

2013-2014-2015-2016

The Parliament of the
Commonwealth of Australia

HOUSE OF REPRESENTATIVES

Presented and read a first time

**Corporations Amendment (Life
Insurance Remuneration Arrangements)
Bill 2016**

No. , 2016

(Treasury)

**A Bill for an Act to amend the law in relation to
financial products that relate to insurance, and for
related purposes**

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1 **A Bill for an Act to amend the law in relation to**
2 **financial products that relate to insurance, and for**
3 **related purposes**

4 The Parliament of Australia enacts:

5 **1 Short title**

6 This Act may be cited as the *Corporations Amendment (Life*
7 *Insurance Remuneration Arrangements) Act 2016*.

8 **2 Commencement**

9 (1) Each provision of this Act specified in column 1 of the table
10 commences, or is taken to have commenced, in accordance with
11 column 2 of the table. Any other statement in column 2 has effect
12 according to its terms.

1

Commencement information

Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1. Sections 1 to 3 and anything in this Act not elsewhere covered by this table	The day this Act receives the Royal Assent.	
2. Schedule 1	1 July 2016.	1 July 2016

2

Note: This table relates only to the provisions of this Act as originally enacted. It will not be amended to deal with any later amendments of this Act.

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(2) Any information in column 3 of the table is not part of this Act. Information may be inserted in this column, or information in it may be edited, in any published version of this Act.

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3 Schedules

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Legislation that is specified in a Schedule to this Act is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this Act has effect according to its terms.

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Schedule 1—Amendments

Corporations Act 2001

1 At the end of subsection 912C(1A)

Add:

; and (e) may require a statement containing information to be given in a specified manner (including in electronic form).

2 Section 960

Insert:

benefit ratio, for a benefit given to a financial services licensee, or a representative of a financial services licensee, in relation to a life insurance product, or life insurance products, for a year, has the meaning given by subsection 963B(3A).

policy cost, for a life risk insurance product, or life insurance products, for a year has the meaning given by subsections 963B(3B) and (3C).

3 Paragraph 963B(1)(b)

Repeal the paragraph, substitute:

(b) each of the following is satisfied in relation to the benefit:

(i) the benefit is given to the licensee or representative in relation to a life risk insurance product or life risk insurance products;

(ii) none of the products is a group life policy for members of a superannuation entity (see subsection (2)) or a life policy for a member of a default superannuation fund (see subsection (3));

(iii) either:

(A) the benefit ratio for the benefit is the same for the year in which the product or products are issued as it is for each year in which the product or products are continued; or

- 1 (B) the benefit ratio requirements and clawback
2 requirements in section 963BA are satisfied in
3 relation to the benefit;
4 (ba) the benefit is given to the licensee or representative in
5 relation to consumer credit insurance;

6 **4 After subsection 963B(3) (after the note)**

7 Insert:

- 8 (3A) The *benefit ratio* for a benefit given to a financial services
9 licensee, or a representative of a financial services licensee, in
10 relation to a life insurance product, or life insurance products, for a
11 year is the ratio between:
12 (a) the benefit; and
13 (b) the policy cost payable for the product or products, or that
14 part of the policy payable for the product or products to
15 which the benefit relates, for the year.
- 16 (3B) The *policy cost* for a life risk insurance product, or products, for a
17 year is the sum of:
18 (a) the premiums payable for the product, or products, for that
19 year; and
20 (b) any fees payable for that year to the issuer of the product or
21 products for that issue; and
22 (c) any additional fees payable because the premium for the
23 product, or products, is paid periodically rather than in a
24 lump sum; and
25 (d) any other amount prescribed by the regulations for the
26 purposes of this paragraph.
- 27 (3C) However, the *policy cost* for a life risk insurance product, or
28 products, does not include any amount prescribed by the
29 regulations for the purposes of this subsection.

30 **5 After section 963B**

31 Insert:

963BA Benefit ratio and clawback requirements*Benefit ratio requirements*

- (1) The ***benefit ratio requirements*** are satisfied in relation to a benefit given to a financial services licensee, or a representative of a financial services licensee, in relation to a life risk insurance product, or life risk insurance products, if the benefit ratio for the benefit for:
- (a) the year in which the product or products are issued; and
 - (b) each year during which the product or products are continued;
- is equal to or less than that determined by ASIC under subsection (2) as an acceptable benefit ratio for that year.
- (2) ASIC may, by legislative instrument, determine an acceptable benefit ratio, or a way of working out an acceptable benefit ratio, for a benefit for a year.

Clawback requirements

- (3) The ***clawback requirements*** are satisfied in relation to a benefit given to a financial services licensee, or a representative of a financial services licensee, in relation to a life risk insurance product, or life risk insurance products, if:
- (a) the arrangement under which the benefit is payable includes an obligation to repay all or part of the benefit if:
 - (i) the product, or one of the products, is cancelled or is not continued, other than because a claim is made under the insurance policy or because other prescribed circumstances exist; or
 - (ii) the policy cost for the product, or one of the products, during a year or across 2 years is reduced, other than in prescribed circumstances;within 2 years after it is first issued to a retail client; and
 - (b) the amount to be repaid under the obligation is equal to or greater than the amount determined by ASIC under subsection (4) as an acceptable repayment.

- 1 (4) ASIC may, by legislative instrument, determine the amount, or a
2 way of working out the amount, that is an acceptable repayment for
3 the purposes of paragraph (3)(b).

4 **6 After Part 10.24**

5 Insert:

6 **Part 10.24A—Transitional provisions relating to**
7 **the Corporations Amendment (Life**
8 **Insurance Remuneration Arrangements)**
9 **Act 2016**
10

11 **1549A Definitions**

12 In this Part:

13 *amending Act* means the *Corporations Amendment (Life Insurance*
14 *Remuneration Arrangements) Act 2016*.

15 *commencement day* means the day on which Schedule 1 to the
16 amending Act commences.

17 **1549B Applications of amendments relating to life risk insurance**
18 **products**

19 (1) Subject to subsections (2), (3) and (4), the amendments made by
20 Schedule 1 to the amending Act apply to a benefit given to a
21 financial services licensee, or a representative of a financial
22 services licensee under an arrangement entered into before, on or
23 after the commencement day.

24 (2) The amendments made by Schedule 1 to the amending Act do not
25 apply to a benefit given to a financial services licensee, or a
26 representative of a financial services licensee, under an
27 arrangement entered into before the commencement day if:

28 (a) the life risk insurance product is issued before the
29 commencement day; or

- 1 (b) the application for the issue of the life risk insurance product
2 is made before the commencement day and the product is
3 issued within 3 months after the commencement day.
- 4 (3) The regulations may prescribe circumstances in which the
5 amendments made by Schedule 1 to the amending Act apply, or do
6 not apply, to a benefit given to a financial services licensee or a
7 representative of a financial services licensee.
- 8 (4) Despite subsection (1), the amendments made by Schedule 1 to the
9 amending Act do not apply to a benefit given to a financial services
10 licensee, or a representative of a financial services licensee, to the
11 extent that the operation of those amendments would result in an
12 acquisition of property (within the meaning of paragraph 51(xxxi)
13 of the Constitution) from a person otherwise than on just terms
14 (within the meaning of that paragraph of the Constitution).