

10 January 2020

The Manager
Financial System Division
Langton Cres
Parkes ACT 2600

Online: claimshandling@treasury.gov.au

Dear Sir/Madam

Making insurance claims handling a financial service

CPA Australia represents the diverse interests of more than 164,000 members working in 150 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia supports the consultation in relation to these exposure drafts, which are designed to implement recommendation 4.8 of the final report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The Commissioner, Kenneth Hayne, explained that the “intrinsic value” of an insurance product lay in the ability to make a claim successfully when an insured event occurs.

This measure will create the new financial service of “handling and settling an insurance claim”, meaning that Australian Financial Services Licensees (AFSLs) wishing to provide this service will need to be appropriately licensed in order to provide this service to retail clients. This will also remove “opinions or recommendations reasonably necessary to process insurance claims” from the financial product advice regime, ensuring a simpler advice framework around the provision of claims.

CPA Australia supports this measure, as it will extend the protections available to retail financial services clients to those who are making claims on their policies. We note however that the window of protection continues to be artificially limited. For example, financial services clients who are not retail clients will not be covered. In addition (as paragraph 1.11 on page 9 of the Draft Explanatory Memorandum explains) clients of lawyers who provide similar services (as those financial advisers provide) in the settlement of a claim, will similarly be unable to benefit.

This will perpetuate the situation which is currently in place where arbitrary measures, such as financial dollar amounts of insured cover, or the professional who is chosen to assist with the preparation of a claim form, are the difference between a client who may benefit from the consumer protection measures mandated in the Corporations Act, or being deprived of such benefits. The consumer protection measures include mandated access to external dispute resolution, requirements for AFSLs to act efficiently, honestly and fairly, and bans on conflicted remuneration.

We note in passing, however, that the addition of this financial service will come at a cost for licensees providing financial product advice. Since any financial product advice in respect of making a claim in relation to a product is, essentially, advice to “sell” a financial product, we wonder whether an exemption could be provided to licensees who are presently able to offer financial product advice in relation to assisting with claims. Such an exemption from the need to obtain licence authorisation in relation to “handling and settling an insurance claim” in addition to financial product advice, will mean that financial advisers who already provide their clients with assistance in making claims, can continue to do so, without being encumbered by the need to amend their AFS licence.

CPA Australia looks forward to further clarification and simplification of regulatory fine print such as this, and welcomes the future removal of such exemptions in the interest of better consumer protection.

If you have any queries do not hesitate to contact Richard Webb, Policy Advisor Financial Planning & Superannuation at CPA Australia on richard.webb@cpaaustralia.com.au or 03 9606 9607.

Yours sincerely



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