



**ASIC**  
Australian Securities &  
Investments Commission

## Attachment 1 to Information Sheet 266

# Example Record of Advice (ROA): Life insurance advice – Retain existing products and increase insurance

November 2021

The Australian Securities and Investments Commission (ASIC) has prepared an example Record of Advice (ROA) to help financial advisers when they are providing personal advice to retail clients in situations where an ROA can be used instead of a Statement of Advice (SOA).

We have annotated this example ROA to help advisers understand the relevant requirements under the *Corporations Act 2001* (Corporations Act) and *Corporations Regulations 2001* (Corporations Regulations).

We also consulted the Financial Adviser Standards and Ethics Authority (FASEA) and we welcomed FASEA's confirmation that the example ROA is consistent with the advisers' obligations under the FASEA [Financial Planners and Advisers Code of Ethics](#) (Code of Ethics) (including Standard 6).

Note: Standard 6 of the Code of Ethics provides: 'You must take into account the broad effects arising from the client acting on your advice and actively consider the client's broader, long-term interests and likely circumstances.'

Where an annotation in the example ROA refers to a standard in the Code of Ethics, FASEA considers the related step to be essential for compliance with the standard.

For information about our guidance on ROAs, see [Information Sheet 266](#) FAQs: Records of Advice (ROAs) (INFO 266).

### How to read the example ROA

The example ROA is just an example and confined to the particular facts in the scenario and the requirements under the Corporations Act and Corporations Regulations. Australian financial services (AFS) licensees and their authorised representatives should consider their clients' relevant circumstances when preparing and tailoring their ROA appropriately for clients as well, as any other legal obligations.

The following terms are used in the annotations to the example ROA:

<b>reg 7.7.10 (for example)</b>	A regulation of the Corporations Regulations (in this example numbered 7.7.10)
<b>RG 175</b>	<a href="#">Regulatory Guide 175</a> Licensing: Financial product advisers—Conduct and disclosure
<b>s946B (for example)</b>	A section of the Corporations Act (in this example numbered 946B)
<b>Standard 6 (for example)</b>	A standard of the Code of Ethics (in this example numbered 6)

## Example scenario

### Background

The client, Nick Rossi, is an existing client of Sarah Johnson of ABC Advice Pty Ltd (licence number 987654). Sarah Johnson is the 'providing entity'.

**Note:** A 'providing entity' is an AFS licensee, or an authorised representative of an AFS licensee, that provides personal advice to a retail client: see s944A of the Corporations Act.

When Nick needs advice, he contacts Sarah. He pays a fee for the advice he receives about his superannuation. Sarah receives commissions for the advice she gives Nick about his insurance.

Nick sought advice from Sarah six years ago when he took out a mortgage to buy his home. Sarah's advice to Nick at that time was about his personal insurance and superannuation.

In the last six years, Sarah has helped Nick by recommending and implementing insurance policies and reviewing his superannuation fund and investment option. Sarah reviewed Nick's nomination of beneficiaries of his superannuation fund (including insurance) so it reflects his intentions if he passes away. Nick is close to his sister, Jessica, who is his nominated beneficiary.

Over time, Nick has experienced changes to his circumstances through career progression and changing employers. In February 2019, there was a significant change in Nick's personal circumstances when he received a large inheritance from his father's estate.

### Previous advice service and documents

In February 2019, Sarah provided Nick with an SOA when he received the inheritance from his father's estate (February 2019 SOA). This was a significant change in Nick's circumstances, and Sarah and Nick discussed how it would affect Nick's overall situation.

Before Sarah provided Nick with the February 2019 SOA, Sarah and Nick discussed:

- using the inherited funds to reduce Nick's mortgage through an offset or redraw facility so he could maintain flexibility. Nick's primary goal was to reduce his mortgage
- reviewing Nick's existing insurance policies, and
- Nick's estate planning. Sarah referred Nick to a lawyer to get advice about putting in place the relevant arrangements. Sarah recorded the contact details of Nick's lawyer and his sister, Jessica, on Nick's client file.

Nick paid for the February 2019 SOA from a combination of his cash savings and, to the extent that the advice was connected to superannuation, his superannuation fund.

### Current situation

Nick is 44 years old, single and in good health. He has a background in commerce and has been employed full time in a professional capacity since graduating from university in his early 20s.

Nick has life insurance, total and permanent disability (TPD) insurance and income protection (IP) insurance with XYZ Insurance. The IP insurance is an indemnity value policy with a 90-day waiting period and is payable to age 65. These policies are individual insurance policies owned by and paid from Nick's XYZ Superannuation Fund. The annual premium for these policies is \$2,998.

Nick also has trauma insurance outside superannuation, which he pays for from his cashflow. The annual premium for this policy is \$680.

Nick's superannuation is invested in the Index Growth investment choice of XYZ Superannuation Fund.

At Nick's recent annual performance review, he received a \$20,000 salary increase which he was quite pleased about. Nick did not receive a salary increase last year because his employer implemented a salary freeze due to the COVID-19 pandemic. Sarah has always told Nick to contact her if his circumstances change.

While Nick's salary increase is not considered significant in the context of his existing salary, Nick understands that his income is important to repaying the remainder of his mortgage and to meet his living expenses. Nick wants to ensure his increased income is insured. He contacts Sarah to arrange a meeting to discuss his salary increase and whether it affects his superannuation or insurance policies.

### **Commentary about this advice**

Sarah starts her meeting with Nick by confirming his current relevant circumstances. Sarah is satisfied Nick's circumstances are not significantly different from those recorded in his February 2019 SOA. During the meeting Sarah and Nick discuss the following matters.

#### *Superannuation*

- Nick explains that he recently checked his superannuation fund balance and saw that it had performed well. Nick was surprised by this as he had been concerned that there may have been a downturn in markets during the COVID-19 pandemic.
- Sarah discusses Nick's superannuation and considers his risk profile as a Growth investor in relation to his superannuation. Sarah does not ask Nick a series of detailed questions about risk and return, but they do discuss what has happened in the market generally, and, then, how that affects Nick's superannuation fund investment. Sarah and Nick also discuss Nick's tolerance for the risk of capital loss, longevity risk, market risk and inflation risk. Sarah is satisfied that Nick remains a Growth investor for the purpose of his superannuation fund and she confirms that Nick understands and remains comfortable with this approach.
- Sarah recommends that Nick make no change to his superannuation investment. Sarah considers that her advice is in Nick's best interests and appropriate because Nick's investment option (Index Growth) aligns with his Growth investor risk profile, and because the existing XYZ Superannuation Fund platform is competitive both on fees and on long-term performance history. Sarah's recommendation to Nick is informed by her research into his XYZ Superannuation Fund and underlying investment, and her comparison of their fees and performance to similar funds and investments in the market.

#### *Insurance*

- Sarah asks Nick several questions about his health and lifestyle and satisfies herself there are no known changes in Nick's health or lifestyle that would impact his ability to apply for insurance.
- Sarah considers Nick's insurance policies and recommends that Nick maintain his existing life, TPD and trauma insurance. This is because the policies continue to meet his needs, are cost effective and have no exclusions or loadings. Although Nick does not need life insurance, he values the TPD insurance (which is bundled with his life cover) and wishes to keep it in place. Nick understands there is a cost to maintaining the additional life insurance, which Sarah has explained to him.

- Sarah explains that Nick could take out a new IP policy but she does not recommend this. Sarah explains to Nick that new IP policies implemented after 1 October 2021 have different features and benefits when compared to his current IP policy and they discuss how these changes may impact Nick. Sarah reviews the features and benefits of Nick's existing IP policy and confirms they remain appropriate for Nick's circumstances. She recommends that Nick maintain his existing IP policy for his personal circumstances and that he apply to increase his IP monthly benefit to cover his salary increase. Sarah's research into Nick's IP insurer and the alternative IP insurance policy options available to Nick has informed her recommendation.
- Sarah discusses the possibility that Nick could make salary sacrifice contributions to his superannuation to offset the impact of the insurance premiums on his superannuation balance. However, because Nick's primary goal is to reduce his mortgage, Sarah does not recommend he make salary sacrifice contributions at this time. Nick's increase in income will be used to accelerate the repayment of his mortgage.
- Sarah discusses the insurance application process and explains that Nick will need to answer questions and may need to provide supporting documents to XYZ Insurance (e.g. income and medical records). This process is called 'underwriting'. Sarah highlights that Nick has an important duty to take reasonable care not to make a misrepresentation to the insurer when applying to increase his IP insurance. Failure to meet this duty can have serious impacts on Nick's insurance. For example, the insurance policy could be avoided (treated as if it never existed), or its terms may be changed. This may also result in a claim being declined or a benefit being reduced. Sarah explains the importance of Nick providing detailed answers and invites Nick to contact her with any questions.

#### *Estate planning*

- Sarah confirms with Nick that he implemented the estate planning arrangements they discussed in February 2019. Nick's estate planning arrangements reflect his wishes.
- Sarah reviews Nick's nomination of beneficiaries on his XYZ Superannuation Fund. Although she has previously explained this to Nick, Sarah reminds him that, because his life insurance is held through his superannuation account, if he dies his life insurance will be part of his superannuation account and be paid according to his nomination of beneficiaries. Nick confirms his nomination is unchanged.

#### *Advice fees*

- Sarah discloses that her fee for her advice to Nick about his superannuation (including implementation of the advice) will be paid from Nick's superannuation account.

#### **Advice records**

Sarah's research of insurance policies and detailed notes of her discussions with Nick are adequately recorded on Nick's client file. Sarah's records confirm Nick's understanding of their discussions.

Sarah does not have to give Nick an SOA for this advice as it satisfies the conditions of the further advice situation in s946B(2); instead, she can keep an ROA: see reg 7.7.10AE. While Sarah is not required to give Nick a copy of the ROA, she likes to give her clients a copy of the ROA as part of her advice process so she can discuss the advice and ensure her clients understand it.

**When would Sarah need to give Nick an SOA?**

Sarah would need to give Nick an SOA in the following example situations:

- Nick approaches Sarah for advice on whether he should transfer his superannuation to a self-managed superannuation fund (SMSF). One of Nick's colleagues recently started an SMSF and Nick wants to see if an SMSF would be suitable for him. An SOA would need to be given because the basis of this advice would be significantly different to the basis of the previous advice provided to Nick in the February 2019 SOA.
- Nick has been made redundant and approaches Sarah for advice on how to use his redundancy package. An SOA would need to be given because there has been a significant change in Nick's relevant circumstances, and because the basis of the advice would be significantly different to the basis of the previous advice provided to Nick in the February 2019 SOA.
- Nick has saved \$50,000 and approaches Sarah for advice on how best to invest his savings. Nick is interested in buying shares and property but knows he doesn't have enough for a deposit. An SOA would need to be given because the basis of this advice would be significantly different to the basis of the previous advice provided to Nick in the February 2019 SOA.

## Record of Advice

**Client name:** Nick Rossi  
**Date of advice:** 12 October 2021  
**Prepared by:** Sarah Johnson, authorised representative 112211  
**Licensee:** ABC Advice Pty Ltd, licence number 987654

### About this document

This Record of Advice (ROA) sets out my advice to you after our discussions about your financial circumstances.

This ROA contains further advice to the advice you received in the Statement of Advice (SOA) dated 23 February 2019.

The SOA sets out your relevant circumstances at that time.

### Your current situation

- You have recently received a \$20,000 increase in your salary. This has increased your annual salary from \$150,000 to \$170,000.
- You would like advice on increasing your income protection (IP) monthly benefit to reflect your increase in salary.
- You are interested to know how your XYZ Superannuation Fund has performed in the last financial year and whether any changes are recommended.
- There have been no other changes to your situation.

### My advice to you

#### XYZ Superannuation Fund

My advice is to make no changes to your XYZ Superannuation Fund.

The reasons for my advice are:

- XYZ Superannuation Fund remains a suitable fund for you. When I compared other superannuation funds with similar features and investment options, I found that the XYZ Superannuation Fund has competitive fees and its long-term performance history is strong.
- Maintaining your current investment option (Index Growth) is consistent with your Growth risk profile and your asset allocation.

**TIP:** Authorised representative and AFS licensee details can be displayed in different ways.

The providing entity must have previously given the client an SOA (the previous advice) that sets out the client's relevant circumstances in relation to the previous advice: s946B(2)(a) inserted by reg 7.7.10AE.

The providing entity should be satisfied that the basis on which the further advice is given is not significantly different from the basis on which the previous advice was given: s946B(2)(c) inserted by reg 7.7.10AE.

The ROA must include either the advice given to the client or brief particulars of the recommendations and the basis of the recommendations: reg 7.7.09(1).

**TIP:** When considering using templates and preparing ROAs, you should consider presenting the information in a way that is easy for the client to digest and understand.

AFS licensees and authorised representatives must keep records of the personal advice given to clients: s912G. See RG 175.218–RG 175.223, RG 175.427–RG 175.432 and Standard 8.

**TIP:** You can choose to summarise the client's relevant circumstances, or clearly state that the previous SOA sets out the client's relevant circumstances: see RG 175.182(b).

**TIP:** These are the changes that have occurred since the previous advice was provided.

The providing entity should be satisfied that the client's relevant circumstances are not significantly different from those in the previous advice: s946B(2)(b) inserted by reg 7.7.10AE.

**TIP:** Keep adequate records on the client's file of your investigation into financial products: see RG 175.427.

### **XYZ Insurance**

My advice is to keep your existing life, total and permanent disability (TPD) and trauma insurance cover, and apply to increase your IP policy.

This is because these insurance arrangements continue to meet your needs, are cost effective and have no exclusions or loadings.

I recommend you apply to increase your IP monthly benefit from \$9,375 to \$10,625 to align with your recent increase in salary. This will ensure you are protected for 75% of your salary.

I have compared the premiums of your existing levels of insurance, and the proposed increase in your IP policy, with other insurers' premiums on IP policies implemented after 1 October 2021. Your existing IP policy is currently cheaper. I recommend you maintain your existing IP policy as the premium remains competitive and affordable for your personal circumstances and you will retain your existing policy features and benefits.

I have also reviewed the features and benefits of your IP insurance and these remain appropriate for you. This is because you have sufficient savings to fund your living expenses during a 90-day waiting period, and you plan to work until you are 65. To apply for the increase in your IP policy, you will need to complete the XYZ Insurance form 'Apply for an increase in your insurance'.

**Important note:** When you apply to increase your IP insurance policy, you will need to answer the insurer's questions and may need to give supporting information (e.g. income and medical records).

This process is called 'underwriting'. It may result in terms being applied to the increased portion of your new insurance or your application being declined.

When applying to increase your insurance policy, you have an important duty to take reasonable care not to make a misrepresentation to the insurer.

If you do make a misrepresentation, it can have serious impacts on your insurance. For example, the policy could be avoided (treated as if it never existed), or its terms may be changed. This may also result in a claim being declined or a benefit being reduced.

A reasonable investigation conducted under s961B(2)(e) does not require an investigation into every product available; s961D. See RG 175.335.

**TIP:** You should make adequate inquiries about the client's relevant circumstances relating to the insurance advice and discuss the importance of disclosure with the client. It's important to keep adequate records of these inquiries and discussions.

**TIP:** When conducting a reasonable investigation, you should consider and investigate any existing product, and any other products that may be suitable for the client: see Standard 5.

Investigations are scalable – that is, the extent of your inquiries will depend on whether your advice is simple or involves complex financial products or strategies: see RG 175.340–RG 175.348.

**TIP:** Keep adequate records on the client's file of conversations with the client: see RG 175.427–RG 175.432.

### Things you need to know

- As part of the application process, you may be required to provide supporting documents to XYZ Insurance (e.g. income and medical records).
- Your IP policy is an indemnity value policy, which means you will need to produce proof of your income at the time of claim. If your income has reduced at that time, you will only be paid 75% of the reduced amount as a monthly benefit.
- Increasing your IP monthly benefit will increase the annual premium by \$114 (subject to underwriting). This will be paid from your superannuation account.
- We have discussed salary sacrificing into superannuation to offset the impact of your insurance premiums on your superannuation balance. However, given that your primary goal is to reduce your mortgage, I do not recommend salary sacrifice contributions at this time.
- Paying insurance premiums using your superannuation impacts your retirement savings. I estimate (based on modelling) that in 10 years' time your superannuation balance will be \$30,968 lower.
- It's important to review your insurance needs regularly. Please continue to contact me when your situation changes so your policies can be reviewed and adjusted if required. I will call you annually to ensure your circumstances have not changed in a way that may impact your insurance and superannuation.

**TIP:** Sarah has explained to Nick the impact of using his superannuation to pay for his insurance premiums, and he has considered additional contributions to superannuation: see Standard 6. This is one way an advice provider can demonstrate compliance with the best interests duty and related obligations. Keep adequate records on the client's file of the modelling and any client discussions.

**TIP:** You should ensure your fees and charges are fair and reasonable and represent value for money for your client: see Standard 7. Factors to consider may include the client's relevant circumstances, how much they are willing to pay for the advice and whether this is reasonable, the client's desire to minimise fees and costs and whether the level of services meets their needs: see RG 175.301(d), RG 175.319(c) and RG 175.413(c).

### Advice fees and conflicts of interest

#### Superannuation

The cost of my advice (including implementation of the advice) about your superannuation is \$[X] including GST. This amount will be deducted from your superannuation account.

#### Insurance

The cost of my advice about your insurance is met by XYZ Insurance which pays commissions to ABC Advice Pty Ltd, which shares that commission with me.

These commissions are set out in the table on the next page.

When giving further advice, the providing entity must disclose any actual or potential conflicts of interest, commissions and remuneration that might influence the providing entity in giving the advice and, if applicable, any replacement financial product disclosures: s946B(3) inserted by reg 7.7.10AE.



XYZ Insurance policy	ABC Advice Pty Ltd	Sarah Johnson
<b>IP policy increase: first year</b> Annual premium \$114	\$8	\$67
<b>IP policy increase: following year</b> Annual premium \$114	\$3	\$22
<b>Existing policies: each year</b> (life, TPD, IP and trauma) Annual premiums \$3,678	\$81	\$728

A client may request a copy of the ROA: see regs 7.7.05 and 7.7.08.

**TIP:** Providing entities should give clients a copy as soon as practicable after receiving a client's request.

**TIP:** You should take steps to be satisfied that the client understands the advice. Advice providers must have reasonable grounds to be satisfied: see Standard 5. Good record keeping is one way to demonstrate how the advice provider has satisfied themselves that the client understands the advice.

### Next steps

Please read this document and the following attachment before deciding whether to follow this advice:

- XYZ Insurance form 'Apply for an increase in your insurance'.

At our next meeting, we can discuss any questions to ensure you understand my advice. I can also help you to complete the XYZ Insurance form if you choose to proceed with my advice.

You will also need to sign the written consent form and return it to me to allow for my one-off advice fee to be deducted from your superannuation account.

Your superannuation fund will usually deduct this fee within [X] days of obtaining your consent.

Further advice ROAs may be kept in any form (e.g. audio or video recording or in writing): see reg 7.7.09(2). You must keep the ROA for seven years after the further advice is provided: see reg 7.7.09(3).

**TIP:** Superannuation trustees can deduct advice fees (other than fees for intra-fund advice) from a member's superannuation account only if they have the member's written consent, or a copy of it, and the consent meets requirements set out in [ASIC Instrument 2021/124](#) for ongoing fee arrangements, and [ASIC Instrument 2021/126](#) for non-ongoing fee arrangements: see ASIC's [example consent forms](#).