

4 August 2011

ASTERON SUPPORTS FSC'S STANDARD ON 'CHURN' AS FIRST STEP TO INDUSTRY SELF-REGULATION

The Financial Services Council's Standard for Replacement Business* is a proactive industry-led approach, which importantly, enables us to self-regulate rather than be regulated, [Asteron's](#) Jordan Hawke said.

Recent FoFA reforms proposed by the Federal Government state that insurance 'churning' would be monitored closely.

[Asteron](#) Executive General Manager Jordan Hawke commended the FSC for taking a proactive approach to the issue of churn. However, Jordan believes that not all replacement business is churn.

"With products and client situations constantly changing, it is appropriate for advisers to review their clients' insurance portfolio to ensure that it is both appropriate and competitive. It is all about quality advice," Jordan said.

"A two-year responsibility period is an important first step. However, our own experience shows that policy cancellations due to adviser recommendation combined with rising cost pressures and lack of affordability for clients, occurs mostly between 3 and 7 years.

"However, [Asteron](#) supports the removal of takeover terms, as this is consistent with Asteron's current position. We believe appropriate risk management is required at underwriting to ensure we protect the integrity of advisers' book of business and their clients' cover, so that premiums remain affordable, and that we can deliver on our commitment to pay claims.

Jordan argued that the industry needs to focus on resolving Australia's under-insurance problem, and in turn, establish how it can encourage and reward advisers to see more clients who do not have insurance and provide them much-needed financial advice.

"Australia still has a massive under-insurance problem. 96 percent of families with dependent children do not having adequate life cover. This translates into a \$1.4 trillion dollar underinsurance problem for our country¹," he said.

***FSC Standard for Replacement Business key reforms are:**

- The removal of takeover terms for policies transferred by an adviser between insurers; and
- The establishment of a two year adviser responsibility period: 100% commission clawback if the policy lapses or cancels within one year, and 50% clawback in the second year.

The Standard is under development and is expected to be finalised in 2012.

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About Asteron: [Asteron](#) is a specialist provider of life insurance to financial advisers in Australia and New Zealand and is a part of the Suncorp Group. Asteron's broad range of life insurance products has been designed to protect customers, their families and businesses against the financial impacts of death, sickness or injury. For further information, visit: www.asteron.com.au

¹ Lifewise.org.au (NATSEM Report 2010)