

Hayes Financial Services Pty Ltd

ABN 43 001 653 578 (Business Established 1986)

Broker Representative for Apogee Financial Planning Limited
Registered Life Insurance Broker

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John L. Hayes

Authorised Representative of
Apogee Financial Planning Limited
Licensed Dealer in Securities

Friday, 24 January 2003

THE SECRETARY
PARLIAMENTARY JOINT COMMITTEE ON
CORPORATIONS & FINANCIAL SERVICES
PARLIAMENT HOUSE
CANBERRA ACT 2600



Dear Sir/Madam,

RE: COMMISSION DISCLOSURE ON RISK PRODUCTS

I understand that your Committee, chaired by Senator Grant Chapman, is inquiring into the requirements under the Financial Services Reform Act 2001 to disclose Commissions on Risk Insurance Products.

You will see from my letterhead that I have been working in the Financial Services Industry since 1986.

I commenced as a tied commission agent with a small company named NZI Life. That company was taken over by Zurich in 1990 and I then became a multi agent. At the peak I had nine agencies with different Life Companies.

In 1995 I joined Lend Lease Financial Planning, both as an Authorised Representative in my own right, and as a Broker Representative.

More recently, Lend Lease Financial Planning changed its name to Apogee Financial Planning Limited.

I am the principal in Hayes Financial Services Pty. Ltd. and I have two part-time support staff who are involved in administrative and secretarial duties.

I also employ an accountant/bookkeeper who attends at my office once a month.

I service a large number of clients from an office in Willoughby.

Thus, you can see I am a genuine Small Businessman.

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You will know of the huge number of changes that have been introduced into our Industry over the last ten years, at the Legislative level, and as a result of acquisitions and mergers, and competition.

We have coped with all those changes, and in addition have embarked on a serious Formal Education Programme, as well as introducing and adapting systems to satisfy all Compliance requirements.

There have been good reasons for many of the changes that we have gone through, but not all of them.

We object to Commission Disclosure on Risk Products for a number of reasons that I will set out below.

(1) The premium that the client pays, and the sum insured, are the same amount regardless of what Commission is paid.

(2) It has been my experience in sixteen years in the Industry, that clients are not interested in knowing the details of the Commission that we receive on Risk Products because of the reason that I set out in (1) above.

Clients also recognise that we need to be paid somehow.

(3) We don't think that it is possible to obtain a comparison of Commissions paid on Risk Products, because different companies have different arrangements in place, depending on their different distribution channels, and also depending on different agreements which exist between the Life Companies and different Insurance Brokers.

(4) It's been my experience that if you ask most employees in most Life Companies exactly what commission we will be paid on a particular product, they are unable to tell, and they don't have computer systems in place which can help them. Thus, disclosure would be unduly complex.

(5) There seems to be no easy way in disclosing Soft Commissions.

These matters were discussed at length at a recent Conference when Pauline Vamos was the presenter.

In a question and answer session she readily conceded that there were enormous differences in the way Commissions were paid to different advisers, and I think she also recognised that it would not necessarily be appropriate "for one size to fit all".

(6) If advisers' Commission on Risk Products is to be disclosed, then surely it would also be appropriate for Life Offices to disclose their profit margins on those same products.

Will the Life Offices agree to this?

If not, will it be Unfair Discrimination against advisers, if one party has to disclose Commission, but the other party in relation to the same product does not have to disclose the profit it makes on the sale of the same product?

(7) It will certainly be the case that if self-employed Small Businessmen such as me have to disclose Commission on Risk Products, this could provide an Unfair Advantage to competitors of mine who are working in a salaried position.

(8) If the matters referred to in (6) and (7) prevail, how will such Unfair Discrimination and Unfair Advantage be dealt with under the Trade Practices Legislation?

(9) My understanding is that there has been very little call by the general public for Disclosure of Commission on Risk Products, and that the regulators can't point to any Industry statistics which support the need for such Disclosure, i.e. there is no great body of evidence pointing to the fact that advisers have been misrepresenting Risk Products to the public.

No doubt there are many other reasons against Disclosure of Commission on Risk Products which the Committee should also take into account.

If you are having Hearings in Sydney, and would like to call me as a witness, I would be very happy to attend.

For all these reasons, we formally request that you conclude that no Disclosure of Commission on Risk Products is needed.

Yours faithfully,



JOHN L. HAYES

Financial Adviser

Authorised Representative

Associate of the Financial Planning Association of Australia

Fellow of the Association of Financial Advisers