


partnersLIFE

Commission Structure Changes

Putting our money in the hands of the Customer's protector

partnersLIFE

March 2020

We are changing our commission structures because...

1. The Regulator thinks upfront commissions are too high and can incentivise poor adviser conduct. We want to demonstrate that commissions can incentivise good adviser conduct.
2. Regulations require the creation of licensed Financial Advice Providers (FAPs) which must take responsibility for the advice outcomes experienced by their customers.
   - Some advisers will want to belong to someone else's FAP in order to be supported and protected by that FAP. They might see a large FAP being able to access economies of scale that they could not achieve on their own. They might relish the opportunity to be part of a community of advisers which is larger than themselves. And they might be willing to have less autonomy over their advice processes in order to achieve all of this.
   - Other advisers will want to continue to be in control of, and take responsibility for, their own businesses. They might believe their advice practices give them a unique competitive advantage. They might want the freedom to adapt their business quickly as markets and consumers change which could be harder to achieve inside a larger FAP.
3. There will be additional costs for all FAPs, both in respect of infrastructure expenses and of regulatory fees, which must be met through business earnings. FAPs will have to find ways to fund these costs i.e. through increasing efficiency, productivity, and/or revenue. We want to support FAPs of any size to do so.
4. We want to stream-line the way we pay commissions.

So what's changing?

Commission and Bonus Commission

1. We are splitting Medical commissions between upfront and bonus commissions to ensure Customer Outcomes can impact medical as well as risk Bonus Commissions.

2. We are introducing measurements of Customer Outcomes which will scale the amount of Bonus Commission earned by each adviser.

Over-riders and Marketing Support Payments

1. We are redirecting all previous over-riders and fixed dollar support payments into FAP over-riders (FAPOs) which will be payable to FAPs. FAPOs will be based on the Bonus Commissions earned by the advisers within the FAP. This financially aligns the interests of advisers and their FAPs with Customer Outcomes.

2. All upfront commissions and FAPOs will be paid at the same time through our commission system and will be subject to claw-backs.

Current Commission Structure

Current Entity	Upfront Commission as a percentage of qualifying API		Upfront Bonus Commission as a percentage of qualifying API *(previously based on volume)*				Over-rider and fixed dollar Marketing Support as a percentage of qualifying API
Adviser	100% Risk	125% Medical	Med Nil	Risk Min 50%	Risk Ave 96%	Risk Max 100%	nil
Dealer Group	nil		nil				Average 30%

New Commission Structure

New Entity	Upfront Commission as a percentage of qualifying API	Upfront Bonus Commission as a percentage of qualifying API *(to be scaled by Customer Outcomes)*			Upfront FAP Over-rider (FAPO) as a percentage of Bonus Commission	
Adviser	100% all benefits	Risk 100%	Med 25%	Scale 80 — 120%	nil	
FAP	nil	nil			Risk 30%	Medical 120%

Measuring Customer Outcomes

What	**When**	**Why**
Customer Advice Complaints	Anytime	Indicates quality of customer advice experience
Initial Advice Process	Application	Indicates effectiveness of initial advice processes
Replacement Advice Process	Application	Indicates effectiveness of inwards replacement advice processes
Cancellation Advice	Cancellation	Indicates effectiveness of retention and outwards replacement advice processes
Non-disclosure and misstatements	Claim	Indicates effectiveness of application completion processes
Service Activity	Anytime	Indicates active servicing of clients' ongoing needs

Details of the points matrix that will apply to each of these measurements will be included in the replacement Commission Schedule which will be communicated shortly.

Measurement and regular reporting of measurement outcomes will start on 1 April 2020. Scaling of the Commission Bonus will not commence until 12 months of measurements have been completed and reported i.e. in 31 March 2021.

This one-year transition period is designed to facilitate an understanding of Customer Outcomes being achieved by each adviser and to provide a reasonable time period for the adviser to adjust any business practices in order to maximise their Bonus Commission earnings. Adviser Bonus Commission rates throughout the transition period will remain at the rate they were underpinned at on 31 March 2020.

Details

Commission and Bonus Commission

1. Medical Commissions will be changed from 125% upfront to 100% upfront from 1 July 2020
2. A Medical Bonus commission of 25% will be introduced from 1 July 2020
3. For the 12-month period from 1 April 2020 to 31 March 2021 Risk Bonus Commission will be underpinned at existing rates for each applicable adviser
4. Customer Outcome measurements will commence from 1 April 2020
5. A Risk Bonus Commission of 100% will be introduced from 1 April 2021 (replacing existing Bonus Commission)
6. Risk and Medical Bonus Commissions will be scaled (between 80% - 120%) for Customer Outcomes from 1 April 2021

FAPO

1. Existing over-riders and fixed dollar marketing support will be withdrawn from 1 July 2020
2. A new FAP over-rider (FAPO) will be introduced from 1 July 2020 which is payable to the FAP taking responsibility for the advice provided to the customer. This could be the adviser themselves, a managing agency or a dealer group
3. FAPO is payable based on percentages of the Risk and Medical Bonus Commissions received by advisers
4. FAPOs are designed to provide financial support to advisers, both to help them meet their regulatory requirements, and to help them grow their business success
5. This means an adviser who is their own FAP will receive the FAPO on the business they write for Partners Life
6. For advisers who belong to more than one FAP, FAPO will be payable to the applicable FAP responsible for the advice provided to the customer
7. Dealer Groups that are FAPs will be paid the FAPO for all new business issued for advisers under their FAP
8. Any FAP receiving a FAPO can instruct Partners Life to pay it on their behalf to another entity, provided that other entity has a commission agreement with Partners Life. This can be useful if the adviser is purchasing services from a non-FAP entity
9. If an adviser moves their business from one FAP to another, then the FAPO payable on the new business they write will move with them
10. FAPOs will be paid through the Partners Life commission system at the same time as other new business commissions and will be subject to the same terms and conditions as those commissions, including claw-back provisions

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