

## Media Release

**EMBARGOED UNTIL 3:00PM WEDNESDAY 16 MAY**

### Report highlights importance of transparency and disclosure

The Financial Services Council welcomes the FMA report on remuneration structures in the insurance industry and the important issues it raises in relation to transparency and disclosure.

“The FMA’s work in this area is driving an important conversation about the use of incentives in our industry and appropriate conduct and disclosure around them”, said FSC CEO, Richard Klipin.

“Ultimately, the way companies choose to structure their remuneration packages is a commercial decision and one that will differ from company to company.

“However, the FSC strongly supports the request from the FMA for insurers to consider the nature and value of the soft commissions they provide to ensure that their use of them is supporting good outcomes for consumers.

“The key issue with remuneration is clients’ right to know the who, what, and why of the advice they’re receiving and if it’s linked to remuneration at all. In other words ensuring that any potential conflicts are properly managed and disclosed, and that the adviser is up front about them.

“This hasn’t always been the case and all of us have had to lift our game to ensure that our policies are driving the best outcomes for clients.

“However, the changes underway through the Financial Services Legislation Amendment Bill, the Financial Advice Code Working Group, and our own FSC code of conduct collectively represent a significant lifting of standards across the sector.

“When fully implemented these initiatives will mean a much higher standard of transparency and disclosure across the industry and that’s a good thing.

“When advisers are providing information to clients, they need to ensure it answers three simple questions:

- 1) Do you get any incentives/commissions from the provider you are recommending? If so, what are they?
- 2) Will you receive any other benefits as part of me giving you my business?
- 3) (If your adviser is recommending that you change providers) Will my benefits and cover remain the same?

“Make sure your adviser answers these questions to your satisfaction.

“Every day thousands of financial advisers do great work for improving kiwis financial security and protecting them and their families when things go wrong - but there is an absolute obligation to be transparent in the way they do this. This report is a valuable step in driving further transparency in this process”, Mr Klipin concluded.

Ends

For Further Information

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### **Information about the FSC**

The FSC represents investment and life insurance companies in New Zealand. The FSC has 32 members as at 28 February 2018. Companies represented in the FSC include the major insurers in life, disability, income, and trauma insurance, and some fund managers and KiwiSaver providers, together with law firms, audit firms, and other providers to the financial services sector.

The FSC's purpose is to:

- be recognised as an organisation that represents the interests of the New Zealand financial services industry, including to regulators and Government;
- promote best practice and integrity in the financial services industry, including through the institution of codes of conduct, standards and the publication of guidance for industry participants;
- promote the financial services industry for the economic benefit of New Zealand and to enhance the sustainability of the industry, whilst recognising the primacy of the interests of consumers;
- develop and promote evidence-based policies and practices designed to assist New Zealanders to build and protect their wealth;
- promote the financial services industry as a medium for investment and protection for consumers;
- promote, assist and generally advance the interests of members.