

Good afternoon Natasha

Please find below feedback as requested in relation to Consultation Paper 284. I'm happy to be contacted on the details below if any further feedback is required.

Cheers  
Michael

**B3Q2 Have we excluded any information in the example SOA that you think should be included? Please provide an explanation for your comments, bearing in mind that the SOA is only one part of the advice process and that additional information can be provided to the customer in other ways**

On page 20 of the example SOA, in discussing a level premium on the existing income protection the following wording is used:

*"When this policy commenced 7 years ago, it was structured on a 'level' premium basis, so the premium has remained level over the life of the policy."*

As a level premium can be increased through insurer re-pricing of policies, and indexation of benefits, it would be more accurate to re-word this to *"so the premium remains based on your age when you applied for the policy, not your age at renewal."*

On page 22 of the example SOA, in explaining the recommendation for a stepped premium the explanation provided is:

*"A stepped premium is more affordable in the short term and appropriate because you aim to reduce the sum insured when your mortgage balance has reduced and your children become independent."*

It is common for premium quote calculators to be able to do a comparison of stepped and level premiums over an extended period, to be able to identify with more detail when one becomes more affordable than the other. This provides an opportunity to more clearly explain the reasoning behind the advice. An example of this is:

*We have recommended that you hold your life insurance and total & permanent disability (TPD) cover on a stepped premium. This is because the level premium does not become more affordable until age 55. As your need for life insurance and TPD cover is largely a result of repaying principal & interest loans, and providing for your children until they are adults, we expect that you would be reducing the level of this cover in time.*

**B4Q1 Do you think the disclosure of commissions in the example SOA is sufficiently upfront and prominent? Please provide reasons.**

**B4Q2 Do you think that customer understanding of commissions is enhanced by upfront disclosure? If not, why not?**

While understanding the value in being highly upfront about the commissions involved in the advice, by placing it at the very beginning of the SOA before the client has read any of the advice, it is devoid of context for the client to make an assessment as to whether the advice is worth what the adviser is being paid.

In keeping with the influence of behavioural research on the example SOA, it would be worth considering whether the placement of the disclosure harms the client's understanding of the advice and their decision to proceed, noting that the scenario in the SOA is one that advisers frequently see, where there is a clear gap between the client's needs for cover, and their existing benefits, but the insurance remains a grudge purchase because nobody wants to become ill, injured, or die.

**C3Q1 What organisational barriers exist for advisers to use the example SOA as a model? Please explain how these barriers might hinder industry take-up of the example SOA.**

**C3Q2 How do you think ASIC can assist advisers to overcome these barriers and use the new example SOA as a model in producing their own SOAs?**

Templates or guides for the provision of advice are ordinarily provided by a client's licensee, and for smaller licensees are sometimes purchased from or provided by contract paraplaning services.

These are not barriers, but it is through influencing the licensees and other providers of templates/guides that change would most likely be affected, rather than by directly influencing individual advisers.

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