

Manager
Insurance Team
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

30th September 2019

Dear Sirs,


Treasury proposal paper on deferred sales model

This submission is made relative to Treasury's Proposal Paper on Reforms to Add-on insurance products issued on 9 September 2019. We submit that **car rental insurance sold through websites** should be exempt from deferred sales requirements.

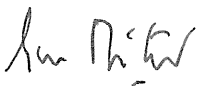
Assetinsure Pty Limited is an APRA licensed insurer and offers car rental insurance solely through an online facility by Cover Genius, an Insuretech company. We understand that there is a separate submission provided by Cover Genius.

We make the case for the product exemption from mandatory Add on Insurance (AOI) sale deferral for the following reasons:

1. There is strong competition amongst rental car aggregators. The insurance product is too small a cost and too dependent on a car hire to be ever hawked.
2. Consumers invariably determine when taking out a car rental that they need insurance. Insurance purchases are not isolated decisions. Reason being that the cost of vehicle hire is very small compared to the potential risk of vehicle damage that a renter needs to pay for in the event of vehicle damage.
3. The product is well understood by consumers. We believe this area of insurance is as well understood as for car owners taking out comprehensive cover. For comprehensive cover the Hayne Royal Commission has advocated exemption from AOI prohibition. The same should apply here.
4. We have **evidence** that the upfront decision to purchase insurance at time of hire delivers far **better** value for money compared with a sale in a rental car office when the vehicle is picked up. This is because the customer is captured in the car rental office and in a "pressure situation".
5. If the sale process is disintegrated through mandatory deferral, the risk of underinsurance or pressure sale in the car rental office increases materially with adverse consumer outcome.
6. Because of a mandatory deferred sales model for this product a consumer could be left in an invidious position and without insurance. If they hired the car for immediate use and had an accident on the second day of the hire, the deferred sales model would leave them without insurance to cover their loss when they had intended to purchase the cover.

- 
7. The proposed deferred sales model does say the customer can reduce the 4 day waiting period but the deferred sales process is unlikely to be at the forefront of the hirers' mind when they hire the vehicle and they may not realise the need to expressly ask to have the deferral expressly reduced.
 8. At the same time there needs to be recognition of appreciated efficiency when the product is purchased online at time of taking out the car rental. Given the small cost per day, reducing complexity is a key aspect for holiday makers who use the internet in organising their own holiday.
 9. Many travellers would not wish to buy travel insurance when travelling only domestically (and evidenced by lower penetration rates of travel insurance for domestic travel than international). Unbundling insurance (i.e. in this case offering car rental insurance separate to a comprehensive travel insurance), is beneficial to the customer as it allows them to buy coverage only for the risks they wish to avoid.
 10. Even if international travel is involved, travellers might only purchase medical cover. So (based on assessment per item 2 above) they still need to take out car rental insurance.
 11. Importantly, we do not advise customers to buy car rental insurance regardless of other covers they may have (be it through *annual* travel insurance or their *specific* credit card). We merely offer it to consumers, and if they decide they would like the extra protection (either because they have none or their existing protection is limited), then they are free to make that decision.
 12. There is also a bigger picture benefit. When taking out the car rental excess insurance in a convenient way, the consumer knows that any inappropriate charges by car rental companies for repairs are being followed up by the insurance company and as a consequence such repair costs are systematically kept under control.

Yours sincerely



Gregor Pfitzer
Chief Executive Officer