

# SUGGARS & ASSOCIATES

Financial and Insurance Consulting



29/1/2003

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

Dear Sir,

I am writing to you with respect to the **Disclosure of Commissions on Life Insurance Risk Products.**

I am a risk advisor and have been in the industry for over 13 years. I am a sole operator with no ties to any of the institutions and am able to offer to my clients the best products available without bias. My main business income arises from the provision of life insurance products to clients. I also provide superannuation advice as well as investment advice to new and existing clients. I hold a Proper Authority to provide such advice. In these cases I disclose the commissions and brokerage received because it comes out of the client's monies invested and may affect the end investment result.

In the case of life insurance, it is a product that people buy and keep as long as their need is there. The cost of the product ie. the premium charged, is there for all to see. It is my job to find the most competitive product that provides all the features that are required including the one of major importance – how quickly the benefits will be paid out, without fuss, in the event of a claim. It is a bit like buying a car, a computer or an appliance – will it do the job required and satisfy the need, be reliable and be at an affordable price. No one expects the store or salesperson to tell the client how much they make or earn as a commission on the sale or what the company's gross profit is on the sale and neither should it be on risk insurance.

Life insurance is a product like any other. It is priced and the client can accept it or reject it and they are aware of the outcomes of either decision. I have never been asked what commission is paid on a life insurance product. The important issue is that they are covered in the event of an unforeseen incident.

If I do not give my clients the best product as described above to suit their needs, someone else will irrespective of what commission is paid. They know I have to cover my business costs and to live. If a premium does not fit their budget, it is up to me to work out a way to cover the risk as best as possible and at an affordable price irrespective of what I may earn as commission. If on the other hand they do not proceed with the insurance recommendation, I do not get paid for the time and effort spent in coming up with the recommendation. Commission based selling works like that and life insurance has to be sold.

To draw a meaningful relevance of commission to the value of the product would be extremely difficult because of the way commissions are structured. Should one take an up front commission with a small servicing commission later, a lower upfront with a higher servicing commission or a hybrid? What if the client takes a level premium or a stepped premium.

Jeff Suggars  
Authorised Representative

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The industry is not full of advisors trying to maximise commissions at the expense of a clients needs being covered as we are lead to believe by some of the Consumer Advocacies

Ultimately the client makes the decision based on their needs as to what insurance product they will buy and the price/premium they are willing to pay, not what commission is paid to me or another advisor.

I ask that when looking at the issue of Disclosure of Risk Commission you consider what benefit it would be to a prospective client and how this may influence their decision to buy life insurance. As a consumer myself and having spoken to existing clients on the subject the key issues are:

- 1 Will the product provide the required amount of cover to protect the specific needs and issues,
- 2 In the event of a claim will the insurance company pay out the amount insured quickly,
- 3 What is the premium to protect my interests and can it be afforded.

They and I are not interested in how much the particular insurance company pays to the Licensed Insurance Broker and how much of that is passed on to the advisor just the same as I am not interested in how much a salesman makes in commission if he/she sells me a product that I want and need.

I would be pleased to discuss the matter with you further by phone should you so desire.

Yours faithfully



Jeff Suggars  
Principal