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AXA Financial Planning

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The Secretary  
Parliamentary Joint Committee on  
Financial Services  
Parliament House  
CANBERRA ACT 2600



Dear Sir/Madam,

**Inquiry into the Disclosure of Commissions on Risk Products**

Whilst I agree with the view that there should be full disclosure of commissions on investment products, the same disclosure on risk products should not be made mandatory.

As with any small business, financial advisers have various costs that have to be covered by their income. Part of that income is in the form of fee for service and part is commission. Many advisers now work on the basis of fee for service when they are dealing with investments. However, the structure of the products in Risk Insurance is such that a commission is paid to the adviser on the acceptance of the application and the payment of a premium. Many companies do not permit a dialling down of commission on risk products.

Clients, on purchasing a risk insurance policy, are usually only concerned about the price of the insurance and that the company is able to pay, in the event of a claim. Advisers are the first point of contact whenever a claim is made, causing administrative costs to the adviser at that time. If the commission is dialled down, an adviser may not be able to provide the support to a client at a time when it is needed most.

Small business owners are in a vulnerable position. If there is an onus on the self-employed small business adviser to disclose commission on risk products, this provides an unfair advantage to any competitor working in a salaried position. The cost to the consumer of product distributed by commissioned advisers or by salaried employees has little difference. If it were so, the salaried distribution process would have the majority of the product sold.

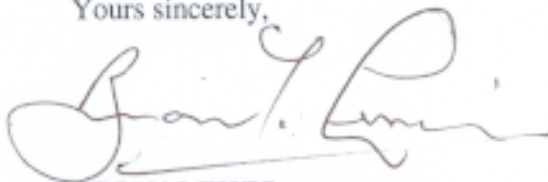
If risk insurance is to be disclosed, then all commission based goods or products must disclose their commission. There are ranges of products that attract commission and must be considered.



My view is that disclosing risk commission is detrimental to the welfare of my clients because of a definite decrease in service that will result. Charging fees at time of claim is very difficult and if there has not been adequate provision of remuneration at some time in the delivery process of the product for the adviser, he will simply leave that market.

I firmly believe that if the disclosure of risk commission is pursued, consumers will seek the cheapest commission rate without fully understanding the consequences. I would encourage the committee to make your recommendations in support of non-disclosure of commission on risk products.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Brian Lewis". The signature is written in black ink and is positioned above the printed name.

**BRIAN LEWIS** *CFP Dip FP*  
Authorised Representative of  
AXA Financial Planning