Well done! I fully support these reforms; these are very good proposals and well over-due.

The main 'cons' seem to be extra costs or difficulty to define/subjective standards. As for the issue of increased costs, what about the costs to customers for products that are not suitable for their needs? What about the costs to society from financial institutions behaving in an exploitative or otherwise inappropriate manner? Surely the increased costs of appropriate safeguards will be less than the costs to society from continued inappropriate behaviour.

I have a financial background, so I don't deal with most NZ financial institutions (except for my Kiwisaver which must be invested in local options and house/car insurance) as I know their products underperform alternatives available internationally. However, I have friends who are chefs, cleaners, teachers, etc. who have been put into investments that were, at best poor performers and at worst wholly unsuitable.

In one case, the investment was what I would consider a 'con job' that ended up at the SFO and my friend (a house cleaner) ended up getting about 45% of her original investment back. This last was not from the sort of 'proper' financial institutions considered in this option paper. However it was an example of the 'cowboy/wild west' situation that has been allowed to exist in NZ for far, far too long. When my friend showed me this 'investment' to ask my opinion, I looked through all the various papers and asked "what are the fees?" She said, "there aren't any!" This shows her level of capability in evaluating investments; but she's no doubt completely typical of the average person. My reply was, "there are always fees, they just aren't disclosed." I proceeded to look at the website; nothing disclosed there. Then I rang their phone number and talked to what was obviously a salesperson who also tried to convince me there were no fees - seriously! I asked, "then how are you getting paid?" Silence, then spluttering. I never could get the information from them, gave up, advised my friend to put no more of her money into this scheme.

Now you can think, yes but that's not a legitimate financial institution. Well, just look at what happened with the ING/ANZ frozen funds a few years ago and how conservative bank clients were contacted, pursued/harangued, and finally convinced to shift their money into supposedly 'safe' funds made up of the riskiest rubbish of the RMBS debacle of the GFC. The very bottom layer of the 'Jenga' tower. Then instead of accepting responsibility for selling the financial equivalent of a dangerous product and repaying the customers their full amount invested PLUS reasonable interest, ANZ squirmed and fought, hoping to wear their clients down to accept a paltry settlement. Absolutely appalling behaviour by a major financial institution.

Then I have another friend who goes to his bank for investment advice…you can guess what products he's invested in. Now I wonder, what financial advisory skills does the person at the bank have? Do you imagine they would suggest my friend consider, say Simplicity Funds, due to their low fee structure and broad diversification via Vanguard index funds? Yeah right.

People such as the friends I've described above are skilled in other fields and are wholly incapable of evaluating investment options. They don't even know the basics of compounding and diversification. They fall for the advertising or they trust the big banks, because they've heard the horror stories of people getting burned and don't know who else to trust. They are lambs to the slaughter. At best they get fleeced a wee bit in higher fees/lower returns than alternatives offer. At worst, they lose a significant amount of their hard-earned savings. This is damaging for the individual - they do not prosper to their full financial potential. They do not save enough for a comfortable retirement, much less develop the wealth to help the next generation improve their situation. Our society as a whole suffers. Capital is under-employed or mis-directed and we are (supposedly) dependent on foreign investment, purportedly unable to supply the capital for our own investment needs.

In my opinion, these are the consequences of decades of failed Government policies - starting with Muldoon scrapping the NZ Superannuation Corporation which, according to Brian Gaynor (NZ Herald, Nov 4, 2017) would now be worth at least half a trillion dollars. Then the privatisation and deregulation of the financial sector under Lange and Bolger. Now we are trying to re-regulate the financial sector for decent customer outcomes. Instead, I would like to see the Government create an intermediary - managed, at break-even cost, by the guardians of the Superfund (which has an excellent proven record). Kiwisaver is a start, but what is really needed is a series of Government managed products, provided through KiwiBank.

I wouldn't think I can read a book and do my own root-canal; why do we think a dentist can read a book (or look at the FMA website) and do their own wealth management? Let's create an intermediate where the guardians of the Superfund can manage your money and direct some of that capital towards good NZ investments so we aren't dependent on foreign investment. We can build wealth for both individuals and society.

For the insurance reform section - I live in Christchurch. Enough said. Whilst I had a great experience with both EQC and IAG/State, I have friends with horrendous experiences. One is currently involved in a class-action suit. My understanding is that some jurisdiction in the US have time limits for insurance settlement, with accruing interest charges after those limits are passed. Sounds good to me.

On the topic of car insurance, I would like to relate my experience with Youi regarding a quote for car insurance. The 'salesperson' tried asking me all sorts of impertinent questions that I refused to answer. I said, "you just need to know my age, driving record (no claims) and the car type and value, then tell me your company's quote". We went back and forth a while till they finally gave me the quote (higher than my current premium at State). Finally I asked the company's credit rating - they didn't know! They had to go ask the supervisor and as I recall the answer was BB-, barely above junk rating. How is this company allowed to operate in NZ? Why are they allowed to insure houses? Again, I would like to see a Government provided insurance and given the increasing difficulty in obtaining housing insurance in Wellington and other markets subject to quake risk and rising sea levels - a public insurance alternative (run at break-even) is probably inevitable. Isn't that how State Insurance came about? Private insurers walked away from NZ after the swarm of quakes in the 1930's, yes?

Anyways, that's enough. Good on ya for the steps you are taking. Short of creating public institutions, I support the regulations you are proposing. It's a step in the right direction and certainly better than the previous Government would have done.

Privacy of natural persons