

# Deferred sales model for add-on insurance

Recommendation	Existing law	Summary of proposed reform	Comments
<p><b>Recommendation 4.3</b></p> <p>A Treasury-led working group should develop an industry-wide deferred sales model for the sale of any add-on insurance products (except policies of comprehensive motor insurance). The model should be implemented as soon as is reasonably practicable.</p>	<p>N/A</p>	<p>Products that meet the definition of “add-on insurance” may only be sold to retail consumers 4 days after and within 6 weeks of the later of the customer purchasing or entering into a commitment to purchase the principal product, or when the required information is given to them. The required information includes that the consumer may give notice that they do not want to receive offers, requests or invitations relating to add-on insurance.</p> <p>A person may also not offer add-on insurance (even after the deferral period) if the consumer has opted out of receiving offers etc. for add-on insurance products.</p> <p>Certain exceptions apply to the prohibition, including for advisers, comprehensive motor vehicle insurance, products covered a product intervention order imposing a deferred sales period, products exempted under regulations or as exempted by ASIC under a legislative instrument.</p> <p>There is also an “add-on insurance pre deferral period”, during which the consumer may be contacted about add-on insurance however cannot be made offers etc. in relation to add-on insurance.</p> <p>The draft regulations deem when a consumer is taken to have entered into a commitment to purchase a certain financial product.</p> <p>An “add-on insurance product” is an insurance product which is sold to cover risks associated with the offer or sale of a principal product or service either by the provider of the principal product or service or by a related party.</p>	<ul style="list-style-type: none"><li>• This reform builds on the consultation on a deferred sales model for add-on insurance from last year. The 4-day deferred sales period has been retained. After that time, add-on insurance may be sold for a period of up to 6 weeks, after which the anti-hawking obligations will apply.</li><li>• The add-on insurance industry has significantly reduced in size due to the focus by ASIC on add-on products over the last few years (particularly from a value perspective).</li><li>• Travel insurance makes up more than 50% of all add-on insurance products sold in the market and it is unclear whether these products will receive the benefit of the proposed Ministerial exemption. It is therefore unclear whether travel insurance will continue to be subject to the proposed deferred sales model (as it currently appears to be).</li></ul>