

SUBMISSION ON POLICY ISSUES RAISED IN ROUND 6

Submitted By: gavin polmans

Email: [REDACTED] u

Phone Number: [REDACTED]

Submission for: My Self

Name of other person, business or organisation:

Do you agree to your submission being published: Yes

Do you agree to your full name being published: Yes

Your submission:

I am a financial planner with over 23 years experience, predominantly in the retail or advised life insurance space.

I have been amazed over the last 5 years of enquiries and now the royal commission as to the clear lack of understanding of the life insurance industry. We may not be surprised to spend a lot of time educating our clients but it is really disappointing when this lack of comprehension is coming from people who are impacting our noble industry through legislation which has no benefit at all to the customer (I prefer 'client').

The reduction in commission rates is bad enough under the highly dubious and conflicted LIF framework set up by the product providers for their own benefit. Now there is talk about cancelling life insurance commission completely?? Honestly, this sounds more and more like a Monty Python scit.

Just think about it....remove the product providers and advisers from the equation and just look at it from the client point of view. Ask a person who needs insurance (anyone who needs income to maintain their lifestyle and this income level is above the social security safety net) this question - 'are you prepared to pay for something that you may not be able to obtain and if so, are you prepared to pay between \$3 - \$7,000 up front (excluding the \$1,500 fee for the statement of advice) and then \$1,500 per annum ongoing for service and advice?' I reckon 90% of people will answer 'no' so then they go direct and how do you think that will work out for them???

I am happy for commissions to be removed if retail insurance has a guaranteed acceptance rate and the govt offered a tax deduction to all life insurance premiums as at the end of the day, life insurance plays an important role in improving independence and therefore less reliance on the state for support if things go wrong. While you are at it, make life insurance compulsory for everyone who works. Until then, life insurance commission is the only remuneration structure that will work as it is a totally unique product/service....it is not like general / health insurance. Why should the client pay this upfront cost?

Getting back to reality.....most advisers take the risk with a client ie if the client is unable to get the insurance, then the adviser does not get paid. Believe me, we will try anything to get the cover accepted which is great for the client. We don't just accept the first 'no' ie we will try other insurers. Yes, this may involve a bit of cross subsidisation but it works. However, the reduction in commissions will make this more and more difficult, especially for the small, new advisers to the market but I guess they are just another unintended consequence of well intended legislation.

Please, don't take my word for it... I know you won't if you believe the rubbish in the press (by the way, can someone tell me what the % of all claims to FOS in any one year was against life insurance and investment advisers???) The answer is in the single digits, yet how has it got to this? Advisers are not the villain here. Life insurance commissions should be increased.

My last point is this, if the intention of all this is to halve the adviser force ; provide a poor outcome for consumers ; make people more dependent on the government, then ignore the above and proceed as is.