Hello,

CPA Australia represents the diverse interests of more than 170,000 members, working in over 100 countries and regions around the world. We provide these comments on behalf of our members and in the broader public interest.

We would like to take this opportunity to provide feedback on the Quality of Advice Review conflicted remuneration paper currently on the Treasury website. In particular, we would like to provide feedback in relation to the proposal regarding life risk insurance.

Feedback from CPA Australia members who are financial advisers is that the cost of providing advice on life insurance would be prohibitively expensive if there was not an exemption on conflicted remuneration permitting commissions to be paid. Anecdotally, many members choose not to provide life insurance advice instead referring clients to life insurance specialists, only provide life insurance advice to existing clients, or if it is combined with the provision of other financial advice as it is uneconomical to provide given the complexity, compliance requirements and the risk involved. Taking these factors into account to set an upfront fee would result in a fee that was out of reach for the majority of consumers. This is reflected in the data from the LIF Review, which demonstrates the majority of life insurance advice is dominated by commission-based advice.

As such, CPA Australia supports Proposal 2 to continue the existing exemption in relation to life insurance products under the proviso of obtaining the client's informed consent. This is consistent with the current requirements our members are required to meet under paragraph 9.2 of Accounting Professional and Ethical Standard APES 230 - Financial Planning Services. Further, we support the contention that consumer protection is provided through advisers meeting the best interests duty requirements and the proposed good advice requirements.

However, we would like to raise two issues that we believe need to be considered by Ms Levy.

1. There continues to be an apparent conflict with Standard 3 of the FASEA Code of Ethics, where there is general consensus within the sector that commissions on life insurance advice could still be considered conflicted remuneration and would not be permitted under the standard. Clarity is required on this issue.

2. The data from the life insurance advice files indicates a shift to older and more wealthy clients. Feedback from our members is not that advisers are chasing these clients for greater potential returns but that these are the clients who are can most like afford the advice. There are concerns that younger people cannot afford the advice, or do not see it as a priority given the cost, despite probably being most in need of it given the high levels of household, and particularly housing, debt being carried. Advisers see this problem being exacerbated, at least in part, by the caps on commissions imposed by the LIF reforms and the subsequent impact on the cost of providing this advice. We ask that the appropriateness of these caps also be considered.

With regard to the other proposals made in the paper, we have no comments to make on proposals 1 and 3 and we support the remaining proposals.

Any questions, please don't hesitate to contact me.

Regards

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