

QoN 010-03 – Comparison of life insurance and super reform criteria

ASIC Report 639, released in December 2019, generated a 49% compliance outcome for financial advice issued by superannuation funds. As a result of Report 639 ASIC, did not call for major reform of the superannuation advice sector. Does a 49% compliance rate pass the test? If so the 2021 ASIC review for life insurance advice delivers a better outcome. Why then would ASIC call for further reforms to life insurance commissions?

Answer:

ASIC's response to the advice review component of REP 639 was commensurate with the concerns identified in that review. While we found that 36% of files did not demonstrate full compliance with the best interests duty and related obligations, this was as a result of procedural, disclosure or record keeping deficiencies and did not indicate the member was at risk of suffering financial or non-financial detriment. A smaller subset of 15% of files indicated that the member was at risk of suffering financial or non-financial detriment.

ASIC does not have a pre-determined compliance rate or test pass rate. When ASIC undertakes advice reviews in its projects, it assesses the advice records for compliance and reports on the outcome of the assessment. Further work undertaken by ASIC as a result of the advice reviews depends on the nature and scale of concerns identified. For example, for files reviewed as part of REP 639 where there was an indication that the member was at risk of suffering financial or non-financial detriment, we engaged with the advice licensee about our expectation that they review the advice and where required, remediate those affected members.

We note that whether the law should be amended following an ASIC review, such as REP 413 and REP 639, is a policy matter for Government.