



ASIC
Australian Securities &
Investments Commission

Insurance Authority of **HONG KONG**

Asian Insurance Forum 2018

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IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

IAIS Market Conduct
Working Group

02



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

Insurance

market conduct issues in Australia

Market and regulatory
environment in Australia (+)

ASIC's role and priorities
for insurance sector (+)

A stylized map of Australia in a light blue color, set against a dark blue background. The map is positioned on the left side of the slide.

ASIC's vision is for a fair,
strong and efficient financial
system for all Australians

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)

Intermediaries



Increasing
professionalism



Changes to
training and
ethical standards



Conflicts
of interest

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

Life insurance data collection (with APRA)



More than 90% of claims that go to decision are paid in the first instance but better information needed on declined and withdrawn claims



Funeral insurance claims had the highest acceptance rate, followed by death, income protection, CCI-death, while trauma and total and permanent disability had the lowest acceptance rate



Regular publication of credible, reliable and comparable data at both aggregated industry and insurer-specific levels

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

THANK
YOU



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