleased the government intends to remove regulatory impediments to innovative product disclosure. This is aligned with the industry’s own Effective Disclosure Taskforce initiative, which will report to the ICA Board next month.”

Recommendation 40 (Provision of financial advice)

“The ICA has long been concerned about the impact of the definitions of financial advice on insurers’ ability to help customers make informed choices when buying general insurance. The ICA welcomes the Government’s decision to consult with a wide range of stakeholders on renaming general advice after conducting consumer testing.”

Recommendation 19 (Data access and use)

Mr Whelan said: “The ICA supports the government’s decision to ask the Productivity Commission to review options to improve accessibility to data. This is a complex issue. In some situations, it could greatly benefit consumers, and encourage greater innovation and efficiency in the financial system. However, it does also raise issues about the proprietary nature of some information and the need to recognise commercial sensitivities.”

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