

23 September 2022

Attn: Secretariat, Quality of Advice Review

Financial System Division

The Treasury

Langton Crescent

PARKES ACT 2600

Email: AdviceReview@treasury.gov.au

Good afternoon,

Subject – Quality of Advice Review - Proposals for Reform Consultation Response

Thank you for the opportunity to respond to the Quality of Advice Review - Proposals for Reform.

Please see attached Resolution Life's response to specific questions. We have taken the opportunity to respond to aspects that we believe require input and consideration.

Resolution Life looks forward to working closely with Treasury in continually evolving the advice industry.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D Waller', with a long horizontal flourish extending to the right.

Dan Waller

Head of Business Partnerships and Underwriting, Resolution Life

Quality of Advice Review - Proposals for Reform Consultation

Introduction

Resolution Life Australasia is pleased to submit its response to the Quality of Advice Review – Proposals for Reform. The submission provides a high-level overview of Resolution Life Australasia and its responses to relevant questions posed as part of the proposal.

The Quality of Advice Review – Proposals for Reform is an important initiative as it looks to enhance the regulatory framework for financial advice. Resolution Life Australasia welcomes the opportunity to provide input into this key process that will ultimately benefit customers through the provision of quality, accessible and affordable advice.

About Resolution Life Australasia

Resolution Life Australasia is part of the Resolution Life Group, a global life insurance group focusing on the acquisition and management of portfolios of life insurance policies. Resolution Life Australasia has approximately \$30 billion in assets under management and is a well-capitalised business with a dedicated focus on servicing its existing 1.1 million customers and providing them with competitive premiums, quality investment management, good customer service and efficient and claims management.

Resolution Life Australasia's portfolio comprises superannuation and investments products (including Whole of Life, Endowment, Investment Accounts and Annuities) and wealth protection products (Including life, TPD, trauma and income protection insurance). The company provides products and services to existing customers, manages assets, delivers on commitments to customers through the payment of annuities, maturities, conversions, and policy surrenders and through the payment of death and disability claims. The company also supports our customers in providing specialist return to work strategies and services.

Resolution Life Australasia Submission

Please see Resolutions Life's responses to specific questions. We have taken the opportunity to respond to aspects that we believe require input and consideration.



Australian Government
The Treasury

TSY/AU

Quality of Advice Review

Template for response

September 2022



Consultation process

Request for feedback and comments

Interested parties are invited to provide feedback on the proposals for reform listed in the Quality of Advice Review Proposals Paper using the template in [Appendix 1](#). Consultation will close on Friday 23 September 2022.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses in a Word or RTF format via email. An additional PDF version may also be submitted.

Publication of submissions and confidentiality

All of the information (including the author's name and address) contained in submissions will be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment.

Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission.

View our [submission guidelines](#) for further information.

Closing date for submissions: 23 September 2022

Email	AdviceReview@TREASURY.GOV.AU
Mail	Secretariat, Quality of Advice Review Financial System Division The Treasury Langton Crescent PARKES ACT 2600
Enquiries	Enquiries can be initially directed to AdviceReview@TREASURY.GOV.AU

Appendix 1: Consultation template

Name/Organisation: Resolution Life Australasia

Questions
Intended outcomes
<p>1. Do you agree that advisers and product issuers should be able to provide to personal advice to their customers without having to comply with all of the obligations that currently apply to the provision of personal advice?</p>
<p>We believe that enabling more customers to more easily access good advice through the method of their choice is a significant step forward in helping the Australian public achieve their financial goals. It is clear that many Australians do not seek advice or have it readily available to them. There are a number of reasons for this including:</p> <ul style="list-style-type: none"> i. Reducing distribution capacity (i.e. adviser numbers dramatically reducing to currently 16,404 (as at 30/6/22) from 27,959 (2018)) - Source: AdviserRatings ii. Cost of advice, restricting those that can access personal advice due to affordability iii. Advice not available via a method people want to access it. 78% of customers use mobile devices to connect with brands for customer service and this increases to 90% for millennials (Source: Forbes) <p><u>Advisers</u></p> <p>Professional, qualified Financial Advisers should be able to provide personal advice to their customers in a framework that reflects their qualifications and experience. Onerous disclosure and compliance does not result in the customer being more informed about the recommendations and associated risks, and rather acts as protection against complaints rather than a mechanism to educate and inform customers. We would also suggest it does not lead to better customer outcomes and in fact may have the opposite impact as the information is daunting and confusing potentially leading customers to have a lessor understanding of the advice. At Resolution Life Australasia, we understand the benefits of quality advice and the benefits of advice for our customers. We agree that there should be reductions in the complexity of advice, primarily for the benefit of customer access and understanding.</p> <p><u>Product Issuers</u></p> <p>Customers have an expectation that product issuers can help them decide what they should do with their products. Currently, it is quite difficult for the institutions to assist customers due to advice restrictions and limitations. Customers want opinions and guidance. Therefore, the current obligations need to be addressed to support institutions assisting customers with their requirements. It is important that any advice is well managed, and a structured framework is established to avoid circumstances where customers are not getting recommendations based on what's beneficial for them and in the context of their situation. Therefore, we believe that</p>

product issuers should be able to provide personal advice, in the context suggested, to customers based on their specific questions and needs. It is also important that customers understand any limitations of such advice.

What should be regulated?

2. In your view, are the proposed changes to the definition of ‘personal advice’ likely to:

- a) reduce regulatory uncertainty?**
- b) facilitate the provision of more personal advice to consumers?**
- c) improve the ability of financial institutions to help their clients?**

Each of a), b) and c) could be achieved with the proposed changes to the definition of personal advice; however, there are a number of factors that are worth further consideration. The impact of the proposed changes is one element, the implementation and ongoing enforcement of the proposed definition change is another key element. To improve the outcomes for customers in this sector, the changes recommended by the QAR need to ensure they focus, among other things, on providing clarity to the advice provider. The current regulatory regime places emphasis on the disclosures made in the Statement of Advice to protect the provider from dispute or claim, and over years these disclosures have become more onerous and complex, which is counter to the purpose of providing structured written advice recommendations. This is contributed to by advice providers seeking to protect themselves against possible complaint or claim, and as such have moved away from simplified documentation.

Simply reducing regulation or introducing flexibility of approach to evidencing recommendations and the advice process may in fact have the opposite impact to what it intends; in that providers will remain fearful of legal consequence and so will continue to revert to lengthy disclosures and documentation, which will likely be disparate across the industry. Unless the proposed changes are followed by a supervisory environment that provides absolute clarity of obligations, advice providers will be obligated with interpretation and therefore possibly take a more risk averse impact to avoid future penalty or complaint, particularly given the experiences over the past few years including Royal Commission.

3. In relation to the proposed de-regulation of ‘general advice’ - are the general consumer protections (such as the prohibition against engaging in misleading or deceptive conduct) a sufficient safeguard for consumers?

- a) If not, what additional safeguards do you think would be required?**

The provision of General Advice should be limited to factual information that does not take into account a customer’s personal circumstances or needs.

Anything over and above that should be considered to be personal advice and regulated as such. While the existing general customer protections do provide safeguard against conflicts of interest or bias, greater clarity is required on exactly what constitutes personal advice; and what does not.

Is there a framework that can be constructed which informs a customer about their financial products, allowing them to ask of a product provider or even a Financial Adviser specific targeted questions that will not constitute consideration of their personal circumstances? The current challenge with provision of general advice is that customers are not educated or informed and so any questions that are asked could then be perceived as personal advice considerations rather than general information about their product, features and costs.

Clarity and a structured framework around what can and cannot be discussed in an advice setting would provide additional safeguards.

How should personal advice be regulated?

4. In your view, what impact does the replacement of the best interest obligations with the obligation to provide 'good advice' have on:

- a) the quality of financial advice provided to consumers?
- b) the time and cost required to produce advice?

a) Best Interests Duty (BID) has been in place for several years now, and provides a structured framework around provision, documentation and compliance validation of advice. Whilst there continues to be elements of ambiguity in BID, as well as onerous compliance burden, there is also a great deal of clarity that comes with the explicit nature of the legislation. Replacing this with an obligation to provide 'good advice' is something that would likely be welcomed by the industry and customers. This is because it will likely reduce the compliance burden on the provision of financial advice and enable greater customer support opportunities and thus access to advice.

There is a potential impact that introducing 'good advice' obligations in replacement of BID will actually re-introduce ambiguity into the advice process and the provision of financial advice, again placing the onus on the advice provider to interpret and determine what constitutes 'good advice', which is open to interpretation of the Regulator and the Courts. If a change is to be made in relation to the obligations around advice provision, it must consider the way in which absolute clarity can be provided to advice providers that the advice provided meets the required standards, otherwise the industry will be disparate in its enforcement and compliance with the obligations. This could have an impact on the quality of financial advice and a large variation from provider to provider.

b) Adhering to the requirements of BID adds complexity, time and cost in the production of advice documentation. It can be argued that the impacts caused by BID have limited benefits for customers. However, changing from BID to 'good advice' obligations is likely to not significantly remove the complexity if the same level of product research and comparison is required, the same level of customer fact finding and understanding is required, as well as modelling and producing clear

recommendations to customers. Each of these key elements may still be required, albeit perhaps in a different format and manner, to demonstrate that the advice is indeed 'good' and suitable for the customer.

5. Does the replacement of the best interest obligations with the obligation to provide 'good advice' make it easier for advisers and institutions to:

- a) provide limited advice to consumers?**
- b) provide advice to consumers using technological solutions (e.g. digital advice)?**

- a)** The short answer would be yes. The supporting rationale for a change from BID to 'Good advice' is that advice can be more easily measured and assessed than conduct, which is true in many respects. However, conflicts do exist within the advice process and need to be effectively managed, and these are often as a result of conduct, via advice. To assess whether the advice provided to a customer is 'good', a consideration would need to be made of all the facts that are present at the provision of advice; the customers circumstances, suitability of product, fees vs other features that are deemed important by the customer etc. The advice could be perceived to be 'good' advice, such as consolidating multiple superannuation funds into a single fund to reduce cost, but if all elements are not considered and appropriate products selected, the 'good' advice strategically may be undermined by the 'poor' product advice. The clarity of what 'good' is relative to the 'best' advice needs to be considered. As such, this presents the challenge with the provision of limited, or scoped advice. In an environment where the advice is assessed only as 'good' or 'bad', limiting provision of advice can influence the outcome of whether that advice is indeed 'good' or 'bad'.
- b)** Digital advice availability is the key to making advice more accessible and affordable for customers. Digital advice can have many benefits, both to customers in terms of the way they access, receive and understand recommendations, and to advice providers as both a cost reduction vehicle in the provision of advice, as well as a compliance framework to ensure obligations are met. The 'good advice' structure will greatly enhance the ability for organisations to provide a high-quality digital service that is in high demand by customers. A major inhibitor to the success of digital advice solutions in Australia to-date has been the complexity of the regulation and the ability to automate components of this, considering the seemingly infinite number of variables.

6. What else (if anything) is required to better facilitate the provision of:

- a) limited advice?**
- b) digital advice?**

Providing greater ability for digital scoped advice would be a beneficial contribution for customers. However, to facilitate better provision of both limited advice and digital advice, customer education and acknowledgement is key. Enabling Advisers and product issuers with the ability to provide both limited advice and digital advice will lead to more customers seeking and receiving advice. Australian customers will therefore need to be educated about the limitations and risks of either limited or digital advice, before the provision of these advice types. This would ensure that there is a reduced need for lengthy disclosures and that a larger onus is placed on customers regarding the suitability of the advice they receive and its limitations. Deploying standardised content similar to ASICs MoneySmart website and ensuring that customers acknowledge that they understand limitations of different types of advice could then clear the way for provision of limited and digital advice channels, to the appropriate customers.

7. In your view, what impact will the proposed changes to the application of the professional standards (the requirement to be a relevant provider) have on:

- a) the quality of financial advice?**
- b) the affordability and accessibility of financial advice?**

- a) The proposed changes to the application of the professional standards will likely have positive results on the quality of financial advice, because it further empowers the relationship between the advice provider and customer and ensures compliance with relevant professional standards. As these standards are adhered to, and professional qualifications received, the quality of advice provided across the industry will improve. In the past, the financial advice industry has had a wide range of qualification and experience levels, and as such has contributed to a myriad of experiences that customers have with advice providers. Following the education requirements of FASEA, and moving to a relevant provider framework, will further synergise the industry and quality of advice that is to be expected from any authorised entity.
- b) The cost of advice may be reduced depending on the complexity of the advice being sought. In terms of the impact on affordability, it's important to consider what currently contributes to the cost of advice. Production of lengthy advice documents is one component, however the requirement to ensure that a full and complete understanding of the customer is undertaken, appropriate product research and liaison with product providers, modelling and strategy design and then the presentation and implementation of recommendations is another. Whilst changes to the framework may alter the way and what components of the process are done, and somewhat reduce time taken, these components will remain vital for the provision of quality recommendations depending on the circumstances. As a result, the cost of advice will likely reduce in certain circumstances but may not be significantly reduced in more complex advice situations.

8. In the absence of the professional standards, are the licensing obligations which require licensees to ensure that their representatives are adequately trained and competent to provide financial services sufficient to ensure the quality of advice provided to consumers?

- a) If not, what additional requirements should apply to providers of personal advice who are not required to be relevant providers?**

In theory, yes, the existing obligations placed on licensing obligations are sufficient under the current framework. However, the implementation of these requirements has often been left to the licensees which has resulted in variance in application. The requirement to satisfy a certain level of CPD points does not necessarily lead to greater educational outcomes, and there should be an emphasis placed on advice provision and customer outcomes.

Superannuation funds and intra-fund advice

9. Will the proposed changes to superannuation trustee obligations (including the removal of the restriction on collective charging):

- a) make it easier for superannuation trustees to provide personal advice to their members?
- b) make it easier for members to access the advice they need at the time they need it?

- A) Yes. However, consideration should be given to expressly adjusting the sole purpose test to include the provision of advice.
- B) Yes, particularly where it will likely make the process of validating that it is acceptable to charge easier and therefore simpler to deduct. This will be the case for more complex advice. Whereas simple digital advice will likely be charged as a whole to the fund.

Disclosure documents

10. Do the streamlined disclosure requirements for ongoing fee arrangements:

- a) reduce regulatory burden and the cost of providing advice, and if so, to what extent?
- b) negatively impact consumers, and if so, how and to what extent?

NA

11. Will removing the requirement to give clients a statement of advice:

- a) **reduce the cost of providing advice, and if so, to what extent?**
- b) **negatively impact consumers, and if so, to what extent?**

- a) Yes, not sure of the quantum but circa \$1200. However, the cost of a SOA is not simply the production of the SOA as it is the collation and preparation of the information to populate the SOA.
- b) Potentially because there may be a reduction in effort and focus on customers outcomes as there may not be a specific document confirming or outlining the recommendation.

12. In your view, will the proposed change for giving a financial services guide:

- a) **reduce regulatory burden for advisers and licensees, and if so, to what extent?**
- b) **negatively impact consumers, and if so, to what extent?**

a) A Financial Services Guide, whilst making a contribution, does not significantly increase the cost of advice provision. Often, Licensees provide a template for the FSG, and once the template is correct and complete, it is a matter of providing this to customers before advice is provided. The templates themselves could be simplified, and the suggestion of having the information readily available on a website is a good one, however it is worth bearing in mind that Practices may wish to not have their advice fees and fee structure visible for all to see, in a bid to differentiate their offering with pricing. An alternative suggestion could be to have the details on a privately available website that is accessible to customers, where logs could also confirm that they did access the information. The FSG contains a range of generic details, most of which are not considerations for a customer. Replacing this with education around the advice process, how fees are charged and any conflicts could be done in many ways rather than a templated document.

b) No, the impact should not negatively impact customers as the information would still be available in one form or another.

Design and distribution obligations**13. What impact are the proposed amendments to the reporting requirements under the design and distribution obligations likely to have on:**

- a) **the design and development of financial products?**
- b) **target market determinations?**

- a) When DDO was implemented, it was apparent that there is crossover between Best Interest Duty and the requirements of DDO. DDO as legislation has the most impact (and benefit for customers) via product providers, rather than Financial Advisers who already have a duty to ensure products are suitable for the needs of their customers. This added further complexity and reporting to Advisers, and technology providers have not been forthcoming with innovative solutions as yet. The proposed amendments to simplify reporting to issuers only where there is a complaint will be welcomed and is a good common-sense improvement. Placing additional onus on providers of personal advice who are not relevant providers is also a good proposal, to ensure quality is maintained for those who do not meet the definition of a relevant provider.

- b) There was a consistent view within the Advice industry leading up to the implementation of DDO that product issuers were creating TMDs that were sufficiently “wide” to capture the overwhelming majority of customers, and as such was not providing an effective vehicle for excluding certain customer groups from certain products that was not already satisfied under BID requirements. As such, ensuring that relevant providers only supply product issuers with reporting in the event of receipt of a complaint will mean product issuers will have a narrower view of the issues and unsuitability of their products for certain customer groups than receiving broader reporting, which should lead to TMDs being more tightly constructed and products more suitable in a bid to reduce ongoing complaints.

Transition and enforcement

14. What transitional arrangements are necessary to implement these reforms?

The suggestion of transitional arrangements that include the ability to opt-in early is positive, as it allows greater time to understand and implement changes to process and policy. It allows institutions and providers to act as soon as practical to support customers and enhance Australian’s receiving advice. It’s important to recognise the period of change that the Advice industry has gone through over the past decade, and the nature of additional regulation and change which has come in smaller changes rather than a holistic review and restructure. Introducing new changes, with all their benefits, could have a detrimental impact in the provision of quality and cost-effective advice short term if not done in a manner that connects all the changes to the current operating environment. A transition window spanning at least 12 months as a minimum, with a grace period of adoption post implementation of another 12 months could be an effective timeframe to introduce changes to the industry.

General

15. Do you have any other comments or feedback?

Overall, the Quality of Advice Review provides some real opportunities to dramatically increase access for customers to receive appropriate, beneficial, readily available and cost-effective advice. The QAR will also likely address the significant drive and adoption of digital by Australian customers. Making advice simpler and more suitable to customers will enhance the digital capacity available in the market. This will drive the development of institutional advice capabilities providing increased customer participation and benefits.

During the past 10 years the advice industry has seen significant regulatory impact. This has reduced the overall participation in advice for various reasons. It is now time to enhance the availability which I think the QAR should achieve subject to certain clarifications.