

A modern office desk with a laptop, a desk lamp, and a potted plant. The desk is dark and sleek. A laptop is open in the center. To the left, a desk lamp with a white shade is lit, casting a warm glow. Next to the lamp is a small potted plant with green, feathery foliage in a dark, textured pot. The background is a plain, light-colored wall.

New Commercial Model

Building a more sustainable and resilient business

FidelityLife

nib health cover

Goals, approach and aim



OUR GOALS

1. Look to the future
2. Launch new commission options
3. Help you match your commission choice to your business goals



APPROACH

We will examine adviser business challenges and possible solutions.



THE AIM

Increased profit and capital value of your business.

When we will close, housekeeping and safety reminder

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ENVIRONMENT

**Advice has changed, and
is going to keep changing**

Compliance costs - market features

CLIENT FIRST

AUDITS

CONFLICTS

REPLACEMENT

CODE

LICENSING

SECTION 25

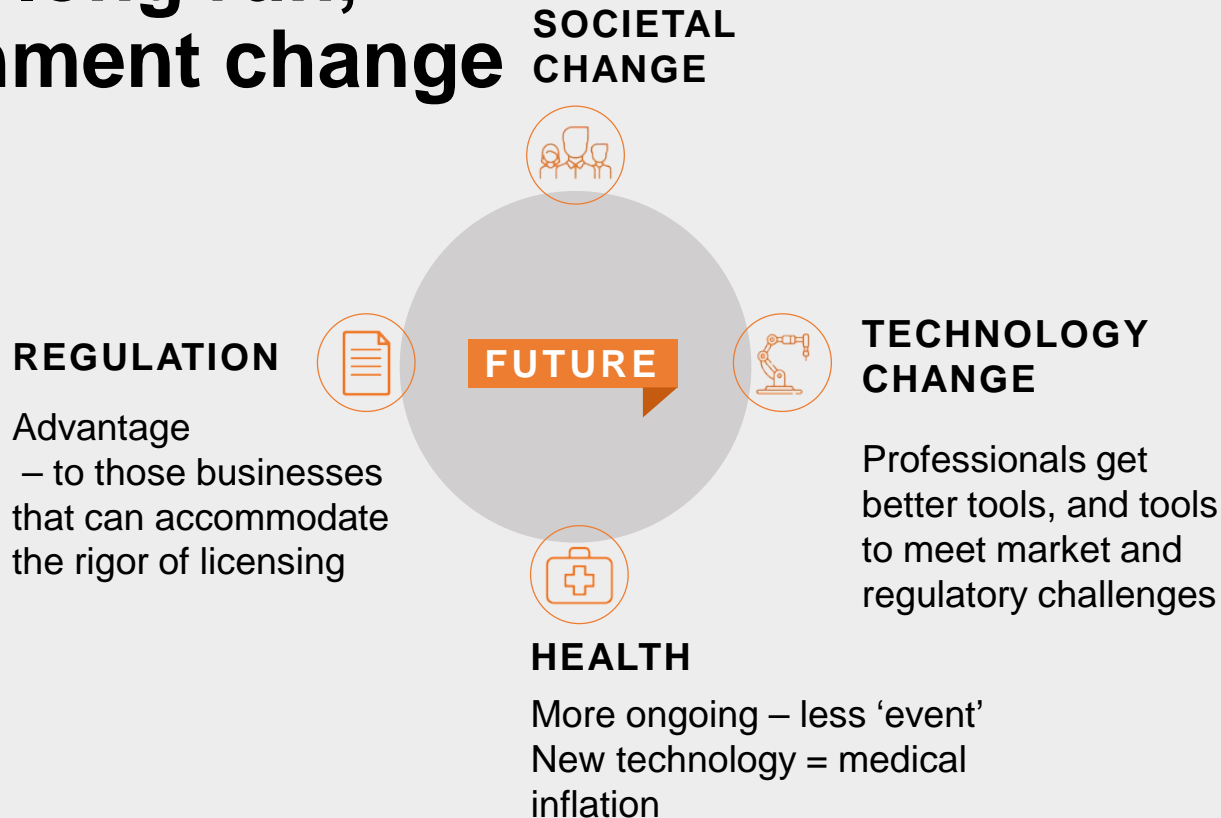
SYSTEMS

STATEMENT OF
ADVICE

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Global, long run, environment change



Many forces – one result

LICENSING

Drives
requirement for
better systems
and staff

GOALS

A desire for better
persistency
drives
requirements for
better systems
and staff

GROWTH

Retaining more
clients for longer
also demands
a focus on
servicing

LIVING

Medical tech and
inflation = more
claims,
premiums, and
service

A grayscale photograph of a woman with short, light-colored hair, smiling while talking on a mobile phone. She is wearing a light-colored blazer over a white shirt. She is sitting at a desk with papers, a pen, and a computer mouse. In the background, there is a bicycle and some office equipment. The overall tone is professional and positive.

ADVISER JOURNEYS

New commercial models for new business goals

Commercial Models

nib – commission range

	UPFRONT	HYBRID	SPREAD (NEW)
Upfront commission	140%	87%	35%
Servicing commission	5%	17%	25%

Fidelity Life – commission range examples

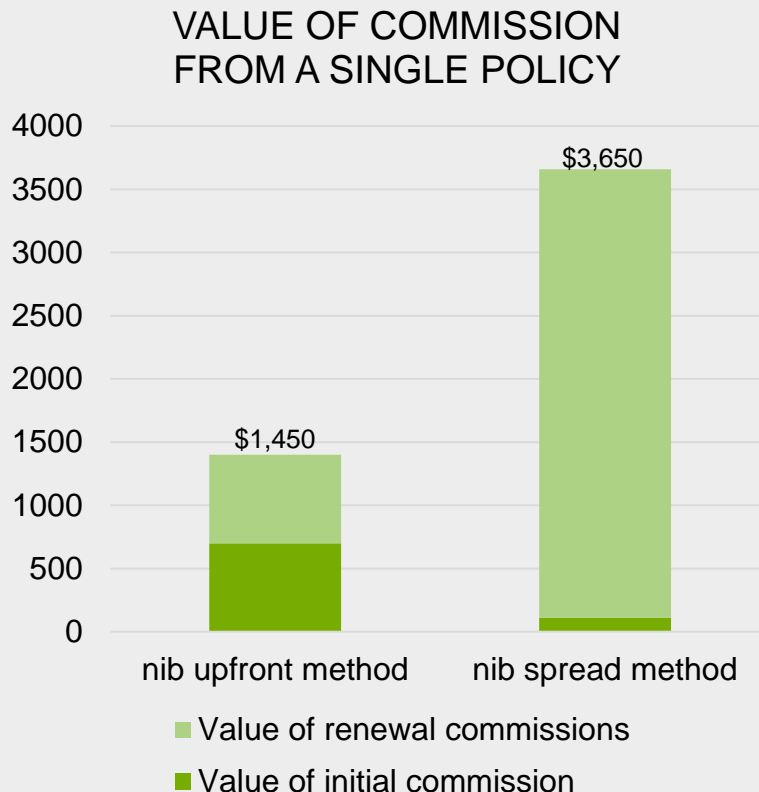
	UPFRONT	<< HYBRID >>	SPREAD
Upfront commission	175%	140%	87.5%
Servicing commission	10%	17%	27.5%

Your Business Context

	UPFRONT	HYBRID	SPREAD (NEW)
Who is this best for?	Great for growing teams (5+ sales people where there is high investment in true new business.)	A balance for transition to spread and for acquiring new clients.	Best for advisers with a long term focus on creating strong cash flows, increased capital value & growth.
Payback period no change to persistency	n/a	7 – 8 years + capital	8 – 9 years + capital
Payback period change to persistency	n/a	5 – 6 years + capital	5 – 6 years + capital
Other benefits	Higher risks Start-up / survival funding	Moderate risk A build/ transition approach	Lowest risk Maximum long-term value/ security

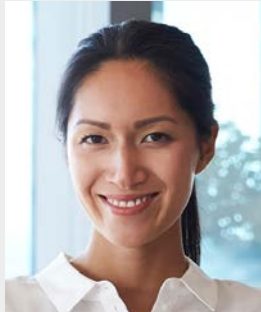
You can check the detail

New tools allow you to accurately model the impact of each commission option on cash-flow and business value.



* Where commissions are assumed to carry on indefinitely and are discounted at 5%

Meet some more advisers...



BECKY



RICK



KEVIN



AMIT



SUZANNE

- Take a look at the profiles in your handout
- Can you help us advise them on their choices?
- Please choose an adviser and keep keep them in mind.
- Before we settle on our choices, some ideas...

Concept one: your business peak – reached when losses equal gains

But these four businesses have different rates of client loss...

...that determines the maximum size the business can reach:

EACH BUSINESS GAINS 100 BRAND NEW CLIENTS PER YEAR	20%	500 clients
	15%	666 clients
	10%	1,000 clients
	5%	2,000 clients



“I don’t want to have to repay the commission on my first case”
– BECKY



“Shifting persistency rates means changing the business – can I afford to do that?”
– KEVIN



“This could transform the value of my business”
– AMIT

Concept two: what kind of business can you afford to run?

SERVICING:	5% SERVICE	17% SERVICE	25% SERVICE
Amount \$	\$50	\$170	\$250
Fixed Cost \$	\$1 email + \$4 letter + \$10 phone call – Total of \$15		
What's left?	\$33 – and only 1 in 3 get review	\$50 – and you can see 1 or 2 for review	\$100 – you can see each client
Cost to service	\$48	\$65	\$115
Profit renewals	\$2	\$50 – \$105 for investment or profit	\$135 and room for investment



“I don’t want to draw attention from the regulator”
– RICK



“But how could I afford this shift with my high up-front marketing costs?”
– SUZANNE

Concept three: revenue quality and risk

Renewal income affects your attitude to risk and investment – even when total revenue is the same – because you behave differently when you have a more certain income.



“The pressure is on increasing fixed costs – so I really want an increase in servicing” – AMIT

\$4,000 per month fixed costs

BREAKEVEN

Fixed costs

Extra

Add spread?

Add quality?

Servicing
commission

A good month

New
business
commission

A less good month

New
business
commission

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Stepping up: bigger and better



A new revenue picture makes a whole different business:

	UPFRONT – HIGH LAPSE	HYBRID – QUALITY	SPREAD — HIGH QUALITY
Has	666 clients 15% lapse rate	1,000 clients 10% lapse rate	2,000 clients 5% lapse rate
Gets	100 new/year	100 new/year	100 new/year
Servicing Commission	\$33,000	\$170,000	\$500,000
Fixed Costs	\$24,000 rent	\$24,000 rent	\$48,000 rent
	\$40,000 PA	\$60,000 PA	\$140,000 staff
	\$14,000 car	\$14,000 car	\$28,000 car
			\$50,000 mkting
			\$12,000 IT
TOTAL	\$78,000	\$98,000	\$278,000
	\$45,000 to breakeven	\$0 to breakeven	\$0 to breakeven

Different businesses get valued in new ways:

PROFIT			
After a fair salary	\$0	\$64,000	\$162,000
Value (3x)	\$99,000	\$510,000	\$1.5 million
Value (4x)	\$132,000	\$680,000	\$2 million
10x profit	\$0	\$640,000	\$1.62 million
RESULT	 STRESSED <ul style="list-style-type: none">▪ Sale focused▪ Find new▪ Can't invest▪ Low service	 RELAXED <ul style="list-style-type: none">▪ PA does customer service▪ Still low investment▪ Modest service	 HAPPY <ul style="list-style-type: none">▪ Marketing done▪ Customer service done▪ High quality business

BECKY



Will this work?
Who will train me?
Where can I find clients?
Can I make it?

RICK



Which path shall I take?
High-up-front roller coaster constantly hunting?
Steady build of recurring revenue?

KEVIN



Time to decide and develop my business!
Could a switch to spread commission pay off when I sell?

AMIT



With 30 years ahead a switch to spread will pay – can I do it?
What's the payback period?

SUZANNE



Up-front will be essential now!
But maybe I could use hybrid for a little business to help manage future costs?

A grayscale photograph of a person's hands interacting with a tablet computer on a light-colored wooden table. To the right of the tablet is a white cup of coffee on a saucer, and further right is a smartphone lying flat. The background is softly blurred, showing more of the table and possibly some papers or books. The overall mood is calm and focused.

HOW TO AND NEXT STEPS

Planning your next move

Commercial Models

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nib health cover

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How to select your health commission model in Apollo

By selecting the required commission model through the “Technical Information” drop down

The screenshot shows the FidelityLife Apollo interface. At the top, a navigation bar includes links: ADD LIFE, DUPLICATE SELECTED LIFE, DUPLICATE ILLUSTRATION, PROJECTIONS, YRT PREMIUM COMPARISON, and PREVIEW / PRINT. Below this, a sidebar on the left contains links: NEW ILLUSTRATION, MY ILLUSTRATIONS, MY DETAILS, DOCUMENTS, and ADVISER CENTRE. The main content area is titled 'TECHNICAL INFORMATION' and contains a table with commission details. A red box highlights the 'TECHNICAL INFORMATION' tab, and another red box highlights the 'nib Commission Options' dropdown menu, which is currently set to 'Upfront' and shows options for 'Upfront', 'Hybrid', and 'Spread'. Below the table, there is a link to 'View Commission Guide'.

Base Commission	Spread Commission	% API
Risk - Initial	100	% Upfront Initial Risk
Risk - Renewal	100%	Total Renewal Payable (Year 2 Onwards)
Fixed Sum Assured Loading	100	% Deferred Initial Commission
	Base Renewal	10% 10%

[View Commission Guide](#)

*A commission option will need to be selected to proceed with application.

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nib health cover

HOW TO AND
NEXT STEPS

How to select your health commission model on an application form

The required commission model can be selected by ticking the relevant option on the application form:

page 6 of Easy Health application

page 12 of Ultimate Health / Ultimate Health Max application

Adviser details	
Adviser number	
Agreement number	B
<input type="radio"/> Upfront <input type="radio"/> Hybrid or <input type="radio"/> Spread	To speed up acceptance of this application, may we contact your customer direct for further information? <input type="radio"/> Yes <input type="radio"/> No
Note: If left unticked, upfront will be selected by default.	
Name of adviser	
Phone	()
<input type="radio"/> The default process for all policy acceptance information is to be emailed to the client and a copy email to the Adviser. Please tick here if you also want a hard copy of the Welcome Pack sent to you.	

page 5 of the Fidelity Life / nib combined risk and health application

FOR HEALTH	
Adviser name	Adviser number
1. <input type="radio"/> Upfront <input type="radio"/> Hybrid <input type="radio"/> or <input type="radio"/> Spread	
Note: If left unticked, Upfront will be selected by default.	

*If this is left un-ticked commission will default to Upfront

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nib health cover

HOW TO AND
NEXT STEPS



Thank you.

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