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ASSOCIATED
PLANNERS

Financial

Services

Limited

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Licensed Dealer in Securities
Registered Life Insurance Broker

Friday, January 24, 2003

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



Dear Sir

I understand you are receiving submissions into the requirements under the Financial Services Reform Act 2001 to disclose commissions on risk insurance products.

I believe that "disclosure of commissions on risk insurance products" is irrelevant and confusing to the general public. It discriminates against self-employed distributors such as myself and works better for salaried distributors such as the banks where commission is usually a much smaller part of the equation.

Quality of advice, choice of independently researched products, financial strength and integrity of the insurer, claims payment ability and total cost are far more relevant to the consumer.

If we must have more disclosure then it would be far more relevant for the "product manufacturer" to disclose their "total marketing, sales and distribution costs" rather than one single component of the cost – commission, which is complex and variable at the best of times.

Why not disclose salaries and advertising and sales incentives as well?

I have been a practicing financial adviser since 1988 and have never received any form of complaint about my advice, my sales practices or subsequent service to my clients. My business employs two full time staff plus myself. We operate from commercial business premises in the heart of Chatswood and see 90% of our clients in our office during business hours.

We provide financial advice with insurance and investment solutions to the problems that all people face – **dying too soon, living too long or becoming disabled**. Most people want to be financially independent but unfortunately, the vast majority of Australians will be reliant on Government income support during their time of need in disability and old age. We are helping to reduce this cost!

My business operates as an Authorised Representative of a Registered Life Broker and Licensed Dealer in Securities. We carefully research each and every product we recommend to ensure it meets our group's criteria of quality and security. We then use independent third-party software to compare the costs from 15-30 different insurance companies before selecting a product that best meets our client's needs before making a final recommendation to our clients.

Quality is the primary consideration. Price is a secondary consideration. And obviously, affordability will ultimately determine what and how much cover a client buys but commission is not the determining factor!

However, I am a realist and operate in a commercial world but the actual amount of commission payable to me is totally irrelevant. All I require is that the product I recommend and sell pays me an industry standard rate of commission to my business – but this amount can vary enormously and could be paid as follows:

1. upfront in Year 1 with a small renewal
2. part upfront and balance in Year 2 or 3 with small renewal
3. part upfront and higher renewal
4. level amount each and every year

It takes a lot of time and effort to advise and complete a risk insurance sale but if I were forced to accept 100% of my income as detailed in Point 4 due to "politically correct reasons" of "consumer friendly commission disclosure" then it might just send my business broke or take away my incentive. I must have the right and the option to pick and choose as I see best for my business.

My Adviser Services Guide states that we charge fees and/or get paid commissions on the business we do. Our written recommendations state we receive commission on risk insurance business and fully disclose any fees we charge (our financial planning and investment client's provide a signed acceptance of our schedule of fees before we proceed) as well as a full disclosure of all investment related commissions.

Disclosure of commission on a "risk insurance sale" is just another red herring. It is simply another distracting factor where the potential client becomes confused and elects not to proceed. Australia needs more Australians to take financial responsibility for themselves and to be adequately insured, rather than offload the problem to the Government or future generations.

I urge the Senate Committee to **reject** "commission disclosure on risk insurance" products as it will not create a "level playing field" but rather make it harder for the independent, self-employed adviser and make it easier for the large banks who pay their advisers by salary.

Quality of advice, choice of independently researched products, financial strength and integrity of the insurer, claims payment ability and total cost are far more relevant to the consumer.

Yours faithfully

A handwritten signature in cursive script, appearing to read "Michael", with a horizontal line underneath it.

Michael MacQuillan AFPA
Authorised Representative of APFS Ltd