

Risk Protection

An imperative conversation that supports the responsible lending obligations with regards to the clients affordability and capacity to pay is the requirement to discuss risk protection options. Although there is no legislative requirement in place within the NCCP Act on the specific requirements around insurance conversations, MLB and many industry bodies believe a mortgage broker has a duty of care to raise the issue of risk protection opportunities that are available

Mortgage Brokers can talk in general terms about the risks of not having appropriate insurance. The conversation should ideally highlight the types of insurance that a client may consider including Life insurance, Income Protection Insurance, Total/ Permanent Disability Insurance and Trauma Insurance. At no stage should the mortgage broker engage in conversation about a specific insurance product.

Unless you hold an AFS licence or have been appointed as an authorised representative of an AFS licensee, you must not provide advice about financial products. "Advice" is a recommendation or a statement of opinion which is intended (or could reasonably be regarded as being intended) to influence a person in making a decision in relation to a financial product, e.g. purchasing insurance, endorsing a policy, increasing sums insured etc.

A number of tasks in relation to financial products are not categorised as "advice". These include providing customers with factual information, disclosure documents or brochures prepared by an AFS licensee and even a quotation for the cost of a financial product.

You can provide these services without holding an AFS licence or being an authorised representative of an AFS licensee, but care must be taken to ensure that no advice is given.

Mortgage brokers are able to offer bundled consumer credit insurance (CCI) products (i.e. consumer credit insurance that includes a life component) provided an AFS license holder authorises you to do so in writing.

The conversation on insurance options should be recorded and acknowledged by the client(s) and may look something like the following

Personal Insurance Information

To ensure we have taken the appropriate duty of care when arranging finance on your behalf, we must make you aware of the need to protect yourself and your family from the possible financial hardship caused by personal trauma, sickness, disability or death.

If you do not have adequate risk insurance in place, you may not be able to make the repayments on your loan(s) if you had an accident or illness that stopped you working, or in the event of permanent disability or death. It's important that you understand the risks of not maintaining sufficient

MY LOCAL BROKER

My Local Broker Pty Ltd Australian Credit License Number 481374 Broker Handbook
insurance to protect your loan and your assets.

Insurance Declaration

- I / we acknowledge that the broker has brought this to our attention
- I / we understand that insurance is not compulsory and is not a condition of the loan being approved.
- I / we have considered the risks and are satisfied with the current level of personal insurance protection or have made our own arrangements.
- OR
- I / we have considered the risks and would like to discuss the insurance options with someone recommended by our broker