Voxpops

A soapbox for the advice community on the industry's big issues

Q. Should risk commissions be banned?

When, not if

"**I HOLD** the view that it is a case of when, rather than if, risk commissions will cease to be a feature of the financial services landscape. Any measures to break the nexus between adviser remuneration and product recommendations would seem to be a move in favour of client best interests. However, it is accepted that the average Australian carries inadequate personal insurance and this situation is reputed to be worsening over time. If this is occurring in a marketplace where commissions are still a prominent feature, one can only imagine the situation would deteriorate should commissions be banned. Perhaps the removal of upfront commission, while retaining stepped and level commission structures, would be a good first step in reducing any 'recommendation bias'."

Wayne Leggett
principal, Paramount Wealth Management

The importance of choice

"**THE OBJECTIVE** we should all be aiming for as an industry is a community that is well informed and properly protected, and access to affordable, quality life insurance advice is obviously a key part of that. We also support the notion of choice for consumers; we believe consumers should be free to choose their channel and how to pay for their advice. There is little doubt that commissions do open up access to advice for consumers who would otherwise be unlikely or unable to seek it. Indeed, research we conducted three years ago found 57 per cent of consumers would leave the market altogether if they were forced to pay an out-of-pocket fee for life insurance advice (instead of via commission) – even if premiums were cheaper as a result."

Richard Dunkerley
head of marketing, life and investments, Zurich

A 'dangerous' idea

"**THE ARGUMENT** about how planners get paid has been hijacked. Rather than focusing on full disclosure, transparency and the value delivered by good advice the emphasis has been on how respective business models charge for their services. No business model delivers good advice per se; it's ultimately the skill of the adviser that does. A range of business models is good because the consumer is then free to choose which model they prefer. Removing commission from insurance is potentially very dangerous since given the internet and the prevalence of direct insurance products, we have consumers with enormous choice. A more practical solution for those concerned about the 'bias' caused by insurance commission is to have standard rates between product providers."

Rob Coyte
CEO, Shartru Wealth

Long overdue

"**ABOLISHMENT OF** risk commissions is long overdue. Where a commission exists so does a conflict of interest. Commission rates vary between insurance products and this means a risk of advice being in the adviser's best interests instead of the client's. Commissions also result in higher premium costs. To fund the payments to advisers, commission-based risk products have higher annual premiums. As the need for insurance is generally longer term, a consumer will typically pay much more in premium costs over the policy term where commission-based products are taken out. Paying a once-off adviser fee that covers product advice and implementation (of a commission-free policy) is usually cheaper over the long term. It's also more likely to be in a client's best interests."

Trent Alexander
founder, Financial Planning Expert