Ms Rosalyn Bell, Assistant Commissioner
Productivity Commission
4 National Circuit
BARTON ACT 2600

Email: financialsystem@pc.gov.au

19 March 2018

Dear Ms Bell

DRAFT REPORT – COMPETITION IN THE AUSTRALIAN FINANCIAL SYSTEM

Further to our initial submission of 15 September 2017[1] to the Productivity Commission's (the Commission) Inquiry into Competition in the Australian Financial System (the Inquiry), the Insurance Council of Australia (Insurance Council) welcomes the opportunity to provide additional information to further assist the Commission in progressing the Inquiry and respond to a number of broader general insurance-related issues in the Draft Report.

The Insurance Council appreciates the comprehensive nature of the Commission's Draft Report, chiefly as it provides a rich source of information about some of the key sectors of the Australian financial system. We particularly appreciate the Commission's recognition of the central role that general insurance plays in the Australian economy in mitigating insurable risk, and its recognition that the industry is "a *significant sector of the Australian economy*"[2].

As we explained in detail in our initial submission, the general insurance industry plays a critical role in protecting the financial well-being of individuals, households and communities. The contributions of the industry to the recovery of Australian communities from natural catastrophes are significant not only in terms of the billions of dollars of claims paid, but also because of the evolving risk mitigation and emergency management initiatives that make for more resilient communities.

The Insurance Council would like to reiterate that Australia's general insurance market is highly competitive, and that general insurers compete on a range of measures, such as price, diverse product offerings, coverage and claims servicing and performance. We appreciate that the Commission recognises that pricing is only one aspect of competition.

Indeed, the intensity of competition in Australia's general insurance industry is also evidenced by its highly cyclical nature (particularly in terms of financial performance) and its continued consolidation, a testament to heightened price competition. The Insurance Council appreciates that the Commission has examined the volatile nature of the general insurance industry's financial returns and continued consolidation in the industry.

[1] The Insurance Council of Australia's submission of 15 September 2017 to the Productivity Commission's Inquiry into Competition in the Australian Financial System Consultation Paper of 6 July 2017.

[2] The Productivity Commission's Competition in the Australian Financial System Draft Report, 7 February 2018, page 314.

Insurance Council of Australia Limited ABN 50 005 617 318
PO Box R1832 Royal Exchange NSW Australia 1225
t +61 2 9253 5100 f +61 2 9253 5111
www.insurancecouncil.com.au

INSURANCE COUNCIL OF AUSTRALIA

The Attachment to this submission contains information responding to the discussion of the following broader general insurance industry-wide issues contained in the Draft Report:

- comparative pricing information on insurance renewal notices;
- transparency in insurance underwriting;
- phasing out distortionary insurance taxes;
- renaming general advice to improve consumer understanding;
- deferred sales model for add-on insurance;
- new competition functions for a regulator;
- state of competition in the general insurance industry;
- fintech collaboration and competition; and
- ASIC's regulatory sandbox.

The Insurance Council would appreciate an opportunity to discuss this submission with you in detail and will contact your office to arrange a mutually convenient time. In the interim, please contact John Anning, the Insurance Council's General Manager Policy, Regulation Directorate, on (02) 9253 5121 or janning@insurancecouncil.com.au, if you have any questions or comments.

Yours sincerely

Robert Whelan
Executive Director & CEO

ATTACHMENT

INSURANCE COUNCIL RESPONSE TO DRAFT RECOMMENDATIONS, DRAFT FINDINGS AND INFORMATION REQUESTS

Draft Recommendation 11.1 Comparative pricing information on insurance renewal notices: Renewal notices for general insurance products should transparently include the previous year's premium and the percentage change.

- The Insurance Council is in-principle supportive of the Commission's draft recommendation to include the previous year's premium and the percentage change on general insurance policy renewal notices.
- The industry is proposing a voluntary initiative to proactively move on year-on-year premium disclosure for domestic home building and contents insurance. The Insurance Council's Interim Report for its Review of the General Insurance Code of Practice, released in November 2017, includes a number of proposed best practice product disclosure principles, which consider opportunities for greater customer engagement through targeted information that is specific and relevant to the individual. Best Practice Principle 3.9 specifically seeks to enhance transparency around premium changes:

  > Best Practice Principle 3.9: "*For renewing consumers, insurers should disclose the previous year's premium at renewal to enhance transparency around changes to the premium.*"[3]

- The Insurance Council is aware that many insurers' systems are not currently in a position to provide this information on every customer's renewal notice. For this reason, we regard this as industry best practice, and note that many insurers are progressing in this direction. For example, several insurers have moved to provide year-on-year premium comparisons in the context of Emergency Services Levy reform in New South Wales.
- Once the consultation period on the Interim Report for the Review of the General Insurance Code of Practice is complete, the Insurance Council will work on a Final Report. Once changes to the General Insurance Code of Practice are finalised and approved, an appropriate transition period will be determined to give Code Subscribers sufficient time to make system changes and train their employees.

Draft Recommendation 11.2 Transparency on insurance underwriting: On the same part of an insurance brand's website that contains the information about which insurer underwrites their product, a list of any other brands that are underwritten by the same insurer, for that particular form of insurance, should be included. Insurers should provide an up-to-date list of the brands they underwrite to the Australian Securities and Investments Commission (ASIC). ASIC should publish this information as a transparent list on its website.

- The Insurance Council does not support Draft Recommendation 11.2. We are concerned with the Commission's view that by having general insurers underwrite through a variety of different brands, this "*creates the illusion of more competition than actually exists*"[4]. This is a misguided view that assumes there is no product

[3] Insurance Council of Australia Interim Report Review of the General Insurance Code of Practice November 2017. Page 89.
[4] Productivity Commission, January 2018, Competition in the Australian Financial System Draft Report. Page 313.

differentiation and fails to properly consider how each brand operates and competes in the domestic market.

- In particular, the Commission's view fails to recognise that each brand typically selects different products, and establishes and maintains their own unique marketing and pricing strategies for those products. For instance, different brands typically offer products that have different coverages that may also include optional cover enhancements that consumers can elect to purchase. Different brands may also offer consumers the ability to take advantage of special features such as loyalty and multi-policy discounts. As the Commission would appreciate, this is also a reflection of the mature and sophisticated nature of Australia's general insurance market.
- The Insurance Council also questions the potential merits of Draft Recommendation 11.2 from a consumer usability and decision-making perspective. We consider that the Commission's proposal may create uncertainty and confusion for consumers, rather than help facilitate comparability and transparency.
- For example, there would be a significant problem if consumers perceive all other potentially 'related' brands listed on an insurance brand's website or ASIC's website (as proposed in Draft Recommendation 11.2) as being similar or identical, even though potentially 'related' brands may offer completely unique policy coverages and benefits. In this regard, this would also be misleading for consumers.
- From a different commercial perspective, it would be unreasonable to require one insurance brand to list the brand(s) of a competitor insurance brand, only because both brands manage products that may be underwritten by the same underwriter. As the Commission may appreciate, this would have damaging effects on the significant investments that insurance companies have made to differentiate their brands and products in order to compete.
- Additionally, we note that the Commission refers to "*insurance brand's*" and "*insurers*" in Draft Recommendation 11.2 – it is not clear whether the Commission is referring to APRA-authorised general insurers, insurance agents or otherwise.

Draft Recommendation 11.3 Phase out distortionary insurance taxes: Consistent with the Commission's 2014 Natural Disaster Funding Inquiry (recommendation 4.8), state and territory taxes and levies on general insurance should be phased out. This should commence from mid-2018.

- The Insurance Council strongly supports Draft Recommendation 11.3, proposing that State and Territory taxes and levies on general insurance be phased out from mid-2018. The Insurance Council has been a major participant in the State/Territory tax reform debate in the past and has consistently advocated for State and Territory taxes and levies on general insurance to be abolished.
- The Insurance Council strongly agrees with the Commission's assessment in the Draft Report that State and Territory taxes and levies on general insurance are distortionary and should be removed:

  "*Taxes can reduce incentives for people to invest or alter their consumption patterns in ways that reduce their welfare. Stamp duties on insurance are particularly inefficient taxes because of their narrow base, the distortions to* *insurance prices, and reduction in insurance affordability. They create an incentive to not insure.*"[5]

- As the Commission has clearly recognised in its Draft Report, the economic case for the abolition of insurance-based taxes is widely accepted.
- The case for reform has been canvassed in numerous reports from the Commission, Federal and State/Territory Government reviews and inquiries including the Australian Government's Review of Australia's Future Tax System (the Henry Tax Review), the NSW Independent Pricing & Regulatory Tribunal (IPART) Review into State Taxation, the Victorian Royal Commission into the 2009 Bushfires Royal Commission, the NSW Government 2012 review: Funding our Emergency Services, ACT Review of Taxation and the GST Distribution Review.
- The Insurance Council strongly submits that the best interests of consumers nation-wide would be best served by abolishing taxes and levies on general insurance.

Draft Recommendation 12.1 Rename general advice to improve consumer understanding: General advice, as defined in the Corporations Act 2001 (Cth), is misleading and should be renamed. The Commission supports consumer testing of alternative terminology to ensure that misinterpretation and excessive reliance on this type of promotional information is minimised. The term 'advice' should only be used in association with 'personal advice' that takes into consideration personal circumstances.

- While the Insurance Council shares the concerns of the Commission that the term 'general advice' may mislead consumers into thinking that they are receiving personal advice, and we support Draft Recommendation 12.1, we submit that a much more comprehensive review is required of how some general advice activities are regulated.
- The experience of our members as general insurers is that the current regulatory framework unnecessarily constrains the ability of licensees to provide simple product information. Renaming of 'general advice' will not of itself address the issues faced by general insurers around the advice definitions in the Corporations Act.

Information Request 12.2 Renaming general advice and merits of further changes: We also seek information on the merits of:

- redefining the activities that are currently regulated under general advice and providing a more customised regime for some activities
- removing licensing and regulatory obligations currently associated with some or all forms of general advice

- The Insurance Council is strongly supportive of more comprehensive reforms to enable insurers to provide more tailored information to consumers without triggering the personal advice rules.
- The current regulatory regime around personal advice is expensive and time consuming. This may be necessary for investment products, but seems overly cumbersome for general insurance. Consequently, the majority of general insurance

[5] Productivity Commission, January 2018, Competition in the Australian Financial System Draft Report. Page 351.

is sold on a 'no advice' business model, or where advice is provided, care is taken that it falls within the less onerous definition of 'general advice'.

- The difference between information that is personal advice, general advice and factual information can be minute; a single word in some circumstances. Compliance with the financial advice regime therefore inevitably focuses training for employees and agents on phrasing information so as to allow them to remain within the definition of the advice model they are operating under, rather than on delivering information that is of the most assistance to the consumer's inquiry. Inevitably, the focus of training for employees and agents is on phrasing information so as to allow them to remain within the definition of the advice model they are operating under.
- This can produce counterintuitive conversations driven by compliance needs rather than consumer needs. For example, in circumstances where product options have been explained and the consumer asks direct and personal questions such as "what should I do?" it is difficult and counterintuitive not to personalise the response. Insurers also struggle to answer questions where consumers are seeking to validate a decision.
- However, once an insurer starts to prioritise the types of information provided to individuals, questions about whether advice is being provided are triggered. The industry is not commonly called upon to provide complex advice. However, the fear of triggering the legal definition of personal advice hinders insurers from being more forthcoming in the guidance they provide. This results in a detrimental outcome for both industry and consumers.
- Where, prior to introduction of the current Financial Services Regulation (FSR) regime, simple insurance products could be offered with some basic advice around product information and needs, the legal requirements now attached to the provision of advice, personal or general, have resulted in the consumer being provided with limited or no advice at all. The Insurance Council considers that this lack of simple product advice has hindered insurers' engagement with consumers in choosing policies best suited to their needs.

Draft Recommendation 14.1 Deferred sales model for add-on insurance: The Australian Securities and Investments Commission should proceed as soon as possible with its proposal to mandate a deferred sales model for all sales of add on insurance by car dealerships. Following implementation, the Australian Government should establish a Treasury-led working group to extend the deferred sales model to all add on insurance products in a practical timeframe.

- Over the past two years, the Insurance Council and its members have worked extensively with ASIC to improve the way add-on insurance products sold through the motor dealer channel are designed and distributed. The industry is implementing a comprehensive range of initiatives[6] to improve consumer outcomes across the whole product life cycle, from product design and distribution arrangements with intermediaries, to point of sale practices and monitoring, and finally post-sale engagement with consumers. The industry has also supported ASIC's proposal to implement a deferred sales model (DSM) for add-on insurance sold through car

[6] For a summary of initiatives, see the Insurance Council's submission in response to ASIC Consultation Paper 294, 23 October 2017.

dealer intermediaries, which will aim to ameliorate information overload and decision fatigue by lengthening the time between product introduction and purchase.

- We are concerned that the Commission has proposed to make a recommendation for extensive changes to the sales process without clearly articulating what constitutes an "add-on" product. In the context of the industry's work with ASIC, the focus has been on products where the point of sale of the insurance coincides with the purchase of a primary product (i.e. the motor vehicle).
- While such sales channels present a convenient way for consumers to purchase insurance, the industry acknowledges that the point of sale of the primary product may not provide sufficient time for consumers to make a considered decision about any insurance purchase. We note that even for the one sales channel, whether a DSM is appropriate would depend on the nature of the individual products being offered. For example, applying the DSM to comprehensive motor insurance sold through the motor dealer channel is unnecessary, given these are commonly purchased consumer products and generally well understood. Similarly, the DSM being developed by ASIC is likely to exclude the same products sold online given consumer decision-making will be influenced by a completely different set of factors.
- The Commission refers to travel insurance sold through travel agents and airlines as an example of an add-on insurance. Whether a DSM is appropriate for these types of sales needs to be carefully considered and balanced with the risk of non-insurance. The industry has contributed to an extensive Government campaign to better educate the public about the detrimental impacts of under and non-insurance when travelling overseas, and this important work should not be undermined.
- We note that the DSM currently being developed by ASIC is responding to very specific issues associated with particular products sold through the motor dealer channel, which has benefited from consumer research conducted by ASIC. While the Insurance Council does not object to Treasury assessing the merits of extending the DSM, there should not be an assumption that a DSM is required or appropriate for other "add-on" products.
- Any decision to extend the DSM to other products should be based on clear evidence that it would improve consumer outcomes, and should be designed to apply appropriately with the specific characteristics of those markets in mind.

Draft Recommendation 17.1 New competition functions for a regulator: To address gaps in the regulatory architecture related to lack of effective consideration of competitive outcomes in financial markets, an existing regulator must be given a mandate to take the lead on matters related to competition in the financial system.

- The Insurance Council notes the Commission's assessment that the policy and regulatory settings, as well as the regulatory culture, are not focused on improving competition in the financial system, and that the regulatory system emphasises stability over competition. The Insurance Council notes Draft Recommendation 17.1, that would provide an existing regulator a mandate to take the lead on matters related to competition in the financial system.
- While the Insurance Council does not take a position on this draft recommendation, our general view is that while there should generally not be any trade-off between stability and competition in the financial system, this should also be considered in the context of any build-up of risks in the domestic economy and/or the global economy.

- On that basis, irrespective of whether any changes in the regulatory architecture are made following the Inquiry, the Insurance Council strongly believes that there should always be support for competition that is sustainable in the long term and does not create risks for the stability of the Australian financial system.
- Additionally, the Insurance Council notes that the Commission "*supports the view that there are high barriers to entry in general insurance, particularly because of regulatory requirements such as maintaining required levels of capital*"[7]. While the Insurance Council does not endorse this view, we would agree that Australia has one of the most conservative regulatory prudential capital requirements for insurers, relative to other jurisdictions.
- As a consequence, Australia's general insurance industry holds a significant amount of regulatory prudential capital. We note the Commission's assessment that in the year to June 2017, the four larger insurers held a capital base of 168 per cent of their prescribed capital requirement, while the smaller insurers held a base of 213 per cent of their prescribed capital requirement[8]. In this context, we would welcome from the Commission a more detailed examination of the extent to which Australia's regulatory prudential capital requirements may be affecting competition in the market.

Draft findings broadly covering the state of competition in the general insurance industry: Draft Finding 2.3 State of competition in the financial system; Draft Finding 11.1 Market power in general insurance provision; and Draft Finding 11.2 Consolidation of general insurers.

- The Insurance Council notes the Commission's assessment of the general state of competition in Australia's general insurance industry, and we appreciate the Commission's observations with respect to:
  - the role that non-price competition plays (product differentiation) in Australia's general insurance industry, and that pricing is only one aspect of competition in the general insurance industry[9];
  - how profitability in the general insurance industry has experienced a downturn in recent years, and that industry profits are not excessive, indicating that there is competition in the market[10]; and
  - while the profitability of larger insurers has exceeded the profitability of their smaller competitors in recent years, the smaller insurers have performed better by a number of metrics (such as higher returns to investments and lower expenses as a share of premiums)[11].
- The Insurance Council maintains that the Australian general insurance industry has a lively level of competition – we believe that the Commission's observations help support this assessment. Additionally, as we explained in our 15 September 2017 submission to the Commission's earlier consultation paper for the Inquiry, industry

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[7] Productivity Commission, January 2018, Competition in the Australian Financial System Draft Report. Page 331.

[8] Productivity Commission, January 2018, Competition in the Australian Financial System Draft Report. Page 332. Productivity Commission estimates based on APRA's *General Insurance Institution-level Statistics* database.

[9] Productivity Commission, January 2018, Competition in the Australian Financial System Draft Report. Page 335.

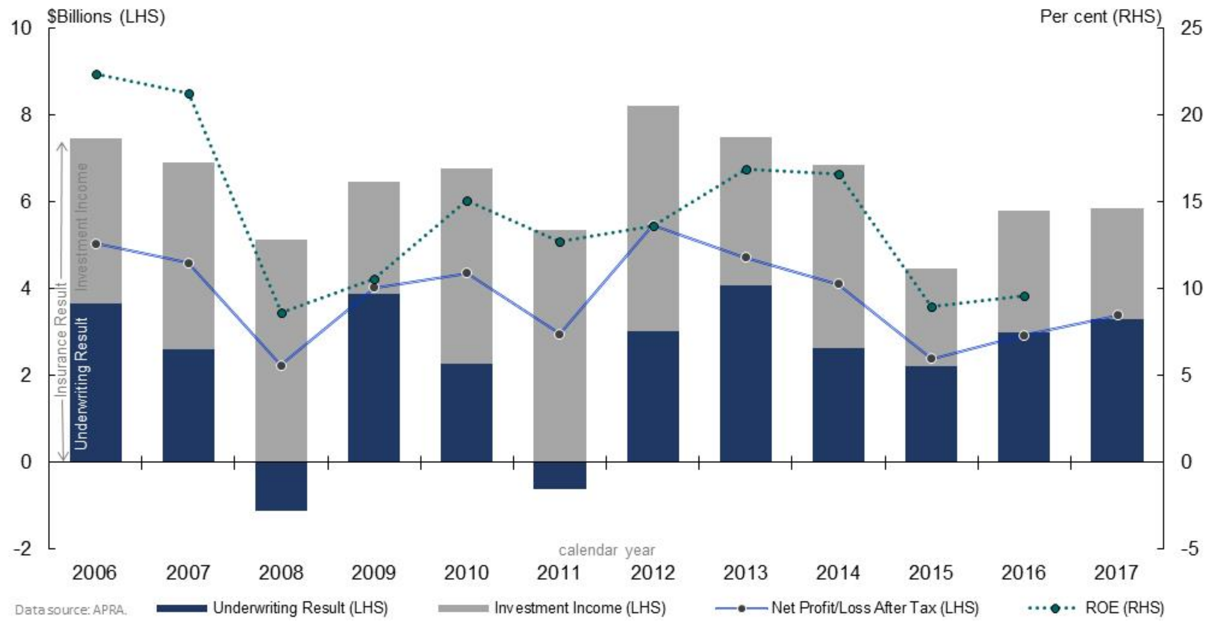
[10] Productivity Commission, January 2018, Competition in the Australian Financial System Draft Report. Pages 313 and 328.

[11] Productivity Commission, January 2018, Competition in the Australian Financial System Draft Report. Page 330.

participants are not the only stakeholders assessing the general insurance industry as being highly competitive. Similar assessments have also been made by APRA, the Australian Treasury and the Financial System Inquiry, and also by credible private market observers KPMG and PwC[12].

- To supplement the Commission's profitability analysis of the general insurance industry and to emphasise the volatile nature of the industry's financial performance, we have provided analysis below on key industry performance measures based on more recently published APRA financial data.

Chart A: Selected General Insurance Industry Financial Performance Metrics



- Importantly, Chart A[13] demonstrates the significant volatility in the financial performance of Australia's general insurance industry, in terms of volatility in the underwriting result (the core business function of insurance) and investment income and, consequently, net profit/loss after tax.
  - Chart A shows that the underwriting result for the general insurance industry fluctuates[14] up to 68 per cent above or below the longer term 12 year average, while investment income fluctuates up to 29 per cent above or below its 12 year average.
  - Consequently, the volatility in the underwriting result and investment income flows through to industry net profit/loss after tax, which fluctuates up to 27 per cent above or below the 12 year average.

[12] The Insurance Council of Australia's submission of 15 September 2017 to the Productivity Commission's Inquiry into Competition in the Australian Financial System Consultation Paper. Pages 4-5.

[13] ROE derived using APRA's June 2017 semi-annual General Insurance Institution Level Statistics. All other financial metrics derived using APRA's December 2017 Quarterly General Insurance Performance Statistics. (YTD 30 December data used).

[14] Based on standard deviations around 12 year averages for total general insurance industry underwriting result, investment income and net profit/loss after tax. Data from APRA December 2017 *Quarterly General Insurance Performance Statistics*.

- Chart A also shows that the general insurance industry's Return on Equity (ROE) has been markedly lower over recent years, relative to historic longer term performance (2006 to 2016[15]). The general insurance industry's ROE for the year ended 30 December 2016 was 9.6 per cent. This is lower than both the 5 year and 11 year averages of 13.2 per cent and 14.2 per cent, respectively.
- The Insurance Council is very concerned with the Commission's view that market concentration in Australia's general insurance industry is "*high and camouflaged, with a proliferation of brands but far fewer actual providers*", suggesting that this may result in sub-optimal competitive outcomes.
- With respect to the Commission's views on concentration, as we explained in our earlier submission, there is literature[16] emphasising that there are significant limitations to relying solely on concentration analysis, and that other important factors (such as barriers to entry) must also be appropriately taken into account in order to develop an informed view on the level of competition within a market.
- This important point was made by the Reserve Bank of Australia (RBA) last year, emphasising that concentration, itself, does not necessarily suggest a lack of competition, adding that market concentration analysis is not regarded as a very accurate measure of competition[17]. The RBA reiterated this point in its submission to the Commission's consultation paper for the Inquiry, explaining that market structure is not always a reliable indicator of the level of competition and efficiency[18].
- Indeed, APRA also emphasised a similar point in its submission to the Commission's consultation paper for the Inquiry, stating that "… *industry concentration may not, of itself, be a comprehensive measure of the level of competition in individual markets for financial services products*"[19].
- The Insurance Council strongly disagrees with the Commission's views around brand proliferation and camouflage. As explained in detail in our above response to Draft Recommendation 11.2, any view suggesting that the diverse range of brands in the Australian general insurance market delivers sub-optimal competitive outcomes fails to properly consider how each brand operates and competes in the market. Each general insurance brand typically selects different products, and establishes and maintains their own unique marketing and pricing strategies for those products.

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[15] All available whole-of-year APRA data used – partial 2005 and partial 2017 data not used.

[16] For example, refer to: Roberts, T 2014, '*When Bigger Is Better: A Critique of the Herfindahl-Hirschman Index's Use to Evaluate Mergers in Network Industries*': Pace Law Review, vol. 34, issue. 2.

[17] Reserve Bank of Australia, July 2017, '*Big Banks and Financial Stability*', Speech - Economic and Social Outlook Conference.

[18] Reserve Bank of Australia, submission of September 2017 to the Productivity Commission's Inquiry into Competition in the Australian Financial System Consultation Paper. Page 3.

[19] Australian Prudential Regulation Authority, submission of September 2017 to the Productivity Commission's Inquiry into Competition in the Australian Financial System Consultation Paper. Page 4.

Draft Finding 4.4 Fintech collaboration and competition: Many fintechs are attempting to work with and provide services to incumbent banks, rather than compete against them. Incumbent banks are also looking to collaborate with fintechs as a way to innovate and lower the threat of future competitors. While this is a legitimate and sensible commercial strategy for many, it means that these fintechs are unlikely to provide the basis for vigorous competition against incumbent banks in the near future. In the long term, lowering barriers to entry and expansion, including greater access to consumer data, may lead fintechs to favour competition against incumbents, over collaboration.

- The Insurance Council recognises that the Commission has made Draft Recommendation 4.4 in the context of how fintechs are attempting to work with and provide services to incumbent *banks*, rather than compete against them.
- Nevertheless, we believe that aspects of this draft recommendation (particularly providing greater access to consumer data) are also relevant for other financial services sectors, such as general insurance, given the significant impact that technological change is having on competition in the financial system more broadly.
- The Insurance Council notes the Commission's view that providing fintechs greater access to consumer data may encourage competition. However, we would suggest that the Commission consider carefully the potentially significant implications.
- In particular, providing access could have very serious implications for commercial intellectual property and associated capital investment. This may diminish commercial incentives to innovate, which would ultimately have economy-wide implications, such as by reducing national productivity.
- Any further deliberation on the potential merits of providing greater access to consumer data should be taken with careful consideration of the need to adequately balance any potential access with the need to ensure protection of commercial intellectual property and preserve incentives to collect and add value to data.
- From a general insurance perspective, there is also a need to balance the benefits of access to consumer data against an insurer's ability to conduct their business, including underwriting functions, risk assessment and claims management, and fulfil their various statutory obligations (particularly with respect to privacy).

Information Request 4.1 Should ASIC's regulatory sandbox be extended?: Should the fintech licensing exemption offered under the Australian Securities and Investments Commission's (ASIC's) regulatory sandbox be extended to prudentially regulated fintechs that want to take retail deposits and issue other eligible financial products?

- As noted in the Interim Report, the existing ASIC sandbox[20] and the proposed enhanced sandbox[21] are limited to the testing of the provision of financial services, including the provision of financial advice and the distribution of products, and not the issuance of a new class of financial products. The Insurance Council agrees there is merit in extending the sandbox to enable limited testing of the issuance of new products.

[20] ASIC relief is provided under ASIC Corporations (Concept Validation Licensing Exemption) Instrument 2016/1175.

[21] Treasury Laws Amendment (2018 Measures No. 2) Bill 2018.

- The consumer experience with purchasing general insurance products is currently undergoing a transformation; with growing consumer empowerment enabled by widespread use of the internet, interactive digital mobile technology, and social networks. These tools are revolutionising the way consumers are informed of events (about the impact of real time emergencies), wield purchasing power (as buying groups), and influence policy outcomes (with lobbying campaigns).
- The proliferation of data and the technological advances enabling its capture and analysis also provides vast potential for the industry to design more targeted products to suit individual needs. An extension of the sandbox to enable limited testing of new product concepts would encourage innovation in product design. Greater flexibility in the testing of new products is particularly important given the impending new product design obligations will introduce substantial additional requirements for bringing new products to market.
- The Commission does not see merit in any extension of the sandbox to be made available to existing market participants. The Insurance Council disagrees with this approach, as the objective of any regulatory sandbox cannot be fully achieved without participation of both start-up businesses and existing market participants. Innovation is not just driven by start-up businesses, but also existing market participants, and also partnerships between start-ups and existing businesses. Limiting sandbox access to start-ups would also be out of step with the proposed enhanced sandbox, which will be accessible to existing Australian Financial Services Licensees.