



SUBMISSION by the National Insurance Brokers Association of Australia in response to the Draft Report of the Competition Policy Review dated September 2014.

NIBA appreciates the opportunity to provide this submission in response to the Draft Report of the Competition Policy Review.

About NIBA

NIBA is the industry association for insurance brokers in Australia. NIBA's members include over 90% of the insurance broking firms operating in Australia, including the major international firms, large Australian firms, and around 350 medium and smaller insurance broking firms operating across the length and breadth of Australia.

About Insurance Brokers

Insurance brokers are regulated by ASIC, and all hold an Australian Financial Services Licence.

The primary roles of insurance brokers are as follows:

- Advise and assist clients understand, assess and manage their risks;
- Access the insurance markets on behalf of their clients, in order to obtain appropriate cost effective cover with appropriate terms and conditions according to the risk and insurance needs of the client;
- On some occasions, assist larger clients with their risk financing needs, often via sophisticated self insurance and other risk financing mechanisms;
- Act as the client's advocate where a claim has to be made under the insurance policy.

The general insurance market in Australia

The general insurance market operates in two ways.

Direct insurers offer products directly to purchasers, via call centres, branch networks or via the internet. Direct insurers also offer products via distribution agents who are acting on

behalf of the insurer (an example of this is the travel agent who sells a travel insurance policy on behalf of the insurance company issuer.

The second type of insurance market is the intermediated insurance market, where insurance brokers, invariably acting for and on behalf of the client, “broke” the client’s insurance needs to the insurance companies offering product and services to the intermediated market. This type of insurance market has been operating for many hundreds of years.

Insurance brokers transact almost half of the general insurance business in Australia according to premium volume. In addition to placing the great majority of insurance business with Australian authorised insurance companies, insurance brokers also place in excess of \$1.3 billion in premium with overseas insurance companies.

Statutory Insurance in Australia

Arrangements for workers compensation and motor vehicle personal injury compensation insurance across Australia are as follows:

Jurisdiction	Workers Compensation	Motor Vehicle Personal Injury Compensation
Queensland	Government agency	Competitive market
New South Wales	Government agency	Competitive market
Victoria	Government agency	Government agency
South Australia	Government agency	Government agency, to be privatised from 1 July 2015
Western Australia	Competitive market	Government agency
Tasmania	Competitive market	Government agency
Australian Capital Territory	Competitive market	Competitive market
Northern Territory	Competitive market	Government agency

It is clear that substantial areas of Australia do not have access to competitive markets for both workers compensation and motor vehicle personal injury compensation insurance. This is despite the fact that competitive markets operate in both areas in major Australian States.

More importantly, government agencies operating in this area are not regulated by the Australian Prudential Regulation Authority, and are not subject to prudential oversight on the basis of competitive neutrality.

All private insurers operating in competitive markets are fully regulated by APRA, and comply with APRA prudential standards.

Insurance brokers play a particularly strong role in the competitive workers compensation markets, by assisting clients manage risks, and obtain the most cost effective cover from competing suppliers.

NIBA's Submission on Competition Policy in Australia

NIBA respectfully agrees with and supports the Competition Policy Review Panel's views set out on page 74 of the draft report, to the effect that –

1. Legislative frameworks and government policies should not restrict competition;
2. Government business activities that compete with private provision should comply with competitive neutrality principles;
3. The principles should apply unless the costs outweigh the benefits AND
4. Any legislation that restricts competition must demonstrate that it is in the public interest, and that the objectives of the legislation or government policy can only be achieved by restricting competition.

NIBA respectfully submits that, as demonstrated by the above table, legislative objectives and outcomes can and are being delivered in competitive insurance frameworks. NIBA therefore submits that there is no fundamental basis for asserting that competition is not a viable proposition excluding competitive markets where they do not presently operate. In other words, there is no fundamental basis for arguing that legislative outcomes in workers compensation and motor vehicle personal injury insurance can only be achieved by restricting competition.

NIBA looks forward to the Competition Policy Review recommending, and governments implementing, a reinvigorated national competition policy regime, which holds State and Territory Governments accountable for any regime that restricts competition without clearly demonstrating that the costs of competition outweigh the benefits. NIBA believes that do

date, this has not been demonstrated, despite strong requirements in the original National Competition Policy regime to do so.

Now is the time to undertake the necessary reviews, and ensure Australia has the benefits of competitive markets across this important area of economic activity.

For further information, and for clarification of any matter contained in this submission, please contact:

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17 November 2014