

R & J HOLT CONSULTANTS PTY LTD

ACN 079 182 853

28th 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 do not believe that disclosure of risk commissions needs to be made when life insurance products are recommended to clients. The client purchases a known level of cover at a known price. The commission does not have a bearing on the end result – i.e. the insurance payout.

After 20 years in the life insurance industry I have just arranged my own Australian Financial Services License allowing me to act as a life insurance broker for my clients. This makes me a genuine Small Business.

The cost of operating a small business must also be taken into account. Operating under my own licence I am responsible for all compliance, training and business expenses. I do not have accrued holiday or sick leave entitlements. It is impossible to compare my operation with that of a Life Office or Bank employee.

With my direct client advising during the last 5 years I have only been asked by clients less than 5 times regarding as to how I am paid. In every case I have replied "By commissions that are built into the pricing of the insurance policy recommended." No client has then asked what percentage of the premium is paid as commission.

As a life insurance broker my initial responsibility is to my client. The insurances I recommend must be pertinent to their situation and within their budgetary constraints. Commission earning does not come into my calculation when I select the recommended products.

I select products from research software, and provide my clients with a recommended policy from a short list of 3 alternatives. This shows that I have

Trading as Eclipse Personal Insurance Services

L 17, 55 Lavender Street, Milsons Point NSW 2061
PO Box 636, Milsons Point NSW 1565

Email roger.holt@eclipsefinancial.com.au

Phone 02 9955 9779
Fax 02 9955 9770

researched the policies available to them and am not promoting any specific company.

When I purchase items like a car, white goods, etc. I do not ask what is their salesperson's income and commission. The important outcome is that I am buying the goods at a price that I am comfortable with.

In the insurance industry there is no common playing field with regards to commissions. Large Producer groups can earn commissions at a higher rate than individual agents. Employees of life offices earn a "Bonus" on top of their base salary.

If commission disclosure is forced onto the industry I believe that many advisers will leave the industry as they would not be able to survive on the lower commissions. Currently the number of RISK advisers is diminishing in the Australian market. This is borne out by the fact that advisers come across less and less competition in the market. The Federal Government has raised this issue last year especially in rural Australia. With even fewer advisers available then more and more Australians will not be in the situation of having their life and income protection insurances established to meet their needs and wishes.

Reduction in commissions paid to advisers does not have a significant bearing on the price charge by the insurer. If I had to charge a fee on top of the reduced commission earned I know that:

Clients would perceive that they are paying twice for the same service; and

The increase in their direct cost would stop a significant number of people buying their insurances.

To ensure that Australians have adequate access to life insurance advisers, providing tangible benefits for themselves, families and closely held businesses in difficult times, the government must ensure that risk advisers providing this important community service are not driven out of their chosen industry because they are unable to generate enough income to keep their businesses operating.

Yours Sincerely,

Roger Holt AFA MDRT
Principal Officer
R & J Holt Consultants Pty Ltd
AFS Licence no. 224561