General insurers' review of pricing practices

Further to ASIC's Media Release 21-270 of 15 October 2021 and subsequent letter to you, below are the key issues that ASIC has discussed with general insurers, and our responses.

Key issue	ASIC response
Areas outside of the scope of the review	The review methodology should clearly identify areas considered outside the scope of the review and the reason(s) for this.
Review of legacy products	As ASIC's letter noted, the review should confirm whether all discounts or price rewards promised on all retail general insurance products over the past five years have been fully delivered to all customers. If you sold a product in the past five years, it should be included in the review, even if you no longer sell it. If a product is now issued by another insurer (e.g. because the brand has been sold), we expect the insurer currently issuing the product to work with the original insurer to assess whether pricing promises were delivered during the five-year period.
Extensions to existing products	The review should consider whether customers who extended an existing product (e.g. by adding fusion motor burnout cover) received the discount in relation to that extension. This applies where a customer would reasonably have believed, based on representations or disclosures, that discounts would also apply to that extension.
Types of promises or representations made to customers	We note the recent case in the UK where the Financial Conduct Authority fined Lloyds Bank General Insurance Limited and others for failing to ensure that the language in home insurance renewals was clear, fair and not misleading. That case involved representations that: 1. customers were being quoted a 'competitive price' at renewal, however that was not the case and the insurer did not take steps to check that it was accurate; and/or 2. customers would receive a discount based on either their 'loyalty', on the fact they were a 'valued customer', or otherwise on a promotional or discretionary basis, where the described discount was not applied and was never intended to apply. The review should consider whether: • you have made similar representations; • because of those representations, cost-conscious customers renewed policies believing they would be rewarded for loyalty or retaining multiple policies; and

	• your customers were not rewarded for loyalty because of the way policies were priced.
Pricing promises made by third-party distributors	We expect the review to consider whether price promises made to your customers by third-party distributors have been delivered. This does not include brokers who act for customers. We have seen discounts promised by third-party distributors not delivered because of incorrect data being shared. For example, if distributors provide insurers with incorrect customer birthdates, customers may not receive benefits offered to customers over a certain age.