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Independent Review of the 2020 General Insurance Code of Practice

[The Insurance Brokers Code Compliance Committee](#) (IBCCC) welcomes the opportunity to contribute to the [Independent Review of the 2020 General Insurance Code of Practice](#).

Our submission focuses on Section 2.4 of the Initial Consultation Paper on retail and wholesale insurance.

The role of the Insurance Brokers Code Compliance Committee

We are an independent body that monitors compliance with [the Insurance Brokers Code of Practice](#) (the IB Code).

By monitoring compliance with the IB Code, we aim to improve standards of service in the insurance broking industry and promote best practices to, ultimately, deliver better experiences for clients.

Our work involves:

- collecting and analysing industry data
- examining the practices of brokers
- monitoring compliance with obligations in the Code
- identifying current and emerging industry-wide problems
- recommending improvements to practices
- consulting with stakeholders and the public on issues and keeping them informed.

Although we are industry funded, we operate independently of the industry. Our operations are carried out by an independent secretariat service that sits within [the Australian Financial Complaints Authority](#) (AFCA).

Codes of practice are an important part of a broad consumer protection environment. When implemented well, and supported by the industry, codes of practice are an effective layer of consumer protection beyond the minimum requirements of the law.

Retail insurance and wholesale insurance

The [General Insurance Code of Practice](#) (GI Code) applies differently to retail insurance and wholesale insurance products.

We recommend that the application of the protections in the GI Code be extended to cover small and medium sized enterprises (SMEs).

Application of the GI Code to wholesale insurance products

The obligations in the IB Code protect retail and wholesale clients alike, except for section 6.1 of the IB Code which relates to the disclosure of remuneration.

This is in contrast with the GI Code, where currently parts 5, 6, 7, 8, 9 and 11 do not apply to wholesale insurance products. This is despite the definition of 'retail insurance' and 'wholesale insurance' in the GI Code largely aligning with the IB Code.

We recommend the GI Code apply to all products previously excluded.

Retail insurance definition

The current definition of 'retail insurance' as defined in the *Corporations Act 2001 (Cth)*, includes a narrow list of insurance products and fails to adequately cover the diverse insurance needs of Australian small businesses. As such, the definition can inadvertently leave small businesses with reduced safeguards, including protection under the GI Code. The focus should be on the nature of the consumer rather than the type of insurance product the consumer needs.

In line with the expectations of [RG183](#) that financial services sector codes of conduct extend beyond the law, the GI Code protections should extend to all insurance products.

Small business definition

We believe the small business definition under the GI Code is limited in scope.

The current definition in the GI Code defines small business as either an organisation employing less than 20 people, or less than 100 people if it is a manufacturing business.

There will be other organisations better placed to advise on a more contemporary definition of small business. However, there is value in adopting a consistent and clear approach like that of AFCA, which defines a small business as an organisation with less than 100 employees.

While the typical small business may share similar insurance needs to its larger counterparts, it does not necessarily share the size, complexity, resources, capability, and business acumen.

Many small businesses operate on small budgets with limited resources and personnel. Generally, they lack the expertise and risk management capabilities of larger corporations. They are often family owned and run operations.

Thank you again for the opportunity to make a submission. If you have any questions or would like to discuss this submission, please do not hesitate to contact me c/o Prue Monument, General Manager Code Compliance and Monitoring, by email at info@codecompliance.org.au.

Yours sincerely



Oscar Shub
Chair
Insurance Brokers Code Compliance Committee

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