

Friday February 17, 2017

ICA continues to pursue reforms to the sale of add-on insurance through car dealerships

The following statement is attributed to Insurance Council of Australia (ICA) CEO Rob Whelan:

“The Insurance Council of Australia (ICA) takes the problems identified by the Australian Securities and Investments Commission (ASIC) with the sale of add-on insurance through car dealerships seriously. Insurers are committed to delivering better value for consumers by improving the design and sales processes for these products.

As a key part of industry’s response, insurers last year submitted a proposal to the Australian Competition and Consumer Commission (ACCC) to cap commissions on the sale of these products through car dealerships at 20 per cent. This is designed to reduce incentives for inappropriate sales practices and lower premiums. The ACCC today issued a draft determination rejecting this application. Insurers maintain that a cap is necessary to improve consumer outcomes from the sale of add-on insurance. The ICA and its members will seek discussions with the ACCC to see how insurers may be able to allay its concerns about the impact of a cap on customers and industry competition.

The ICA and its members remain engaged in discussions with ASIC and consumer advocates to refine a range of other initiatives proposed by insurers to increase the protection and value consumers receive from add-on products. This includes strengthened sales systems to identify and prevent sales to consumers who would receive little or no benefit from these products. Insurers continue to examine and consider ASIC’s proposal for the introduction of a deferred sales model. The ICA has also developed online content about add-on insurance to enhance consumer awareness of these products. This information is available through the ICA’s financial literacy initiative, www.understandinsurance.com.au.

Add-on insurance policies provide a level of financial protection to consumers when they make some of the biggest purchases of their lives. The industry is confident that the suite of improvements being made by insurers will substantially improve consumer outcomes. If any consumer believes that they have bought insurance which they would never be able to get fair value from, they should contact their insurer in the first instance.”

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