

27 August 2019

Luke Spear  
Manager, Financial System Division  
Markets Group  
Treasury  
Langton Crescent  
PARKES ACT 2600

By email: [InsuranceConsultations@treasury.gov.au](mailto:InsuranceConsultations@treasury.gov.au)

Dear Mr Spear

**EXPOSURE DRAFT – TREASURY LAWS AMMENDMENT (UNFAIR TERMS IN INSURANCE CONTRACTS) BILL 2019**

Suncorp Group Limited (*Suncorp*) welcomes the opportunity to respond to the Exposure Draft of the *Treasury Laws Amendment (Unfair Terms in Insurance Contracts) Bill 2019* and related materials.

Suncorp offers a range of financial products including general insurance, banking and superannuation through various distribution channels. As such, the extension of the unfair contract terms (*UCT*) regime to insurance contracts affects Suncorp and our customers in different ways.

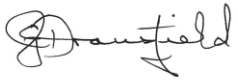
Applying the *UCT* regime to insurance contracts will complement Suncorp's existing programs that place significant emphasis on fairness in the way that we assist our customers. These include our Vulnerable Customer Strategy, which is overseen by our group-wide Customer Advocate; our Financial Inclusion Action Plan; and the Responsible Banking and Insurance Policy that has recently been approved by our Board.

Improvements in claims handling processes, both of our own design and those that will be required under the new *General Insurance Code of Practice*, will address many of the concerns that have been raised in relation to unfair terms in insurance contracts. The *UCT* regime will also sit alongside protections included in the *Insurance Contracts Act (IC Act)*, including the duty of utmost good faith (*UGF*) provisions and provisions regarding payment of claims (such as Section 54).

Suncorp supports the extension of the *UCT* regime to insurance contracts, in addition to the consumer protections outlined above. In keeping with our existing customer-focused programs, we have reviewed the Exposure Draft focusing on the experiences of our customers. Our submissions focus on areas of the Exposure Draft and Explanatory Memorandum that could be strengthened to ensure the regime operates as intended and does not unnecessarily limit access to or choice of insurance products, or harm affordability.

We would welcome the opportunity to discuss this reform further. Should you wish to contact us regarding this reform, please contact Pip Freebairn, Senior Manager – Government, Industry and Public Policy on 0402 417 368 or by email to [pip.freebairn@suncorp.com.au](mailto:pip.freebairn@suncorp.com.au).

Regards,

A handwritten signature in black ink, appearing to read "G. Dransfield". The signature is fluid and cursive, with the first letter 'G' being particularly large and stylized.

Gary Dransfield  
CEO Insurance  
Suncorp Group Limited

# Suncorp response to the Exposure Draft and related materials

## Executive Summary

Suncorp has actively engaged in policy development to extend the UCT regime to insurance contracts. The Exposure Draft is the result of extensive consultation by Treasury with the insurance industry and consumer stakeholders. We note the Government's acceptance of the narrow definition of 'main subject matter', as recommended in the final report of the Royal Commission into Banking, Superannuation and Financial Services (Recommendation 4.7).

Our submission focuses on areas where further clarification would ensure that the UCT regime operates as intended, and does not harm the availability and affordability of insurance products. We also have made recommendations around the implementation of the reform to ensure that it aligns with other reforms, as well as limits disruption to customers and minimises cost of implementation.

We support Treasury's principles-based approach to drafting legislation, which works to ensure that legislation stays relevant and workable over time. However, we do believe that clarification is required around several areas to ensure this reform operates as intended. This includes clarification of the description of the 'main subject matter', 'upfront price' and 'excess' exemptions for insurance contracts. We also seek clarification on the definition of 'small business', as well as legitimate business interests of insurers and terms required by law. We would welcome further examples to be included in the Explanatory Memorandum (*EM*).

Regarding implementation, ideally this reform would be aligned with changes to product documentation required for other reforms in order to minimise the cost of implementation. We also suggest how the transitional arrangements could be simplified to reduce customer confusion.

Our submission focuses on the following recommendations:

- The definitions and explanations of 'main subject matter', 'upfront price' and 'excess' be expanded to include terms necessary to give effect to the description of what is insured, the upfront price and excesses.
- The Draft EM include examples of how 'main subject matter' should be interpreted in a wider variety of insurance policies, including those that provide cover for intangible subject matter.
- The Draft EM provide further context around what would be considered a legitimate business interest for insurers, including underwriting risk, reinsurance and the minimisation of fraud.
- The Draft EM be amended to be consistent with the *ASIC Act* in relation to the ability to negotiate of a contract.
- The definition of 'small business' should be aligned with the definition used by the ATO. Alternatively, a definition based on the products within AFCA's jurisdiction would also be appropriate.
- The Draft EM include a non-exhaustive list of examples of terms that are required by law, such as terms prescribed in the *Insurance Contracts Regulations* and terms set under statute-approved professional liability schemes.
- Align the transition periods for the UCT and DDO reforms, reducing potential confusion for customers and simplifying reform processes for insurers.

## Overview

Suncorp has a strong focus on serving our customers and the communities in which we operate. Strong customer contracts are fundamental to us meeting this commitment by ensuring we are accountable for delivering on the promises we make and the legal obligations we have to our customers.

Contracts also enable us to offer a range of products by helping us to manage our risk through reinsurance. Global reinsurance providers supply billions of dollars of capital to Australian insurers on the basis of the commitments we make to customers in our contracts.

Suncorp welcomes reforms to ensure that contracts are fair for our customers. For contracts to be fair, they must be clear so that customers understand what they can expect at claims time. This is especially the case when it comes to areas where customer choice is involved, like choice of excess or decisions to cash settle.

Customers need to be confident they will receive what the contract promises, and insurers need to have certainty over their contractual obligations in order to assess risk and maintain competitive, affordable pricing of insurance and access to reinsurance.

Assessing fairness in insurance contracts should also take into account not only the impact to the individual, but also the wider community of insured customers. How we handle claims and claims costs at an individual customer contract level, including how we prevent fraud, affects all our customers through its impact on our ability to provide affordable quality insurance. Fairness for all our customers is delivering to each customer what they are entitled to under the policy they have purchased.

Our submission does not propose major changes to the Exposure Draft or draft EM, but rather focuses on areas which would strengthen the Bill by ensuring it operates as intended by Commissioner Hayne and the Government.

## 'Main subject matter', 'upfront price' and 'excess' exemptions

### Recommendations

- The definitions and explanations of 'main subject matter', 'upfront price' and 'excess' should be expanded to include '*terms necessary to give effect to what is insured*', and '*terms necessary to give effect to, or which relate to*' the upfront price and an excess or deductible. This will provide greater certainty regarding the way the main subject matter, premium and excesses are set out in insurance contracts and related documents (such as policy schedules).
- The EM should include examples of how 'main subject matter' should be interpreted in a wider variety of insurance policies, including those that provide cover for intangible subject matter (such as professional indemnity insurance).

### Background

Suncorp accepts that the Government has determined to proceed with the narrow definition of 'main subject matter'. This approach will result in the AS/C Ac's UCT regime applying differently to insurance contracts than other contracts, as well as insurance being the only sector of the economy with a sector-specific definition – an outcome that does not appear to be consistent with the Royal Commission's suggestion that reforms should focus on simplifying the law. We do, however, recognise that this approach will provide strong consumer protection for our customers.

With the narrow definition to be adopted, minor amendments to the Exposure Draft and Draft EM are required to provide greater certainty around the scope and operation of this exemption. Similar amendments are required to ensure smooth operation of the exemptions for 'upfront price' and 'excess'.

### Intention of these exemptions for insurance contracts

The discussion of 'main subject matter' for insurance contracts in the Exposure Draft and Draft EM (*'the description of what is being insured'*) does not reflect how that material is usually presented in insurance contracts. The specific

information referred to in the examples in the Draft EM is almost always set out in a schedule or certificate of insurance, rather than being expressly described in the PDS.

Further, in some insurance contracts it is not possible to provide a description of what is being insured in the manner set out in the Draft EM. For example, a customer purchasing a travel insurance policy is not required to detail all the items they would be taking with them on a holiday, but those items would constitute 'what is insured' under an allowance for damaged or stolen items. Similarly, contents insurance policies will usually provide a sum insured amount rather than a list of items, with specific items only listed if they are to be covered under allowances for valuables or other specific circumstances.

We suggest that the Exposure Draft be amended so that the main subject matter exemption covers '*terms that are necessary to give effect to what is being insured.*' This would provide certainty to customers and regulators assessing whether an insurance contract may include an unfair term, as well as assisting insurers to implement this reform.

Regarding excesses, a PDS will include terms that describe the circumstances where an excess may be payable. It may also describe the specific excess that would apply for claims if certain conditions are met (for example, if a person under 25 is driving at the time of a motor vehicle accident). The specific amount of the excess is often included in the schedule or other product documents, rather than the PDS.<sup>1</sup> This is particularly the case where the amount of the excess is chosen by a customer – the amount selected will be detailed in the schedule, not in the policy terms in the PDS.

Similarly, a premium – the 'upfront price' – is also only usually described in a schedule or related document, not in the policy wording.

Limiting the exemption to only the amount of an excess also means that terms which benefit customers would likely become reviewable. Terms that describe different excess options provide customers with choice, and therefore should not be reviewable.

Provisions relating to the 'upfront price' and excesses should be amended in a similar fashion to suggested above in relation to 'main subject matter'. Again, these amendments would provide certainty to customers and regulators, as well as assisting insurers to implement this reform.

The amendments suggested would be consistent with comments in the Explanatory Memorandum for the initial introduction of the UCT regime for consumer contracts<sup>2</sup>, which sought to ensure that the details set out in contract schedules are appropriately incorporated into the scope of the 'main subject matter' definition and preserve customer choice.

## Examples in the Draft Explanatory Memorandum

The examples provided in the Draft EM only describe the narrow definition in relation to home insurance and motor vehicle insurance (i.e. a specific address, or a specific vehicle). For other types of insurance, 'the basis for the existence of the contract' is not as simple. Further examples should be included to describe how this definition applies to insurance for less tangible concepts, such as third-party liability policies (eg public liability or professional indemnity) or for cyber liability, and for policies where it is not possible for the policy documents to provide specific details of the items covered (such as luggage cover for travel insurance).

## Legitimate business interests

### Recommendation

- The Draft EM should include a non-exhaustive list of terms and factors that reflect insurers' legitimate interests, including reinsurance and the prevention of fraud. Treasury should consult further with insurers regarding examples and factors to be included.

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<sup>1</sup> For example, a Premiums, Excesses, Discounts and Claim Payments Guide ('PED Guide').

<sup>2</sup> Explanatory Memorandum to the *Trade Practice Amendment (Australian Consumer Law) Bill 2009*.

## Background

A term may be unfair if it is not reasonably necessary to protect the 'legitimate interests' of the party that would be advantaged by the term.

## Discussion in Exposure Draft and EM

The Exposure Draft does not define what this means for insurers, leaving this to the Courts to decide. The Draft EM does not provide any guidance on this issue, other than noting (at 1.23) that "*many terms in insurance contracts will be reasonably necessary to protect the legitimate interests of the insurer.*" The only example provided in the Draft EM refers to "*actuarial pricing of risk required to underwrite the policy*" in relation to a *life* insurance policy; it would be appropriate to include an example relating to general insurance and which relates to another type of legitimate interest.

The Draft EM should also include a non-exhaustive list of terms and factors that reflect the legitimate interests of insurers. We suggest that Treasury should consult further with the insurance industry on specific examples that can be included in the EM.

A specific issue that should be mentioned in the EM is reinsurance. Like insurers, reinsurers decide the scope of the risks they are willing to take on. This means that they have a significant influence over the scope of the coverage that insurers can provide to our customers. Reinsurance enables Australian insurers to manage risk and provide good quality insurance cover, including to those living in areas at higher risk of natural disasters or businesses engaged in high-risk operations.

The Australian insurance industry's global reinsurance partners provide tens of billions of dollars in capital to insurers, supporting insurers to provide support to communities at times of major natural disasters. For this to continue efficiently, insurers need to demonstrate that we meet our obligations to our communities of customers in the way our contracts say we will, as that is the basis on which reinsurance has been provided.

The EM should recognise that limitations on cover required for reinsurance purposes are a legitimate interest of insurers, and indeed to our communities of customers, so we are able to continue to provide affordable and accessible insurance to Australians.

Another area that should be viewed as a legitimate interest of an insurer is those terms that are included within contracts to minimise fraud – thereby helping to minimise claims and operating costs, and therefore premiums. For example, a requirement to pay an excess at the time of making a claim acts to prevent fraudulent claims and associated costs, as well as reducing claims costs generally – with flow-on benefits to all customers through lower premiums. Suncorp's 2018 submission to Treasury regarding the UCT Proposals Paper outlined our processes regarding excesses and assisting customers experiencing financial hardship, as well as the steps being taken under the new GI Code of Practice, however it is important to recognise insurers' legitimate interests in seeking to recover an excess at the start of the claims process. We would welcome the acknowledgement of minimising fraud within the EM.

## Standard form contracts

### Recommendations

- The Draft EM should be amended for consistency with the existing *ASIC Act* UCT regime, to reflect that only the ability to negotiate is required for an insurance contract to not be a standard form contract.
- The Draft EM should clarify that a bespoke wording negotiated on a previous occasion (including prior to commencement of the UCT regime) does not need to be re-negotiated at each renewal in order for the contract to not be considered a standard form contract.

## Background

The UCT regime will apply to insurance contracts that are offered as standard form contracts, commonly described as contracts offered on a 'take it or leave it' basis. The Draft EM states that an insurance contract will be a standard

form contract “as long as the consumer does not have the ability to negotiate the underlying terms and conditions governing the contract”.

## Discussion in Exposure Draft and Draft EM

The Exposure Draft does not provide any specific factors to be considered for insurance contracts.

The Draft EM mentions ‘*the ability to negotiate*’, but the examples provided (Examples 1.1 and 1.2) suggest that it is only *actual* negotiation that will result in a contract not being considered a standard form contract. This is in contrast to Section 12BK(2)(d) of the ASIC Act, which refers to a party being provided with “*an effective opportunity to negotiate*” terms of the contract. The approach outlined by Section 12BK would suggest that in Example 1.1 if the broker had the opportunity to negotiate then the contract would not be a standard form contract. Suncorp suggests this be clarified, including by updating Example 1.1 to reflect the position described in the Act.

Further, the scenarios in both Examples 1.1 and 1.2 involve insurance brokers. Insurance brokers provide specialised advice regarding the suitability of insurance products for their clients’ needs, as well as advising on potential risks that may not be covered under the policy wording. Brokers are well placed to negotiate any specific wordings or extensions that will suit their clients’ insurance needs. Customers’ reliance on brokers to advise on issues related to insurance contracts and reliance on such expertise should be part of determining whether a contract is standard form, and whether terms are unfair. This would be consistent with comments in the Explanatory Memorandum to the legislation originally extending the UCT regime to small business contracts.<sup>3</sup> These issues should also be discussed in the EM.

The EM should also clarify whether a contract with previously negotiated bespoke wording must be re-negotiated at renewal in order to no longer be a standard form contract. For example, a business customer that negotiates a suitable policy wording may be able to renew that contract on the same terms. Is the previous negotiation relevant to determining whether the contract is in a standard form? This should be clarified in the EM.

## Definition of ‘Small Business’

### Recommendations

- The definition of ‘small business’ for the UCT regime for insurance contracts should be aligned with the ATO’s definition of ‘small business’. This definition is well-known to businesses and insurers, and would be consistent with the objectives of the original extension of UCT protections to small business contracts.
- Alternatively, a definition based on the products within the AFCA Rules’ definition of ‘*Small Business Insurance Product*’ may be appropriate. This would also be consistent with the objectives of the UCT regime.

### Background

The Exposure Draft proposes to apply the definition of ‘small business entity’ in the *ASIC Act*’s UCT regime. This definition relies on two factors: the number of employees, and the premium payable for the insurance contract. Neither of these variables are good indicators of the sophistication of the business or its capacity to assess potential risks in relation to insurance contracts.

### Objectives of the UCT regime for small business

In 2016 the UCT regime in the *ASIC Act* was extended to contracts with small business. The Explanatory Memorandum to that legislation<sup>4</sup> explained the need for small businesses to have protection from unfair contract terms:

- “*Small businesses ... lack the resources to understand and negotiate contract terms.*”<sup>5</sup>;

<sup>3</sup> Explanatory Memorandum to the *Treasury Legislation Amendment (Small Business and Unfair Contract Terms) Act 2016*, see [1.2]-[1.4] and [1.7].

<sup>4</sup> *Treasury Legislation Amendment (Small Business and Unfair Contract Terms) Act 2016*.

<sup>5</sup> Explanatory Memorandum to the *Treasury Legislation Amendment (Small Business and Unfair Contract Terms) Act 2016*, [1.2].



- “Small businesses are less likely to have robust risk management policies or be in a position to absorb the costs associated with a risk if it eventuates.”<sup>6</sup>;
- “Small businesses often lack in-house legal expertise and the cost of obtaining legal advice, particularly for low-value contracts, can be disproportionate to the potential benefits of entering into such contracts.”<sup>7</sup>; and
- “Small businesses differ from consumers in that they also engage in high-value commercial transactions that are fundamental to their business and where it may be reasonable to expect that they undertake appropriate due diligence (such as seeking legal advice). **Limiting the extension of the unfair contract term protection to low-value, standard form small business contracts will support time-poor small businesses entering into contracts for day-to-day transactions, while maintaining the onus on small businesses to undertake due diligence when entering into high-value contracts.**”<sup>8</sup> (Bolding added)

The existing *ASIC Act* definition requires assessment of two key variables – the number of employees, and the amount of premium for the relevant contract. In the insurance context, neither of these are a good guide to sophistication of the business or its capacity to assess potential risks in insurance contracts. Rather, it is the risk associated with the business and the breadth of coverage provided that determine the premium. A business with small operations may be high risk (with a high premium), yet a different business with the same number of employees may have larger operations but be low risk (with a smaller premium).

Further, the threshold of \$300,000 may be an accurate guide to the value of ‘day-to-day’ contracts for goods and services, however this is not a suitable guide for distinguishing between insurance for sophisticated businesses and those which may require and gain benefit from the protections provided through the regime. The overwhelming majority of insurance contracts have an annual premium well below this threshold, even for large and sophisticated businesses. Adopting this threshold will require insurers to incur significant implementation costs, without resulting in significant benefit to business customers.

The examples set out in **Box 1** demonstrate the absence of a link between the number of employees or size of premium and sophistication of a business.

While Suncorp supports the application of the UCT regime to contracts with small business, the current definition risks capturing insurance contracts provided to sophisticated businesses who are well-placed to assess the detail of insurance contracts. This appears inconsistent with the stated objectives of the regime, particularly that the onus remains on small business to be diligent when entering into contracts that are of significance for their business, and which are not day-to-day transactions.

### Alternative definitions

The *Corporations Act* definition of ‘retail client’ has been suggested as an appropriate alternative definition to adopt in the UCT regime for insurance contracts. Adopting this approach would result in insurance commonly provided to small businesses (such as professional indemnity and business continuity insurance) being outside the scope of the UCT regime, regardless of the size and sophistication of the relevant business. Suncorp does not consider that this outcome would be consistent with the objectives of the UCT regime.

Rather, the definition of ‘small business entity’ adopted by the ATO<sup>9</sup> provides a more suitable approach. This definition is well-known to businesses and insurers, and the assessment of a business’ turnover provides an indication of the sophistication of the business, as well as its capacity to obtain advice and negotiate terms. It achieves a suitable balance between protecting small businesses from potential unfairness in insurance contract terms, but still requiring businesses to be diligent in assessing the risks and benefits of entering into an insurance contract.

A definition based on the types of products that are within the scope of AFCA’s jurisdiction may also be appropriate. Like the ATO definition, this approach would focus on the characteristics of the type of product, rather than the premium charged. The products included within the AFCA Rules’ definition of ‘*Small Business Insurance Product*’

<sup>6</sup> Explanatory Memorandum to the *Treasury Legislation Amendment (Small Business and Unfair Contract Terms) Act 2016*, [1.3].

<sup>7</sup> Explanatory Memorandum to the *Treasury Legislation Amendment (Small Business and Unfair Contract Terms) Act 2016*, [1.4].

<sup>8</sup> Explanatory Memorandum to the *Treasury Legislation Amendment (Small Business and Unfair Contract Terms) Act 2016*, [1.7].

<sup>9</sup> ‘Small business entity’ – a business with an aggregated turnover of less than \$10m.



include the types of insurance commonly required by small businesses, therefore this approach would provide protection for small business that is consistent with the objectives of the UCT regime.

## Terms required by law

### Recommendation

- The EM specifically mention that the UCT regime will not apply to any terms of insurance contracts that:
  - are terms for a product issued as part of a statute-approved professional liability scheme; and
  - are derived from, or use definitions from, the standard cover terms set out in the *Insurance Contracts Regulations*.

### Background

The existing UCT regime in the *ASIC Act* does not apply to terms that are required by law. This recognises that terms set under legislation, which providers are required to include or where specific wording is required, should not be reviewable under the UCT regime.

The Draft EM should be amended to include specific examples of terms in insurance contracts that are set under legislation, and therefore will be exempt from the UCT regime.

### Professional liability scheme products

Insurers provide insurance to sectors required to be insured under professional liability schemes. The terms for those products are often set by independent regulators under legislation, typically state-based. With these terms being in effect set under law, these contracts should be excluded from the UCT regime (even if provided to entities that fall within the definition of small business). To provide certainty to customers, professional bodies and insurers, this should be expressly noted in the EM.

### Standard cover terms

Many submissions to Treasury's consultation on *Disclosure in General Insurance* earlier supported a review of the standard cover regime, standardised definitions for perils and some exclusions, and other standardisation of insurance contract terms.

As is recognised by the existing UCT regime in the *ASIC Act*, terms that are prescribed by law should be excluded from the scope of the UCT regime. We suggest that a specific reference to the standard cover regime and standardised (prescribed) terms – such as the definition of 'flood' – should be included in the EM, to avoid any doubt about the ability to review those terms under the UCT regime.

## Implementation and transition period

### Recommendation

- Align the transition periods for the UCT and DDO reforms to whichever of the transition periods for those reforms is longer, simplifying the product document amendment process for insurers and providing greater certainty for customers.

### Background

Suncorp welcomes the extension of the proposed transition period to 18 months, in recognition that this reform will require insurers to undertake extensive reviews of product terms. The proposed transitional arrangements may however, create confusion for our customers unless they are scheduled to align with product changes required to implement other reforms, as well as the operation of other legislation that governs insurance contracts.

## Box 1: Examples of Commercial Insurance Policies

Suncorp's commercial insurance products include professional indemnity, insurance for government and larger corporation vehicle fleets, corporate property, construction and general business insurance.

Across our professional indemnity portfolio, annual premium ranges from \$750 to more than \$2m. Approximately 85% of the policies issued in this portfolio are placed through intermediaries, and all products have the ability to be negotiated and tailored to the individual needs of the business. Only 0.2% of policies have an annual premium that is greater than \$500,000.

The following examples are all for insurance contracts that provide liability coverage of \$1m:

- A sole trader management consultant has annual turnover of \$250,000. The annual premium for their professional indemnity policy is \$750.
- An ASX-listed mining company has an annual turnover of \$3.5m. It holds a Directors & Officers liability policy which has an annual premium of \$8,500.
- A sole trader massage therapist has an annual turnover of \$80,000. The annual premium for their medical malpractice policy is \$750.
- A firm of engineers has annual turnover of \$9m. Their professional indemnity policy has an annual premium of \$112,500.

Similarly, motor vehicle insurance for large fleets can have premiums well below and well above the ASIC Act threshold, despite all of those customers being large and sophisticated organisations:

- A fleet of approx. 10 vehicles for a business in the manufacturing sector has an annual premium of \$16,000.
- A fleet of approx. 15 vehicles for a hotel operator has an annual premium of \$15,000.
- A fleet of approx. 160 vehicles for an online retailer has an annual premium of \$143,000.
- A fleet of approx. 2,000 vehicles for a company in the financial services industry has an annual premium of \$500,000.

Our Corporate Property Insurance portfolio also demonstrates that sophisticated organisations can have insurance premiums well below the ASIC Act threshold.

- A business in the finance industry with a large property portfolio has a property insurance premium of \$175,000.
- Despite being a significant landowner, a local government has a property insurance policy with a premium of \$275,000.
- An owner of race tracks holds a property insurance policy with an annual premium of \$250,000.

Further, the majority of these businesses obtain their insurance annually, and through insurance brokers. Their discussions with the brokers involve detailed consideration of their business operations, risks and insurance needs. The brokers provide advice on the suitability of insurance products for the businesses' needs, potential risks that may not be covered under the policy wording, and the ability to negotiate terms to ensure that appropriate insurance coverage is obtained.

These examples demonstrate that insurance products that would exceed the premium threshold set out in the ASIC Act definition would usually be provided to highly sophisticated businesses (including listed entities), rather than smaller businesses which may obtain the most benefit from the UCT regime.

## Alignment with DDO changes

Suncorp supports aligning the introduction of the UCT regime with the transition period for the Design and Distribution Obligations reform. Depending on when the UCT regime legislation is passed, aligning implementation of these reforms to the longer of the transition periods for those reforms would be preferred. This would be a sensible approach that enables changes to product wordings and documents under both regimes to be made simultaneously. A single update of documentation will likely be less confusing for customers and provide them with greater certainty in their insurance coverage, rather than receiving multiple updates of documents in consecutive years.

## Conclusion

Suncorp supports the extension of the UCT regime to insurance contracts, which will provide increased protections for our customers.

Strong contracts are the foundation of ensuring that we are accountable for delivering on the promises we make and our legal obligations to our customers, as well as preserving our ability to support our customers and our communities of customers.

Minor amendments to the Exposure Draft and Explanatory Memorandum will ensure the regime recognises the importance of strong contracts for insurance and operates as intended, without unnecessarily limiting access to or choice of insurance products, or harming the affordability of insurance.