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MEDIA RELEASE: FSC supports some key recommendations of the PJC's life insurance inquiry report - but rejects extending BEAR.

The Financial Services Council (FSC) welcomes the release today of the Parliamentary Joint Committee on Corporations and Financial Services' (PJC) final report on its inquiry into the life insurance industry.

The FSC is the peak body representing the \$233 billion life insurance industry and oversees the Life Insurance Code of Practice, which is binding and mandatory for the FSC's life insurance members. Life insurance is a valuable investment for Australians protecting people against the adverse economic impacts of premature death, illness, injury or disability. Over the last 12 months the industry has paid out a total of \$9.5 billion in claims.

The FSC has listened to the evidence throughout the 18 month inquiry and has already introduced several initiatives to improve consumer outcomes.

Many of the recommendations made in the PJC's final report; particularly with regard to claims handling, medical definitions, time frames for communications with customers, and mental health; are either already included in the FSC Life Insurance Code of Practice or will be adopted in the second iteration, a draft of which is well-advanced and expected to be released for consultation by the end of the year. Compliance with the Code for Australia's life insurers is maintained by an independent Life Code Compliance Committee.

BEAR:

The FSC does not support the Committee's recommendation to extend the Banking Executive Accountability Regime (BEAR) to life insurers as it was specifically designed for Authorised Deposit Taking Institutions and there has been insufficient consultation with industry about this proposal.

LEGACY PRODUCTS:

The FSC is pleased the report has acknowledged the importance of the government facilitating the rationalisation of legacy products and we look forward to working with the government to implement the Financial System Inquiry's recommendation in this regard.

EARLY INTERVENTION:

Although it is disappointing that early intervention reform was not recommended outright, we are encouraged by Minister O'Dwyer's referral to the PJC today to assess the restrictions that currently prevent life insurers from providing help to claimants to get them back to wellness.

FSC CEO Sally Loane said: "The FSC has been advocating for early intervention reform for some time and I'm pleased to see progress being made. A recent survey of life insurers found around 12,000 consumers could be helped annually by this important policy change."

The Committee should be commended for recognising the value of opt-out insurance in superannuation and expressing its support for it. The FSC agrees with the Committee's assessment that improvements can be made to improve outcomes for some consumers and is actively exploring initiatives to achieve this.

The FSC also agrees with the PJC's assessment that improved standards can be developed in relation to the industry's treatment of customer medical files and is already in communication with the Royal Australian College of General Practitioners with a view to developing an industry standard.

Genetic testing is another important policy area identified by the committee. The FSC has a long-standing relationship with geneticists to address this complex area. A genetic testing standard has been in place since 2002 and the FSC has recently proposed that Government form a Genetics and Insurance Advisory Council to gather the professional expertise of geneticists, medical practitioners, life insurers and other relevant stakeholders to assist with policy development in this area.

The FSC looks forward to working with policymakers to improve consumer outcomes in the life insurance sector.

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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 (FSC) has over 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The 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. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.