



CONSULTATION ON DEFERRED SALES MODEL FOR ADD-ON INSURANCE PRODUCTS CONCLUDES

09 July 2021

To: ALL AADA MEMBERS

The Federal Treasurer, Josh Frydenberg, has announced the conclusion of the consultation period for the application of a Deferred Sales Model (DSM) on add-on insurance products.

The DSM will come into effect as of 5 October 2021 for add-on insurance however the regulations provide exemptions for certain classes of add-on insurance products, which are as follows:

- Compulsory third party (CTP) insurance for motor vehicles
- Third party property damage
- Fire and theft insurance for motor vehicles
- Comprehensive insurance for boats, motorcycles, motorhomes, caravans and trucks
- Insurance sold with superannuation (including group life insurance)
- Postage and delivery of consumer goods insurance
- Home building insurance
- Home and contents insurance
- Landlord insurance
- Wholesale style insurances available to businesses

Though not specifically mentioned in the [attached release](#), Dealers should note that comprehensive car insurance is also exempt from the DSM.

If you have any questions, please contact the below AADA team member:

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THE HON JOSH FRYDENBERG MP
Treasurer

MEDIA RELEASE

8 July 2021

OUTCOME OF CONSULTATION ON DEFERRED SALES MODEL FOR ADD ON INSURANCE PRODUCTS

The Morrison Government will provide consumers and industry with greater certainty in relation to the insurance products that will be covered by the deferred sales model and anti-hawking regime.

Consistent with recommendation 4.3 of the Financial Services Royal Commission, on 10 December 2020 the Government passed laws that introduced a deferred sales model for add on insurance. The legislation provided for regulations to exempt a class of add-on insurance products where it would not be appropriate that they be captured by the deferred sales model.

Consultation has now concluded on the need for any limited class exemptions to be provided.

The Government will exempt from the deferred sales model the following classes of insurance products: compulsory third party (CTP) insurance for motor vehicles; third party property damage, fire and theft insurance for motor vehicles; comprehensive insurance for boats, motorcycles, motorhomes, caravans, and trucks; insurance sold within superannuation (including group life insurance); postage and delivery of consumer goods insurance; home building insurance; home and contents insurance; and landlord insurance. Relief will also be provided for wholesale style insurances available to businesses.

The regime is due to commence on 5 October 2021. The Government will continue to consult with stakeholders on any additional exemptions that may be appropriate. As consultation has demonstrated, careful implementation will be required to ensure the deferred sales model continues to allow small business and consumers to access the insurance they legitimately need on a timely basis and to avoid inadvertently impacting our economic recovery from COVID-19.

Complementing the exemptions to the deferred sales model for add on insurance, basic banking products will also be exempt from the anti-hawking regime, where the customer initiates the contact. This includes contact about products such as transaction accounts, stored value cards, electronic cash, direct debit services and electronic payment services. These products are well-understood by consumers and therefore not appropriate to be included in the anti-hawking regime.

The Government remains focused on completing implementation of the remaining recommendations of the Hayne Royal Commission.

Ends