

Cap on vehicle dealer commissions

Recommendation	Existing law	Summary of proposed reform	Comments
<p>Recommendation 4.4</p> <p>ASIC should impose a cap on the amount of commission that may be paid to vehicle dealers in relation to the sale of add-on insurance products.</p>	<p>Part 7.7A of the Corporations Act bans the provision and acceptance of conflicted remuneration, including commissions, between certain financial product issuers and financial advisers.</p> <p>Commissions paid in connection with general insurance and consumer credit insurance products are exempt from the ban on conflicted remuneration. The ban also does not extend to commissions paid to motor vehicle dealers for selling add-on insurance, unless they are also financial advisers.</p>	<p>ASIC may, by legislative instrument, determine caps on commissions for add-on risk products supplied in connection with motor vehicles.</p> <p>Breach of a cap on commissions is an offence of strict liability, and the consumer may recover the amount in excess of the cap (from either the motor dealer or person receiving the commission).</p>	<ul style="list-style-type: none">• This is targeted at removing the current exemptions from the conflicted remuneration regime. The introduction of the LIF regime removed the exemption in respect of life insurance products. These reforms seem to adopt a similar framework to LIF, by enabling ASIC to determine the permissible commission caps. It is unclear at this stage whether ASIC will adopt the same caps that apply in the LIF regime.• The market value of any commissions that are determined by ASIC will be the sum of the amount of any money paid plus the market value of any benefits in kind also provided.