



CORPORATE SUPER SPECIALIST ALLIANCE

General Manager
Retail Investor Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: futureofadvice@treasury.gov.au

18 October 2011

Dear Sir/Madam,

Corporations Amendments (Further Future of Advice Measures) Bill 2011

We appreciate the opportunity to respond to the Exposure Draft and Memorandum of the **Corporations Amendments (Further Future of Advice Measures) Bill 2011**. Our submission is attached.

Our submission specifically concentrates on the proposed ban on Group Life payments within superannuation which the CSSA believe should not apply when Insurance Services are provided.

Any queries can be directed to me on (02) 9411 1933 or at douglas@legan.com.au

Yours Faithfully,

Douglas Latto
President CSSA



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Executive Summary

Many Insurance Services (as opposed to personal advice) are delivered to workplaces in which group insurance is the norm.

CSSA believes that this should be recognised through an Insurance Service Fee (which would operate similarly to an asset based fee within investment and superannuation) and ensures only those workplaces receiving Insurance Services pay this fee.



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Insurance Service Fee

This is an area that crosses over to MySuper and Choice funds/products.

The Exposure Draft and Memorandum state that commission on insurance within superannuation would only be paid within Choice funds/products but group insurance would be excluded.

It is important to understand that payments received by corporate super specialists are for Insurance Services provided and **not** for providing personal advice. These services include

- Negotiating with insurers on an ongoing basis for reduced premiums and better features (such as higher levels of automatic cover, this requires less evidence of health from members).
- Ensuring the accuracy of the insurance data (an area of frequent errors)
- Ensuring members receive their full formula entitlement and are not restricted to automatic acceptance levels.
- Assisting members with all aspects of applications and claims.

Ultimately group insurance is just a solution that is more beneficial (with lower costs and tailored features) than a series of individual contracts and it makes no sense that payment can only be made from the least efficient solution.

The CSSA recognises that it is inappropriate that commissions should be included in the premium when no service is being delivered.

The CSSA proposes that if commissions on group insurance within corporate super accounts are banned then, where Insurance Services are provided to an employer group, an Insurance Service Fee should be allowed on a "dial up" basis. We suggest that an explicit Insurance Service Fee, which defaults to zero, can be charged to all members at an agreed percentage with the consent of a client at a workplace level. This is specifically relevant when a tailored default insurance strategy is selected by an employer (rather than the standard default strategy).

Effectively the Insurance Service Fee would operate within group insurance in a similar manner that asset-based fees operate within investment and superannuation. This should ensure that only those receiving Insurance Services are paying this fee.



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About the CSSA

The CSSA represents corporate superannuation specialist advisory business. CSSA members provide financial advisory services to thousands of corporate superannuation funds across metropolitan and regional Australia and play an essential role in managing Australia's large and growing superannuation savings pool. CSSA members work with Australian companies and their workers to provide them with improved life insurance and superannuation outcomes via their superannuation savings plan. CSSA members provide a broad range of services to corporate super plans at four levels – the employer level; the policy committee (representative body) level; the individual super fund member level and to super fund members collectively. These services help employers and policy committees ensure members are getting competitive benefits and features, at a competitive price, and that members have access to general advice and information to help them improve their decisions about their retirement savings and life insurance choices.