In opening I would like to say that the "Trowbridge Report" is a comprehensive response to the issues raised in ASIC's Review of Retail Life Insurance Advice and it covers many area's not addressed by ASIC.

Before commenting on the report I would like to make comment on the lack of representation of all stakeholders on the working group.

The Group is made up of representatives of the AFA and the FSC and as such I believe is a poor representation of the stakeholders. ASIC are looking for an industry response to what will no doubt lead to a push for significant industry change. I understand the group has consulted with others but I am not sure that is sufficient given the task being undertaken. I understand that the FPA were approached to participate but they saw a debate on commission as a product manufacturer issue and not an advice issue.

The lack of FPA input will only go further to confuse the publisher of the review (ASIC) who have on previous occasions expressed their frustration at the level of inconsistency coming from the industry from an array of bodies purporting to represent the industry. If there was ever a time for these two advice associations to show leadership to their membership now is that time. These two associations should merge to form the peak industry association and lead the discussion that is now taking place. The AFA and the FPA to me appear more focused on membership growth. We will never achieve the status of a profession until such time as we can represent ourselves as one unified body.

I would like to concentrate much of my commentary to Chapter 4 of the interim report as it suggests as does the ASIC Review itself that there is a desire for definite change in the current structure of adviser remuneration in the retail life insurance space.

I believe that the review released by ASIC is the best thing to have come out of ASIC for quite some time. Having said that, I think it is lacking in that its focus is clearly on upfront commissions being the cause of bad advice, and therefor a debate now around commission as being the solution to bad advice. It is clear that all parties involved see that the issue is wider than just commission, but to concentrate on that in isolation with only a few industry participants taking part can only lead to a less than optimal result. This discussion should not be rushed and should include all stakeholders not simply those represented by this working group.

The ASIC review has identified that there is a problem within the industry (and they are part of that industry and part of the problem), it has a considerable focus on a symptom of the problem rather than delving deeper to identify the root cause(s) of the problem, and fixing it/ them. The "Trowbridge Report" is an interim response to that symptom that raises a number of causes. It is fair to say that the symptom (bad advice influenced by high up front commissions) is only occurring because a combination of industry participants are not adhering to or applying the laws, regulations and guidelines as they should, because if they were then the bad behaviour would not be evident at an unacceptable level.

I do not agree with the Trowbridge Reports early call on the need for change on initial commission arrangements, that is the same as pronouncing the patient dead before undertaking an examination.

I do not believe the finding that 37% of life insurance advice was bad is a true reflection of what is happening across the entire industry, despite ASIC going to great lengths to explain their methodology. Many in the industry have questioned whether it is a true representation, ASIC knew what they were looking for and they knew where to look. With 37% of bad advice it is much easier to run a change agenda than if that number were closer to 20%. There has certainly not been enough information published by ASIC on its file surveillance, where has the bad advice been provided from? Are their identifiable pockets of bad advice? There is just not enough evidence that has been tabled to date to support the need for sweeping changes.

At the end of the day there may well be reason for change but let's examine the issues causing the bad behaviour first and don't rule out no change as an option before that conclusion has been properly reached.

The Trowbridge Report identifies the multitude of issues and suggested responses and the stakeholders that should be involved in the "industry" response, licensees, advisers, industry associations, product manufacturers, reinsurers and those seeking advice. They clearly missed a major player in ASIC themselves.

Everything that has occurred since FSR in 2004 has added to the complexity and cost of providing advice in the financial services industry. Advice is now out of reach to many people because the cost of providing that advice is greater than the remuneration by way of commission it generates or the individual is prepared to pay for. This situation was the perfect breeding ground for the huge growth in the Direct Marketing of life insurance. ASIC are well aware of the differences that can exist between a direct life insurance product and a retail life insurance product obtained through an advice channel, I don't see them educating the buying public about the differences. Don't get me wrong FSR and FoFA have both bought very positive change to this industry but they have both resulted in unintended consequences, let's make sure this does not occur again.

I think the discussion should spend some time on the different products being provided to the insuring public through the advised, group and direct channels and education be provided to point out those differences in the product offerings. To the general public it is just insurance, all the same however we know and ASIC knows this is not the case but whose responsibility is it to inform the public. If this issue is not addressed this will be the time bomb for the future.

We currently have the laws, regulations and guidelines in place to solve these issues, we have just lacked until now the will to effectively implement them as they were intended. Society is a mixture of good and bad, for the really bad we build prisons, for the not so bad we can identify them, remediate them, or if not, remove them. This is not being done effectively within our industry.

A change in current commission levels will lead to down-stream changes in the shape of the industry, the small adviser firm will struggle and certainly new entrants will decline in number. I do not think this is a desirable consequence. I think that this will result in the big getting bigger and the small struggling. Consider the consequence of any change before its implementation. This report requires further time for consideration.

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