



## **MEDIA RELEASE**

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### **GOOD ADVICE WOULD SEE A MILLION MORE AUSTRALIANS WITH THE LIFE INSURANCE THEY NEED**

New research released today by the Financial Services Council (FSC) shows the combined effect of simplification of comprehensive advice and the introduction of a scalable advice model for life insurance would see a million more Australians have the life insurance cover they need.

Research by NMG Consulting has found that if the Quality of Advice Review results in the implementation of a scaled advice model and other reforms to simplify advice there will be a 12 per cent increase in the number of Australians with life insurance cover, or 432,000 Australians. This is relative to a decrease in life cover for 612,000 Australians under the 'do nothing' approach.

The FSC commissioned NMG Consulting to analyse underinsurance in Australia and to model three scenarios, including one in which the FSC's reformed advice framework was adopted in conjunction with a simplified advice model that allows for scaled advice to assess cover required beyond default cover levels.

Proposals to reform the advice framework will reduce the cost of providing advice by almost \$2000, while maintaining commissions, allowing people to get advice at times when they need life insurance protection but cannot afford an up-front fee to pay for it.

CEO of the FSC Blake Briggs said: "The Government has a rare opportunity to deliver affordable and accessible advice to consumers as an outcome of the Quality of Advice Review.

"FSC research shows how the unmet life insurance needs of consumers can be addressed by comprehensively reforming the regulatory framework, not just tinkering with it.

"If nothing changes, the number of life insurance policies held by Australians is set to reduce by 17 per cent in the next five years, leaving Australians without cover when they need it.

"These insights also suggest the benefits that a reformed financial advice framework can have across the broad range of financial services that consumers must navigate, from superannuation savings, to investing for the future for themselves and their families."

In its submission to the Quality of Advice Review, the FSC advocated a comprehensive reform of the advice framework that has largely been reflected in Michelle Levy's proposed 'Good Advice' framework released for consultation in the Review's Proposals Paper. These reforms will reduce the cost of providing advice and include:

- Abolishing complex Statements of Advice for a simpler, consumer-focussed 'Letter of Advice'
- Breaking the link between financial products and advice, and

- Abolishing the safe harbour steps for complying with the Best Interests Duty.

The research also finds that:

- In Australia today, around 15 million people are currently insured, collectively paying a total of \$17.3 billion in group life and individual insurance premiums each year.
- In total, there is an estimated 1 million Australians who are underinsured for Death/Total Permanent Disability insurance and 3.4 million who are underinsured for income protection insurance.
- Commissions on advised life insurance remains an important component of adviser remuneration (with less than 10 per cent of life insurance advice being placed without any commission, and most consumers not being willing, or able to afford, to pay an upfront fee for life insurance advice).

The research report can be accessed [here](#).

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**About the Financial Services Council**

The FSC is a peak body which sets mandatory Standards and develops policy for more than 100 member companies in one of Australia's largest industry sectors, financial services. Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, life insurers and financial advice licensees. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses. The financial services industry is responsible for investing more than \$3 trillion on behalf of over 15.6 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is one of the largest pools of managed funds in the world.