



Media Release

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Shorten must clarify commissions ban

Bill Shorten must stop making policy on the run and clarify exactly how commissions on risk products inside superannuation will be treated as part of his latest version of FoFA proposals.

“In April Bill Shorten announced that commissions on all risk products inside superannuation would be banned. But now he appears to have backed down at least in part telling industry media that this ban will only apply to life, not general insurance products,” Shadow Minister for Financial Services and Superannuation Mathias Cormann said today.

In the Future of Financial Advice Information Pack released on 28 April 2011, Minister Shorten clearly stated:

“... the Government has decided to ban up-front and trailing commissions and like payments for **both individual and group risk** within superannuation from 1 July 2013.” (emphasis added)
(<http://www.treasurer.gov.au/Ministers/brs/Content/pressreleases/2011/attachments/064/064.pdf>, p7)

However in comments appearing on industry website insuranceNEWS.com.au on 16 May 2011, the Minister’s office is quoted as saying:

“The position is that the ban on conflicted remuneration applies in relation to life insurance products (life and TPD) sold within superannuation. It does ... not apply to general insurance.”
(<http://www.insurancenews.com.au/financial-services/life-advisers-angered-over-superannuation-commissions-ruling>)

“Bill Shorten is all over the place on this. He is making policy on the run. He should clarify his intentions about what he is proposing to do rather than to make these ad-hoc informal announcements through his office staff.

“On the face of it what he appears to be planning seems to create another distortion. But who knows what his actual policy position on risk insurance inside superannuation is.

“The Coalition does not support the proposed ban of all commissions on risk insurance inside super.

“Our policy on this issue has been clear from the outset. We do not agree with Labor's assertion that commissions on risk insurance are in themselves a conflicted remuneration structure.

“We know from recent experience in the UK that the banning of commissions on risk insurance does not work, which is why the UK has reversed that decision. We should learn from that experience.

"Banning commissions on risk insurance will increase costs for consumers, remove choice and leave many people worse off – particularly small business people who self-manage their super.

"We already have a problem of underinsurance in Australia, which this proposed ban would only make worse because it increases the upfront cost of taking out adequate risk insurance.

"To treat commissions on all risk insurance inside super differently from insurance outside super will create inappropriate distortions, which invariably will not be in the best interests of consumers.

"We agree that those Australians who receive automatic risk insurance within their super fund without accessing any advice should not be required to pay commissions.

"However, those Australians who require and seek advice to ensure adequate risk cover, whether inside or outside of their super fund, should have the same opportunity to choose the most appropriate remuneration arrangement for them.

"Bill Shorten is making a complete mess of this.

"He should stop making things up as he goes along and clarify on the record exactly which commissions on which products inside superannuation he proposes to ban," Senator Cormann said.

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