



4th February 2022

Advice and Investment Branch  
Retirement, Advice and Investment Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600  
Via e-mail to: [AdviceReview@treasury.gov.au](mailto:AdviceReview@treasury.gov.au)

Dear Secretariat,

## **The Treasury: Draft Terms of Reference for the Quality of Financial Advice Review – Submission by AUB Group Limited**

Thank you for the opportunity to comment on Draft Terms of Reference (December 2021) (“**Draft TOR**”) for the Quality of Financial Advice Review (“**Advice Review**”).

### **About AUB Group**

AUB Group Limited (“**AUB Group**”) is listed on the Australian Securities Exchange (ASX: AUB) and included in the S&P ASX200 index, trading at a market capitalisation of AUD [1.95] billion. The group comprises insurance brokers and underwriting agencies operating in ~500 locations across Australia and New Zealand. Over 3,000 team members work with our 850,000 clients to place more than \$4.0bn in insurance premiums with local and foreign insurers.

Austbrokers is the Australian business division of AUB Group that encompasses General Insurance Brokers. There are 50 Austbroker partner broking businesses across Australia. These businesses employ 2,200 staff across 355 locations. Our brokers place approximately \$2.6 billion in insurance premiums for our 520,000 customers. This premium reflects the broad range of insurance products placed for clients and relates to ~880,000 policies. Customers range in size and complexity and seek advice on a range of insurance products from house insurance to professional indemnity coverage. Our customers’ business and personal needs, along with asset profiles and risk considerations, often change over time, and as such, quality advice is critical.

### **Draft TOR**

AUB Group has not identified any significant issues with the Draft TOR. We think the proposed Draft TOR are broad enough to allow for a holistic review of the financial advice industry.

We note feedback on the Draft TOR has been invited, but we would also like to use this opportunity to provide some general observations about the proposed Advice Review.

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It will be key that the Advice Review have regard to the valuable role that Insurance Brokers play in the industry in ensuring that consumers have access to high quality, affordable and accessible financial advice.

We note the Advice Review will examine several areas particularly relevant for insurance brokers. These include the regulatory framework surrounding the provision of advice, disclosure requirements including statements of advice, and whether the remaining exemptions to the ban on conflicted remuneration on life and general insurance remain valid (*Royal Commission Recommendations 2.5 and 2.6*). We believe it essential that the Advice Review focuses on those recommendations in Attachment A. There are many specific references within the recommendations that refer to the Corporations Act. Accordingly, it will be important that the Corporations Act is considered in detail under these Draft TOR as there are a range of definitions, such as *conflicted remuneration*, that require appropriate consideration and understanding.

We believe that the current regulatory system works effectively in delivering good consumer outcomes and preventing misconduct and harm. We support the notion that Australians should have access to high-quality, affordable financial advice. We also believe the checks and balances in place today, underpinned by regulatory and legal frameworks, support a sustainable industry. The role of the National Insurance Broker Association (“NIBA”) is also complementary to the existing structures, particularly through such mechanisms as the Broker Code of Conduct.

We believe that the current exemptions to the bans on conflicted remuneration remain justified. As referenced previously, we think that the relevant sections of the Corporations Act are achieving the desired objectives as recommended by the Royal Commission.

Notably, nothing was identified in the Royal Commission hearings, or otherwise, regarding insurance broker conduct that would reasonably support a recommended change from the exemption as it applies to general insurance brokers today. Data compiled by the Australian Financial Complaints Authority (AFCA) also supports that position. Reference below:

<https://www.niba.com.au/2021/10/13/insurance-brokers-form-a-very-small-proportion-of-afca-complaints-emma-curtis/>

Brokers play a vital role in the insurance industry as trusted advisors and advocates, insurance product distributors and administrators, and support businesses through risk advisory and claims management services.

Brokers have access to a range of insurance markets and products that customers (Retail and Wholesale), on most occasions, cannot access themselves. Brokers have a presence in locations many insurance providers do not. The ability to have access to customers is critical, not only to ensure they can be provided with quality face-to-face advice but to facilitate different aspects of the insurance process, such as claims management and location-based risk advice.

The fact that Brokers have access to many insurance markets also creates, if not demands, competition. Such competition may take the form of exclusive insurance coverage that could only be facilitated by a Broker. This dynamic often leads to broader product design changes and pricing options for customers. The insurance market is global, and accordingly, insurer risk appetite and regional commitment may change from time to time due to factors such as claims experience, global reinsurance markets, and general capability. Brokers engage with insurers to navigate through these changes for their customers. These are important dynamics of the intermediated general insurance industry and should be considered in the context of remuneration to retail and wholesale customers alike.

We understand NIBA will be submitting a response to this process specifically for the Insurance Broking sector.

We welcome the opportunity to provide further feedback once the Draft TOR have been finalised. We believe this is an important process that will require ongoing dialogue and feedback.

Ben Bessell  
Chief Broking Officer