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Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

By email: corporations.joint@aph.gov.au

Dear Sir / Madam,

I am writing to you with regard the current inquiry into the Superannuation Legislation Amendment (Further MySuper and Transparency Measures) Bill 2012 (the "Bill").

I am a small business owner/operator specialising in providing corporate superannuation services to employers in relation to meeting their superannuation guarantee obligations on behalf of their employees. We also provide a range of individual financial services to the employees. The measures contained within the Bill will have significant and lasting impacts on my business and the staff I employ.

In order to understand the type of services that we provide and how we assist our clients with their superannuation needs, I feel it is important that I provide you with some real examples that highlight the benefits our clients receive from our representation.

Example One: Underwriting

We recently assisted a young advertising executive, Mr. A, secure insurance over and above the standard levels of cover provided in his superannuation fund. Mr. A is in his mid 30's and had suffered asthma mildly as a child. The only occurrence of asthma as an adult was while at university (University of New England in Armidale) when he engaged in football training in the very cold evenings.

Since leaving university he had not suffered an asthma attack nor had any symptoms. He never carries a puffer. However because he was a mild smoker, the underwriter applied a 50% loading on his insurance premiums. We found this outrageous and argued on his behalf. The underwriter, upon our clarification of Mr. A's health, reversed his decision and gave the cover at ordinary rates.

The significance of this is that any loading to an insurance policy would have followed Mr. A throughout his life. Whenever he wanted to increase cover, change insurers, or take out a different type of cover, this underwriting decision would have followed him and in all likelihood resulted in significantly higher premiums.



Example Two: Administration mistake

Sadly late last year a client of mine, Mrs. B passed away. Mrs. B was 66 but still needed to work to try and fund her retirement. At the time of her death we were working with her to try and achieve those financial goals. When we started the claim process I noticed that there was a problem. She had no listed death benefit in her superannuation. Her last member statement showed that she had no cover. Her family did not think that she had insurance because she was 66. Her employer thought the same way. I knew differently.

The group policy that the employer had in place stated that the Insurance would be provided to age 70. I immediately requested the insurer provide a copy of correspondence from Mrs. B cancelling the cover. They admitted that there was an error in their administration system and that a benefit was due and payable.

The insured amount comprised a little over 25% of her total superannuation payout. This is money that her family would not have received had it not been for our efforts.

Example Three: Plan membership review

We regularly review the membership of our Corporate Superannuation plans. Late last year, while undertaking one such a review, we came across a corporate member, Mrs. C, who had left employment because of illness. The Human Resource contact in the company told me that she thought that the member had passed away but she wasn't sure. I decided to investigate and try and track the client down.

I obtained a phone number and began calling. Each time I called I got a message bank with the voice of Mrs. C. I called a couple of times a week for approximately six weeks. Finally I spoke to Mrs. C's husband. He confirmed that Mrs. C had indeed passed away from breast cancer. He kept her voice on the message bank so he could hear her voice from time to time. Mr. C and their 6 year old daughter were left to fend for themselves.

Mr. C had no idea that there was a insurance benefit payable under the ex-employer superannuation held by Mrs. C. He was working very long hours to make ends meet and did not see his daughter as much as he would have liked. The benefit that we secured paid out his mortgage, put some money aside for their daughters education, and allowed Mr. C to spend more time with his little girl who has lost her Mum.

Example Four: Rate review

On a regular basis we examine the premiums that are paid by different clients. Most premiums charged are reasonable. However from time to time we feel that clients are being over charged. Thus was the case in two instances this year.

In the first case we felt members of XYZ Pty Ltd were paying too much and we approached the insurer to do a review. As a sign of good faith and commitment to our client, we initially reduced our commission and asked the insurer to do the same. The end result was a 11.3% reduction on Death and Total and Permanent Disability premiums and a 10.5% reduction in Salary Continuance premiums.

The second instance happened when we put UVW Pty Ltd's company superannuation plan out to tender. The superannuation provider that best suited their needs also had the highest quoted insurance premiums. We then negotiated on the fees and charges and insurance premiums on behalf of UVW.



Our efforts resulted in the highest premium quoted being turned around to end up with the lowest premium. The initial premium quoted was \$26,425 and we negotiated it down to \$20,929. This represented a 21% drop in premium from the standard rate.

Under the proposed changes, it is highly unlikely that any of the above examples have opportunity of getting the fair and reasonable outcome that we achieved.

The current Bill provides further details regarding the proposed MySuper product. This product is primarily designed to ensure that employers contribute their employees' superannuation contributions to a default investment product that minimises unnecessary fees and charges in order to promote better retirement incomes. Whilst I generally agree with the principle of the reforms, there are elements to the legislation that cause me significant concern.

The Bill requires that over a period extending to 1 July 2017 all accumulated balances of superannuation members within an existing superannuation products default investment option must be moved to a MySuper compliant product. A MySuper product is expressly prohibited from the payment of commission-based remuneration to an adviser. Therefore, this will result in existing contractual arrangements with the superannuation members being forcibly overturned and voided.

The financial advice industry is currently in the midst of the most significant transformational program for many decades, due to the recent commencement of the Future of Financial Advice (FoFA) legislation. As a result, the financial advice industry is currently undergoing significant changes to the way it interacts with, and is remunerated by clients.

Over time, these changes will ultimately result in the industry being remunerated very differently to how it has traditionally been (ie: largely commission-based remuneration). The viability of many financial planner practices will need to be carefully evaluated during this transition period, and this may have broader impacts on employees of such practices.

However, unlike the FoFA legislation that provides "grandfathering" relief for existing contractual arrangements, the Bill does not recognise or provide for the legitimacy of existing contractual rights of financial advisers.

The Bill effectively seeks to set aside my existing contractual rights, for no compensation. The decision as to when a member will be moved is also completely out of my hands – rather it is the Trustee that has the control as to when they will choose to move members. From a small business perspective I have no control over this process. Therefore the ability to manage the transition for my business, including impacts on cashflow and servicing of customers is completely out of my hands. We have been completely excluded from the transition process.

I left the corporate world 11 years ago to make a difference, and I believe that I have had a positive impact on many of my clients lives. Testament to this is some of the recent examples that I have supplied above. With all the other changes happening the impost of the Bill could signal the end of my business. The two full-time employee and one part-time will be left without work in a struggling employment market. The 11 years I have dedicated to Corporate Super will be wasted and worst of all is that my clients will be left without the representation and protection that they once had.



My understanding is that the broader Stronger Super package of reforms contains a variety of provisions that encourage or force superannuation members to reduce the number of superannuation accounts they maintain. Over the short to medium term, I would expect there to be a significant amount of movement of superannuation balances as a result of the following initiatives:

- auto-consolidation of low-value accounts;
- the ability of superannuation providers to track accounts through the use of tax file numbers; and
- changes to the back office processing of accounts to make it easier for members to consolidate or transport their balances.

I urge this Inquiry to recommend that the existing obligation within the Bill to forcibly move existing superannuation members to a MySuper product be removed from the Bill on the grounds that it is unnecessary given other reforms proposed and that it will result in significant hardship for businesses such as mine, with no appropriate compensation.

Please do not hesitate to contact me should you require further information.

Yours sincerely,

Kind regards

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AUTHORISED REPRESENTATIVE

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