



**ASIC**

Australian Securities & Investments Commission

CONSULTATION PAPER 68

# **Authorisation of general insurance arrangers**

August 2005

## What this paper is about

1 This consultation paper sets out our proposals for relief from requirements under the *Corporations Act 2001* (Corporations Act) for appointing authorised representatives where:

- (a) a person arranges for the issue of general insurance products of an Australian general insurer (general insurer); and
- (b) the insurer accepts responsibility for the conduct of that person.

Note: For a description of current authorisation requirements, see Section 5 of this paper. For definitions of the terms we regularly use in this paper, see 'Key terms'.

2 This consultation paper has been developed as part of the refinement proposals set out in the Australian Government's proposals paper *Refinements to Financial Services Regulation* (May 2005). The refinement proposals respond to concerns raised by the community about the practical operation of the changes brought about by the *Financial Services Reform Act 2001* (FSR Act).

3 In its proposals paper, the Government says that ASIC will provide guidance and/or relief from the authorisation requirements to promote wide access to general insurance products issued by an Australian general insurer: see Refinement Proposal 12.2. It suggests proposed guidance and/or relief based on the relief ASIC provides to arrangers of basic deposit products that act on behalf of an Australian deposit-taking institution (ADI): see Class Order [CO 04/909] *Agency banking*.

Note: For a full extract of Refinement Proposal 12.2, see Section 5 of this paper.

## Guide to reading this paper

4 Sections 1 to 4 of this paper set out and discuss our proposed relief. We also ask questions seeking your feedback.

5 Section 5 provides background information to our proposed relief including the full extract of Refinement Proposal 12.2. If you are less familiar with the context of our proposed relief, we suggest you begin with this section.

6 In this paper, we refer to other ASIC publications such as class orders (CO) and frequently asked questions (QFS). You can find these publications at [www.asic.gov.au](http://www.asic.gov.au) or contact ASIC Infoline on 1300 300 630.

## Your feedback is invited

7 We invite you to comment on our proposals and the questions for consideration in this consultation paper. We would also like to receive any qualitative or quantitative information to support your comments or arguments. All submissions will be treated as public documents unless you specifically request that we treat the whole or part of your submission as

confidential. Following the comment period, we aim to publish our final position and any necessary accompanying relief by October 2005.

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**Your comments**

Comments are due by 2 September 2005 and should be sent to:

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You can also contact ASIC Infoline on 1300 300 630 for information and assistance.

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# Contents

<b>What this paper is about.....</b>	<b>2</b>
<b>Section 1: What is our proposed relief?.....</b>	<b>5</b>
How will it apply? .....	5
Why are we considering relief? .....	6
<b>Section 2: Who is covered? .....</b>	<b>7</b>
Which distributors are covered?.....	7
Who cannot be engaged as a distributor?.....	7
Who can engage distributors?.....	8
Who is responsible for a distributor's actions? .....	9
<b>Section 3: What products and services are covered? .....</b>	<b>11</b>
What financial products are covered?.....	11
What financial services are covered? .....	12
<b>Section 4: What other obligations apply?.....</b>	<b>14</b>
What record keeping requirements apply? .....	14
What disclosure requirements apply?.....	14
<b>Section 5: What is the background to our proposed relief? .....</b>	<b>16</b>
How are general insurance products distributed? .....	16
When must distributors be appointed as authorised representatives? .....	17
What obligations apply?.....	19
What is the Government's Refinement Proposal 12.2?.....	19
What relief applies for banking agents? .....	20
<b>Key terms .....</b>	<b>21</b>

## Section 1: What is our proposed relief?

**1.1** In this section, we set out in full our proposed relief. Sections 2 to 4 look at different aspects of our proposed relief in more detail, with accompanying explanation and related questions seeking feedback.

**1.2** We propose to provide class order relief so that, in certain circumstances, distributors of a general insurer can arrange for the issue of general insurance products without the need to be formally appointed as authorised representatives under the Corporations Act.

Note: We use the term ‘distributor’ to describe a broad range of people who are involved in the distribution of general insurance products. This term includes those that may be dealing in general insurance products (such as arranging for issue). It does not include those that provide financial product advice on general insurance products. For a more detailed description of what we call ‘distributors’, see Section 5.

### How will it apply?

**1.3** Our proposed relief will apply where:

- (a) a general insurer is responsible and accountable for the conduct of the distributor;
- (b) the distributor is engaged, in writing, by either:
  - (i) the general insurer; or
  - (ii) a licensee who the general insurer has authorised, in writing, to engage distributors to act on the insurer’s behalf;
- (c) the distributor is not:
  - (i) a licensee;
  - (ii) an authorised representative, employee or director of a licensee; or
  - (iii) a disqualified person.
- (d) the distributor is authorised to provide financial services consisting only of arranging to issue general insurance products on behalf of the insurer;
- (e) those financial services only relate to general insurance products as defined in the Corporations Act that are:
  - (i) motor vehicle insurance products;
  - (ii) home building insurance products;
  - (iii) home contents insurance products;
  - (iv) consumer credit insurance products (other than where the product includes a life risk insurance product);
  - (v) travel insurance products; or
  - (vi) personal and domestic property insurance products;

- (f) the general insurer takes reasonable steps to ensure that it establishes and maintains a publicly available register containing details of all distributors who have been engaged to act on its behalf; and
- (g) the general insurer takes reasonable steps to ensure that, before the distributor provides financial services to a client:
  - (i) the distributor specifically draws to the client's attention the availability of the insurer's dispute resolution system and how that system may be accessed; and
  - (ii) if the client does not receive a Financial Services Guide (FSG) prepared by the insurer, the client is given information, in writing, about:
    - (A) the capacity in which the distributor is acting; and
    - (B) the remuneration received, or to be received, by the distributor and how it is calculated.

## **Why are we considering relief?**

**1.4** Our proposed relief is intended to:

- (a) remove uncertainty about when the authorisation requirements for certain representatives apply to distributors of general insurance products;
- (b) remove the administrative burden on general insurers to authorise certain representatives that undertake a limited dealing function;
- (c) retain consumer protection for consumers when dealing with distributors of general insurance products as though the distributor was an authorised representative of the general insurer; and
- (d) promote wide access to general insurance products for retail clients as intended in the Government's Refinement Proposal 12.2.

## Section 2: Who is covered?

### Which distributors are covered?

**2.1** Our proposed relief will only apply to certain dealing activities of distributors where a general insurer is responsible for those activities.

Note: For a discussion of what financial products and services our proposed relief will apply to, see Section 4.

**2.2** Our proposed approach is intended to achieve the outcomes in paragraph 1.4 of this paper. It also:

- (a) ensures that our relief does not reduce consumer protection (e.g. our relief would not increase the risk that, in the event of negligence by the distributor, consumers are left uninsured);
- (b) minimises consumer confusion about who the distributor acts for and who is responsible for their conduct; and
- (c) is consistent with:
  - (i) the Government's Refinement Proposal 12.2; and
  - (ii) our approach in Class Order [CO 04/909] *Agency banking*.

**2.3** Preliminary discussions with industry representatives before we issued this consultation paper indicated that there are varied distribution practices for general insurance products: see Section 5. These practices include distribution by people who do not act on behalf of a general insurer (e.g. distributors who act on behalf of insurance brokers). For reasons described in paragraph 2.2, our proposed relief does not extend to the full range of distribution practices.

**2.4** We might consider extending our proposed relief to circumstances where a licensee other than a general insurer (such as an insurance broker) takes responsibility for the conduct of a distributor. However, we need more information about these arrangements to ensure that consumer protection outcomes are not materially compromised if we give any wider relief. We ask proponents of wider relief to give brief, but complete, answers to the questions at the end of this section.

### Who cannot be engaged as a distributor?

**2.5** We propose that a person will be unable to be a distributor for the purposes of our proposed relief if the person is:

- (a) a licensee;
- (b) an authorised representative of a licensee;
- (c) an employee or director of a licensee; or
- (d) a disqualified person.

Note: To determine whether a person is a disqualified person, search the relevant ASIC register at [www.asic.gov.au](http://www.asic.gov.au).

**2.6** We do not propose to extend our relief to cover licensees or their representatives. These people will either already be authorised to provide financial services for general insurance products and therefore do not require relief, or are able to vary their licence or authorisations to cover this financial service.

**2.7** If a distributor becomes a disqualified person after they have been engaged, we would expect the distributor's engagement to be terminated as soon as the licensee or general insurer who engaged that distributor becomes aware that the distributor has become a disqualified person.

## **Who can engage distributors?**

**2.8** Our proposed relief will only apply where the distributor is engaged, in writing, by either:

- (a) a general insurer; or
- (b) a licensee who a general insurer has authorised, in writing, to engage distributors on the insurer's behalf.

**2.9** We propose that, where an insurer authorises another licensee (such as an insurance broker) to engage a distributor on its behalf, the authority may be either for a specified individual or class of individuals (the membership of which may change from time to time). We understand that under some 'binder' arrangements, general insurers may already provide or may be prepared to provide an authority to the insurance broker as contemplated under our proposed relief.

**2.10** We do not propose to extend relief to allow distributors to be engaged by:

- (a) other licensees (i.e. licensees who are not authorised to engage distributors to act on behalf of a general insurer);
- (b) authorised representatives of the general insurer or other licensees appointed to engaged distributors on insurer's behalf; or
- (c) other distributors (i.e. one distributor would not be able to 'sub-authorise' a second distributor).

We understand sub-authorisation may occur. We seek your feedback on this issue, particularly on how any such extension of our relief would be achieved without diminishing consumer protection outcomes, such as ensuring adequate supervision of the conduct of any sub-authorised distributors.



## Who is responsible for a distributor's actions?

**2.11** Under our proposed relief, a general insurer will be fully responsible for the conduct of all distributors that are engaged to act on its behalf.

**2.12** As part of our relief, we propose that the general insurer must take reasonable steps to ensure that the distributor meets, and will continue to meet, all relevant regulatory requirements for the financial services it provides.

**2.13** If a distributor has been engaged by another licensee on the general insurer's behalf, we think that it is still appropriate to impose responsibility for the distributor's actions on the general insurer. This is because, in these circumstances, the distributor will still be a representative of the general insurer, even though the licensee has engaged the distributor on the insurer's behalf.

**2.14** If a person has been engaged as a distributor by or on behalf of more than one insurer, the insurers will be subject to the same rules for joint and several liability as currently apply to the representatives of licensees: see s917C.

Note: We do not propose to require insurers to consent before a distributor they have engaged can act as a distributor for other insurers.

**2.15** The general insurer's liability for the actions of a distributor will extend to liability for the provision of financial services within the distributor's actual or apparent authority and will not be limited only to the distributor's actions in arranging to issue the insurer's general insurance products. For example, if the distributor provided inappropriate financial product advice.

**2.16** We have adopted this approach because it will provide certainty about who is responsible for a distributor's actions and ensure that relief does not reduce consumer protection. We also note that this requirement is consistent with Class Order [CO 04/909] *Agency banking*.

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### Your feedback: Section 2

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Please feel free to combine your answers to these questions, or refer to other answers you have provided.

- Q2.1** Do you agree with the proposals in this section? If not, why?
- Q2.2** Do you consider any aspects of our proposals are unnecessary or inappropriate? If so, why?
- Q2.3** Do you foresee any practical difficulties for general insurers, other licensees (such as insurance brokers) or distributors in complying with

our proposals? If so, how do you propose these difficulties be addressed?

- Q2.4** Should our relief extend to other people (e.g. other licensees or authorised representatives) who engage distributors (such as distributors that act only on behalf of an insurance broker)? If so, who should our relief extend to and why? In what circumstances do you propose these other people should be able to engage distributors? Who do you propose would be responsible for the actions of distributors in these circumstances?

In answering this question, please explain the relevant distribution practices (particularly if our assumptions in Section 5 are incorrect). In what way would consumer protections not be materially affected by extending our proposed relief (e.g. is responsibility by an insurance broker similar to responsibility by a general insurer)?

- Q2.5** Should any other class of persons be excluded from being distributors for the purposes of our relief? If so, why? How do you propose the class of persons be defined?

- Q2.6** Should persons who are banned or disqualified under state or federal legislation other than the Corporations Act be excluded from being distributors for the purposes of our relief? If so, why? How do you propose the class of persons be defined?

## Section 3: What products and services are covered?

### What financial products are covered?

**3.1** Our proposed relief is limited to the following commonly acquired general insurance products:

- (a) motor vehicle insurance products (as defined in reg 7.1.11);
- (b) home building insurance products (as defined in reg 7.1.12);
- (c) home contents insurance products (as defined in reg 7.1.13);
- (d) consumer credit insurance products (as defined in reg 7.1.15), provided it is not a bundled product containing a life risk insurance product (as defined in s761A);
- (e) travel insurance products (as defined in reg 7.1.16); and
- (f) personal and domestic property insurance products (as defined in reg 7.1.17).

**3.2** We have adopted this approach because these general insurance products:

- (a) are relatively well understood (although they may include varying degrees of complexity); and
- (b) are subject to standard terms and conditions except for previously disclosed variations (see s35 of the *Insurance Contracts Act 1984*).

**3.3** We have not included personal sickness and accident insurance products in our proposed relief because we think these products are less well understood and may be more complex. This means that the choices a retail client makes may have an increased potential to impact significantly on the client's financial situation. Our proposed relief would extend to a travel insurance product where the product covers losses that arise due to sickness or accident while travelling, and to a consumer credit insurance product where the product covers consumer credit liabilities that cannot be paid due to sickness or accident.

**3.4** Likewise, we do not propose our relief should extend to bundled general insurance products that contain a life risk insurance component (i.e. where a life insurer underwrites part of the cover). For example, our proposed relief will not cover a consumer credit insurance contract that has components underwritten by both a general insurer and a life insurer. This will help avoid consumer confusion about who the distributor is acting for when they provide financial services and who is responsible for their conduct.

**3.5** Our proposed approach is consistent with our approach in Policy Statement 146 *Licensing: Training of financial product advisers*: see [PS 146.43] and [PS 146.64].

## What financial services are covered?

**3.6** Our proposed relief would only apply where the distributor is arranging for another person to issue a general insurance product. Our proposed relief will apply to financial services provided to both wholesale clients and retail clients.

Note: Our proposed relief will not remove or restrict current exclusions from the definition of a financial service under Chapter 7 of the Corporations Act. Persons who are currently able to rely on exclusions (such as the ‘clerks and cashiers’ exception under s766A(3)) will continue to be able to do so. These people will not need to be appointed as distributors for the purposes of this relief.

**3.7** In our view, ‘arranging’ does not include:

- (a) dealing in a financial product as agent (e.g. where the distributor has power to bind the person they are acting on behalf of); or
- (b) providing financial product advice.

Note: See QFS 125 *What is our approach to ‘arranging’?*

**3.8** Our proposed relief will not extend to financial services other than arranging for the issue of general insurance products. For example, our relief would not apply to a person who:

- (a) arranges for another person to apply for, acquire, vary or dispose of a general insurance product;
- (b) issues, applies for, acquires, varies or disposes of a financial product (where as principal or agent); or
- (c) provides financial product advice.

**3.9** Our proposed approach is consistent with Class Order [CO 04/909] *Agency banking* and ensures that our relief does not reduce consumer protection. Under our proposed relief, financial services, other than arranging to issue, would still need to be provided by licensees or their authorised representatives.

**3.10** Preliminary discussions with industry representatives before we issued this consultation paper indicated that there is some technical uncertainty about what conduct is being undertaken by some distributors.

Note: For example, there might be some uncertainty about when a distributor is arranging for another person to issue a product and when a distributor is arranging for another person as the agent for the product issuer.

**3.11** The conduct of distributors may also not be limited to ‘issuing’ activity, but include acquiring, varying, disposing or other dealing activities. Against this background, we understand that some industry representatives believe our proposed relief should apply to a wider scope of dealing activity of distributors.

**3.12** We might consider extending our proposed relief. However, we need more information about any extension of relief to these activities to

ensure that consumer protection outcomes are not materially compromised (including that there be adequate supervision and competent individuals). We ask proponents of this wider relief to give brief, but complete answers, to the questions at the end of this section.

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### **Your feedback: Section 3**

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Please feel free to combine your answers to these questions, or refer to other answers you have provided.

- Q3.1** Do you agree with the proposals in this section? If not, why?
- Q3.2** Do you consider any aspects of our proposals are unnecessary or inappropriate? If so, why?
- Q3.3** Do you foresee any practical difficulties for general insurers, other licensees or distributors as a result of our proposed relief only applying to certain financial products and services? If so, how do you propose these difficulties be addressed?
- Q3.4** Are there any other general insurance products that should be covered by our relief? If so, which products and why?
- Q3.5** Are there general insurance products that should not be covered by our relief? If so, which products and why?
- Q3.6** Are there any other dealing activities that should be covered by our relief? If so, which services and why? For example, should our relief cover situations where a distributor applies for, acquires, varies or disposes of a financial product on behalf of another person?

In answering this question, please explain the relevant distribution practices (particularly if our assumptions in Section 5 are incorrect). In what way would consumer protections not be materially affected by extending our proposed relief (e.g. do different dealing activities require different levels of competency and/or supervision that suggest limiting relief to only arranging)?

## Section 4: What other obligations apply?

### What record keeping requirements apply?

**4.1** Under our proposed relief, a general insurer must take reasonable steps to establish and maintain a register of all distributors who have been engaged to act on its behalf. This obligation applies to both:

- (a) distributors engaged by the general insurer itself; and
- (b) distributors engaged by a licensee to act on behalf of the general insurer.

**4.2** We propose that the register must record the following information for each distributor (or former distributor):

- (a) the distributor's name and business address;
- (b) the types of general insurance products for which the distributor has been engaged to provide financial services;
- (c) the date the distributor was engaged; and
- (d) the date the distributor's engagement was terminated.

**4.3** If a distributor has been appointed by a licensee to act on the general insurer's behalf, we would expect the general insurer to have arrangements in place with the licensee under which the licensee would, as soon as reasonably practicable, provide the insurer the information it needs to keep the register up-to-date.

**4.4** We also propose that the general insurer must:

- (a) retain these records for seven years from the date of termination of the distributor; and
- (b) make the register available on request to ASIC and members of the public.

**4.5** We have proposed these requirements because we think that both ASIC and members of the public should be able to confirm whether a person is authorised to act as a distributor on the general insurer's behalf. A general insurer may wish to provide such information to consumers on its website.

### What disclosure requirements apply?

**4.6** Under our proposed relief, the general insurer must take reasonable steps to ensure that, before the distributor provides financial services to a client:

- (a) the distributor specifically draws to the client's attention the availability of the insurer's dispute resolution system and how that system may be accessed; and

- (b) if the client does not receive a Financial Services Guide (FSG) prepared by the insurer, the client is given information, in writing, about:
- (i) the capacity in which the distributor is acting; and
  - (ii) the remuneration received, or to be received, by the distributor and how it is calculated.

**4.7** We think that a client who is provided with financial services by a distributor should receive substantially the same disclosure as they would have received if the financial services were provided directly by the general insurer.

**4.8** Under our proposed relief, the general insurer will be responsible for ensuring a retail client is given an FSG (if there is more than one) or Product Disclosure Statement (PDS). We would expect the general insurer's FSG (if any) to contain information about who the distributor acts for and how they are remunerated.

**4.9** If the insurer is not required to give the client an FSG (e.g. based on an exemption for certain product issuers under s941C(2)), we propose that the client be given information about who the distributor acts for and remuneration of the distributor. This information could be included in the PDS for the product or in a separate document.

**4.10** The proposed requirements ensure that a client receives similar information to the information they would have received had the distributor been appointed an authorised representative of the general insurer.

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## **Your feedback: Section 4**

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Please feel free to combine your answers to these questions, or refer to other answers you have provided.

- Q4.1** Do you agree with the proposals in this section? If not, why?
- Q4.2** Do you consider any aspects of our proposals are unnecessary or inappropriate? If so, why?
- Q4.3** Do you foresee any practical difficulties for insurers, other licensees or distributors in complying with our proposals? If so, how do you propose these difficulties be addressed?
- Q4.4** Should access to the information contained in the register be restricted in any way? If so, why?
- Q4.5** Is there any other information that clients who are provided with financial services by a distributor should receive? If so, what further information should be provided?

## Section 5: What is the background to our proposed relief?

### How are general insurance products distributed?

#### Distribution networks generally

5.1 General insurance products are distributed in many different ways and by many different people. General insurance distribution networks can be divided into two broad categories as shown in the examples in Diagrams 1 and 2.

Diagram 1: Distribution by general insurer and its agents

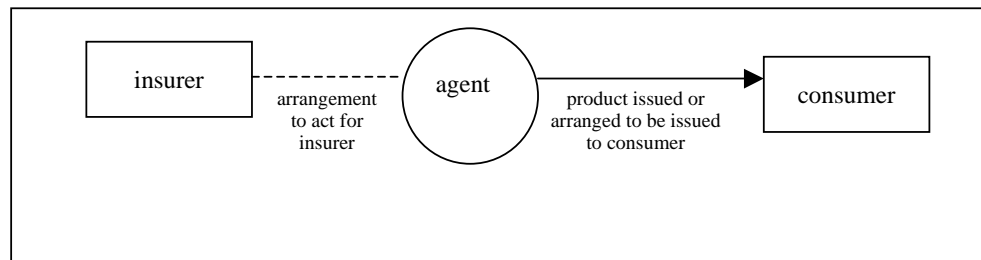
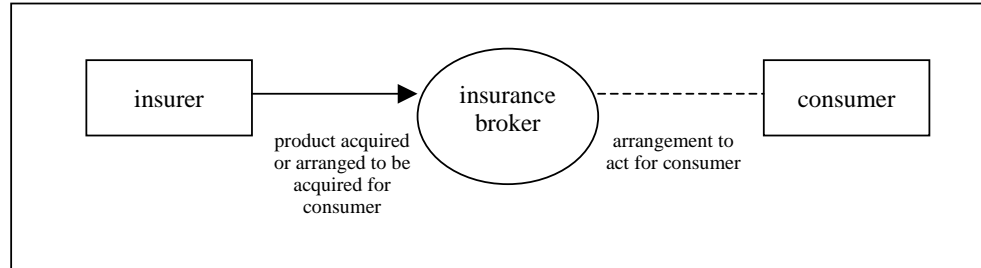


Diagram 2: Distribution through insurance brokers and others who act for consumers



5.2 Combinations of these two categories also exist. For example:

- (a) products may be distributed through an insurance broker acting under a binder (i.e. the insurance broker will act for both the general insurer and the consumer); or
- (b) the distribution chain may involve an individual acting as both an agent of a general insurer and an insurance broker in the one dealing transaction.



### Other distributors

**5.3** In some cases, insurers, agents of general insurers and insurance brokers may themselves wish to appoint other people to act on their behalf in distributing general insurance products. In these cases, the distributors may not be acting as ‘agent’ of the general insurer or insurance broker in a technical sense. These people range from travel agents and real estate agents to car dealerships and furniture removalists. Two typical scenarios are shown in Diagrams 3 and 4.

Diagram 3

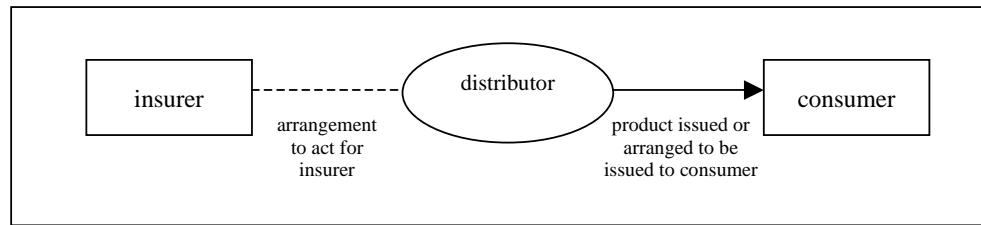
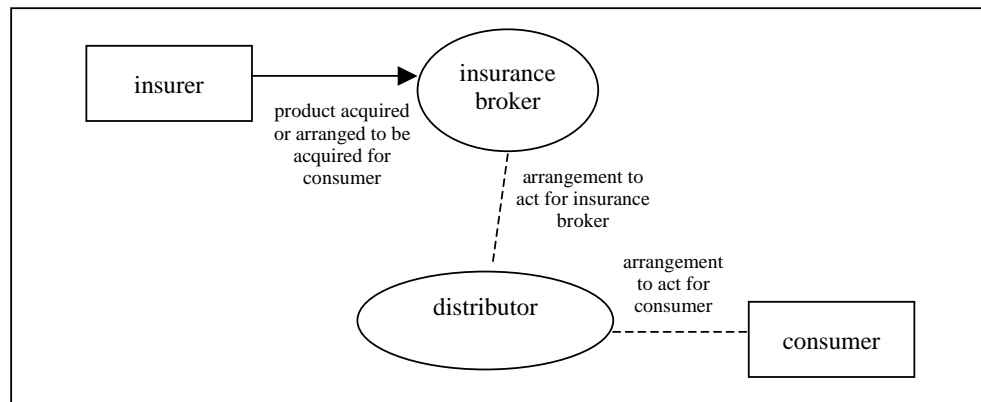


Diagram 4



### When must distributors be appointed as authorised representatives?

**5.4** In general, a distributor must be appointed as an authorised representative of a licensee where:

- (a) the distributor provides financial services;
- (b) those financial services are provided on behalf of the licensee; and
- (c) the distributor is not otherwise authorised under s911B to provide financial services on the licensee’s behalf (e.g. the distributor is not an employee or director of the licensee).

**5.5** A distributor provides financial services if, among other things, the distributor deals in a financial product or provide financial product advice: s766A. ‘Dealing’ in a financial product includes:

- (a) issuing, applying for, acquiring, varying or disposing of a financial product, whether as principal or agent (s766C(1)); and
- (b) arranging for another person to issue, apply for, acquire, vary or dispose a financial product (s766C(2)).

**5.6** Whether a distributor provides a financial service will depend on the nature of the conduct they engage in. The range of tasks carried out by distributors can vary widely. Examples include any one or more of the following:

- (a) handing out or displaying brochures containing information about products (e.g. Product Disclosure Statements and policy wordings);
- (b) answering questions about the features of products;
- (c) preparing and providing quotes;
- (d) helping people complete proposal forms or application forms;
- (e) receiving forms and premium money from applicants and forwarding them to insurers or another insurance intermediaries;
- (f) issuing receipts, cover-notes, certificates of insurance and policy documents; and
- (g) sending out renewal notices, or receiving and forwarding renewal notices onto insureds.

Note: For more details on when a distributor may be providing a financial service, see *Licensing: The scope of the licensing regime: Financial product advice and dealing—An ASIC guide* (November 2001, updated November 2002) and QFS 125 *What is our approach to ‘arranging’?*

**5.7** Most relevantly for this consultation paper, a distributor may be providing a financial service if they arrange for another person to deal in a general insurance product (i.e. where there is a sufficient degree of connection between the distributor's actions and the completion of the transaction in a general insurance product).

Note: For more details, see QFS 125 *What is our approach to ‘arranging’?*.

**5.8** However, some other distributors do not provide financial services—or will be exempt from the requirement to hold an Australian financial services (AFS) licence—because of exclusions that apply where:

- (a) the distributor’s conduct is in the course of work of a kind ordinarily done by clerks and cashiers (see s766A(3));

Note: For more details on this exemption, see *Licensing: The scope of the licensing regime: Financial product advice and dealing—An ASIC guide* (November 2001, updated November 2002).

- (b) in response to a request from a client, the distributor tells the client the cost (or the likely cost) of a product (e.g. a general insurance product) and suggests the value of an item (e.g. a house or car covered by the product) from which the cost of the product is worked out (see s766B(6));
- (c) the distributor merely passes on or distributes documents prepared by another person, or exempt documents (see reg 7.1.31 and s766A(1)); or
- (d) the distributor merely refers the client to a licensee and discloses any benefits that they may receive for doing so (reg 7.6.01(1)(e)).

## What obligations apply?

**5.9** To be appointed as an authorised representative of a licensee, a distributor must be authorised under s916A or 916B of the Corporations Act to provide financial services on the licensee's behalf.

**5.10** Under these requirements:

- (a) the licensee must give the distributor a written notice authorising it to provide financial services on its behalf (see s916A);
- (b) the licensee must lodge notice of the distributor's appointment with ASIC (see s916F); and
- (c) where the distributor is to be an authorised representative of more than one licensee, each licensee must consent to the appointment.

**5.11** In certain circumstances, an authorised representative who is a body corporate is also able to 'sub-authorise' other people to act as authorised representatives of the licensee: s916B.

**5.12** Other provisions of the Corporations Act will also apply to a distributor after they have been appointed as an authorised representative. For example:

- (a) the distributor must give retail clients its own Financial Services Guide (FSG) under Div 2 of Part 7.7 of the Corporations Act; and
- (b) the liability provisions under Div 6 of Part 7.6 of the Act will apply to conduct of the distributor (i.e. the licensee will be responsible for the conduct of the distributor under those provisions).

## What is the Government's Refinement Proposal 12.2?

**5.13** The following is an extract from the Government's proposals paper *Refinements to Financial Services Regulation* (May 2005):

In July 2004, ASIC issued Class Order relief [CO 04/909] to allow agents appointed by a licensed Australian authorised deposit-taking institution (ADI) to arrange for the issue of a [basic deposit product] BDP without the need to

be authorised as a representative of the ADI. This relief has been given to promote wide access to BDPs (as generally well-understood products) while ensuring that consumers still receive the same standard of protection that they would have received at a branch of an ADI. The consumer protection is maintained by a condition of the relief that requires the licensee to accept responsibility for its agents' conduct.

It is proposed that ASIC will provide further guidance and relief, similar to that already provided, to promote wide access to general insurance products issued by an Australian general insurer. Like BDPs, general insurance is another form of generally well understood product.

Authorised Representatives	
Issue	The requirement to authorise agents arranging for the issue of generally well understood products such as general insurance.
Refinement Proposal 12.2	ASIC will provide guidance on, and/or relief from compliance with the authorisation requirements for agents where: <ul style="list-style-type: none"> <li>• They are arranging for the issue of general insurance products of an Australian general insurer; and</li> <li>• The insurer accepts responsibility for the conduct of those agents.</li> </ul>
Intended Outcome	Promote wide access to general insurance products for consumers, whilst ensuring that those consumers still receive the same protection as they would get in an office of an Australian general insurer.

## What relief applies for banking agents?

**5.14** ASIC has provided relief to allow a licensed Australian authorised deposit-taking institution (ADI) to appoint people to arrange for the issue of a basic deposit product without the need for those people to be appointed as authorised representatives of the ADI: see Class Order [CO 04/909] *Agency banking*.

**5.15** This relief ensures that retail clients (particularly those in areas where there are few or no branches of ADIs) have access to basic deposit products, which are generally well-understood products. However, it does not reduce consumer protection and provides that the ADI will be fully responsible and accountable for the activities of those people arranging for the issue of its products.

## Key terms

In this consultation paper, terms have the following meanings:

**ADI** An authorised deposit-taking institution within the meaning of the *Banking Act 1959*.

**AFS licence** An Australian financial services licence under the Corporations Act that authorises a person who carries out a financial services business.

**ASIC** The Australian Securities and Investments Commission.

**authorised representative** An authorised representative of a licensee as defined in s761A.

**[CO 04/909]** (for example) An ASIC class order (in this example numbered 04/909).

**Corporations Act** The *Corporations Act 2001*, including regulations made for the purposes of that Act.

**disqualified person** Any person or body included on a register established and maintained by ASIC under s922A(1) in respect of persons referred to in s922A(2)(c).

**distributor** We use the term ‘distributor’ to describe a broad range of people who are involved in the distribution of general insurance products. This term includes those that may be dealing in general insurance products (such as arranging for issue). It does not include those that provide financial product advice on general insurance product.

Note: For a more detailed description of what we call ‘distributors’, see Section 5.

**general insurance product** A general insurance product as defined in s761A.

**general insurer** A licensee who is a ‘general insurer’ as defined in s11 of the *Insurance Act 1973*.

**licensee** A person who holds an AFS licence.

**QFS 125** (for example) A ‘frequently asked question’ posted on ASIC’s website at [www.asic.gov.au](http://www.asic.gov.au) (in this example numbered 125).

**reg 7.1.11** (for example) A regulation made under the Corporations Act (in this example numbered 7.1.11), unless otherwise specified.

**s761G** (for example) A section of the Corporations Act (in this example numbered 761G), unless otherwise specified.