

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2014 - 2015

Department/Agency: ASIC

Question: SBT4276

Topic: Life insurance review

Reference: Hansard page no. 48 - 11 November 2014

Senator: Williams, John

Question:

Senator WILLIAMS: Okay. I want to move you to your inquiry and your media release into the insurance industry, where you conclude that 37 per cent of advice that consumers received failed to comply with the laws relating to appropriate advice. This looks like mark 2 of financial planning again. With the life insurance review, who did you use as consultants and how much did it cost, given that it took almost a year to complete?

Mr Medcraft: Mr Kell is handling that.

Mr Kell: The files that we assessed were assessed by an internal team and then by an additional set of staff that had financial planning qualifications, and a sample was assessed by external consultants Holley Nethercote. I do not have the answer off the top of my head about how much that cost; I am happy to take it on notice.

Senator WILLIAMS: Okay

Answer:

The project approach and methodology for ASIC's Life Insurance project is set out in detail in Chapter B of ASIC's Life Insurance Review (Report 413). Phase 2 of this project involved assessing the quality of a significant sample of life insurance advice against legal standards. The ASIC project team reviewed 243 files in total. These reviews were the subject of two quality assurance checks:

- 101 files were reviewed by ASIC analysts who were former financial planners with current Certified Financial Planner qualifications; and
- 20 files were reviewed by an independent external consultant to ensure our ratings were sound and consistent.

The consultant used for this second assurance check was Holley Nethercote. This firm was engaged by way of a limited tender process. The cost of the work was \$25,498. This contract is up on Austender, the database of public service contracts (CN 2224541, under the name HN Law Pty Ltd).