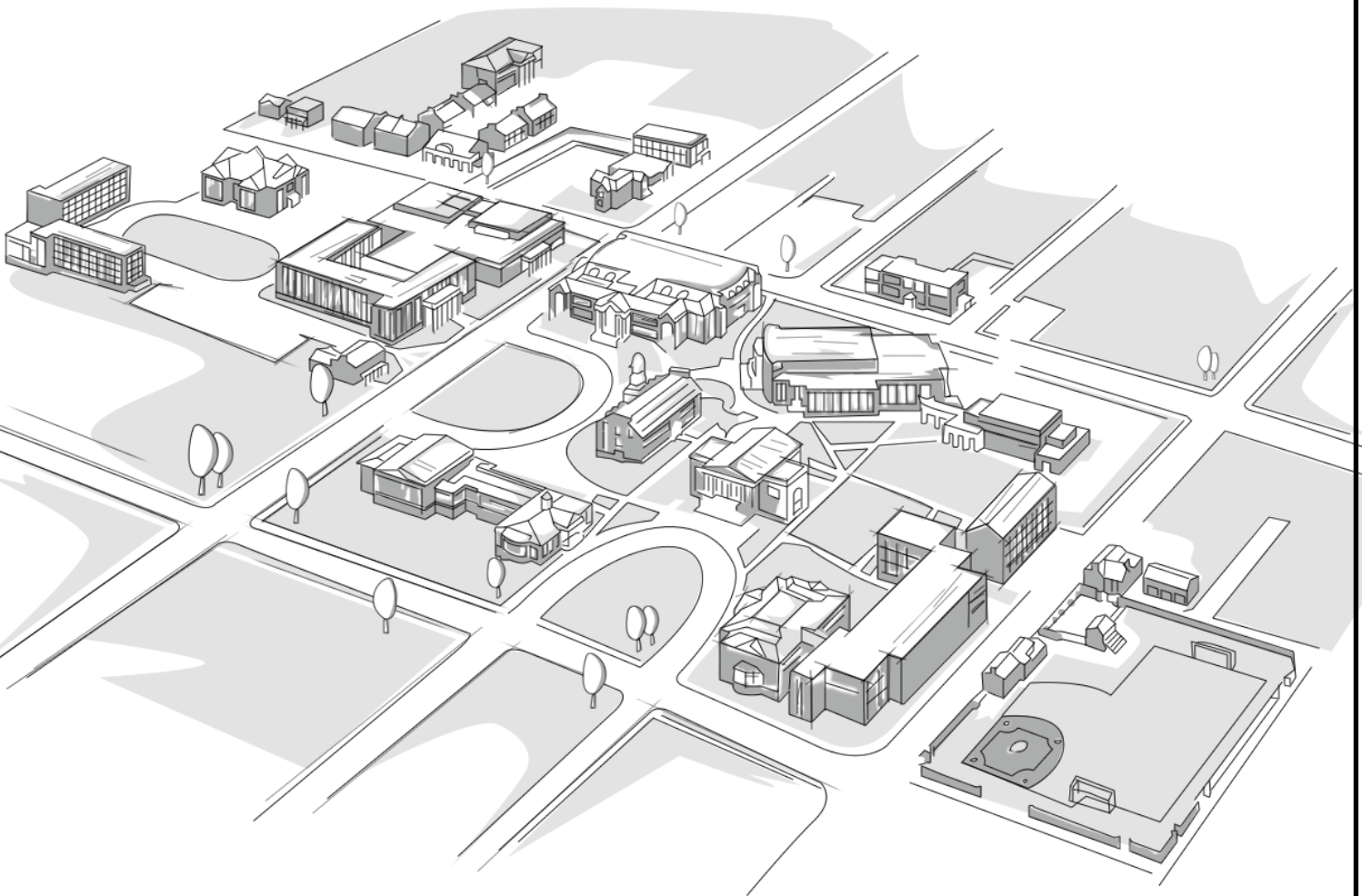


BROOKLYN 

INTRODUCTION TO BROKING

Lecturer: Tim Fairbrother

Presented by



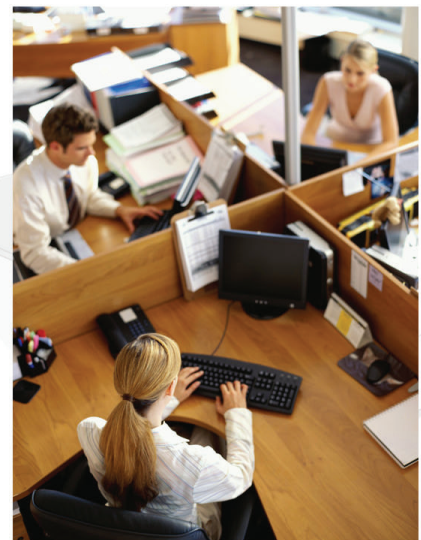


Insurance is provided to consumers by a wide range of organisations, such as:

- Insurance companies
- Banks
- Building societies and credit unions

These organisations offer insurance directly to consumers or through intermediaries, such as:

- Brokers
- Risk advisers
- Financial planners



The Australian Insurance Industry is the:

- 12th largest insurance market globally
- 4th largest in the Asia-Pacific region after Japan, Korea and China

The insurance industry:

- has been the largest export earner within financial services over recent years
- is the second largest employer after banks



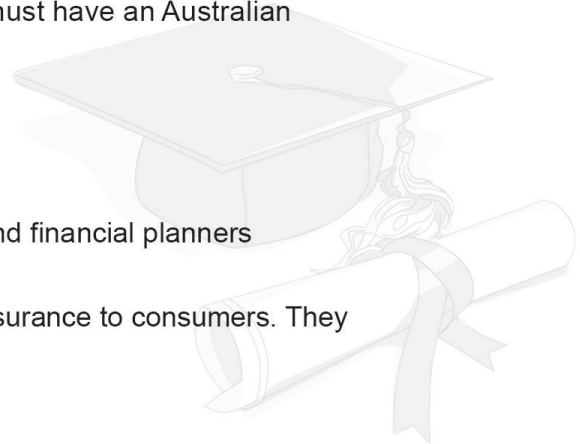
FSRA is administered by a government body called the Australian Securities & Investment Commission, or ASIC

Businesses that deal in or provide advice on insurance must have an Australian Financial Services (AFS) licence

AFS licensees can be:

- Insurance companies
- Intermediaries like life & general insurance brokers, and financial planners

Licensees employ staff or appoint consultants to market insurance to consumers. They are called financial advisers



WHAT INSURANCE COVERS **BROOKLYN**

Assets



Liabilities



Statutory & Legal Responsibilities



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INSURANCE PRODUCT PROVIDERS **BROOKLYN**



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1. Personal Lines



2. Commercial Lines



3. Corporate / International Lines



4. Niche/Specialised Lines



- Specialist companies that act as agents for insurance companies
- Generally work through brokers to provide insurance for niche, unusual or non-standard risks



- Provide products related to personal risk, such as accident, trauma, illness, death, income protection, and pension products (referred to as superannuation)



Mortgage insurers:

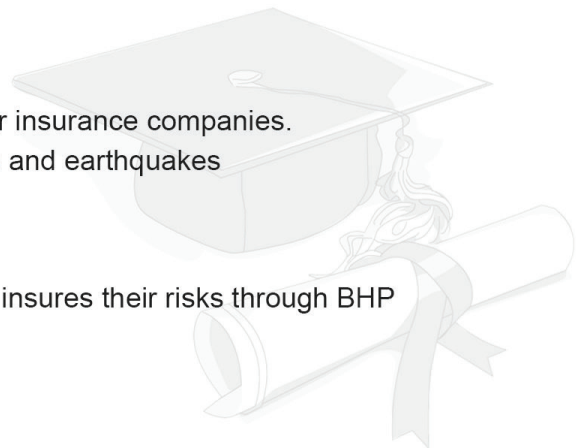
- provide protection to lenders against losses suffered should a borrower not be able to pay (default on) their mortgage

Reinsurers:

- are special insurance companies that only insure other insurance companies. They deal with large claims, such as bushfires, storms and earthquakes

Captive insurers:

- only insure the risks of their owners, e.g., BHP Billiton insures their risks through BHP Billiton Marine & General Insurances Pty Ltd





- Premiums can be decreased if the insured takes one or more steps to manage the likelihood of a claim on their policy



1. **Planned retention:**

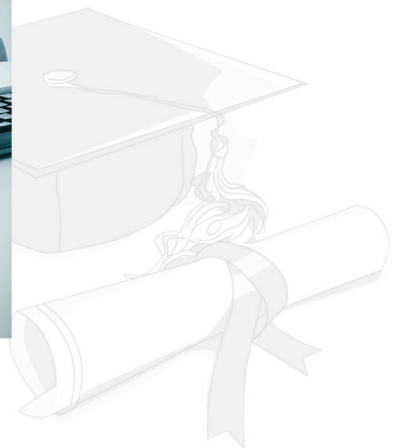
- is where the insured accepts some of the costs if there is a claim

2. **Risk minimisation:**

- is where the insured takes steps to reduce the risk of loss, damage, or injury

3. **Risk avoidance:**

- is where the insured actively avoids particular high risk situations or activities



DIRECT FROM INSURER TO CONSUMER

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1.



consumer

2.



insurer call centre

3.



insurance contract by post or email

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DEALING WITH AN INTERMEDIARY

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intermediary



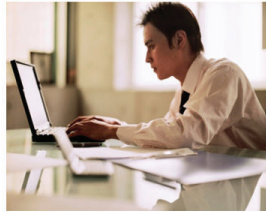
advises on



insurance

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Brokerages and insurance companies usually have a mix of advisers working for them:

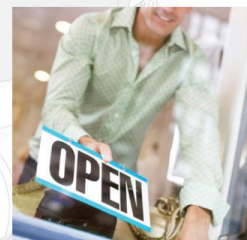
- Advisers employed directly by licensees are called representatives
- Self-employed people appointed by licensees to advise on their behalf are called authorised representatives



Retail clients are individual consumers, or small businesses which employ less than:

- 100 people if the business is or includes the manufacture of goods; or
- 20 people for other types of businesses

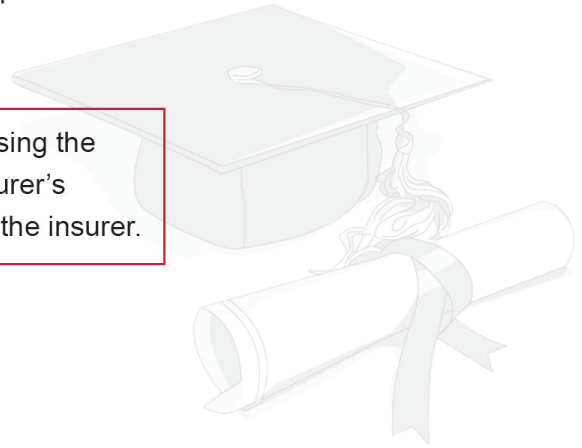
Wholesale clients are commercial clients larger than those classified as retail



Brokers:

- who deal directly with clients
- who deal with other brokers, e.g. Lloyd's of London
- who operate under binding arrangements*

* A binder is an authority given by the insurer authorising the broker to enter into contracts of insurance on the insurer's behalf. In this case the broker becomes an agent of the insurer.



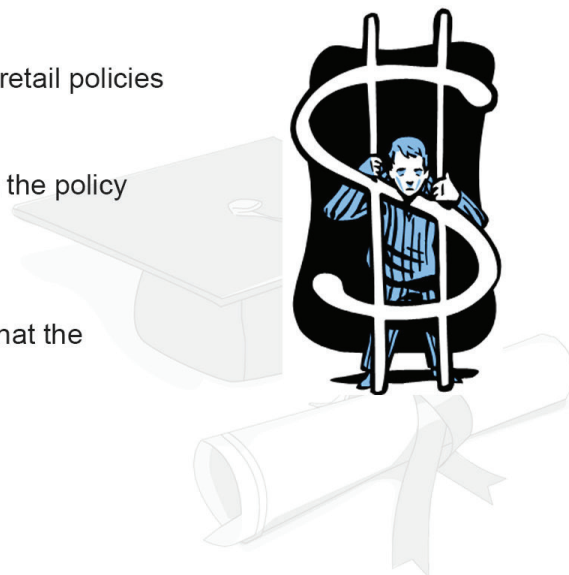
- Look at how clients currently manage their risks
- Provide advice to clients on the most appropriate way to manage their risks
- Advise clients on what they must disclose to the insurance company if seeking insurance cover
- Select and implement appropriate methods to assess risks
- Consider the use of specialists in the risk identification and assessment process





Some of the key ideas contained in the Act include:

- Standard policy conditions for a range of common retail policies
- Who can claim on the policy
- What consumers and insurers must disclose when the policy is sold
- The conditions for cancelling a policy
- What insurers and intermediaries can say about what the policy covers

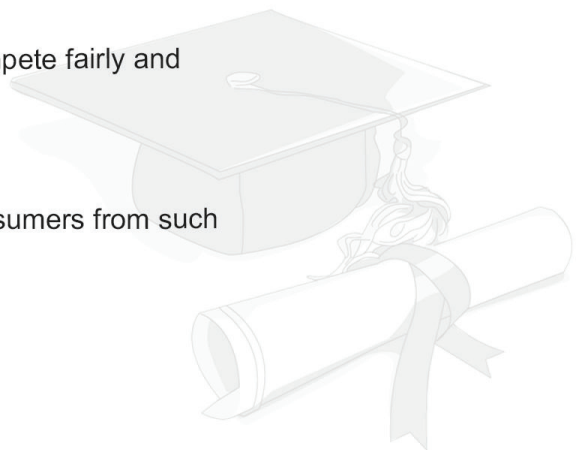


Requires that brokers:

- Be trained to give advice to consumers
- Provide the correct information and documentation to clients
- Not use inappropriate marketing or sales methods



- Formerly called the Trade Practices Act 1974
- This legislation means that broking firms must compete fairly and openly with other businesses
- It includes a number of provisions that protect consumers from such things as misleading or deceptive conduct



- Brokerages must abide by the 13 Australian Privacy Principles that regulate how they collect, use, disclose, and store personal information
- Personal information is any information that can identify a person
- Extra protection must be used for sensitive information, i.e., race, health, sexual preference, or credit status
- All businesses usually display their privacy policy on their website. Check your company's privacy policy



NIBA members and their representatives are bound by:

- NIBA Code of Conduct
- Insurance Brokers' Code of Practice

Brokers also need to understand:

- General Insurance Code of Practice





- Financial Services Guide (FSG)
- General Advice Warning (GAW)
- Statement of Advice (SOA)
- Product Disclosure Statement (PDS)



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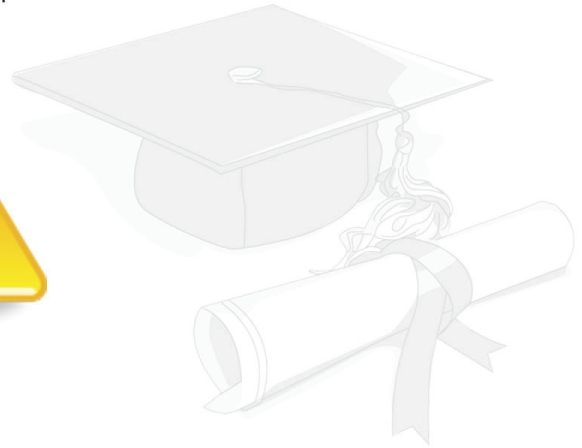


Discloses relevant information about the adviser and the company they work for, such as:

- The services they offer
- How they operate
- How they are paid
- How they deal with customer complaints
- Any associations or relationships that may influence the advice a client receives



Warns the client that their personal objectives, needs, or financial circumstances were **not** taken into consideration when the information was prepared

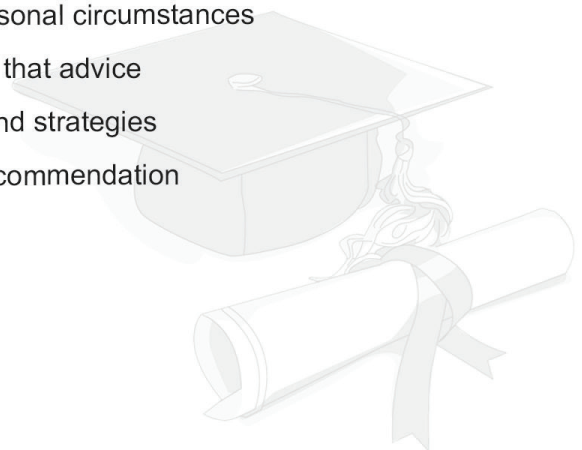


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Should include information, such as:

- A correct summary of the client's financial and personal circumstances
- The advice they have been given and the basis of that advice
- The cost of the advice, recommended products, and strategies
- The risks and uncertainties associated with the recommendation
- How the client acts on the advice

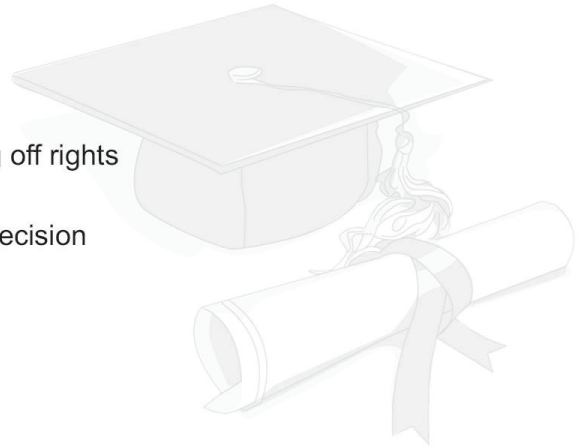


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Should include information, such as:

- The essential features of the product
- The risks and benefits of purchasing the product
- Information about complaints handling and cooling off rights
- Any other information that may affect the client's decision



The National Insurance Brokers Association is your industry body providing:

- Government liaison and lobbying on behalf of the broking industry
- Technical support to brokers
- Promotion of broker services
- Education services through NIBA College of Insurance and Risk Professionals
- Professional membership designations





Pathway to insurance broking:

1. Tier 2 Adviser in the insurance broking stream
 - Certificate III in Financial Services
2. Tier 1 Adviser
 - Tier 1 Short Course
 - Diploma in Insurance Broking



- Talk to your supervisor
- Visit the NIBA College Career and Education Pathways webpage:

<https://www.niba.com.au/html/career-pathways.cfm>

Contact NIBA College

- email: qualifications@nibacollege.com.au
- Tel: 61 2 9459 4300

