

RE: Response to Draft Recommendation [reply] [SEC=UNCLASSIFIED]

From: Peter Minnucci **Confidential**
To: Insurance <insurance@accc.gov.au>
Date: Fri, 18 Jan 2019 16:44:36 +1100

Confidential

I provide the following observation as an insurance intermediary with over 30 years' experience. I deal with clients Australia Wide along with Northern Queensland.

Firstly I agree with the comments regarding the targeted insurance premium increases that have been happening for many years. Once one insurance group began picking off the lowest risk property owner clients, with reduced premiums, the stage was set for every insurer to follow or risk being left with all the high risks and a premium calculated on averages. It was always going to be a slippery slope with those living in higher risk areas being the ones most impacted. The same is now happening with Motor Vehicle insurances.

Thousands save a few dollars and a few lose thousands, the old principles of insurance have been eroded – just as they have in the Medical Benefits area.

To be fair to insurers though, it is the reluctance of the population to pay a fair price and the constant hammering by all about cheaper prices that has started this landslide. This is as a result of the competition everyone seems to crave. The community spirit no longer survives in the world of health and wealth protection.

An area of great interest to me of course, is the observations on commission. I have often commented to insurers that the word “commission” should be replaced with “service payment”, as this would more closely reflect the nature of the work for which the payment is made.

It seems that no-one has raised the point that many insurers do not have a broker offering and deal direct. Their prices have nothing to do with commissions as the work is all done by paid staff. With the suggested removal of commissions/service payments, are we also suggesting that these staff members work for free or at a discounted rate when dealing with insurance cover in these “problem” areas? If they will, then I will talk to my staff too!

By the same token insurers using brokers pay them to do the customer focused work – advice on the product, maintain the client information and deal with enquires, payments and claims year round.

This is the reason we are paid commissions/service payments and often the total cost with a broker, can be less than a direct insurer's premiums as the staffing costs are lower. (if this was not the case we could not write competitive insurance policies in the first place)

The recommendation speaks of the need for insurers to advise clients how to reduce premiums – as brokers, we are engaged with our clients with this and all other aspects of their risk management.

Brokers have a much closer relationship with the client and are often self-employed, or work for a small brokerage – thereby having a vested interest in keeping the client happy.

I understand the push to keep broker “honest” – but lowering speed limits does not stop speeding lawbreakers – punishment does. In the same way, if an individual broker is letting a conflict of interest

impact on clients – punish the broker. We need harsher and swifter enforcing, not more roadblocks in the area of customer service.

As an ex-Financial Planner, I watched with dismay as commissions were banned so as to “protect the consumer”. What I saw were high-end clients with millions invested have a fee agreed to that was much lower than the commissions previously paid, whilst my widow clients that had a few thousand dollars of funds invested, were left to look after themselves, or pay a reasonable time based fee that far exceeded the commission they previously paid. The principle that the wealthy subsidising the poorer once again trashed.

As an aside, property insurances have a raft of State Government fees attached and even with the promise that GST would replace Stamp Duty, all that happened was that Stamp Duty is now charged ON the GST as well. In Tasmania, for instance the Fire Service Levy is only paid by those that insure – then in the time of national disaster these same people whom did not contribute to the fire brigade costs, not only have their property protected but are usually eligible for one off assistance payments.

Do not just remove Stamp Duty as promised in the lead up to July 2000. Introduce a fire service levy with Property Rates for all property owners based on values Australia wide ASAP. This should reduce the overall cost for those currently contributing. I note with interest that Victoria and WA charge a standalone varying Fire Service Levy based on the fire risk – another inquiry in the making?

Thank you for providing the opportunity to comment.

Regards,

Peter Minnucci
Authorised Representative



Access Business Insurance Consultants Pty Ltd
ABN 68 089 287 267 Authorised Representative No. 283178

Business Insurance Specialists
for all your Commercial Insurance needs

Access Business Insurance Consultants Pty Ltd are Authorised Representatives of:
Resilium Pty Limited ABN 40 098 080 810 AFSL No. 232703 and
Resilium Insurance Broking Pty Ltd ABN 92 169 975 973 AFSL No. 460382

35 Melville Street HOBART TAS 7000

Hobart Phone: (03) 6231 6244
Melbourne Phone: (03) 9008 6396
Sydney Phone: (02) 8488 9966
Launceston Phone: (03) 6311 1811
Other Areas: 1300 403 319
Hobart Fax: (03) 6169 9555
Melbourne Fax: (03) 9008 6395
Web Address: abic.com.au

Disclaimer: Any general advice in this email does not take account of your personal objectives, financial situation and needs. Read the relevant Product Disclosure Statement (if applicable) before acquiring any product mentioned in this email. This email is confidential and is for the intended recipient only. If you are not the intended recipient do not use or rely on this information. Please contact us on one of the above methods and delete all copies of this email. If you do not want to receive any more emails from us please let us know by return email.

Confidential