

Welcome to IF Consulting's weekly e-mail newsletter

April 8, 2005

Our regular email tackles the topical issues that surround all marketing channels and their underlying strategies.

Insuring a fair deal

Legislation currently under consideration may force U.S. insurance agents to put their customers' best interests first. A trade group of state insurance regulators in the United States is scheduled to consider a package of proposals next month that would make insurance professionals fiduciaries of their clients. One of the key changes the proposed legislation introduces is the requirement that insurance agents disclose all quotes received as well as commissions to be paid.

Inspired after New York Attorney General Eliot Spitzer accused several insurance brokerage firms of kickbacks and rigging bids for corporate liability insurance, the proposals have already created much controversy within the industry. The prospect of lesser commissions and the potential for litigation by aggrieved customers has seen many oppose the proposed reforms.

Surprisingly, insurance agents and brokers have never had a 'fiduciary duty' – the requirement that the client's interests be paramount and that conflicts of interest be avoided. However, even if the reforms are accepted, there is no guarantee that they will be implemented. Unlike many other forms of financial commerce, insurance in the U.S. is not regulated federally, but by individual states, so any proposal would only have the force of law upon adoption by individual jurisdictions.

http://www.forbes.com/home/services/2005/02/24/cz_wb_0224insurance.html

IF Comment

In many countries, financial planners are required to advise clients of the commissions they receive on the products they sell. The disclosure requirement has not yet been imposed on insurance agents. Yet insurance agents can bring enormous harm to their clients either through overcharging or providing the wrong products. To us, the plan to make insurance agents fiduciaries of their clients is necessary.

Many agents are rightly concerned with the possibilities of lower commissions and litigation. Franchising advanced when the US Federal Trade Commission mandated full disclosure laws. The result was growth in franchising and an improvement in franchising's image.

New laws are usually triggered by events. The insurance full disclosure laws were triggered by New York State's prosecution of insurance companies in that state for bid rigging and collusion, which cost policyholders millions of dollars.

We look forward to an interesting debate.



Marketing Channel
Strategy Consultants
Maximizing shareholder value
through creating the best route
to market

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Snippets

Rivalry between two of the major franchisors in the ink cartridge refill industry has come to a head – culminating in a series of lawsuits being thrashed out in the courts. Amongst other claims, Cartridge World, has accused Caboodle of withholding crucial information from potential franchisees, including a past lawsuit. The claims indicate just how much is at stake in the ever-growing business of off-brand printer ink. Refills are becoming increasingly popular amongst frugal customers, much to the horror of printer makers, which rely on their brand-name supplies for much of their profit.

http://news.yahoo.com/news?tmpl=story&u=/ibd/20050405/bs_ibd_ibd/200545tech

Disgruntled 7-Eleven franchisees in South Africa have been ordered to pay withheld monies – approximately R25 million - following the Supreme Court of Appeal's judgment last month. In her judgment, Judge Lewis ruled that a "...franchisee is not entitled to the benefit of rebates or early settlement discounts received by the franchisor from suppliers of goods". This ruling flies in the face of the High Court judgment in 2004, which held the company liable to pass on all discounts and rebates to its franchisees.

<http://www.bizcommunity.com/Article/196/87/6191.html>

Automated teller machines in the United States are about to get a makeover. Some of the higher profile financial institutions, including the Bank of America, will soon introduce Internet technology to the humble ATM in order to speed transactions, reduce paperwork and deliver a much wider range of transactions to customers.

<http://www.ecommercetimes.com/story/42020.html>

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