FSC Guidance Note No. 58

Life Insurance Approved Product List Policy

23 November 2026

FSC FINANCIAL SERVICES COUNCIL

FSC Guidance Note No. 58

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History (prior version) of this Guidance Note	Guidance Note 58 commenced as Standard 24 which commenced on 1 January 2018 with full compliance expected from 1 July 2018.
Application of this Guidance Note:	This Guidance Note is particularly relevant to FSC Members who are AFSL members as defined in this Guidance Note.
Main Purpose of this Guidance Note:	The purpose of this Guidance Note is to encourage high standards in life insurance Approved Product List (APLs) construction practices that encourage competitive access and choice for advisers and their clients in life insurance products. The Guidance Note also outlines processes for "off-APL" recommendations to ensure that advisers can access other products to enable them to meet best interest and other obligations.
To be read in conjunction with:	This is to be read in conjunction with the Life Insurance Code of Practice, Guidance Note 11, Guidance Note 33.
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1 Title

1.1 This Guidance Note (the ***Guidance Note***) may be cited as FSC Guidance Note No. 58 *Life Insurance Approved Product List Policy*.

2 Date of Issue

2.1 This Guidance Note was first issued on 23 November 2026. It is pre-dated by FSC Standard 24 (2018).

3 Statement of Purpose

3.1 The purpose of this Guidance Note is to encourage high standards in Life Insurance APL construction practices that encourage competitive access and choice for advisers and their clients in life insurance products.

3.2 Used by many AFSLs providing personal advice to retail clients, the APL is an important element in the advice process that facilitates the delivery of quality recommendations based on quality researched products for licensees and advisers. Professional indemnity insurance can be voided if an adviser makes recommendations other than as approved by an AFSL. The APL serves to identify each product approved for recommendation.

3.3 The focus is on quality, across processes and APL construction practices, which support quality consumer outcomes.

3.4 Life insurance APLs are also commonly supported by "off-APL" processes which enable advisers to recommend alternative products or providers, which are not on the APL where the adviser has sought review and obtained approval to use the additional product to meet best interest obligations. Specific "off-APL" processes are mandatory as set out under this Guidance Note (see section 4.3) and subject to 4.4.

3.5 Although AFSL members may have their own internal research and Life Insurance APL processes, there is no industry guidance on Best Practice Principles or minimum requirements for developing a Life Insurance APL. The focus also is on having processes for "off-APL" recommendations to ensure that advisers can access other products to enable them to meet best interest obligations.

3.6 This Guidance Note encourages principles of competitive access as well as choice and is also intended to ensure that there is a reasonable basis underpinning Life Insurance APL construction which facilitates the performance and satisfaction of the best interest duty and other obligations of an AFSL member and its representatives.

3.7 The focus is on having a suitable Life Insurance APL, as well as appropriate Life Insurance APL construction processes, which enables and facilitates AFSL Members and their representatives to act in the best interests of their clients.

3.8 In addition to the requirements of this Guidance Note and meeting regulatory requirements, AFSL Members may have other principles and practices (not inconsistent with this Guidance Note) that they may follow in order to maintain a high standard of conduct in the operation and management of an AFSL Member's business.

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4 Competitive Access and Choice Criterion

4.1 The FSC supports principles of competitive access and choice for all advisers and their clients to available life insurance products.

4.2 In practice this means that an AFSL Member's Life Insurance APL should contain the choice of four (4) or more life insurance providers.

4.3 AFSL Members will be supported by efficient and robust approval processes in place to consider insurance offerings outside of the Life Insurance APL. This means where advisers wish to use insurance offerings not part of an AFSL Member's Life Insurance APL that they are not unnecessarily restricted from doing so and the AFSL Member will make a decision for the "off-APL" request within seven (7) business days.

4.4 However, the requirements in section 4.3 and section 6.1 do not apply where the Life Insurance APL is "open" and includes all life insurance providers that service the retail life insurance market.

4.5 AFSL Members should keep records of how many and which insurers are on the Life Insurance APL and maintain records of how many off APL/legacy approval requests are received and approved each year.

5 Reasonable Basis Criterion

5.1 AFSL Members should focus on Life Insurance APL construction that provides a range of options for their advisers to deliver advice in their client's best interests. To this end, it is expected that AFSL Members must apply a reasonable basis to APL construction.

5.2 This means having a range of current retail life insurance providers on the Life insurance APL.

5.3 This requires consideration by the AFSL Members of whether the APL will reasonably enable financial product advice to be given to a client consistent with the best interest obligations, having regard to the need to prioritise the interests of the client, and the obligation to provide appropriate advice.

5.4 For example, it may be reasonable that an AFSL Member with a large proportion of high risk occupation clients has a different range of insurance products on their APL to cater for this client base.

5.5 It is envisaged the Life Insurance APL will have regard to:

a) Claims and underwriting philosophy of providers

b) Product features, benefits and consumer value for money

c) Relevant product research and service metrics

d) Financial factors such as financial stability.

6 Disclosure

6.1 Subject to section 4.4, disclosure must be provided to clients to outline how many providers are on the Life Insurance APL. Under this obligation advisers are to discuss this with their client during the advice process and document that the client has been advised of this (for example by including a relevant confirmation in the client file note).

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7 Best Practice Principles and Comments

7.1 The AFSL member should have regard to the Best Practice Principles in this Guidance Note and determine what is reasonable given their own relevant circumstances.

7.2 This Guidance Note sets out a number of Best Practice Principles for creating and maintaining a Life Insurance APL.

7.3 As with other requirements in this Guidance Note these Best Practice Principles are intended to assist with Life Insurance APL processes. Consideration of these principles is strongly encouraged.

7.4 Best Practice Principles

7.4.1 Investment and Product Committee

a) It is good practice for AFSL member to utilise an Investment and Product Committee as part of its research and APL process. Research Committees generally consist of experienced research professionals and may be supported by research providers, external consultants and other relevant stakeholders to assist with an AFSL member's internal research process.

b) The research committee responsible for developing or reviewing the Life Insurance APL, should include life insurance/risk experience. This can be in the form of someone with relevant life insurance or risk experience on the committee or by consultation with someone external to the formal committee.

7.4.2 Investment and Product Committee function

a) When developing a Life Insurance APL, insurers should be researched against the Best Practice Principles set out in this Guidance Note as well as the licensees own internal research requirements.

b) AFSL Members are encouraged to develop and utilise benchmark methodology in identifying which products are suitable for inclusion on the APL. Benchmark methodology can utilise internal standards developed or agreed by the AFSL Member s as well as can also externally sourced information such as research house ratings.

c) The Life Insurance APL should be reviewed at least biennially, researching insurers against the licensees own pre-set benchmark methodology, as well as the Best Practice Principles set out in this Guidance Note.

d) Where a life insurer, which is on the Life Insurance APL, makes significant enhancements or significant updates to their product range, the relevant team managing the APL should make a commitment to review the changes accordingly in line with benchmark methodology.

e) Where circumstances require, an insurance APL may also be reviewed on an ad hoc basis.

f) Any changes to the APL, including additions or removals, should be communicated to advisers, outlining the basis for which the product was added or removed.

7.4.3 Corporate and Financial factors

a) In considering the corporation and financial factors of an insurer, the research process should have regard to the following considerations:

i) Corporate strength and credit rating of a particular life insurer

ii) Industry experience and track record of the life insurer

iii) Ownership structure

iv) Reinsurer arrangements

v) Inforce business, positive growth rates and low lapse rates which can be sourced through 6 monthly APRA Reports and research from market specialists

vi) Pricing, discounting and sustainability of current premium rates and customer lifetime cost (regard should be given to the sustainability of pricing and the ability to deliver in the long term. That is, consideration should be given not just to the current situation and pricing, but how that could change in the future)

vii) Claims payout ratios.

7.4.4 Claims Philosophy

a) In considering an insurer's claims philosophy, the research process should have regard to the following considerations:

i) Transparent claims process

ii) Insurer has stated claims philosophy

iii) Transparent dispute resolution process.

7.4.5 Underwriting Philosophy

a) In considering the underwriting philosophy of an insurer, the research process should have regard to the following considerations:

i) Transparent underwriting process to enable advisers to manage clients' expectations

ii) Emphasis on the customer in the underwriting process

iii) Medical evidence requirements

iv) Product design, policy terms and definitions.

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7.4.6 Product benefits and features

a) In considering the product benefits and features of an insurer the research process should have regard to the following considerations:

i) Product feature assessment including consideration of whether the product features are valuable and whether the cost (for the features) is reasonable

ii) History of providing upgrade to "post-sale" clients

iii) Maintenance of product definitions with medical advancements

iv) Design suitability for customer needs and expectations

7.4.7 Service Standards and Services Offered

a) In considering the services an insurer provides, the research process should have regard to the following considerations:

i) Application process

ii) New business processing

iii) Underwriting

iv) Timeliness of claims and benefit payout history

v) Administration

vi) Consumer education

vii) Adviser support such as education and training

viii) Adequacy of other service standards (e.g. client online services and reporting).

b) Feedback on service standards can be provided from a range of different sources, including external providers which undertake customer or adviser interviews in relation to the service criteria, customer or adviser feedback through surveys or direct testing with the insurer through shadow shoppers.

8 General Commentary

8.1 Life Insurance APLs assist advisers to understand and recommend appropriate insurance products that meet individual client needs and objectives. This may involve a trade-off between cost (premium) and the benefit or features of products including definitions and sums insured required to address the client needs. As a result, the APL should be diverse and not looking solely for risk products that are the highest rated or cheapest in order to be considered as competitive.

8.2 Retail risk products may be similar with regard to definitions and features. As a result, it is reasonable to group similar definitions and features that deliver against the most common primary client needs. Whilst there will always be some specific features available within individual

products, Life Insurance APLs should reflect consideration of those that are most relevant in terms of common client needs. Where a client has a specific need that is not covered by the Life Insurance APL, the adviser is best placed to identify a suitable product that meets the needs of a specific situation, subject to meeting the requirements of the AFSL Member's approval process for use of such a suitable product.

8.3 In considering products for inclusion on a Life Insurance APL, it is reasonable to conduct premium analysis on a range of product scenarios as a proxy to determine the competitiveness of an insurance product. Many life insurance companies will price their products to attract or detract certain clients. This for example may relate to age, sex or occupation. Premiums will often increase or decrease as a result of underwriting and claims experience and lapse rates to various books of business. Premium pricing will be more sensitive within certain demographics. Accordingly, a product does not need to be competitively priced across all product scenarios to be included on a Life Insurance APL.

9 Definitions

9.1 **APL** means Approved Product List.

9.2 **AFSL** is the holder of an Australian Financial Services Licence.

9.3 **AFSL Member** means a member of the Financial Services Council Limited who holds an Australian Financial Services Licence under which the member is authorised to provide personal advice to retail clients in relation to life risk insurance products.

9.4 **Best Practice Principles** means the best practice principles set out in section 7.4 of this Guidance Note.

9.5 **Commencement Date** means 23 November 2026.

9.6 **Digital Advice** means the provision of automated personal financial product advice, generally using algorithms and technology (including with the assistance of artificial intelligence) and may be combined with the involvement of a human.

9.7 **Life Insurance APL** means an APL identifying which life insurance risk products have met the AFSL's research processes and are approved to be recommended as suitable life risk insurance products for clients of an AFSL Member or its representatives.

9.8 **Life risk insurance products** means retail life insurance products which cover risk only and do not have an investment **component** and include by way of example products such as life insurance, income protection insurance, trauma insurance and total and permanent disablement insurance.

10 Application of this Guidance Note

10.1 Other than as provided for in Clause 4.4, this Guidance Note applies to all **AFSL members** in relation to each Life Insurance **APL** that the **AFSL Member** utilises.

10.2 This Guidance Note does not apply to other, non-life insurance, APLs that a Life AFSL member utilises. For example, this Guidance Note does not apply to an APL for investment or superannuation products.

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10.3 Nothing in this Guidance Note is intended to diminish or negate an AFSL member's (or any other person's) obligations to meet any general law or *Corporations Act* obligations such as the obligation of an adviser to act in the best interests of a client.

10.4 Where there is a conflict between the requirements of this Guidance Note and any applicable legislation, the AFSL Member must comply with the statutory obligation in priority to this Guidance Note. However, the requirements of this Guidance Note should, having regard to the purpose of the Guidance Note, be modified appropriately so that, as far as is practicable, the AFSL member complies with the requirements of this Guidance Note and an AFSL Member's obligation to ensure that representatives comply with the law.

10.5 This Guidance Note does not apply to APLs utilised in the provision of Digital Advice. The FSC acknowledges that this Guidance Note may need to be expanded or adjusted as digital advice models continue to develop.

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