



## Re: ASIC CONSULTATION PAPER 284 - Example Statement of Advice for life insurance: Update to RG 90

I write to provide feedback on the Example Statement of Advice for Life Insurance. The feedback is listed below by page number and sub-heading in chronological order. After each point, I have added my belief as to whether ASIC have achieved the aims set out in the consultation paper. Additionally, I have added my belief as to whether each section actually benefits clients understanding of the advice provided. Where I see a conflict between the two, I have suggested a solution.

### Page 1:

- No real reference to Dealer Group / Licensee. In the example, the planner appears to be either be an employee of the dealer group given the email address (as with banks) or self-licenced. Given the majority of planners are licenced through a 3<sup>rd</sup> party, this needs significant additional space for information.

Meets ASIC's Key Guidelines? Yes

Benefits clients understanding? No

Proposed Fix: Create space for Dealer Group information

- Payments section: I don't have an issue with using this or having it on the first page, but the language used is flawed and confusing for both advisers and clients. Right off the bat we have conflated "advice" with "selling a product". This makes the entire document confused (expanded in conclusion) No mention of the fact that commissions are paid direct to a licensee. No mention of new claw back provisions is notable.

Meets ASIC's Key Guidelines? Yes

Benefits clients understanding? No

Proposed Fix: Make the whole document about advice, or about buying products. Don't conflate the two. Change wording to "My advice involves the purchase of an insurance product. Should you accept my advice, I will be paid commission from the insurance company...."

### Page 2:

- Index – ASIC clearly recognises that no client is going to read 27 pages! Without even reading the 27 pages it is clear that ASIC have failed to meet their own guidelines re the Trowbridge reports comments regarding the length and complexity of SOA's. A 27 page SOA for limited advice is completely counter to the concepts of transparency, simplicity and disclosure.

Meets ASIC's Key Guidelines? No

Benefits clients understanding? No

- The explanation of what a statement of advice actually is should really be on the front page under the heading "STATEMENT OF ADVICE". This statement is the first section that clashes directly with the commission disclosure on page 1 as we are now referring exclusively to advice.

Meets ASIC's Key Guidelines? Yes

Benefits clients understanding? No

Proposed Fix: Make the whole document about advice, or about buying products. Don't conflate the two.

- Attachments: fine as is.

Meets ASIC's Key Guidelines? Yes

Benefits clients understanding? Yes

**Page 3:**

- Summary of recommendations. This serves no purpose. It's just a list of sums insured and premiums. It doesn't mention ownership structure, benefit period, waiting period, stepped or level premiums and just refers to another section 4 pages later in the document. Why have a summary that only summarises premiums? How is this in any way a "summary" of the advice? Again I see a conflicted document. Are we giving advice or selling a product? I can only assume that a summary of recommendations is provided before the actual recommendations or the reason for the recommendations or the basis for the recommendations because ASIC know no one will read 27 pages. If indeed that is the reason, then use the summary from page 13 that is actually a summary of the advice.

Meets ASIC's Key Guidelines? No

Benefits clients understanding? No

**Pages 4-5:**

- Personal information from fact find. Most of this is fine and pretty standard although I question why details of wills and powers of attorney would be on a Risk SOA that does not then provide advice in these areas and is not covered in the scope of advice. Occupation, income, employment status and sick leave are all in the same section. For self-employed people this information is not adequate. It's easy in a template to note 90 days sick leave which leads to 90 day waiting period, but provision needs to be made for how waiting period is established for self-employed people.

Meets ASIC's Key Guidelines? Yes

Benefits clients understanding? Yes, with edits

- Income details: Net income is an almost meaningless figure in a Risk SOA. In order to calculate a benefit, we need to know Gross income + super.

Meets ASIC's Key Guidelines? Yes

Benefits clients understanding? Yes, with edits

**Pages 6-7:**

- What you want: The information is fine, but overly verbose. Essentially the information is listed 3 times as what you both want, what he wants and what she wants. Given that they essentially want the same thing, this is needless duplication and verbosity for no beneficial purpose.

Meets ASIC's Key Guidelines? Yes

Benefits clients understanding? No

Proposed Fix: consolidate and reduce duplication

- This section should really be at the start of the SOA. The order of this document makes no sense. First should be details of why the client met the adviser and what they were after. This determines the scope of the advice. Next should be the clients personal information on which recommendations will be based and lastly should be the recommendation itself followed by a tie in to how the recommendations meet the criteria listed in "What you want".

Meets ASIC's Key Guidelines? Yes, but the poor way in which information is conveyed will confuse clients.

Benefits clients understanding? No

**Pages 8-12:**

- We've gone through 8 pages and we're finally at the actual point of the document. How is this considered clear and concise? The information contained here is well laid out and clear.

Meets ASIC's Key Guidelines? Yes

Benefits clients understanding? Yes

**Page 13:**

- Overview of recommended products: This should really be called a "Summary of Recommendations", but we've already had that on page 3. Why did we have that when we have this single page summary of the actual advice? This overview is simple, easy to read and comprehensive and just reinforces my view that page 3 is both redundant and confusing.

Meets ASIC's Key Guidelines? Yes

Benefits clients understanding? Yes

**Pages 14-17:**

- Consequences of my advice: The first table on page 14 is great. Advisers should have to compare alteration quotes to new quotes in 100% of replacement cases. The second table however is offensively inadequate. Cherry picking definitions that show improvements without accountability regarding the overall policy is how conflicts of interest are hidden. Furthermore, it assumes that clients actually understand what a terminal illness advancement benefit is, what any vs own occupation actually means and what unlikely vs unable to work actually means with regard to differing policy definitions and simply points the client to the PDS. Not good enough. It makes the statement "Any occupation via Superlink" which is not actually defined or explained in the documents. Adding the question "is there any loss of benefit from switching policies?" would go a long way to actually informing clients.

Meets ASIC's Key Guidelines? Yes

Benefits clients understanding? No

- The followup section subtitled "additional consequences you should understand" while comprehensive, does not address the issues above. Again we see pointless duplication. We do not need to explain how partial super rollovers affect two clients in two separate sections. It affects them the same way for the same reason and only needs to be explained once.

Meets ASIC's Key Guidelines? No

Benefits clients understanding? No

**Pages 18-22:**

- Why my advice is in your best interest & appropriate. This should probably follow on from page 13.
  - "Here is my advice", followed by "Here is why advice is appropriate", followed by "Here are the consequences and risks of my advice" makes more sense.
- The fact that this section is 5 pages of solid text is concerning. This information could be condensed into a couple of paragraphs. Again there is needless duplication for husband and wife. Needlessly verbose and confusing.

Meets ASIC's Key Guidelines? No

Benefits clients understanding? Yes, provided they read it, which they won't.

**Pages 23-24:**

- What you should know about my advice. General disclaimers are all clear.

Meets ASIC's Key Guidelines? Yes

Benefits clients understanding? Yes

**Pages 25:**

- How to follow my advice: Again, needless duplication and confusingly overly detailed. A client needs to do 3 things from the SOA stage to implement the advice:
  - Review the Statement of Advice and complete the "Authority to Proceed".
  - Complete application for the Insurance required
  - Remit first premium.

The included example suggests 3 separate applications, suggests that maintaining existing cover is something the client has to "do" when it is by definition "doing nothing"(!) and suggests that somehow nominating a beneficiary is a separate thing to applying for cover. The cancellation of the existing cover should be the sole responsibility of the adviser recommending the transfer. How can a client ensure that they have no gaps in their cover and that they are not double paying when only the adviser has all of the details on both policies?

Meets ASIC's Key Guidelines? No

Benefits clients understanding? No

**Page 26:**

- My Commissions: Given the totals summarised on page 1, this is adequate, but really there is so much information here that I doubt most clients would understand it. It actually took me a couple of back and forths to identify that the disclosed total commissions on page 1 were actually the same as those on page 26. Are clients really going to do this? Should they have to? At the risk of sounding like a broken record - needless duplication.

Meets ASIC's Key Guidelines? Yes

Benefits clients understanding? No

**Page 27:**

- Authority to proceed: Fine for what it is, but missing a section where the client can detail changes they wish to make and both client and adviser can sign off on those changes.
- I am hugely concerned about the wording the client is signing off here. "...agree to representatives of \_\_\_\_ applying on your behalf for the products recommended in this SOA". Our clients apply for cover based on our advice so this is an incorrect statement for a client to sign. (more in summary below)

Meets ASIC's Key Guidelines? No

Benefits clients understanding? No

**Conclusion:**

Overall, this document is problematic both in terms of ASIC's stated aims and as a usable working document for me as an adviser. Rather than a commission summary on page 1, would the client not be better served with a statement highlighting the adviser's statutory duty to act in the best interest of the client? Shouldn't best interest be mentioned somewhere in the document?

I refer back to my comments about the language used on page one regarding "Buying a Product" and on the Authority to proceed stating "...agree to representatives of \_\_\_\_ applying on your behalf for the products recommended in this SOA".

On the first point, we as advisers do not sell products. With FSRA in 2004 it was determined that certain products, including life insurance products could only be purchased through the provision of financial advice. If all an adviser is doing is selling a product, why do we need 27 pages of explanation and research? Why not just have a generic no advice disclaimer and call it sales? I realise the question is rhetorical and beyond the scope of the SOA working paper, but it goes the heart of the obvious dichotomy between what Government wants, what ASIC is asking for and what actually happens on the ground.

ASIC (and other interested parties) appear to want to have it both ways. It is disingenuous to require advisers to follow a comprehensive compliance regime while at the same time distilling their work down to a “sale” on the front page of the very document that explains the complexity of the advice. We absolutely make sales and I know of no adviser who is afraid of that term, but there must be consistency from ASIC and Government on this issue.

On the second point regarding the Authority to proceed, we as advisers do NOT apply for insurance on our clients behalf. For this statement to come from ASIC is hugely concerning and makes me question whether the authors of this draft SOA actually have a fundamental understanding of the role of a Financial Adviser giving product advice.

With regard to ASIC’s own stated KEY Points:

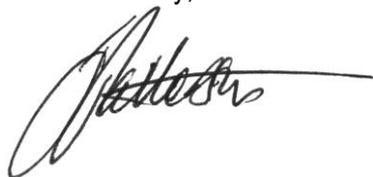
- SOAs that are too long and difficult to understand detract from customer engagement and may lead to poor decision making. They are also contrary to the requirement for clear, concise and effective disclosure.
- In developing the new example SOA, we have endeavoured to use simple, plain language and a structure that is easy for customers to follow.
- We have also sought to minimise the length of the example SOA by excluding unnecessary information, while ensuring that the SOA still meets disclosure requirements.
- Finally, the example SOA seeks to illustrate prominent and upfront disclosure of commissions.

In my analysis above, I have used the term needless duplication as a descriptor on 5 separate occasions. Whole paragraphs of explanation are repeated 2 or even 3 times in the same sections. There is a fundamental failure to appreciate that this document as a whole will simply either not be read or not understood by the average client, especially as Licensees will be adding additional disclaimers which will make the document longer. Plain language is great; 27+ pages of plain language is not.

This SOA is not a rethink or a “new way” of providing information to clients by any measure. Essentially, all this document does is add ham-fisted duplication to the existing SOA to meet a new political imperative re commission disclosures. The disclosures are fine, but the implementation is far from the “clear, concise and effective disclosure” that was aimed for.

I appreciate the opportunity to provide feedback and would be happy to be contacted to discuss these issues further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'James Patterson', with a long horizontal flourish extending to the right.

**James Patterson**  
**Authorised Representative (267399)**