



The Secretary
Parliamentary Joint Committee on
Corporations and Financial Services
Parliament House
Canberra ACT 2600

Thursday, 23 January 2003

Dear Sir, **RE: Commission Disclosure on Risk Insurance Products**

I am Managing Director and Sole shareholder of Brescm Pty Ltd. My business specializes in providing advice on "risk" insurance only. Our dealer group is Garvan Financial Planning, owned by the National Australia Bank.

We specialize in obtaining insurance cover for non-standard health risks. My background as a Veterinary Surgeon (Graduated Sydney University, 1964) gives me the technical ability to field underwrite non standard health risks and communicate with senior underwriters to obtain the best possible result for the client. Often I am able to obtain cover for a person who has previously been declined.

The effect of risk commission disclosure will be that commission levels in the first year will fall dramatically - perhaps to $\frac{1}{3}$ of their current level, with a higher renewal commission thereafter.

The cost of the insurance to the client will remain the same.

However there will be a dramatic negative effect for the average consumer.

Here's Why: There is a heavy upfront cost in placing risk business on the books. For the average client, this will not be covered by the lower up front commission levels that will prevail.

In addition, some 20% of the non standard risks that we attempt to write are declined. We get paid nothing for the cost of the considerable professional and staff time involved in providing this service.

So risk disclosure will cause us to change direction in the following ways:-

Garvan Financial Planning is a Division of GFM Adviser Services Limited, ABN 99 002 071 749 a Licensed Dealer in Securities and has its Registered Office at 1/15-1/5 Miller Street North Sydney NSW 2260 Telephone 02 9957 8000.

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1. We will only be able to deal with the top 20% of the market, and will no longer be able to provide service to the other 80% - to the detriment of the average consumer.
2. We will no longer be able to afford to provide the specialist service for non-standard risks, as the upfront cost of this service is even higher due to more complicated underwriting and nil payment for clients that are declined.

Many of my colleagues will be unable to cope with this dramatic change and will go out of business. Their special skills are irreplaceable and will be lost to the consumer forever. Risk specialists, in the main, are an older age group, and because of the uncertainties regarding risk commission disclosure, there are very few young risk specialists entering the industry. If risk commission disclosure comes in, the days of the risk specialist will be over. Risk insurance is something that many families really need, but, without the help of an advisor, very few people end up effecting the cover needed to protect themselves, their families and their businesses. With the demise of the risk advisor many families will end up vulnerable.

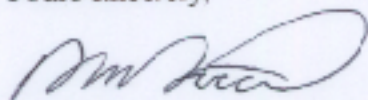
Quite apart from the personal hardship to be suffered by many of my colleagues in small business, the net effect overall will be that the level of service available to the average consumer will decline drastically, which I believe is the opposite effect that the bureaucrats claim they want to achieve.

The reality is that Investment / Financial planning is a totally different business from Risk insurance underwriting. In this ever more complex world, it is very dangerous for an investment specialist to advise on risk insurance, and vice versa. Unfortunately in the zeal to standardize and control all of the different parts of the Financial services industry, reality suffers, as does the average consumer and the small businessman advisor.

Is "The baby to be thrown out with the bathwater?"

Risk commission disclosure is a LOSE - LOSE proposition. Risk advisors, mostly Small business people, lose, and the consumer also loses.

Yours sincerely,



Dr Phil Dixon B.V.Sc
Managing Director - Bresem Pty Ltd