

QoN 010-013 – Role of Report 413 in driving LIF reforms

In response to my questions about the LIF review at the PJC hearing on 18 November 2020, Commissioner Press made the statement that the LIF reforms were not just the result of ASIC Report 413, but instead also as a result of the 2015 Trowbridge Report and the 2014 Financial System Inquiry Final Report. This is an often-repeated statement however, it does not reflect the reality of what happened. It was only ASIC Report 413 that reviewed the quality of life insurance advice files. The Trowbridge review only eventuated as a result of the release of ASIC Report 413, and was a direct response by the financial services industry to the damning media coverage that was generated by ASIC's release of Report 413. The FSI final report was published in November 2014, less than two months after the release of ASIC Report 413. The FSI Interim Report, released in July 2014, made no reference to life insurance commissions, yet the final report briefly referred to life insurance financial advice, entirely focussed on ASIC Report 413, and made an unexpected recommendation of wholesale reform to life insurance commissions. Does ASIC accept the fact that the release of Report 413 was the key factor in driving the LIF reforms, and that the Trowbridge Report and the FSI were just responding to ASIC Report 413?

Answer:

The extent to which ASIC's Report 413 was a 'factor in driving' the LIF reforms as compared to other factors is a question for Government.

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 stakeholders.⁴ 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.

Further, it goes on to note, in summary:⁵

- in response to ASIC's Report 413, the Government called on industry to review remuneration practices in the life insurance industry. The Trowbridge review recommended several reforms including a significant reduction in upfront commissions;
- the FSI recommended a complete abolition of the current upfront commission model and a move to level commissions; and
- in its response to the FSI, the Government announced its support for an industry-developed reform package.

⁴ [The Corporations Amendment \(Life Insurance Remuneration Arrangements\) Bill 2016 Explanatory Memorandum](#), paragraphs 2.1, 2.2.

⁵ [The Corporations Amendment \(Life Insurance Remuneration Arrangements\) Bill 2016 Explanatory Memorandum](#), paragraphs 1.8-1.12