

Catching Opportunities in a changing environment

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SYNOPSIS

TITLE OF PRESENTATION : The Commission War and Life Office Profitability
Name of Presenter/s John Smith

Key words:

Life Offices increased initial commission to intermediaries last year. The cost of acquiring business is now more than the first two year's premium, with little write-back beyond two years and no increase in retail premiums. The Margin on Services valuation method allows much higher acquisition costs to be capitalised. This disguises a severe fall in the ultimate profitability of new business. Companies are exposed to deterioration in persistency. There is an assumption that premium rates on new business will rise after the new tax regime is operational and this will protect recent new business from twisting by advisers. This assumption may not hold, so embedded valuations of those in the forefront of the commission war could be soft.