

**QoN 010-16 – Accounting for COVID-19 induced economic hardship in LIF review**

In the discussion about the impact of COVID 19 on policy lapses in the life insurance sector, Commissioner Press suggested that the COVID 19 impact would be before the 2021 review. This assumes that economic hardship will not be a factor in 2021. That seems like an optimistic assumption. How will ASIC take into account continuing economic hardship, in the LIF review in 2021?

**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 are 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 obligations<sup>7</sup> 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 induced economic hardship on the client.

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<sup>7</sup> 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).