



14 November 2022

Secretariat - Quality of Advice Review  
Financial System Division  
The Treasury  
Langton Crescent  
PARKES NSW 2600

**By email: [AdviceReview@treasury.gov.au](mailto:AdviceReview@treasury.gov.au)**

Dear Ms Levy

We attach our response to the Quality of Advice Review – Conflicted Remuneration

Should you have any queries, or wish to discuss further, please contact me on 0411 153 388.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Matt Lawler', written in a cursive style.

**Matt Lawler**  
**Managing Director, AMP Advice**  
**Email:** [matt\\_lawler@amp.com.au](mailto:matt_lawler@amp.com.au)  
**Mobile:** 0411 153 388

**Name/Organisation: AMP Advice**

### **General Insurance and consumer credit insurance (Proposal 1)**

**1. Do you support Proposal 1, which requires financial advisers or insurance brokers to obtain informed consent from their clients in order to be able to receive a commission from a product issuer for the sale of a general insurance product or consumer credit insurance?**

**a) If you do not support this proposal, please state your reasons**

The recommendations are welcome, AMP is supportive of proposals that enhance clear and effective disclosure to clients, and support consumers in making informed decisions in obtaining financial services and products,

The provision of disclosure of commission and receipt of informed client consent is consistent with the practice of a professional financial advice firm, aligned with AMP and industry practice, and standard seven of the Financial Planners and Advisers Code of Ethics.

In consideration of the recommendations of the Quality of Advice Review Proposals, clarity is needed in relation to the record keeping considered adequate to support advice providers in capturing the information provided and consent and managing client complaints and regulatory investigations.

The importance of ‘technology neutral’ guidance is noted, to permit recording of consent digitally or written and the adoption of new and emerging technology capabilities.

**Life risk insurance product (Proposal 2)**

**2. Do you support Proposal 2, which requires financial advisers to obtain informed consent from their clients in order to be able to receive a commission from a product issuer for the sale of a life risk insurance product?**

**a) If you do not support this proposal, please state your reasons**

The recommendations are welcome, AMP is supportive of proposals that enhance clear and effective disclosure to clients, and support consumers in making informed decisions in obtaining financial services and products.

The disclosure of commission and seeking informed client consent is consistent with the practice of a professional financial advice firm and aligned with AMP and industry practice, and standard seven of the Financial Planners and Advisers Code of Ethics.

AMP encourages, in the application of legislation or regulatory guidance, clarity to support Advisers in providing disclosure and seeking consent aligned with proposal two without entering unintended ongoing service arrangements, or inadvertently accepting payment without intending or being able to supply services.

For example:

An adviser in receipt of 'trailing benefits' for greater than 12 months under the commission cap arrangement communicates the 'nature of the ongoing service' that the adviser will provide to their client in relation to the life risk insurance product, in the provided example; claims management. Aligned with the current exception where the 'only fee payable under an arrangement is an insurance premium' under section 962A(4) of the *Corporations Act 2001*, the arrangement will not meet the definition of an 'ongoing service agreement' with its accompanying obligations

The adviser communicated the 'nature of the ongoing service' however this does not come to fruition, for example the client does not require claims management. Confirmation that the adviser has not accepted payment without intending or being able to supply as ordered under section 12DI of the *Australian Securities and Investments Commission Act 2001* and is not required to refund or otherwise remediate the client in a 'fee for no service' arrangement.

In consideration of the recommendations of the Quality of Advice Review Proposals, clarity is needed in relation to the methodology in calculating ongoing commission given the fluctuating nature of premiums, and the record keeping considered adequate to support advice providers in capturing the information provided and consent and managing client complaints and regulatory investigations.

The importance of 'technology neutral' guidance is noted, to permit recording of consent digitally or written and the adoption of new and emerging technology capabilities.

### Time-sharing schemes (Proposal 3)

- 3. Do you support Proposal 3, which recommends that the Government conduct a separate holistic review of time-sharing schemes and the way they are promoted?**
- a) If you do not support this proposal, please state your reasons**

No reply.

### Other Conflicted Remuneration exemptions (Proposals 4-7)

- 4. Do you support Proposals 4 -7, which remove or modify the existing exemptions to the ban on conflicted remuneration?**
- a) If you do not support any of these proposals, please state your reasons**
- b) Do you consider there to be any unintended consequences related to the implementation of Proposals 4 -7?**

AMP thanks Michelle Levy for her focus on providing clarity, we support the proposals in that they remove complexity and excess narrative around the exemptions to the ban on conflicted remuneration.

In considering the summary of the exemptions to the ban on conflicted remuneration, AMP highlights the guidance provided in RG246 Conflicted and other banned remuneration paragraphs 246.106 and 246.107, noting the use of benefits to pay for operating expenses in the presence of appropriate controls is unlikely to be scrutinised.

The alignment of the application of conflicted remuneration provisions across all industry participants including employees of Australian Approved Deposit-Taking Institutions, is welcomed.

## General

### 5. Do you have any other comments or feedback on the Quality of Advice Review Conflicted Remuneration Consultation Paper?

AMP agrees with the recommendation to retain the arrangements implemented through the Life Insurance Framework, however, one area for the Quality of Advice Review to consider is how the framework can support advice to younger Australians.

The work involved in developing quality advice on life risk insurance products, regardless of age, comes at a significant cost and investment of time. Younger Australians typically have lower premiums for insurances and applying the framework proposed doesn't adequately compensate advisers for the work involved. As a result, there is less activity with Adviser's for younger people in insurance where they are the ones that need professional advice the most as they progress through life stages of education, employment and family.

By allowing upfront and ongoing commissions to be paid to advisers at a level that appropriately reimburses for the provision of 'good advice' the Life Insurance Framework can ensure the sustainability of the provision of life insurance to younger Australians. AMPs preferred approach would be to allow premiums below an appropriate threshold, for example \$4,000, to attract commission above 60% and up to the threshold commission, below \$4,000 can receive up to \$2,400.\*

Appropriate remuneration for services incentivises advisers to provide services to younger Australians, ensures that the clients holistic insurance needs are investigated and, accompanied by the obligation to provide 'good advice' as proposed by the Quality of Advice review, includes a professional obligation to consider alternative products.

---

\* Quality of Advice Review – Response to question on notice Topic: Life insurance advice for super fund members and the middle market, John Towbridge, October 2022.

As a result, younger clients achieve the benefits of a professional advice, including consideration of alternative product providers and product structures, appropriate levels of cover, education and effective support and advocacy in the event of a claim, but the cost is largely funded by the product issuer, in a similar model to mortgage broking, informing competition and innovation in product design.

In the unfortunate event of a claim, the advocacy of a professional adviser in claims management sits in contrast to the obligations of the Trustee who may also act as agent for the insurer.<sup>†</sup> Professional advisers add substantial knowledge, understanding and support in facilitating the most effective claim outcome in a period of distress for the individual client or their family.

Inclusion and retention of younger Australians in the pool of contributing insureds supports effective risk pooling, as each life risk insurance product will reflect a degree of averaging or pooling across healthy lives and less healthy lives. An increase in the number of younger Australians seeking appropriate cover through professional advice, broadly improves the profile of insured healthy lives and contributes to a robust and sustainable life risk insurance product industry more broadly.

#### **6. Do you have any other comments on the regulation of conflicted remuneration under Chapter 7 of the Corporations Act?**

A by-product of an increased number of younger Australian's seeking advice and accompanying increased number of advice providers, is that they create a career pathway for future financial advisers, which is something that has been limited since the reduction of product issuers providing advice. This pathway is important to existing financial advice practices as they seek to recruit for their businesses both now and into the future

Appropriate legislation and guidance should be prepared jointly by Treasury and ASIC in consultation with industry to ensure practical and effective guidance aligned with the purpose of the regulation.

---

<sup>†</sup> Quality of Advice Review – Response to question on notice Topic: Life insurance advice for super fund members and the middle market, John Towbridge, October 2022.