

## FINANCE SECTOR

# Ready for 'massive handbrake' inquiry

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Australia's \$40 billion insurance industry is preparing to face fresh public scrutiny, as an increasingly confident group of Nationals MPs move to push a powerful commission of inquiry into the financial services sector through Parliament before Christmas.

Much of the focus of the past week has been on banking misconduct, but the spotlight was thrown on insurers on Tuesday after Nationals MP Llew O'Brien said he would cross the floor and support the bill in defiance of government policy on the condition any probe investigates how the industry had treated customers with mental health conditions.

Nationals senator Barry O'Sullivan, who will introduce the legislation on Wednesday, is negotiating with the Greens on amendments but both parties are confident the inquiry will pass the Senate and then House of Representatives.

However, the momentum has spooked the business community. The former head of the government's 2014 Financial System Inquiry, David Murray, rounded on the suggestion of a royal commission or inquiry. "What are the self interests driving this?" Mr Murray told Fairfax Media. "It just begs the question.

"I think it would be a very bad look for Australia, with the fundamentals of the financial system being so sound, and with the rest of the world being our net creditor."

His comments reflect the sentiments of many within the business and financial community who worry a royal commission would convey to international markets the impression of a banking system beset with faults and vulnerabil-

ities.

The financial services sector contributes 10 per cent of gross domestic product and has already been through 18 government reviews and inquiries.

Financial Services Council chief executive Sally Loane said a commission of inquiry would be a "massive handbrake" on an industry that is now bigger than mining.

"It would put all ongoing reforms on hold and little would be done outside of it," Ms Loane said.

The push for an expansive probe followed Fairfax Media reports last year that doctors at the Commonwealth Bank's insurance arm, Comminsure, had been pressured to change assessments of customers to avoid payout and delayed insurance payouts to terminally ill customers.

Maurice Blackburn principal lawyer Josh Mennen said his firm had thousands of clients that could give evidence of being pushed into an insurance product recommen-

ded by a financial adviser only to have their claim later denied.

"As it comes closer to reality we are starting to advise our clients and we will be encouraging any who want to and feel strong enough to tell their stories," he said.

He said he was encouraged by the expansion of the bill to include subsidiaries, which would help capture offshoots of financial services firms.

"What we don't want is a situation where the inquiry orders a notice to produce, and the banks say that is held by a subsidiary company that is not covered," he said.

"They have very complicated corporate structures and we need to make sure there aren't any

locked doors so we can uncover all the skeletons."

The Greens, who the rebel Nationals MPs will rely on to get the bill through Parliament, have raised concerns that the terms of

reference are too narrow, but are prepared to work with Senator O'Sullivan to get the bill passed.

Senator Peter Whish-Wilson told the Greens party room on Tuesday he would push for a broader bill to capture systemic issues including executive remuneration, political donations and lobbying.

He said the inquiry was necessary to bring financial executives to account beyond the power of conventional Senate hearings.