

QoN 010-02 – Criteria for 2021 LIF review

ASIC Report 413 indicated that only 63% of the client files at that time were compliant. What criteria will the 2021 ASIC review use to measure whether any significant improvement in inappropriate policy replacement has been achieved?

Answer:

ASIC's LIF review will assess 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.

The life insurance advice files have been randomly selected, so are expected to cover a range of life insurance advice including replacement product advice, hold advice and advice to amend or cancel existing policies.

All advice files reviewed, including those containing product replacement advice, will be assessed for compliance with the best interest duty and related obligations² and consumer harm. Replacement product advice disclosure obligations will also be assessed where relevant.

ASIC proposes to provide the results of its LIF review to Government. Government will assess whether any regulatory change should be made in light of the findings of ASIC's LIF review. In this sense, Government will determine whether any improvement in the quality of advice is significant or not.

² s961B (provider must act in the best interest of the client), s961G (resulting advice must be appropriate to the client), s961J (provider must prioritise the interests of the client over their own).