



Association of  
Financial Advisers

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## More information about the improvements that need to be made before the code should be launched.

Thanks to the input of our Members, the Association of Financial Advisers has called on the Financial Services Council (FSC) to make substantial improvements to the draft Life Insurer Code of Practice (the Code) - even if it means delaying implementation beyond the announced implementation date of 1 October 2016.

The call is part of the AFA's submission to the FSC on the Code, which the AFA has been calling for since November 2014.

The development of the Code is required as part of the package of reforms contained in the Life Insurance Framework (LIF) negotiated between the Minister, the FSC, the AFA and the Financial Planning Association of Australia (FPA) in November 2015.

### The Code needs substantial improvements to restore confidence and trust

The Code should include commitments to consumers and to the financial advice profession, as approximately 50 per cent of Australia's life insurance is arranged through the expert advice and support of financial advisers. The commitments to consumers contained in the Code are insufficient to drive cultural change, while the role of the life insurance financial advice profession has been ignored.

Restricting the Code to setting out best practice standards for insurers in relation to underwriting and claims management does not go far enough in addressing the cultural issues and sales practices that work against consumer interests. The Code needs to also impact the organisational behaviours that unreasonably conflict an adviser in their Best Interests Duty and induce inappropriate replacement advice. This means the Code must contain commitments to advice professionals as well as to consumers.

### The Code should drive cultural change within insurers

The AFA considers that the current draft will not win back the social licence lost by insurers through recent claims and other issues. See [the current draft of the Code](#).

The community expects insurers to act responsibly when discharging their duties. A fully prepared Code would represent a catalyst to form a new culture within insurers; one that positions consumer health and wellbeing alongside sustainable financial performance and therefore restores the social licence granted to life insurers to protect Australian families when they are at their most vulnerable.

The draft Code needs substantial improvements before it can deliver on its promise. It should drive an insurer culture of seeking genuine new business and as such help address Australia's underinsurance problem, rather than perpetuating an

insurer culture which tries to attract existing policy holders away from other insurers. It is not good enough to simply say this Code is a step in the right direction and can be further improved later through future reviews because in fact, as it currently stands, it falls too far short.

## AFA submission to the FSC

The AFA submission has proposed 29 recommendations and is further supported by more than 6 pages of verbatim comments, concerns and suggestions from AFA Members.

[Click here for a copy of the submission that AFA Members contributed to.](#)

Watch this space for more developments on the Code.