

**Financial Services  
Consumer Policy Centre**

**Review of Compensation Arrangements**

**Consumer response to the options paper**

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## Summary

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We are very disappointed at the scope of the options proposed. In our view the proposed insurance-based solution is the absolute minimum that could be done and only guarantees that consumer losses will continue to occur.

We accept however that it is an improvement (albeit limited) on the current situation and in this submission we have focused on the areas where there is scope for further improvements. A full list of recommendations follows.

However we wish to underscore the following:

1. For insurance to work as a compensation mechanism consumers must have a right to know the identity of the insurer and the terms of the policy. To deny consumers this information simply places an unacceptable barrier between the consumer and compensation. Based on consumer experience, it can take tens of thousands of dollars in legal fees just to identify the insurer and the terms of the policy.

Moreover we can see no point in telling consumers about any mandatory compensation arrangements if the Government is going to allow industry to maintain the current unnecessary and unreasonable barriers to access. This will only create false expectations amongst consumers about the scope of the compensation arrangements which will ultimately only damage further the standing of the industry.

Further to deny this basic information to consumers is completely at odds with the consumer protection thrust of FSR as well as with the government's stated commitment to transparency and disclosure. Transparency of arrangements manifested in informed consumers who know their rights will only improve the efficiency and fairness of the marketplace.

As you will see our preferred way of overcoming these problems is for a licensee to be required to provide the name of their insurer and the general terms of the policy in the FSG in a standard format to be settled by ASIC.

2. We support a high level of prescription in the legislation with the detail to be settled by ASIC policy statements. Spelling out the main requirements of the insurance cover in legislation will provide less room for underwriters to "screw down" contract terms and will assist the industry in arranging cover.

Additionally, if the main elements of the required insurance are spelt out in legislation ASIC will have a clear mandate in developing the detail of the policy statements.

It will also assist in developing consumer awareness and understanding of the existence and nature of the compensation arrangements.

3. While we welcome the mandatory fraud and fidelity extensions we are of the view that a broad form civil liability policy would better meet the needs of both licensees and consumers, rather than a narrow negligence policy.

4.. We are also concerned about suggestions that the operation of the NGF be further limited and make the following points:

- The fund should not be allowed to fall below the current minimum of \$80 million.
- The independent directors should have consumer/investor protection experience and should be appointed in consultation with relevant consumer organisations.
- Once the fund is split all payments to the FIDA should cease and excess funds should only be used for investor protection purposes
- Once the fund is split the per insolvency cap needs to be lifted, in light of the overall reduction in the fund.
- The Chair of the Board should be an independent director appointed by agreement between the ASX directors and the consumer directors.
- Claims could be limited to retail clients but there should be no cap for individual claims.

## List of recommendations

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1. Compensation arrangement should cover all activities of a licensee and not be restricted to the scope of the licence.
2. If arrangements are restricted to the scope of a licence then the limitations of the licence should be spelt out on ASIC's website and in the licensee's FSG.
3. Given the inadequacies of insurance the EDR schemes should be required to have arrangements which ensure all their determinations are paid, by the member in the first instance or other members if the licensee is unable to pay.
4. Legislation should specify the main elements of the required cover, including that an acceptable insurance contract should contain:
  - broad form civil liability cover,
  - unambiguous fraud and fidelity cover,
  - adequate minimum indemnity limits,
  - excess thresholds within a licensee's capacity to pay,
  - coverage of EDR determinations unless a licensee can self-insure; and
  - run-off cover.
5. The detail of these requirements should be in ASIC policy statements.
6. A broad form civil liability policy is preferred to a narrow negligence (acts, errors or omissions) policy.
7. The Act must make it clear that an acceptable contract covers fraud and fidelity. ASIC's policy statements must spell out in great detail exactly what must be covered. ASIC policy should require a presumption in favour of cover, where doubt exists.
8. Maximum excess thresholds should be set by reference to a licensee's capacity to self-insure, but the dollar amount should ensure that the most impecunious licensee is covered. We support the approach in the I(AB)A and a dollar amount of \$10,000.
9. An acceptable contract of insurance should not be allowed to contain an exclusion for EDR determinations.
10. Mandatory PII minimums must include run-off cover. However the detail should be settled by ASIC on a sector by sector basis.

11. Insurers should be required to notify ASIC prior to termination of contract and inform it of the reasons for the cancellation.
12. Insurers should be prevented from avoiding the contract or reducing liability on the grounds of both innocent and fraudulent non-disclosure and non-notification by the insured.
13. Further, licensees should be required to lodge proof of an acceptable insurance policy with ASIC as part of the annual licensing regime.
14. The fund should not be allowed to fall below the current minimum of \$80 million.
15. The per insolvency cap needs to be lifted, in light of the overall reduction in the fund
16. Claims could be limited to retail clients but there should be no cap for individual claims.
17. If the levy power is capped it should be possible, where funds are unavailable, to pay claims that succeed in one year in future year.
18. The independent directors should have consumer/investor protection experience and should be appointed in consultation with relevant consumer organisations.
19. The Chair of the Board should be an independent director appointed by agreement between the ASX directors and the consumer directors.
20. All payments to the FIDA should cease and excess funds should only be used for investors protection purposes.
21. Licensees should be required to identify their insurer and the terms of the policy in a standard way in the FSG.

## Issue 1: Ambit of the proposed insurance cover

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While we accept that compensation arrangements must be limited to licensed providers we are strongly of the view that the arrangements should apply where a licensee is acting outside the terms of its licence. Even if consumers are informed in general terms about the extent of the licence and make checks through ASIC it is unlikely that they will be able to distinguish between licensed and unlicensed activities. At any rate the ASIC database that allows consumers to check licensees provides little information other than the name and address and licence number.

As a minimum if arrangements were to be restricted to the scope of a license then information about the constraints of a licensee should be made available on the ASIC website and should be required to be clearly spelt out in every financial services guide.

1. Compensation arrangement should cover all activities of a licensee and not be restricted to the scope of the licence.
2. If arrangements are restricted to the scope of a licence then the limitations of the licence should be spelt out on ASIC's website and in the licensee's FSG.

## Issue 2: Alternatives

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Insurance as proposed is a completely inadequate solution. It places rigid and costly barriers between consumers and compensation. Where claims are contested it cannot be considered an accessible mechanism.

To help ensure compensation of lower end losses EDR schemes could be required via an amendment to ASIC policy statement (PS 139) to ensure EDR schemes have arrangement that ensure all their determinations are paid by the relevant member in the first instance, or if the member is unable to pay or insolvent, by other members as a body. The detail of how this could be achieved could be worked through with the schemes, ASIC and other stakeholders in a separate process. This obviously caps compensation at the scheme's monetary limits. The largest jurisdiction is \$150,000.

3. Given the inadequacies of insurance the EDR schemes should be required to have arrangements which ensure all their determinations are paid, by the member in the first instance or other members if the licensee is unable to pay.

## Issue 3: Exemptions – high capitalisation

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While not ideal, we can accept the proposals and support delegation of the detail to ASIC policy statements. We do not support a general exemption on the basis of whether an entity is or is not APRA regulated alone. We strongly prefer the three pronged test outlined in the paper.

## Issue 4: Details of complying insurance cover

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### **Degree of prescription**

At the meeting Treasury convened on 14 November the insurers made it clear that a legislative floor, which clearly identifies benchmarks, makes it easier for insurers to underpin a scheme. Brokers, more generally, have told us that clear identification of benchmarks provides less room for underwriters to “play around” with or “screw down” contract terms.

Additionally, if the main elements of the required insurance are spelt out in legislation this will give ASIC a clear mandate in developing the detail of the policy statements.

It will also assist in developing consumer awareness and understanding of the existence and nature of the compensation arrangements.

It will also assist the industry in arranging cover.

### **Where should the prescription be located?**

For the above reasons we support identification of the general requirements in the legislation with the detail to be developed in ASIC policy statements. The industry, consumers and ASIC will all benefit from the certainty and clarity that will follow from a level of prescription in the legislation.

The I(AB) Act provides a workable model from the sector and as the paper points out other more prescriptive models exist.

For this reason we support an amendment to s912B that makes it clear that licensees must have an acceptable insurance contract. The legislation should specify that an acceptable insurance contract must contain:

- broad form civil liability cover
- unambiguous fraud and fidelity cover
- adequate minimum indemnity limits
- excess thresholds within a licensee’s capacity to pay
- coverage of EDR determinations unless a licensee can self-insure
- run-off cover

4. Legislation should specify the main elements of the required cover, including that an acceptable insurance contract should contain:

- broad form civil liability cover,
- unambiguous fraud and fidelity cover,
- adequate minimum indemnity limits,
- excess thresholds within a licensee's capacity to pay,
- coverage of EDR determinations unless a licensee can self-insure; and
- run-off cover.

5. The detail of these requirements should be in ASIC policy statements.

### **Facets of the cover and how they should be prescribed**

As noted above an acceptable insurance contract must contain:

- broad form civil liability cover
- unambiguous fraud and fidelity cover
- adequate minimum indemnity limits
- excess thresholds within a licensee's capacity to pay
- coverage of EDR determinations unless a licensee can self-insure
- run-off cover

### **Broad form civil liability cover**

As we understand it there are two basic types of professional indemnity insurance: a standard negligence policy and a broad form civil liability policy.

A standard negligence policy covers any negligent act, error or omission of an insured. Extensions are available for:

- loss of documents
- defamation
- fraud and dishonesty (including on the part of the licensee)
- trade practices and fair trading actions
- retroactive cover (coverage of conduct before the claims period)
- intellectual property
- fidelity (employee steals money)
- run-off cover.

A broad form civil liability policy covers claims that can give rise to any civil award imposed by a civil court. It is broader than “negligence” policies, and provides indemnity where negligence is not at issue. However these policies can exclude certain matters.

According to Marsh which arranges PI cover for about 50% of insurance brokers and 50% of stockbrokers, broad form civil liability policies are the most common. Policies held by financial planners vary enormously but most are the narrower (and cheaper) standard negligence policies and some have extensive exclusions.

If the mandatory compensation arrangements are to be limited to PII then the insurance must provide wide cover. It should cover all the general obligations under Chapter Seven of the *Corporations Act* as well as the consumer protection provisions in the TPA and ASIC Act. Therefore it is preferable that licensees be required to hold a broad form civil liability policy.

The wording of the proposed amendment to s912B “acts, errors or omissions” suggests only a narrow negligence policy is envisaged. PII alone is an inadequate response to the requirements of s912B but a narrow negligence policy provides the lowest level of consumer redress possible within the range of PII products.

We do however strongly support the proposed fraud and fidelity extensions.

However in the event that a narrow negligence policy is adopted then extensions should be required not only for fraud and fidelity, but also to cover the general obligations under Chapter Seven of the *Corporations Act* as well as the consumer protection provisions in the TPA and ASIC Act.

6. A broad form civil liability policy is preferred to a narrow negligence (acts, errors or omissions) policy.

### **Unambiguous fraud and fidelity cover**

As we have previously pointed out, while policy extensions are available to cover dishonesty and fraud, they are often confused by various exemptions or by the terms of other extensions. For example one extension may cover dishonesty, fraud and malicious acts or omissions by

employees, partners and directors, but another clause may cover only unintentional breaches of the Trade Practices Act (presumably knowingly misleading conduct is excluded). Other exemptions may exclude reckless dishonest acts.

These sort of clauses make it very difficult for consumers and even licensees to have any certainty about the scope of coverage. An insurance lawyer has noted that the answer to whether certain policies provide the coverage would cost tens of thousands of dollars in litigation.

The Act must make it clear that an acceptable contract covers fraud and fidelity and ASIC's policy statements must spell out in a great detail exactly what must be covered to prevent the emergence of vague and meaningless fraud extensions. ASIC policy should require a presumption in favour of cover, where doubt exist or emerges.

7. The Act must make it clear that an acceptable contract covers fraud and fidelity. ASIC's policy statements must spell out in great detail exactly what must be covered. ASIC policy should require a presumption in favour of cover, where doubt exists.

### **Adequate minimum indemnity limits**

We support the I(AB)A model with its minimum of \$1million ranging up to \$5million<sup>1</sup> depending on size of the business.

### **Maximum excess thresholds and EDR determinations**

Our starting point is that the EDR schemes are an established part of the compensation landscape. They were set up to provide a cheap and efficient method of consumer redress designed to keep the parties out of court and maintaining confidence in the industry. The important role they play has been recognised in the FSRA by mandating membership of an approved scheme as part of the consumer protection landscape. It makes no sense that the Government says on one hand licensees must join a scheme but on the other does nothing to ensure licensees can meet determinations made against them. For this reason it is not appropriate that licensees are able to consent to an endorsement excluding EDR determinations. It would be preferable to mandate that EDR determinations must be met and the excess does not apply. This sort of cover has been widely available in the life and general broking area since the IBD came into existence in 1996.

However we can accept that based on the formula below where a member has the capacity to self-insure there is no need for insurance to cover EDR determinations.

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<sup>1</sup> Regulation 2B

In our view maximum excess thresholds should be set both in a dollar amount and by reference to a licensee's capacity to self-insure. This could be done by setting either a capitalisation test or income test (expressed as a percentage) as an alternative to a dollar amount.

For example the I(AB)Act says an excess cannot exceed \$10,000 or 2.5% of the broker's annual income. A test of this sort provides both certainty (especially at the lower, problematic end of the scale) as well as flexibility for larger licensees with a greater capacity to self-insure. It has worked well in practice and we understand that at least 50% of brokers who are members of the Insurance Brokers Dispute scheme have a policy with a lower excess. A number of licensees have a no excess policy for EDR determinations (mostly IBD and FICS determinations).

The dollar amount of the excess threshold also needs to recognise that EDRs are now part of the compensation landscape. This means that dollar amounts need to be set at a sufficiently low level to ensure that determinations against the most impecunious licensee would be covered. For this reason we support a maximum threshold of \$10,000. Clearly if the licensee has a large income or capital base the amount could be higher.

The options paper notes some EDRs require participants to have cover for the scheme's determinations and that this results from the contractual liability of the licensee to the scheme. We are not aware of any schemes with this requirement. Neither FICS, IEC, BFSO or IBD have this requirement. It is far more efficient for this to be centralised through the regulatory regime rather than requiring each scheme to negotiate this with its membership.

8. Maximum excess thresholds should be set by reference to a licensee's capacity to self-insure, but the dollar amount should ensure that the most impecunious licensee is covered. We support the approach in the I(AB)A and a dollar amount of \$10,000.

9. An acceptable contract of insurance should not be allowed to contain an exclusion for EDR determinations.

### **Run-off cover**

We are aware of the difficulties posed by run-off cover. However we note:

- difficulties in the market appear concentrated at the smaller end of the financial planning/advising market where cheap premiums have been available in the past.
- the chartered accountants' professional association continues to require run-off cover but has considered reducing it to two years because of difficulties with the market.
- although the insurance brokers scheme operated by Marsh has not been automatically providing run-off cover the scheme has been able to provide run-off cover on an individual needs basis, such as when a broker exits the market or sells a business.
- Run-off cover has been accepted as an essential ingredient of effective PII, not only by the Government in the I(AB)A but also by the various industry associations.

We support an approach whereby a general requirement for run-off cover is introduced but let the detail be settled on a sector by sector basis by ASIC. This provides the flexibility for requirements to be tailored to the various needs of the different segments and to take account of market conditions over time. It also provides the flexibility to adjust the requirements should any significant issues emerge.

10. Mandatory PII minimums must include run-off cover. However the detail should be settled by ASIC on a sector by sector basis.

## Issue 5: Obligations on insurers?

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Insurers should be required to notify ASIC prior to termination of contract and inform it of the reasons for the cancellation.

Insurers should be prevented from avoiding the contract or reducing liability on the grounds of both innocent and fraudulent non-disclosure and non-notification by the insured.

These are requirements of the I(AB)Act. The options paper suggests that if applied to a greater range of financial services they may be so burdensome that insurers would not tolerate them.

However according to Marsh, insurers were very nervous when the non-avoidance clause was first introduced and premiums rose, but ten years later Marsh had not received a single claim under the clause.

In framing the requirements consideration has to be given to the fact that the major way in which insurers seek to avoid policies is by claiming non-disclosure or non-notification by the insured. This means that where a licensee has failed to meet its obligations under its insurance policy the consumer's rights are prejudiced. We do not consider this to be an acceptable outcome for a regime that is designed to compensate clients for losses suffered as a result of breaches of its obligations.

The non-avoidance clause was inserted into the *Insurance (Agents and Brokers) Act* in 1994 following a highly publicised case in which a genuine claim was denied on the basis of fraudulent non-disclosure by the licensee. The major arranger of PII insurer in the broking area, Marsh, has said that no claims have been made under this clause since 1994 despite the requirement pushing up premiums following its introduction.

Insurers will also seek to avoid claims where the insured has failed to meet its notification obligations. Insureds are required to notify an insurer as soon as they become aware of a potential claim. The first question an insurer will ask an insured on notification of a claim is when did they first become aware of the possible claim. If it becomes apparent that the insured was aware of the potential claim and failed to notify the insurer then this becomes a ground for avoidance of the policy. Marsh has also noted that few insurance broking claims have been rejected but of those few the main ground for rejecting a claim has been non-notification, including innocent non-notification once the contract has been entered into.

The landscape has changed recently with the High Court decision *FAI v Australian Hospital Care 2001*, although its impact is far from settled. The decision has been interpreted as dispensing with notification requirements where policies have an "occurrence notified" clause, which require insureds to notify the insurer of an occurrence that could give rise to a claim. It remains an open question whether the case applies to contracts that lack an occurrence notified clauses. However it is clear that the decision will be further tested.

Just as licensees have to lodge proof of membership of an EDR in order to get a licensee they should be required to lodge proof of an acceptable insurance policy. Given that s912B is to be

mandatory then a mechanism must be in place to ensure that the regulator is aware that a licensee is in compliance with that obligation.

11. Insurers should be required to notify ASIC prior to termination of contract and inform it of the reasons for the cancellation.

12. Insurers should be prevented from avoiding the contract or reducing liability on the grounds of both innocent and fraudulent non-disclosure and non-notification by the insured.

13. Further, licensees should be required to lodge proof of an acceptable insurance policy with ASIC as part of the annual licensing regime.

## Issue 6: Market compensation arrangements

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Firstly we strongly support retention of the existing compensation and fidelity funds. While we do not think the need is relevant to these sectors alone we accept that the existence of these funds has ensured the availability of the data to justify their ongoing existence. Additionally as the options paper notes the ongoing existence of these funds does not require any impost on the sectors, yet delivers significant consumer benefits.

### **The NGF**

We note application has been made to pay \$93 million from the NGF to the new Australian Clearing House. This will leave around \$53 million in the NGF well below the current required minimum of \$80 million. To ensure this amount is adequate the ASX has proposed capping claims at \$500,000. If the capping proposal is rejected then it has said \$73 million should be left in the fund.

Our view is that the fund should not be allowed to fall below the current minimum requirement of \$80 million. This is the level both the SEGC and the government have agreed is an appropriate minimum. Under the minimum level it has never been necessary to activate the levy power. Additionally with the reduced funds it will be necessary to review the existing claims cap ie the 14% of the fund in relation to insolvency claims arising from the one event. If the amount in the fund is reduced to \$73 million (on the basis that there is no per claim cap) the insolvency cap will need to be raised to prevent future investors from being significantly worse off than past investors. This could apply greater pressure on the fund in the event of a such an event and underscores the need to maintain the fund at the current required minimum.

Rather than capping individual claims it would be preferable to limit claimants to retail clients consistent with FSRA. If this occurs no individual claims cap would be necessary as no single claim could conceivably create any instability in the fund.

In relation to the levy power, we note it has never been activated to date, largely due to the large amount of money contained in the fund. It is not desirable that the levy power is ever activated and the best way to prevent this is likely to be to maintain the minimum levels in the funds.

Should the levy power be capped that cap should be sufficiently large to ensure consumer losses are minimised. Additionally if a cap is applied it should be possible for successful claims to be carried forward to minimise consumer losses. That is, a claim that succeeds in one year could be paid in another if availability of funds were at issue. However as previously noted the way to prevent activation of the levy power is almost certainly to ensure that minimum levels are left in the fund following the proposed split.

Additionally we note:

- The NGF has no public profile and is virtually unknown amongst investors
- The claims level is extremely low and the success rates are very poor

- This is in stark contrast with public awareness levels and success rates of the EDR schemes.

Once funds are removed from the NGF this will leave the NGF with a single function, namely investor protection. At present the NGF is governed by a Board of five, three of whom including the Chair are appointed by the ASX. The other two are independent directors appointed by the ASX appointed directors. We understand once the fund is split the Board may reduce to three. Given that the NGF will from that point have only a single function, namely investor protection we are of the view that the independent director or directors should be required to have investor protection experience. Consumer(investor) claims handling experience would obviously also be an asset. The independent (consumer protection ) directors should be appointed following consultation with relevant consumers organisations such as the Australian Consumers' Association and the Australian Shareholders Association.

Additionally we are of the view that the Chair of the Board should be independent, and appointed by the Board of the NGF, not the ASX.

This would bring the NGF into line with the well established and highly effective governance arrangements of the EDR schemes. They are required to have parity between the number of industry directors and consumer directors. Additionally they are required to have an independent Chair. This governance model has done much to inspire confidence in the EDR sector and has overcome consumer wariness of schemes once thought of as acting primarily in the interests of industry. This model has also proved effective in preventing capture by the relevant industry.

Once the functions of the NGF are limited to investor protection no further payments should be made to the FIDA as industry development purposes would not be consistent with the functions of the fund. The sole purpose to which excess funds should be applied is investor protection purposes. If the Board were to be expanded to include consumer/investor representation then the projects to which the excess funds could be applied could be at the discretion of the Board following the formulation of a project approval policy etc.

Summary of NGF recommendations:

14. The fund should not be allowed to fall below the current minimum of \$80 million.
15. The per insolvency cap needs to be lifted, in light of the overall reduction in the fund
16. Claims could be limited to retail clients but their should be not cap for individual claims.
17. If the levy power is capped it should be possible, where funds are unavailable, to pay claims that succeed in one year in future year.
18. The independent directors should have consumer/investor protection experience and should be appointed in consultation with relevant consumer organisations.

19. The Chair of the Board should be an independent director appointed by agreement between the ASX directors and the consumer directors.

20. All payments to the FIDA should cease and excess funds should only be used for investors protection purposes.

## Issue 7: Expectations

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How should the public be informed about the compensation regime? In particular how can we avoid false expectations?

In our view insurance is the most limited of the possible options for a compensation regime. Given the limitation of insurance and the difficulties faced by consumers in accessing it, there is an additional obligation to ensure consumers are informed about the nature of the arrangements in the most comprehensive way possible to both ensure they understand their rights and do not misunderstand the limitations of the arrangements.

Consumers need to be informed about it in a manner that is not only efficient and fair but ensures but they can access it.

It makes no sense for the government to say on one hand insurance is required so consumers can be compensated for breaches by licensees but consumers will need to fork out tens of thousands of dollars to lawyers if they want to do something as basic as find out the name of the insurer and/or the terms of the policy. It is neither efficient nor fair to force this upon consumers when compensation arrangements are a mandatory requirement of the consumer protection part of the new FS regime.

For insurance to work as a compensation mechanism consumers must have a right to know the identity of the insurer and the terms of the policy. To deny consumers this information simply places an unacceptable barrier between the consumer and compensation. Based on consumer experience it can take tens of thousands of dollars in legal fees to identify the insurer and the terms of the policy.

To deny this basic information to consumers is completely at odds with the consumer protection thrust of FSR as well as with the government's stated commitment to transparency and disclosure. Transparency of arrangements manifested in informed consumers who know their rights will only improve the efficiency and fairness of the marketplace

Our preferred way of ensuring the public is informed about the compensation regime is via the financial services guide. As a minimum licensees should be required to include the name of their insurer and terms of the contract at least up to the required minimums in their Financial Services Guides. For example FSGs could state:

### **Professional indemnity insurance**

We hold a PII policy that meets ASIC requirements. This includes a minimum excess of \$xx. Cover up to \$x million for any civil actions. Fraud and fidelity is covered. Xxxx is not covered. Etc Our insurer is XYZ Insurers.

A less attractive alternative is to require ASIC to hold a central register to allow potential claimants to identify insurers and policy terms. However this raises administrative and resource issues for ASIC as well as liability issues. It is also far less accessible for consumers.

We strongly prefer an FSG requirement to identify the insurer and policy terms. This has a number of advantages:

- **Cost efficiency:** there is no extra cost for government or licensees as licensees are required to prepare and distribute FSGs to clients.
- **Prevents false expectations:** By providing clear concise information about what is and what is not covered by the PII contract false expectations can be prevented.
- **Highly targeted information provision:** by requiring information about compensation arrangements in FSGs ensures there is a means by which all client or prospective clients can become aware of those arrangements.

Given that FSGs are already required to contain information about both internal and external dispute resolution it is logical that they also be required to provide information about other compensation/consumer redress mechanisms. As previously stated it is our view that both IDR and EDR should be seen as part of the compensation continuum.

21. Licensees should be required to identify their insurer and the terms of the policy in a standard way in the FSG.

## Issue 8: Small business

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There can be no reason to exempt small business from basic consumer protections. Carrying PII has to be regarded as part of the cost of being a licensee. Indeed the reforms must be tailored in such a way that consumers of small licensees are protected given that to date some of the worst frauds have derived from this end of the market. It is for this reason that we have proposed that the dollar excess limits be set sufficiently low to ensure claimants against small businesses would not lose out.

## Contact details

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The Financial Services Consumer Policy Centre is a not for profit research organisation affiliated with the University of New South Wales Faculty of Law.

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