

22 October 2019

Ministry of Business Innovation & Employment
Wellington

Draft Financial Advice Disclosures Submission

Sage Partners Ltd and its predecessors in business has been transacting general insurance business for 38 years. We don't give financial advice in its commonly understood form. There is no financial investment component in the insurance products that we source.

In the early days our clients were mostly retail, but now around 95% of our business is wholesale. In all those years we have not had one challenge to our integrity or our remuneration. Our guiding principle is to put our clients' interests first. But we have been in the business long enough to know there are lots of ratbags out there. The new regulations might sift out a few that can't make a clean disclosure, but they will not have any effect on the crooks and the greedy who have yet to offend and be disciplined or prosecuted. So, we think the benefit to the retail client is limited. The disclosures have limited reliability regarding the advisor's integrity and don't provide guidance on the advisor's expertise.

We can comply with the draft regulations. We note there are four similar disclosure documents and question whether this number is necessary. Despite efforts for plain English, our insurance documentation is already pretty formidable. Bombarding a retail client with four extra pieces of similar disclosure documentation may be overkill and distract the client from reading the important stuff. It could therefore be counterproductive.

Keeping a record of the disclosures for seven years is a long stretch. A client nearly always has the option to say they were misinformed or under duress. If an advisor is able after seven years to produce copies of the disclosure documents it will be very likely that the client won't remember them and the advisor will have a stronger defence. We don't think that is the effect you want as it's not going to help an aggrieved client.

We understand your desire to restrict the incidence of unconscionable fees and adviser benefits more commonly found in the Life and finance fields. In our experience there are people who will wriggle around these disclosures. If the adviser is a latent criminal (in any occupation) the disclosure requirements are unlikely to deter him or her.

Good luck with your efforts. We think their benefit will be limited unless you can audit and supervise them. After 38 years of providing trouble free good honest service we don't want to be paying fees for supervision of activities which are not really applicable to our type of service.

We might all be better off if you encourage industry qualifications for advisors and target employers and principals who pay excessive commissions designed to encourage churn and other such underhand practices.

Yours faithfully

Jeremy Manks
Director

Sage Partners Ltd