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15 May 2020

Mr Gennady Kleiner
Director Adjudication
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601

By email: adjudication@accc.gov.au

Dear Mr Kleiner,

Financial Services Council - AA1000494 - Submission

The Association of Financial Advisers Limited (**AFA**) has served the financial advice industry for over 70 years. Our objective is to achieve *Great Advice for More Australians* and we do this through:

- advocating for appropriate policy settings for financial advice
- enforcing a Code of Ethical Conduct
- investing in consumer-based research
- developing professional development pathways for financial advisers
- connecting key stakeholders within the financial advice community
- educating consumers around the importance of financial advice

The Board of the AFA is elected by the Membership and all Directors are currently practicing financial advisers. This ensures that the policy positions taken by the AFA are framed with practical, workable outcomes in mind, but are also aligned to achieving our vision of having the quality of relationships shared between advisers and their clients understood and valued throughout society. This will play a vital role in helping Australians reach their potential through building, managing and protecting wealth.

Introduction

We thank you for the opportunity to make comment on the FSC application.

The AFA is broadly supportive of the FSC application for authorisation in respect to the provision of life insurance for frontline healthcare workers. We believe that this is an appropriate response at this difficult time, as the country faces the threat of the coronavirus.

The AFA represents financial advisers who are critical stakeholders in the life insurance market, however we do not believe that either the AFA or our members are directly impacted by the conduct authorised under this interim authorisation.

We are happy to provide a response with respect to any likely public benefit or detriment. In terms of benefit, this will predominantly flow to the impacted frontline healthcare workers who will obtain life insurance, or life insurance with improved terms and/or cost, as a result of this measure. There is also a potential broader community benefit in the knowledge that frontline healthcare workers are being permitted to have better access to life insurance. We believe, however, that there are a few points that should be made with respect to this:

- The impact on other life insurance policyholders.
- Implications with privacy.
- The adequacy of cover.

The Impact on Other Policy Holders

Life insurance represents a pooling of risk, where all the participants in the pool contribute premiums in the prospect of receiving a benefit in the event of incurring a life insurance event. The level of premiums paid by any individual is based upon the level of risk that they pose. This authorisation is directly raising the prospect of people being admitted to the pool, who present higher risks than would be reflected in the premiums that they are required to pay. This could potentially impact the other members of the insurance pool, who could ultimately pay higher premiums to offset the losses potentially experienced by these frontline healthcare workers. There are a couple of offsetting factors. Firstly, this is only a short-term measure, and we can all hope that the coronavirus will also only impact us for a limited period of time. Secondly, to this point, Australia has fared much better than might have been expected at the time that this authorisation was put in place, in terms of both the number of confirmed cases of coronavirus and the number of deaths.

Privacy Implications

It is noted that the caps on the levels of insurance that might be provided under this authorisation, take into account any insurance that the client holds elsewhere, either in other individual insurance or group super insurance arrangements. In order to determine the level of cover to be provided, the life insurer will need to know about all the other life insurance cover that the client may have. This could potentially represent a privacy issue, as they could end up obtaining information on products the client holds with other life insurers.

Adequacy of Cover

We note that the cap on the level of income protection cover made available under this authorisation is a monthly benefit of \$4,000. When adjusted for the standard benefit maximum of 75% of current income and annualised, this is effectively only covering a person with an annual salary, or income, of \$64,000. This is unlikely to suit the needs of many of the more highly paid people covered under this authorisation, such as doctors.

Concluding Remarks

As we said at the outset, we broadly support this authorisation, however we do believe that there is some risk of detriment to the public, including with respect to the extra cost to be covered by other policy holders and the privacy implications.

The AFA welcomes further consultation with the ACCC, should it require clarification of anything in this submission. If required, please contact us on (02) 9267 4003.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'P. Kewin'.

Philip Kewin
Chief Executive Officer
Association of Financial Advisers Ltd