

**ASIC Consultation Paper 317
– Unsolicited telephone sales
of direct life insurance and
consumer credit insurance**
Submission by Legal Aid Queensland



ASIC Consultation Paper 317 – Unsolicited telephone sales of direct life insurance and consumer credit insurance

Legal Aid Queensland (LAQ) welcomes the opportunity to provide a submission in response to ASIC Consultation Paper 317 – Unsolicited telephone sales of direct life insurance and consumer credit insurance.

LAQ provides input into State and Commonwealth policy development and law reform processes to advance its organisational objectives. LAQ always seeks to offer policy input that is constructive and is based on the extensive experience of LAQ's lawyers in the day to day application of the law in courts and tribunals.

LAQ's Civil Justice Services Unit lawyers provide advice and representation in relation to insurance, mortgage stress, housing repossession, banking and financial issues, financial hardship, debt, contracts, loans, telecommunications and unsolicited consumer agreements, including clients who have been adversely affected by unsolicited telephone sales of direct life insurance and consumer credit insurance.

Proposal C1 We intend to use our modification power in relation to the hawking provisions in the Corporations Act to prohibit unsolicited telephone sales of life insurance (including funeral insurance) and CCI, when only general advice or no advice is given at the point of sale.

Your feedback

C1Q1 Do you have any feedback about our intention to use the modification power to prohibit unsolicited telephone contact to offer issue or sell direct life insurance?

LAQ supports ASIC's proposal. We have assisted many clients who have suffered significant negative impact as a result of being sold unsolicited direct life insurance. These negative effects have included:

- (a) being sold life insurance that provides them with little or no benefit;
- (b) being subjected to pressure sales tactics. Consumers experiencing vulnerability are targeted by and are most susceptible to this type of sales tactics;
- (c) being signed up to an insurance product that they do not understand;
- (d) having the nature and benefit of the insurance product misrepresented to them;
- (e) being sold products that are not tailored to meet their individual circumstances; and
- (f) being sold insurance that they cannot afford.

Stopping unsolicited sales of these products currently sold through a no or general advice model will provide real and substantive benefits to vulnerable clients who are the most at risk of poor outcomes and being taken advantage of as a result of this unsolicited sales model.

C1Q2 Do you have any feedback about our intention to use the modification power to prohibit unsolicited telephone contact to offer issue or sell CCI?

LAQ supports ASIC's proposal. We have assisted many clients who have suffered significant negative effects as a result of being sold unsolicited consumer credit insurance. These negative effects have included:

- (a) being sold consumer credit insurance that provides them with little or no benefit;
- (b) being sold consumer credit insurance that they could not claim on, for example because they were sold unemployment insurance when they were already receiving an aged pension;
- (c) being subjected to pressure sales tactics – vulnerable consumers are targeted by and are most susceptible to this type of sales tactics;
- (d) being signed up to an insurance product that they do not understand;
- (e) having the nature and benefit of the insurance product misrepresented to them;
- (f) being sold products that are not tailored to meet their individual circumstances; and
- (g) being sold insurance that they cannot afford.

Stopping unsolicited sales of these products currently sold through a no or general advice model will provide real and substantive benefits to vulnerable client who are the most at risk of poor outcomes and being taken advantage of as a result of this unsolicited sales model.

C1Q3 Is there a risk of causing inadvertent consumer harm by banning unsolicited telephone contact to offer, issue or sell direct life insurance and CCI?

We are not of the view that this proposal risks causing inadvertent consumer harm. LAQ's experience and the evidence of the Royal Commission shows that the current unsolicited, no advice or general advice, sales model used by these companies is broken and provides a large majority of consumers with inappropriate products and poor outcomes. These products can still be sold using models other than no or general advice models. This change in model is likely to encourage the sale of products that are appropriate to an individual consumer's needs. Stopping this practice will improve consumer outcomes. It will not cause them harm.

C1Q4 Do you think that the prohibition on unsolicited telephone contact should be extended to any other financial products currently captured by the hawking provisions (e.g. other insurance products, superannuation products)? If so, which products, and on what basis?

LAQ supports ASIC's comments on pages 10 and 11 of the Consultation Paper concerning the sale of funeral insurance and life insurance sold by financial advisors.

C1Q5 If you are an insurer or distributor:**(a) what are the likely compliance costs of the ban?**

LAQ has no experience to enable comment on this question.

(b) what is the likely effect on competition?

The consumer benefit of this proposal is significant because it will reduce the harm experienced by consumers. It is also likely to encourage competition because it will force companies selling this type of product to explain their product more clearly to consumers and engage with them about the merits and benefits of the product to each individual consumer.

(c) do you foresee any other impacts, costs and/or benefits of this proposal, or of any alternative approach you suggest?

We are not aware of any other proposal that would address the harm that is currently experienced by consumers as a consequence of the current unsolicited sales model.