

## Insurance Authority of HONG KONG

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Insurance market conduct issues in Australia 03



ASIC's current insurance work



#### IAIS

### Market Conduct Working Group (MCWG)

The International Association of Insurance Supervisors – mission



MCWG - sharing experiences across jurisdictions









## Recent work of the Market Conduct Working Group



Insurance Core Principles 18 and 19 – two key conduct standards now strengthened



Current and future priorities – digitalisation, use of data

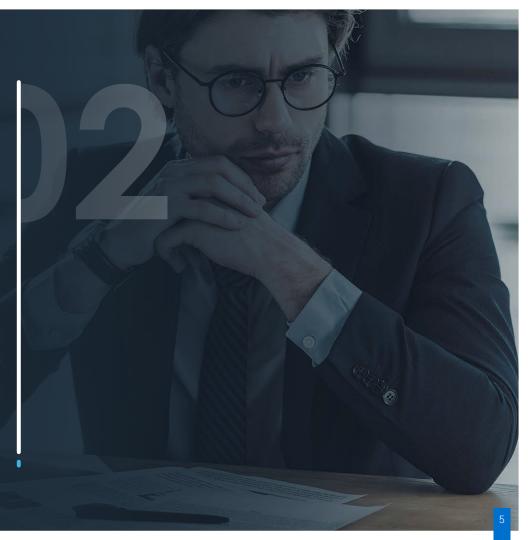
# market conduct issues in Australia

Market and regulatory environment in Australia



ASIC's role and priorities for insurance sector









#### Our regulatory mission is to:



Change behaviours to drive good consumer and investor outcomes



Act against misconduct to maintain trust and integrity in the financial system



Promote the strong and innovative development of the financial system



Help Australians to be in control of their financial lives

# ASIC'S current insurance work



Insurance in superannuation



Insurance intermediaries/advisors



Consumer credit insurance



Add-on insurance



TPD insurance



Direct sales of life insurance



Life insurance data collection (with APRA)





#### Add-on products cover risks relating to:

the car itself (e.g. extended warranty products) or to the consumer's liability under a loan used to finance the car

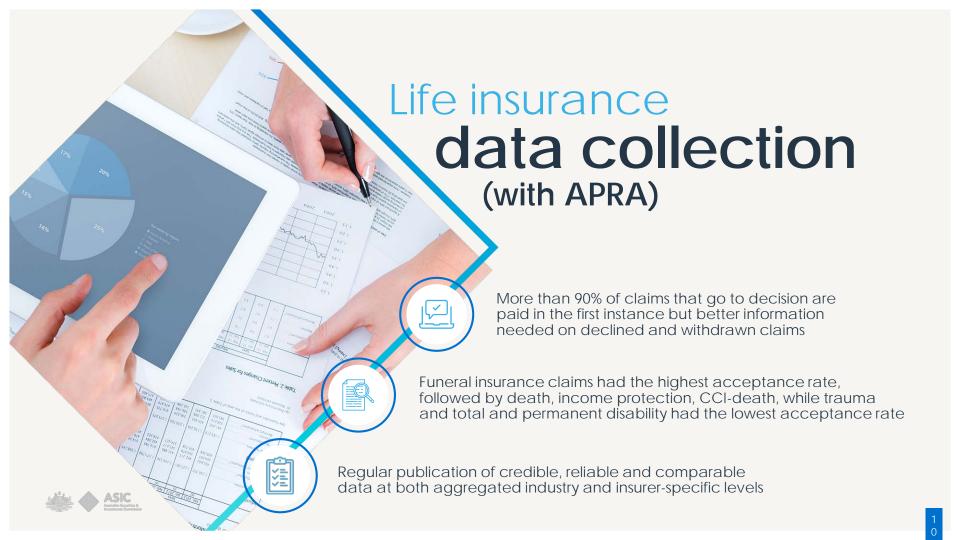


#### ASIC identified the following failures in this market:

- Poor product design
  - Poor value •
- Excessive commissions
  - Unfair sales •
  - Reverse competition •

## Add-on insurance





## Direct sale of life/insurance



ASIC reviewed 550 telephone sales calls



ASIC found high lapse rates and too many poor consumer outcomes



Frequent poor sales practices: pressure selling, bundling cover



Business practices are driving poor outcomes: product design, scripts, incentives



ASIC will restrict outbound selling



ASIC's regulatory toolkit for insurance

- Close and continuous monitoring
- Enforcement
   New powers, penalties increasing
- Potential new powers
  - Product intervention powers
  - Unfair contract terms
  - Claims handling power



