



NATIONAL INSURANCE BROKERS ASSOCIATION OF AUSTRALIA (NIBA)

COMMERCIAL FINANCE REGULATORY PROPOSAL

NIBA is the voice of the insurance broking industry in Australia. NIBA represents 400 member firms and over 2000 individual Qualified Practising Insurance Brokers (QPIBS) throughout Australia.

Brokers handle almost 90% of the commercial insurance transacted in Australia, and play a major role in insurance distribution, handling an estimated \$16 billion in premiums annually and placing around half of Australia's total insurance business. Insurance brokers also place substantial insurance business into overseas markets for large and special risks.

Over a number of years NIBA has been a driving force for change in the Australian insurance broking industry. It has supported financial services reforms, encouraged higher educational standards for insurance brokers and introduced a strong independently administered and monitored code of practice for members. The 400 member firms all hold an Australian financial services (AFS) licence under the Corporations Act that enables them to deal in or advise on risk insurance products.

NIBA has been working with the Australian Finance Corporation (AFC) in relation to the draft National Consumer Protection Amendment (Credit Reform Phase 2) Bill 2012 (Bill) and the possible impact on insurance brokers (who NIBA represent) and premium funders (who the AFC represent).

The Bill as drafted would in NIBA's view catch any insurance broker (or premium funder) who engaged in credit activities in relation to small business premium funding contracts.

NIBA understands that the Government through Treasury has formally confirmed that the proposed additional regulation of commercial/small business finance (as set out in Schedule 2) will be deferred.

NIBA commends this decision as:

- the proposal would impose a significant new obligations and costs on insurance brokers and premium funders (and ultimately clients) where there is no identified failing or need in the current lending to small business premium funding market.
- NIBA is opposed to the "one size fits all" approach to the regulation of financial services in Australia, especially where proper analysis and consideration of the issues unique to the risk insurance Industry has not been properly undertaken by Government. NIBA's position is



consistent with the principles of sound regulation promoted by the OECD and in Australia by the Productivity Commission and the Council of Australian Governments.

We understand the Credit Reform Phase 2 proposals have been “deferred” – we would appreciate formal confirmation from Treasury that this is the case. In the meantime, NIBA remains ready and willing to discuss the operation of the insurance premium funding market with Treasury and the Government. Premium funding enables large numbers of businesses across Australia to purchase and maintain important insurance protection for the risks they face.

NIBA would appreciate the opportunity to consider and provide input on any future proposals for the regulation of this area of financial services.

If you would like to discuss any aspect of this matter further do not hesitate to contact us.

Dallas Booth

Chief Executive Officer

Direct: +61 (0)2 9459 4305

Email: dbooth@niba.com.au

National Insurance Brokers' Association of Australia