



# GET IN SHAPE

WEBINAR SERIES



# Redesign your Advice Process

Karty Mayne, Rosewill Consulting Limited  
Steven Burgess, The Compliance Refinery

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# Re-cap of Previous Session

- Hear directly from the FMA, MBIE and Code Working Group
- Available to watch again on [Financial Services Council NZ YouTube Channel](#), or on FSC [website](#).

# Today's agenda

1. The Code, and the advice process
2. Nature and scope of advice
3. Analysis and research
4. Replacement advice
5. Recommendations and implementation
6. Digital tools
7. Record-keeping

# How the code change has impacted the advice process?

## **CODE STANDARD 8 – Have particular competence, knowledge and skill for product advice**

- Apply capabilities that meet the NZCFS (L5) outcomes
- Requires Advisers to follow the six step advice process



# The six-step advice process?

1. Establish goals and a relationship with the client
2. Gather data
3. Analyse data
4. Make a recommendation
5. Implement the advice
6. Monitor and review



# Nature and Scope of advice

Advice processes are changing rapidly.

- From - personalised, limited, class and no advice.
- To - Advice or Information only or Digital advice

Ensure you establish the **nature and scope** of the advice.

Conduct a fact find/needs analysis in accordance with the scope of service.



# Analyse the client's personal situation and research options (Step 3 of the 6 steps)

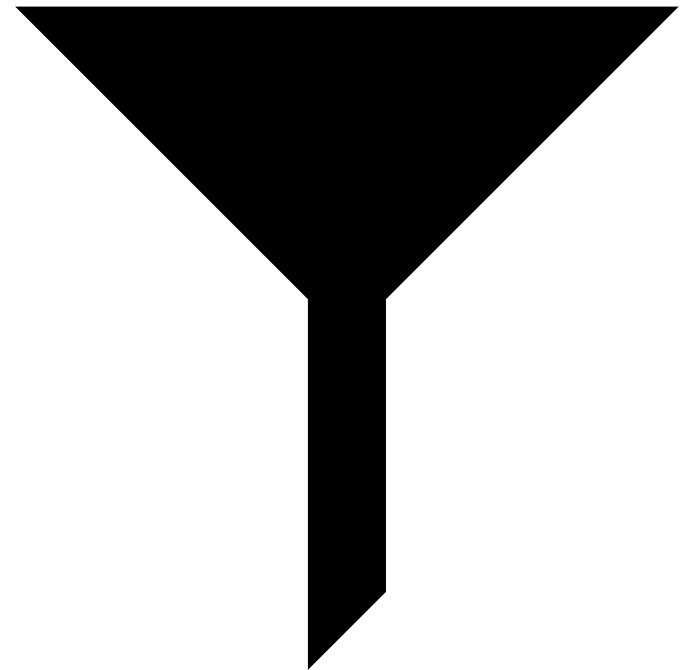
## **Part 1** = analysis

- fact find/needs analysis exercise

## **Part 2** = research

- + review of suitability of current products
- + review of suitability of current providers
- + options available
- + pros and cons of each option

*Drill down to work out the preferred option...*

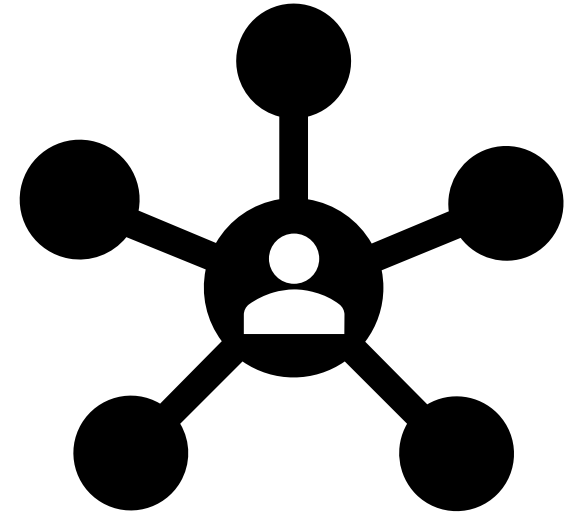




# The purpose of research

Research is the process to investigate the best provider.

Poor advice is when you predetermine the outcome and  
use the research to  
justify your recommendation.



# The Issue with Replacement Business

*“A particular feature of insurance products is that consumers will not know that they have been mis-sold a product until it is too late.”*

QFE insurance provider’s replacement business practices - FMA July 2018



# Replacement Business

## What are the risks?

- Claims denied that may have been accepted under an original policy
- Lose benefits that they might have otherwise received
- Increased likelihood of exclusion or limitations
- Inadvertent non-disclosure which reduces or annuls cover
- May be over or under insured because of poor advice
- If based only on lower premiums, they can rise with the new provider.

## But there could be benefits too!

- Better policy wording
- Updated medical conditions
- Provider has better claims ratio
- Better meets their current needs
- Consumer better informed of what they have and what they don't have in place



# What does a good recommendation look like?

1. should address all of the client's goals and objectives within the scope of advice
2. set out the benefits, impacts on other strategies and risks
3. provides valid alternative strategies
4. summarises the client's current and proposed position if relevant to the advice
5. provides the source or basis for the advice



# Implementation

- We frequently find issues through the underwriting process, common issues include:
  - Lack of file notes or electronic communication with clients.
  - When providing replacement business at times we see excesses or exclusions change the comparison, advice should be provided again when it is material.
  - No evidence the client was notified of exclusions or excesses until the process is complete.



# Limited or No Advice

- In almost all cases you can ask personal questions, as Advisers you should ask these questions.
- We consider it rare occasions where a client makes a request and you can't add additional value and expertise by providing advice.



# What role do digital tools play?

- Digital tools are playing a larger role in the advice space. We are seeing not only digital fact finds, advice processes and SOA writers in the digital space. These are a great idea, however unless they are licensed to do so, the adviser will own the advice process.
- Need to be careful about using with new disclosure requirements, have to include more disclosure on remuneration.



# How can you deliver advice?

Advice is not required to be delivered via manual paper format. You can be creative with it and with today's ability to communicate in various formats. Tips for how to do it well:

- **Training** – Make sure those providing advice via video or audio stick to the script and cover all the bases.
- **Diligence** – Have a process that is easy to follow.
- **Oversight** – Test to ensure compliance.



# Record Keeping – Best Practice

- Ensure your records are readily available
- Records must be kept and accessible to the FMA and other parties.
- Advice cases should be easy to identify, the records should clearly note what is applicable to that advice case.
- Records should be comprehensive, don't keep information in your head.
- Consider using a naming methodology



# Summary

1. The Code provides an opportunity to review your advice process
2. You must agree the nature and scope of advice with the client
3. Analyse the client's needs and then research the appropriate solution
4. Replacing a client's product can be beneficial, but has significant risks
5. Recommend objectively, and record changes that occur during implementation
6. Digital tools can make advice more efficient and effective
7. Good record-keeping evidences your advice, and can protect you

# Next Webinar

- Technology to make your business more efficient
- Friday 21 August at 10am
- Registration details will be sent via FSC emails. Contact [fsc@fsc.org.nz](mailto:fsc@fsc.org.nz) to subscribe