

Media Release

FSC APL STANDARD SHOWS CONTEMPT FOR GOVERNMENT, ADVISERS AND CONSUMERS

April 13, 2017: The Financial Services Council (FSC) has wasted an opportunity to deal with glaring conflicts of interest that lead to poor client outcomes by delivering an ineffectual Life Insurance Approved Product List (APL) Draft Standard that displays contempt for the government, financial advisers and consumers by allowing sub-par practices to continue, according to listed diversified financial services company ClearView.

The FSC's draft standard, released on Wednesday, imposes only two key requirements on Australian Financial Services (AFS) licensees. Firstly, to apply a reasonable basis to APL construction with a "range" of insurers; and secondly, to have a process for "off APL recommendations".

The draft does not provide guidance on how broad that "range" should be, mirroring the current situation where large institutionally-owned licensees can use their discretion to enforce extremely narrow and restrictive APLs. It also ignores the contentious issue of shelf-space fees and shuns the Trowbridge Report's recommendation that APLs should include at least half of all life insurers.

ClearView Managing Director Simon Swanson described the FSC draft standard as a "Yes Minister" document which confirmed that the industry could not self-regulate and would achieve nothing in terms of increasing competition, choice and customer best interest.

"Despite being charged by the government 18 months ago to develop a new APL standard for the delivery of greater product choice and accessibility for advisers, the FSC has produced a superficial document that will fail to stamp out anti-competitive practices by the large vertically-integrated institutions and therefore won't lead to profound, lasting change and a better deal for consumers," he said.

"Open APLs are essential if advisers are to provide objective advice in the client's best interest however the FSC's dependent relationship with the dominant, vertically-integrated players means that there will be no meaningful progress in the absence of regulatory action."

Mr Swanson added that financial advisers had been subjected to decades of ongoing reform making them more educated and skilled than ever before yet many still weren't able to use their experience and professional judgement to recommend the most appropriate solutions for clients. Instead many remained confined to limited APLs, constructed by bank executives and designed to channel clients into inhouse products.

"It's counterintuitive to ask advisers to be degree qualified, meet continuous professional development obligations and professional standards but dictate to them the products they can and can't recommend," he said.

“Open APLs are critical if the industry is to better manage the conflicts inherent in the vertically-integrated model, remove the product-flogging stigma, gain the trust of consumers and establish itself as a bona fide profession,” he said.

ClearView will continue to petition the Government for mandated open life insurance APLs for all AFS licensees.

It is currently preparing a formal submission in response to the FSC Draft Standard.

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About ClearView

ClearView is an ASX-listed diversified financial services company which partners with financial advisers to help everyday Australians protect and build their wealth, achieve their goals and secure a comfortable financial future.

The group's three business segments: Life Insurance, Wealth Management and Financial Advice are focused on delivering quality products and services.

ClearView is proudly non-institutionally owned with \$171 million of in-force premium, \$2.27 billion in funds under management and 243 financial advisers overseeing \$8.5 billion in funds under management and advice and \$223 million of premiums under advice (as at 31 December 2016).