

THANK YOU...

On reading recent editions of Lifewriter Magazine and financial newspapers such as Money Management, I believe both Rod Scurrah (ALA National President) and Ian Salmon (Managing Director - AMP) should both be congratulated and thanked by ALA members, non-members and other advisers.

Both Mr Scurrah and Mr Salmon have shown persistence and courage in going public defending the reputable, ethical advisers and agents of our industry who provide a quality service to the Australian public against continual unfair, biased and often unsubstantial commentary from groups such as the Australian Consumers' Association and other such groups.

The ACA and similar groups continually attempt to push for more and more change at our expense irrespective of how much gain has already been achieved and in my opinion many of those involved in these groups will not be satisfied until they feel they have buried the ethical and unethical advisers and agents alike. There is no doubt our industry, like many others, had to clean up its act and improve the way we operated, by getting rid of the unethical minority, and in the main this has been done, but this does not seem to satisfy some who feel they have built a power base by pursuing our industry relentlessly.

With respect to Ian Salmon, I must say I have no direct or indirect association with AMP, but I must comment on how refreshing it was to see statements made by Ian published in several financial newspapers recently, defending the industry and its responsible and ethical advisers and agents. His fence sitting colleagues have been conspicuous by their absence; if more had the courage to do what he has done, I believe that many of the self-appointed "do-gooders" who have been getting endless "free kicks" at us would have been more cautious and ensured that their attacks were backed by facts and not fiction, as so often has been the case.

As a final point, it is interesting to note

that many of the Life companies pay many millions of dollars in advertising revenue to the very electronic and print media organisations who take it upon themselves to keep attacking us indiscriminately. One wonders how these media organisations would react if the companies of our industry spoke with one voice for a change and threatened to withdraw advertising from those organisations who attack our industry unjustly?

Allan W Axton  
Croydon, Victoria

**THE CHALLENGE OF GREAT CHANGE**

In recent times I have noticed financial services advisers becoming increasingly worried and confused. This is being caused by unprecedented change in the Life insurance industry - deregulation, the recession, disclosure - have all accelerated that change to unprecedented levels. However, advisers must adapt or perish. We must not forget that every industry in Australia is beset by the turmoil

of change. I make the following predictions for the near future in the hope that it will help many of the fine people I have been associated with over the years to survive.

- ◆ Life companies will now move to take over fund managers, e.g. Property Trust and Share Trust Managers. In time, banks will then either take over or merge with these Life companies. We may end up with National Mutual/National Bank based in Melbourne; AMP/Westpac based in Sydney and perhaps Suncorp/Bank of Queensland based in Brisbane. There may only be approximately 10 big players, but there will be room for boutique players.
- ◆ There will be an over supply in terms of numbers of Life agents. I see middle income Australians being serviced primarily by the banks. The banks will increasingly recruit advisers from current Life agency numbers. Margins will be lower, but there will be no prospecting necessary as the banks tap into their client base using direct marketing. Comprehensive financial planning will not be essential.
- ◆ Upper middle income earners and above will be serviced by self employed intermediaries. The top

**REWARD**

**A Filofax Sherwood Personal Organiser will be awarded each issue to the best letter published. The winning letter will be chosen by the Editorial Committee; the winning letter may not necessarily reflect the views or opinions of the Australian Lifewriters' Association or the editor.**

**Ian Donaldson of Brisbane, Queensland is the winner this issue.**



20% of insurance agents introduce or control approximately 80% of current agency business; providing these agents concentrate on the top end of the market, and have a substantial existing client base, they will make a good living - provided they provide good personal service. As with the fund managers, advisers will have to be big or boutique. If you stay on your own with few staff, your clients will always be able to talk to the owner of the business. Alternatively, you may align with the bigger distribution groups, offering a complete financial planning service. In time, you may have to offer a choice of either brokerage/commission or charge an hourly rate.

The importance of service and education is paramount. Service is in your hands. Treat your clients as you would yourself. Make personal contact at least yearly and communicate by mail also. Don't look to fund managers/Life companies/banks for your education. Look to them for product knowledge. Look to your industry professional bodies for all other education. Start with the ALA LTCs; then the Diploma or the AFPA Diploma in Financial Planning. Don't miss the regular meetings provided by both the ALA and the FPA.

This is the greatest challenge of change that I have ever seen in my 26 years in the financial service business. As always, only the fittest will survive. Good luck!

Ian Donaldson,  
Past National President, ALA  
Brisbane, Qld.

**A.C.A. RESPONSE**

Dear Mr Scurrah  
In the October issue of Lifewriter Magazine you refer to the Australian Consumers' Association as being "accountable to no-one." I must correct you on this point. The Australian Consumers' Association answers to its elected Council of 20. They in turn are

answerable to 850 members. Ultimately, we have responsibility to our 150,000 subscribers who assist us with research and supply us with information on consumer problems.

You also state in the same article, that the ACA is "still talking about reforms which we have already implemented". Which reforms are these?

Commissions are still not disclosed to the customer; many Life agents are poorly trained; many products are inflexible and are bad value for money; where the industry has admitted there were problems in the past, nothing has been done to rectify these same problems for the individual consumer affected. We do indeed look forward to the time when reforms to the industry are implemented.

Louise Sylvan  
Manager, Publicity and Public Affairs  
Australian Consumers' Association,  
Sydney.

*and the ALA response...*

Dear Ms Sylvan  
Thank you for your letter of 22 October addressed to Mr Rod Scurrah.

The Australian Lifewriters' Association notes, and unreservedly accepts your assertion that the ACA is representative of some 850 individual members. As a publishing company you are, of course, also concerned to ensure ACA publications are responsive to the expectations of your subscribers. However, I am sure you will agree that these are issues of little relevance to the debate in which we are engaged.

A major strength of Australian society lies in its pluralism. This is evidenced by the unfettered exchange of views, coupled with acceptance of legitimate criticism, that has already contributed significantly to the process of reform in the Life insurance industry.

Certainly, our two organisations maintain quite different reform agendas. However, as you are well aware, many of your concerns are shared by the industry - and very much so by the ALA.

In our view, the significance of ISC Guidelines 290 and 291, issued in October 1991, will only fully impact after the end of this year. These reforms alone are tremendously important. Much more is, however, moving swiftly through the pipeline.

Major revisions to the Insurance (Agents & Brokers Act) have recently been agreed by Federal Cabinet. The Life Insurance Act is currently under review by the ISC. Proposals for the licensing of Life insurance intermediaries is well advanced. The Victorian Law Reform Commission is drafting guidelines to dramatically improve the clarity and comprehensibility of policy documentation. Measures to combat inappropriate policy replacement (twisting) have been drafted. And very significant enhancements to the meaningful disclosure of fees and charges are being prepared for critical examination by all interested parties. All of these measures, and more, are due to be announced before the end of 1992. There can be no doubt that genuine consultation between industry and consumer representatives is imperative. Your contribution, in the search for viable solutions, is both welcomed and encouraged. The problems are complex, but a number of jointly acceptable solutions have already been identified and will be implemented.

Of course, there is always more that can and should be done. In this regard, the views of consumer representatives must continue to be fully integrated with those of industry and government. The communications door must remain firmly wedged open.

Ian Chalmers  
Executive Director, Australian  
Lifewriters' Association  
Canberra