

# SOVEREIGN

## REVIEW OF THE FINANCIAL ADVISERS ACT 2008 AND THE FINANCIAL SERVICE PROVIDERS (REGISTRATION AND DISPUTE RESOLUTION) ACT 2008

### SUBMISSION BY SOVEREIGN<sup>1</sup> ON THE OPTIONS PAPER, PART 3 (Misuse of the Financial Service Providers Register)

This submission is in three parts:

- PART 1**     Introducing Sovereign
- PART 2**     Key issues as identified by Sovereign
- PART 3**     Responses to specific questions from the Options Paper

Sovereign welcomes the opportunity to be part of the review. Sovereign does not seek confidentiality for any aspect of this submission (though, for commercial or privacy reasons, it may request confidentiality of any further supporting information that the Ministry might seek).

The initial contact at Sovereign is:

- Chris Lamers, Chief Marketing & Strategy Officer
- **Redacted**
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<sup>1</sup> "Sovereign" is defined as Sovereign Assurance Company Limited, Sovereign Services Limited, and associated entities.

## **PART 1 – Introducing Sovereign**

- 1.1. Sovereign is New Zealand's largest life insurance company protecting over 741,000<sup>2</sup> New Zealanders and their families through the provision of life and health insurance using a range of distribution channels. Sovereign insures total sums insured of over \$120 billion<sup>3</sup> and last financial year paid out more than \$330<sup>3</sup> million in claims.
- 1.2. Sovereign has an A+ (superior) financial strength rating from AM Best. Our life insurance market share is 28.9%<sup>4</sup> and our health insurance market share is 7.4%<sup>4</sup>.
- 1.3. Sovereign has approximately 715 employees and as at September 2014, 195-205 employee<sup>5</sup> roles were permitted to provide class and/or personalised financial advice as QFE employee advisers.
- 1.4. For more information on Sovereign or life insurance products please refer to Part 1 of Sovereign's publically available submission to the Financial Advisers Act 2008 Issues Paper.

## **PART 2 – Key issues as identified by Sovereign**

### **Building trust and confidence**

- 2.1. The Options Paper outlines misuse of the Financial Service Providers Register (**FSPR**) particularly by offshore-controlled providers. Sovereign believes there are also opportunities to improve the FSPR.
- 2.2. Improving the FSPR will give consumers the opportunity to obtain valid information to aid with decision making. An improved FSPR will allow consumers to find out if the advisers they are dealing with are qualified and ethical, therefore building trust and confidence in the industry.
- 2.3. Sovereign is responding to Part 3 of the Options Paper because we use the FSPR as a source of information helping us determine that intermediaries are registered and therefore able to sell Sovereign insurance policies.
- 2.4. For Sovereign, the FSPR is a source of truth and in our experience there are challenges with regard to the reliability of the FSPR. For example, advisers who are part of a Qualifying Financial Entity (**QFE**) as nominated representatives are not listed separately on the FSPR and so there is no transparency for consumers. We believe there is an opportunity to include those advisers not directly employed by a QFE on the FSPR. This will benefit both consumers and advisers alike.

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<sup>2</sup> This includes policy owners, life assured, borrowers and workplace

<sup>3</sup> Sovereign internal reporting as at 30 June 2015

<sup>4</sup> FSC (Financial Services Council) Market Share Report March 2015

<sup>5</sup> An approximate is given as staff turnover results in vacant roles which can fluctuate on any given day

### **PART 3 – Responses to specific questions from the Options Paper**

Question	Response
36	Sovereign agrees with MBIE's definition and assessment.
37	<p>Sovereign agrees with option one. We believe that stronger requirements would enable manufacturers to 'self-regulate' by using the FSPR to determine whether advisers are able to sell certain products. Publishing the requirements on the FSPR would provide increased transparency for consumers and promote credibility of the system.</p> <p>Sovereign disagrees with option five as we believe it would restrict transparency and remove the ability for the industry to 'self-regulate'.</p>
38	Sovereign sees a potential unintended additional compliance burden should employees of a QFE be required to register on the FSPR. This would be especially challenging for QFEs with a large number of employees. We believe this would be mitigated by relying on existing legislation (Financial Advisers Act 2008) that covers QFE employed advisers, and include only QFE advisers who are nominated representatives on the FSPR.
39	Sovereign believes the benefits of full transparency outweigh any potential downside risk from misuse by offshore entities. We believe that stronger up-front requirements would mitigate any potential misuse.