

**From:** [Tenancy No Reply](#)  
**To:** [Insurance Review](#)  
**Subject:** Response to Review of Insurance Contract Law quick form  
**Date:** Wednesday, 1 May 2019 1:27:07 p.m.

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**What is your feedback on the overarching duties? Which option do you prefer and why?**

These are mostly points that will be (and are currently) addressed in the Code.

**What is your feedback on the options to improve product design? Which option do you prefer and why?**

There should be an independent body of industry-savvy people - a panel comprising both advisers and insurers - that would be charged with assessing the value of new products, or any product that an Adviser or a Consumer brings to its attention. In particular, Advisers should be encouraged to be vocal when they find a product that is flawed or is not structured for a good consumer outcome.

**What is your feedback on the options to improve product distribution? Which option do you prefer and why?**

The Remuneration Structures really should be left to the Product Manufacturers. The idea of NZ following the ASIC model on life insurance commissions would be disastrous and extremely disruptive of the whole sector.

When I began in the insurance industry in 1991, I worked inside an old Mutual company. The products were limited and I could only recommend its products. The commission was low - 50% on most products with a quarterly Volume Bonus of up to a further 25%.

However, my expenses were limited to running a vehicle. Everything relatd to operating the business, including support staff & offices was covered by the Insurer as an employer, which also provided conferences, subsidised insurance and other incentives.

Now, since leaving the Mutual in 1995, I have had to carry all my expenses, which currently amount to in excess of \$60,000 per annum, or around 40% of my REVENUE.

Please note, the commission income I generate for my business (a company) is Revenue, and is NOT my income.

From the balance, I must then meet non-deductible business expenses and my income tax liability. A regulated reduction in the commission payable on the conclusion of a sale would be devastating.

How an Adviser business work must be understood by any Regulator.

Even under the minimal requirements of an RFA of the current regime, it is possible to spend 4-6 hours on every case to get it to the stage of making a proposal to an insurance company. Many such hours do not bear fruit.

If a case moves to a Proposal, a further 4-6 hours will be consumed moving it through the underwriting process at the end of which, if the Insurer has accepted the proposal, the client might still decline to proceed.

If the client does proceed, then there is another hour at least working through the policy with the client, ensuring they understand what they have, why they have it and what to do

if they have a question later.

Thereafter, it is still 24 months before the commission received is actually vested. At any point before Month 24, if the client cancels or reduces their benefits, the Insurer will claw back between 10% & 100% of the commission depending on how far through the 24 months liability period such cancellation or reduction occurs.

The idea that the commission payable to an Adviser business is to be regulated (and reduced) because there is a subjective 'feeling' that it is 'too high' does not accommodate the above parameters - lots of hours that are fruitless, then many hours work to get a policy in place to the satisfaction of the client (best outcome), the level of expenses to be met from the gross revenue, and the vulnerability of that commission to clawback.

Please leave the Insurers to decide how they will remunerate Adviser businesses.

**What is your feedback on the options relating specifically to insurance claims? Which option do you prefer and why?**

Claims take as long as they take, in the life/income/medical insurance space. I can understand the frustration of Chch EQ victims, but even then I have sympathy for the EQC & insurers which were overwhelmed by the sheer size of the event.

**What is your feedback on the options for tools to ensure compliance? Which option do you prefer and why?**

The insurers could play a larger role in monitoring compliance so that smaller adviser businesses are assisted in the requirements, rather than being left to fall into error.

**What is your feedback on who the conduct regulations should apply to? Which option do you prefer and why?**

**What is your feedback on the initial preferred package of options?**

**Do you have any other general feedback?**

**Your name**

Privacy of natural persons

**Your email address**

Privacy of natural persons

**Your organisation**

Workplace Benefits Specialists Limited

**In what capacity are you making this submission?**

business

**Other capacity**

**Privacy act/release**

**Can we include your name or other personal information in any information about submissions that we may publish?**

no

**We intend to upload submissions to our website. Can we include your submission on the website?**

yes

**You may ask us to keep your submission, or parts of your submission, confidential. If so, you'll need to attach reasons and grounds under the Official Information Act 1982 for consideration.**

no

**You've indicated that you would like us to keep your submission confidential. Please give your reasons and grounds under the OIA that we should consider.**

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