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Insurance firms push for cross-selling reforms

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Independent life insurance companies have attacked a wealth management industry attempt to head off consumer anger on cross-selling of products as a move that showed “contempt for the government, financial advisers and consumers” and have called for federal intervention.

The Financial Services Council, which represents the \$44 billion life insurance industry, has proposed rules that would encourage large financial institutions to broaden the number of products on their approved products lists, used by large corporations, that limit the number of products owned by rivals that are available for their financial advisers to sell to customers.

As revealed by *The Weekend Australian*, advisers at Westpac’s BT Financial Advice have access to just one insurer on their APL — the company’s own Westpac Life. Commonwealth Bank holds its junior advisers to a list of just three — CommInsure, TAL and Asteron — and National Australia Bank allows advisers to only recommend two insurers. ANZ has a master list of nine insurers on its APLs.

Long-awaited action from the FSC on the controversial issue, which featured heavily at recent hearings for a parliamentary inquiry into the scandal-hit life insurance sector, has failed to impress companies trying to break the big banks’ hold on the advice market. The draft proposals would impose only two key requirements on companies. First, to require an undefined range of insurers be added to lists and that companies allow processes for “off APL recommendations”.

The FSC said the creation of approved products lists would be required “to have a reasonable basis and to be formulated with the best interest duty in mind”, but the best practices principles would be “not mandatory”.

Simon Swanson, managing director of start-up life insurance company ClearView, said the proposals shunned the federal government’s Trowbridge report recommendation that lists should include at least half of all life insurers, and completely ignored the industry’s use of shelf-space fees — kickbacks worth hundreds of thousands of dollars to large organisations in annual payments for inclusion on approved product lists.

According to supplementary questions on notice tendered to the parliamentary life insurance inquiry, ClearView was asked to pay around \$500,000 for access to AMP’s various financial advice lists, and around \$150,000 to join Westpac Financial’s list. Aon Hewitt allegedly asked for \$80,000 for admission, while Centrepoint Alliance requested \$100,000. The big four banks and wealth manager AMP control around half of all financial advisers in Australia.

“We certainly support opening up APLs to provide greater access to products for customers,” Anthony Brown, chief executive of independent life insurer NobleOak, told *The Weekend Australian*. “We think it’s in the best interest of clients to have access to more products.”

Mr Swanson said the proposals were proof “the industry could not self-regulate and would achieve nothing in terms of increasing competition, choice and customer best interest”.

While the FSC also encouraged “robust” off-list recommendation processes, which allow advisers to offer any product in the market, supplementary submissions to the parliamentary

inquiry from Westpac's BT Financial show gaining approval for an off-list product is a lengthy process.

According to BT Financial, approval to recommend an off-list product took four days from request, which is reviewed by the group's "advice research team" and "in rare cases" is escalated to senior management.

Mr Swanson said the proposals were too weak to strengthen consumer protections above the lack of requirements currently applied to the sector.

"I can't believe it has taken two years for the FSC to go nowhere," Mr Swanson told *The Weekend Australian*.

"It is very disappointing. It has no regulatory standards to it at all. The FSC really represents the large group or the large vertically integrated groups. It's time for the government to step in and do something."