

Retail distribution review (RDR)

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Agenda

RDR in perspective

RDR roadmap

Learning from the UK

Strategic considerations

RDR for customers, providers and advisers

Next steps

RDR in perspective



The Retail Distribution Review (RDR) was undertaken in response to the fact that, despite the significant progress achieved through the Financial Advisory and Intermediary Services (FAIS) Act in raising intermediary professionalism, improving disclosure to clients and mitigating certain conflicts of interest, fundamental concerns about poor customer outcomes and mis-selling of financial products remain.

FANEWS

“The Financial Services Board (FSB) has released the Retail Distribution Review (RDR) White Paper for comment – and the jury’s out about how the RDR will affect the short-term insurance industry, says FAnews.

While its common cause that RDR will have far-reaching effects for the long-term insurance industry, its not clear how the short-term industry will fare.”

11 December 2014

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Proposals

Commission
anomalies

Conflict of
interest

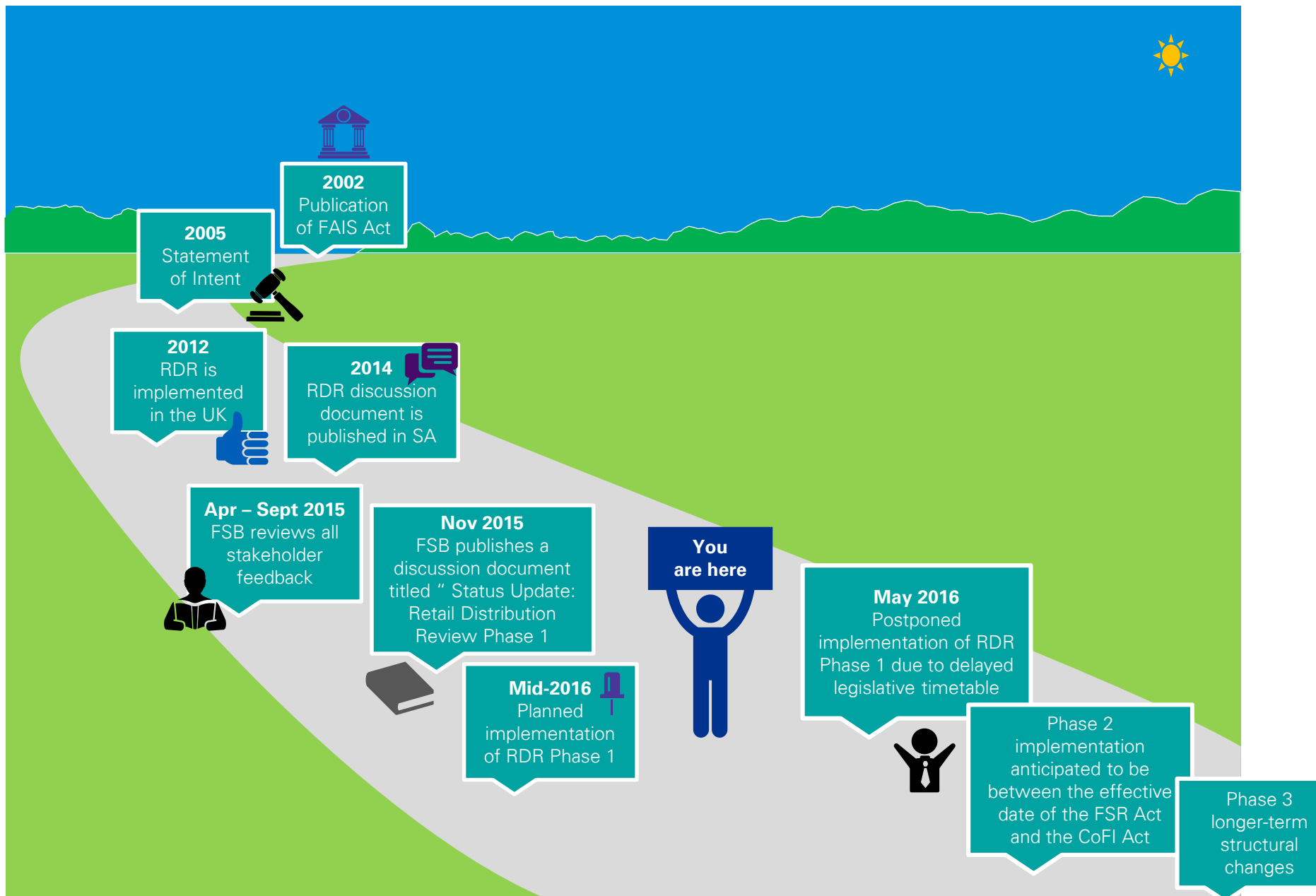
Product supplier
influence

Equivalence of
reward

Adviser
categorisation

Phase 1
implementation
(July 2016) has been
postponed due to the
delayed legislative
timeline

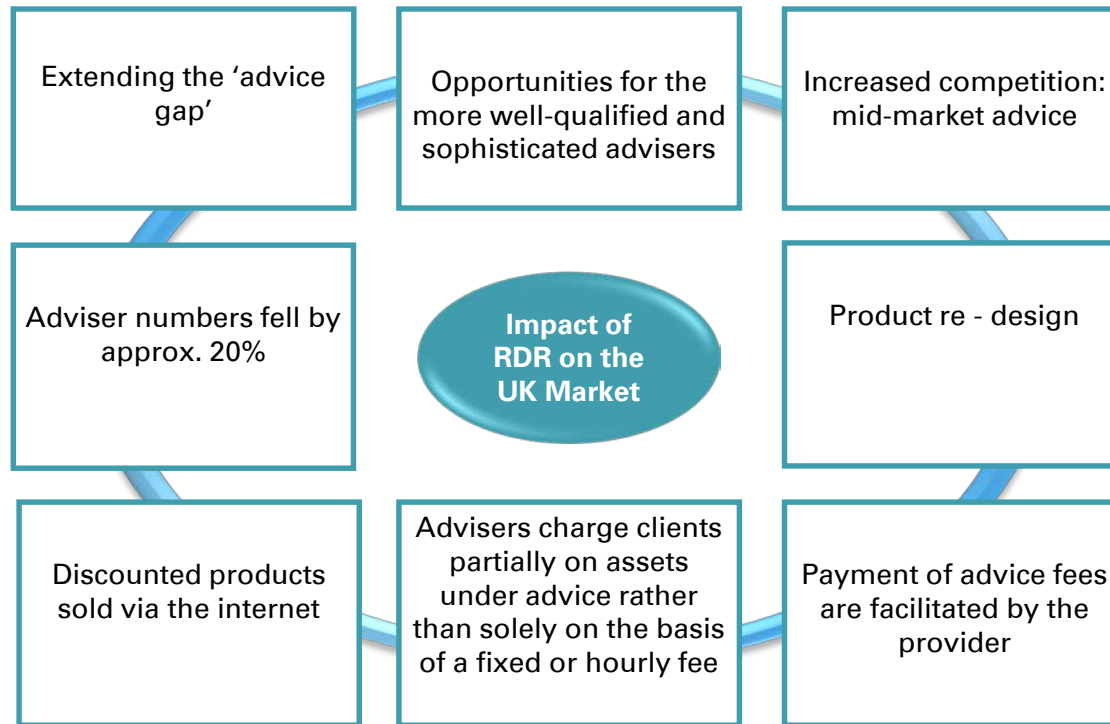




Learning from the UK



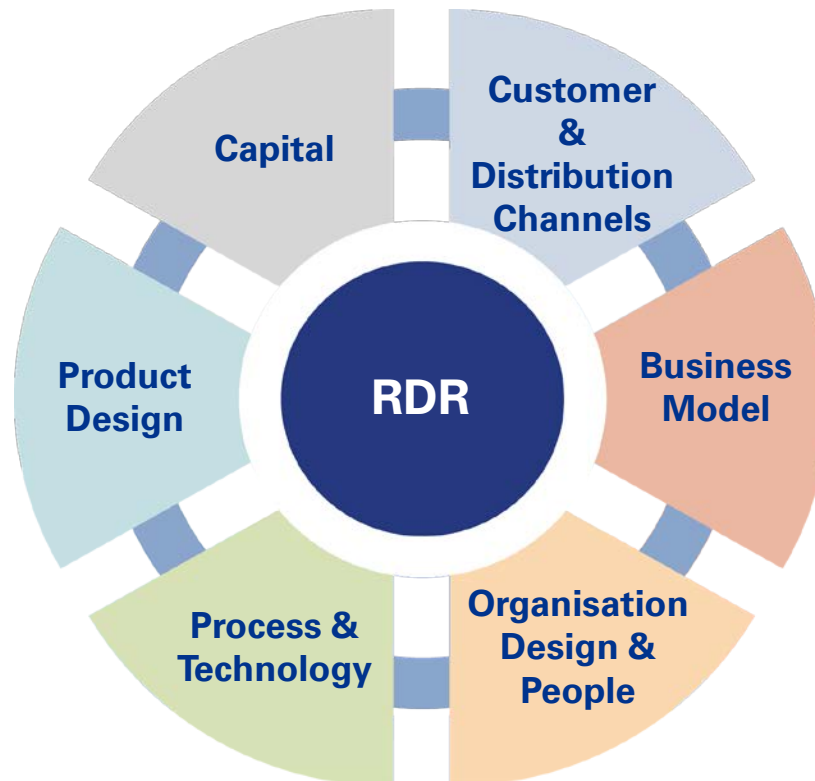
RDR is well established in the UK and we can draw some valuable lessons from their experiences



Why has the number of Advisers reduced in the UK?



Strategic considerations



➤ The strategic considerations of RDR reaches beyond a compliant distribution model

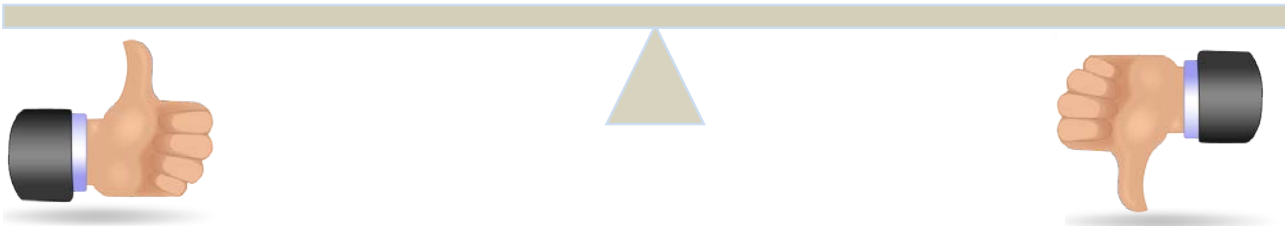
➤ Business operations and capabilities will need to be assessed from a strategic viewpoint

What does RDR mean for Customers?

- ✓ Lower cost of advice for some customers
- ✓ Improvement in the quality of advice
- ✓ Products are more likely to meet the needs of the customers as the advice is better
- ✓ Could improve customer confidence by removing some negative perceptions of the advice process



- ✗ There may be a higher cost of advice for some customers
- ✗ A large proportion of customers may be priced out of the market for advice
- ✗ A shrinking adviser population may focus on the higher net worth segment



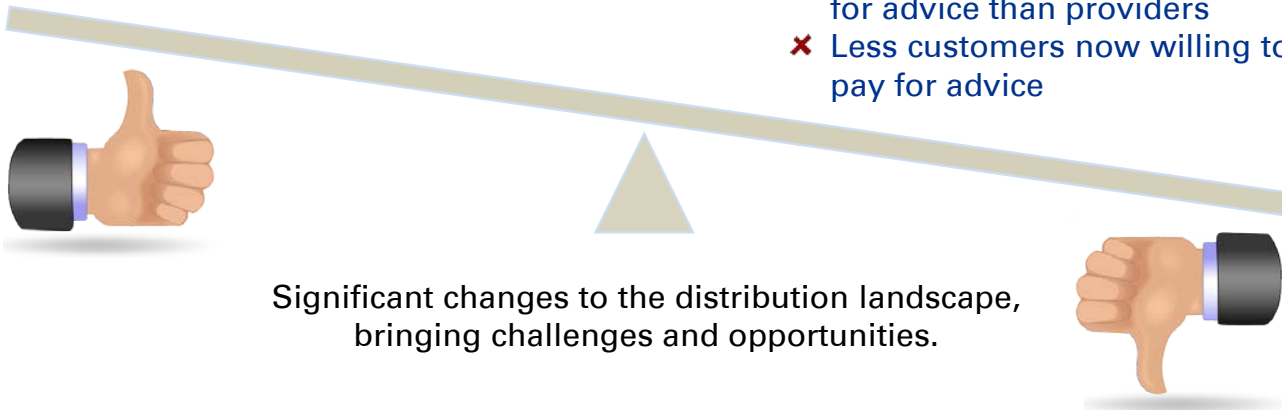
What does RDR mean for Advisers?

- ✓ Those advisers already holding more than the minimum qualifications are in higher demand
- ✓ Should increase customer confidence in advisers
- ✓ The changes may be an opportunity for some adviser firms

Advisers



- ✗ Implementation costs and initial disruption
- ✗ Cost of reaching minimum professional standards
- ✗ Increased transparency of advice may increase competition and reduce margins
- ✗ Customers willing to pay less for advice than providers
- ✗ Less customers now willing to pay for advice



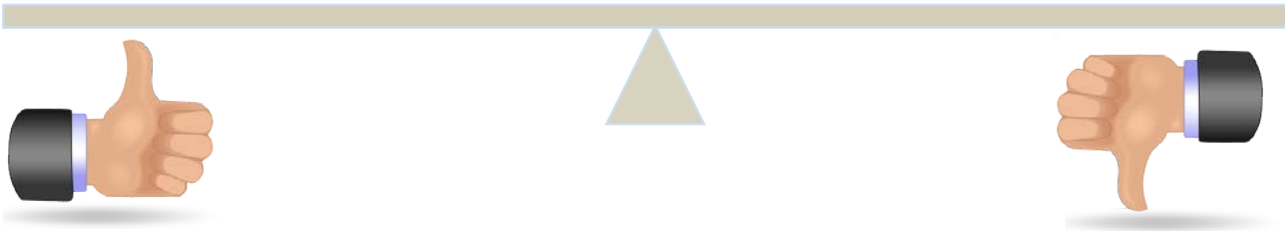
What does RDR mean for Providers?

Product Providers



- ✓ Possible lower new business strain
- ✓ Competition may lower the cost of advice
- ✓ May see lower lapse rates
- ✓ Potential sales boost on protection products for life insurers

- ✗ May be lower new business volumes - new distribution channels need to be explored
- ✗ Cost of product redesign
- ✗ Cost of system changes





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