



28 August 2019

Emma Curtis
Senior Executive Leader, Insurance
Australian Securities and Investment Commission
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Dear Ms Curtis

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

Zurich Australia Limited's Life and Investment business (Zurich) appreciate the opportunity to comment on the ASIC Consultation Paper 317 "Unsolicited telephone sales of direct life insurance and consumer credit insurance" of July 2019 (CP 317).

Background

It is our understanding that ASIC is seeking feedback on its proposal to ban unsolicited telephone sales of direct life insurance and consumer credit insurance (**CCI**) through the modification power it has under s992B(1)(c) of the Corporations Act so that the prohibition on hawking in s992A(3) would apply (with no exemptions) to these sales (**the Proposal**).

ASIC has explained in CP 317 that the use of the modification power is to provide interim protections to consumers ahead of broader law reform by the Australia Government. In this regard, Treasury has recently released an Implementation Roadmap which indicates that recommendation 4.1 (*the prohibition against the hawking of insurance products*), is scheduled for consultation and introduction by June 2020. When making recommendation 4.1, Commissioner Hayne noted that most, if not all the case studies examined by the Commission involving the unsolicited sale of insurance pertained to hawking that occurred during a telephone call. He also noted that to implement the recommendation effectively and eliminate arguments about what is 'solicited' it is desirable to introduce a statutory definition of that concept.

In CP 317, ASIC expressed the concern that these products are complex and when sold through the direct channel without personal advice, the consumer must consider many features and try to determine whether the product is right for their personal circumstances. ASIC has also observed that consumers receiving an unsolicited phone call are unlikely to have thought about the type or level of cover they need, increasing the risk they will buy a product they cannot afford, do not want, or that does not meet their needs.

Our position

1. Zurich does not conduct, or intend to conduct, unsolicited telephone sales of direct life insurance or CCI.
2. Zurich supports ASIC's proposed ban on unsolicited telephone sales of direct life insurance and CCI but would like to ensure it doesn't place any restriction on the ability of insurers to contact existing customers in relation to their insurance policies, including providing them with upgraded or alternative policy options.
3. To support this ban and eliminate the different views of 'unsolicited' for this purpose, Zurich believes there is merit in ASIC reviewing and tightening up this definition in Regulatory Guidance 38 (RG38), in particular the descriptions of Positive, Clear and Informed requests from consumers.
4. Zurich understands why the Proposal is being put forward and is happy to participate in any consultation process going forward.
5. Although beyond the scope of the Proposal, we would like to make a related comment regarding Commissioner Hayne's recommendations, that the hawking of insurance products should be generally prohibited and the need to introduce a statutory definition of the concept of '*unsolicited*':
 - a. We understand and support the Government's approach that this is the most appropriate way to improve consumer outcomes where consumers are being sold insurance products through unsolicited telephone calls. However, we have some concerns regarding its application more broadly. There will be situations where consumers would benefit from insurers proactively engaging with them in a range of communication channels at appropriate life stages about suitable insurance options. Important policy issues to consider include the appropriate distribution channels for such conversations (for example digital), and when and how "consent" should be obtained from those consumers.
 - b. We also understand and support the Government's proposal to introduce a statutory definition of the concept of 'unsolicited'. Commissioner Hayne suggests that the definition could be based on the definition ASIC uses for a meeting or telephone call for the purpose of an offer of financial products for issue or sale in RG38. We caution that this may not be appropriate if a broader ban on the hawking of insurance is introduced by the Government (ie it includes a broader range of channels and purposes than that contemplated by RG38).

- c. We would welcome consultation prior to these recommendations being implemented to ensure there are no unintended consequences to the detriment of consumers. Important principles to consider when implementing these recommendations include:
- i. Educating and making consumers aware of the need for life insurance and the options available to them at appropriate life stages
 - ii. Life insurance is not front of mind for consumers and requests to be contacted typically result from advertising and other proactive triggers from insurers and distributors
 - iii. Consumers must be able to make considered and informed decisions about their life insurance needs and purchase life insurance in their channel of choice
 - iv. Consumers should have access to call centre, online chat and/or face to face support when they are purchasing CCI or Direct Life Insurance in digital or self-service channels
 - v. Innovation and the use of data and digital to improve insurance propositions, engagement and customer experience.

Yours sincerely,



Tim Bailey
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Zurich Australia Limited