



Brooke Stewart
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Dear Brooke

IAG welcomes ASIC's support for the development of a digital advice market in Australia. While digital advice is a growing phenomenon in the financial services industry for the provision of investment advice, currently the use of digital advice in general insurance is limited.

In the insurance industry, automated insurance advice tools without human interactions are widely used in Australia in the home and motor insurance markets in the form of sum insured calculators. These tools generate individual sum insured amounts based on a number of detailed questions. The process is a straightforward decision tree without dynamic question sets. The consumer is able to complete the transaction directly or contact the insurance company to discuss further.

In the home and motor segment, both online and human interactions are generally restricted to factual and general advice. ASIC Report 415 Review of the Sale of Home Insurance found that many insurers adopt a no advice or factual information model to minimise the risk that any advice provided will trigger regulatory requirements associated with personal advice. A properly formulated algorithm designed to generate general advice could offer greater certainty that general advice guidelines will be adhered to, without the risk of crossing into personal advice that exists with human advisers.

The provision of digital advice where only one 'digital' adviser needs to be trained to meet the minimum training and competency standards for advisers may allow the provision of advice without the need for costly training of many staff. From a practical point of view an organisation would probably wish to train more than one 'digital' adviser so not to be exposed should that adviser suddenly leave or be absent for a period.

As the insurance industry moves towards increasing digitisation of services there may be potential for the provision of general and personal advice based on additional data through a 'robo-adviser' to ensure more accurate insurance coverage and better matching of risk appetites, in a cost effective manner. There are a number of robo-adviser applications that could include authority to direct access to customer data sources, pre-filling questionnaires, dynamic question sets, application of data analytics tools, provisioning of recommendation engines and dynamic policy updating.

Possible benefits for both the customer and the insurance company include a better quality of service, lower costs and potentially reduced underinsurance as customers are able to purchase products that are better suited to their circumstances.

In principle, IAG supports the list of proposals which ensure a level playing field without stifling innovation in this area. Specifically, we agree with the requirement of a responsible manager who meets minimum training and competence standards and support the introduction of a self-certification requirement to ensure adequate testing and monitoring of algorithms. Given the largely unchartered and evolving nature of digital advice, especially within general insurance, we consider the level of detail in the guidance to be appropriate.

If you would like to discuss this submission or require additional information please contact Gulshan Singh, Manager Policy & Industry Affairs on (02) 9292 8907.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'AS', followed by a period.

Andrew Stead
Director, New Product Development
Customer Labs
IAG