

## MEDIA RELEASE

# NEW PAPER REVEALS THE SHAMELESS TRUTH ABOUT LIFE INSURANCE COMMISSIONS

Tuesday, 4 June, 2019: Additional changes to adviser remuneration will not lift advice quality or result in improved client outcomes but will only drive up costs, cripple the advice industry and compound the Government's social security liabilities, according to a new paper by listed financial services company, ClearView.

Titled, *Advice culture and remuneration: The shameless truth about life insurance commissions*, the paper presents the case for life insurance commissions as an efficient, widely-accepted remuneration model, tracing its origins as a legitimate business risk management tool.

It cites the science of psychology to demonstrate that human beings are motivated reasoners but their motivation is rarely simply financial. The key determinants of human behaviour are tribal membership and alignment, identity and belonging.

Values and culture play a major role in shaping behaviour within professions and organisations, according to Greg Martin, Chief Actuary and Risk Officer at ClearView.

"It is unfortunate that much of the public discourse around the behaviour of financial advisers is disproportionately focused on remuneration and not the role of industry culture and norms," he said.

"If a culture is unsound then a remuneration structure won't fix it but if a culture is sound, the remuneration structure shouldn't matter much."

"It is critical that any reform agenda addresses the real problems and enacts real change to avoid unnecessarily increasing business costs, which means higher costs to consumers."

The ClearView paper seeks to disprove that commissions lead to poor client outcomes; identify the real cause of poor advice; and emphasise the benefits of variable remuneration structures.

It draws on findings from ClearView's recent Adviser Experience Survey to illustrate the likely unintended consequences of further changes to life insurance commissions.

Based on the group's proprietary research, the vast majority of advice practices depend on upfront commissions and only 2% charge a flat fee for life insurance advice.

Over 80% of advisers do not believe consumers will pay a fee for insurance advice indicating that further reductions in commission caps will force them to focus only on affluent clients who are willing and able to pay a fee.

“Sensible public policy should encourage and facilitate the purchase of appropriate life insurance coverage by more Australian households,” Mr Martin said.

“It should also promote sound, sustainable business management. Today’s commission debate forgets that variable remuneration structures link ‘costs’ to ‘income’ or ‘success’ and allow businesses to better manage their revenue and profitability.”

“The current upfront commission structure is widely-accepted, economically rational and reflects what consumers actually want.”

A free copy of *Advice culture and remuneration: The shameless truth about life insurance commissions* is available at <https://www.futureofadvice.com.au/advice-culture-and-remuneration-whitepaper/>.

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#### *About ClearView*

*ClearView Wealth Limited is an ASX-listed diversified financial services company that specialises in life insurance, wealth management and financial advice solutions. The group partners with financial advisers to help more Australians grow and protect their wealth and achieve their financial goals.*

*As at 31 December 2018, the group had \$240.7 million in inforce premium, \$2.62 billion in funds under management and 242 financial advisers. ClearView has been independently rated No. 1 in claims customer satisfaction.*