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Assistant Secretary  
Advice, Insurance and Capital Markets Branch  
The Treasury  
Langton Crescent  
PARKES ACT 2600  
AUSTRALIA

By email: [FinancialAdvice@treasury.gov.au](mailto:FinancialAdvice@treasury.gov.au)

Dear Mr Moore (Andre)

## Curbing lead generation activity

The Council of Australian Life Insurers (**CALI**) and its members support targeted, proportionate reforms to address customer harm arising from high pressure lead generation and referral practices, particularly those identified in the Shield and First Guardian master fund matters. These cases have highlighted gaps in accountability across the lead generation, advice and distribution ecosystem that warrant careful regulatory scrutiny.

CALI believes that these risks can be addressed effectively within the existing financial services regulatory framework. In particular, extending and clarifying the application of established regimes such as the design and distribution obligations (**DDO**), the conflicted remuneration framework and licensing obligations which, together, provide a more coherent and enforceable response than introducing new or duplicative regulatory layers.

It is critical that any reforms reflect the distinct characteristics of life insurance. Lead generation plays an important role in enabling customers to access information, advice and protection. Unlike investment and superannuation products, life insurance does not involve the switching of accumulated savings, and the nature of related customer risks is materially different.

CALI's submission therefore focuses on ensuring reforms target unlicensed, high-risk and harmful practices, strengthen accountability and consent across the lead generation chain, and preserve legitimate, customer-initiated distribution pathways for life insurance and advice.

Consistent with this approach, CALI:

- **supports reforms that preserve legitimate lead generation** activities that deliver good customer outcomes, support competition and maintain access to life insurance products and advice;
- **supports extending DDO to lead generation activities** as a proportionate mechanism to improve oversight and accountability across distribution channels;
- **does not support further extension of the anti-hawking regime**, noting that existing settings already provide strong customer protections where properly enforced;
- **supports targeted remuneration reforms** to address business models that incentivise poor customer outcomes, while maintaining alignment with the Life Insurance Framework; and
- **supports enhanced advertising transparency and ASIC intervention powers** to enable earlier regulatory action where customer harm is likely.

CALI does not support a broad ban on lead generation, as this would risk limiting access to life insurance and advice without appropriately targeting the policy concerns identified. However, if such an approach is pursued, a carve-out for life insurance is essential given its distinct low risk profile and reliance on customer-initiated pathways to access the critical life insurance protections Australians rely on.

CALI also emphasises that lead generation reforms must operate consistently with the Government's Delivering Better Financial Outcomes (**DBFO**) reforms. DBFO is a critical initiative to improve access to safe, affordable, scalable advice. Reforms that inadvertently disrupt remuneration structures or restrict appropriate customer engagement are likely to increase the nation's risk protection gap.

Taken together, existing legislative safeguards provide a strong foundation for customer protection. Reforms should build on these settings to improve accountability and targeting of misconduct, while preserving access to life insurance and advice for Australian customers.

We look forward to continued engagement on this matter. Please contact Luke Hyde (General Manager, Policy) at [luke.hyde@cali.org.au](mailto:luke.hyde@cali.org.au) for more information.

This submission is made on a non-confidential basis.

Yours sincerely



Christine Cupitt  
Chief Executive Officer  
Council of Australian Life Insurers

## About the Council of Australian Life Insurers (CALI)

CALI is the leading voice of life insurance in Australia. We support Australians to make informed choices about their future and help them live in a healthy, confident and secure way over their lifetime.

Our members' products and services give people peace of mind when making important decisions and provide a financial safety net during life's biggest challenges.

We advocate for national policy settings that expand Australians' access to the life insurance protection that suits them when they need it most.

CALI represents all life insurers and reinsurers in Australia. The Australian life insurance industry is today a \$26.4 billion industry, employing thousands of Australians and paying billions of dollars of benefits each year.

For more information, visit [www.cali.org.au](http://www.cali.org.au)

## Detailed response

### Risk profile and context

Australians obtain life insurance through a range of channels, including directly from life insurers, through financial advisers, and through group insurance arrangements within superannuation. Each channel serves different customer cohorts and presents distinct risk profiles, which are addressed through a combination of legislative requirements, regulatory oversight and industry standards. Within these distribution channels, lead generation is used to connect customers with life insurance information, advice and cover.

Lead generation, in the life insurance context, typically involves customers proactively and voluntarily engaging with advertising, digital content or accepting referrals from trusted providers, to access information and in some cases be connected with a life insurer or licensed financial adviser. These are customer initiated activities form part of a broader, multi-channel distribution model and are an established means by which consumers access life insurance and financial advice within well-understood licensing and regulatory frameworks.

This is particularly important in a market where many consumers do not proactively seek out financial advice through traditional channels, instead engaging through accessible, customer-initiated pathways despite having clear risk protection needs. Lead generation can therefore play an important role in prompting engagement and supporting informed decision-making, rather than creating demand for unsuitable products.

It is important to distinguish these activities from lead generation practices observed in other parts of the financial services system, such as superannuation and investments. In those sectors, risks often centre on switching to higher risk arrangements and the risks to accumulated savings.

By contrast, life insurance products provide protection against future risk and do not involve high-risk investment arrangements, or the loss of accumulated savings. As a result, the nature and consequences of lead generation activity in life insurance are materially different and should be considered in that context.

Importantly, life insurance is already subject to a comprehensive and well-established regulatory framework, including Australian Prudential Regulation Authority (**APRA**) prudential supervision, Australian Securities and Investments Commission (**ASIC**) conduct oversight, the Life Insurance Code of Practice, and external dispute resolution through Australian Financial Complaints Authority (**AFCA**), which together impose strong governance, accountability and consumer protection obligations across the end-to-end customer journey.

When appropriately governed, lead generation supports a competitive and accessible life insurance market. This is particularly important in the context of Australia's structural advice gap. Millions of Australians are currently unable to access simple, timely advice about their life insurance needs, contributing to underinsurance and, in some cases, a complete lack of protection. This access gap exists despite increasing consumer demand, with 46% having sought or considered advice in the past three months.<sup>1</sup>

### **Delivering Better Financial Outcomes (DBFO) reforms**

CALI considers that DBFO reforms should enable life insurers, through the new class of adviser, to provide scaled advice about their own products to new and existing customers who request it, at no additional cost. They are intended to improve access to affordable, scaled advice by reducing regulatory complexity and enabling more flexible advice delivery models.

Where life insurers provide such advice, risks relating to pressure selling or inappropriate product churn are appropriately managed through existing regulatory safeguards, including AFS licence obligations, the anti-hawking prohibition, conflicted remuneration bans and the design and distribution obligations framework as well as the Life Insurance Code of Practice.

CALI submits the DBFO reforms are a critical and complementary policy initiative in improving access to affordable, fit-for-purpose advice. DBFO is intended to reduce regulatory complexity and enable more flexible, scalable advice models, including allowing life insurers to provide limited, product-specific advice where requested.

Lead generation reforms should be designed to operate consistently with these objectives. If not, there is a material risk that these reforms may disrupt remuneration structures that support adviser participation, thereby undermining access to advice.

Accordingly, reforms should remain targeted at unlicensed or higher-risk conduct and be assessed alongside DBFO to ensure a coherent policy framework that improves customer access while maintaining appropriate protections.

### **Reform Area 1 – Enhancing Accountability for Lead Generation**

CALI strongly supports Option 1d to extend the design and distribution obligations (DDO) to relevant lead generation activities.

This represents the most proportionate and effective reform and aligns closely with the approach proposed under Reform 4. The DDO framework is well established, familiar to CALI members, and provides a coherent and trusted mechanism for accountability across the distribution chain.

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<sup>1</sup> CALI, *Life Insurance Sentiment Tracker* (Wave 12, April 2026).

Extending DDO to lead generation appropriately aligns responsibility with those who design and distribute products, while requiring reasonable steps to ensure that lead generation practices are consistent with target market determinations. This would strengthen customer protections by reducing the risk that customers are targeted, referred or funnelled towards products or advice pathways that are misaligned with their likely needs, objectives or circumstances.

Importantly, this approach supports earlier intervention by requiring issuers and distributors to actively oversee how customer are identified, targeted and referred through third-party marketing and lead generation arrangements. This, in turn, reduces the risk of misleading targeting, inappropriate steering and poor customer outcomes before harm occurs. By embedding accountability within existing product governance and distribution frameworks, Option 1d addresses customer harm while avoiding unnecessary disruption to legitimate advertising, customer education and access to life insurance.

CALI also supports reforms that improve accountability for lead generation activities more broadly, particularly through greater clarity about when lead generation conduct is captured within the existing financial services regulatory framework. CALI considers that clearly defining lead generation activities within the Corporations Act and associated frameworks is preferable to introducing new, parallel regulatory regimes. Clarifying how existing obligations apply will reduce regulatory uncertainty, strengthen enforcement and improve accountability, while maintaining coherence across the financial services system.

In this context, CALI supports Treasury's broad definition of lead generation activities, including conduct that involves collecting or assessing customer information for referral or sale, passing customer information to licensed advice providers, or referring customers to such licensees where this results in the acquisition of a financial product. CALI agrees that these activities can materially influence customer pathways and, where they present an elevated risk of customer harm, should be addressed within the existing financial services regulatory framework.

If the broad definition is adopted, it should be implemented in a way that clearly excludes general advertising and factual information services, which support informed customer choice without directing a specific outcome, with this exclusion reflected both in the legislated definition and explanatory materials. A carve-out for incidental professional referrals should also be included, so that accountants, estate lawyers and similar professionals referring clients to a licensed adviser or insurer in the course of an existing professional relationship are not inadvertently captured.

Within the life insurance sector, legitimate lead generation activity typically includes broad customer awareness advertising, digital marketing, factual product information, inbound enquiries initiated by customers, referrals to licensed financial advisers, and distribution partnerships with trusted brands.

For example:

- a customer receiving an email from an existing membership organisation or affinity partner promoting a life insurance offering and click through to an insurer's website for factual information, product comparison, to receive a quote, or to request a phone call;
- a customer viewing a social media or general advertisement for life insurance and voluntarily accessing an insurer's or comparison website to obtain further information, compare options or purchase cover (insurer website only);
- insurers or AFSL licensed entities providing general advertising, educational or factual content about the role of life insurance, types of cover, underwriting processes or claims support, which supports informed decision-making without directing a specific product choice;
- licensed financial advisers or general advice providers receiving referrals from professional networks (including accountants, lawyers or other trusted intermediaries) or existing customers where the customer has expressly consented to contact and understands the nature of the referral; and
- co-branded distribution arrangements where insurers work with superannuation funds, banks or membership organisations or licensed comparison platforms to make insurance products more accessible to existing customers and to enable comparison, informed choice and competition.

These forms of engagement are materially different from the conduct identified in the Treasury consultation as giving rise to customer harm. The life insurance industry does not support, business models involving unsolicited cold-calling campaigns, "insurance swap" lead funnels, misleading authority-like representations, or opaque referral chains designed to channel customers towards our members products. Legitimate life insurance marketing and distribution activity should not be conflated with these higher risk practices.

**CALI and our members do not support a blanket prohibition on lead generation across all financial services sectors.**

A broad-based ban would risk limiting customer access to life insurance and advice without addressing the underlying drivers of harm, which primarily relate to poor-quality consent practices, conflicted remuneration structures and high-risk distribution models. If Treasury pursues a broad-based approach or otherwise impose significant restrictions, it will be important to recognise the distinct characteristics of life insurance. In this context the narrowest definition should be applied, limiting its scope to superannuation products only, reflecting the conduct that caused harm in the Shield and First Guardian cases was specific to superannuation switching, and is not reflected in life insurance industries use of lead generation.

Accordingly, any ban should apply only where information is provided to customers about superannuation for commercial benefit, and should not extend to life insurance products, AFSL-licensed entities operating within existing obligations, superannuation fund communications to existing members, or incidental professional referrals.

Alternatively, Treasury should consider an exemption for life insurance lead generation. Any such exemption should be framed to apply when:

*(a) lead generation is undertaken for the sole or dominant purpose of promoting, referring, or facilitating access to a life insurance product or service; and*

*(c) the person initiating the lead generation complies with all applicable obligations under:*

*(i) the Corporations Act 2001;*

*(ii) the Australian Securities and Investments Commission Act 2001;*

*(iii) the Privacy Act 1988; and*

*(iv) any other applicable laws governing financial services or consumer protection.*

This approach would enable reform to target misconduct while preserving legitimate pathways through which customers access advice and financial protection.

## **Reform Area 2 – Extending Anti-Hawking Provisions**

### **CALI does not support Options 2a or 2b to further extend the anti-hawking prohibition.**

CALI considers that other reforms outlined in the consultation paper, particularly those focused on improving accountability and strengthening consent standards provide a more effective and proportionate means of addressing customer harm.

The anti-hawking regime was significantly strengthened following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and already imposes material constraints on unsolicited real-time engagement. Life insurers and their distribution partners operate within a regime that prohibits unsolicited offers of life insurance and, when properly enforced, these settings provide strong customer protections.

The concern identified in the consultation paper, that some lead generators rely on broad or opaque consent mechanisms to circumvent the anti-hawking regime, primarily reflects deficiencies in consent quality rather than a weakness in the prohibition itself. Addressing how consent is obtained, disclosed and relied upon would therefore represent a more targeted and effective regulatory response.

Further extending restrictions on real-time contact risks creating operational challenges for legitimate, low-risk engagement, including:

- engagement with superannuation fund members seeking access to advice services;
- follow-up contact initiated by customers; and
- proactive engagement by advisers with existing clients.

CALI and our members are also concerned by proposals to remove or narrow the personal advice exemption. Advisers providing personal advice are already subject to best interests duties and professional conduct obligations that materially mitigate customer risk. These safeguards were central to the Government's DBFO reforms, which seek to improve access to quality financial advice while maintaining appropriate customer protections.

Removing or narrowing the personal advice exemption would cut across the objectives of DBFO by increasing regulatory complexity, raising compliance costs and discouraging advisers from engaging with customers particularly those with more straightforward advice needs. This would impose additional compliance burdens on legitimate advice businesses without addressing the underlying drivers of harm identified in the consultation, which largely arise from poor-quality consent and high risk lead generation practices rather than adviser-led personal advice.

Overly broad restrictions on real-time contact also risk limiting customers' access to timely advice and support, particularly where customers have actively sought assistance or are engaging with regulated advisers in good faith. This is inconsistent with DBFO's intent to reduce friction in advice delivery and improve customer access to advice, especially for individuals navigating complex life events or seeking guidance on protection needs such as life insurance.

### **Reform Area 3 – Remuneration Structures**

**CALI supports targeted reforms to address remuneration arrangements that create incentives for inappropriate conduct and supports Option 3a in principle.**

The remuneration practices alleged in the Shield and First Guardian matters highlight clear examples of misaligned incentives operating outside the intended scope of the conflicted remuneration framework and warrant regulatory response.

CALI acknowledges Treasury's objective of targeting business models that incentivise poor customer outcomes, particularly in relation to superannuation switching and certain investment related arrangements. However, CALI emphasises that any remuneration reforms must align with the Life Insurance Framework (**LIF**). The life insurance sector is already subject to a highly calibrated remuneration regime, including capped commissions, clawback provisions and anti-churning obligations, designed specifically to manage conflicts of interest while preserving customer access to advice. Any reforms extending conflicted remuneration provisions to lead generators or referral arrangements should therefore operate consistently with the

existing LIF architecture and target conduct that gives rise to genuine customer harm, rather than inadvertently capturing legitimate life insurance distribution models.

In CALI's view, there is merit in extending conflicted remuneration provisions to certain lead generation activities where payment structures create incentives to prioritise sales conversion, policy volume or referral outcomes over customer interests. Remuneration models that reward lead generators based on successful product sales or superannuation rollovers may encourage aggressive customer targeting, poor quality referrals, or the steering of customers toward particular advice providers irrespective of suitability. Targeted reforms addressing these arrangements would help close emerging regulatory gaps and reinforce the policy intent underpinning LIF by ensuring conflicted conduct cannot simply be shifted outside the traditional adviser commission framework.

### **CALI does not support Option 3b in its current form.**

Expanding the definition of "benefit" or narrowing the "benefit given by the client" exemption risks capturing legitimate fee for service, referral and client acquisition arrangements that are commonly used in life insurance distribution. Life insurance advice is protective in nature, labour intensive and already subject to extensive regulatory safeguards. Broadly capturing "client flow" or indirect benefits as conflicted remuneration risks creating significant uncertainty for ordinary commercial arrangements that facilitate customer access to advice, even where no material conflict or customer detriment exists.

For customers, this risk is not abstract. Increased uncertainty around legitimate remuneration and referral arrangements may reduce adviser participation, increase compliance costs and ultimately reduce the availability of affordable life insurance advice, particularly for customers who are unwilling or unable to pay upfront fees. This would risk exacerbating Australia's existing underinsurance and advice accessibility challenges.

Accordingly, CALI considers that remuneration reform should clearly distinguish between high-risk investment switching alongside lead generation models that demonstrably incentivise customer harm, and legitimate life insurance distribution arrangements already regulated under LIF. Any extension of conflicted remuneration provisions should maintain a clear nexus between the benefit provided and a demonstrable influence on advice outcomes, while preserving the settings that support customer access to life insurance advice and protection products.

### **Reform Area 4 – Advertising and Early Intervention**

**CALI supports both Options 4a and 4b.** CALI considers these options appropriately build on and utilise existing regulatory frameworks and represent targeted, proportionate measures to address customer harm without disrupting legitimate lead generation activity in the life insurance sector. By focusing on early points in the customer journey, these measures regulatory intervention where it is likely to be most effective.

CALI supports the requirement for superannuation advertisements to display Australian Financial Services (**AFS**) licence numbers. This is a measured transparency initiative that strengthens accountability within the existing licensing regime and assists both ASIC oversight and digital platform compliance, while imposing minimal additional burden on legitimate advertisers.

CALI also supports expanding ASIC's stop-order powers to apply to a broader range of lead generation advertising. Enhancing ASIC's ability to intervene early particularly where advertising poses a risk of significant customer harm provides an important safeguard and strengthens the effectiveness of existing enforcement tools. CALI supports a lower evidentiary threshold where ASIC has a reasonable basis to act, subject to appropriate procedural fairness.

Taken together, Options 4a and 4b introduce additional guardrails and customer protections within the current regulatory architecture, while preserving legitimate customer engagement and lead generation practices that support access to regulated life insurance and advice.