

SUBMISSION ON POLICY ISSUES RAISED IN ROUND 6

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Submission for: My Self

Name of other person, business or organisation:

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Your submission:

RE: Insurance Advice Documents

Having worked in the industry both as a practitioner and an academic it is my strong belief that there exists a large drain on the industry and society due to the extensive work that is required by advisers in order to provide Australians with life insurances. This is mainly due to the extensive disclosure documents that are required to be produced by the adviser.

Life insurance as a financial product has a much lower level of risk to the client. All Australian life insurance products have heavily regulated and most of the work for the adviser is simply in identifying needs and finding a suitable product. To that end, fees/commissions for life insurance products should be in line with the amount of work and value provided to the client, which is generally much lower than the commission system currently in place within the industry. BUT DUE TO THE EXTENSIVE WORK REQUIRED IN REGARD TO ADVICE DOCUMENTATION, the workload of the adviser is much higher than it should be for this type of a product. Thus, higher commissions are required.

Thus, I would recommend reducing disclosure requirements for life insurance to a simple document that can be completed as soon as the client wants to take out insurance coverage. This would need to be increased in the event of a recommendation to cancel out of an existing policy (switching). At the same time, commissions should be banned (in favour of a fee for service) or reduced accordingly for retail clients.

This would likely have the following benefits to consumers and advisers:

- Lower costs of insurance
- Higher levels of life insurance in society reducing underinsurance
- Faster (same-day) insurance writing reducing the risk of temporary underinsurance
- Better product competition within the life insurance industry (as opposed to commission competition)
- Greater value to life insurance specialists as it will weed out advisers that are 'just in it for the money'.

I believe this can be achieved within existing advice practices and regulations. I believe life insurance specialists should have a bachelors degree plus a life insurance (and superannuation) designation, but this could be a little less than that which is required of an adviser that is giving advice over multiple strategies (investments, retirement, etc).

Thank you for considering my submission.

Regards,

Daniel Archibald, CFA