Product Rationalisation

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Agenda

- Introduction
- Current Legislation
- IFSA Proposal

Introduction

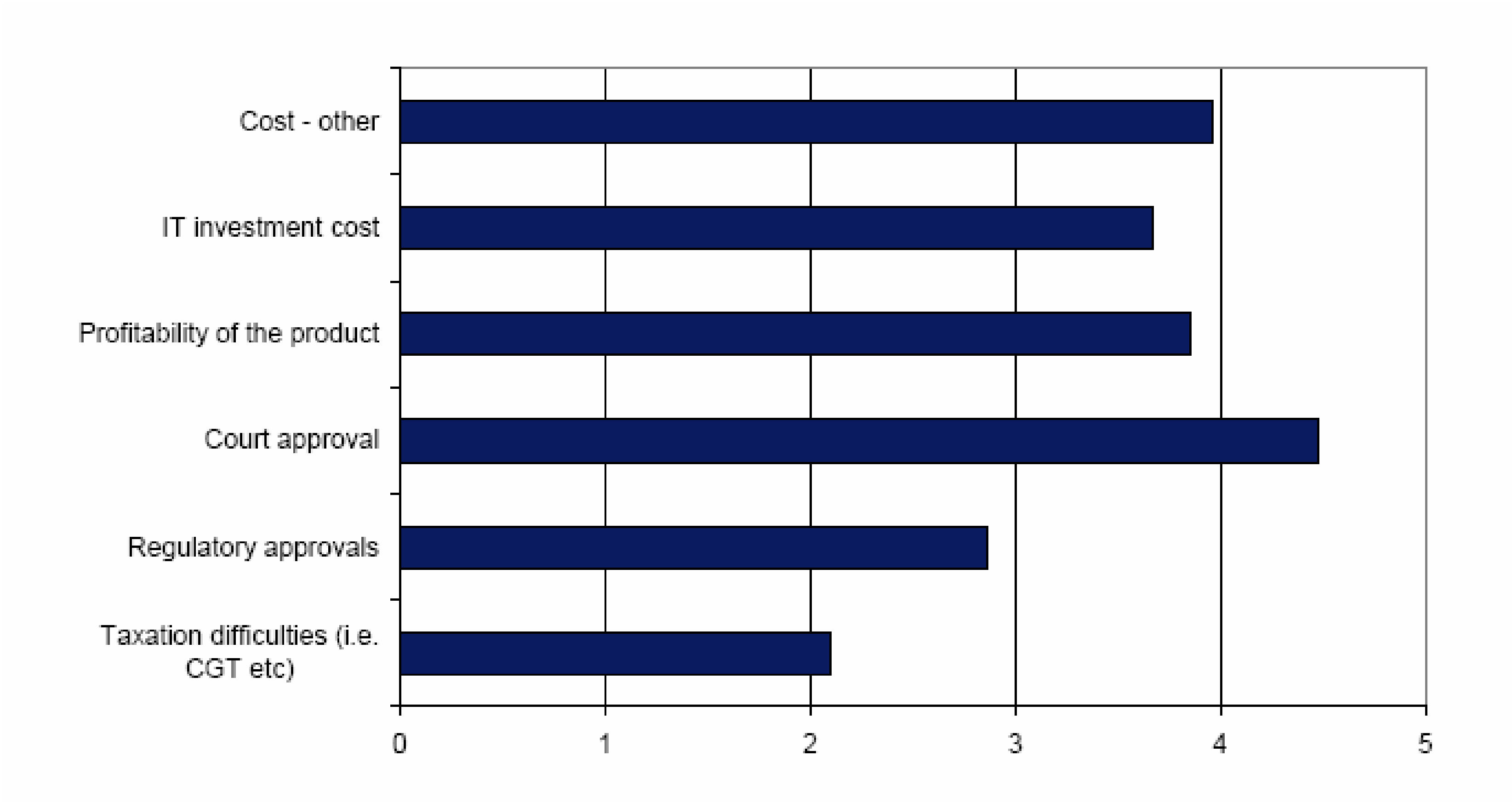
What is Product Rationalisation?

- Process of enabling customers to be moved from out-of-date products to more suitable products with similar or improved benefits, without financial detriment to the customers

Driving Forces

- Expense
  - Maintain multiple systems
  - Manage many product conditions
  - Staff training
- Poor service standards
- Inflexible products
- Fee levels
- End of transitional tax relief on life products
- Customer retention

Impediments



Source: IFSA Key Indicators Survey 2004

Current Legislation

Current Legislation

- Different approaches for:
  - Managed investments (Corporations Act)
  - Super products (SIS Act)
  - Life products (Life Act)
- Difficult & expensive

IFSA Proposal

IFSA Proposal

- Amend Corporations Act, SIS Act & Life Act – common approach to product rationalisation
- Income Tax Law – roll-over relief

Suggested Rationalisation Process

- Assessment by company
- External & independent review
- Advising customers
  - Reasonable time for customers to redeem instead of rationalisation offer
- Statement of new interest

Treasury response

- Consultation paper (April 2006)

  "Comments are sought on the possible introduction of a simplified mechanism to allow financial product issuers to be able to restructure and rationalise outdated products"
- Regulatory impact statement

No Customer Disadvantage Test

Quantifiable tests

- Fee changes
- Benefit changes
- Tax position
- Capital backing

Intangible impact on customers

- Access to new investment funds
- Better customer service
- More frequent unit pricing
- Easier or harder product to understand
- Changes to how fees may be increased

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