



# E-distribution of life and superannuation products

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The Australian life insurance and superannuation industry is out to prove itself — both internally and to the world at large, particularly the Asia-Pacific region where Australia now believes it belongs.

## The benign hand

The life and superannuation industry is not unique in targeting e-commerce for future growth. While the industry is willing and able to ride the e-commerce tiger it cannot be successful ultimately without a sympathetic and supportive government.

Enter the Australian Securities and Investment Commission (ASIC). It released in early October 2000 a policy proposal, calling for public comment. The subject: Electronic Distribution of Life Insurance and Superannuation Products.

The document set out ASIC's proposals to enable life companies and superannuation trustees to distribute their products electronically. These proposals aim, among other things, to remove unnecessary barriers resulting from the current paper-based application form requirements, to enable electronic applications by life companies and superannuation trustees.

## Key issues tackled

- And the issues being addressed?
- the direct distribution of life insurance and superannuation products using electronic applications
  - electronic distribution where agents and brokers are involved
  - mixed-media distribution

ASIC is, in effect, proposing to allow life companies and superannuation trustees to receive and process applications electronically. While they can already use electronic disclosure documents, existing rules mean that, in many cases, only paper-based applications can be accepted. The proposals are also designed to

remove uncertainties about whether a fully electronic application process complies with regulatory rules.

In doing this, the government wants to remove barriers to e-commerce without reducing customer protection. But it also has an expectation of issuers and other intermediaries: to adhere to the best practice model for e-commerce developed by the government when using electronic means to communicate with its customers.

The Australian government has a vision, now shared by a growing number of multi-nationals following the economic meltdown in the region. The vision: Australia's emergence as a major financial centre in Asia-Pacific. The key stepping stones leading to the realisation of that dream are now being put into place. Good corporate governance and a regulatory environment that promotes stability and growth are among them.

## The stepping stones

In this e-commerce world, how will the identity of a customer be established?

It's a critical question for traditionally, signatures have been used to identify customers applying for life and superannuation products. Equally important, signatures provide evidence of the acceptance by signatories of the information signed for.

The problem confronting ASIC was that electronic applications, if used without effective alternative means to ascertain the identity of customers, may introduce risks, like:

- the non-issue of a policy to the right customer
- the issue of a policy to a person who did not apply for the product.

Fortunately, the identities of customers using electronic application forms can be reasonably established in an electronic environment, for example:

- digital signature/certificates

- personal identification numbers
- passwords
- some forms of email addresses
- customers' personal details included in the applications — name, address, date of birth and payment instructions

## The ASIC approach

ASIC has adopted a flexible approach and will allow insurers to choose means that are appropriate to their needs. Besides, flexibility is consistent with the approach to signatures adopted in Australia's Electronic Transactions Act 1999. This Act does not yet apply to the area being discussed.

Furthermore, flexibility is consistent with some of ASIC's recent decisions. It recently received a number of applications from life insurers seeking relief from the application form requirements. They wanted to proceed with full electronic distribution of their products now. They were granted interim relief until 1 July, 2001.

Other insurers have also got in early. They are undertaking electronic distribution either on the

basis of understandings reached with the Insurance and Superannuation Commission (ISC), now the Australian Prudential Regulatory Authority (APRA), or their interpretation of ISC guidelines. These insurers will ultimately be required to comply with ASIC's finally adopted policy.

Among the important issues being addressed by ASIC is: How should the customer's responsibility for personal information be established? ASIC has in mind the personal information required for life insurance underwriting — the information needed to discharge the customer's duty of disclosure, the information critical to the acceptance or rejection of the risk, as well as an insurer's subsequent acceptance of any claims.

ASIC's concerns revolve around the absence of a written signature. For example, what if customers using electronic applications believed they are not accepting legal responsibility for the electronically provided personal information?

But, as they say, problems are often solutions in disguise. Indeed,

ASIC suggested that the risks could be addressed quite simply — by requiring customers to press an electronic key or button that would acknowledge the receipt of the duty of disclosure warning before being authorised to key-in the relevant personal information. The acknowledgement would extend to the acceptance of responsibility for the information included in the application form.

These are but a few examples of the many issues now being considered by ASIC to enable Australia's financial services' industry to fully embrace the opportunities presented by e-commerce, without denying customers protection of the highest standard.

Hong Kong's new compulsory retirement savings scheme, the Mandatory Provident Fund was launched on 1 December 2000. Who knows? Might the participants one day be only a few clicks away from becoming customers of some of Australia's major providers of innovative and safe, life and superannuation products?



## Election to Fellowship from Associate

Fellowship is the highest grade of membership, denoting the status of seniority within the profession.

Our Membership Department advises that it is now accepting applications from Associate members who wish to be considered for election to Fellow.

A short summary of the requirements for Fellowship follows:

- you must be at least 25 years of age;
- you must have at least 8 years employment experience (not necessarily with the same employer);
- for at least 3 years within the last 10 years, you must have been engaged in the position of Secretary or Assistant Secretary or in another executive or administrative position with at least a similar level of responsibility.

Your application will need to be supported by either the names of two Fellows of Chartered Secretaries Australia as referees, or two written references from work colleagues one of whom should be holding a senior position in your current place of employment

There is no application fee payable. The subscription for Fellows is \$450.00, which includes GST.

**If you wish to be considered, please contact our Manager, Membership Andrew Politzer, on (02) 9223 5744 or outside Sydney 1800 251 849.**



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