

Parliament of the Commonwealth of Australia

**Sixth Report of the
Senate Select Committee on Superannuation**

**Super — Fees, Charges
and Commissions**

Canberra

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CONTENTS	Page
Members of the Committee	i
Contents	iii
List of Recommendations	v
Chapter 1 Introduction	1
Chapter 2 Consumer Case Studies	7
Chapter 3 A Case for Disclosure	19
Minority Report Senator Cheryl Kernot	55
Appendices	
A. Terms of Reference	57
B. Table of Complaints	59
C. List of Submissions re On-going Inquiry – in Numerical Order	67
D. List of Submissions re On-going Inquiry – in Alphabetical Order	75
E. List of Witnesses re On-going Inquiry	83
F. LIFA Statement on Reforms	89
G. Glossary	99

LIST OF RECOMMENDATIONS:

(Chapters 1 and 2 do not contain any recommendations)

Recommendation 3.1:

The Committee recommends that information provided to potential policy holders be presented in a brief and standardised format which will allow consumers to compare different products. (This information would be in addition to the more detailed contractual information.)

The Committee further recommends that the brief and standardised information include:

- *a written description of each investment option facing the consumer and an outline of the general policy and strategy of the fund;*
- *a written description of all fees and charges, (including any initial, ongoing and/or termination fees/charges) and, where these are variable, the minimum and maximum charges;*
- *details of any penalties which may be imposed on early termination of the policy and the method of calculating these charges; and*
- *details of the dispute resolution process which can be accessed if the consumer believes the advice or information provided may be inaccurate.*

Recommendation 3.2:

The Committee recommends that, in conjunction with investment information, a 'needs analysis' based on the consumer's individual circumstances and preferences should be carried out and retained by both the life office and the consumer as verification of advice to the consumer.

Recommendation 3.3:

The Committee recommends that the ISC encourage the adoption by the industry of standard clauses within promotional material and contract documentation and the adoption of plain English documentation.

In implementing this policy, appropriate material for consumers from a non-English speaking background should also be developed.

Recommendation 3.4:

The Committee recommends that life insurance agents disclose both orally and in writing the amounts of commission, as well as other benefits that accrue to them, as a consequence of the sale of personal and group superannuation products.

Recommendation 3.5:

The Committee recommends that any new commission disclosure scheme applying to life insurance agents be reviewed by an appropriate Senate Committee within three years.

Recommendation 3.6:

The Committee recommends that, to distinguish the role of the different types of agents and life brokers, agents should be required to disclose:

- *the organisations with which the agent holds agency agreements;*
- *whether the agent is acting for the life office(s) with which the agent holds agency agreements and the nature of the fiduciary relationship with the life office;*
- *whether the agent is remunerated in whole or in part by commission on behalf of the life offices for selling the companies' life products;*
- *whether the commission will be paid from charges imposed by the policy; and*
- *the manner in which early surrender charges will be calculated.*

Recommendation 3.7:

The Committee recommends that the Prices Surveillance Authority closely monitor the level of fees, charges and commissions applying to superannuation products and report on its activities in this area in its Annual Report to Parliament.

Recommendation 3.8:

The Committee recommends that the Insurance Contracts Act be amended such that the term 'free look period' is replaced by 'cooling off period' and made to apply to all personal superannuation plans.

Recommendation 3.9:

The Committee reiterates its recommendation in Safeguarding Super that an external review body be established to adjudicate on superannuation disputes.

The Committee further recommends that Government's proposed dispute resolution tribunal adjudicate on consumer complaints arising out of personal superannuation contracts entered into after 1 July 1992 where these have not been satisfactorily resolved at the company or industry level.

Recommendation 3.10:

The Committee recommends that the ISC and key superannuation industry groups representing the interests of consumers and providers, combine to develop and implement a five year superannuation consumer education strategy for implementation in early 1994.

Recommendation 3.11:

The Committee recommends that consumer counselling services be provided by the ISC in each of the capital cities and major regional centres.

Recommendation 3.12:

The Committee recommends that the industry establish and maintain an agent registration system, together with a code of conduct to be approved by the ISC.

Recommendation 3.13:

The Committee recommends that the ISC report annually on developments in the area of agent registration and that in three years an appropriate Senate committee inquire into and report on this matter.