

# Southern Cross Medical Care Society Submission

---

## 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submission excluding the relevant information for publication on our website (unless you wish your submission to remain unpublished).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](mailto: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](mailto:faareview@mbie.govt.nz).

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

## Your name and organisation

<b>Name</b>	
<b>Organisation</b>	Southern Cross Medical Care Society

## Responses to discussion document questions

<b>1</b>	<p>Will the proposed record-keeping requirement be workable in practice?</p> <p>No.</p> <p>If the reference to ‘electronic form’ within regulation 192A (3)(c) includes voice recordings that are readily retrievable, then we will be able to evidence that the proposed disclosure requirements have been met at each stage of the advice process for advice engagements provided over the telephone.</p> <p>However, for face to face advice engagements, the same evidence of personalised disclosure will be more difficult to achieve and will require significant process and system change to meet the requirements of regulation 192A.</p> <p>In our experience, financial advice given by a nominated representative in relation to health insurance is a process that generally takes on average between ten to fifteen minutes and is concluded within one interaction. Under the draft regulations, a nominated representative will be required to make the first disclosure once the nature and scope of the advice is known and within minutes, provide an additional disclosure when the advice is given.</p> <p>Our concerns with this proposed personalised and staged approach are outlined further at part 3 of this submission but in regards to the specific requirements of regulation 192A, the nature of this type of engagement means it is not practicable to keep a record of each disclosure given in this one interaction.</p> <p>We would therefore like to suggest that regulation 192A is amended so that where the nature and scope of the advice and the actual delivering of the advice is all given within a single face-to-face engagement, the regulations allow for one verbal disclosure by the nominated representative, which is then followed by a subsequent written disclosure after that interaction (we would suggest that an email would suffice) that combines the requirements outlined in proposed regulations 229D and 229E.</p> <p>In addition, as an insurer, Southern Cross currently provides its clients with a 14-day ‘free look’ period when a product is purchased (provided a claim has not been made). This allows a client to review any product and policy related materials to ensure they are suitable. We would recommend that the same 14 day period applies to the review of the written disclosure outlining the advice engagement. This would allow a client time to confirm or change any details in relation to that engagement.</p>
----------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

2

Do you have any comments on the drafting of the Regulations that will require information to be made publicly available?

No. The implementation of these disclosure requirements will likely involve replacing existing QFE disclosures with these requirements and present no issues.

3

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?

Yes.

It is our view that compared to the current single QFE disclosure requirement, the proposed personalised and staged approach required under regulations 229D and 229E adds complexity when financial advice is provided at point of sale by individual nominated representatives (currently QFE Advisers). We also foresee the new regulations negatively and unnecessarily impacting the customer experience by imposing a disjointed and lengthened approach to disclosure, particularly for those looking to acquire health insurance. Our view is that the proposed personalised and two-staged approach to disclosure for nominated representatives will add cost and complexity to developing, operating and maintaining each disclosure advice engagement.

As noted in part 1 of our submission, in our experience, financial advice given by a nominated representative in relation to health insurance is a process that takes on average between ten to fifteen minutes and is concluded within one interaction. In addition, our advice engagements are limited in scope – relating to health insurance products and our health add on modules only. The time between the nature and scope of the advice being known and the advice being given is so proximate, that the practicalities of providing this disclosure and then an additional disclosure within minutes, adds unnecessary complexity for both the advice provider and the client.

In regards to the personalised component of the proposed disclosure requirements, a Financial Advice Provider is completely responsible for the advice services and conduct of its nominated representatives. Nominated representatives are only permitted to give advice that has been prescribed by the Financial Advice Provider. They must follow specified processes and procedures and are subject to carefully governed training requirements and oversight. In considering what is ultimately of benefit to the client, given overall responsibility for compliance with disclosure requirements vests with the Financial Advice Provider, we do not believe that the level of detail for the disclosure as proposed should be focused solely on the actions of the nominated representative.

4

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

Yes.

Please reference the answer given directly above as it applies equally to this section. We reiterate our suggestion for combining proposed regulations 229D and 229E disclosures for single point of contact advice engagements.

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.

6

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

No – provided that voice recordings and/or emails sent subsequent to single point of contact engagements suffice.

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.

No.

8

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

No

9

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

No.

10

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

As noted above, should the proposed regulations remain as currently drafted, then we would need to initiate significant process and system changes to meet the requirements. To allow time for implementation, we propose a minimum 6 month transitional period.