

## Key Questions for a Royal Inquiry

INDUSTRY	ISSUE	WHAT A ROYAL COMMISSION NEEDS TO INVESTIGATE
<b>BANKING</b>		
	Sale practices. Banks offer a broad range of products and services that give them the privilege of a large and captive customer base.	Are the banks sales practices based on needs, or simply measured by the number of products each customer has?
		Are sales staff of financial institutions incentivised to do the right thing, or to sell more products?
		Are customers making fully informed decisions before they transfer their banking or KiwiSaver to a bank?
	Sales staff and advisers representing advice as independence.	Are sales staff being paid a commission to sell their own products while representing themselves as 'advisers'?
		Do commissions paid by fund managers and insurance companies prejudice the advice New Zealanders receive?
		What is the sales culture and what pressure is applied to sales staff?
	Do high customer penalties discourage good financial behaviours?	Are penalties applied to cover costs and discourage bad financial decision making, or simply to increase profit?
	Do our banks and insurance companies help customers make fully informed decisions, with full disclosure	Like utility statements, should all financial fees be disclosed in dollars and cents each month/year and be shown how and where they are charged, for full transparency.
	Are merchant fees at appropriate levels for the market?	Why do NZ companies pay higher merchant fees than Australia?
<b>INSURANCE</b>		
	Commission levels and churn	Why are life insurance premiums remaining so high in a competitive environment? Who is controlling what is paid, the product manufacturer/provider or the sales agent?
		How do we measure churning of policies to generate new commissions? With so few NZ adults insured, how can the industry deliver such high profits and shareholder returns?
		NZ has not followed Australia's lead to reduce commissions paid to life insurance sales agents. The high commission incentives have not led to more NZ'ers being insured. Does this mean they are driving the wrong behaviours?
		Have non cash incentives paid by life insurance providers e.g.. overseas trips, incentivised appropriate sales behaviours?
	Funeral, credit card and repayment insurance are criticised as expensive and delivering poor value to customers.	Do customers really understand what they are paying for, and the real cost relative to the benefit?

		Are some customers being sold funeral insurance by companies that could sell them lower cost Life Insurance with better terms?
		When is credit card repayment insurance in the best interests of customers? How profitable is it for banks?
<b>KIWISAVER</b>		
	KiwiSaver fees are high by global standards for long term superannuation funds. They have averaged @15% of total returns since inception.	If the fee differential for an average KiwiSaver member is \$65,000 between the lowest cost provider and the average cost provider at retirement, what value does that \$65,000 provide?
		Why haven't KiwiSaver members benefited from economies of scale. The pool of savings is now \$50bn but there has been very little downward pressure on fees over the last 10 years.
		Should NZ follow the UK and cap fund management fees?
<b>MANAGED FUNDS</b>		
	When do performance fees add value to an investor?	What performance fees are being charged by Fund Managers when an investor is getting a return that is below similar products or the market?
		How can performance fees be justified and valued in a fair and transparent way?

