

Quality of Advice Review Consultation Paper – Proposals for Reform

Suncorp Group Limited

September 2022



Suncorp response to the *Quality of Advice Review: Consultation Paper – Proposals for Reform*

Suncorp broadly supports the proposals presented in the *Consultation Paper – Proposals for Reform* ('*Proposals Paper*').

Whether deciding on the right sum insured for their vehicle, investing savings, purchasing a home, insuring their small business or seeking to improve the resilience of their property to natural disasters, Australians expect financial services providers to be able to advise them what the best approach would be.

However, for too long, financial services firms have been constrained by a regulatory approach to the provision of advice that prioritises process over outcomes, preventing Australians from gaining the benefits of financial firms' experience, knowledge and expertise.

We believe that, if implemented, the proposals would be a transformative step in enabling financial services firms to provide relevant and useful information to customers and to improve the quality of customer interactions, without the process and cost impediments that arise from complying with the current personal advice regime.

A particular benefit of the proposed approach would be the ability to provide a personalised approach to interactions with customers, which would help to build confidence and understanding of financial products – even helping to address longstanding concerns in other areas, such as the effectiveness of the insurance product disclosure regime (which also prioritises the provision of information over effective customer engagement).

While no doubt important for customers in general, the ability to provide personalised service is particularly important for SME customers, who often value 'partnerships' in their business dealings and who would significantly benefit from interactions focused on their specific needs.

As Australians increasingly turn to digital interactions with providers of financial services, we also support the *Proposals Paper*'s recognition of the need to 'future-proof' the regulatory regime for the growth of forms of digital advice, including through adopting a technology-neutral approach.

Suncorp strongly supports the principles-based approach adopted in the proposals, including the focus on achieving the outcome of providing 'good advice' and reducing the compliance burden on providers of personal advice.

We also support the approach of reducing the compliance burden on providers without weakening the strong consumer protection framework in the broader financial services regulatory regime. In our view, this should assuage concerns about risk to consumers arising from the implementation of these proposals.

Detailed response to *Proposals Paper*

Suncorp's detailed responses to the Questions for Consultation are set out in **Appendix A**.

While there are some specific issues arising from the proposals that would need to be addressed if the proposals progressed towards implementation, we strongly support the approach adopted in the *Proposals Paper* and look forward to these proposals being adopted in the Final Report to be issued later this year.

Appendix A – Detailed responses to Consultation Questions

Question for Consultation	Suncorp Response
Intended Outcomes	
1. Do you agree that advisers and product issuers should be able to provide personal advice to their customers without having to comply with all of the obligations that currently apply to the provision of personal advice?	<p>Yes.</p> <p>The obligations and requirements of the current personal advice regime are an impediment to providing useful advice to customers due to excessive prescriptions often particularly ill-suited to simpler products such as basic banking and general insurance products. These procedural hurdles create barriers to providing advice and detract from a focus on attaining the best outcomes for customers.</p> <p>The proposal to enable advice to be provided without the current personal advice obligations would enable a focus on providing information desired by customers and an improved ability to provide products that meet customers' specific needs, without these procedural hurdles and whilst still ensuring that advice is 'good advice' that will benefit the customer.</p> <p>An important impact of the proposal is that training and compliance arrangements would become more focused on making quality recommendations, rather than meeting prescribed requirements and scripting.</p>
What should be regulated?	
2. In your view, are the proposed changes to the definition of 'personal advice' likely to:	
a) Reduce regulatory uncertainty?	<p>Yes.</p> <p>The removal of general advice would sharpen the distinction between personal advice and the mere provision of information.</p> <p>Whilst some uncertainty would remain, the importance of the distinction would be reduced as the provision of compliant personal advice would become easier to achieve through the simplified duty.</p>

Question for Consultation	Suncorp Response
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This would have flow-on effects on providers' operating models and compliance programs, as focus would shift from whether particular conduct amounts to general or personal advice to whether the information provided is 'good advice' that benefits the customer.

Customers' comprehension of the services they are receiving would also improve, as the risks of customers misinterpreting general advice as personal advice is removed.

However, the status and regulation of marketing materials should be considered, as these may contain recommendations or statements of opinion and be viewed by an individual in circumstances where the provider holds information about that individual's personal circumstances. We do not consider that the principles behind the concepts proposed in the Proposals Paper intend for marketing materials to amount to the provision of personal advice, however this should be clarified.

b) Facilitate the provision of more personal advice to consumers?

Yes.

The reduced compliance burden will make it more appealing for providers currently adopting a no-advice or general advice model in assisted channels to shift to providing personal advice.

Providers will also be able to have an increased focus on the advice provided to customers, rather than compliance requirements for how advice is provided. This will likely result in improved quality of advice, as well as increases in the amount of advice provided.

In addition, the provision of personal advice through digital channels becomes easier with the removal of the current prescriptive requirements, which are ill-suited to digital mediums.

c) Improve the ability of financial institutions to help their clients?

Yes.

As mentioned above, there will be increased focus on the quality of advice provided, rather than meeting prescribed requirements governing how to provide advice.

Further, the ability to provide tailored recommendations and advice (for providers currently operating no or general advice models) should result in better outcomes for customers, as well as improving product knowledge and capability of providers' staff.

Question for Consultation	Suncorp Response
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3. In relation to the proposed de-regulation of 'general advice' - are the general consumer protections (such as the prohibition against engaging in misleading or deceptive conduct) a sufficient safeguard for consumers?

Yes.
 We do not believe that product information and advertising should be regulated as advice, but should remain subject to existing consumer protections (eg regarding misleading and deceptive conduct).
 The proposed expanded definition of personal advice means that conduct requiring additional consumer protections will be subject to the 'good advice' duty.

a) If not, what additional safeguards do you think would be required?

How should personal advice be regulated?

4. In your view, what impact does the replacement of the best interest obligations with the obligation to provide 'good advice' have on:

a) the quality of financial advice provided to consumers?

Where personal advice is already provided, the replacement of the best interests test – and specifically the ability to comply with this via the safe harbour steps – will facilitate an increased focus on useful, tailored interactions with customers, rather than conversations where the focus is on satisfying prescribed requirements. This will result in an improved quality of interaction with customers, more natural conversations and an increased focus on recommendations that best suit the customers' needs.
 Where personal advice is not currently provided, the proposed obligation to provide 'good advice' will likely encourage providers to provide personal advice, improving the quality of interactions with customers and allowing a greater focus on outcomes (rather than avoiding the provision of personal advice).

Question for Consultation	Suncorp Response
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b) the time and cost required to produce advice?

In the general insurance context we do not anticipate this proposal would significantly impact on the time and cost required to provide advice.

This is because we anticipate that customer interactions would be of similar duration, but higher quality interactions with increased focus on understanding the customer’s needs and providing recommendations, and less time on compliance-focused aspects of conversations (such as reading disclaimers).

However, the new record-keeping obligation does pose the risk of increased time and cost for general insurance, as it represents a new and additional obligation (given the current SoA exemptions for general insurance).

We propose a flexible approach to the requirement that allows for records to be made and provided in practical ways. For example, a technology-neutral approach would permit the provision of records of advice provided through digital or voice interactions to be provided in formats other than ‘in writing’.

Similarly, in relation to our banking products and services, we do not consider that the proposed changes would materially impact the content or cost of providing advice to our customers.

5. Does the replacement of the best interest obligations with the obligation to provide ‘good advice’ make it easier for advisers and institutions to:

a) provide limited advice to consumers?

The current proposal presents no express mechanism to provide limited or ‘scaled’ advice.

The proposed definition of ‘good advice’ measures the customer benefit by reference to the ‘information that is available to the provider at the time the advice is provided’. General insurers and banks hold significant amounts of data about customers, their assets and liabilities, and about risks they may seek to insure. However, much of this information is not readily available to a customer service representative in a contact centre, and compiling all of this information before providing advice could be costly and time-consuming.

We believe further improvements could be made to offer a clearer ability for customers and providers to agree on a limited scope for the advice. This would allow providers to provide cost effective and timely advice that addresses the customer’s query without first having to compile all of the information the provider may be said to hold about the customer.

Question for Consultation	Suncorp Response
<p>b) provide advice to consumers using technological solutions (e.g. digital advice)?</p>	<p>Yes.</p> <p>The current prescriptive personal advice requirements are ill-suited to digital mediums.</p> <p>The proposal would likely facilitate an increase in tailored advice and product recommendations via digital channels.</p>
<p>6. What else (if anything) is required to better facilitate the provision of:</p>	<p>Materials accompanying the introduction of these proposals (if implemented) should include examples for limited advice and digital advice that specifically relate to the general insurance and banking sectors. These would avoid potential conflicting interpretations with guidance provided to other, more complex, scenarios where advice is provided.</p>
<p>a) limited advice?</p>	<p>We believe further improvements could be made to offer a clearer ability for customers and providers to agree on a limited scope for the advice. This would allow providers to provide cost effective and timely advice that addresses the customer's query without first having to compile all information the provider may be said to hold about the customer.</p>
<p>b) Digital advice?</p>	<p>While we support the technology-neutral approach to these proposals, and would encourage the same approach in any legislative changes implementing the proposals, it would be appropriate for explanatory materials and guidance accompanying any changes to include examples specifically relating to digital advice.</p>
<p>7. In your view, what impact will the proposed changes to the application of the professional standards (the requirement to be a relevant provider) have on:</p>	<p>Suncorp notes the comments on page 19 of the Proposals Paper regarding personal advice about products that are not 'relevant financial products' – such as general insurance and basic banking products – continuing to be able to be provided by a person who is not a 'relevant provider', and therefore not subject to professional standards requirements. We support the continuation of this approach.</p> <p>Subject to any related changes to training requirements that do apply to these sectors (ie RG146 training), we do not envisage that this proposal would have any impact on the quality, affordability or accessibility of advice provided in the general insurance or banking sector.</p>
<p>a) The quality of financial advice?</p>	
<p>b) The affordability and accessibility of financial advice?</p>	

Question for Consultation	Suncorp Response
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8. In the absence of the professional standards, are the licensing obligations which require licensees to ensure that their representatives are adequately trained and competent to provide financial services sufficient to ensure the quality of advice provided to consumers?

Yes.

Given the mass scale of products issued and large workforces in the general insurance and basic banking sectors, it is appropriate that requirements to ensure staff are adequately trained apply at licensee level.

We also note that in addition to licensing obligations, providers in the general insurance and banking sectors are subject to additional obligations under the General Insurance Code of Practice and the Banking Code.

a) If not, what additional requirements should apply to providers of personal advice who are not required to be relevant providers?

Disclosure Documents	
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12. In your view, will the proposed change for giving a financial services guide:

a) Reduce regulatory burden for advisers and licensees, and if so, to what extent?

Yes, in terms of avoiding costs associated with mailing an FSG to customers (which are significant for mass-market products).

b) Negatively impact consumers, and if so, to what extent?

We do not believe that provision of an FSG via website, rather than in hard copy or via email, would negatively impact the majority of customers.

To the extent that an FSG is required to be provided to a customer (as opposed to 'made available'), we note that provision of an FSG in hard copy may still be required for customers with vulnerabilities, with limited access to the internet or in other specific circumstances.

Design and Distribution Obligations	
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13. What impact are the proposed amendments to the reporting requirements under the design and distribution obligations likely to have on:

The proposal is targeted at obligations of 'relevant providers', which do not apply directly to the general insurance or basic banking sectors.

Question for Consultation	Suncorp Response
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- a) The design and development of financial products?
- b) Target market determinations?

The impact of the proposal on reports to product issuers in the GI or banking sectors would need to be considered as part of implementation of any reforms, including whether consequential changes to product design, target market determinations or distribution conditions are required.

Transition and enforcement	
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14. What transitional arrangements are necessary to implement these reforms?

The wide-ranging and transformative nature of the proposals would require large scale change and significant programs of work to implement. In addition to the need for extensive consultation on legislation and further guidance to effect these proposals, a lengthy commencement period would be required.

However, Suncorp also supports the suggestion that providers could have the option to opt-in to the proposed new regime earlier than the formal commencement date. This would encourage providers to transition to approaches that improve the provision of advice to customers, especially for new products or via emerging distribution channels (particularly digital).