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**Media release**

**MJW releases independent report on retail life insurance advice**

Melville Jessup Weaver (MJW) has released “*A Review of Retail Life Insurance Advice - An opportunity for a new beginning.*”

The report examines the retail personal risk insurance market (life and income protection) and in particular the role of advisers. The purpose of the report is to help create and inform discussion around the Ministry of Business Innovation and Employment (MBIE) review of the Financial Advisers Act 2008. While funded by the Financial Services Council (FSC) and its insurance members, the findings and recommendations of the MJW report do not necessarily reflect the views of the FSC or its member companies.

The report considers the conflict that arises when an insurance product provider rewards an intermediary (an adviser) for putting in place a personal risk insurance policy for a customer and how to get a better alignment of interests in that process. There is a worldwide trend to regulate consumer protection in this area and Australia has recently announced its intention to regulate. To address the undesirable effects of that conflict of interest the MJW report makes seven recommendations the authors consider would generate growth in life insurance coverage and thereby increased financial protection for New Zealanders. The authors believe the recommendations will over time strengthen the role of advisers and lead to a 10% to 15% reduction in industry costs in a \$1 billion industry. The MJW research highlights the increased replacement policy activity from advisers in year three after the expiry of the period during which, if a policy lapses, some or all of the initial commission is claimed back from the adviser.

The issue of replacement policies has been a concern for the insurance industry. FSC CEO Peter Neilson said “The report demonstrates it isn’t a simple matter to definitively differentiate between good and bad policy replacement. While highlighting the need to address incentive structures for policy replacement, the report also notes the payment of commissions by insurers to advisers is justified by the importance of life insurance for New Zealanders and extensive evidence consumers rarely buy adequate life insurance protection without the support of a consultant.”

Peter Neilson further commented on the role of advisers. “Advisers play a key role in the industry when they provide impartial advice to customers on their insurance needs and place the business appropriately with one or more insurers. They also can play an important ongoing role servicing the customer. The conflicts of interest over remuneration, however, can compromise the impartiality of both the advice and the insurance placement and that is the issue the industry has funded MJW to address.”

The report can be found here: <http://mjw.co.nz/>

**About the report**

*A Review of Retail Life Insurance Advice - An opportunity for a new beginning* is an independent report prepared by Melville Jessup Weaver. The report was commissioned by the Financial Services Council and funded by the FSC and its members. Some members believe there are matters covered in the report that are outside the scope approved by the funders. The report’s findings and recommendations are MJW’s alone and are not necessarily the views of either the FSC or its members. This should be made clear in any reference to the report.

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#### **About the Financial Services Council**

The Financial Services Council (FSC) was established in 2011 to represent the interests of the New Zealand financial services industry and the financial well-being of all New Zealanders. The FSC has 21 member companies and 17 associate members. Members manage more than \$80 billion in savings and provide financial services to more than 2.5 million New Zealand investors and policyholders. FSC members help New Zealanders achieve long term financial security by providing products and services which build wealth, prepare them for retirement and provide financial protection against unexpected health events.

#### **About Melville Jessup Weaver**

Melville Jessup Weaver (MJW) is a leading firm of consulting actuaries with offices in Auckland and Wellington. With six principals and 12 associates MJW is the largest independent firm of consulting actuaries in New Zealand. The firm provides actuarial consulting in the areas of insurance, superannuation, KiwiSaver, asset management, financial analysis and risk management. MJW is the New Zealand Alliance Partner of Towers Watson. Towers Watson is a leading global professional services company that helps organisations improve performance through effective people, risk and financial management.