







General

Themes

- Theme 1 Adviser categorisation
- Theme 2 Investments
- Theme 3 LTI Risk
- Theme 4 STI
- Theme 5 Sales execution & intermediary
- Theme 6 Low income market

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Theme 1: Adviser Categorisation

- FSB agrees proposed categorisation is confusing.
- FSB agrees supplier influence should determine status. Not the range of products.
- FSB retains view "tied" advice must be limited to one supplier.
- Still considering two-tier vs. three-tier approval.
- Restrictions on using term "independent".

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Theme 1: Adviser Categorisation

- Wholesale advice not dealt with in RDR will resort MCR.
- FSB still considering JRs i.r.o. advice (perhaps in low advice models only).
- Possible gap-filling subject to limitations in the "tied adviser" space.

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Adviser Categorisation Phase 1 Proposals

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Proposal V

[Insurer tied advisers may no longer provide advice or services in relation to another insurers' products]

- Will be proceeding, subject to possible gap filling.
- Impact: Tied agents with multiple contracts will cease.

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Proposal Y

[Advisers may not act as representative of more than one juristic intermediary]

- Will be proceeding subject to slight modification (to allow for experience under supervision).
- 1 Legal entity only 1 license.
- Impact on "independents" who are "tied" also.
- Consider F&P amendments for KIs.

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Proposal FF

[General product supplier responsibilities in relation to receiving and providing customer related data]

- Will be proceeded with.
- Cuts both ways.
- Impact
 - Binder holders
 - Product suppliers i.r.o. non-contracted advisers

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Theme 2: Investments

- Further discussion on outsourcing of investment managers to financial advisors - FSB still concerned about COLs.
- FSB retains view that fees are more appropriate rather than commission.
- FSB recognises that implementation must coincide with other proposals and will stand over to Phase 2.

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Investments Phase 1 Proposals

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Proposal PP

[Commission regulation anomalies and early termination values on "legacy" insurance policies to be addressed]

- Will proceed with changes to LT commission regulations.
- Further engagement with LT insurers re early termination charges.

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Proposal QQ

[Conflicted remuneration on RA transfers to be addressed]

- Interim solution to increase replacement requirements & disclosures.
- NB: FSB will reconsider commission on conventional life annuities.

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Theme 3 Long-term insurance risk

- FSB recognises challenges regarding standards for ongoing product servicing considering different advice and distribution models.
- FSB intends to proceed with a partial up-front and as and when remuneration model.
- Further consultation to take place during 2016.

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Long-term insurance risk Phase 1 proposals

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Proposals Z and AA

[Restricted outsourcing to advisers and Standards for outsourcing]

- Outsourcing of investment management deferred to next stage.
- Strict controls.
- No “double dipping”.
- Capping of fees.
- Data standards.
- Impact on “Netco” & “Servco” models.

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Proposal OO

[Product supplier commission prohibited on replacement life risk policies]

- Deferred to align to advice fee implementation
- Strict interim measures
 - Clear definition of replacement.
 - Product supplier responsibility.
 - New insurer may not release commission unless confirmed in writing that RPAR meets requirements.
 - Non compliance will lead to “clawbacks” & regulatory action.

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Proposal RR

[Equivalence of reward to be reviewed]

- Must defer to later phases as it is concurrent with remuneration standards.
- FSB will issue notices regarding current practices.

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Proposal ZZ

[Binder fees to multi-tied intermediaries to be capped]

- Will proceed with capping of fees. Caps still to be determined.
- More insurer oversight.
- Limit type of binder functions. Current thinking is to limit to "enter into, vary or renew" and "claim settlement" only.

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Proposal AAA

[Commission cap for credit life group schemes]

- Proceed to limit to 7.5% "as and when" commission.
- May earn binder & outsourced fees provided requirements are met.

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Theme 4 Short-term Insurance

- Similar to LT, FSB accepts standards for advice fees must first be formulated.
- Will retain "as and when" nature but fee/commission caps to be reconsidered.
- Proceed with standards to limit premium collection to qualifying intermediaries (Possibly remove from "intermediary services" definition).

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Short-term Insurance Phase 1 Proposals

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Proposals Z and AA

[Restricted outsourcing to advisers and Standards for outsourcing]

SIMILAR TO SLIDE 17

- Strict controls.
- No "double dipping".
- Capping of fees.
- Data standards.
- Impact on intermediaries with outsourcing agreements and administrators.

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Proposal ZZ

[Binder fees to multi-tied intermediaries to be capped]

- Will proceed with capping of fees. Caps still to be determined.
- More insurer oversight.
- Limit type of binder functions. Current thinking to limit to “enter into, vary or renew” and “claim settlement” only.
- Impact of revenue stream for intermediaries and administrators.

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Proposal UU

[Remuneration for selling and servicing short-term insurance products]

- Retain “as and when” but consult on cap levels.
- Make effective repeal of sec 8(5) fees and provide interim mechanism which requires up-front customer consent and agreements as well as reason for fee.
- Close monitoring of these fees and disclosures.

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Proposal VV

[Conditions for short-term insurance cover cancellations]

- Proceeded with subject to certain changes.
- It is now clear - explicit consent by customers will be required.
- Review standards for mandated intermediaries.
- Clarify the position regarding insurers remaining on risk.

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Proposal BB

[Outsourcing fees for issuing insurance policy documents]

- Withdrawn.
- Service only justified in cases where “enter into, vary or renew” binder agreement is in place or admin outsourcing takes place and is included in that function.

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Theme 5 Sales execution and other intermediary services

- Wide support for differing advice level models.
- FSB cognisant of negative perceptions regarding the term “low advice”.
- FSB reiterate product supplier responsibility in low advice models.
- Proceed with aggregation and lead referral standards.
- No Phase 1 proposals.

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Theme 6 Low Income Market

- Wide support for separate dispensation.
- Further work on:
 - Product standards
 - Types of financial services
 - Remuneration models
- No Phase 1 proposals.
- Industry consultation 1st half of 2016.

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General

Further work on:

- Ownership standards (COI Concerns).
- Disclosure standards in relation to fees.
- Standards for ongoing advice fees.
- Standard for remuneration agreements between adviser firms and advisers.
- Facilitation of fees by product supplier.
- Provision of financial interests by product suppliers.

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