



# Media Release

## Senator Mathias Cormann

### *Shadow Assistant Treasurer*

### *Shadow Minister for Financial Services and Superannuation*

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#### **Shorten ban of risk commissions short lived**

The Coalition has welcomed Bill Shorten's decision to drop his ill considered proposal to ban commissions on risk insurance inside superannuation.

"This was always a very bad idea adopted by Bill Shorten at the behest of the Industry Superfund Network," Shadow Financial Services Minister Mathias Cormann said.

"It was bad policy which was not thought through properly before he announced it and clearly did not withstand scrutiny.

"It would have reduced consumer choice for no consumer protection benefit at all.

"As we said back in April 2011 when responding to the government's FOFA Mark II announcement:

"Bill Shorten's new proposal to ban all commissions on risk insurance inside superannuation is another bad element of this latest version of Labor's proposed Future of Financial Advice changes.

"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 also 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.

"Now that Bill Shorten has adopted Coalition policy in relation to commissions on risk insurance inside super he should also drop the other proposal imposed on him by the Industry Superfund Network - that is his push to force people to resign contracts with their advisers every two years.

"This just adds unnecessary red tape and increases costs.

"Transparent fees and a capacity for consumers to opt out of any financial advice relationship at all times is enough to enable consumers to make decisions about what is in their best interest," he said.

"Bill Shorten needs to remember that his job is to act in the public interest, not to be the agent for one segment of the financial services market," Senator Cormann said.

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