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28 July 2017

Attention: Ms Natasha Nguyen  
Lawyer  
Australian Securities and Investments Commission  
Email: [natasha.nguyeb@asic.gov.au](mailto:natasha.nguyeb@asic.gov.au)

**Example Statement of Advice for life insurance: Update to RG 90**

Dear Ms Nguyen,

Please find enclosed our Submission in relation to the Example Statement of Advice for life insurance: Update to Regulatory Guide 90.

Should you require further information in relation to our Submission, please do not hesitate to contact me on (02) 4948 3691 or [adam.shultz@mine.com.au](mailto:adam.shultz@mine.com.au)

Kind regards,

Adam Shultz  
Executive Manager, Policy  
Mine Wealth + Wellbeing



# ASIC - Consultation Paper 284

**Example Statement of Advice for life insurance: Update to  
Regulatory Guide 90**

Mine Wealth + Wellbeing Submission

July 2017



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## About Mine

Mine Wealth + Wellbeing Superannuation Fund (**Mine**) is a profit to members, public offer super fund dedicated to serving the retirement needs of all Australians. Its enduring purpose is to deliver an exceptional retirement for members which achieves peace of mind along the way. AUSCOAL Superannuation Pty Ltd (**AUSCOAL**) is the trustee of Mine and administration and advice services are provided to Mine and its members by its wholly owned subsidiary, Mine Wealth and Wellbeing Services Pty Ltd (**MWW Services**). MWW Services is a corporate authorised representative of Adviser Network Pty Ltd ABN 25 056 310 699 AFS licence 232729 who is an unrelated third party.

The Mine Group employs over 170 staff and manages over \$10 billion in funds for approximately 65,000 Mine members. In addition to superannuation and pension products, Mine offers its members insurance, access to financial advice and white labelled banking products.

Mine has been recognised by research company SuperRatings with a 10 year Platinum rating for its pension product and a 9 year Platinum rating for its super product. Mine also received a Chant West Five Apples rating for super and pension in 2017.

## Executive Summary

The Mine Group welcomes the opportunity to provide a Submission to the Australian Securities and Investments Commission (**ASIC**) in relation to Consultation Paper 284 – Example Statement of Advice (**SOA**) for life insurance: Update to Regulatory Guide 90 (**Consultation Paper**). We hope that this Submission is afforded adequate consideration and assists ASIC.

Our Submission details our perspective on a number of ASIC's proposals contained within the Consultation Paper. We do not seek to provide feedback on all proposals, but only those that directly affect Mine and its members.

The following is an outline of the key points contained within this Submission.

- The use of plain language and simple terminology, coupled with the strategic use of tables and bullet points to ensure financial advice can be easily read and understood is supported.
- We believe that further ordering and layering of sections of the SOA could enhance readability, make it more concise and improve its overall structure (a table of contents is a welcomed addition and should be mandatory).
- We agree with ASIC that customers ordinarily do not read documents cover to cover. As the SOA is the main document for communication between an adviser and customer, it is important to provide adequate disclosure in a prominent (designated) section. This would ensure that the customer is aware of the risks associated with the financial advice they have received. We believe a table detailing the disclosure information that has been provided to the customer is appropriate.
- Broadly, we are supportive of the enhanced remuneration disclosures. We are of the view, however, that fee disclosure needs to be provided initially through a fee form and engagement letter to ensure costs aren't incurred unnecessarily by advisers.
- We submit that unless certain elements of the example SOA are mandated, a number of ASIC's proposals will not be implemented adequately.



## Proposals and feedback

In this Submission, we present feedback to proposals:

- B1 – B4; and
- C3.

### Proposal and feedback B1 – Simple plain language

*ASIC proposes to use simple, plain language to make the new example SOA as clear and easy as possible for customers to read and understand.*

We agree that the example SOA provided uses plain language and simple terminology. This is welcomed. We agree with the principle of ensuring that financial advice can be read and easily understood by anyone seeking assistance with their financial affairs. The use of short, sharp sentences that a person with a grade eight level education can easily understand is supported. Use of this language should alleviate some of the outstanding impediments to the population at large seeking financial advice.

We also agree that not all people who have sought financial advice read an SOA cover to cover. It is therefore appropriate to provide repetition of some key information. This key information could also have an enhanced emphasis in an SOA through the strategic use of tables and bullet points to draw the reader's attention to critical points of information.

### Proposal and feedback B2 – Structure the example SOA so it is easy for customers to follow

*ASIC proposes to structure the example SOA so that it is easy for customers to follow.*

We agree with the concept of structuring the SOA so that it is easy to follow. We contend that a simpler ordering and layering of sections of the example SOA could further enhance readability by making it more concise.

We suggest that the 'What this document is about' section and the 'What you should know about my advice' section should be layered and ordered together. We believe that these two sections are complementary to each other. At present, the example SOA has seven sections separating them. Re-ordering these sections to follow each other would enhance the functionality and usability of the SOA. Both sections provide context to the recommendations within the SOA and should be understood by the customer before the customer reads further into the document. In addition, the 'What this document is about' section refers generally to what is and is not covered in the SOA, while the 'What you should know about my advice' section explains this in greater detail, providing more clarity to the customer than a general statement.

We also believe the 'My advice' section and the 'Why my advice is in your best interests and appropriate' section should be combined. At present, in the example SOA, these sections are currently independent and separated by two other sections. The 'My advice' section sets out the adviser's recommendations, while the 'Why my advice is in your best interests and appropriate' section explains why the advice is in the customer's best interests and appropriate in light of their financial circumstances and objectives.

We suggest that these two sections could be combined to make the SOA more concise and enhance the readability of the document. By explaining the advice recommendations immediately prior to



providing the reasoning as to why it is appropriate and in the customer's best interests, allows the customer to understand the purpose for each recommendation. This initiative would allow the customer to read through the SOA without having to refer to information on other pages of the document.

We agree that a table of contents is a welcomed addition within the example SOA and should be mandatory. We also agree that a summary of the adviser's recommendations near the front of the SOA is appropriate.

#### Proposal and feedback B3 – Minimise SOA length and exclude disclosures where possible

*ASIC attempts to minimise the length of the example SOA by excluding information that can be provided elsewhere, while ensuring that the SOA still meets the disclosure requirements.*

We note a number of disclaimers and warnings are excluded from the example SOA. ASIC cites that this type of information should be included in other documents. For example, the financial services guide (FSG), product disclosure statement (PDS) or engagement letter. We note ASIC's contention that the purpose of the SOA is a communication tool and not a mechanism to protect against liability. ASIC further advises that customers 'dip in' and 'dip out' when navigating an SOA.

Mine supports the view that, in some circumstances, disclosures are likely to be included in an SOA to minimise the likelihood of litigation (rather than improve transparency). With that said, many of the disclaimers provide a very valid warning of the risks involved with financial advice. We believe that a table listing the disclosure documents that have been provided to the customer is appropriate. This table should be located in a prominent location within the SOA, similar to what is proposed for remuneration disclosure. Further disclosures could then be referred to by reference within the SOA in an effective and efficient manner.

By providing a disclosure table, it would reinforce the importance of the documents already provided to the customer. It would also improve the chances of the customer reading and understanding the information. In our view, this is especially important as ASIC have noted that customers do not read documents cover to cover. We suggest such warnings should be given more prominence as has been mandated in the prescribed short form PDS wording.

#### Proposal and feedback B4 – Upfront prominent disclosure of adviser remuneration

*ASIC propose to strengthen the disclosure of adviser remuneration in the example SOA by ensuring that this information is prominent and set out upfront.*

We note that there is a summary of commissions on the front cover of the example SOA (between the adviser and company), which represents a significant strengthening of remuneration disclosure. A full breakdown of commissions is also provided immediately before the authority to proceed.

We are supportive of enhanced disclosure of adviser and company remuneration in the SOA. However, we believe this disclosure should not be undertaken in isolation. Enhanced disclosure in the SOA should be complementary and act as a reminder to the customer. The SOA effectively acts as one of the last steps in the advice process and we suggest that the adviser should have already clearly informed the customer of the fees and costs associated with the advice. We would support a mandated initial fee disclosure regime via a form or engagement letter. This would ensure the



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customer is aware of how they will be paying for the advice before any work is undertaken and many of those fees are incurred.

#### **Proposal and feedback C3 – Barriers that exist for advisers in using the example SOA as a model**

*ASIC are seeking to understand the barriers that exist for financial advisers in using the example SOA as a model. The process for producing SOAs is often influenced by other parts of the organisations (e.g. information technology and compliance areas), and this may present challenges for advisers in using the example SOA as a model.*

We believe that unless certain elements of the example SOA are mandatory, licensees will not implement a number of ASIC's proposals. This will therefore impede ASIC's objective of simplifying SOAs that enhance a customer's experience while providing them with the right level of disclosure. We note that RG 90.17 provides that the example SOA is not designed for use as a compliance tool.

