



Ms Vicki Wilkinson
Financial Services Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: lifeinsurance@treasury.gov.au

24 December 2015

Dear Ms Wilkinson,

RE: Corporations Amendment (Life Insurance Remuneration Arrangements) Bill 2015

The Financial Planning Association of Australia (FPA) welcomes the opportunity to provide feedback to the Exposure Draft legislation for Life Insurance Remuneration Arrangements.

The FPA supports the sensible approach taken by these measures to help ensure the sustainability of the life insurance advice industry by providing businesses an appropriate amount of time to transition their business models.

In our review of the exposure draft legislation, the FPA would like to raise two potential issues in particular for Treasury to consider when finalising the legislation for this framework.

1. Transition to new remuneration framework

The FPA understands that the intention of this legislation is for the changes in the remuneration arrangements for insurance contracts entered into from 1 July 2016. We note that while an insurance contract may be written and signed by a consumer today, there is often a delay before an insurer reviews and issues the policy. We therefore recommend that a grace period – for example 3 months - be included within the legislation so that policies submitted with the insurer prior to 1 July 2016 and issued within a reasonable period of time do not unintentionally get affected by the commission framework which have been agreed and entered into with the customer.

We therefore propose the following amendment to the draft legislation:

1702 Applications of amendments relating to life risk insurance products

(1) The amendments made by Schedule 1 to the amending Act apply to a benefit given to a financial services licensee, or a representative of a financial services licensee:

- (a) under an arrangement entered into on or after the commencement day; and
- (b) under an arrangement entered into before the commencement day, but only in relation to life risk insurance products issued after the commencement day and excluding life risk insurance products where:



- (i) a completed application form for the life risk insurance product is submitted to the issuer prior to the commencement date; and
- (ii) the life risk insurance product is issued within 3 months after the commencement date.

2. Sale of Business

Due to time constraints we have been unable to confirm whether this is an issue that needs to be corrected or not but we note that the current regulations around sale of a business (Corporations Regulations 2001 – REG 7.7A.16BA; REG 7.7A.12EA; and REG 7.7A.16E) are broadly tied to the pre-1 July 2014 definition of conflicted remuneration on financial products and may need to be amended to allow the transfer of pre 1 July 2016 life insurance benefits on the sale of business or the transfer of a representative between licensees i.e. change of party to an arrangement.

The FPA would welcome the opportunity to discuss our feedback and proposed amendments further.

If you have any questions, please do not hesitate to contact our General Manager Policy and Conduct, Dante De Gori, or myself on 02 9220 4500.

Yours sincerely

Mark Rantall
CEO

Financial Planning Association of Australia Limited