

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submission excluding the relevant information for publication on our website (unless you wish your submission to remain unpublished).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 Goddard
Organisation	Adelphi Insurance Ltd / BCIL Ltd

Responses to discussion document questions

1	<p>Will the proposed record-keeping requirement be workable in practice?</p> <p>As far as I can see, they will work and will be surety to clients that their information is current and safe. We make an important detail that we will be leaving the disclosure with the client and not taking them with us 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>No. This is very good for transparency</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>Relaying the ACURRATE amount of commission I will receive to a client, will not be a practical or realistic option as our operations in the health and risk side of the industry necessitates that often times loadings or reduction in commission can be levied after underwriting is completed due to health issues, hazardous pursuits, BMI factors and a myriad of other non-standard premium conditions. My commission entitlement is only realised by me once the process is complete and the policy is ready for issue. An approximated percentage of commission or qualifying scale of commission could be ventured to a client as a way of informing them that remuneration will be received by myself once our successful business is completed.</p> <p>Whilst I can imagine the concept of asking clients if they want to know our commission details, will always be met with the affirmative, I would challenge the authorities to redirect the question to whether knowing what commission I get paid is important to a client.</p> <p>That is the crux of everything we do. Clarity and transparency in our dealings with clients is paramount however, in 15 years of doing on average 6-10 appointments per week in many</p>

parts of the country, I have NEVER been questioned on what commission I will be paid, no matter how small or conversely, complex their portfolio may be.

Occasionally, a client will ask HOW I get paid as I do not have a fee for service and I am very happy to explain the process whereby, I am remunerated through my brokerage via the insurance company and that if the policy is cancelled within a two year period, that commission will be taken back. **Their concern is not for the amount of my commission, but that I am trying to help them, if at all possible. Should we be unsuccessful and not able complete the sale, I will not get paid anything.**

Who else works for no pay?

4

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

Once again I re-iterate that the concept of disclosing commission amounts to clients is not practical or precise. The variances in our commission structure throughout the industry is compounded by the multi-faceted product structures and nuances with-in each of them.

The other situation that could arise, is if two clients who know each other are serviced by different advisers with identical health products, for example and because of each advisors decision whether to take up-front, trailing, pendulum etc .commission there is suddenly a major discrepancy between what one adviser is being paid compared to the other. This will lead to conflict and more importantly confusion for our clients.

The more realistic and practical option is a rule of thumb percentage scale which we can talk to our clients about, should they wish to know more details about our commission.

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?

I think this is vital given the current adherence to giving NZ customers clarity and trying to instil confidence in the finance and insurance sectors

6

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

I believe do not personally believe that our clients need to be bombarded with several disclosure documents. They simply need to know what we can and cannot do and whether we are acting in their best interests.

Clients want to know. 1Can I trust you?

2 Will this policy work for me?

3 Will they pay my claim?

The rest is just fly paper that they have to pretend to be interested in as a courtesy.

More paper work and endless disclosure does not give clients a sense of confidence, and

often it will have the opposite effect of starting to put doubt in the mind as to why I have to keep reinforcing my abilities and trustworthiness.

As a farmer client of mine said quite eloquently recently “ Chris, you can either do what I want or you can’t. Keep all your bits of paper please”.

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 in my business operations.

8

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

The regulations have highlighted areas where advisers need to be diligent and resolute in their keeping of records and how their business is conducted.

9

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

10

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