

The Treasury

Langton Crescent

Parkes ACT 2600

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INFORMATION REQUEST: Deferred Sales Model Class Exemptions

The Australian Automotive Dealer Association (AADA) appreciates the opportunity to respond to the information request regarding the deferred sales model (DSM) class exemptions. This submission focuses on matters relevant to motor vehicle sales and associated motor vehicle insurance products.

About the AADA

The AADA represents 3,800 new car and truck dealerships across Australia. These businesses range from small, family-owned operations to large, publicly listed enterprises, and are located in both regional areas and major cities. Collectively, franchised new car and truck dealerships employ more than 68,000 Australians and generate an estimated \$18 billion in economic activity each year. Annually, these dealerships are responsible for selling over 1.6 million new and used vehicles and undertake more than 44 million service, repair, and maintenance transactions.

Support for Class Exemptions

AADA supports the continuation of the class exemption under the Australian *Securities and Investments Commission Act 2001* and relevant regulations for motor vehicle insurances that are sold at the point of sale in dealerships, alongside the related automotive product.

Consumer Benefits of Existing DSM Exemptions

The current regulation regarding DSM exemptions enables consumers to purchase vehicle insurance at the dealership when buying a vehicle. This means consumers can take delivery of their vehicle knowing that appropriate insurance coverage is already in place.

Dealer Role in Registration and Insurance

The existing exemptions also allow dealers to manage and finalise vehicle registrations and transfers for consumers, including arranging necessary and Compulsory Third Party (CTP) insurance. For example, when a consumer purchases a new car, the dealer manages all the paperwork for registration, CTP insurance, taxes, charges, and stamp duty on their behalf.

Consumers expect that dealers will manage the sales process and all required paperwork efficiently, allowing for a seamless 'driveaway' experience either on the day of sale or shortly after. Being able to access vehicle insurance at the dealership adds to this efficiency and convenience.

Importance of Immediate Insurance Coverage

For CTP insurance, which is a prerequisite for vehicle registration, dealers ensure vehicles are registered, transferred, and roadworthy upon delivery. Any requirement to defer the sale of insurance could disrupt these essential processes, potentially delaying delivery, and registration of sold vehicles.



PO Box 4409 Kingston, ACT, 2604

✉ info@aada.asn.au



www.aada.asn.au

If insurance coverage is deferred, there is an increased risk that vehicles may be driven without insurance. This could lead to unintended consequences where new owners, through oversight, may operate uninsured vehicles after delivery.

The sale of vehicle insurance as a related product at the dealership is a longstanding practice that forms part of the comprehensive service dealers provide to consumers and has consistently delivered positive outcomes for buyers.

Consumer Choice and Market Competition

The market for motor vehicle-related insurance is highly competitive, allowing consumers to easily compare prices and coverage options. Insurers' online platforms and third-party comparison websites make it simple for consumers to assess different products. Additionally, consumer advocacy organisations regularly analyse and publish comparison data to inform consumers. Those wishing to compare policies and pricing can readily do so using these resources.

The overwhelming majority of car buyers purchase insurance from a non-dealership channel. However, there is a proportion of the car buying public who prefer to buy insurance at the dealership providing them with the confidence that their new vehicle is insured from the moment they drive away. This reduces the risk of vehicles being uninsured and provides the opportunity to secure insurance protection immediately, thereby safeguarding their asset.

Given these benefits, AADA submits that the current regulated exemption for vehicle insurances should be retained for a further five years beyond the regulation's expiry on 5 October 2026.

Consumer Protections and Recourse

Comprehensive vehicle insurance policies purchased at a dealership typically come with a cooling-off period, often 21 days from the date of purchase, during which consumers can reconsider their decision and cancel the policy without penalty.

If consumers have concerns or wish to make a complaint regarding insurance matters, they may contact the Australian Financial Complaints Authority (AFCA) for assistance.

Conclusion

A regulatory restriction on sales of vehicle insurance in Dealerships would be a restraint on productivity and efficiency and a barrier to the timely delivery of vehicles to consumers.

The AADA supports the existing DSM exemptions and the continuation of current arrangements, which allow the sale of vehicle-related insurances at dealerships simultaneously with vehicle purchase transactions.

James Voortman



Chief Executive Officer
jvoortman@aada.asn.au



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info@aada.asn.au



www.aada.asn.au