17 November 2016

Mr Steve Irons MP
The Chair
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

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

Dear Mr Irons,

Inquiry into the Life Insurance Industry

ClearView Wealth Limited (ClearView) appreciates the opportunity to provide comments to the Committee's inquiry into the Life Insurance Industry. We believe this inquiry is timely and that its terms of reference identifies a number of issues that are critical to ensuring the industry is appropriately and effectively serving the interests of Australians.

While ClearView is generally supportive of the Life Insurance Framework (LIF) reform package released by the Government in late 2015, we think it is incomplete in a number of important respects.

Most importantly, a lack of progress by the Financial Services Council (FSC) over the last year on an Industry Standard on Approved Product Lists (APLs) has unfortunately vindicated our prediction that the industry – led by its large, vertically integrated incumbent players – is not capable of formulating a meaningful and effective Industry Standard on APLs. ClearView's contention is that "open architecture" life insurance APLs ought to be mandated for all Australian Financial Service (AFS) licensees in order to ensure advisers are able to recommend, and clients are able to access, the most suitable product for their needs.

In this submission, ClearView sets out its detailed views on APLs and the current draft Industry Standard, as well as a range of other issues identified in the terms of reference including group insurance, conflicted remuneration and the recently released Life Insurance Code of Conduct.

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1. About ClearView

ClearView is an ASX-listed financial services company providing quality financial advice and life insurance, investment and superannuation products and services. It includes a registered life insurer, funds management business, superannuation trustee, and two financial advice (AFS) licensees.

ClearView advisers advise on $8.3 billion in funds under advice and $215 million of life insurance premium under advice. As a product provider, ClearView has $2.1 billion of funds under management and $150 million of annual premium inforce.[1]

ClearView could be classified as a vertically-integrated financial services institution. However, we are not part of the large vertically-integrated institutions "club" whose members' conduct would seem to be premised on resistance to competition, resistance to transparency and resistance to change to embrace consumer best interest in the provision of financial advice. One example of this is the club's willingness to continue to argue for and pursue what ClearView calls Conflicted APLs (see further discussion in section 3 below).

2. Life Insurance Industry Structure – Advised Life Insurance

2.1 Introduction

Policyowners pay premiums for life insurance products to life insurers. The cost of the product or cover (the insurance premium) varies from individual-to-individual, depending on their type of cover (death cover, disability cover, etc), amount of cover (sum insured) and the personal circumstances of the person insured (age, occupation, etc). The premiums received are invested by the life insurers ahead of meeting the longer term costs of the cover promised.

The premium plus investment returns are used to pay the costs of the life insurer, which include:

- Claims costs, including reinsurance costs
  - It is common for life insurers to reinsure part of their total risk exposure.
- Administration expenses, including underwriting and policyowner servicing
- Advice costs, including adviser support costs, sales and distribution costs
- The cost of the capital held by the insurer to support the promises made (including a profit margin)

The part of the premium absorbed by each part of the above "value chain" is vastly different. An illustrative breakdown may be in the order of: 55 per cent of the premium for claims costs (and reinsurance); 7.5 per cent for administration; 27.5 per cent for advice (and adviser support, distribution); and 10 per cent for cost of capital and profit.

With respect to the provision of financial advice, the vast majority of financial advisers operate as authorised representatives of a "dealer group", which is an adviser support

[1] All values quoted are as at 30 June 2016.

business that has an Australian Financial Services Licence (AFSL). A minority of advisers operate under their own ASFL.

These dealer groups fall under two broad categories: those dealer groups that are owned by financial services institutions and are typically referred to as "institutionally-aligned" dealer groups or "vertically-owned" (and the advisers operating under those dealer groups are also referred to as "institutionally-aligned advisers"); and those dealer groups that are not part of some larger financial services group and are referred to as "non-institutionally-aligned" (and their advisers likewise are non-aligned).

2.2 Institutionally-aligned advisers

The 2009 Parliamentary Joint Committee Inquiry into *Financial Products and Services in Australia*, known as the Ripoll Report, found at that time that there were approximately 18,000 financial advisers Australia wide, of which 15,000 (around 85 per cent) were either an employed authorised representative of an institution (salaried) or a self-employed authorised representative of an institutionally-owned dealer group.

More recently, ASIC's Financial Adviser Register (FAR) suggested that there are approximately 22,000 registered financial advisers on its FAR. According to the FSC, 38 per cent of these advisers operate under an aligned dealer group with one of the four major Australian banks or AMP.

Self-employed aligned advisers pay their dealer group fees in exchange for services such as compliance, brokerage, software, research, PI insurance, education and training. However, the fees charged by institutionally-owned dealer groups typically do not cover the cost of providing the services. They are typically heavily discounted (subsidised) to attract and retain advisers.

Typically, in exchange for subsidised dealer fees, advisers are encouraged to recommend related-party products. One way this is legally achieved is via the use of restricted Approved Product Lists (APLs) which are populated with in-house products that is life insurance products issued by a life insurer in the same corporate group as the dealer group. Narrow APLs are designed to influence advice recommendations and channel clients into in-house products. Any process in place to recommend products not included on an APL is typically cumbersome and dissuasive. The institutions make money from the widespread distribution (sale) of their products by aligned advisers.

This cross subsidy between product margins and AFSL costs makes it complex for new entrants to compete and means that there is a structural impediment to competition and benefits for consumers that competition can bring.

2.3 Non-institutionally aligned advisers

As discussed above, this category is made up of advisers who either hold their own AFSL or who are authorised by a non-institutionally owned dealer group. A minority of advisers are not aligned to any product manufacturer.

We also refer the Committee to *ASIC Report 498*, Part B which contains a good snapshot of the life insurance industry.

3. Approved Products Lists (APLs)

The Government has tasked the Financial Services Council (FSC) with responsibility for the development of an Industry Standard in relation to APLs. This Industry Standard is a part of the LIF reform package and process subsequent to the reviews undertaken by ASIC, the Financial System Inquiry (FSI) and the Trowbridge Review.

It is important to note that the Government and ASIC have effectively granted the FSC the right to legislate by the APL Standard and to deal with monitoring and enforcement of the APL Standard through the FSC's self-regulatory role. This position is consistent with the FSC's position in relation to the development of the Life Code of Conduct (see further discussion in section 6 below).

While ClearView is currently a member of the FSC, we have reluctantly reached the view that the pro-consumer and pro-competition outcomes sought by the Government will not be achieved if the FSC is permitted to continue its current course in developing its APL Standard. This assessment results from the dominant position taken within the FSC by the large, vertically-integrated institutions who have no motivation to agree to a standard that would remove or even reduce current anti-competitive practices or that would promote competition, innovation or greater choice for advisers and consumers.

3.1 APLs and Current Industry Practices

An APL sets out the financial products that a dealer group (AFS licensee) has approved for recommendation by its authorised representatives (i.e. advisers).

Unfortunately, the current practice with respect to APLs in retail life insurance is very different from the original theory and purpose. As noted in the Trowbridge Review, it is relatively common for licensees to have very few insurers (in some cases only one) on their APL. Where a licensee is owned by a financial institution the customary practice is that its APL include only financial products issued by that financial institution owner and potentially one or two other product issuers. ClearView calls this kind of APL a "Conflicted APL".

We believe that a Conflicted APL potentially involves life insurers and advisers in serious breaches of duty, and in many cases constitutes unconscionable and anti-competitive conduct. Put simply, a Conflicted APL is structurally adverse to improved life insurance customer outcomes and protects incumbents from competition

This practice of Conflicted APLs was acknowledged by LifeSpan Financial Planning in its submission to the (then) Assistant Treasurer dated 30 November 2015 in response to submissions as part of the Trowbridge Review (Lifespan Submission). It stated:

> "the most common outcome for clients is that institutions tend to promote their own products in the main for to do anything else would be a betrayal of the interests of their shareholders, the primary purpose of their existence".

A 2014 Roy Morgan study found that 55 per cent of clients of Financial Wisdom (CBA), 50 per cent of clients of Godfrey Pembroke (NAB) and 48 per cent of clients of Charter

Financial Planning (AMP) thought their adviser was independent even though they were owned by large institutions. This is despite the LifeSpan Submission stating that advisers authorised by vertically integrated companies "are *unlikely* to recommend the most suitable product for their [the client's] needs if that product is provided by another institution" (emphasis added).

Connected with the issue of Conflicted APLs, the Trowbridge Review also notes the practice among some AFS licensees of charging fees to life insurers, often supposedly to support adviser training and education, that is required if the life insurer's products are to be included on the APL (i.e. shelf space fees). Whilst this practice is common place, the fees charged can range from $50,000 to $500,000 annually and are often utterly disproportionate with what is legitimately required for adviser training and education. Nevertheless, the practice of demanding these fees, in a completely unregulated and uncapped manner, where there is no direct correlation with "education and training" costs has continued despite the ban on conflicted remuneration and the axiom that shelf space fees are inherently conflicted.

The current restrictive nature of APLs has escalated the amount that life insurers are being asked to pay for "education and training" to be included on an APL. By requiring licensees to include all life insurers on their APL there would be no reason for such fees to continue to be so disproportionate with what is required for genuine education and training. This would be good for consumers and competition in the industry.

The practice of paying these "education and training" fees for inclusion on Conflicted APLs has the potential to continue, even in circumstances were the proposed legislation concerning monetary benefits and life insurance products is passed. Under current FOFA law, benefits given in relation to education and training are exempt and uncapped, provided certain criteria are met.[2] We expect that if the APL Standard is not altered so as to require that all APRA regulated life insurers are included on every APL that this practice will continue and indeed worsen.

3.2 The Case for Open APLs

The Government's life insurance reform package is a set of reforms that have been informed by the recommendations of various independent reviews of the industry and aims to improve life insurance customer outcomes.

The main reports and regulatory reviews of the industry since the Storm Financial collapse have explicitly or implicitly condemned Conflicted APLs. ClearView contends that, in terms of life insurance product choice, a Conflicted APL is ultimately more damaging to consumer interests than conflicted remuneration. With conflicted remuneration, the customer at least has a choice of product although that choice may be affected by adviser bias through conflicted remuneration. By definition, however, a Conflicted APL deprives the customer, and the adviser, of even that choice.

Of serious concern to ClearView is that a Conflicted APL:

[2] While this discussion refers to "education and training" and the more common purposes cited, in fact fees may legally be charged/paid under FOFA to support education, training and IT systems and support costs of an AFS Licensee. As a consequence, there is substantial scope for dealer groups to charge life insurers prohibitive fees for APL inclusion, especially for new entrants to the market.

- Reduces customer choice.
- Puts an adviser in a position of being unable to recommend that the customer continue with the current product if it is not on the Conflicted APL, despite the adviser's previous advice recommending that course.
- Puts an adviser in a position of offering a new product which is inconsistent with the adviser's initial advice.
- Makes it impossible for the affected adviser to comply with the adviser's legal "best interest" and related duties to the customer.

Open architecture APLs remove these conflicts and give advisers and consumers product choice and access to the most appropriate insurance arrangements. As noted in the Trowbridge Interim Report, such benefits to the customer extend beyond just the "product" (term, condition and price) and can include better response times on underwriting, renewals and enquiries, better modelling or quoting software, tele-underwriting services, specialist underwriting services, more efficient and fairer claims handling, contract terms or pricing.

The need for genuine competition and competitive markets is at the heart of the Government-commissioned FSI Report. The FSI sees competition as the primary means of improving the system's efficiency. There are only 11 providers of retail advised life insurance products in the Australian market[3]. ClearView believes that a competitive market can only be achieved with such a small number of providers where advisers and customers have access to all products and providers in the market.

Competition in a market operates effectively in circumstances where rivals use better strategies, have better skills and work harder to increase market share. A market is entirely anti-competitive where certain rivals do not even have access to the market. Treasury has used a sporting analogy regarding competition law and the proposed "effects test": "[the law] should not seek to prevent a team from winning a grand final by training harder, having better skills or using better strategies, but it should prevent teams from refusing to allow their opponents access to the field."

Symptoms that a market may not be operating in a competitive manner are already apparent in the life insurance industry where dominant players have continued to succeed with increasing premium income selling products with old, outdated definitions and product features, outdated approaches to customer care and service, and little or no market attention given to their approach to claims. In a highly competitive market, where all insurers have equal access to the market, such practices would not be sustainable nor allow such players to flourish.

It is clear to us that current arguments to allow the continued adoption of Conflicted APLs are flimsy at best and are constructed only to protect the interests of vertically integrated product issuers and licensees. We are aware of instances where advisers specifically ask for a competitor's product to be included on their APL and the request is refused on grounds that the licensee has not undertaken any research on the product. Connected with this are comments made in the Trowbridge Report that:

[3] In contrast, the Canadian market has 93 life insurers.

"current processes for advisers to recommend products outside of their APL can be time consuming and difficult so it is common practice for advisers to stay within the APL for most or all of their product recommendations".

It is outrageous that the large vertical institutions (the oligopoly) can be permitted to continue to act to exclude or reduce competition in the industry.

Furthermore, beyond these competition concerns, we think there is a fundamental inconsistency between the (legitimate and important) agenda to drive financial advisers to become genuinely professional and adopt a high ethical culture, yet restrict their activities and recommendations via Conflicted APLs. Conflicted APLs reflect a sales and distribution culture that is the very anathema of a professional and ethical, "client first", culture.

ClearView contends that there are no additional costs to an AFSL holder in having a 100 per cent open APL. ClearView has had an open APL since inception of its business in 2010. It is pertinent to note that boutique, non aligned, AFSL holders have no issue with having 100 per cent open APLs.

3.3 Current Draft Industry Standard on APLs

The FSC's current draft APL Standard would require life insurers to include "more than one product" on their APL, i.e. just two products on their APL. If implemented, this Standard would simply reinforce existing anti-competitive behaviour and encourage large vertically integrated life insurers to continue misusing their market power (and potentially adopt even narrower Conflicted APLs than they already do). Given the proposed reform to the misuse of market power in the *Competition and Consumer Act 2010*, it is extraordinary that the FSC and its large vertically integrated members would contemplate this threadbare formulation.

As ClearView understands it, the rationale for the closed approach in the draft Standard presented by the FSC's large life insurer members is principally based on claims of concerns about the "administrative costs and risks" of maintaining an open APL and/or concerns over the credit standing of some life insurers. As all Australian life insurers are regulated to high risk management and regulatory capital standards by APRA, and given the small number of life insurers involved, any such concerns are spurious and misplaced. Any comparisons made with the investment product market, which involve hundreds of providers and products, is disingenuous (see notes on this attached to this submission).

Regrettably, to date the FSC has displayed an unwillingness to engage with and consider the views of all its members in relation to the development of the APL Standard. This is despite it commissioning two independent reports that provided input on this subject:

- The Trowbridge Report, that recommended that at least 7 life insurers be included on an APL; and
- A Plan for Life Report which specifically addressed options for the APL Standard and recommended at least three insurers be included on every APL (a weak and anaemic proposal in itself).

In response, the FSC has prepared a draft APL Standard stating that two product APLs are acceptable. Indeed, there would seem to be no sanction proposed in the Standard for an APL with only one insurer.

No sensible explanation has been provided by the FSC as to how the APL Standard as currently drafted by the FSC, has drifted so far from even the weakest recommendation from the above reports.

In this regard, it is important to understand that while the FSC claims to represent approximately 44 per cent of the 22,000 financial advisers in Australia, it represents only a very small percentage of dealer groups (AFS licensees). In relation to the APL issue, it is the AFS licensees who are critical as they determine what products are included on an APL. ClearView understands that the FSC represent only around 20 of the approximately 1,300 dealer groups in Australia, and well over half of that 20 are part of vertically integrated groups. Unsurprisingly, the vast majority of dealer groups that are not part of large vertically integrated groups do not have narrow APLs for life insurance (i.e. they adopt open architecture) allowing them to deliver the most appropriate life insurance product and services to their clients.

ClearView contends that if the FSC's draft Standard is implemented it will place many advisers at serious risk of being unable to meet their legal obligations to clients, in particular with respect to the best interests duty and other fiduciary duties.

3.4 APLs: Proposed Action

ClearView does not believe that the FSC and its members will be able to devise a satisfactory APL Standard. Instead, we believe that the Government should either task ASIC with the formulation of a regulatory instrument that mandates open architecture APLs in life insurance, or else direct ASIC to impose a licence condition on all vertically integrated dealer groups (licensees) requiring them to have an open APL.

If ASIC advises the Government that it does not believe it has the necessary powers in this regard, ClearView believes that Conflicted APLs should be prohibited through appropriate legislative changes.

4. Issues Concerning Group Insurance

4.1 Group Insurance: Benefits of an opt-in approach

Many workers automatically get a low level of life, total and permanent disability (TPD) and/or income protection cover when they join a public offer superannuation fund. According to Canstar, 83 per cent of employees receive the default death benefit cover offered via their super fund.

https://www.canstar.com.au/superannuation/insurance-through-super-yes-or-no/

These public offer super funds arrange this cover via "Group Life" policies (essentially wholesale arrangements where the super fund is the policyowner and the policy covers the fund members on a blanket basis). These funds, especially the large funds, have used their size to negotiate particular policy terms and lower margin premiums rates (relative to the aggregate claims incurred).

However, there are several pitfalls with group insurance. While group life cover often appears prima facie "cheaper" overall than buying corresponding cover via standalone retail policies, this comes at a number of underlying costs:

- "One-size-fits-all": The "standard" amount of cover provided, and its terms and conditions, are usually very limited. Life insurance in super usually only provides for $100,000 to $200,000 in cover when research by the FSC estimates full time workers on average earnings (currently exceeding $50,000 per annum) with young children require at least $500,000 to $650,000 in cover. This is roughly only 20 per cent of the cover needed.

  http://fsc.org.au/downloads/file/MediaReleaseFile/2005_0308_fastfacts.pdf

- Lack of member education or advice: A corollary of the above point, as shown via responses to various consumer surveys over recent years, is that many members seem to think the cover they have been provided by their super fund is "sufficient". As indicated above, this is not the case for very many members who end up under insured as a result.

- At the other end of the spectrum, many other members often do not know or understand that they have insurance via their fund so they don't know they are paying for it. Others who do know often don't know how much cover they have. Either way, there is a tendency for these members to not claim benefits they may be entitled to.

- Perhaps worse still, is that members can be covered for benefits they cannot even claim. For example, income protection cover typically requires a minimum level of employment to be eligible to claim. Many part time and casual employees end up paying premiums for cover that provides no benefits at all.

- The above two points can result in some of the lowest paid members seeing their super balances eroded paying useless premiums that merely subsidise the premium rates that are charged to others.

- Further, this also highlights that one of the reasons retail premiums are higher than group life premiums is the former include a significant component to fund the provision of financial advice. Super fund members save on the cost of that advice – but then they do not get the education and advice, resulting in a number of the above issues.

- The healthy subsidise the unhealthy. The automatic-acceptance nature of group life insurance means there are generally no medical exams needed to access cover, and no pricing differential between healthy and unhealthy lives (or indeed often between members with higher risk and lower risk occupations or past-times). The cost of this risk pooling is simply spread over a large, disparate group of people. As a result, some members - such as healthy young women - are disadvantaged and may pay more for group cover than individual retail cover because they are forced to subsidise other higher risk workers. This is not clearly disclosed to members.

It is ClearView's belief that under the current system, many workers have cover they don't know about while others think they are adequately covered when they are not. Some members are actually paying premiums for cover they cannot even use. They are not paying for advice and so do not get any, and they are suffering the consequences.

If the goal of group life insurance is to protect and maximise value for members, this is a highly inefficient system. It hinders optimal behaviour by discouraging members from properly assessing their insurance needs and regularly reviewing their arrangements. Instead it facilitates a "set-and-forget" approach to insurance, giving members a false sense of security.

We believe that some of the shortcomings associated with current group life arrangements can be seen in the recent Annual Report of the Superannuation Complaints Tribunal (SCT) that states that complaints related to insurance and these policies has increased steadily over the last five years. These complaints rose to 9 per cent of the total received by the SCT in 2015/16 from 4 per cent in 2011/12.

ClearView recommends to the Committee that group insurance should be required to be offered on an "opt-in" basis rather than the current opt-out model to maximise the probability of members gaining adequate protection and value-for-money.

We believe a system which requires members to consciously opt-in for group insurance in super will result in a substantial improvement in understanding what they are, and are not, covered for and how much cover they have. This will significantly reduce the number of workers who think they, and their loved ones, are adequately protected when they're not. Importantly it will lead to more workers seeking advice, either via their super fund or a third party, about the type, and level, of cover they need.

This opt-in arrangement will go some way towards addressing Australia's chronic underinsurance problem. In a similar study to the FSC study referred to above, Rice Warner Actuaries estimates that the typical default cover in super only covers 30 per cent of a young family's needs in the event of the death of a parent. Sadly, too many people discover this only when they go to make a claim.

Underinsurance also impacts on Government. Rice Warner estimates the total cost of life underinsurance to Government is $57 million per year; income protection underinsurance is estimated at $260 million per year while TPD underinsurance is calculated to be $1.26 billion per annum.

http://ricewarner.com/australias-persistent-life-underinsurance-gap/

5. Conflicted Remuneration

Over many years, the payment and receipt of conflicted remuneration involving life insurance industry participants (product manufacturers, AFS licensees and advisers) has been widespread. Conflicted remuneration takes many forms – volume bonuses, persistency bonuses, shelf-space fees and inflated education/training allowances – with the common characteristic that they conflict with the duty to act in the best interest of the client by providing the unbiased advice and products that are most appropriate to their needs.

As a relative new-comer which has sought to challenge the established players, ClearView has first-hand experience of how these conflicted remuneration arrangements can inhibit competition and impact consumer outcomes. Shelf-space fees, for example, under which large AFS licensees require substantial payments for listing of an insurer's product on an APL operate as "pay to play" fees that limit competition and the choice of product that can be offered to the consumer.

The *Corporations Amendment (Life Insurance Remuneration Arrangements) Bill 2016* (Bill) that is currently before the Parliament will apply the ban on conflicted remuneration that already exists in other areas of financial services to life insurance. While ClearView fully support this prohibition, we believe there are two important respects in which this must be extended to be fully effective:

- The "grandfathering" relief provided in the Bill relating to existing conflicted remuneration (e.g. ongoing payment of existing volume bonuses) is currently unlimited in duration. These grandfathering arrangements should be subject to a sunset clause so that all conflicted remuneration arrangements cease on 1 January 2021. ClearView considers that this change is critical to ensure that poor behaviour connected with financial advisers who leave clients in old legacy products to preserve grandfathered benefits is eradicated.

- Any payments for "education and training" (which will continue to be permitted under the Bill and play an important and legitimate role in the industry) must be subject to limitations so they cannot be used or abused in a way that limits market access or competition.

    - On the one hand is it critical that dealer groups, especially the non-vertically-owned ("independent") dealer groups, have access to a reasonable level of non-conflicted financial support for education and training to help them drive the improvement in adviser skills, culture and professionalism that will be of benefit to Australian society; but

    - On the other hand, such support should not be able to be structured in a way, for example by vertically-owned dealer groups, so that it operates as a prohibitive shelf-space fee that effectively results in ongoing Conflicted APLs.

For example, a dealer group should not be able to demand of a life insurer a contribution to education and training that is proportionally more than the inforce premium that the dealer group has with that life insurer. Vertically-owned dealer groups should definitely not be able to charge a third party life insurer proportionally more than the value of the support they receive from the related party life insurer.

This same consideration would seem to be equally applicable to demands for such education and training support from wealth product providers.

6. Life Insurance Code of Conduct

ClearView has been a strong and consistent supporter of a Life Insurance Code of Conduct (Life Code) that focuses on promoting consumer, rather than insurer, interests. While the early iterations of the Life Code lacked substance and real benefit for consumers, ClearView is satisfied that the recent version of the document finalised and released by the FSC is of value and should be supported.

ClearView contends that the next essential step in the evolution of the Life Code is for it to meet the standards set out in ASIC's RG183 (Approval of Financial Services Sector Codes of Conduct), and for ASIC to have the power to enforce the Code. *ASIC Report 498* (paras 53,149-157) urges the same approach to the Life Code.

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If it would assist the Committee's deliberations, I would be pleased to have the opportunity to provide evidence in any public hearings that may be held.

Yours sincerely,

Simon Swanson
Managing Director

Attachment: Note on Investment Product Versus Life Insurance Product APLs

Some commentators attempt to draw comparisons between APLs used for investment products, which invariably involve a limited universe of products, and the "need" to allow Conflicted APLs for life insurance. However, there is no genuine comparison between these product situations.

- The very small number of participants in the advised retail life insurance market stands in contrast to the situation of investment product providers with hundreds of providers and investment products.

- All 11 participants in the advised retail life insurance market are prudentially regulated by APRA which has a strong focus on financial viability through prudential standards, guidelines and supervision. The same prudential oversight does not exist for investment product providers. This APRA-based regulation in life insurance provides a strong credit standing "quality control" that does not exist for investment product providers.

- The range of investment products and their risk profiles is very wide and varied. Many are simply not suitable for the majority of advised retail clients. This is simply not the case for life insurance products which largely compete in the "mainstream".

- The costs of researching and assessing the whole of the investment product market, and which includes many "unrated" products, would be considerable. The adviser retail life insurance market has only 11 participants with all of their products rated by professional comparison research houses.

It is entirely specious in a market of only 11 APRA regulated providers, where all products are professional rated by rating houses, to argue that for administrative or risk management reasons there is a need to limit access to particular products.