

# Code of Professional Conduct for Financial Advice Services

## Submission

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## Code of Professional Conduct for Financial Advice Services Submission

Fidelity Life Assurance Company Limited (Fidelity Life) welcomes the opportunity to provide feedback on the Code of Professional Conduct for Financial Advice Services (**Code**) Consultation Paper.

Fidelity Life is New Zealand's largest locally-owned life insurer providing insurance for individuals, businesses and employers, and we are proud to be New Zealand's current Life Insurance Company of the Year. Our purpose is to protect New Zealanders' way of life. Everything we do is driven by this purpose.

New Zealand has one of the lowest penetration rates of life insurance in the developed world<sup>1</sup> and approximately 30 percent of Kiwis have life insurance cover<sup>2</sup>. Our challenge is how we reach more New Zealanders and encourage them to protect their way of life. A thriving financial advice profession is essential to ensure that all consumers can access suitable insurance protection.

We believe that advice matters and that independent financial advice enables people to make informed decisions to access suitable insurance protection. Alongside New Zealand's network of independent financial advisers, we are committed to reducing under-insurance while protecting our customers.

We support a model where consumers' interests come first. Consumers should be readily able to obtain quality financial advice through independent financial advisers, enabling them to make informed decisions about suitable insurance protection.

The life insurance industry is facing consolidation, regulatory and technological change. We reiterate that the Code must continue to recognise and support the value of independent financial advice. Independent financial advice has significant benefits for the financial health and wellbeing of New Zealanders. Financial advisers form long term relationships with customers, ensuring they have adequate insurance protection as their circumstances change over time, helping them at claims time, and improving financial literacy.

Our specific feedback on the Code is set out below.

### **Good advice outcomes**

Fidelity Life believes consumers should be readily able to obtain independent financial advice through competent financial advisers who are held to a high standard of ethical behaviour. We support the Code Working Group's overarching theme of delivering financial advice that meets a reasonable client's needs in the particular client's circumstances, having regard to the nature and scope of the financial advice. However, we submit that the phrase "good advice outcomes" is confusing and does

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<sup>1</sup> Massey University and Financial Services Council - Exploring under-insurance in New Zealand

<sup>2</sup> NZIER - Resetting life insurance

not accurately reflect that overarching theme. We therefore recommend that the word “outcome” is dropped from this phrase.

## **Ethical behaviour**

We are comfortable with the minimum standards of ethical behaviour being formulated based on the five principles of the IOSCO framework noted in the consultation document. For consistency of application, we recommend that all Financial Advice Providers (**FAP**) should be subject to the same minimum standards of ethical behaviour. FAPs should then be able to operationalise the minimum standards in the way that best suits them.

In the development of the Code while it is important that existing relevant regulatory guidance is drawn from, the Code should not elevate existing regulatory guidance to binding rules. Further, it is imperative that the risk of duplication and confusion is minimised.

### *Confidentiality and Privacy Law*

As a FAP will be required to comply with Privacy Law, we disagree with the inclusion of client confidentiality obligations in the Code that overlap with Privacy Law.

## **Conduct and client care**

We agree that client care and conduct standards need to be ‘delivery agnostic’. The Code therefore needs to ensure that all scenarios and communications channels on the financial advice spectrum are captured and that client care and conduct standards are balanced and practical across all delivery methods.

## **General competence knowledge and skill**

We believe there is a significant underinsurance problem in New Zealand and access to financial advice is critical to help solving this problem. It is therefore important that a practical and pragmatic approach is taken to setting competence standards.

We agree that the minimum standards of general competence, knowledge and skill in the Code should be agnostic to different business models. Consequently, it is important the minimum standards must be able to be applied to the range of FAP and financial adviser situations.

We support the recognition of current adviser experience and the concept of assessing current knowledge and skill by using a recognised test of prior learning. We would like more detail on the approach to assessing competence requirements for different product segments. We suggest this includes a list of qualifications that current advisers may hold, and how they will be treated in transition and in the new regime.

Thank you for the opportunity to provide this feedback.