

Parliamentary Joint Committee on Corporations and Financial Services
Australian Securities and Investments Commission
Answers to Questions on Notice

Question No: QoN 010
Reference: Written
Committee Member: Mr Bert van Manen MP

Questions:

QoN 010-01 – LIF reforms

The then Federal Minister for Revenue and Financial Services, the Hon. Kelly O'Dwyer MP, issued a media release about the Life Insurance Framework legislation that put in place a cap on commissions and extended clawback arrangement for life insurance advice.

In that media release, the Minister referred to this reform being the 2014 ASIC Report 413. Also, in that release the Minister noted that 'ASIC will have responsibility for implementing the commission cap and clawback arrangements as well as reviewing the effect of the reforms in 2021. If significant improvements to inappropriate policy replacement are not identified by the review, the Government will move to mandate level commissions as recommended by FSI'.

Recent media reports have indicated that ASIC has started work on this review of life insurance advice and that they are assessing life insurance advice given in both 2017 and 2021 to compare the changes.

If the trigger for the LIF reforms was the 2014 ASIC Report 413, then why isn't this the baseline for the review, rather than 2017, which was well after the spotlight was placed on life insurance advice?

Answer:

The Explanatory Memorandum for the Corporations Amendment (Life Insurance Remuneration Arrangements) Bill 2016 states that the Government's decision to implement the life insurance advice reforms (LIF reforms) was informed by the findings of three independent reviews of the life insurance remuneration arrangements and targeted consultations with stakeholders¹. The three independent reviews were:

- *Australian Securities and Investments Commission Report 413: Review of retail life insurance advice*, October 2014;
- *John Trowbridge, Review of Retail Life Insurance Advice Final Report*, 26 March 2015; and
- *Financial System Inquiry Final Report*, November 2014.

ASIC was asked by Government to consider the extent to which the LIF reforms have improved the quality of advice. ASIC is therefore assessing the quality of advice for two randomly selected samples of personal life insurance advice files: one sample of files from 2017, shortly before the LIF reforms were introduced and one sample of files from 2021, shortly after the LIF reforms were fully phased in. This will allow ASIC to compare results to see if the quality of life insurance advice has improved since the LIF reforms.

It would be inappropriate to use REP 413 as a baseline for the LIF review. The advice reviewed in ASIC Report 413 was provided over four years prior to the introduction of the LIF reforms and

¹ [The Corporations Amendment \(Life Insurance Remuneration Arrangements\) Bill 2016 Explanatory Memorandum](#), paragraphs 2.1 and 2.2.

approximately half of the advice was provided prior to the introduction of the best interests duty and related obligations as part of the Future of Financial Advice Reforms.

ASIC will report its LIF review findings to the Government and it will be up to the Government to decide on the future of life insurance commissions.