

# Chapter 1

## Introduction

### Duties of the committee

1.1 The Parliamentary Joint Committee on Corporations and Financial Services (the committee) is established by Part 14 of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act). Section 243 of the ASIC Act sets out the committee's duties as follows:

- (a) to inquire into, and report to both Houses on:
  - (i) activities of ASIC or the Takeovers Panel, or matters connected with such activities, to which, in the Parliamentary Committee's opinion, the Parliament's attention should be directed; or
  - (ii) the operation of the corporations legislation (other than the excluded provisions); or
  - (iii) the operation of any other law of the Commonwealth, or any law of a State or Territory, that appears to the Parliamentary Committee to affect significantly the operation of the corporations legislation (other than the excluded provisions); or
  - (iv) the operation of any foreign business law, or of any other law of a foreign country, that appears to the Parliamentary Committee to affect significantly the operation of the corporations legislation (other than the excluded provisions); and
- (b) to examine each annual report that is prepared by a body established by this Act and of which a copy has been laid before a House, and to report to both Houses on matters that appear in, or arise out of, that annual report and to which, in the Parliamentary Committee's opinion, the Parliament's attention should be directed; and
- (c) to inquire into any question in connection with its duties that is referred to it by a House, and to report to that House on that question.<sup>1</sup>

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1 *ASIC Act 2001*, s. 243.

## Terms of reference

1.2 On 14 September 2016, the Senate referred an inquiry into the life insurance industry to the committee for report by 30 June 2017. The terms of reference are as follows:

- (a) the need for further reform and improved oversight of the life insurance industry;
- (b) assessment of relative benefits and risks to consumers of the different elements of the life insurance market, being direct insurance, group insurance and retail advised insurance;
- (c) whether entities are engaging in unethical practices to avoid meeting claims;
- (d) the sales practices of life insurers and brokers, including the use of Approved Product Lists;
- (e) the effectiveness of internal dispute resolution in life insurance;
- (f) the roles of the Australian Securities and Investments Commission and the Australian Prudential Regulation Authority in reform and oversight of the industry; and
- (g) any related matters.<sup>2</sup>

## Conduct of the inquiry

1.3 The committee advertised the inquiry on its webpage and invited submissions from a range of relevant stakeholders. The committee set a closing date for submissions of 18 November 2016.

1.4 On 21 September 2016 the committee resolved to inform submitters that:

- the committee welcomes individual stories that may identify widespread issues and recommendations for reform; and
- the committee is not able to investigate or resolve individual disputes.

## Extension of the inquiry

1.5 The committee agreed to seek three extensions to the inquiry reporting date. On 29 March 2017 the Senate agreed to extend the reporting date to 31 October 2017.<sup>3</sup> On 14 September 2017 the Senate agreed to extend the reporting date to 7 December 2017.<sup>4</sup> On 15 November 2017 the Senate agreed to extend the reporting date to report by 31 March 2018.<sup>5</sup>

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2 *Journals of the Senate*, No. 6, 14 September 2016, p. 193.

3 *Journals of the Senate*, No. 37, 29 March 2017, p. 1224.

4 *Journals of the Senate*, No. 63, 14 September 2017, p. 2013.

5 *Journals of the Senate*, No. 70, 15 November 2017, p. 2237.

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## ***Submissions***

1.6 The committee received 77 submissions and a number of supplementary submissions as detailed in Appendix 1. The committee also received additional information including answers to questions taken on notice as listed in Appendix 1.

## ***Hearings***

1.7 The committee held the following hearings:

- 22 February 2017 in Melbourne;
- 24 February 2017 in Sydney;
- 03 March 2017 in Canberra;
- 26 May 2017 in Canberra;
- 18 August 2017 in Canberra;
- 8 September 2017 in Canberra; and
- 1 December 2017 in Canberra.

1.8 A list of witnesses who gave evidence at the public hearings is in Appendix 2.

## **Structure of this report**

1.9 The structure of this report is as follows:

- Chapter 2 provides background on the life insurance industry;
- Chapter 3 considers consumer protections that apply to life insurance;
- Chapter 4 discusses the life insurance codes of practice;
- Chapter 5 discusses remuneration, commissions, payments and fees;
- Chapter 6 examines retail life insurance and approved product lists;
- Chapter 7 considers group life insurance;
- Chapter 8 considers the access life insurers have to a customer's medical information at the time of purchasing a policy and at the time of making a claim;
- Chapter 9 discusses the use of genetic information in life insurance; and
- Chapter 10 examines claims handling practices, including the use of surveillance, and legacy products.

## **Acknowledgements**

1.10 The committee thanks all individuals and organisations who assisted with the inquiry.

## **Notes on references**

1.11 References and page numbers for the committee Hansard are to the proof Hansard. Please note that page numbers may vary between the proof and official transcripts. In the report, the life insurance industry may also be referred to as 'the industry'.

