

Submission template

Disclosure requirements in the new financial advice regime

Instructions

This is the submission template for the discussion document, *Disclosure requirements in the new financial advice regime*.

The Ministry of Business, Innovation and Employment (MBIE) seeks written submissions on the issues raised in the discussion document by 5:00 pm on Friday 8 November 2019. Please make your submission as follows:

1. Fill out your name and organisation in the table, “Your name and organisation”.
2. Fill out your responses to the consultation document questions in the table, “Responses to discussion document questions”. Your submission may respond to any or all of the questions in the discussion document. Where possible, please include evidence to support your views, for example references to independent research, facts and figures, or relevant examples.
3. When sending your submission:
 - a. Delete these first two pages of instructions.
 - b. Include your e-mail address and telephone number in the e-mail or cover letter accompanying your submission – we may contact submitters directly if we require clarification of any matters in submissions.
 - c. If your submission contains any confidential information:
 - i. Please state this in the cover letter or e-mail accompanying your submission, and set out clearly which parts you consider should be withheld, together with the reasons for withholding the information. MBIE will take such objections into account and will consult with submitters when proactively releasing submissions or responding to requests under the Official Information Act 1982.
 - ii. Indicate this on the front of your submission (e.g. the first page header may state “In Confidence”). Any confidential information should be clearly marked within the text of your submission (preferably as Microsoft Word comments).
 - iii. Please provide a separate version of your submission excluding the relevant information for publication on our website (unless you wish your submission to remain unpublished). If you do not wish your submission to be published, please clearly indicate this in the cover letter or e-mail accompanying your submission.

Note that submissions are subject to the Official Information Act 1982.

4. Send your submission:

- as a Microsoft Word document to faareview@mbie.govt.nz (preferred), or
- by mailing your submission to:

Financial Markets Policy
Building, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140
New Zealand

Please direct any questions that you have in relation to the submissions process to faareview@mbie.govt.nz.

Submission on discussion document: *Exposure draft: Financial Markets Conduct (Regulated Financial Advice Disclosure) Amendment Regulations 2019*

Your name and organisation

Name	Chris Boon
Organisation	Adelphi Insurance Brokers Ltd, Adelphi Dealer Group

Responses to discussion document questions

1	<p>Will the proposed record-keeping requirement be workable in practice?</p> <p>Yes, although it's important to note that we will be leaving these disclosures with the client and not bringing them back to the office.</p>
2	<p>Do you have any comments on the drafting of the Regulations that will require information to be made publicly available?</p> <p>This seems perfectly reasonable and workable</p>
3	<p>Do you have any comments on the draft Regulations that will require the disclosure of information when the nature and scope of the advice is known?</p> <p>We operate in the health and risk insurance market. The only issue I have with this point from a practicality perspective is the disclosure of the amount or value of any commission to be received. If we are operating along the lines of a consultative approach we will have no idea at this point what we are going to offer the client in regards to product, or with what provider. Our process is to identify the scope of service and once agreed we will conduct a thorough fact find/needs analysis of the potential clients needs and circumstances. From there we will do our analysis and research which is generally conducted back in the office, or at home. Once we have completed our analysis of the client's needs and circumstances (sometimes after several hours of works), only then will we look at products and providers.</p> <p>In summary I do not believe it is practical to disclose the amount or value of any commission to be received because we will have no idea what it is at this step of the process. I believe informing the client that they (the client) don't pay for our service but, if we place their business with a provider (in our case an insurer) we will receive a commission, is far more practical. The only exception to this would be if you were fee based and you know the amount you will charge.</p>

4

Do you have any comments on the draft Regulations that will require the disclosure of information when the financial advice is given?

As above the only issue I have with this point from a practicality perspective is with the disclosure of the amount or value of any commission to be received. When a proposal is given to the prospective client, it is still in the proposal stage and we have no idea the value or amounts of commission that we will receive. The client first has to accept that proposal, or parts of the proposal, the application has to be accepted by the provider (an insurer in our case), terms may be applied in the form of loadings or exclusions etc. which make it impossible to give the client an accurate figure.

What also makes this impractical is that commissions vary widely depending upon the type of product being recommended. Health insurance has a different commission rate to risk insurance and if you add in level term policies the commission differs from term insurance. Age will also cause a variance in commission amounts.

If it's deemed necessary to disclose what commission we receive then I believe the only practical method is showing a range of percentages that may be received.

Although the decision has been made that we have to disclose commission amounts I'd like you to consider the follow comment. Of the 4,000 to 5000 perspective clients we have visited each year over the last 15 or so years we would be lucky to have found 1 or 2 people ask us, "what do you earn?" All the client's want to know is, "Is your service going to cost me anything, and if nothing, how (not what) do you make your money?". 99.9% of people we visit are happy to know that if we place their business with a provider 'they (the provider) will pay us a commission'. Trying to explain exactly what we receive may well create a barrier to people taking out insurance. Then do we need to explain that this is revenue not profit and run through all the expenses incurred in us conducting business?. We run the risk of spending our time trying to justify our business revenue and not advising on the best product mix for the client.

5

Do you have any comments on the draft Regulations that will require the disclosure of a provider's complaints handling and dispute resolution processes when a complaint is received?

No, sounds perfectly reasonable to me.

6

Do you have any comments on the draft Regulations that set the manner in which information must be disclosed?

No, other than to say from my perspective and my experience in the field, the client is not interested in continual disclosure. They just want to know "What is your service going to cost me and what happens if something goes wrong?". If we bog them down with different disclosures each meeting, then we risk 'turning them off', and going away from what we are there for, which is to help our clients find the best solutions to their risk needs and at an affordable price'.

7

Are there instances in your business when regulation 229D might apply to someone who is not the one to give advice to the client? Please give examples and provide any comments on how the draft Regulations apply in such scenarios.

Not that I can see at this point. Happy to discuss all our systems and processes and any comments I have made above with MIBE, if it helps.

8

Do you have any further comments on new regulation 229A to 229H of the draft Regulations?

Not at this point, other than what I have said above.

9

Do you have any further comments on new Schedule 21A in the draft Regulations?

21A makes perfect sense to me.

10

What (if any) transitional provisions should be included in the regulations?

Not at this point.