

Your Name
Rod Hart
Your organisation
Hart Financial Services Ltd
What is your feedback on the overarching duties? Which option do you prefer and why?
<p>All the options need to be included, but special emphasis needs to be put on the duty to exercise diligence and skill. There is such a wide range of skills that will be largely narrowed when the requirement for a level 5 qualification is implemented. Unfortunately the allowance for nominated representatives diminishes down that requirement so clearly there will be unskilled people endeavouring to try and work within narrow parameters. My view is that everyone who operates in this space should have a level 5 qualification period. I cannot see advice improving without it. It would seem that Financial Advisers will have skills that Bank and Insurance company staff will not, yet they are held out as all operating at the same. I believe in a level playing field for all. Then standardised advice will follow. I anticipate we would see a dramatic increase in knowledge and a decrease in poor sales practices. Currently banks in particular have a big 'out' with nominated reps not having the same base knowledge but still giving advice. Unfortunately customers do not have the same knowledge and therefore do not know whether the advice is good or not. Standardise the level of basic knowledge and you will standardise the advice to a large extent. You will certainly raise the base knowledge. If banks and others want to operate in this space, then they should wear the same cost and training as advisers.</p>
What is your feedback on the options to improve product design? Which option do you prefer and why?
<p>Product design is huge. There are products currently on the market that are so poor they would not be sold if it were not for their own dedicated sales team. As an independent adviser I have a range of suppliers so the onus is on me to provide my clients with not just fit for purpose products, but I must demonstrate why that products fits their situation best. One of the ways in which we do this is by utilising products that have been rated by outside rating agencies such as IRESS, QPR and others. I can compare apples with apples and can see clearly why some products are better than others. Apparently if a supplier has only one product and has their own intermediaries/ sales team then they don't have to get products rated. I believe if every product was required to have an outside rating then the consumer could see quickly how that quality stacked up against others in the market.. Some products would end up removed from the market, or greatly improved. Currently the consumer has no idea how good the quality of any given product is.</p>
What is your feedback on the options to improve product distribution? Which option do you prefer and why?
<p>In concert with my comments about product design, I believe that the product distribution is a key factor. Poor products sold by in house staff are responsible for many families being let down at claim time, and the worst thing of all is the customer never knew the advice and the product was poor. A basic level of education for all those involved in advice (level 5) and a basic rating for all products, will go a long way to solving the problem. Further than that though is the Adviser Force that is not tied in to any particular product provider. The Adviser, in working for his clients, will select products that best fit the clients situation AT THAT TIME. There is a discussion around churn that would lead me to believe that the legislators don't think a clients situation would ever change necessitating a change in products. Even worse it seems that the legislator doesn't believe the companies products change either. The reality is as better products are developed and clients situations and circumstances change, there is often a need for a change of product. Contrary to belief it is not churn, it is us doing our job properly. In my view its only the losing company that sees it as churn. I think the whole process of churn is seriously over exaggerated, and will disappear when effective regulation is in place. It is largely gone now, with the exception of banks where even I have been advised to change from the No 1 product on the market at the time (IRESS ratings) to the bank product because it was 'better'. When I queried this the manager of the bank stated it was a 'training issue'. Wouldn't happen with product ratings and a level 5 trained person. The best thing that happens for the client is the Intermediaries, where products are chosen for the</p>

clients. The further the Intermediaries are from the Insurer, the better. That way they will pick products based on needs analysis and product rating for the client, not for any other reason. Where the Intermediary has some responsibility to the Insurer and not just the client, then there is pressure to bear on the Intermediaries choices. At the end of the day the Insurance Companies are product providers, and we will pick the best products for our clients based on ratings. The idea that the Insurer needs to have more responsibility to the client for product advice is totally counter intuitive to good outcomes for the client.

Do you expect ZIP to check with a homeowner whether the Plumber installed the hot water cylinder effectively. Or do you expect ZIP to have good products and warranty, and the plumber to operate to a good level of expertise. Its bizarre that the legislator has the view it should change totally because its a financial product.

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

Currently part of my claims promise to clients, is to be there to do the claims for them. My view is that I work solely for the client, not the company. I know many companies want to go around the adviser at this point, but claims are the rubber hitting the road part of the whole process. With the advisers knowledge the claim normally goes a lot smoother and we can talk through client expectations and ensure they are aligned with the policy. This general seems to alleviate much of the stress from the situation for both the client and the company claims people.

Setting clear client expectations is the crucial part here. Much of the problem arises through uncertainty. Obviously this puts great pressure on Banks etc where the 'adviser' is their own staff. Perhaps banks need to set up independent claims advisers? I know I have helped a number of my clients do claims for policies that I have not sold them, and I was able to interpret the claim likelihood from the policy document and set realistic expectations for the client. Once again I believe clients that have 'non-aligned'; advisers have a distinct advantage over those who have policies direct from the provider. By the way, we advisers don't get paid for doing claims!!!

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

I prefer the regulator having power to investigate and discipline, PROVIDING the regulator has the necessary expertise to actually see what they are looking at. Im not sure that this is currently the case. A combination of licensing and entity can come to play, but primarily a regulator (policing force) is required.

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

The regulations should apply to all that give advice evenly. Once again I raised the nominated representative issue where someone can claim they didn't know as they didn't have the training. Little comfort to the consumer who ultimately is the one that suffers. Level 5 for ALL that give advice and operate in this space. Its not that onerous, and generally anyone can achieve it. If they cant then perhaps Financial Services isn't for them.

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

There are some good parts amongst it, but I don't think any particular option is suitable but rather a combination of them all. It would be nice to think that Licencing entities would take responsibility for their staff, but it still needs a regulators insight into everyone. The proof is in the advice documents, the policies and the systems, and all are auditable. The six step process is a very good place to start with advice systems.

Do you have any other general feedback?

There has been quite a bit made of commission, mainly by people on fat salaries I might add. The first point I would make is Commission is revenue, not income. That point seems lost in the translation. Once upon a time commission was much lower but there were many other things paid for by companies. Cars, offices, support staff, training, telephones, systems etc were once all paid for by companies. We have spent a long time getting away from that so that the good advisers can stand independently from the Insurance Companies, and then there is no hold over them at all. That's where we should be to avoid any pressure to sell any particular product from an individual supplier. Because that's what they now are . Product Suppliers, no more , no less. However if the legislators start reducing the revenue then some people will be out of business quick smart. Its that simple. Have

it all out in the open, or have tied agents with all the supplies so the commission is low. Reality is that that approach is all smoke and mirrors. Right now its all, in the open, and that's where it should stay without the legislator sticking their nose into something they don't understand.

Secondly Trail is not 'trail' for servicing life type policies. Much of it is actually deferred commission. Some of us chose to take less up front and have deferred trail so that we had more constant income while the policy stayed in force. Most policies DO NOT pay trail commission despite the popular concept. If and when they do then that should shift to the servicing adviser. Currently there is no payment generally for servicing a client. We Advisers do it because it is good business practice, and we told the client we would, not because we are paid.

Do your research and get the facts correct. Nothing annoys us more than the legislator demonstrating that they do not understand our business at all. Get out and talk to advisers. Understand the problem properly. Legislating then becomes quite easily. I raise this as we have seen a few statements from Mr Orr at the RBNZ which are just blatantly wrong and ill conceived. That does not help the process of change and legislation at all.

Your email address

Privacy of natural persons

In what capacity are you making this submission?

individual

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

yes

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

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