

QoN 010-04 – Impact of COVID-19 on life insurance

How will ASIC consider the impact of COVID-19 on the life insurance sector as part of this review of life insurance advice quality? We know that economic pressure and premium increases are putting a lot of pressure on Australians, and they are naturally seeking the assistance of their financial adviser.

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.

Each personal life insurance advice file will be separately reviewed for compliance with the law in relation to the best interest duty and related obligations³ and replacement product advice disclosures where relevant.

The impact of COVID-19 on each client will be unique. Each file review will consider, amongst other things, records covering the client's relevant circumstances, the subject matter of the advice sought and the investigation and assessment of financial products that might achieve the objectives and needs of the client. That is, the advice will be reviewed in light of the client's personal circumstances, including the impact of COVID-19 on the client.

³ 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).