From: Adam French
To: Advice Review
Subject: Quality of Advice Review
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2.1. Opportunities to streamline and simplify regulatory compliance obligations to reduce cost and remove duplication, recognising that the costs of compliance by businesses are ultimately borne by consumers and serve as an impediment to consumers' access to quality advice;

2.2. Where principles-based regulation could replace rules-based regulation to allow the law to better address fundamental harms and reduce the cost of compliance;
I'm unsure whether principles based regulation will fix one of the main issues that i believe we currently have which is that licensees (AFSL's) have become so conservative in their reading of existing laws due to the outcomes of the royal commission and the fear that now exists that the only way this conservatism can be fixed is either through clear legislation that is easy to follow or through the providing of clear examples/case studies that demonstrate what ASIC/treasury expect of AFSL's and their licensees. At the moment licensees are so nervous of being caught that they just demand of their practitioners the absolute safest/risk free reading of the current legislation and that just adds time and expense to the process which ultimately pushes advice fees up and prices many clients out of the market. I'd argue for no clear/discernible benefit to the client/consumer either.

2.3. How to improve the clarity and availability of documents and disclosures so that consumers are presented with clear and concise information without unnecessary complexity;
See answer to 2.2 above - in addition to that there must be changes made to allow advisers/planners to more easily give scoped/scaled advice.

2.4. Whether parts of the regulatory framework have in practice created undesirable unintended consequences and how those consequences might be mitigated or reduced.

3. The Review will include examination of:
3.1. The legislative framework for financial advice, including:
3.1.1.Key concepts such as 'financial product advice', 'general advice', 'personal advice', as well how they are used, how they are interpreted by consumers, and whether they could be simplified or more clearly demarcated. It should also consider the role and bounds of advice that is considered scaled, intra-fund or limited in scope;

There should be a clear distinction between financial product advice which should demand of of an adviser a very high level of documentation/compliance akin to the current process that exists (with some improvements) and what you might term 'strategy only advice' where the clients personal circumstances are still considered, there are no changes/switches of existing products/ super funds/ insurance policies. Where advice could be given verbally and documented/outlined in a 2/3 page summary. Cost to consumer might be in the order of $500-$600 as opposed to the $2500+ you'd need to charge to do this kind of work now as a full SOA would need to be provided and product comparisons etc.

3.1.2. Consideration of the safe harbour provision for the best interests duty in line with Commissioner Hayne's recommendation that "unless there is a clear justification for retaining that provision, it should be repealed";

3.1.3.Financial advice disclosure requirements including statements of advice;

3.1.4.Recent reforms to introduce annual renewal for ongoing fee arrangements (Royal Commission Recommendation 2.1);

3.1.5.The life insurance remuneration reforms, and the impact of the reforms on the levels of insurance coverage;

As an example in my own business/experience as someone who has specialised in risk insurance advice:
- from 2010-2018 I would average the successful completion and onboarding of 30+ new risk insurance clients per year.
- in the last 2 years I have averaged the onboarding of 4 new risk insurance clients per year.

This drop in onboarding of new clients can be attributed to:
- Compliance/documentation requirements making the process of providing risk advice longer and more complex and more costly to provide combined with:
- A significant drop in insurance commission

There are some obvious flow on effects (assuming of course these stats are holding true across the industry - which anecdotally at least i believe they are) :
a) Less people are self insured which means more people will be reliant on Government support in the event of disability or death (where there are dependants)
b) The new revenue I generate has decreased substantially - meaning I have had to cut costs - outsourcing administrative functions rather than employing someone in Australia
c) The clients that I do onboard need to be able to afford an annual premium of over $4k pa in order for me to receive enough commission from the insurer to make the whole process profitable.
d) The clients that are no longer getting advice in this area are often the ones that most need it. Young mums and dads with little kids and big mortgages. They have been priced out of the market.

3.1.6.The remaining exemptions to the ban on conflicted remuneration in life and general insurance (Royal Commission Recommendations 2.5 and 2.6); Review of the quality of financial advice 3

3.1.7.The application of the advice framework to certain activities and professions including consideration of Recommendation 7.2 of the Review of the Tax Practitioners Board.

3.2. The processes through which investors are designated as sophisticated investors and wholesale clients, and whether the consent arrangements are working effectively.

3.3. Actions undertaken by ASIC, including regulatory guidance and class orders, and

3.4. The role of financial services entities including professional associations.

4. The Review should have regard to:
4.1. Structural changes and professionalisation of the sector;

4.2. Best practice developments internationally;

4.3. The level of demand for advice and the needs and preferences of consumers;

When given the choice clients almost without exception choose to pay me via insurance commission rather than a flat advice fee

4.4. Enabling innovation and the development of technological solutions including the use of regulatory technology and digital advice. The Review should pay particular attention to how technology and digital advice might enable mass market adoption of low-cost advice, particularly by young consumers, those with low asset values and consumers who do not currently engage with the advice industry;

4.5. Opportunities to reduce compliance costs on industry, while maintaining adequate consumer safeguards;
4.6. Other key regulatory developments, including the Consumer Data Right, the Retirement Income Covenant and the Design and Distribution Obligations.
5. The Review may also have regard to the interim findings of the Australian Law Reform Commission's Review of the Legislative Framework for Corporations and Financial Services Regulation.

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Regards,

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