

Submission to the Insurance Brokers Code of Practice Review

Date of submission: 12 May 2025

About financial counselling

Financial counselling is a free, confidential, and independent service. It provides vital help for people experiencing, or at risk of, financial hardship. Financial counsellors are uniquely qualified professionals, specially trained to deal with complex financial matters.

There are over 1,200 financial counsellors in Australia, collectively assisting more than 125,000 of the most vulnerable Australians face-to-face every year. This includes newly arrived migrants and refugees, family violence victim-survivors, older people, people impacted by gambling harm, and particularly pertinent to this consultation, people impacted by catastrophic natural disasters.

Practising financial counsellors must be members of their state or territory financial counselling peak association to meet regulatory requirements. The state and territory peak associations are members of a federated body, Financial Counselling Australia (FCA).

Peak associations develop resources, build sector capability, and advocate on behalf of financial counsellors and community members on systemic issues that cause and exacerbate poverty and financial hardship. They work with government, banks, utilities, debt collection agencies and other industries to improve approaches to financial hardship and vulnerability.

About this submission

This is a joint submission by Financial Counselling Victoria (FCVic) and Financial Counsellors' Association of Western Australia (FCAWA). Together, we welcome the opportunity to provide a submission to the Insurance Brokers Code of Practice Review.

This submission focuses on insurance broker issues identified primarily through insurance claims handled through disaster recovery financial counselling casework. We acknowledge that these core issues are likely to be relevant in other insurance matters, and so encourage this Review to consider where our recommendations can be implemented across the profession.

This submission has been informed by the input of financial counsellors. We acknowledge and give special thanks for their input and expertise which has helped to inform this submission. We give particular thanks to the FCVic Insurance Working Group for their long-standing advocacy on insurance issues.

The commentary and recommendations provided in this submission should be read in conjunction with a wide body of work already produced by FCVic in conjunction with our advocacy partners on issues relating to insurance and natural disasters including:

- [Research Report - Unsettled: Climate risk and cash settlements in home insurance](#)
- [Submission to the Independent Review of the 2020 General Insurance Code of Practice](#)
- [Submission to the House Standing Committee on Economics Inquiry into insurers' responses to 2022 major floods claims](#)
- [Submission to AFCA's joint consultation on General Insurance Approaches](#)
- [Submission to the General Insurance Code Governance Committee's Monitoring Priorities 2025-26 Consultation](#)
- [Submission to Treasury's consultation on Standard definitions and standard cover for insurance](#)
- [Submission to the Inquiry into Climate Resilience](#)

Further questions about this submission can be sent to Amanda Chan, Advocacy Manager at FCVic at achan@fcvic.org.au.

Full list of recommendations

Recommendation 1

That a section be inserted into the Code, under section **5. Performing Services** as follows:

5.4. Due Diligence

- (a) When a client engages us as their insurance brokers and/or risk advisors, we have a duty to conduct a series of fact-finding activities as due diligence, to ensure that we understand their insurance needs fully.
- (b) We will confirm our full understanding of the client's needs in writing, and receive the client's acknowledgement and informed consent, before providing recommendations and advice.

We will not provide services where we do not have adequate information to make an informed recommendation and provide appropriate advice.

Recommendation 2

That a section be inserted into the Code as the first item under section **6. Disclosing what we earn** as follows:

6.1 Statement of Advice

- (a) Consistent with ASIC's Regulatory Guide 175, we will always provide a written Statement of Advice (SOA) to clients with recommendations on suitable insurance products for their situation.
- (b) This SOA will include:
 - a. Information about the range of insurance products considered, with a minimum of three products reviewed.
 - b. An explanation of why a particular product has been recommended, with reference to the client's situation.
 - c. Disclosures about existing relationships, corporate and professional partnerships, or other structural connections between the broker and any recommended entity.
 - d. Disclosures about the remuneration, commission and other benefits that we (or associated persons) may receive if the products recommended are purchased by the client.
- (c) We will secure written confirmation from the client that they have reviewed the SOA before the insurance product is purchased.

Recommendation 3

To reflect the above recommendation, section 6 should subsequently be retitled '**Section 6. Providing transparency in our services**'.

Recommendation 4

To ensure that SOAs are consistent, adequate and easily understood by clients, the National Insurance Brokers Association of Australia (NIBA) should be responsible in publishing a template SOA for use by all Code subscribers. This should be created in

consultation with consumers and consumer advocates such as financial counsellors, and reviewed by the Insurance Brokers Code Compliance Committee.

Recommendation 5

That additional clauses referencing timeframes be inserted into the Code under section **7.1 Claims management** as follows:

- (a) We will act within five (5) working days to submit a claim once requested by the client. This request may be verbal or written. If it is not written, we will write to the client to confirm the verbal request.
- (b) We will assist the client to collate information and documentation required to submit the claim.

In all the clauses listed below, we will act and communicate any changes or updates on the status of their claim with the client in no more than five (5) working days. This communication may be verbal or written in the first instance, but will always be followed up with written communication.

Recommendation 6

That clause (a) in section **9.2. Handling complaints** in the Code should make it clear that under no circumstances should a complaint about an individual broker ever be referred to that individual to manage. This should be reworded as follows:

- (a) Complaints will be handled by a person with the appropriate knowledge and experience, and authority to act. The person whose conduct is the subject of the complaint will never be the one to handle the complaint.

Recommendation 7

NIBA should develop a 'Code Complaints' easy-read information sheet which must be required to be provided to all clients at the beginning of the broker-client relationship. This information sheet should make it clear that complaints are welcomed, set out a clear list of client rights, and provide clear guidance on the complaints process.

Recommendation 8

To accommodate Recommendation 6, an additional clause should be added to section **4.2. Terms of engagement** as follows:

the 'Code Complaints' information sheet developed by the NIBA

Recommendation 9

All Code subscribers including authorised representatives of a 'parent company' should be required to be registered individually with AFCA, to facilitate a meaningful EDR process where IDR has not been successful or an unbiased IDR process has not been established.

Recommendation 10

Section **11.3 Imposing sanctions** should be amended to include enforceable professional and financial sanctions for brokers who breach the Code, ensuring penalties are

substantial enough to impact profitability and drive genuine compliance across the industry. Amendments can be made to existing clauses as follows:

- (e) The IBCCC will always sanction a Code Subscriber for any Code breaches by publishing the fact that a named Code Subscriber has breached the Code and details of the breach on their website within fourteen (14) days of a decision.
- (f) The IBCCC may also sanction a Code Subscriber by referring the matter directly to the NIBA Code of Conduct Tribunal to be dealt with under applicable NIBA rules and regulations, and/or Code Subscriber membership, with:
 - i. A detailed summary of the Code Subscriber's conduct.
 - ii. An overview of how this conduct has negatively impacted clients.
 - iii. The key findings of the IBCCC investigation.
 - iv. A clear recommendation on required action such as fines and conditions on the Code Subscriber's membership.

The IBCCC may also advise the Australian Securities and Investments Commission (ASIC) of the breach, with details consistent with clause (f) above.

Recommendation 11

NIBA should lead proactive public awareness campaigns to promote the Code, partnering with consumer groups and financial counsellors. These campaigns should clearly explain client rights and broker obligations, ensuring the Code is visible, accessible, and understood by the broader community to strengthen consumer protection and industry accountability.

Recommendation 12

We recommend that the following clauses be amended in section **10.2 Supporting vulnerable clients** in the Code as follows:

- (b) If we are advised or we identify that a client or potential client requires support from a third-party (eg. a lawyer, financial counsellor, interpreter, or friend) we will comply with our client's wishes to facilitate smooth communication and prompt action.
- (c) We will recognise the authority of a support person or professional, including through the use of sector-specific standard third-party authority forms (e.g. the financial counselling authority form), and work productively with them and our mutual client.
- (d) (iv) engage a client or potential client with sensitivity, dignity, respect and compassion – this may include arranging additional support, for example by referring a client or potential client to people, or services such as free financial counselling services, with specialist training and experience.

Recommendation 13

That NIBA should engage with financial counselling peak associations to deliver training to members and Code subscribers on understanding the role of financial counsellors and how they assist clients with insurance issues.

Recommendation 14

Broker recommendations for services or products outside of insurance should be provided as a randomised short list of three potential service providers / products (with disclosures of conflicts of interest), with a suggestion that the client contact at least two for a quote. This recommendation may not sit within the Code, but could be included in NIBA's existing Member Implementation Guide for the Code.

Recommendation 15

References in the Code to 'retail clients' should be updated to 'all individuals and small businesses'.

Our commentary

We have provided commentary below on key issues identified by financial counsellors working with insurance matters, across a number of case studies. For illustrative purposes, we have identified and elaborated using one case study which encapsulates the core issues identified in insurance broking cases. We would be happy to provide additional case studies on request which highlight the same issues – there are many more available.

01. Acting in the client's best interests

Section **5.3. *Who we act for*** in the current Code makes it clear that brokers have a duty to act in their client's best interests when acting on their behalf. In this section, we provide a de-identified case study from a financial counsellor who worked with flood-impacted communities in regional Victoria which clearly demonstrates that there are insurance brokers who are clearly not working in their client's best interests, who are providing uninformed advice, are not disclosing any conflicts, and who then fail to support clients when a claim needs to be made.

Part 1: A requirement to fully understand client circumstances

There is currently no obligation on Code subscribers to ensure that the advice they provide to clients on insurance products is *appropriate to the client's circumstances*.

That is, there is no obligation for brokers to do due diligence in fully understanding the nature and requirements of the property, business, or other asset or service that requires insurance before making a recommendation and selling the insurance product.

Case study: Pearl

Pearl, a small business owner in regional Victoria, called her friend and insurance broker Terence on the phone after she purchased a new property in their small town, seeking insurance for the property. The property was well known locally for an established business, and Terence told Pearl he would arrange insurance for it, seeking no further information about how she intended to use the property.

As evidenced in the above example, financial counsellors report instances where brokers may organise insurance coverage for their clients based on assumptions, without an adequate understanding of their actual insurance needs. This can result in under-insurance, over-insurance, or critically, the incorrect insurance type altogether. This then has significant repercussions for the client when incidents occur and an insurance claim is required.

To address this situation, we recommend that a clause be inserted into the Code requiring minimum standards of due diligence by brokers to understand client requirements.

Recommendation 1

That a section be inserted into the Code, under section **5. Performing Services** as follows:

5.4. Due Diligence

- (c) When a client engages us as their insurance brokers and/or risk advisors, we have a duty to conduct a series of fact-finding activities as due diligence, to ensure that we understand their insurance needs fully.
- (d) We will confirm our full understanding of the client's needs in writing, and receive the client's acknowledgement and informed consent, before providing recommendations and advice.
- (e) We will not provide services where we do not have adequate information to make an informed recommendation and provide appropriate advice.

Part 2: Transparency of recommendations and advice

Financial counsellors report that despite section **6. Disclosing what we earn** in the current Code, it is clear that there are insurance brokers who provide neither sufficient (if any) disclosures about conflict of interest, nor any information about the options assessed when recommending an insurance product to their clients.

Case study: Pearl

A day after the initial phone call, Terence called Pearl back to let her know he had arranged the insurance for the property, and told her how much to pay. Pearl transferred the amount to Terence, without having seen any written advice or documentation relating to the insurance policy. She trusted that he understood her insurance requirements.

As evidenced in this example, financial counsellors report instances where brokers in small close-knit communities will arrange insurance products for clients over the phone, with little or no written documentation of the process and analysis conducted by the broker to determine if it is the right product for the client's circumstances.

Trusting in the broker due to tight relationships in a small community, the clients will move ahead with the recommendation without written documentation and purchase an insurance product that may not be right or the best fit, or the best value for their circumstances.

To address this situation, we recommend that section 6 of the Code be strengthened to require provision of a detailed written Statement of Advice.

Recommendation 2

That a section be inserted into the Code as the first item under section **6. Disclosing what we earn** as follows:

6.1 Statement of Advice

- (d) Consistent with ASIC's Regulatory Guide 175, we will always provide a written Statement of Advice (SOA) to clients with recommendations on suitable insurance products for their situation.
- (e) This SOA will include:
 - a. Information about the range of insurance products considered, with a minimum of three products reviewed.
 - b. An explanation of why a particular product has been recommended, with reference to the client's situation.
 - c. Disclosures about existing relationships, corporate and professional partnerships, or other structural connections between the broker and any recommended entity.
 - d. Disclosures about the remuneration, commission and other benefits that we (or associated persons) may receive if the products recommended are purchased by the client.
- (f) We will secure written confirmation from the client that they have reviewed the SOA before the insurance product is purchased.

Recommendation 3

To reflect the above recommendation, section 6 should subsequently be retitled '**Section 6. Providing transparency in our services**'.

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To ensure that SOAs are consistent, adequate and easily understood by clients, the National Insurance Brokers Association of Australia (NIBA) should be responsible in publishing a template SOA for use by all Code subscribers. This should be created in consultation with consumers and consumer advocates such as financial counsellors, and reviewed by the Insurance Brokers Code Compliance Committee.

Part 3: The obligation to file and manage an insurance claim

Financial counsellors report that despite current Code provisions in section **7.1 Claims management**, there remains instances where brokers who have financially benefited from recommending and arranging sale of an insurance product, fail to act on their client's behalf when the time comes to make a claim.

They report delays in lodging and managing claims, and a lack of action altogether. This is further complicated when the client has not received adequate written documentation regarding their insurance cover (see above example) and are unable to act themselves.

Case study: Pearl

Several months after Pearl paid Terence for the insurance for the new property, the regional area they resided in experienced severe flooding for the first time in a decade – and then again 18 months later.

Pearl's property was flooded, and her associated business had to cease trading. With the loss of income, and a property that could not be lived in due to the flood damage and black mould, Pearl's financial situation changed dramatically.

She asked Terence to make an insurance claim on her behalf so that she could repair her property and commence trading again. Terence assured her that he had the situation under control – but six months later, Pearl still had seen no evidence that a claim had been lodged.

As evidenced in this example, this client placed her trust in an insurance broker who failed to:

1. understand her insurance needs or confirm them in writing
2. consider a range of insurance products to meet her needs
3. formalise a written recommendation based on careful consideration of options
4. provide written confirmation and documentation about the product purchased

Each failure on its own has significant negative impacts on the scope of the client's insurance protection against adversity. Cumulatively, it can mean that when the client is completely disconnected from an often-expensive product and service that they have purchased, they are left with no ability to act on their rights as an insurance consumer.

Current provisions in the Code under **7.1 Claims Management** must therefore be strengthened to require brokers to act with set timeframes for action rather than the current vague reference to 'in a timely manner'.

Recommendation 5

That additional clauses referencing timeframes be inserted into the Code under section **7.1 Claims management** as follows:

- (c) We will act within five (5) working days to submit a claim once requested by the client. This request may be verbal or written. If it is not written, we will write to the client to confirm the verbal request.
- (d) We will assist the client to collate information and documentation required to submit the claim.
- (e) In all the clauses listed below, we will act and communicate any changes or updates on the status of their claim with the client in no more than five (5) working days. This communication may be verbal or written in the first instance, but will always be followed up with written communication.

02. Complaints management for individual brokers

Financial counsellors working in regional communities with clients who have experienced a natural disaster report significant difficulty for their clients in seeking assistance from community services, in understanding their rights to make a complaint, understanding who to make a complaint to, and then finding the courage to make a complaint.

Speaking up and self-advocating is already hard enough, especially where there is a power imbalance between service provider and client. However, this difficulty is significantly multiplied when there are familial, friendship or community bonds at play.

Case study: Pearl

Pearl saw a financial counsellor about her situation several months after the initial flood.

In delving deeper into the insurance arrangements and formally requesting documentation from Terence, the financial counsellor discovered that Terence had arranged for farm insurance for Pearl's property.

However, Pearl's property was **not a farm**. She was ineligible to make a claim under the insurance policy she had purchased based on Terence's verbal advice, and had no options for securing financing to repair her property.

The financial counsellor investigated Terence's broking practice setup to determine where they might be able to make a complaint. The financial counsellor found that Terence was an authorised representative for a larger network of insurance brokers. The firm's website stated – *"If you have a complaint against a FIRM NAME Network Broker you should contact your broker to utilise their IDR facility first"*.

When they contacted the network to enquire about making a complaint, the network referred the enquiry back to Terence as an individual. The financial counsellor urged Pearl to make a complaint about the broker's conduct, but Pearl was reluctant to make a complaint about Terence due to their long friendship and his standing in their small regional community.

This example reveals critical flaws in the current complaints process for insurance brokers, especially in smaller practices, with a lack of clear accountability. The broker network's referral of the complaint back to the subject of the complaint creates a blatant conflict of interest that discourages further action.

Speaking out against someone with a strong local presence, particularly a friend, is emotionally fraught and can carry social consequences. This dynamic, combined with the already intimidating nature of self-advocacy and a lack of accessible information, can mean a reluctance to act even when the financial harm is significant. The burden on individuals to navigate unclear, fragmented complaint systems adds to their distress and often results in silence rather than resolution.

To address these issues, the complaints process must be made more transparent, independent, and client-friendly. A key step is ensuring that complaints are never handled by the individual broker involved, which removes any real or perceived bias and encourages fair assessment. Clients should also receive clear, easy-to-read information about their

rights and how to raise concerns from the outset of the broker relationship. These measures would not only protect clients from misconduct but also strengthen the insurance broking sector's integrity and trustworthiness.

Recommendation 6

That clause (a) in section **9.2. Handling complaints** in the Code should make it clear that under no circumstances should a complaint about an individual broker ever be referred to that individual to manage. This should be reworded as follows:

- (b) Complaints will be handled by a person with the appropriate knowledge and experience, and authority to act. The person whose conduct is the subject of the complaint will never be the one to handle the complaint.

Recommendation 7

NIBA should develop a 'Code Complaints' easy-read information sheet which must be required to be provided to all clients at the beginning of the broker-client relationship. This information sheet should make it clear that complaints are welcomed, set out a clear list of client rights, and provide clear guidance on the complaints process.

Recommendation 8

To accommodate Recommendation 6, an additional clause should be added to section **4.2. Terms of engagement** as follows:

- (v) the 'Code Complaints' information sheet developed by the NIBA

03. Requirements to register with the regulator

Improving internal dispute resolution pathways is important – and must go hand-in-hand with improved access to external dispute resolution channels.

Financial counsellors report that current company and regulatory structures can effectively shield individual brokers from accountability and external complaints management through Australian Financial Complaints Authority (AFCA), limiting client access to fair redress.

Case study: Pearl

Though Pearl did not provide consent to make a complaint about Terence, the financial counsellor continued to investigate complaint avenues, especially as she began working with other business owners in Pearl's town and found additional evidence of Terence's poor practice with other clients.

She found that due to the nature of Terence's broking practice setup, a complaint to the AFCA could only be made about the network for which he was an authorised representative. She could not make a complaint about Terence directly. Given the network's response to her initial query in directing a complaint back to Terence, she felt that it would not be productive to make a complaint to AFCA about the large firm.

Further, she investigated the option of reporting Terence to the Australian Securities and Investment Commission (ASIC) – however with her understanding of ASIC lacking sufficient capacity to pursue all issues aside from larger corporate trends, felt this option would be ineffective.

The absence of direct AFCA registration for some individual brokers due to their company structure can leave clients and their advocates with few viable options. Meanwhile, reporting to ASIC, while possible, can be difficult for individual matters as there is a perceived lack of capacity to respond meaningfully to isolated tip-offs.

This leaves clients in a dead-end, where they are unable to escalate complaints through formal, independent channels unless the broker's parent company chooses to cooperate. Combined with an inadequate or biased IDR process, clients are left with no confidence that complaints will be resolved fairly.

Requiring all insurance brokers, including authorised representatives, to be registered with AFCA would close a critical gap in the Code. This change would provide clients with a clear, consistent avenue for redress and would place accountability where it belongs: on the individuals providing advice rather than a parent firm who is at arms length to the matter.

Recommendation 9

All Code subscribers including authorised representatives of a 'parent company' should be required to be registered individually with AFCA, to facilitate a meaningful EDR process where IDR has not been successful or an unbiased IDR process has not been established.

04. Lack of accountability in the Code

We hold significant reservations about the structural design of the Code and the lack of substantial consequences for non-compliance by brokers. As it is, the Code is poorly defined and lacks clear provisions to effectively support consumers, and is largely inaccessible to consumers unless they have an advocate or representative such as a financial counsellor working on their behalf – and even then, options are limited.

Case study: Pearl

Further to her investigations on complaints avenues, the financial counsellor considered making a complaint to the Insurance Brokers Code Compliance Committee. However, after reviewing the current Code commitments and the Committee's limited powers, she decided that making a complaint would take significant resources and time with little to show for the effort, especially given that Pearl was still reluctant to complain.

She continued to work with Pearl on other options to improve her financial situation.

We recommend that professional and financial consequences for brokers be implemented into the Code, that are significant and punitive enough to impact profitability to make compliance worthwhile – current sanctions listed in the Code have insufficient impact to incentivise compliance. Supporting this with publication of all breaches of the Code to ensure transparency and visibility will also have an informative effect for the public and incentivise compliance by broker.

Recommendation 10

Section **11.3 Imposing sanctions** should be amended to include enforceable professional and financial sanctions for brokers who breach the Code, ensuring penalties are substantial enough to impact profitability and drive genuine compliance across the industry. Amendments can be made to existing clauses as follows:

- (g) The IBCCC will always sanction a Code Subscriber for any Code breaches by publishing the fact that a named Code Subscriber has breached the Code and details of the breach on their website within fourteen (14) days of a decision.
- (h) The IBCCC may also sanction a Code Subscriber by referring the matter directly to the NIBA Code of Conduct Tribunal to be dealt with under applicable NIBA rules and regulations, and/or Code Subscriber membership, with:
 - v. A detailed summary of the Code Subscriber's conduct.
 - vi. An overview of how this conduct has negatively impacted clients.
 - vii. The key findings of the IBCCC investigation.
 - viii. A clear recommendation on required action such as fines and conditions on the Code Subscriber's membership.
- (i) The IBCCC may also advise the Australian Securities and Investments Commission (ASIC) of the breach, with details consistent with clause (f) above.

05. Awareness of the Code

Despite the inclusion of section **12.1 Promoting the Code**, there is limited awareness among clients about its existence and purpose. For a Code intended to uphold professional standards in insurance broking and protect clients, its impact is severely diminished if those it aims to serve do not know it exists. This is a systemic issue that undermines the Code's effectiveness as a consumer protection tool.

Currently, the Code relies heavily on brokers to inform clients of its relevance, but this approach is inconsistent and often insufficient, particularly when the broker's own conduct may be under scrutiny. The Code should include specific obligations requiring all

subscribing brokers to actively and consistently promote the Code to clients at the outset of the relationship, using accessible language and multiple formats. This should include the mandatory display of the Code and its key commitments on broker websites, in offices, and in client onboarding materials.

However, it should not stop there. NIBA should also take a more proactive role in raising public awareness of the Code through broader community education campaigns, in collaboration with consumer groups and financial counselling peak bodies. By ensuring consumers are informed about their rights and the standards brokers must uphold, the Code can become a genuinely useful and trusted framework, helping to lift professional standards across the industry.

Recommendation 11

NIBA should lead proactive public awareness campaigns to promote the Code, partnering with consumer groups and financial counsellors. These campaigns should clearly explain client rights and broker obligations, ensuring the Code is visible, accessible, and understood by the broader community to strengthen consumer protection and industry accountability.

06. Discouraging access to financial counselling

Alarmingly, we have been provided with evidence from financial counsellors that there are insurance brokers actively discouraging their clients from accessing assistance from authorised third parties such as independent financial counsellors, while simultaneously failing in their duty to support with claims.

Case study: Storm-impacted older couple

An older couple in regional Victoria held combined home and farm insurance. Their home was impacted by severe storms in February 2024. In May 2024, after being referred by a disaster recovery support worker, the clients engaged with a financial counsellor for assistance with their insurance claim as they felt it was not progressing.

The financial counsellor requested documents from the insurer at the time, which went unanswered. The insurance broker informed the clients that the insurer was being fair, and that the clients should ask the financial counsellor to step back from asking for the requested documents.

Due to this directive from the broker, the clients felt that having the financial counsellor involved in their case would jeopardise their claim so they ceased working with the financial counsellor and advised that they would reach out if they needed further assistance in the future.

In February 2025, nine months after the first approach, the clients reached out to the financial counsellor again after they had not been able to move forward with their insurance claim. They had not received an updated scope of works since September 2024.

The financial counsellor requested documents from the insurer and the broker. Both requests were ignored in the first instance, though the broker did find time to contact the clients and inform them that involving a financial counsellor has added more people in the mix and created more paperwork for them.

After the financial counsellor requested documents, the clients finally received a scope of works and cash settlement offer which were both no longer valid due to the delays by insurer and broker alike. The clients feel their broker has been pressuring them to agree to this.

The broker is not engaging with the financial counsellor, and is ignoring client requests that he contact the financial counsellor as their authorised representative. One of the clients has been hospitalised due to the stress of the claim, and the request to work with the financial counsellor instead is still ignored.

This case is active and ongoing, and the financial counsellor is working with the clients on their options.

Despite section **10.2 Supporting vulnerable clients** in the Code specifying requirements on recognising the authority of support people and making reasonable accommodations for supporting third parties, it is clear that there are individual brokers who are not complying with these clauses. We suggest that this is potentially due to the fact that the Code does not currently specify the role of a financial counsellor, and that there may be limited understanding of this profession.

We recommend that the Code be strengthened to require effective engagement with third party authorities, and for the NIBA to play a role in upskilling the profession on understanding how to work with third parties.

Recommendation 12

We recommend that the following clauses be amended in section **10.2 Supporting vulnerable clients** in the Code as follows:

(b) If we are advised or we identify that a client or potential client requires support from a third-party (eg. a lawyer, financial counsellor, interpreter, or friend) we will comply with our client's wishes to facilitate smooth communication and prompt action.

(c) We will recognise the authority of a support person or professional, including through the use of sector-specific standard third-party authority forms (e.g. the financial counselling authority form), and work productively with them and our mutual client.

(d) (iv) engage a client or potential client with sensitivity, dignity, respect and compassion – this may include arranging additional support, for example by referring a client or potential client to people, or services such as free financial counselling services, with specialist training and experience.

Recommendation 13

That NIBA should engage with financial counselling peak associations to deliver training to members and Code subscribers on understanding the role of financial counsellors and how they assist clients with insurance issues.

07. Additional concerns

In addition to the issues detailed in Pearl's case study above, it has come to our attention that there are other concerns around disclosures of conflicts of interest in broker behaviour throughout their relationship with a client.

For instance, financial counsellors have reported situations where an insurance broker will manage a motor vehicle claim for a client, and recommend a body repair shop to manage the repairs – never revealing that they hold a relationship with the shop owner with a commission for any referrals.

To manage these situations, we recommend that any broker recommendations for services or products outside of insurance should be provided in a neutral format.

Recommendation 14

Broker recommendations for services or products outside of insurance should be provided as a randomised short list of three potential service providers / products (with disclosures of conflicts of interest), with a suggestion that the client contact at least two for a quote. This recommendation may not sit within the Code, but could be included in NIBA's existing Member Implementation Guide for the Code.

Finally in response to the consultation question about retail clients, we believe that the *Corporations Act 2001* definition of a 'retail client' is unnecessarily narrow based on the list of general insurance products. The world is changing, and insurance products will change

with it. To ensure that the Code does not age with outdated legislation, financial counsellors recommend that the definition of who should be covered by Code obligations should simply be updated to include *all individuals and small businesses*. The definition of small business should be consistent with that used by both ASIC and AFCA – less than 100 employees¹.

Recommendation 15

References in the Code to ‘retail clients’ should be updated to ‘all individuals and small businesses’.

On a final note, we urge the Insurance Brokers’ Code Compliance Committee to consider their future areas of monitoring focus in light of the example of poor broker practices provided above. We recommend that focusing on individual brokers providing services in small regional or rural communities located in natural disaster-prone areas will assist in identifying breaches of the Code and necessary strengthened sanctions as a result.

Thank you for the opportunity to provide this submission to the Insurance Brokers Code of Practice Review, on behalf of financial counsellors working with vulnerable people experiencing financial hardship.

¹ This definition is also consistent with the Financial Counselling Victoria Small Business Scope of Practice.