

Media Release

7 June 2022

Advice Review to determine fate of up to 87% of financial advisers: ClearView survey

Further changes to life insurance commission caps could see up to 87% of financial advisers stop providing standalone risk insurance advice, decimating the life insurance industry and exacerbating the nation's underinsurance problem, according to ClearView's submission to Treasury's Quality of Advice Review (QAR).

Around 67% of financial advisers would stop providing standalone risk advice and a further 20% are unsure if they would continue, if life insurance commissions are subject to further changes.

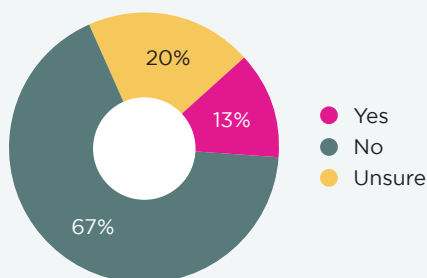
According to ClearView's QAR submission, which is based on a survey of advisers conducted by ClearView between 20 April, 2022 and 23 May, 2022, the Life Insurance Framework (LIF) has had no material impact on advice quality since its introduction in 2018 and has only quashed the ability of advisers to service clients with relatively simple needs.

Instead, the ongoing separation of product and advice - leading to the breakdown of vertical integration and the institutional exodus from personal advice - has had the biggest impact on lifting standards, followed by higher education and training requirements.

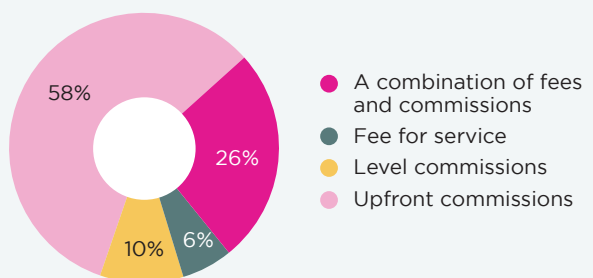
Only 5% of advisers believe LIF has had a material impact on advice quality.

The ClearView Quality of Advice survey also found that the advice industry is heavily dependent on life insurance commission revenue, with 94% of advisers accepting life insurance commissions. Furthermore, 70% of advisers do not plan to change the way they charge for life insurance advice and a further 17% are unsure.

Graph 1: Will you continue to provide standalone risk advice if life insurance commission caps are reduced?



Graph 2: How do you charge for life insurance advice?



Almost 70% of advisers do not believe consumers will pay a fee for risk insurance advice, with a further 16% unsure.

ClearView Managing Director Simon Swanson said it was critically important for the views and experiences of advisers to be accurately represented to regulators and policymakers to avoid unworkable legislation and poor outcomes.

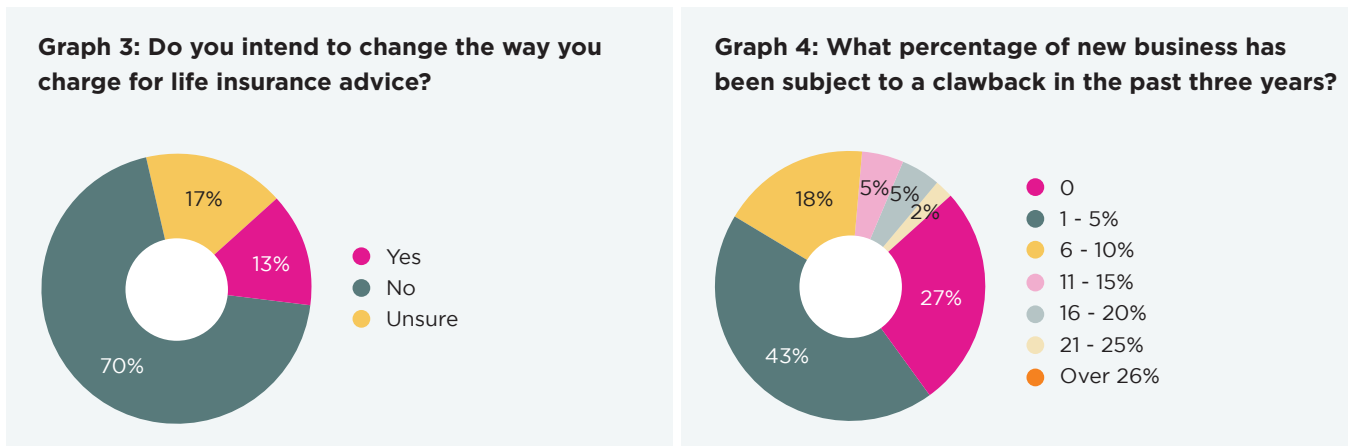
"Advisers are often the ones most impacted by regulatory change but historically their voice has been drowned out by the large institutions and their industry bodies," he said.

“It is clear from our research that advisers are extremely engaged and want to play an active role in shaping the policies that affect their businesses and livelihoods.”

Since the introduction of LIF, 30% of advisers *often* turn clients away and 42% of advisers *sometimes* turn clients away because their needs are too simple and it is impossible to profitability service them, under the current regulatory regime and reduced commission caps.

Less than a quarter of advisers believe that current commission caps (60% upfront and 20% ongoing) are appropriate while 73% of advisers believe they are inadequate.

The sudden, unexpected onslaught of COVID-19 also highlighted the problem with rigid two-year clawback provisions with 62% of advisers indicating that 1-10% of new risk insurance business had been subject to a clawback, due in part to clients suffering financial hardship linked to the pandemic.



The ClearView QAR submission is urging Treasury to simplify advice processes and avoid tinkering with life insurance commission rates to improve advice accessibility, affordability and quality.

“Consumers should be able to choose how they pay for life insurance advice, be that fees, commissions or a combination of both,” Mr Swanson said.

“LIF is not perfect but it is better than some of the alternatives that have been suggested including a complete ban of commissions. Further changes are unnecessary and would have many potential unintended consequences including fewer people seeking professional advice, fewer advisers providing life insurance advice and the financial cost of caring for the sick and injured falling back on families, society and the government,” he said.

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About the ClearView Quality of Advice Survey

The ClearView Quality of Advice Survey was an online survey of financial planners conducted by ClearView between 20 April, 2022 and 23 May, 2022. An invitation was emailed to around 4,000 financial advisers that currently use ClearView products.

The total number of completed responses was 403 advisers. For a list of the survey questions, please contact marketing@clearview.com.au