



**Foreword**  
**to NALSPA'S Response to ASIC Consultation Paper 294**  
***The sale of add-on insurance and warranties through car yard intermediaries***

- Although NALSPA does not consider it necessary to have a regulatory based deferred sales model within a salary packaging context, it is broadly supportive of a deferred sales concept if structured appropriately. It is critical that the practical differences of the sale of insurance products in the salary packaging context are taken into account in the design of the deferred sales model to ensure there is no adverse impact to customers who wish to salary package their vehicle and associated insurance products.
- The consumer experience is different in the salary packaging context to the consumer experience in a car dealership. ASIC in its Consultation Paper 294 has raised concerns regarding sale practices and the level of understanding by the consumer of the product's benefits.
- Practically these concerns are likely to be more relevant to insurance products that are sold at car dealerships contemporaneously with the vehicle and in the physical presence of the consumer.

**How does the salary packaging intermediary channel differ from other sales channels?**

- NALSPA has an important role to educate the market about the operation of the salary packaging segment and specifically how the novated leasing process operates distinctly from other intermediary sales channels.
- The products and services made available to employees via salary packaging are done so in accordance with the contractual arrangements negotiated on the employee's behalf by their employer. The provision of these products and services by salary packaging providers are therefore delivered against a backdrop of service delivery performance requirements as defined by the employer.
- These contracts also provide significant pricing benefit to employees utilising their employer's salary packaging programs.
- Whilst vehicles are a significant salary packaging item, salary packaging providers are normally required under their contractual arrangements with employer clients to offer a broad range of packaged items able to be accessed by employees. This means that the employee communication and interaction processes designed by providers need to be able to incorporate a number of different products and processes.
- The role of the salary packaging provider is to consult with the employees to identify the products that they can salary package beneficially and the impact of salary packaging a product on their disposable income. Once the employee has elected to salary package an item the salary packaging provider then facilitates the salary packaging process. The salary packaging provider then works alongside the employee for the duration of the packaging arrangement and therefore maintains a positive customer relationship with the employee.

- If the salary packaging provider damages the relationship during the 'package commencement' process, then this makes the ongoing relationship with both the employee, and potentially the employer, problematic. It is in the best interests of salary packaging providers to provide quality insurance products, and sell these to employees in an effective and transparent manner, otherwise the salary packaging provider risks damaging the ongoing relationship with both the employee and the employer.
- The 'package commencement' process is in most cases not a face to face process. Most salary packaging providers manage the 'package commencement' process either on-line or over the phone and it does not occur in a single interaction with the employee. Therefore a consumer investigating a novated lease option generally receives multiple quotes comparing a variety of product options and inclusions. They have significant time to listen and importantly read and understand information in their own time. The duration of the 'package commencement' process, which includes the offer of insurance products, is very much driven by the consumer.
- In the salary packaging sector, a deferral period is already embedded in the sales model by virtue of the time and mechanics required to put in place a novated lease. Whilst it does vary across the sector, the average time frame for the 'package commencement' process for a motor vehicle is in the order of **37 days** from first communication with our customers, but this can be as short as a few days depending on the consumer's circumstances. This timing does not include delivery time which is usually substantially longer in the case of new vehicles.
- Vehicle quotes provide the employee with a 'whole of life' cost relating to the vehicle, represented in increments aligned to the frequency of the employee's salary payments. These quotes provide product and pricing information for the employee and enable them to genuinely assess vehicle affordability in the context of their 'take home' pay.

This is an important value add for the salary packaging process as it enables employees to accurately assess the true cost of the vehicle for their personal situation. Any regulatory change that inhibits a salary packaging provider from fully disclosing all elements of the salary packaging arrangement is a significant disadvantage to the employee, limiting their understanding and ability to make a properly informed decision.

- Where the employee elects insurance products they are generally subject to a cooling off period of at least 14 days.

**The deferred sales model must be designed in a manner which does not disadvantage salary packaging customers:**

NALSPA attests that a deferral period, appropriately designed, could in principle be implemented within a salary packaging context, provided it is structured in a manner which does not disadvantage salary packaging customers nor place unreasonable administrative burden on providers. Specifically:

- It is important that salary packaging providers have the freedom to communicate with their employee customers about the structuring and total cost of their salary package throughout the packaging establishment period. To this end, any deferral period must commence from the provision of the mandated consumer communication to maximise the length of time that an employee has to consider the inclusion of add on products in their package.

The timing of the mandated consumer communication should be given at the time that the products are offered or discussed or when a quote is given to the customer for the 'whole of life' cost of a novated lease.

- A period of 4 clear days allows sufficient time for an employee to consider whether a product is right for their needs whilst still allowing sufficient time to include it in their salary packaging arrangements for the vehicle.

- An opt-out mechanism is necessary to ensure that employees looking to refinance existing lease vehicles or salary package a second or subsequent vehicle are not either disadvantaged or inconvenienced.

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