

MLC Licensee Services - Risk Innovation Video Pod cast

Topic: Changing revenue models



Fiona Navarro
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Hi I'm Fiona Navarro, National Manager for Protection advice for the MLC Licensees. Truly great businesses really anticipate future challenges and make sure that they stay in control of their own business model. In this video pod cast, you'll be hearing from a number of great advisers that we work with, talking about the challenges that they see ahead.

Matthew Read
Monet Financial
Solutions

I'd like to think that we will transition from being an industry to being a profession. Along with that I think there'll be a greater public awareness of the need for insurance to satisfy the under insurance problem that we do have in Australia. Unfortunately along with that I think we'll get greater regulatory restrictions in terms of compliance.

Jacob Waks
Risk Protect

We do have a model to face where the industry I think is going to go and that is fee based.

Dennis Jones
Beacon Wealth

There's a significant shift I believe from product to service and fee for service. At Beacon Wealth we made that move about five years ago, so our model is very much a transparent fee for a defined service.

Peter Kirby
Life Risk Management

Our business with the licensee has been reviewing our current structure and how we do things and we have moved on to a level and hybrid commission structure for the last three years.

Michael Smith
Pure Financial
Management

Certainly for superannuation and investments, I think the days of commissions are starting to wean off and I think that insurance ultimately will head that same way.

Jacob Waks

The industry at the moment is talking to 2012 for the rest of the financial services industry. However, insurance I think will follow in the next year or two after that.

Michael Smith

When it comes to the succession planning, often we're doing an hourly charge out rate anyway.

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- Matthew Read We are advice driven now, we don't sell insurance policies. I'd like to think that we're satisfying a benchmark.
- Lena Ridley
Batir Wealth The insurance advice base has been growing quite significantly over the last few years and we believe that that will continue to grow.
- Liam Diggin
Mentor1 Fee for service and commission is actually going to drive the need for advice and push consumers towards quality practices. So if anything, I'm more positive now than I ever have been.
- Jonathon Davis
Davis Insurance A lot of the clients that I've spoken with in regards to the revenue model that we offer, like the model that currently stands, in which there is a transparent payment from the insurance company to the adviser. I would be an early adopter of change if the clients demanded that and felt that they were more comfortable with that.
- Liam Diggin We used to operate on an upfront commission basis particularly for insurance and investment business. We now operate on a fee for service basis on that part of the business, and our insurance model has transitioned from an upfront to a hybrid level structure.
- Michael Smith Just about all of our insurance business written, is written on level commission and level premium. So in terms of longevity we're quite confident with our business model that we're going to retain those clients. Going forward we think that is a more sustainable approach.
- Mark Staggs
Godfrey Pembroke I've made some changes to the revenue stream by looking at the step versus level premium structure. I explain that to my clients in detail, so they fully understand it's worthwhile. I have changed under income protection pretty much one hundred percent across to the level premium structure because I think that's the right way to do it long term for the client.
- Jacob Waks What I try and do is help my clients as much as possible with that claims side. I think if the business is structured the right way it can do that on a fee basis.

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- Michael Smith So in the early stages of making the decision to go to level or level hybrid you certainly have to factor in some of the potential downside. But if you model it out personally, I believe that going forward it's a much more sustainable model.
- Rachel Martin
Planning for Life We're using a hybrid model, some level commissions at the moment. I guess in the future we're not sure whether we'll keep that in place or whether there will just be of flat fee for personal insurance. At the moment it works really well for young clients because they don't have to pay for the initial advice out of their own pocket if it's insurance only.
- Mark Staggs As far as commission structures. I've also changed a lot from upfront across to hybrid because again that lifts the ongoing value of my business and it lifts the ongoing revenue stream. So that has been a change over the last twelve to eighteen months.
- Liam Diggin The change in our revenue model has really safeguarded the practice in the global financial crisis. Our revenue from on-going advice to clients has actually increased. I don't think many businesses have been able to achieve this in the current environment.
- Dennis Jones We've made quite a few changes in that space and in the last twelve months we've created a new client engagement process and that was off the back of the MLC CP program that was launched last year. We were fortunate to participate in that program and that's given us a better understanding of client's real needs and the online client engagement process which really helps them take control. I think it's helped us to help them.

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