

QoN 010-15 – Baseline for review of life insurance reforms

Recent media reports have indicated that ASIC has started work on the agreed review of life insurance advice and that you are assessing life insurance advice in both 2017 and 2021, to compare the change. 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 stakeholders⁶. 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 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.

⁶ [The Corporations Amendment \(Life Insurance Remuneration Arrangements\) Bill 2016 Explanatory Memorandum](#), paragraphs 2.1 and 2.2.