

29 April 2015

AMP announces life insurance reforms

AMP has announced reforms to payment structures which will reduce upfront commissions for AMP licensed advisers on all life insurance policies. The changes will take effect from 1 July 2015.

“It is clear the Australian life insurance industry needs to reform in order to help restore customer confidence,” said AMP Chief Executive Craig Meller.

“This confidence is essential for AMP to achieve its most important objective – offer financial advice to help people improve their lives. These changes, which are initial steps towards a fee for service model, support this objective.”

The reforms are:

- AMP is reducing upfront commissions paid to advisers on new life insurance products through a new payment structure. The model caps year one commissions paid on life insurance policies to 80 per cent and a 20 per cent annual commission payment during the life of the policy.
- AMP advisers will have access to this year one commission only once every five years per policy. This will be irrespective of the life insurance provider and applies to all insurance policies written since 1 July 2010.
- Our licensees’ approved product lists will move to a similar remuneration structure with all life insurance products (including non-AMP products) complying with the new model and five year rule.

“We have consulted with adviser associations to develop these reforms – they also recognise that change is required to build trust and secure long-term benefits for our customers,” Mr Meller said.

“We will support advisers through the transition and are committed to developing technology and systems which allow advice to be delivered more efficiently.”

“AMP and its licensees will also work closely with regulators, business partners and the industry to identify further opportunities for reform, in line with the direction and intent of the Trowbridge Report. Part of this process will be assessing the impact these changes have on customers and advisers, many of whom are small business owners.”

“As a leading life insurer with Australia’s largest advice network, it’s appropriate that AMP supports industry reform – just as we did by moving early with both fee for service for investment advice in 2010 and initiatives to lift adviser professionalism last year.”

AMP will provide an update on the implementation and next phase of transition at the Company’s interim results announcement in August.✓

Further detail on the changes is provided overleaf.

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AMP's Single Payment Period (SPP) Hybrid Model

Advisers can currently be paid for their advice on a new AMP life insurance policy via fee for service or commission. Their current commission options are upfront, hybrid or level commission.

The upfront payment is being removed and the hybrid model we are moving to consists of a cap on year one commissions paid on life insurance policies to 80 per cent and a 20 per cent annual commission payment during the life of the policy.

This structure applies to both AMP licensed advisers and non-AMP licensed advisers (including independent advisers) when distributing AMP life insurance products.

Single Payment Period

AMP advisers will have access to a year one commission only once every five years per policy. This will be irrespective of the life insurance provider and applies to all insurance policies written since 1 July 2010.

AMP also recognises there will be cases where a material change in a customer's circumstances requires a replacement policy in the first five years. In a very small number of cases, for policies written between 1 July 2010 and before 1 July 2015 only, advisers may receive a year one commission of up to 40 per cent to assist with the costs of re-writing the policy.

Approved Product Lists

AMP licensee Approved Product Lists will move to a similar remuneration structure, with all products (including non-AMP products) on the lists complying with the new remuneration model.

Reducing advice costs

AMP is working closely with representatives of its advisers to prioritise areas where we can have the biggest and fastest impact to drive down the cost associated with providing advice and life insurance to customers.

AMP has already established key services such as tele-underwriting within our business to improve customer experiences and to reduce the administrative burden on advisers.

AMP is committed to working with relevant stakeholders to review and improve the advice process, including the development of shorter Statements of Advice.

Life Insurance Code of Practice

AMP supports the development of a Life Insurance Code of Practice and will work with our advisers and licensees, through the Financial Services Council to develop and implement such a code as soon as practicable.