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25<sup>th</sup> 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 write to you as a person of "some" experience in the insurance industry, having started my career in 1957, 46 years ago. I work principally as a seller of risk products, such as life insurance, trauma (critical illness) insurance, and income protection insurance. I run my own business and have two employees. I commonly work 100 hours per week.

When I first joined the industry I worked in the administration area, and rose to be deputy branch manager, then assistant underwriter for Australia. I became aware, through handling death claims, of the very small sums insured most people carried for life insurance. I was stirred by that wonderful statesman, Sir Winston Churchill, who, when viewing the devastation of the Second World War, made the famous remark "If I had my way, I would write the word "insure" across the door of every household in this country...." In 1968 I moved into the sales side of the industry. Fairly soon, I had an experience which has remained in my mind ever since. I had arranged a life policy on a married man with four children. He had had his medical, and had been accepted subject to a premium loading due to his occupation as a helicopter pilot. To make the Policy in force, he needed to sign an agreement to the loading, and pay the initial months' premium. As he was always "in the air" it was hard to pin him down. One night, as I was leaving my then office about 6 p.m. to go to another client, I decided to ring him. He was home, but was flying off to Noumea the next day, so said to leave it. I persuaded him to let me come to his home that night so I cancelled my other appointment and drove a fair way to his home. Even then, he was saying "I think I'll leave it for now, I'm saving up for my deposit on a home, and then I'll buy it." But his wife backed me, and he signed the form and paid the first month. This was a Wednesday night. On Saturday, I got a call from his wife to say a freak accident had killed him in Noumea. He had been standing by his helicopter at Noumea Airport having a coffee, and a freak gust of wind had blown the blade of the copter into his temple. You can imagine how it felt for me to deliver a substantial cheque to his widow and four children. If I hadn't made that call on that Wednesday night!

Your Committee are looking at commission disclosure on risk products, and I consider this is pointless as the client's premium and end benefit will be the same regardless of the commission paid. What is more important, is that it will be another nail in the coffin of my profession! Many of my associates are retiring early, and very few new recruits are being found. I gave you the true story about the pilot above because I believe very strongly that my job is important. Unless we bring the product to the client, the product won't be bought! Australians generally have the philosophy "it won't happen to me, mate!"

The reason that so few recruits are arriving, is that compliance requirements have become too onerous. It was a hard enough job in the past putting up with doors being slammed in ones face! But now, compliance requires that we do a "Needs Analysis" to determine if someone needs the cover they're asking for. Recently I drove to a client and it took four hours to go through the analysis! Please imagine going to your Holden Dealer, saying you want to buy that Commodore, but he says he must spend hours with you determining what you need!! Oh, as well, he has to tell what commission he makes on selling each different car!

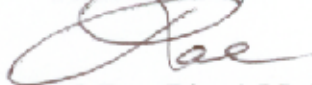
Compliance would be understandable if many Australians were buying too much insurance, or if you had many complaints about adviser misrepresentation (these are down to a 0.001% of policies issued). There are far more complaints about Finance Brokers or shonky valuations on house and land sale packages.

The consumer organizations want to get rid of us "middle-men" so that everybody can just go to the shop counter and buy their insurance. But people won't, or if they do, may buy cancellable or accident only products which are not in their best interests.

Please reconsider your approach in the long-term interest of the Australian people.

Thank you.

Yours faithfully



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