

24 October 2018

The Commissioner
Royal Commission
into Misconduct in the Banking, Superannuation
and Financial Services Industry

Dear Commissioner,

insurance policy values – need for transparency and disclosure

I herewith make a submission to the Commission in relation to the above subject.

I have owned an [REDACTED] policy for 52 years, and have been paying a modest annual premium of \$138.38. After noticing a drop in policy values over the last year, I asked [REDACTED] about this by email, and received a reply which did not provide a satisfactory explanation (Attachment 1). I received a formal letter from [REDACTED] referenced Policy [REDACTED] and dated 3 October 2018 (embodied within Attachment 2) which provided no further clarification as to exactly why the policy values had dropped. Following an option offered in [REDACTED] letter, I subsequently sent a letter dated 9 October 2018 to the Manager of [REDACTED] asking six questions regarding the change in policy values (Attachment 2). Included in this letter was a table showing the values of my policy over the last four years, as they appeared in the annual policy statements provided by [REDACTED]. Also included in this letter was reference to table 3A from the [REDACTED] document *Investment Update for Financial Advisers – wholesale products– 30 June 2018*, provided herewith in Attachment 3 (a link to the full document is also provided in Attachment 3).

On Friday 12 October I received a call from [REDACTED] advising that my letter had been received, and that a reply would be forthcoming. [REDACTED] provided answers to the last two questions of my letter, stating that the [REDACTED] acquisition had NIL impact on my policy values, and that age DID have an impact (I am not sure of the details of this). [REDACTED] further advised that the Section may take up to 45 days (I think this is correct) to reply to requests. I advised [REDACTED] that I had searched on the [REDACTED] website for information on my type of policy, and for documents which may help to explain the change in policy values, but could not find anything. I also advised [REDACTED] that I would like a reply soon as I was considering contacting the Commission of Inquiry.

To date I have received no further advice from [REDACTED] regarding the questions presented in my letter, and with the deadline for submissions to the Commission looming, I herewith make this submission to you.

The outcome I would like to see is for [REDACTED] and other Insurers with similar standards of providing advice to policy-holders, to become very transparent regarding how policy values are determined, and to provide that information clearly. In my case for example, I would like to see an on-line graph and table available, which show past and present values for the No. 5 Statutory Fund. There should also be a clear explanation of how policies are valued – “discretion” is an unsatisfactory explanation. Policy values, and how they are determined, should be transparent, readily available and communicated to policy holders as a matter of routine.

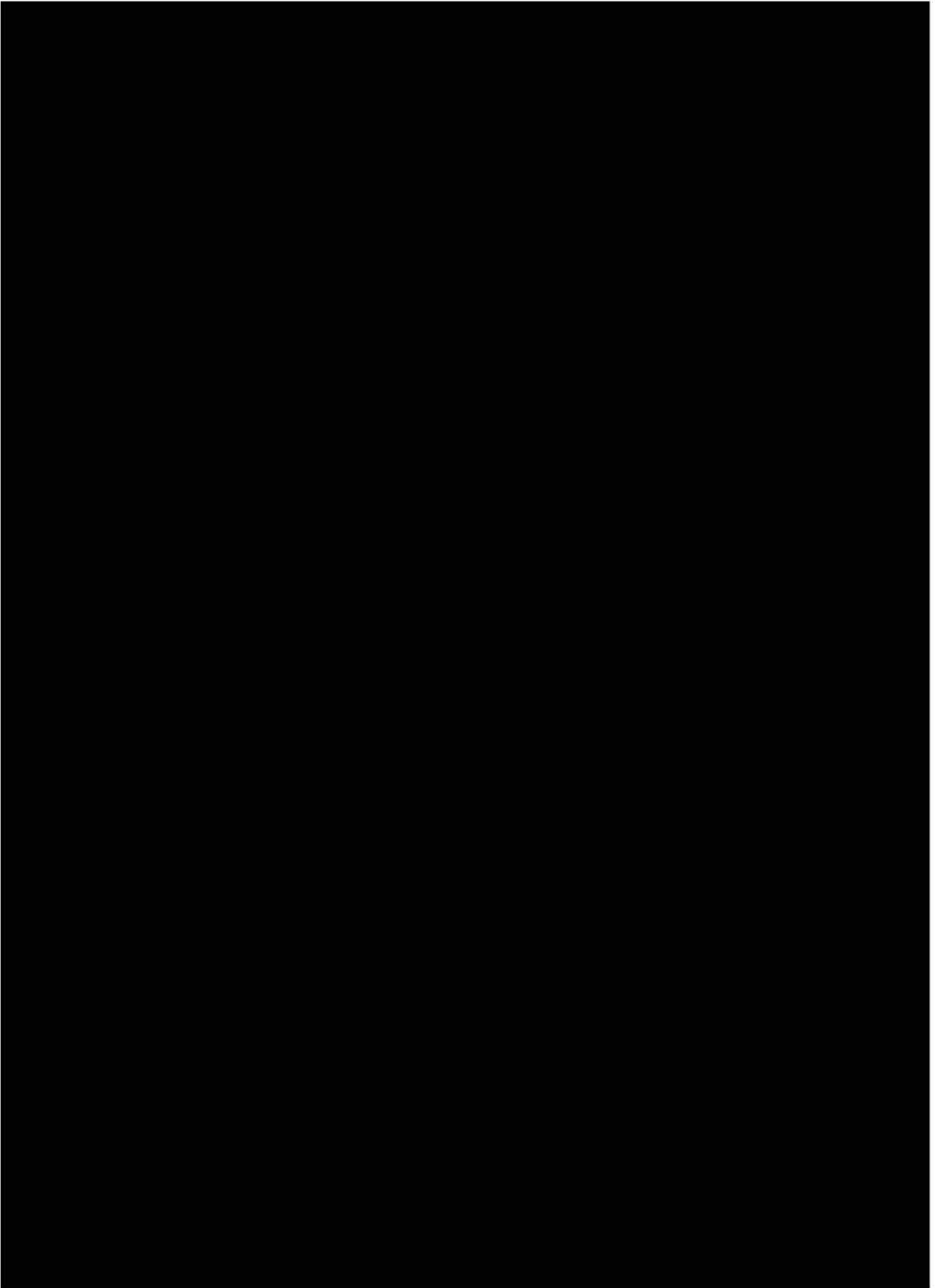
Thank you Commissioner.

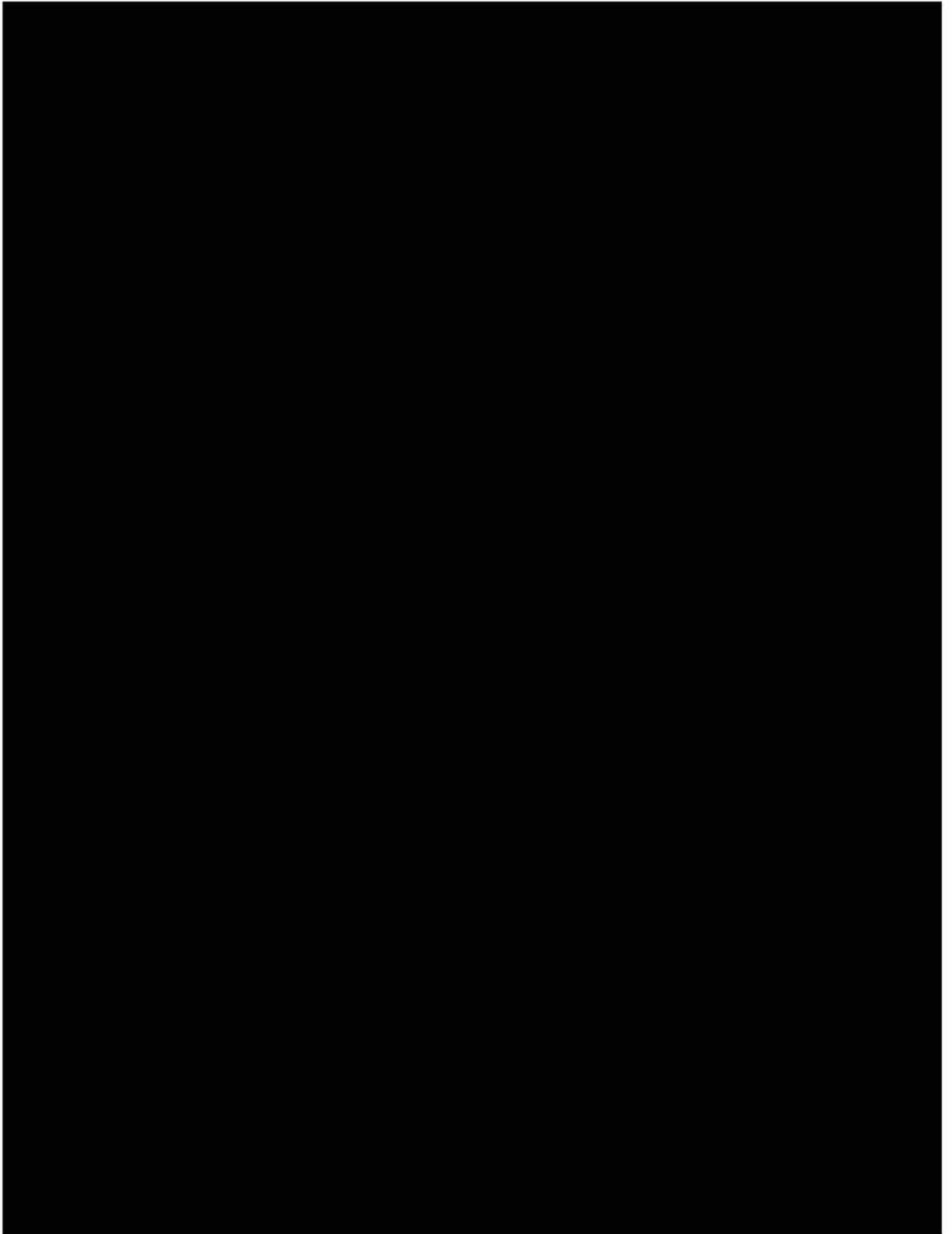
Yours faithfully,

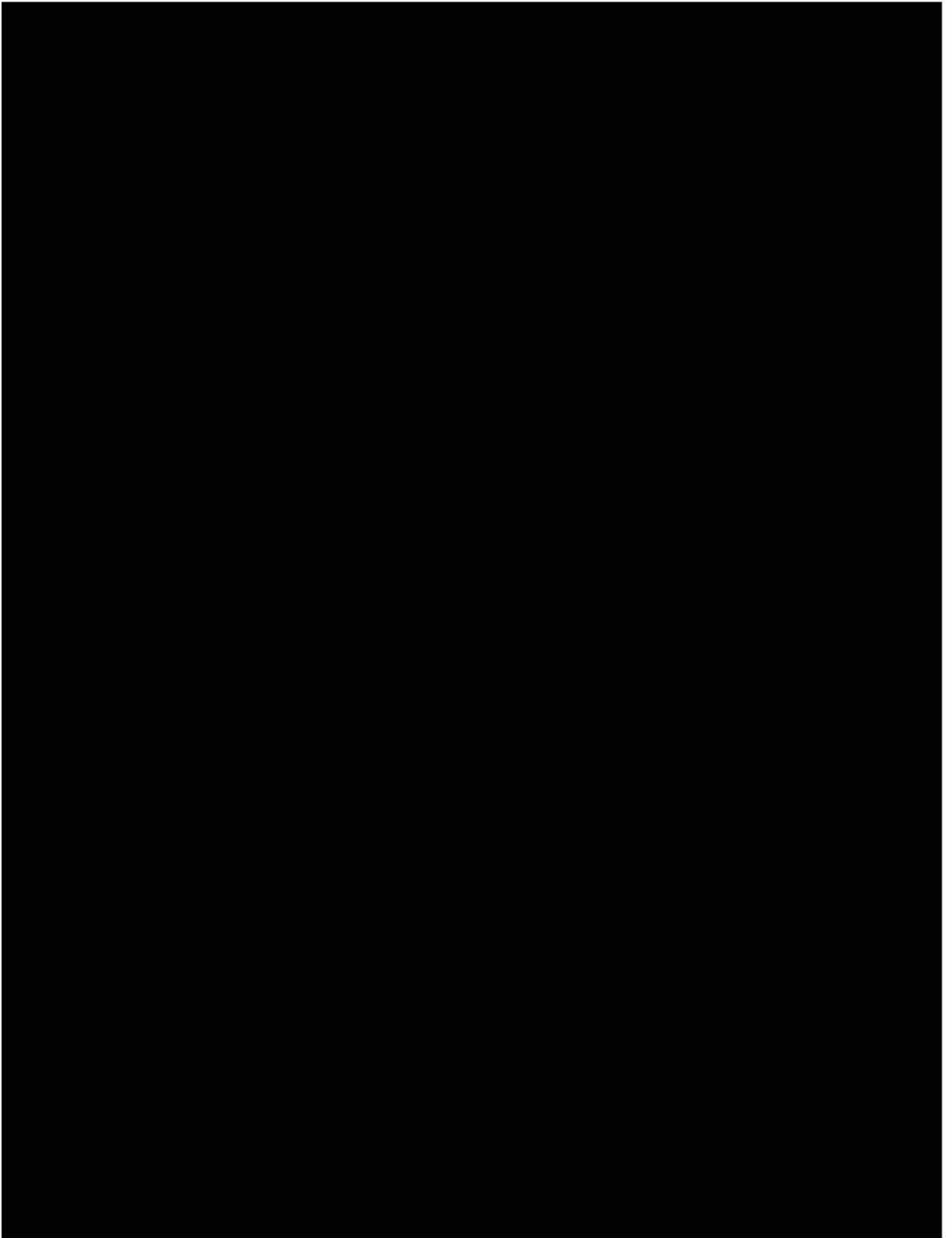
A handwritten signature in black ink, appearing to be 'P Bourne', with a long horizontal stroke extending to the right.

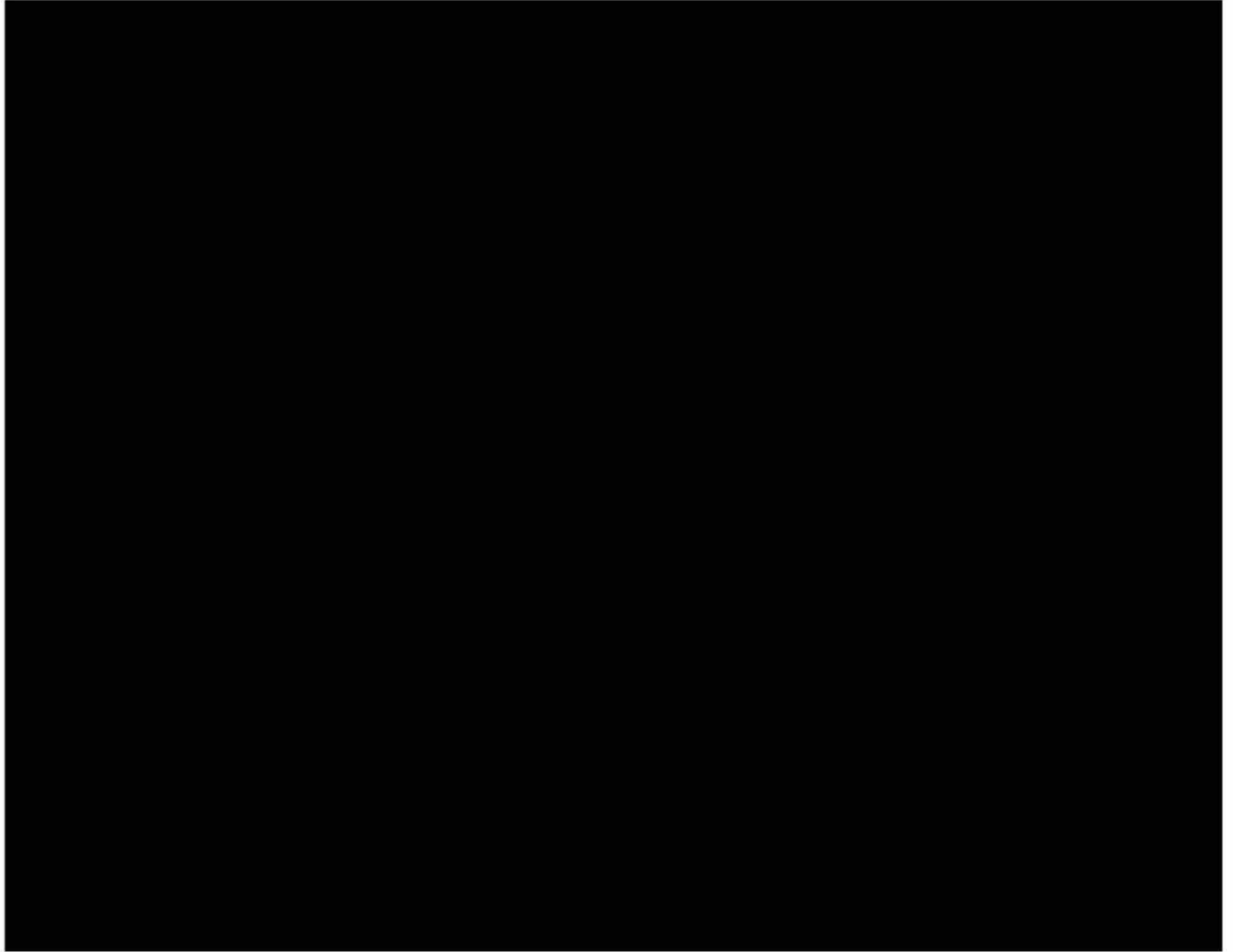
Paul Bourne

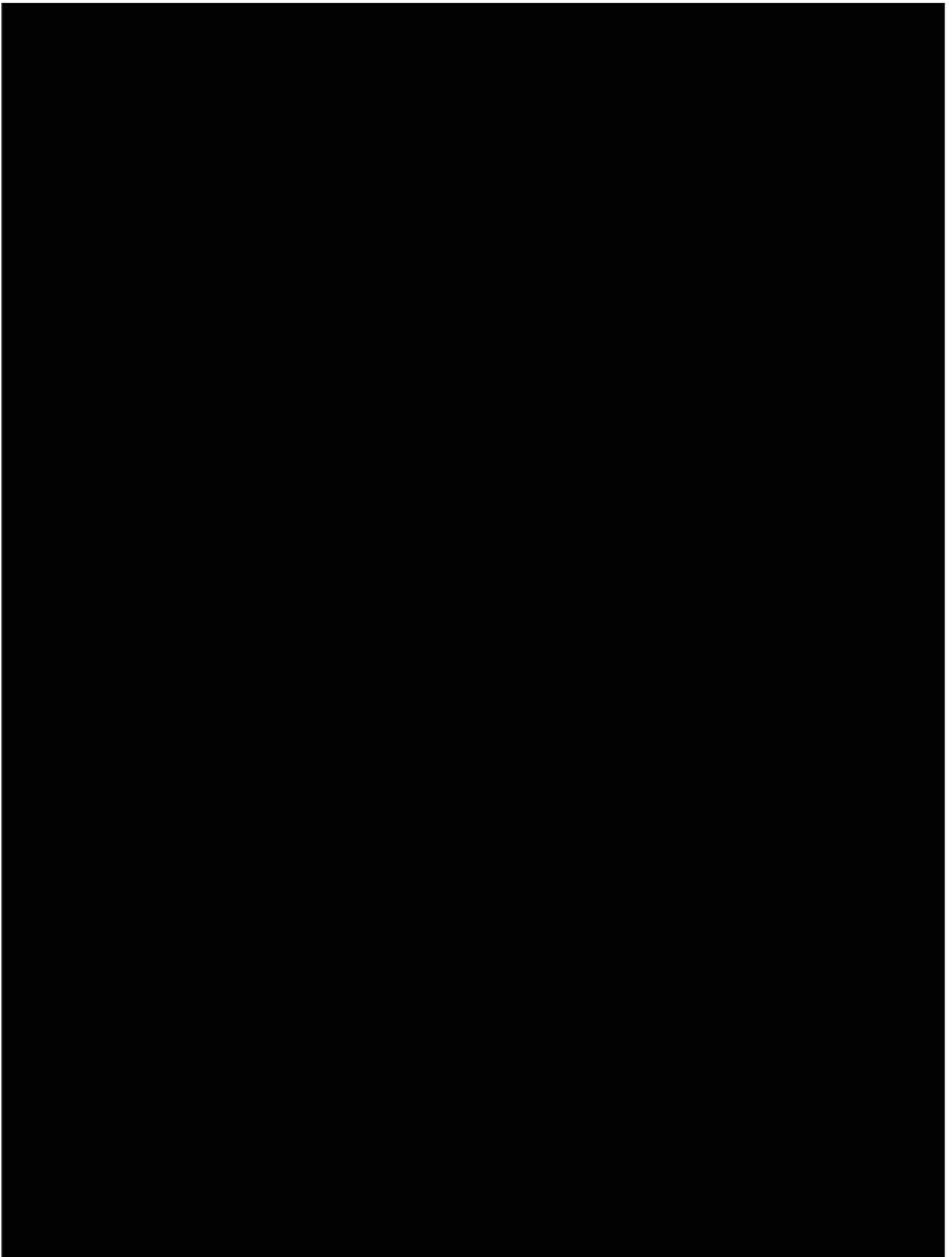
Attach.

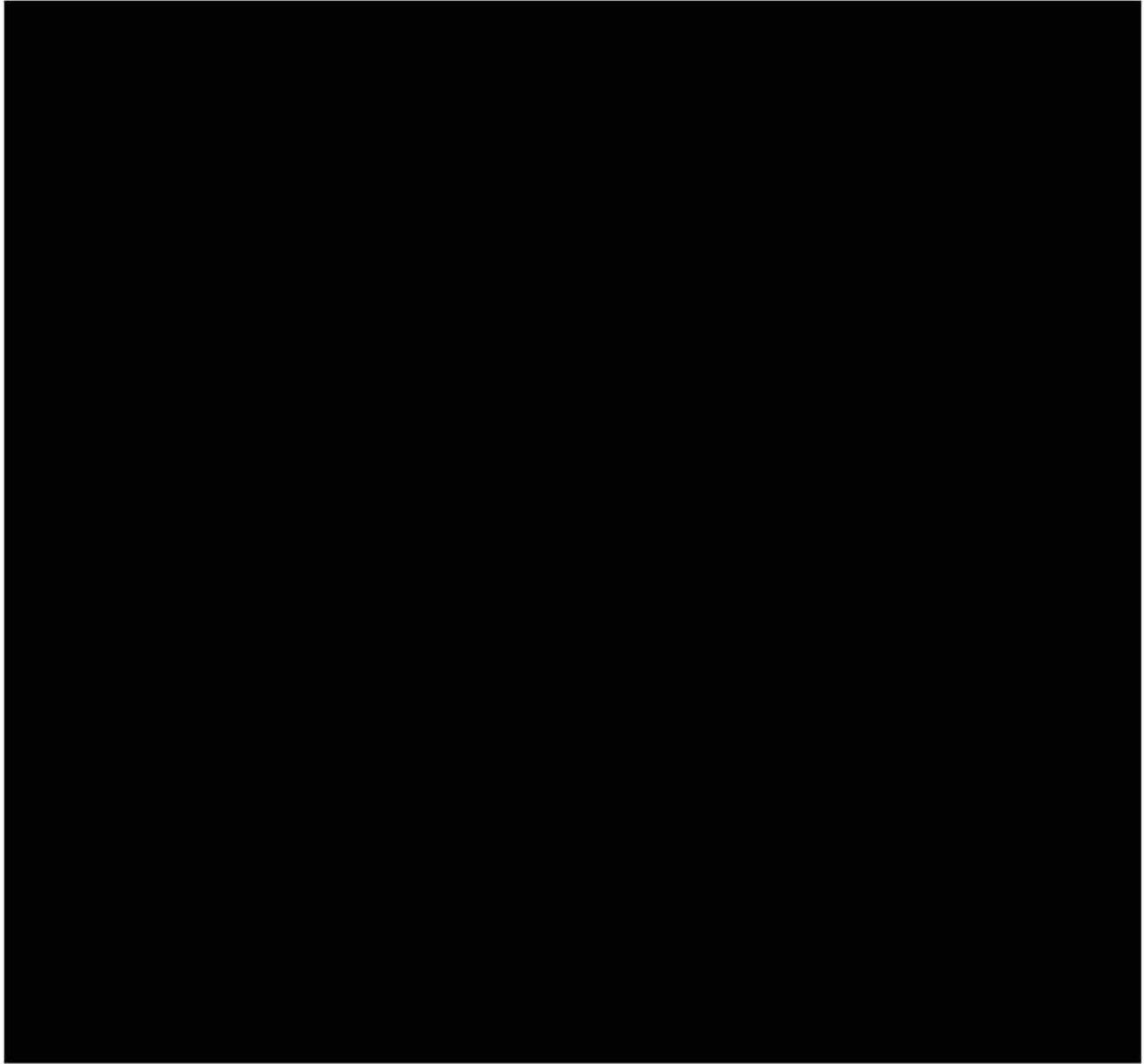












Attachment B. Summary of [REDACTED] policy values for 2015 to 2018 inclusive

[REDACTED] Mr Paul Thomas Bourne – wef 19 August 1966

Benefits	2015	2016	2017	2018
Death benefit				
Guaranteed basic policy benefit				
Sum insured	10,000	10,000	10,000	10,000
Previous bonuses	28,580	28,696	28,696	28,696
This year's bonus ¹	116	0	0	0
Less debts ²	0	0	0	0
Non-guaranteed policy benefit				
Capital Growth Bonus ³	20,068	16,980	16,980	13,893
Death benefit on 19 August	58,764	55,676	55,676	52,589
Termination benefit				
Guaranteed basic policy benefit				
Investment value	24,891	25,433	25,976	26,519
Less debts ²	0	0	0	0
Non-guaranteed policy benefit				
Capital Growth Bonus ³	8,597	7,578	7,887	6,712
Termination benefit on 19 August⁴	33,488	33,011	33,863	33,231

Important notes

- ¹ Unlike a bank account where earnings are distributed as interest, this policy is allocated bonuses. The increase in your bonus allocation is determined annually after considering the permanent profits of the fund that have arisen during the previous year. Depending on market conditions, there may be some years [REDACTED] is unable to increase your bonus allocations or may provide small allocations.
- ² Any debts or credits are shown in the transaction summary. Benefits payable will take into account policy debts or credits at the time of payment.
- ³ **The Capital Growth Bonus (CGB) isn't guaranteed.** It's a discretionary bonus and we may alter or withdraw it at any time. The value shown is indicative only and may change with earnings and fund provisions. It represents your share of the current profits. This includes capital gains that haven't already been distributed to policyholders through guaranteed bonuses or earnings, after providing for fund liabilities and costs. The CGB value can vary considerably as investment markets rise and fall. The final value is calculated at the rate applicable when the policy ends. The full value of the CGB is payable on the earlier of the life insured's death or the policy anniversary after their 94th birthday. If the policy is cancelled before either of these events, we'll pay a lesser CGB value.
- ⁴ The termination benefit may also be known as the cash or surrender value.

Your transaction summary	2015	2016	2017	2018
Premiums received				
Premiums received to 19 August	138.38	138.38	138.38	138.38
(Including interest paid on overdue premiums if applicable)				
Asset allocation				
30 June value of the [REDACTED] Limited No.5 Statutory Fund	1.91	1.88	1.69	1.67
Asset investment class	%	%	%	%
Australian interest bearing securities	64.70	75.01	82.88	81.90
Australian shares	13.81	9.87	4.68	5.10
Overseas shares	19.66	13.78	9.75	9.75
Property	1.83	1.34	2.69	3.25
Total	100.00	100.00	100.00	100.00
This product doesn't offer investment choice				

