



Australian Government
The Treasury

TSY/AU

Quality of Advice Review – Conflicted Remuneration Consultation Paper

Template for response

October 2022



Consultation process

Request for feedback and comments

Interested parties are invited to provide feedback on the proposals for reform listed in the Quality of Advice Review Conflicted Remuneration Consultation Paper using the template in [Appendix 1](#). Consultation will close at 11:59pm on Monday 14 November 2022.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses in a Word or RTF format via email. An additional PDF version may also be submitted.

Closing date for submissions: 14 November 2022

Email	AdviceReview@TREASURY.GOV.AU
Mail	Secretariat, Quality of Advice Review Financial System Division The Treasury Langton Crescent PARKES ACT 2600
Enquiries	Enquiries can be initially directed to AdviceReview@TREASURY.GOV.AU

Appendix 1: Consultation template

Name/Organisation: Allianz Australia (Allianz)

General Insurance and consumer credit insurance (Proposal 1)

1. Do you support Proposal 1, which requires financial advisers or insurance brokers to obtain informed consent from their clients in order to be able to receive a commission from a product issuer for the sale of a general insurance product or consumer credit insurance?

a) If you do not support this proposal, please state your reasons

Allianz is generally supportive of Proposal 1. Where a financial adviser or insurance broker is acting on behalf of a consumer, Allianz's view is that there should be enhanced transparency to better inform consumer decision-making about the quality of advice they are receiving. As noted in Allianz's submission to the Issues Paper, our view is that the current Financial Services Guide (FSG) disclosure requirements, which generally contain non-specific generic remuneration information, is ineffective in aiding consumer decision-making.

Allianz appreciates the recognition in the Proposals Paper of the varied types of intermediaries in the insurance value chain, and the different roles each type of intermediary plays in assisting consumers purchase general insurance appropriate for their needs. In particular, the distinction drawn in the Proposals Paper between intermediaries who act on behalf of consumers, such as insurance brokers, and other intermediaries who act as agent of insurers is a useful way of categorising different types of intermediaries when considering the potential for intermediary remuneration to be conflicted.

While Allianz is supportive of the application of Proposal 1 to insurance brokers, we note the discussion at the Treasury roundtable held on 9 November around the potential for the consent obligation to apply to all intermediaries who provide personal advice, including intermediaries acting on behalf of insurers. While in principle, Allianz is supportive of enhanced transparency, we caution against a blanket application of Proposal 1 to intermediaries other than insurance brokers. We are concerned that for some intermediaries, particularly underwriting agencies, Proposal 1 is likely to cause consumer confusion rather than enhance transparency.

As noted in Allianz's submission to the Issues Paper, insurers often outsource the entire product value chain to separate underwriting agency entities. Underwriting agencies play a much more substantial role than just distributing insurance; the whole insurance value chain in designing, underwriting, distributing and claims handling is effectively outsourced to the underwriting agency. Underwriting agencies are utilised for their expertise in particular risk portfolios and are often able to provide a more competitive value proposition to customers due to the lower acquisition costs associated with single product operations relative to a

larger multi-line insurer. As such, the remuneration flowing between an insurer and an underwriting agency is much more comprehensive than just the cost of distribution and reflects the overall operating costs of the entity. These operating costs are similar to expenses an insurer would incur if the product were managed internally and distributed directly. We query the benefit of detailed disclosure of such forms of remuneration to consumers and anticipate the complexity of conversations with customers such an obligation is likely to cause.

Considering the potential consumer benefits of enhanced transparency, on balance, Allianz is of the view that there are differences between intermediaries who act on behalf of consumers compared to intermediaries who act as insurers' agent to warrant a different approach for these intermediaries. Despite the breadth of the conflicted remuneration provisions, their introduction through the Future of Financial Advice (**FOFA**) reforms were very much targeted at intermediaries who provide advice on a range of products. For intermediaries acting as a single insurer's agent, any advice that is provided is limited to how a specific insurer's product applies to a customer's individual circumstances. This contrasts with insurance brokers, who provide advice in a more holistic manner in considering the suitability of a suite of products across the market. Remuneration of intermediaries acting on behalf of a single insurer cannot be conflicted in the way that broker remuneration can by incentivising the recommendation of one insurer's product over another.

The provision of advice is a service that customers explicitly expect to receive when they engage an insurance broker; whereas consumers would very rarely approach other intermediaries to obtain advice. For this reason, appropriate disclosure and consent is critical to ensure consumers are adequately equipped to assess the impact of remuneration on the quality of advice they are receiving from an insurance broker.

Life risk insurance product (Proposal 2)

2. Do you support Proposal 2, which requires financial advisers to obtain informed consent from their clients in order to be able to receive a commission from a product issuer for the sale of a life risk insurance product?

a) If you do not support this proposal, please state your reasons

Allianz's response is limited to proposals relevant to general insurance.

Time-sharing schemes (Proposal 3)

3. Do you support Proposal 3, which recommends that the Government conduct a separate holistic review of time-sharing schemes and the way they are promoted?

a) If you do not support this proposal, please state your reasons

Allianz's response is limited to proposals relevant to general insurance.

Other Conflicted Remuneration exemptions (Proposals 4-7)**4. Do you support Proposals 4 -7, which remove or modify the existing exemptions to the ban on conflicted remuneration?****a) If you do not support any of these proposals, please state your reasons****b) Do you consider there to be any unintended consequences related to the implementation of Proposals 4 -7?**

Allianz has no comments on proposals 4 – 7.

General**5. Do you have any other comments or feedback on the Quality of Advice Review Conflicted Remuneration Consultation Paper?**

Allianz appreciates the Review's recognition of the important role a vibrant intermediated insurance market plays in supporting consumer choice and enhancing the accessibility of insurance. Allianz agrees with the Review's conclusion that the regulatory settings on conflicted remuneration remain appropriate for general insurance.

6. Do you have any other comments on the regulation of conflicted remuneration under Chapter 7 of the Corporations Act?

Allianz has no further comments about the regulation of conflicted remuneration. We appreciate the opportunities provided over the past year to engage in the Review's work.