Response to the discussion paper on financial advice provider licensing fees and changes to the FMA levy

22 February 2019

Fidelity Life Assurance Company Limited (Fidelity Life) welcomes the opportunity to provide feedback on the financial advice provider licensing fees and changes to the FMA levy discussion paper.

Fidelity Life is the largest Kiwi-owned and operated life insurer and New Zealand's 2017 and 2018 Life Insurance Company of the Year. We're all about powering the New Zealand sense of adventure.

We're in the business of paying claims. We support more than 300,000 customers and their families when they need it most and in the 2018 financial year alone we paid $106.9 million in claims to more than 1,100 customers.

We distribute our products through a network of 2,700 independent financial advisers, as well as through strategic alliance partners, and employ around 250 staff nationwide.

But only about half of Kiwis have life insurance. We're committed to ensuring more New Zealanders have access to independent financial advice they can trust and innovative insurance solutions that meet their needs now and into the future.

Being Kiwi owned is an important point of difference for us and we're committed to supporting community projects across New Zealand. Fidelity Life is a proud supporter of Leukaemia and Blood Cancer NZ.

Ultimately, our goal is to set our business up for a sustainable and successful future, with the customer at the centre of everything we do. We support a model where consumers' interests come first. We support and encourage effective regulation of financial advice to ensure consumers are adequately protected and can receive financial advice with confidence. Fees and levies should be fair, reasonable and appropriate according to the proposed advice model. Access to financial advice by consumers is paramount and so it is important that fees do not discourage the supply of financial products or services.

1. Do you agree with the identified objectives for fee setting? Are there other objectives which should be considered?

We understand that with the introduction of a licensing regime, it is necessary to set licensing fees for financial advice providers and amend how the FMA levy is collected from the financial advice sector.

We agree with the objectives identified for fee setting. It is important that fees do not discourage the supply of financial advice, products or services and that there is certainty and transparency regarding time taken to process applications and the fees associated.

2. Do you have any comments on our proposed transitional fee as set out above?

We agree with the approach for setting out transitional licensing fees.

3. Do you have any comments on our assessment of the proposed full licensing fees as set out above?

The paper acknowledges that full licensing will be more complex and the time required to consider an application will vary according to how the applicant chooses to provide advice. Without knowing the requirements of the full licence application for each advice category, it is difficult to understand the basis of the proposed flat application fee for each category and the proposed hourly rate for complex applications.

Applicants need to be sure about the full licensing fees they will be charged. To ensure transparency with applicants, the industry must be updated on fee estimates as they continue to be refined by the FMA.

To provide certainty that the use of the flat fee and hourly rate is appropriate, the FMA should disclose what controls are in place to ensure applications are assessed efficiently and in a timely manner and continue to monitor and manage its own business efficiency to make any necessary improvements.

At this stage the FMA does not propose to include a separate renewal fee and any applications to renew a licence would be charged the full application fee. When more information regarding the FMA's review of the removal of licence expiry dates, the renewal process and associated costs is known, we ask that the industry is consulted on any renewal fees.

4. Do you agree with the objectives for setting the levy amounts that will apply in the new regime? Are there other objectives which should be considered?

We understand that with the introduction of a licensing regime, it is necessary to set licensing fees for financial advice providers and amend how the FMA levy is collected from the financial advice sector.

We agree with the objectives identified for setting the levy amounts that will apply in the new regime and understand that it is a balancing act between ensuring that the cost of levies is appropriate and also reflects the benefits of operating in a well-regulated environment.

5. Do you have any comments on the proposed levy? Are there any further advantages or disadvantages to our proposal?

We agree with the proposed levies and the approach that any increases to the levy will be incremental so that businesses will be not discouraged from providing financial advice.

Going forward, any review of the FMA's overall funding or levy model should consider the costs of the new regulatory time and whether the fees and levies are set at an appropriate level. Participants should have the opportunity to be consulted.

Thought should also be given to what approach will be taken by the FMA in the event of over-collection of fees and levies.

6. Should the levy relating to financial advisers be payable by the financial adviser as proposed, or the financial advice provider?

We agree that to avoid over recovery of the levy, financial advisers should be responsible for paying the levy, rather than a financial advice provider. We don't believe it is an unreasonable cost for a financial adviser, who currently pays annual levies.

7. Do you have any comments on these alternative options? Are there other options, or variations on the above options, that should be considered?

We agree with the proposed approach rather than the alternative approaches.

8. What would the costs and benefits be of providing relief to single adviser businesses?

We agree that some relief should be given to single adviser businesses and support an option that does not discourage businesses to grow or engage additional financial advisers.

9. Do you have any comments on the proposed changes to the levies that relate to authorised bodies?

To avoid providers restructuring their business to avoid paying some levies, we agree that the licensee should pay a levy based on the total activity of both the financial advice provider and its authorised bodies.

10. Do you have any comments on the assumptions used in this paper as outlined above?

There are assumptions made regarding the number of expected applicants and the estimated costs and processing times for licence applications. Without knowing the requirements of the full application process for each advice category it is difficult to understand how long it will take the FMA to process an application, especially for more complex applications (current estimates are based on the average time required to process a relatively straightforward application).

To ensure transparency with applicants, the industry must be updated on fee estimates as they continue to be refined by the FMA. The FMA should also take into account their own experience of assessing other types of FMCA licence applications to refine their assumptions.

We suggest that more specific provision should be made to review the fees and levies model after a set period to determine whether the fees are set at an appropriate level.

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