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The Secretary
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Inquiry into the Disclosure of Commissions on Risk Products

"Disclosure of Commission" is certainly a major factor in investment recommendation. Let's consider the purpose of the 'disclosure" requirements. They are primarily aimed at consumer protection, so that the consumer is provided with sufficient information in considering if a recommendation is best for them, or whether the recommendation is being influenced by remuneration or other benefits.

How far do you take this concept? Should a person selling TVs disclose their profit margin on the sale. It's obvious the person selling the TV has a financial interest for the sale, but how relevant is the profit margin to the consumer in making a decision whether or not to purchase a TV. They can shop around and price will be influenced by competition. If the profit margin was disclosed, some consumers may argue about profit margins and not understand the overheads that a business may face in order to operate properly.

An adviser selling insurance obviously has a financial interest in selling the product, and this is common knowledge as is with the person selling the TV. An adviser is also legally required to provide the consumer with an Advisory Services Guide, which discloses to the consumer the products the adviser is recommended to sell. The consumer, at this point is aware if the adviser only has an interest in a product through one company, a limited range of companies or a wide selection of companies.

The level of commission paid by different companies is very similar, and there would be little incentive for an adviser to recommend one product over another. Disclosing the level of commission would not provide a consumer any useful additional information that should influence their decision. There decision should be influenced by need and cost and certainly these factors need to be openly and honestly made available to the consumer.

Consumers have an obvious need in insurance and in some cases consumers make inappropriate decisions to not take out insurance. If they decide not to insure because they believe the commission paid to an adviser is too high, then this is a disservice to the consumer. On the other hand, if an adviser is forced to dial down commission, then this in turn can have an influence in the service level the consumer receives.

As with the person selling TV, competition should be the factor that ensures prices are kept to a level influenced by normal market trends.

Another major problem that could occur if commission was disclosed is that consumers may purchase a product where the lowest commission is paid, with little or no regard about the relevance of the product to their need.

To protect consumers, they need information that is relevant to their need and purpose. The level of commission paid to the adviser is not relevant and there are no major self incentives that would influence the adviser to recommend one product over another. An adviser who wants to win a client will focus on features, cost and need and this is the relevant information the consumer should look for. We want consumers to make decisions on what is best for them, not decisions on any other irrelevant matter. I therefore don't believe disclosure of commissions will assist the consumer.

Yours faithfully,

Matt Accadia ***Dip FP***
Authorised Representative of
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