

# **Treasury consultation on the removal of the exemption for funeral expenses policies**

Submission by Legal Aid Queensland

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## Introduction

Legal Aid Queensland (LAQ) welcomes the opportunity to make a submission in response to the Treasury consultation on the Removal of the Exemption for Funeral Expenses policies.

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

LAQ's Consumer Protection Unit lawyers provide specialist advice and representation in consumer law matters, including to clients seeking assistance about insurance issues on a regular basis. This submission is informed by that knowledge and experience.

## The problem

LAQ supports the Government's commitment to implementing Recommendation 4.2 of the Financial Royal Commission which provides –

*“Removing the exemptions for funeral expenses policies*

*The law should be amended to:*

- *remove the exclusion of funeral expenses policies from the definition of ‘financial product’; and*
- *put beyond doubt that the consumer protection provisions of the ASIC Act apply to funeral expenses policies.”*

LAQ has provided advice to numerous consumers in vulnerable circumstances who have suffered significant detriment as a result these types of insurance policies and implementation of the recommendation will provide important protection to consumers.

The detriment suffered by consumers was highlighted in the evidence obtained and presented during the Financial Services Royal Commission.

This detriment experienced by consumers includes:

- policies being of poor value to consumers because a policy holder will pay significantly more in premiums than the amount they would receive for making a successful claim under the policy;
- Inappropriate policies being marketed to consumers. For example the consumer paying for multiple policies to cover other family members in circumstances where the other family members can either not claim because of existing medical conditions or the policies are inappropriate because of the age (very young adults) of the family member;

- claim limits under these policies do not reflecting the funeral costs that would be incurred by a claimant under the policy;
- policies being sold without the consumers understanding the policy or it being properly explained;
- features of these policies being misrepresented to some consumers; and
- policies not being subject to the same consumer protections as any other financial product under the Corporations Act and the ASIC Act.

## The draft Legislation

LAQ supports the proposed draft legislation.

The proposed legislation:

- successfully removes the current exemption that funeral expenses policies have from the definition of a financial product, and
- ensures that consumer protections available under the ASIC Act apply to funeral expenses policies.

These changes will provide meaningful benefits to consumers because:

- they provide greater protections to consumers;
- they ensure similar products are treated in similar ways by financial services law; and
- they provide consumers with access to appropriate remedies if a funeral expenses policy provider does not meet its legal obligations under the relevant legislation.